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CAB/1052/DV

2012-04-02

INTERNATIONAL ELECTROTECHNICAL COMMISSION

CONFORMITY ASSESSMENT BOARD (CAB)

SUBJECT

Budget of the IECEx for 2013, for CAB approval

BACKGROUND

Attached is the 2013 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 2013, by using the automatic voting system on the IEC Technical Server **by 2012-04-27**.



ExMC/729/DV
February 2012

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

Title: Updated Draft 2013 IECEx Budget, for submission to CAB

Circulated to: IECEx Management Committee, ExMC

INTRODUCTION

During the Split 2011 meeting of the IECEx Management Committee, ExMC, document ExMC/698/CD (Draft Forecasted 2013 and 2014 Budgets) was considered and endorsed for 2013 subject to the results of the 2011 end of year accounts, refer ExMC confirmed minutes ExMC/723A/RM.

Following receipt of the 2011 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 with a surplus of CHF 139'654 being achieved to result in a total end of year contribution to the IECEx General Reserves of CHF 201'654. The IECEx General reserves, as at the end of 2011 sits at CHF 894'053.

In receipt of the 2011 end of year results, a review of the 2013 Draft forecast budget detailed in ExMC/698/CD was undertaken by the Treasurer and Secretary.

Given the 2011 end of year results and taking into account the approved 2012 Budget, the review has resulted in very minimal alteration to the draft forecast 2013 budget presented at the 2011 ExMC Split meeting.

With this review now completed an updated draft budget 2013 is now submitted for final approval by ExMC, (Column D of Annex A).

This draft budget now includes both summary and specific explanations along with Annex A with the budget amounts and Annex B the annual fees calculations, as at February 2012.

As also reported during the Split ExMC 2011 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 2012 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 2011 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 2011, as confirmed by the auditors.

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As demonstrated by the 2011 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 2011 Split ExMC endorsed 2013 draft 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 **28 March 2012**.

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.

Chris Agius

IECEx Secretariat

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ExMC/729/DV
February 2012

Voting Form

Vote for the acceptance of ***Updated Draft 2013 Budget***

☐ Yes. I agree with the updated Draft budget as presented in Column D to ExMC/729/DV.

☐ No. I do not agree with the updated Draft budget as presented in Column D to ExMC/729/DV for the following reasons.

Signature: _____

Name: _____

Member Body: _____

Date: _____

Please complete and return by **28 March 2012** to:

Mr Chris Agius
IECEX Secretariat

Contact Details:

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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 – 2013 updated Draft Budget details (and includes 2011 end of year audited results)
- Annex B – Details of annual dues calculations, as at February 2012

Annex A is presented with the following columns

A = The end of year 2011 accounts as confirmed by the IEC external auditors, during February 2012.

B = The approved 2012 Budget, as previously approved by both ExMC and CAB and in current use for 2012.

C = The 2013 initial budget figures as considered during the 2011 ExMC Split meeting (ExMC/698/CD extract)

D = The 2013 reviewed Budget amounts as the proposed final budget for 2013, taking into account the 2011 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 forecast 2013 budget during the Split September 2011 ExMC meeting, (Values from ExMC/698/CD and listed in Column C of Annex A) the Treasurer and Secretary have reviewed these values for a final draft 2013 budget Column D in light of

- The 2011 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 2011 results, resulting in very minimal overall change to the draft preliminary 2013 budget detailed in ExMC/698/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 for the past 7 years resulting in an average annual surplus of **22%** of the Annual Income generated with the IECEX General Reserve at end of 2011 now at **CHF 894'053**, a 30% increase to the General Reserve level from that at end of 2010.

The management and control over IECEX operational expenditure has resulted in IECEX continuing to keep operating expenditure below 2011 budget. A copy of the auditor's report of the 2011 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 **11 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 9th year of operation, the issuing of Certificates maintains healthy and sustained annual growth rates with figures at end of January 2012 continuing this trend. While this trend continues, even into January and February 2012, a flattening out of this growth rate during late 2012 early 2013, is factored into the Draft 2013 budget in recognition of the world economic situation, even though there are no indications of this at present.

Therefore in summary the updated 2013 Draft Budget, (Column D of Annex A), provides:

- A Total income of CHF 1,090,500
- A Total Operating costs of CHF 952'500
- A budgeted contribution to the IECEx General reserve of CHF 138'000.
- Any surplus to be added to the General Reserves (noting that for 2011 a total of CHF 201,654 contribution was achieved)

As discussed during the ExMC Split 2011 meeting, the increase in expenditure is in order 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.

In referring to ExMC/698/CD, the long range projection forecast for 2014 provided for the introduction of additional part time resources as part of succession planning for some of the Secretariat Staff. Given the results of 2011 it is proposed that provision be made to bring this forward during the 2013 year, depending on the 2012 end of year results.

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 2013 Draft budget, detailed in ExMC/698/CD for the 2011 ExMC Split 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 2011 accounts. In finalizing the proposed 2013 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 2013 Draft Budget is being prepared at the beginning of 2012, the actual end of year figures for 2011 are used as a guide to develop this Draft 2013 budget along with the Approved 2012 Budget.

A complete report with audited 2011 accounts, once available from the IEC external auditors, will be circulated to ExMC and presented to the IEC ExMC meeting in September and then at the 2012 IEC GM, CAB meeting.

1. INCOME

1.1 Item 6000 (National dues)

No significant change is proposed to that provided for in ExMC/698/CD, other than for a slight reduction so as not to place any dependency on new applications from countries coming forward. 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 2012.

The draft 2013 budget represents a **12th consecutive** year of no increase in annual fees.

1.2 Item 6020 (Application Fees)

No change is proposed to that provided for in ExMC/698/CD, and agreed during the ExMC Split 2011 meeting, see Minutes ExMC/723A/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/698/CD, and agreed during the ExMC Split 2011 meeting, see Minutes ExMC/723A/RM, noting that the new edition of the IECEx Bulletin has been released and will be further updated to reflect additional information from Members.

1.4 Item 6200 (Interest)

No change is proposed to that provided for in ExMC/698/CD, and agreed during the ExMC Split 2011 meeting, see Minutes ExMC/723A/RM

1.5 6400 + 6010 (Certificate fees Equipment Scheme)

A small upward adjustment to CHF 630'000 for Certificate fees is proposed for 2013 noting the 2011 end of year result of CHF 581,100. In addition, now with some history concerning Surcharges this amount has been split from item 6400 and CHF 40'000 is allocated, noting the 2011 end of year result of CHF 24'500

1.6 6410 + 6420 (Services Scheme + Personnel Scheme)

No change is proposed to that provided for in ExMC/698/CD, and agreed during the ExMC Split 2011 meeting, see Minutes ExMC/723A/RM.

1.7 Item 6900 (Other Income)

No change is proposed to that provided for in ExMC/698/CD, and agreed during the ExMC Split 2011 meeting, see Minutes ExMC/723A/RM, Other income may include income from the IECEx Secretariat involvement in ExCB/ExTL assessments.

1.8 Item 6950 (Assessment fees Administration)

No change is proposed to that provided for in ExMC/698/CD, and agreed during the ExMC Split 2011 meeting, see Minutes ExMC/723A/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

Long range forecasted budget for 2014, as detailed in ExMC/698/CD and agreed during the ExMC 2011 Split meeting, gave provision for additional 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 2011 end of year results along with the financial position provision is made in the draft 2013 Budget to bring the additional resources forward but only should income predictions during 2012/2013 be met.

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/698/CD relate to the bringing forward of additional resources as provided for in the 2014 long range forecasted budget of ExMC/698/CD as presented during the 2011 ExMC Split meeting, see Minutes ExMC/723A/RM, to address both workload of the Secretariat and issues surrounding succession planning. This is to be further reviewed in light of the 2012 end of year results.

2.2 Item 47100 (Office Equipment)

No change is proposed to that provided for in ExMC/698/CD, and agreed during the ExMC Split 2011 meeting, see Minutes ExMC/723A/RM.

2.3 Items 47200 (Rent of the IECEx Secretariat Office)

No change is proposed to that provided for in ExMC/698/CD, and agreed during the ExMC Split 2011 meeting, see Minutes ExMC/723A/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/698/CD, and agreed during the ExMC Split 2011 meeting, see Minutes ExMC/723A/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/698/CD, and agreed during the ExMC Split 2011 meeting, see Minutes ExMC/723A/RM

2.6 Items 48000 (Publicity and Promotion)

No change is proposed to that provided for in ExMC/698/CD, and agreed during the ExMC Split 2011 meeting, see Minutes ExMC/723A/RM

2.7 Item 49000 (Travel and Meeting expenses)

No change is proposed to that provided for in ExMC/698/CD, and agreed during the ExMC Split 2011 meeting, see Minutes ExMC/723A/RM.

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/698/CD, and agreed during the ExMC Split 2011 meeting, see Minutes ExMC/723A/RM,.

2.9 Item 50000 (Contribution to the IECEx General Reserve)

A total of CHF 138'000 is provided to be more realistic of the likely difference between Operational expenses and income ,

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 2014/2015 period with ExMC WG13 Business Development to consider proposals after this level has been reached.

Annex A: Proposed updated 2013 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. .

Table 1

Annex A – Draft 2013 IECEEx Budget (Column D)					
		A	B	C	D
	INCOME 2011	End of Year Accounts	2012 Approved Budget	2013 Draft ExMC/698/CD Considered in Split 2011	2013 Final Proposed Draft Budget*
		CHF CHF		CHF	CHF
6000	National Dues	236,500	234,500	275,000	250,000
6020	Application Fees	3,000	20,000	20,000	20,000
6110	Publications (Include IECEEx Bulletin)	8,390	7,000	7,000	7,000
6200	Interest, Miscellaneous	2,582	6,500	6,500	6,500
6400	Certificate Fee Equipment Program	581'100	550,000	540,000	630,000
6010	Certificate Fee Surcharges	24,500	included in 6400	included in 6400	40,000
6900	Other Income	3,300	5,000	10,000	10,000
6410	Certificate Fee Services Program	43,750	70,000	75,000	75,000
6420	Certificate Fee Certified Persons Scheme	14,950	50,000	50,000	50,000
6950	Assessment Fees Administration	1,197	2,000	2,000	2,000
	Total	919,269	945,000	985,500	1,090,500

	EXPENDITURE CHF		CHF	CHF	CHF
40000	Personnel Costs (Salaries, Insurance + Pensions) – Total	520,000	550,000	580,000	650,000
47100	Office Equipment + Stationery	2,457	10,000	10,000	10,000
47200	Serviced Office facilities Rent Equip etc	32,719	70,000	80,000	80,000
47900	Miscellaneous, legal audit	8,748	10,000	10,000	10,000
47920	Website Maintenance and Development	3,601	7,500	7,500	7,500
48000	Publicity + Promotion	9,165	40,000	40,000	40,000
49000	Travel + Meeting Expenses	116,693	115,000	115,000	115,000
48500	Resources for special projects	24,232	40,000	40,000	40,000
49500	Extraordinary Expenses	0	0	0	0
	Total Operating Costs	717,615	842,500	882,500	952,500
50000	Portion allocated to build IECEEx Reserves	62,000	102,500	103,000	138,000
	Total Year Budget Expenditure	779,615	945,000	985,500	1,090,500
	End of year surplus	139,654			
	Total end of year contribution to General Reserves	201,654			

IECEEx General Reserve as At 31 December 2011 = **CHF 894,053**

*Items in Column D, shown in red text, are those that while endorsed during the 2011 ExMC Split meeting, have now been adjusted by the Treasurer and Secretary following review during Feb 2012, Refer to **Overview** and Notes for further explanation .

Annex B: Annual Dues Split – Calculator (as at Feb 2012)

Country	Number ExCBs	Number ExTLs	Number ExCBs	Number ExCBs	Dues Split			
	IECEX 02 Equipment	IECEX 02	IECEX 03 Services	IECEX 05 Persons	National share	Each ExCB	Each ExTL	due per Country

Amount in CHF		3,000	1,250	1,000 --	
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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	4		1	3,000	5000	4000	12,000
4	CN	1	4			3,000	1250	4000	8,250
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		1	3,000	3750	2000	8,750
9	DE	8	7	2	1	3,000	13750	7000	23,750
10	GB	6	5	2	2	3,000	12500	5000	20,500
11	HR	1	1			3,000	1250	1000	5,250
12	HU	1	1			3,000	1250	1000	5,250
13	IN	1	3			3,000	1250	3000	7,250
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			3,000	1250	1000	5,250
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	4	1		3,000	5000	4000	12,000
Total columns		55	59	13	8	90,000	95,000	59,000	244,000