



ExMC/932/DV
June 2014

**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

2013 IECEx Audited Accounts

Introduction

This document contains the IECEx 2013 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 August 2014 IECEx meetings in the Hague, following which will be presented for CAB approval during the 2014 October IEC General Meeting.

The Auditors report has been reviewed by both the IECEx Treasurer and Secretary.

Chris Agius

IECEx Executive Secretary

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Explanatory Notes to the 2013 IECEX Audited Accounts

GENERAL OVERVIEW

Total Income: CHF 1'422'969
Total Expenditure: CHF 1'271'477
End Year Surplus CHF 151'492

General Reserve at end 2013: CHF 1'151'475

INCLUSION OF ASSESSMENT FEES AS BOTH INCOME AND EXPENDITURE:

The IECEX Management Committee previously decision for IECEX to control the payment of fees to Assessors 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 assessments) of CHF 332'045 as Scheme Income and the fees paid to IECEX Assessor's organisations of CHF 330'675 as Scheme Expenditure. This has been the practise for the 2007, 2008, 2009, 2010, 2011 and 2012 accounts. In noting that the difference CHF 1'370, 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.

INCOME

General

The total income (less Assessment Fees Income of 332'045) is CHF 1'090'924. This resulted in a contribution of CHF 151'492 to the reserves. CHF 138'000 was planned for the budget 2013 (budget achieved) and CHF 13'492 above budget (surplus). This now has the IECEX General Reserve at end 2013 standing at **CHF 1'151'475**.

Annual Dues

Annual dues were in line with Budget expectations noting the planned joining of IECEX by other countries and new ExCB / ExTL applications and is above 2012 Accounts.

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. While close to budget expectations this amount is an increase of the figures for the previous year of CHF 28'500..

Application Fees

Application fees are applicable to new countries and new ExCBs and ExTLs joining IECEX. The 2013 accounts figure is below budget prediction due to interests from new Member Bodies and CBs / TLs not yet being converted to an application. These however have done so during 2014.

Certificate Fees Equipment

The Certificate fees for the IECEx Certified Equipment Scheme resulted in CHF 692'675 being well above both budget predictions and the previous year thereby demonstrating sustained growth in demand for IECEx Equipment Certification.

Certificate Fees Services

The Certificate fees for the IECEx Certified Service Facility Scheme resulted in CHF 48'750 and while above 2012 Accounts is below budget predictions.

Certificate Fees Persons

The Certificate fees for the IECEx Certified Persons Scheme resulted in CHF 34'050. While below budget predictions, it is an increase of 55% above the 2012 end of year accounts, noting that 2013 represents only the third full year of the Certified Persons Scheme operating, which explains the significant rise on the figures for 2013 over 2012.

Other Income

Other income for 2013 was due to funds received from the Secretary's participation in ExCB/ExTL assessments and is in line with the 2013 Budget.

Interest

Results in line with 2012 end of year results and reflects the reduced interest rates associated with the Global Financial Crisis.

EXPENSES

General

While 2013 resulted in an income above budget, the difference between overall actual operating expenses (total expenses minus allocation to Gen Reserve) was contained to CHF 940'802, being CHF 11'698 below budget.

With operating costs being below budget predictions and income being above budget contributed to an increase in the annual contribution of CHF 151'492 resulting in a 15% increase to the IECEx General Reserve which now stands at CHF 1'151'475 compared to CHF 999'983 at end 2012.

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.

Personnel Costs

Personnel costs were in line with budget predictions. While slightly above is in line with the 2014 Approved budget.

Travel and Meeting Expenses

Slightly above budget predictions, noting that as the IECEx Secretary also serves as IECQ Secretary, travel for both IECEx and IECQ Systems is coordinated, where possible, in order to split travel costs.

Serviced Office facilities

The CHF 67'211 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

Miscellaneous Legal and audit

Caters mainly for the audit costs of the IECEx accounts and the provision of an external auditors report and was below budget predictions.

Advertising Expenses

Was well below budget predictions. Noting the planning for the February 2014 IECEx / MY Conference.

Website

Maintained below budget

Special Projects

Maintained below budget predictions.

Special Event

This item is introduced for the annual 2 day Special Event to promote IECEx and its members and those companies and persons holding IECEx Certification, noting that for 2013 no event was held, hence zero accounts. However noting the February 2014 event in MY.

Allocation to IECEx reserves

The end of year result for 2013 with CHF of 151'492 is above budget predictions. With all the above taken into account, the end of year surplus is a pleasing result for IECEx.

GENERAL RESERVE

Taking into account the results for 2013 with its contribution of **CHF 151'492**, the IECEx General reserves at end of 2013 provides a total of CHF 1'151'475. This reserve provides at least one full year operating expenditure with the target to achieve a reserve to cover 3 years operating expenses, in accordance with the CAB recorded Decision 33/5 of Document CAB/1170/DL, List of Decisions from the June 2013 CAB Meeting.



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To the Conformity Assessment Board of

International Electrotechnical Commission

Geneva

**Report of the auditor
on the financial statements for the year 2013**

of

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

14 March 2014
12139/21505839/5-4

**Report of the auditor
to the Conformity Assessment Board of**

International Electrotechnical Commission, Geneva

In accordance with our engagement, we have audited the accompanying financial statements of the IEC System for Certification to Standards relating to Equipment for use in Explosive Atmospheres (IECEx System), which comprise the balance sheet, profit and loss account and notes for the year ended 31 December 2013.

Secretary's Responsibility

The Secretary is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law, the statutes and rules of procedure of the International Electrotechnical Commission and the basic rules of the IEC System for Certification to Standards relating to Equipment for use in Explosive Atmospheres (IECEx System). 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 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 the 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.

Opinion

In our opinion, the financial statements for the year ended 31 December 2013 comply with Swiss law, the statutes and rules of procedure of the International Electrotechnical Commission and the basic rules of the IEC System for Certification to Standards relating to Equipment for use in Explosive Atmospheres (IECEx System).

Geneva, 14 March 2014

BDO Ltd



Nigel Le Masurier
Licensed Audit Expert



pp Yassine Boussakouk
Licensed Audit Expert
(Auditor in Charge)

Enclosures

Financial statements

BALANCE SHEET AS AT 31 DECEMBER 2013
(with comparative figures for 2012)

	2013	2012		2013	2012
	CHF	CHF	LIABILITIES AND GENERAL FUNDS	CHF	CHF
ASSETS					
Cash and cash equivalents					
Bank, current account	278'758	203'961	Liabilities		
			IEC current account	0	21'559
			Accrued liabilities	87'473	17'202
Investment				87'473	38'761
IEC Pool Investment	216'666	210'000			
Other current assets					
Accounts receivable					
- Dues	2'000	1'000			
- Publications	272	112			
- Certificates and surcharges	442'665	397'619			
Other receivables					
- Withholding tax	215	286	IECEX General Funds		
IEC current account	2'442	0	Capital at the beginning of the year	999'983	894'053
Prepaid expenses (IECEX secretariat)	192'150	163'170	Surplus for the year	151'492	105'930
Accrued income	103'780	62'596	Capital at the end of the year	1'151'475	999'983
	743'524	624'783			
Total	1'238'948	1'038'744	Total	1'238'948	1'038'744

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013
(with comparative figures for 2012)

	Budget 2013 (unaudited)	Actual 2013	Actual 2012
	CHF	CHF	CHF
INCOME			
Dues	250'000	248'250	244'000
Surcharges	40'000	32'500	28'500
Publications	7'000	8'049	8'418
Application fees	20'000	13'000	4'000
Certificates equipment	630'000	692'675	599'975
Certificates services	75'000	48'750	41'750
Certificates persons	50'000	34'050	21'950
Other income	10'000	10'050	32'365
Interest income	6'500	3'600	3'287
Assessment fees	2'000	332'045	384'137
Total	<u>1'090'500</u>	<u>1'422'969</u>	<u>1'368'382</u>
EXPENSES			
Personnel expenses	650'000	698'390	550'000
Office equipment	10'000	6'477	5'035
Serviced office facilities	80'000	67'211	34'027
Miscellaneous, legal and audit	10'000	4'506	4'793
Website	7'500	6'298	4'899
Advertising expenses	40'000	13'158	50'433
Special event	0	0	65'012
Special projects	40'000	23'586	37'892
Travel and meetings expenses	115'000	121'176	127'524
Allocation to IECEx reserves	138'000	0	0
Costs to conduct assessments	0	330'675	382'837
Total	<u>1'090'500</u>	<u>1'271'477</u>	<u>1'262'452</u>
Budget result	<u><u>0</u></u>		
Surplus for the year		<u><u>151'492</u></u>	<u><u>105'930</u></u>

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

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 seat of the IEC is in Geneva, Switzerland.

The IEC object 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 object, 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.