



**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

2022 IECEX Audited Accounts

Introduction

This document contains the IECEX extract of Document GA/119/DV – Report the Statutory Auditor on the IEC Statutory Financial Statements for 2022 (2022 IEC Audited Accounts) and notes and is submitted for consideration by IECEX ExMC Members during the September 2023 IECEX ExMC Edinburgh meeting.

Explanatory notes have been provided for the assistance of Members.

This Report is submitted for ExMC consideration at the September 2023 IECEX meetings, following which will be presented for CAB endorsement during the 2023 IEC General Assembly to be held in Cairo.

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Explanatory Notes to the 2022 IECEX Audited Accounts

IMPLEMENTATION OF NEW SWISS GAAP ACCOUNTING STANDARDS

Previously the IECEX Treasurer explained the adoption, by IEC, of the Swiss GAAP (General Accepted Accounting Practice) Standards across all activities of the Commission, including the IEC Conformity Assessment Systems.

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 2022 accounts, the financial results of all activities of IEC have been consolidated and presented as “The IEC Statutory Financial Statements for 2022” as IEC Document GA/119/DV. The IECEX 2022 financial results contained in this document have been extracted from GA/119/DV for ease of explanation. A full copy of GA/119/DV has been provided to ExMC for information and noting during the ExMC September 2023 Edinburgh Meeting.

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 357'868** as Scheme Income and the fees paid to IECEX Assessor's organizations of **CHF 350'415** 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 7'453**, 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 7'453 admin fee [Assessment Fee Income less Assessment Fee Expenses]) and NET financial revenue (-CHF 16'452) has resulted in an end of year total Income of **CHF 1,618'458** compared to **CHF 1,655,651** for 2021 and 11% below 2022 budget predictions, but yet in line with the results of 2021, noting that the impact of the travel restrictions associated with the COVID-19 pandemic.

The Total Operating costs (Total expenses less Assessment Fees paid to Assessor Organizations of (CHF 350'415) is **CHF 1,456'533** compared to **CHF 1,370'941** for 2021 and 12% below 2022 budget predictions. Again, noting that the 2022 budget was set during 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 2022 with an end of year Operational result of **CHF 185'830** compared to the 2022 budget prediction of **CHF 168'305**.

In noting the costs of CHF 98'583 and negative result for “Net Financial Reserve -CHF 16'452 (the non-realised value of the IECEX amounts of the Reserve invested in the IEC pool of investments) an end of year surplus and contribution to the IECEX General Reserves of CHF 70'795 was achieved and considered a pleasing result in light of the global financial situation and travel restrictions.

At end of 2022, with an end of year result of CHF 70'795 surplus the IECEX Finances now sees IECEX with Free Capital (Reserves) of **CHF 2,619,260** comprising
Capital Fund = CHF 2,319,260 and
Reserve for Innovation and Promotion = CHF 300,000

The Free Capital (Reserves) of **CHF 2,619,260** currently sits at 1.8 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 addition, costs associated with maintaining the worldwide registrations of the IECEX Trademark need to be considered.

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 achieve a sound end of year result for 2022 with an end of year surplus and contribution to reserves that was in line with the 2022 budget predictions.

1 INCOME

1.1 Membership Dues (Annual Dues)

Annual Membership dues were slightly above Budget expectations due to new bodies now participating in the various IECEX Schemes.

1.2 Sales (Sale of publications)

This relates to sale of IECEX publications e.g. Bulletin and ExTR blanks and was in line with 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 2022 budget was prepared during the uncertainties 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 2022 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. The 2022 accounts figure was able to achieve budget predictions, demonstrating on-going and sustained growth of membership.

d) Certificate Fees Equipment

The Certificate fee income for the IECEX Certified Equipment Scheme resulted in CHF 873'050 and was well below budget predictions. An analysis of this result suggests a lagging impact associated with delays in processing applications during COVID-19 lockdowns occurring in many countries. This aspect is under constant monitoring by the Treasurer and Secretariat.

e) Certificate Fees Services

The Certificate fee income for the IECEX Certified Service Facility Scheme resulted in 9% 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 254,550 which is **around 70%** above budget predictions.

g) Other Income

Other income provides for additional income generated within IECEX which normally includes income from sponsorships for IECEX workshops and conferences. For 2022 planned conferences were postponed given the COVID-19 pandemic 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 2022 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 1,456,533** and 12% below 2022 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 92'812 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

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. While for 2021 this was contained well below budget predictions, for 2022 this was CHF 2'424 above budget predictions due to replacement office equipment.

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 160'375 is in line with the approved 2022 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. The 2022 results were slightly below budget predictions.

d) Website

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

e) Special Projects

Maintained below budget predictions and mainly covered costs associated with the development of the software package for the IECEX Question Bank project associated with the IECEX CoPC (Certificate of Personal Competence Scheme) and the updating of the IECEX website.

2.5 Communication and Printing

This provides for communication of the IECEX and promotion. These were maintained well below 2022 budget predictions however still enabled IECEX to develop the first series of IECEX animated videos to assist in promoting IECEX services. In addition, IECEX maintains a ½ page advertisement taken out in the HazardEx magazine on a regular basis.

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 International Conferences, 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.

Due to COVID-19 travel restrictions no conferences or special events were planned. However, as part of its business continuity measures, IECEX have 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

Travel and meeting expenses were minimal during 2022 due to on-going COVID-19 travel restrictions during the first part of 2022. Travel and face to face meetings did resume during 3rd and 4th Quarter 2022. The 2022 results reflect this situation.

Examples of normal travel and meeting costs are associated with:

- Secretariat staff for IECEX Operational Meetings
- Secretariat staff for IECEX Annual IECEX 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 IECEX TradeMark as a means of protecting the IECEX 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 IECEX General Reserves.

For 2022, the result of negative CHF 16'452 is the non-realised value of the IECEX amounts of the Reserve invested in the IEC pool of investments and reflected the state of play in the global financial markets at that time.

2.9 ALLOCATION TO IECEX 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 IECEX Membership and its Management Committee, to provide dedicated software to support the IECEX Question Bank associated with the IECEX CoPC Scheme along with calls for structured IECEX Marketing, re new IECEX 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) IECEX CoPC Question Bank Software
- b) IECEX Marketing Activities/Projects

Therefore, the 2022 end of year surplus of CHF 70'795 has been assigned to the IECEX 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 IECEX.

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 and 2022, 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 2022 audited accounts.

BALANCE SHEET AS AT 31 DECEMBER 2022

INTERNATIONAL ELECTROTECHNICAL COMMISSION

IECEX

(with comparative figures for 2021)

	<u>2022</u>	<u>2021</u>
ASSETS	CHF	CHF
Current Assets	<u>2'417'982</u>	<u>2'292'009</u>
Cash & cash equivalents	610'839	449'270
<i>Banks, current accounts</i>	610'839	449'270
Securities	216'215	241'112
<i>IEC Pool Investments</i>	216'215	241'112
Accounts receivable	1'094'005	1'132'050
<i>Membership Dues (all years)</i>	5'250	5'250
<i>Publications</i>	180	0
<i>Certificates and surcharges</i>	513'436	417'064
<i>IEC St&S current account</i>	541'289	709'736
<i>Other receivable</i>	33'850	0
Prepaid expenses and accrued income	496'923	469'577
<i>Prepaid expenses (IECEX secretariat)</i>	298'082	283'888
<i>Accrued income</i>	198'841	185'689
Long term Assets	<u>702'817</u>	<u>765'915</u>
<i>Trademarks</i>	702'817	765'915
TOTAL ASSETS	<u><u>3'120'799</u></u>	<u><u>3'057'924</u></u>
 LIABILITIES, CAPITAL AND RESERVES		
Current Liabilities	<u>501'538</u>	<u>483'799</u>
Short-term liabilities	66'852	49'113
<i>Suppliers</i>	42'356	0
<i>Accrued liabilities</i>	24'496	49'113
Provisions	434'686	434'686
<i>Provision</i>	434'686	434'686
Capital & Reserves	<u>2'619'260</u>	<u>2'574'125</u>
Free Capital	2'619'260	2'574'125
<i>Capital Fund IECEX</i>	2'319'260	2'274'125
<i>Reserve for Innovation & Promotion</i>	300'000	300'000
TOTAL LIABILITIES, CAPITAL & RESERVES	<u><u>3'120'799</u></u>	<u><u>3'057'924</u></u>

STATEMENT OF INCOME & EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER 2022

INTERNATIONAL ELECTROTECHNICAL COMMISSION

IECEX

(with comparative figures for 2021)

	Budget 2022 (unaudited)	Actuals 2022	Actuals 2021
	CHF	CHF	CHF
INCOME			
Membership Dues	330'000	337'000	326'000
Sales	3'000	3'010	1'615
System operations	1'492'000	1'652'768	1'758'178
<i>Surcharges</i>	<i>65'000</i>	<i>39'000</i>	<i>46'000</i>
<i>RTPP annual fees</i>	<i>15'000</i>	<i>18'000</i>	<i>14'500</i>
<i>Application fees</i>	<i>15'000</i>	<i>15'000</i>	<i>12'000</i>
<i>Certificate equipment</i>	<i>1'100'000</i>	<i>873'050</i>	<i>957'972</i>
<i>Certificates services</i>	<i>85'000</i>	<i>92'250</i>	<i>105'250</i>
<i>Certificates persons</i>	<i>150'000</i>	<i>254'550</i>	<i>169'475</i>
<i>Other income</i>	<i>60'000</i>	<i>3'050</i>	<i>12'500</i>
<i>Assessment fees</i>	<i>2'000</i>	<i>357'868</i>	<i>440'481</i>
TOTAL OPERATIONAL INCOME	1'825'000	1'992'778	2'085'793
EXPENDITURE			
Personnel expenses	1'111'320	1'111'320	1'058'400
Rent & maintenance	95'000	92'812	89'514
Office & administration	220'375	564'380	629'499
<i>Office equipment</i>	<i>7'500</i>	<i>9'924</i>	<i>6'969</i>
<i>Contribution to overhead costs</i>	<i>160'375</i>	<i>160'375</i>	<i>147'060</i>
<i>Miscellaneous, legal and audit</i>	<i>7'500</i>	<i>7'061</i>	<i>20'371</i>
<i>Website</i>	<i>10'000</i>	<i>7'227</i>	<i>5'328</i>
<i>Special projects</i>	<i>35'000</i>	<i>29'378</i>	<i>19'629</i>
<i>Costs to conduct assessments</i>	<i>0</i>	<i>350'415</i>	<i>430'142</i>
Communication & printing	80'000	17'382	23'164
Meetings & travel expenses	150'000	21'054	506
<i>Special event</i>	<i>40'000</i>	<i>0</i>	<i>0</i>
<i>Travel and meetings expenses</i>	<i>110'000</i>	<i>21'054</i>	<i>506</i>
TOTAL OPERATIONAL EXPENDITURE	1'656'695	1'806'948	1'801'083
OPERATIONAL RESULT	168'305	185'830	284'710
Depreciation	(91'500)	(98'583)	(95'034)
Net financial revenue	2'500	(16'452)	2'652
OPERATIONAL & FINANCIAL RESULT	79'305	70'795	192'329
ANNUAL RESULT BEFORE ALLOCATIONS	79'305	70'795	192'329
Allocations (to) / from Capital & Reserves	(79'305)	(70'795)	(192'328)
<i>Capital Fund IECEX</i>	<i>(79'305)</i>	<i>(70'795)</i>	<i>(192'328)</i>
<i>Capital Fund IECEX</i>	<i>0</i>	<i>25'660</i>	<i>0</i>
<i>Global Impact Fund</i>	<i>0</i>	<i>(25'660)</i>	<i>0</i>
ANNUAL RESULT AFTER ALLOCATIONS	0	0	0