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CAB/1124/DV

2013-04-05

INTERNATIONAL ELECTROTECHNICAL COMMISSION

CONFORMITY ASSESSMENT BOARD (CAB)

SUBJECT

Budget of the IECEx for 2014, for CAB approval

BACKGROUND

Attached is the 2014 budget for IECEx as approved by the Management Committee ExMC, via correspondence.

ACTION

The members of the CAB are invited to approve the IECEx Budget for 2014, by using the automatic voting system on the IEC Technical Server **by 2013-04-26**.



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

Title: Updated Draft 2014 IECEX Budget, for submission to CAB

Circulated to: IECEX Management Committee, ExMC

INTRODUCTION

During the Calgary 2012 meeting of the IECEX Management Committee, ExMC, document ExMC/787/CD (Draft Forecasted 2014 and 2015 Budgets) was considered and endorsed for 2014 subject to the results of the 2012 end of year accounts, refer ExMC confirmed minutes ExMC/819/RM.

Following receipt of the 2012 IECEX end of year financial results, in February 2012, the IECEX Treasurer and Secretary are pleased to inform Members of an excellent end of year result which achieved an end of year contribution to the IECEX General Reserves of CHF 105'930.

The IECEX General reserves, as at the end of 2012 sits at CHF 999'983.

In receipt of the 2012 end of year results, a review of the 2014 Draft forecast budget detailed in ExMC/787/CD was undertaken by the Treasurer and Secretary.

Given the 2012 end of year results and taking into account the approved 2013 Budget, the review has resulted in very minimal alteration to the draft 2014 budget presented and accepted at the 2012 ExMC Calgary meeting.

With this review now completed an updated draft budget 2014 is now submitted for final approval by ExMC, (Column D of Annex A), prior to being submitted for CAB Approval .

This draft budget includes both summary and specific explanations along with Annex A with the budget amounts and Annex B the annual fees calculations, as at February 2013.

As also reported during the Calgary ExMC 2012 meeting, IEC procedures for the approval of budgets for all activities of the Commission require the finalizing of next years IEC System's budgets by end of March 2013 for submission to CAB. This requirement is outlined in CAB document CAB/768/Inf.

While the External auditors have successfully completed their audit of the 2012 IECEX accounts the auditor's report is not yet available. Therefore to assist IECEX Members, Column A to the Table in Annex A has been provided to show the end of year figures for 2012, as confirmed by the auditors.

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As demonstrated by the 2012 results, IECEx maintains prudent financial management which includes constant review of income versus expenditure, during the operational year, to ensure that income levels are maintained and any downward adjustments in expenditure are made should income levels fall below budget predictions.

Following a final review of the 2012 Calgary ExMC endorsed 2014 draft long range budget, the Treasurer and Secretariat provide this document for a final approval by ExMC Members.

We would therefore appreciate you returning the completed voting form to the IECEx Secretariat by the closing date of **26 March 2013**.

Should you have any questions concerning this final updated version (e.g. items in Column D to Annex A) please feel to contact me.

We thank you in respecting the closing date for voting to enable us to have a final budget ready for forwarding to the IEC Conformity Assessment Board, CAB by the due date.

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Notes to the Draft Budget:

Overview:

This draft budget is presented with explanations to budget items and the following two Annexes:

- Annex A – 2014 Draft Budget details (and includes 2012 end of year audited results)
- Annex B – Details of annual dues calculations, as at February 2013

Annex A is presented with the following columns

A = The end of year 2012 accounts as confirmed by the IEC external auditors, during February 2013.

B = The approved 2013 Budget, as previously approved by both ExMC and CAB and in current use for 2013.

C = The 2014 initial budget figures as agreed during the 2012 ExMC Calgary meeting (ExMC/787/CD extract)

D = The 2014 reviewed Budget amounts as the proposed final budget for 2014, taking into account the 2012 end of year results.

Values in Column D of Annex A are now submitted for final approval.

In accordance with the IEC Finance Department, this budget is presented as a balanced budget.

While ExMC have considered a preliminary Draft 2014 budget during the Calgary 2012 ExMC meeting, (Values from ExMC/787/CD and listed in Column C of Annex A) the Treasurer and Secretary have reviewed these values for a final draft 2014 budget Column D in light of

- The 2012 final end of year figures, as finalized by the IEC external auditors
- Concerns surrounding the current world economic environment
- No proposed increase to either Current fees for both Annual Dues and Certificate related Fees.

Items in Column D identified in **red text** show those items for which the Treasurer and Secretary have revised following end of year 2012 results, resulting in very minimal overall change to the draft preliminary 2014 budget detailed in ExMC/787/CD.

Prudent financial management of the IECEX has resulted in IECEX achieving and maintaining a solid and sound financial position, including the end of year results to achieve a solid IECEX General Reserve at end of 2012 now at **CHF 999'983**. being 114% of the annual Operating Costs as at 2012

The management and control over IECEX operational expenditure has resulted in IECEX yet again continuing to keep operating expenditure below 2012 budget. A copy of the auditor's report of the 2012 IECEX Accounts will be circulated to Members, once available from the auditors. In the absence of an auditors report, amounts listed in Column A of Annex A contained the values approved by the Auditors.

The previous IECEX decision to move more towards a user pay system via certificate fees have resulted in **zero** increase to annual fees for the past **12 years** with a small **decrease** approved by the IECEX Management Committee applied from 2010.

While there is general industry acceptance for a "user pay system" via certificate fees, there is also an industry expectation that the IECEX Schemes continue to be supported by prompt and professional service with a solid technical base.

While the IECEX Equipment Scheme is now entering its 10th year of operation, the issuing of Certificates maintains healthy and sustained annual growth rates with figures at end of January 2013 continuing this trend. While this trend continues, even into January and February 2013, it is expected to continue and even increase as we see new IEC SC31M Non Electrical Standards being integrated into the IECEX System. New IECEX WG15 will hold their first meeting in March in UK to commence this work.

Therefore in summary the updated 2014 Draft Budget, (Column D of Annex A), provides:

- A Total income of CHF 1'243'000
- A Total Operating costs of CHF 1'067'500
- A budgeted contribution to the IECEx General reserve of CHF 175'500.
- Any additional surplus to be added to the General Reserves

As discussed during the ExMC Calgary 2012 meeting, the increase in expenditure caters for the appointment of additional Technical Staff, now appointed (Mr Mark Amos as announced to ExMC) to cater for increased workload and promotional activities arising from the new IECEx Schemes, e.g. Certified Service Facilities and Certified Persons Scheme plus growth in the existing Certified Equipment Scheme, with inclusion of ISO Standards applicable to the Ex field and the introduction of IEC Standards covering non electrical Ex equipment, re new IEC SC 31M Technical Committee.

Of course, as with all expenditure, the monthly accounts are kept under close scrutiny and any downward movement in income results in reviews of expenditure.

The 2010/2011 formal endorsement of IECEx by the United Nations, via the UNECE is seen as adding further growth to existing as well as new IECEx Schemes.

The notes below provide details to the individual budget items.

General Note

Drafting of the initial 2014 Draft budget, detailed in ExMC/787/CD for the 2012 ExMC Calgary meeting and included as Colum C to Annex A of this Budget, was done so using a conservative approach taking into account the world economic environment and in the absence of the 2012 accounts. In finalizing the proposed 2014 Budget (Colum D), the Treasurer and Secretary propose to maintain this approach, while recognizing the success and growth of the IECEx Schemes especially in the new areas of Service Facilities and Certified Persons.

As the 2014 Draft Budget is being prepared at the beginning of 2013, the actual end of year figures for 2012 are used as a guide to develop this Draft 2014 budget along with the Approved 2013 Budget.

A complete report with audited 2012 accounts, once available from the IEC external auditors, will be circulated to ExMC and presented to the IEC ExMC meeting in September 2013 and then at the 2013 IEC GM, CAB meeting.

1. INCOME

1.1 Item 6000 (National dues)

No significant change is proposed to that provided for in ExMC/787/CD, other than for a slight reduction so as not to place any dependency on new applications from countries coming forward, despite several new countries in current discussions with the Secretariat. Any additional funds will be directed to the IECEx General Reserve.

Annex B provides an explanation of calculation of the annual dues as at February 2013.

The draft 2014 budget represents a **13th consecutive** year of no increase in annual fees.

1.2 Item 6020 (Application Fees)

No change is proposed to that provided for in ExMC/787/CD, and agreed during the ExMC Calgary 2012 meeting, see Minutes ExMC/819/RM, noting that application fees are a one-off fee for new countries and ExCBs and ExTLs and considered as a contribution in recognition of other IECEx Members that have been paying annual fees and their participation to develop the IECEx Scheme to its current position.

1.3 Item 6110 (Sales of publications)

No change is proposed to that provided for in ExMC/787/CD, and agreed during the ExMC Calgary 2012 meeting, see Minutes ExMC/819/RM.

1.4 Item 6200 (Interest)

Adjustment according to 2012 end of year Accounts, in recognition of low global interest rates.

1.5 6400 + 6010 (Certificate fees Equipment Scheme)

A small upward adjustment to CHF 720'000 for Certificate fees is proposed for 2014 noting the 2012 end of year result of CHF 599'975 Plus a further CHF 28'500 for surcharges being 14.2% above 2012 budget predictions.

1.6 6410 + 6420 (Services Scheme + Personnel Scheme)

No change is proposed to that provided for in ExMC/787/CD, and agreed during the ExMC Calgary 2012 meeting, see Minutes ExMC/819/RM,

1.7 Item 6900 (Other Income)

No change is proposed to that provided for in ExMC/787/CD, and agreed during the ExMC Calgary 2012 meeting, see Minutes ExMC/819/RM,.

1.8 Item 6950 (Assessment fees Administration)

No change is proposed to that provided for in ExMC/787/CD, and agreed during the ExMC Calgary 2012 meeting, see Minutes ExMC/819/RM, This amount covers the administration fee for the processing of invoicing of IECEX Assessments and re-assessments of ExCBs and ExTLs. There is a CHF 50 Invoice fee charged for processing invoices from assessments.

2. EXPENDITURE SUMMARY

The final agreed 2013 budget included provision for additional technical resources both as part of succession planning of exiting IECEX Secretariat resources and general operation of the Secretariat. In noting both the increased growth of IECEX as demonstrated by the 2012 end of year results the additional resources have been realized and appointed in January 2013.

In line with prudent financial management, the budget is subjected to constant on-going review during the operational year, noting that provision is made for downward adjustment of certain items should income levels fall below budget predictions.

2.1 Item 40000 Personnel costs

As stated above, the change to the levels provided in ExMC/787/CD relate to the appointment of new full time Technical Resources during January 2013.

2.2 Item 47100 (Office Equipment)

No change is proposed to that provided for in ExMC/787/CD, and agreed during the ExMC Calgary 2012 meeting, see Minutes ExMC/819/RM,

2.3 Items 47200 (Rent of the IECEX Secretariat Office)

No change is proposed to that provided for in ExMC/787/CD, and agreed during the ExMC Calgary 2012 meeting, see Minutes ExMC/819/RM, This covers the leasing of the IEC Sydney office of the IECEX Secretariat and is a single charge covering the provision of a serviced office. This single fee covers rent, cleaning, telecommunications, lighting and power, use of meeting facilities etc.

2.4 Item 47900 (Misc Legal and audit)

No change is proposed to that provided for in ExMC/787/CD, and agreed during the ExMC Calgary 2012 meeting, see Minutes ExMC/819/RM,, This is fairly static no significant increase is expected and includes auditing of IECEx financial accounts and records

2.5 Item 47920 (Website maintenance)

No change is proposed to that provided for in ExMC/787/CD, and agreed during the ExMC Calgary 2012 meeting, see Minutes ExMC/819/RM,

2.6 Items 48000 (Publicity and Promotion)

A upward adjustment is proposed to cater for promotion of all IECEx Schemes and the companies holding IECEx Certification.

2.7 Item 49000 (Travel and Meeting expenses)

A small upward adjustment to the travel + meeting expenses provides for increased travel demands of the Secretariat..

Travel and meeting costs are associated with travel and accommodation of the Secretariat staff and also meeting costs where applicable.

Where possible, travel of the Secretariat is coordinated with that of other IEC activities, eg IECQ, to share in travel costs in line with the direction of Central Office, e.g. attendance at CAB meetings (2 per year) plus CAB WG meetings etc.

2.8 Item 48500 (Resources for Special Projects)

No change is proposed to that provided for in ExMC/787/CD, and agreed during the ExMC Calgary 2012 meeting, see Minutes ExMC/819/RM,,.

2.9 Item 48200 (Special Event)

While in 2012 this item related to costs associated with the running of the successful IECEx / UNECE / ESMA Conference in Dubai, during March 2012. While at this stage discussions are underway for promotional events in other regions such costs are planned to be covered under item 48000.

3.0 Item 50000 (Contribution to the IECEx General Reserve)

A total of CHF 175'500 is provided for the year 2014 any additional surplus will be included as part of the overall contribution to the General Reserve ,

It is noted that as part of risk management, that the ExMC agreed to maintain a level of General reserve to equate to 2 years operating costs and as reported to ExMC, there is the expectation that this level will be reached during the coming years with ExMC WG13 Business Development to consider proposals after this level has been reached.

Annex A: Proposed updated 2014 budget for the IECEx (Column D)

Annex B: Breakdown of annual dues

- Figures for Country, ExCBs and ExTLs are based on On-Line Document OD 001 (version Feb 2012). ExCBs + ExTLs include both accepted and candidate Bodies, as per established practice.
- A member country pays the dues for at least 1 ExCB and 1 ExTL this applies even when they are not yet defined or even when there are no applicant or accepted ExCB or ExTL in that country.
- Dues apply to Applicant ExTLs and ExCBs, even if not yet assessed or accepted by ExMC
- The Total dues per country (last column) will be invoiced to the national Member Body, unless the Member Body informs the Secretariat of alternative arrangements. .

ANNEX A Draft 2014 IECEX Budget (Column D)

| | | A | B | C | D* |
|------|------------------------------------------|------------------------------------------|-------------------------------------|--------------------------------------------------------------------------|-----------------------------------------------------|
| | INCOME | 2012 End of Year Accounts | 2013 Approved Budget | 2014 Draft ExMC/787/CD Considered in Calgary 2012 | 2014 Final Proposed Draft Budget |
| | | CHF | CHF | CHF | CHF |
| 6000 | National Dues | 244,000.00 | 250,000 | 275,000 | 250,000 |
| 6020 | Other Participation Fees (Application) | 4,000.00 | 20,000 | 20,000 | 20,000 |
| 6110 | Publications (Include IECEX Bulletin) | 8,418.00 | 7,000 | 7,000 | 7,000 |
| 6200 | Interest, Miscellaneous | 3,286.85 | 6,500 | 6,500 | 4,000 |
| 6400 | Certificate Fee Equipment Program | 599,975.00 | 630,000 | 700,000 | 720,000 |
| 6010 | Certificate Fee Surcharges | 28,500.00 | 40,000 | 50,000 | 50,000 |
| 6410 | Certificate Fee Services Program | 41,750.00 | 75,000 | 80,000 | 80,000 |
| 6420 | Certificate Fee Certified Persons Scheme | 21,950.00 | 50,000 | 60,000 | 60,000 |
| 6900 | Other Income | 32,365.00 | 10,000 | 50,000 | 50,000 |
| 6950 | Assessment Fees Administration | 1,300.00 | 2,000 | 2,000 | 2,000 |
| | | | | | |
| | Total | 985,544.85 | 1,090,500 | 1,250,500 | 1,243,000 |

| | EXPENDITURE | CHF | CHF | CHF | CHF |
|------------------------------|-----------------------------------------------------------|-------------------|------------------|----------------|------------------|
| 40000 | Personnel Costs (Salaries, Insurance + Pensions) – Total | 550,000.00 | 650,000 | 680,000 | 720,000 |
| 47100 | Office Equipment + Stationery | 5,034.51 | 10,000 | 10,000 | 10,000 |
| 47200 | Serviced Office facilities Rent Equip etc | 34,027.14 | 80,000 | 90,000 | 90,000 |
| 47900 | Miscellaneous, legal audit | 4,793.48 | 10,000 | 10,000 | 10,000 |
| 47920 | Website Maintenance and Development | 4,899.00 | 7,500 | 7,500 | 7,500 |
| 48000 | Publicity + Promotion | 50,433.00 | 40,000 | 40,000 | 60,000 |
| 48200 | Special Event | 65,011.72 | 0 | 0 | 0 |
| 49000 | Travel + Meeting Expenses | 127,524.00 | 115,000 | 115,000 | 130,000 |
| 48500 | Resources for special projects | 37,892.00 | 40,000 | 40,000 | 40,000 |
| 49500 | Extraordinary Expenses | 0 | 0 | 0 | 0 |
| Total Operating Costs | - | 879,614.85 | 952,500 | 992,500 | 1,067,500 |
| 50000 | Portion allocated to build IECEX Reserves | 54700 | 138,000 | | 175,500 |
| | Total Year Budget Expenditure | 934,314.85 | 1,090,500 | | 1,243,000 |
| | End of year surplus | 51,230.00 | | | |
| | Total end of year contribution to General Reserves | 105,930.00 | | | |

IECEX General Reserve as At 31 December 2012 = **CHF 999'983**

*Items in Column C, shown in red text, are those that while endorsed during the 2012 ExMC Calgary meeting, have now been adjusted by the Treasurer and Secretary following review during Feb 2013, Refer to **Overview** and Notes for further explanation .

*Items shown in Red Text are the adjustments made by the Treasurer and Secretary to the forecasted draft 2014 budget agreed in Calgary, (doc ExMC/787/CD) following receipt of the end of year 2012 accounts.

Annex B: Annual Dues Split – Calculator (as at Feb 2013)

| Country | Number | Number | Number | Number | Dues split | | | |
|---------|-----------------------|-----------------------|----------------------|---------------------|----------------|-----------|-----------|-----------------|
| | ExCBs | ExTLs | ExCBs | ExCBs | National share | Each ExCB | Each ExTL | due per country |
| | IECEX 02 Equipment | IECEX 02 Equipment | IECEX 03 Services | IECEX 05 Persons | | | | |

| | | | | | |
|---------------|--|--------------|--------------|--------------|----|
| Amount in CHF | | 3,000 | 1,250 | 1,000 | -- |
|---------------|--|--------------|--------------|--------------|----|

| | | | | | | | | | |
|----|----|---|---|---|---|--------------|-------|-------|--------|
| 1 | AU | 4 | 4 | 3 | | 3,000 | 8750 | 4000 | 15,750 |
| 2 | BR | 2 | 1 | 1 | | 3,000 | 3750 | 1000 | 7,750 |
| 3 | CA | 3 | 5 | | 1 | 3,000 | 5000 | 5000 | 13,000 |
| 4 | CN | 1 | 5 | | | 3,000 | 1250 | 5000 | 9,250 |
| 5 | CZ | 1 | 1 | | | 3,000 | 1250 | 1000 | 5,250 |
| 6 | DK | 1 | 1 | | | 3,000 | 1250 | 1000 | 5,250 |
| 7 | FI | 1 | 1 | | | 3,000 | 1250 | 1000 | 5,250 |
| 8 | FR | 2 | 2 | | 2 | 3,000 | 5000 | 2000 | 10,000 |
| 9 | DE | 8 | 7 | 2 | 1 | 3,000 | 13750 | 7000 | 23,750 |
| 10 | GB | 5 | 6 | 2 | 2 | 3,000 | 11250 | 6000 | 20,250 |
| 11 | HR | 1 | 1 | | | 3,000 | 1250 | 1000 | 5,250 |
| 12 | HU | 1 | 1 | | | 3,000 | 1250 | 1000 | 5,250 |
| 13 | IN | 1 | 2 | | | 3,000 | 1250 | 2000 | 6,250 |
| 14 | IT | 2 | 2 | | | 3,000 | 2500 | 2000 | 7,500 |
| 15 | JP | 1 | 1 | | | 3,000 | 1250 | 1000 | 5,250 |
| 16 | KR | 3 | 3 | 1 | | 3,000 | 5000 | 3000 | 11,000 |
| 17 | MY | 0 | 1 | 1 | 1 | 3,000 | 2,500 | 1,000 | 6,500 |
| 18 | NL | 1 | 1 | 1 | 1 | 3,000 | 3750 | 1000 | 7,750 |
| 19 | NO | 2 | 2 | 1 | 1 | 3,000 | 5000 | 2000 | 10,000 |
| 20 | NZ | 1 | 1 | | | 3,000 | 1250 | 1000 | 5,250 |
| 21 | PL | 2 | 1 | | | 3,000 | 2,500 | 1,000 | 6,500 |
| 22 | RO | 1 | 1 | | | 3,000 | 1250 | 1000 | 5,250 |
| 23 | RU | 1 | 1 | | | 3,000 | 1250 | 1000 | 5,250 |
| 24 | SI | 1 | 1 | 1 | | 3,000 | 2500 | 1000 | 6,500 |
| 25 | SG | 1 | 1 | | | 3,000 | 1250 | 1000 | 5,250 |
| 26 | ZA | 1 | 1 | | | 3,000 | 1250 | 1000 | 5,250 |
| 27 | SE | 1 | 1 | | | 3,000 | 1250 | 1000 | 5,250 |
| 28 | TR | 1 | 1 | | | 3,000 | 1250 | 1000 | 5,250 |
| 29 | CH | 1 | 1 | | | 3,000 | 1250 | 1000 | 5,250 |
| 30 | US | 3 | 5 | 1 | | 3,000 | 5000 | 5000 | 13,000 |
| 31 | | | | | | | 0 | 0 | 0 |

| | | | | | | | | | |
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| Total columns | | 54 | 62 | 14 | 9 | 90,000 | 96,250 | 62,000 | 248,250 |
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