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CAB/1368/DV

2015-04-07

**INTERNATIONAL ELECTROTECHNICAL COMMISSION**

**CONFORMITY ASSESSMENT BOARD (CAB)**

**SUBJECT**

Budget of the IECEx for 2016, for CAB approval

**BACKGROUND**

Attached is the 2016 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 2016, by using the automatic voting system on the IEC Technical Server **by 2015-04-28**.



## INTERNATIONAL ELECTROTECHNICAL COMMISSION SYSTEM FOR CERTIFICATION TO STANDARDS RELATING TO EQUIPMENT FOR USE IN EXPLOSIVE ATMOSPHERES (IECEx SYSTEM)

Title: Final Draft 2016 IECEx Budget, for submission to CAB

**Circulated to: IECEx Management Committee, ExMC**

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### INTRODUCTION

During the 2014 Hague meeting of the IECEx Management Committee, ExMC, document ExMC/951/CD (Draft Forecasted 2016 and 2017 Budgets) was considered and endorsed for 2016 subject to the results of the 2014 end of year accounts, refer ExMC confirmed Decisions List ExMC/956/DL.

Following receipt of the 2014 IECEx end of year financial results, in February 2015, the IECEx Treasurer and Secretary are pleased to inform Members of another solid end of year result which achieved an end of year contribution to the IECEx General Reserves of CHF 315'314.

The IECEx General reserves, as at the end of 2014 now sits at **CHF 1'466'789**.

In receipt of the 2014 end of year results, a review of the 2016 Draft forecast budget detailed in ExMC/951/CD was undertaken by the Treasurer and Secretary.

Following this review, the Treasurer and Secretary conclude that the 2016 Forecasted Budget presented in ExMC/951/CD as agreed during the 2014 ExMC meeting should proceed as the final budget with minimal adjustment.

With this review now completed the draft budget 2016 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 2015.

We would therefore appreciate you returning the completed voting form to the IECEx Secretariat by the closing date of **18 March 2015**.

Should you have any questions concerning this final updated version (e.g. items in Column D to Annex A) please feel to contact the Secretary and or Treasure via [chris.agius@iecex.com](mailto:chris.agius@iecex.com)

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 – 2016 Draft Budget details (and includes 2014 end of year audited results)
- Annex B – Details of annual dues calculations, as at February 2015

Annex A is presented with the following columns

A = The end of year 2014 accounts as presented to the IEC external auditors, during February 2015.

B = The approved 2015 Budget, as previously approved by both ExMC and CAB and in current use for 2015.

C = The 2016 initial budget figures as agreed during the 2014 ExMC meeting in The Hague (ExMC/951/CD extract)

D = The 2016 final Budget amounts as the proposed final budget for 2016, taking into account the 2014 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.

The preliminary Draft 2016 budget agreed during the ExMC 2014 meeting is now presented for final approval taking into account the 2014 final end of year figures, as finalized by the IEC external auditors

Items in Column D identified in **red text** show those items altered from the preliminary Draft 2016 Budget (ExMC/951/CD) agreed during the 2014 ExMC meeting in the Hague.

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 2014 now at **CHF 1'466'789** being **142%** of the annual Operating costs compared to the position at December 2013 which was CHF 1'151'475. (being 122% of the annual Operating Costs).

The management and control over IECEX operational expenditure has resulted in IECEX yet again continuing to keep operating expenditure below 2014 budget. A copy of the auditor's report of the 2014 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 presented to 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 **14 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 12<sup>th</sup> year of operation, the issuing of Certificates maintains healthy and sustained annual growth rates with figures at end of January 2015 continuing this trend. While this trend continues, even into January and February 2015, it is expected to continue and even increase as we see new IEC SC31M Non Electrical Standards being integrated into the IECEX System.

Therefore in summary the 2016 Draft Budget, (Column D of Annex A), provides:

- A Total income of CHF 1'474'250
- A Total Operating costs of CHF 1'360'263
- A budgeted contribution to the IECEx General reserve of CHF 113'987.
- Any surplus (if achieved) to be added to the General Reserves

As discussed during the ExMC Hague 2014 meeting, the introduction of expense item "Contribution to IEC Geneva Office Costs" covers use by IECEx of IEC Central Office Services including:

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

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 continues to assist in demand for IECEx Services along with other factors.

The notes below provide details to the individual budget items.

## **General Note**

This final draft budget takes the initial 2016 Draft budget, detailed in ExMC/951/CD and agreed during the 2014 ExMC Hague meeting and includes very minor adjustment in light of the 2014 end of year results (Colum A of Annex A).

Both the initial draft budget (ExMC/951/CD) and this final version adopt a conservative approach taking into account the world economic environment, while recognizing the success and growth of the IECEx Schemes especially in the new areas of Service Facilities and Certified Persons. To assist Members Colum C to Annex A of this Budget contains an extract of the initial draft 2016 budget approved during the ExMC Hague meeting (ExMC/951/C).

A complete report with audited 2014 accounts, once available from the IEC external auditors, will be circulated to ExMC and presented to the IEC ExMC meeting in September 2015 and then at the 2015 IEC GM, CAB meeting.

## **1. INCOME**

### **1.1 Item 6000 (National dues)**

Slight change to that provided for in the preliminary 2016 Budget ExMC/951/CD, agreed during the 2014 ExMC Hague meeting due to new membership joining IECEx.

Annex B provides an explanation of calculation of the annual dues as at February 2015.

The draft 2016 budget represents a **14<sup>th</sup> consecutive** year of no increase in annual fees.

### **1.2 Item 6020 (Application Fees)**

No Change proposed to that provided for in the preliminary 2016 Budget ExMC/951/CD, agreed during the 2014 ExMC Hague meeting. 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 proposed to that provided for in the preliminary 2016 Budget ExMC/951/CD, agreed during the 2014 ExMC Hague meeting.

### **1.4 Item 6200 (Interest)**

No Change proposed to that provided for in the preliminary 2016 Budget ExMC/951/CD, agreed during the 2014 ExMC Hague meeting.

### **1.5 Items 6400 + 6010 (Certificate fees Equipment Scheme)**

No Change proposed to that provided for in the preliminary 2016 Budget ExMC/951/CD, agreed during the 2014 ExMC Hague meeting.

### **1.6 Item 6410 (Certificate fees Services Scheme)**

No Change proposed to that provided for in the preliminary 2016 Budget ExMC/951/CD, agreed during the 2014 ExMC Hague meeting regarding Certificate Fees for the Certified Services Program.

### **1.7 Item 6420 (Certificate fee Personnel Scheme)**

Slight upward adjustment of CHF 20'000 is proposed due to the increased demand in the Certified Persons Scheme and noting the 2014 end of year results.

### **1.8 Item 6900 (Other Income)**

No Change proposed to that provided for in the preliminary 2016 Budget ExMC/951/CD, agreed during the 2014 ExMC Hague meeting.

### **1.9 Item 6950 (Assessment fees Administration)**

Administration fee applied to the processing of IECEx peer assessment invoices. No Change proposed to that provided for in the preliminary 2016 Budget ExMC/951/CD, agreed during the 2014 ExMC Hague meeting.

## **2. EXPENDITURE SUMMARY**

In general no Change proposed to that provided for in the preliminary 2016 Budget ExMC/951/CD, agreed during the 2014 ExMC Hague meeting, with the exception of item 48000 "Publicity and Promotion" which includes a proposed increase of CHF 20'000 based on the 2014 end of year results and the Treasure's desire to ensure adequate funds available for promotion and marketing of IECEx as an essential tool to foster future growth.

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**

No Change proposed to that provided for in the preliminary 2016 Budget ExMC/951/CD, agreed during the 2014 ExMC Hague meeting.

### **2.2 Item 47100 (Office Equipment)**

No Change proposed to that provided for in the preliminary 2016 Budget ExMC/951/CD, agreed during the 2014 ExMC Hague meeting.

### **2.3 Item 47200 (IECEx Secretariat Office)**

No Change proposed to that provided for in the preliminary 2016 Budget ExMC/951/CD, agreed during the 2014 ExMC Hague meeting.

### **2.4 Item 47900 (Misc Legal and audit)**

No Change proposed to that provided for in the preliminary 2016 Budget ExMC/951/CD, agreed during the 2014 ExMC Hague meeting.

### **2.5 Item 47920 (Website maintenance)**

No Change proposed to that provided for in the preliminary 2016 Budget ExMC/951/CD, agreed during the 2014 ExMC Hague meeting.

### **2.6 ITEM XXX (Contribution to IEC Geneva Office costs)**

As discussed during the ExMC Fortaleza 2013 meeting and further explained in the 2014 ExMC meeting in the Hague, the introduction of "Contribution to IEC Geneva Office Costs", since 2015, covers use by IECEX of IEC Central Office Services including:

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

No Change proposed to this item as provided for in the preliminary 2016 Budget ExMC/951/CD, agreed during the 2014 ExMC Hague meeting.

### **2.7 Item 48000 (Publicity and Promotion)**

A small increase of CHF 20'000 is proposed compared to that provided in the preliminary 2016 Budget ExMC/951/CD, agreed during the 2014 ExMC Hague meeting, as a result of the strong 2014 result with the Treasurer's view that promotion and marketing is an important element in the future growth of IECEX.

### **2.8 Item 48500 (Special Events)**

No Change proposed to that provided for in the preliminary 2016 Budget ExMC/951/CD, agreed during the 2014 ExMC Hague meeting.

### **2.9 Item 49000 (Travel and Meeting expenses)**

No Change proposed to that provided for in the preliminary 2016 Budget ExMC/951/CD, agreed during the 2014 ExMC Hague meeting.

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.

### **2.10 Item 48500 (Resources for Special Projects)**

No Change proposed to that provided for in the preliminary 2016 Budget ExMC/951/CD, agreed during the 2014 ExMC Hague meeting.

### **2.11 Item 48200 (Special Event)**

No Change proposed to that provided for in the preliminary 2016 Budget ExMC/951/CD, agreed during the 2014 ExMC Hague meeting and is intended to cover costs associated with events such as the annual 2 day IECEX Conference.

### **3.0 Item 50000 (Contribution to the IECEX General Reserve)**

A total of CHF 113,987 is provided for the year 2016 any additional surplus (if achieved) will be included as part of the overall contribution to the General Reserve. However, any additional surplus for the year shall be added to the contribution to general reserve.

It is noted that as part of risk management, that the IEC Management and CAB have determined that all IEC Conformity Assessment Systems maintain a level of General reserve to equate to 3 years operating costs.

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**Annex A:** Proposed updated 2016 budget for the IECEX (Column D) with minimal change from that considered during the 2014 ExMC meeting.

## Annex B: Breakdown of annual dues

- Figures for Country, ExCBs and ExTLs are based on On-Line Document OD 001 (version Feb 2015). 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					
		A	B	C	D
	INCOME	2014 End of Year Accounts	2015 Approved Budget	2016 Preliminary Budget ExMC/951/CD agreed in The Hague 2014	2016 Final Proposed Draft Budget*
		CHF	CHF	CHF	CHF
6000	National Dues	259,250	259,250	275,000	283,250
6020	Application Fees	11,000	20,000	20,000	20,000
6110	Publications (Include IECEX Bulletin)	7,217	7,000	7,000	7,000
6200	Interest, Miscellaneous	1,391	2,000	2,000	2,000
6400	Certificate Fee Equipment Program	821,625	800,000	880,000	880,000
6010	Certificate Fee Surcharges	50,000	50,000	60,000	60,000
6900	Other Income	57,633	50,000	50,000	50,000
6410	Certificate Fee Services Program	53,250	70,000	80,000	80,000
6420	Certificate Fee Certified Persons Scheme	84,900	60,000	70,000	90,000
6950	Assessment Fees Administration	2,019	2,000	2,000	2,000
<b>Total Year Budget - Income</b>		<b>1,348,285</b>	<b>1,320,250</b>	<b>1,446,000</b>	<b>1,474,250</b>

	EXPENDITURE	CHF	CHF	CHF	CHF
40000	Personnel Costs (Salaries, Insurance + Pensions) – Total	720,000	785,000	825,000	825,000
47100	Office Equipment + Stationery	2,167	10,000	10,000	10,000
47200	Serviced Office facilities Rent Equip etc	73,712	95,000	100,000	100,000
47900	Miscellaneous, legal audit	4,787	10,000	10,000	10,000
47920	Website Maintenance and Development	2,448	10,000	10,000	10,000
XXXX	IEC CO General & Administrative Levy	0	75,623	85,263	85,263
48000	Publicity + Promotion	42,007	60,000	60,000	80,000
48200	Special Event	54,443	45,000	50,000	50,000
49000	Travel + Meeting Expenses	108,203	140,000	150,000	150,000
48500	Resources for special projects	23,989	40,000	40,000	40,000
49500	Extraordinary Expenses	1,215	0	0	0
<b>Total Operating Costs</b>		<b>1,032,971</b>	<b>1,270,623</b>	<b>1,340,263</b>	<b>1,360,263</b>
50000	Portion allocated to build IECEX Reserves	175,500	49,627	105,737	113,987
<b>Total Year Budget - Expense</b>		<b>1,208,471</b>	<b>1,320,250</b>	<b>1,446,000</b>	<b>1,474,250</b>
End of year surplus		<b>139,814</b>			
<b>End of year contribution to General Reserves</b>		<b>315,314</b>			

IECEX General Reserve as At 31 December 2014 = **CHF 1'466'789**

\*Items shown in Red Text are the adjustments proposed by the Treasurer and Secretary to the forecasted draft 2016 budget agreed in the Hague, (doc ExMC/951/CD) following receipt of the end of year 2014 accounts.

Annex B – Annual Dues Split

		Data as per IECEX OD 001				Country Contribution	Additional ExCBs	Additional ExTLs	Total Dues (CHF)
Country ID	Number ExCBs	Number ExTLs	Number ExCBs	Number ExCBs					
	IECEX 02 Equipment	IECEX 02 Equipment	IECEX 03 Services	IECEX 05 Persons					
					5,250	1,250	1,000		
					Dues Split				
1	AU	4	4	3	2	5,250	10000	3000	18,250
2	BR	2	1	1	1	5,250	3750	0	9000
3	CA	3	5	0	1	5,250	3750	4000	13,000
4	CN	1	5	0	0	5,250	0	4000	9,250
5	CZ	1	1	0	0	5,250	0	0	5,250
6	DK	1	1	0	0	5,250	0	0	5,250
7	FI	1	1	0	0	5,250	0	0	5,250
8	FR	2	2	1	2	5,250	5000	1000	11,250
9	DE	8	7	2	1	5,250	12500	6000	23,750
10	GB	6	11	2	2	5,250	11250	10000	26,500
11	HR	1	1	0	0	5,250	0	0	5,250
12	HU	1	1	0	0	5,250	0	0	5,250
13	IN	1	2	0	0	5,250	0	1000	6,250
14	IT	4	4	0	0	5,250	3750	3000	12,000
15	JP	1	1	0	0	5,250	0	0	5,250
16	KR	3	3	1	0	5,250	3750	2000	11,000
17	MY	0	0	1	1	5,250	1250	0	6,500
18	NL	3	2	1	1	5,250	5000	1000	11,250
19	NO	1	1	1	1	5,250	2500	0	7,750
20	NZ	0	0	0	0	5,250	0	0	5,250
21	PL	2	1	0	0	5,250	1250	0	6,500
22	RO	0	0	0	0	5,250	0	0	5,250
23	RU	1	1	0	0	5,250	0	0	5,250
24	SI	1	1	1	0	5,250	1250	0	6,500
25	SG	0	0	0	0	5,250	0	0	5,250
26	ZA	2	2	0	0	5,250	1250	1000	7,500
27	SE	1	1	0	0	5,250	0	0	5,250
28	TR	0	1	0	0	5,250	0	0	5,250
29	CH	1	1	0	0	5,250	0	0	5,250
30	US	3	5	1	0	5,250	3750	4000	13,000
31	ESP	0	0	0	0	5,250	0	0	5,250
32	UAE	0	0	0	0	5,250	0	0	5,250
33	IS	1	1	0	0	5,250	0	0	5,250
<b>TOTALS</b>		55	66	15	12	168,000	70,000	40,000	<b>283,250</b>