



**INTERNATIONAL ELECTROTECHNICAL COMMISSION (IEC) SYSTEM
FOR CERTIFICATION TO STANDARDS RELATING TO EQUIPMENT FOR
USE IN EXPLOSIVE ATMOSPHERES (IECEX SYSTEM)**

For Consideration by Members of the IECEX Management Committee, ExMC

2021 IECEX Audited Accounts

Introduction

This document contains the IECEX 2021 audited accounts including a copy of the IEC Auditors report, attached and is submitted for consideration by ExMC Members.

Explanatory notes have been provided for the assistance of Members.

This Report is submitted for ExMC consideration at the September 2022 IECEX meetings, following which will be presented for CAB endorsement during the 2022 IEC General Assembly to be held in San Francisco.

The Auditors financial results for 2021 been used along with the ExMC approved 2023 Budget in the preparation of the 2024 and 2025 Outlook (ExMC/1830/CD), issued separately. Notes to the auditor's report have been prepared by both the IECEX Treasurer and Secretary.

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Explanatory Notes to the 2021 IECEX Audited Accounts

IMPLEMENTATION OF NEW SWISS GAAP ACCOUNTING STANDARDS

As informed during the 2018 IECEX Management Committee meeting in Cannes, the IEC have introduced the Swiss GAAP accounting Standards across all IEC activities, hence since the 2018 accounts, Members will note a new format of presenting the accounts which aligns with the format of all IEC activities and enables a clear set of consolidated accounts to be prepared.

One of the key features of the Swiss GAAP Accounting Standards is the provision of consolidated budgeting and accounting to capture all activities of the IEC, hence for the 2021 accounts, the common IEC Accounts format is used.

INCLUSION OF ASSESSMENT FEES AS BOTH INCOME AND EXPENDITURE:

The IECEX Management Committee previous decision for IECEX to control the payment of fees to Assessor Organizations and hence invoice these amounts to ExCBs and ExTLs means that Assessment fees are included as income and expenditure in the end of year accounts.

The main issue to highlight is that the Swiss auditors have requested to include the assessment fees (charged to ExCBs and ExTLs for the IECEX peer assessments) of CHF 440'481 as Scheme Income and the fees paid to IECEX Assessor's organizations of CHF 430'142 as Scheme Expenditure, with these amounts being referred as Transitional Funds. This has been the practise each year since 2007. In noting that the difference **CHF 10'339**, this is regarded as Scheme income arising from a small fee per invoice charged as administration fee for the Secretariat to process and manage invoices and bank charges, as well as where the IECEX Executive Secretary participates in the peer assessment programme.

SUMMARY

The total income (less Assessment Fees Income plus CHF 10'339 admin fee [Assessment Fee Income less Assessment Fee Expenses]) and NET financial revenue (CHF 2,652) has resulted in an end of year total Income of **CHF 1,655,651** compared to **CHF 1,606,477** for 2020 and 9% below 2021 budget predictions, noting that the 2021 budget was prepared at the commencement of the COVID-19 pandemic and included additional income from special events, eg conferences, that did not take place.

The Total Operating costs (Total expenses less Assessment Fees paid to Assessor Organizations of CHF 430142) is **CHF 1,370,941** compared to **CHF 1,285,637** for 2020 and 16.8% below 2021 budget predictions. Again, noting that the 2021 budget was set at the commencement of the COVID-19 pandemic.

Given the travel restrictions and other challenges associated with the COVID-19 pandemic and all matters taken into account an extremely positive result was achieved for 2021 with an end of year surplus of **CHF 192'328** being achieved which is a pleasing 137% above 2021 Budget predictions.

In line with item 6.0 of the 2022 IECEX Budget (ExMC/1680/DV) a special provision was made in the 2022 budget to introduce Designated Reserves for Innovation and Marketing amount of CHF 300,000. See 2.9 below for details.

At end of 2021, with an end of year result of CHF 192'328 surplus the IECEX Finances now sees IECEX with Free Capital (Reserves) of **CHF 2,574'125** comprising
Capital Fund = CHF 2,274,125 and
Reserve for Innovation and Promotion = CHF 300,000

The Free Capital (Reserves) of **CHF 2,574'125** now sits at 1.9 X annual operating expenses noting the previous IEC Finance Committee, FinCom requests for IEC Business Units to maintain a reserve in the

order of 1.5 X annual operating costs. There is however a view that given the IECEX exposure to legal issues, eg misuse of the IECEX TradeMark and Conformity Mark, that it would be more prudent to maintain a level of reserves at 2 X annual operating costs.

In conclusion, while achieving the objectives of operating an active and growing International Conformity Assessment System and adjustments to cater to the COVID-19 travel restrictions the IECEX was still able to achieve a sound end of year result for 2021 with an end of year surplus and contribution to reserves that was well above 2021 budget predictions, largely due to travel restrictions and other cost limiting measures.

1 INCOME

1.1 Membership Dues (Annual Dues)

Annual Membership dues were close to Budget expectations due to new bodies now participating in the various IECEX Schemes. There were no loss of Members during the 2021 year.

1.2 Sales (Sale of publications)

This relates to sale of IECEX publications e.g. Bulletin and ExTR blanks and was below budget predictions.

1.3 CA System Operations

a) Surcharges

Surcharges apply to Manufacturers and Service Facilities that are located in non IECEX member countries whom derive the full benefit of IECEX without their country contributing to the IECEX annual dues. It is noted that the Surcharges were below budget predictions but yet still a healthy result especially noting that the 2021 budget was prepared well at the commencement of the COVID-19 pandemic.

b) RTPP annual fees

This relates to the annual dues paid by IECEX Recognized Training Providers whom run and provide training programs that are in support of the IECEX Schemes. The 2021 result was well above budget predictions, despite the impact of the COVID-19 pandemic, showing growing interest in this service.

c) Application Fees

Application fees are applicable to new countries and new ExCBs and ExTLs joining IECEX. While the 2021 accounts figure was slightly below budget predictions, it should be noted that during the 2021 year IECEX did not lose any member bodies or organizations but actually received applications from new bodies seeking to join IECEX, despite the COVID-19 pandemic.

d) Certificate Fees Equipment

The Certificate fee income for the IECEX Certified Equipment Scheme resulted in CHF 957'972 and was slightly below budget predictions, likely due to restricted operations of manufacturers and ExCBs during COVID-19 lockdowns occurring in many countries.

e) Certificate Fees Services

The Certificate fee income for the IECEX Certified Service Facility Scheme resulted in CHF 105'250 and was 23.8% above budget predictions showing growing interest in this service, despite travel restrictions associated with the COVID-19 pandemic.

f) Certificate Fees Persons

The Certificate fee income for the IECEX Certified Persons Scheme resulted in CHF 169'475 which is **13%** above budget predictions as well as a 30% increase on the 2020 results.

g) Other Income

Other income provides for additional income generated within IECEX which normally includes income from sponsorships for IECEX workshops and conferences. For 2021 the planned conference was postponed given the COVID-19 pandemic travel restrictions. The CHF 12'500 results largely from IECEX peer assessments conducted by the IECEX Executive Secretary as part of the IECEX Business continuity measures put in place to manage COVID-19 Travel restrictions.

h) Assessment Fees

While reported in detail above, the budgeted income is derived from the IECEX Central Office issuing invoices to IECEX CBs for the involvement of Peer assessors and is offset by the expenditure item "Costs to conduct Assessments", as part of managing the peer assessment process including the engagement of Assessors and payments to Assessor organizations.

2 EXPENSES

2.1 General

For 2021 the total operational expenditure was well below budget predictions, with the overall actual operating expenses (total expenses minus costs to conduct assessments) was contained to **CHF 1,370,941** and 16.8% below 2021 budget predictions.

In line with expected business practice, the IECEX monthly accounts are constantly reviewed and any adjustments to expenditure are made according to income levels.

From the auditor's report we see that most of the Expenses items have resulted in an end of year accounts being below budget predictions. The following items are specifically noted.

2.2 Personnel Costs

Personnel costs were in line with budget predictions and covers all personnel related costs (eg, Staff Remuneration, Insurance, Pensions and other statutory employee related costs) with a mix of full time and part-time resources.

2.3 Rent and Maintenance

Covers the Sydney based Secretariat Office and includes Rent, Power, Telephone, IT, etc. The total costs were below budget predictions.

The CHF 89,514 amount is below budget predictions and provides for operating the IECEX Secretariat Office located in Sydney catering for the Secretariat staff with the following being covered:

- Secure Office accommodation
- Heating and cleaning
- Electricity costs (light + Power)
- Telephone costs
- Meeting room facilities
- Reception facilities
- IT services and support
- Printing and photo copying
- Fax facilities

2.4 Office & Administration

a) Office Equipment

Office equipment covers usual office related equipment and consumables related to day to day running of the Secretariat office including computer related, stationery and printing and postage of CoPC cards and other documentation. This was contained well below budget predictions.

b) Contribution to overhead costs (Indirect IEC Costs)

Contribution to IEC Geneva Office Costs, covers use by IECEX of IEC Central Office Services including:

- IT Department
- Communications and Promotions Department
- Publishing Department
- Printing Department
- Finance Department
- Others

The amount of CHF 147,060 is in line with the approved 2021 budget.

During its January 2022 meeting, the IECEX Executive undertook a discussion on this matter noting that while acknowledging the various support services provided by the IEC Geneva Secretariat, the value that operating IEC CA Systems such as IECEX also bring significant value to the broader IEC and a factor that is to be considered when determining this contribution level.

c) Miscellaneous Legal and audit

Caters for various matters such as audit costs of the IECEX accounts and the provision of an external auditor's assessment/audit and reporting of the IECEX financial accounts / IECEX Trademark and website domain monitoring and bank fees and was above budget predictions. Additional legal costs were incurred during 2021 associated with the processing of IECEX TradeMark applications in different countries where applications were subjected to adjustment to cater to initial concerns raised from the countries TradeMark Offices. These are generally minimal amounts which are in addition to the standard registration application mentioned in item 2.7 below.

d) Website

Maintained below budget and covers the IT Webmaster services for the dedicated IECEX Website

e) Special Projects

Maintained well below budget predictions and mainly covered costs associated with the updating of the IECEX website. The uncertainty associated with COVID-19 led to the decision to not pursue other special projects.

2.5 Communication and Printing

This provides for communication of the IECEX and promotion. These were maintained well below 2021 budget predictions due to uncertainties associated with COVID-19 but did include costs associated with advertising costs associated with the ½ page advertisement taken out in the HazardEx magazine.

2.6 Meeting and Travel

a) Special Event

The main purpose of Special Events is the promotion and increased awareness of the IECEX System by way of conducting a 2 Day International Conference, in partnership with both the United Nations UNECE (due to their formal endorsement of IECEX) and the National Committee of IEC in a specific country.

While expected that the 2020 planned conference may have been moved to 2021 however given the continuing COVID-19 pandemic unknown immediate future at the time, the annual conference was postponed to be revisited in 2022/2023. However, as part of its business continuity measures, IECEX has been running a series of Remote on-line sessions to assist in promotion plus release of the new IECEX Informational video.

b) Travel and Meeting Expenses

There was no travel associated with the 2021 year due to the on-going COVID-19 travel restrictions, with the CHF 506 amount related to cost component to maintain minimal existing travel insurance policy. This cost saving in itself provides IECEEx with an opportunity to further improve its current financial position.

Examples of normal travel and meeting costs are associated with:

- Secretariat staff for IECEEx Operational Meetings
- Secretariat staff for IECEEx Annual IECEEx meetings
- Secretariat Staff to attend meetings of CAB and CAB WG Meetings,
- Meetings of ISO CASCO WGs
- Promotional events etc
- Others, eg IEC Geneva Office and meetings with Member Bodies, potential new Member Bodies where necessary

2.7 DEPRECIATION – TRADEMARK REGISTRATION

This covers the depreciation of costs associated with the worldwide registration of the IECEEx TradeMark as a means of protecting the IECEEx brand, IEC and its members. The total cost associated with this registration is to be depreciated over a 10 year period, which commenced in 2020.

2.8 NET FINANCIAL REVENUE

This includes revenue for investment portfolio of the IECEEx General Reserves.

For 2021, the result of 2,652 is due to maturing of investments in the investment cycle.

2.9 ALLOCATION TO IECEEx RESERVES + DESIGNATED RESERVES

Designated Reserves are funds of the Free capital (previously known as General Reserves) that have been designated for certain possible costs/expenditure that are considered to be in addition to day to day Operational costs, eg one-off costs. In light of previous requests from the IECEEx Membership and its Management Committee, to provide dedicated software to support the IECEEx Question Bank associated with the IECEEx CoPC Scheme along with calls for structured IECEEx Marketing, re new IECEEx ExMC WG17 “Marketing” funds of total CHF 300,000 are being allocated as Designated Reserves for “**Innovation and Promotion**” comprising the following two items detailed in a) and b) below.

a) IECEEx CoPC Question Bank Software

The IECEEx Certificate of Personal Competence Scheme (CoPC) operates with a central Question Bank (QB) that relies on IECEEx Certification Bodies to create appropriate questions for candidates seeking an IECEEx CoPC Certificate. The IECEEx Management Committee, ExMC have supported calls from the CoPC Committee to invest in a project that includes software to assist in ensuring a common application of the IECEEx CoPC QB. The amount allocated takes into account software development and resources, if needed, to complete the project.

b) IECEEx Marketing Activities/Projects

New IECEEx WG17 Marketing, commenced its work in 2021 on a marketing plan for the IECEEx. Already and as part of that plan, IECEEx have produced the first IECEEx Promotional video to introduce IECEEx and sees additional videos and other marketing projects, including engaging with external Marketing professionals as part of its marketing campaign.

In line with Swiss GAAP accounting practice these Designated reserves now show in the IECEEx Balance Sheet as part of these Audited Accounts as reviewed and prepared by the IEC Swiss Auditors.

Therefore, the 2021 end of year surplus of CHF 192'328 has been assigned to the IECEEx Capital and Reserves. Taking into account the impacts of the global COVID-19 pandemic, the end of year surplus is a yet another most pleasing end of year result for IECEEx.

3 CONCLUSION

The Business Continuity Measures to combat business concerns associated with COVID-19 Pandemic, that were put in place early in 2020 and continued into 2021, by the IECEX Executive, has enabled the IECEX finances to remain in a healthy state. The IECEX Treasurer therefore proposes the IECEX Management Committee to endorse these 2021 audited accounts.



**International Electrotechnical Commission,
Geneva**

Report of the Independent Auditor
on the Financial Statements
of the IEC System for Certification to Standards
relating to Equipment for use in Explosive
Atmospheres (IECEX)
to the Conformity Assessment Board

Financial Statements 2021



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Report of the Independent Auditor to the Conformity Assessment Board of International Electrotechnical Commission, Geneva

Report of the Independent Auditor on the Financial Statements

As independent auditor, we have audited the accompanying financial statements of the IEC System for Certification to Standards relating to Equipment for use in Explosive Atmospheres (IECEx), which comprise the balance sheet, statement of income and expenditure and notes for the year ended 31 December 2021.

Executive Secretary's Responsibility

The Executive Secretary is responsible for the preparation of the financial statements in accordance with the accounting, valuation and presentation principles as stipulated in the notes to the financial statements. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Executive Secretary is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



**International Electrotechnical
Commission, Geneva**

Report of the Independent Auditor
on the Financial Statements of the
IEC System for Certification to
Standards relating to Equipment for
use in Explosive Atmospheres
(IECEX)
to the Conformity Assessment Board

Opinion

In our opinion, the financial statements for the year ended 31 December 2021 comply with the accounting, valuation and presentation principles as stipulated in the notes to the financial statements, applicable to the preparation of the financial statements.

KPMG SA

Pierre-Henri Pigeon
Licensed Audit Expert

Cédric Rigoli
Licensed Audit Expert

Geneva, 31 March 2022

Enclosure:

- Financial statements (balance sheet, statement of income and expenditure and notes)

BALANCE SHEET AS AT 31 DECEMBER 2021

(with comparative figures for 2020)

	2021	2020
ASSETS	CHF	CHF
Current Assets	2'292'009	2'027'113
Cash & cash equivalents	449'270	76'545
Banks, current accounts	449'270	76'545
Securities	241'112	240'036
IEC Pool Investments	241'112	240'036
Accounts receivable	1'132'050	1'311'337
Membership Dues (all years)	5'250	0
Publications	0	210
Certificates and surcharges	417'064	415'631
IEC current account	709'736	895'496
Prepaid expenses and accrued income	469'577	399'195
Prepaid expenses (IECEX secretariat)	283'888	270'370
Accrued income	185'689	128'825
Long term Assets	765'915	804'564
Trademarks	765'915	804'564
TOTAL ASSETS	3'057'924	2'831'677
LIABILITIES, CAPITAL AND RESERVES		
Current Liabilities	483'799	449'880
Short-term liabilities	49'113	15'194
Accrued liabilities	49'113	15'194
Provisions	434'686	434'686
Provision	434'686	434'686
Capital & Reserves	2'574'125	2'381'797
Free Capital	2'574'125	2'381'797
Capital Fund IECEX	2'274'125	2'081'797
Reserve for Innovation & Promotion	300'000	300'000
TOTAL LIABILITIES, CAPITAL & RESERVES	3'057'924	2'831'677

STATEMENT OF INCOME & EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER 2021

(with comparative figures for 2020)

	Budget 2021 (unaudited)	Actuals 2021	Actuals 2020
	CHF	CHF	CHF
INCOME			
Membership Dues	330'000	326'000	322'250
Sales	5'000	1'615	1'645
System operations	1'485'000	1'758'178	1'395'398
<i> Surcharges</i>	65'000	46'000	54'000
<i> RTPP annual fees</i>	8'000	14'500	13'500
<i> Application fees</i>	15'000	12'000	11'000
<i> Certificate equipment</i>	1'100'000	957'972	983'900
<i> Certificates services</i>	85'000	105'250	81'250
<i> Certificates persons</i>	150'000	169'475	130'350
<i> Other income</i>	60'000	12'500	391
<i> Assessment fees</i>	2'000	440'481	121'007
TOTAL OPERATIONAL INCOME	1'820'000	2'085'793	1'719'293
EXPENDITURE			
Personnel expenses	1'058'400	1'058'400	1'007'600
Rent & maintenance	110'000	89'514	78'517
Office & administration	209'560	629'499	288'378
<i> Office equipment</i>	10'000	6'969	3'753
<i> Contribution to overhead costs</i>	147'060	147'060	140'100
<i> Miscellaneous, legal and audit</i>	7'500	20'371	16'512
<i> Website</i>	10'000	5'328	4'606
<i> Special projects</i>	35'000	19'629	2'997
<i> Costs to conduct assessments</i>	0	430'142	120'410
Communication & printing	80'000	23'164	15'100
Meetings & travel expenses	190'000	506	16'452
<i> Special event</i>	50'000	0	0
<i> Travel and meetings expenses</i>	140'000	506	16'452
TOTAL OPERATIONAL EXPENDITURE	1'647'960	1'801'083	1'406'047
OPERATIONAL RESULT	172'040	284'710	313'246
Depreciation	(91'500)	(95'034)	(89'396)
Net financial revenue	500	2'652	7'594
OPERATIONAL & FINANCIAL RESULT	81'040	192'328	231'444
ANNUAL RESULT BEFORE ALLOCATIONS	81'040	192'328	231'444
Allocations (to) / from Capital & Reserves	(81'040)	(192'328)	68'556
<i> Capital Fund IECEx</i>	(81'040)	(192'328)	68'556
<i> Reserve for Innovation & Promotion</i>			(300'000)
ANNUAL RESULT AFTER ALLOCATIONS	0	0	0

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

1 Structure and objectives

1.1 *International Electrotechnical Commission ("IEC")*

The International Electrotechnical Commission ("IEC") is an organization constituted as a non profit-making corporate association with legal entity in accordance with Articles 60 et seq. of the Swiss Civil Code. The legal seat of the IEC is in Geneva, Switzerland.

The IEC is a global, not-for-profit membership organization.

The IEC objective is to promote international cooperation on all questions of standardization and related matters, such as the verification of conformity to standards in the fields of electricity, electronics and related technologies, and thus to promote international understanding. This objective, inter alia, is achieved by issuing publications, including International Standards.

1.2 *IEC System for Certification to Standards relating to Equipment for use in Explosive Atmospheres (IECEx System)*

Taking into account the object of the IEC, the particular object of the IECEx System, operated under the authority of the IEC in conformity with the Statutes, is to provide a global frame work for independent assessment and certification of equipment, services and personnel associated with explosive atmospheres.

These financial statements relate to the IECEx System, which is part of the IEC.

The IEC was founded in London, UK in 1906, moving subsequently to its current Geneva; Switzerland Central Office in 1948.

2 Significant Accounting Policies

Statement of Compliance

These summary financial statements are derived from and an extract of the International Electrotechnical Commission (IEC) Statutory Financial Statements for the year ended December 31, 2021 and are consistent in all material aspects with these financial statements, prepared in accordance with Swiss GAAP FER

The accounting principles set out below have been applied consistently to all periods presented in these financial statements.

Cash and cash Equivalents

Cash and cash equivalents comprise cash balances and short-term investments in an active market with original maturities of three months or less.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

2 Significant Accounting Policies *(continued)*

Investments

Securities within IEC Pool investment (pooled amounts from IEC Standards & Services and IEC CA Systems) are valued at amortized cost for direct investment into bonds and at fair value for other investments.

Accounts Receivable

Accounts receivable and other short-term receivables are carried at their nominal value less any impairment required for business reasons.

Trademarks

The IEC brand is represented by the five registered trademarks: IEC, IECEE, IECEX, IECQ and IECRE. When a customer or end-user buys an IEC Standard or Conformity Assessment service or product, the associated trademark is a label of quality and authenticity which provides certain rights or advantages to the user. The cost of implementing enhanced trademark protection was first activated as a separate class of intangible assets in 2019 with depreciation beginning in 2020. The total intangible trademark asset amount will be depreciated over 10 years, on an ongoing basis.

Provisions

A provision is recognised in the Balance Sheet when IEC can make a reliable estimate, and has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3 ***Provision - Balance Sheet***

The Provision was previously covered by the IECEX Capital Fund. It is a restatement as from 2018 in alignment with Swiss GAAP accounting principles and concerns liabilities in case of the cessation of activities of the IECEX offices in Australia.