



BRITISH HALLMARKING COUNCIL

Annual Report and Accounts
for the year ended 31 December 2014



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**Accounts presented to Parliament pursuant to Paragraph 19 of Schedule 4 of the
Hallmarking Act 1973 as amended by the Government Resources and Accounts Act 2000
(Audit of Public Bodies) Order 2003**

Annual Report presented to Parliament by Command of Her Majesty

Ordered by the House of Commons to be printed

6 July 2015

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BRITISH HALLMARKING COUNCIL

REPORT OF THE CHAIRMAN - 2014

Introduction

Whilst it is still a small increase, I am pleased to open this report by saying that the market for hallmarked articles has increased during 2014. This is after a long and sustained period of decline which the Assay Offices have found both difficult and challenging to contend with.

It is far too early to say that this is the beginning of a sustained recovery, but it is a positive sign of movement in the right direction. What is interesting is that the increase is in the two high volume precious metals, gold and silver, with gold leading the way, reflecting the fall in its price.

The detailed figures are shown later on in this report but, to summarise, 2013 saw a decline from 9,323k items in 2012 to 9,045k items in that year, whereas 2014 has seen a significant uplift to 10,452k items representing a 15% increase.

It is true to say, however, that the difficult trading conditions the Assay Offices have experienced for several years continue to prevail and margins in particular are thin with key elements of their cost bases increasing at a time when increases in hallmarking charges cannot be made.

As ever though, the Assay Offices continue to strive for greater efficiencies within their operations and seek out new business opportunities: by way of examples, applications to open new sub-offices have continued, including, for the first time, one for an overseas sub-office. Sheffield Assay Office now has a facility in Malpensa, Milan, Italy, which is referred to elsewhere in this report.

Referring specifically to the work of the British Hallmarking Council ("the Council"), this continues and the Council supports as best it can the Offices and the trade. The Council is categorised as an Executive Non-Departmental Public Body for policy/administrative purposes and, for national accounts purposes, it is classified to the central government sector. As a result, the Council has experienced an increase in workload. That work comprised primarily complying with various policy initiatives for partner organisations originating mainly from the Department for Business, Innovation and Skills, the Council's sponsoring Department.

In this context, the Council has successfully passed its second Triennial Review, a process which took some eighteen months. The review team concluded that the Council was fit for purpose and operated in accordance with the principles of good corporate governance. It made four recommendations, which are now being addressed.

The ministerial statement regarding the review's completion can be viewed and downloaded at the following location:-

www.gov.uk/government/publications/british-hallmarking-council-triennial-review-2013-to-2014

British Hallmarking Council Membership

There have been no changes in the membership of the Council during the year other than the appointment by the Birmingham Assay Office of Carol Brady to be one of that Office's two representatives. We welcome Ms Brady to the Council.

The next cycle of appointments or re-appointments of the ministerial appointees commences during the course of 2015 and will be effective from January 2016. Of the ten members of Council appointed by the Secretary of State, four will be standing down and others will be considered for re-appointment. The process of seeking suitable candidates will be organised by BIS in conjunction with the National Measurement Office as sponsor to the Council.

UK Sub-Offices and On-site Hallmarking

The subject of UK sub-offices and on-site hallmarking is referred to in some detail in the Governance Statement which follows later on in this report. However it should be noted that one

approval to open a UK sub-office was granted by the Council during 2014 in response to an application from the Edinburgh Assay Office to open an off-site facility in Hounslow, London, close to Heathrow Airport.

Overseas Sub-Offices

As reported in last year's report, an application had been received to open an off-shore, off-site sub office and approval was duly given by the Council for the Sheffield Assay Office to open a sub-office in Malpensa, Milan, Italy. This was an historic application being the first sub-office to be opened by a UK Assay Office in a foreign country. It provides tangible evidence that the significant amount of work undertaken to obtain the Legislative Reform Order, enabling UK Assay Offices to operate overseas, was worthwhile and necessary.

As we face an increasingly competitive global market place, even in the relatively small world of hallmarking, it is vitally important that the Assay Offices are allowed the flexibility to adapt promptly to the ever-changing requirements of their customers and not be burdened by unnecessary bureaucracy. At the same time, however, they, together with the Council, must ensure that the high standards for which the UK Hallmarking system is so highly respected are maintained.

As referred to in last year's report, the Council's Applications Committee has used the revised guidelines and protocols by which applications for both on and off-shore sub-offices are determined. The risk-based and "light-touch" approach, which is required of all regulators in the performance of their duties, has ensured that the applications are dealt with efficiently and cost-effectively wherever a sub-office may be located. To this end the Assay Offices are to be commended for their co-operation and the high standard of their applications.

Inspection by the Royal Mint

The Royal Mint conducted an inspection of the hallmarking and assaying operations of the four Assay Offices in October 2014. It concluded that their methods and procedures were satisfactory.

Enforcement

Section 9(1) of the Hallmarking Act provides "it shall be the duty of every Local Weights and Measures Authority to enforce the provisions of this Act within their area". This means that within each Local Authority, the Trading Standards Department has the responsibility for enforcing hallmarking legislation.

Like many other activities, enforcement is subject to the financial constraints facing all local authorities. In addition, enforcement of hallmarking has to be considered along with the many other enforcement responsibilities which are the duty of the Trading Standards Service. Further, in some regions, the low quantum of fines imposed on offenders by the courts may have the effect of diminishing the deterrent value of enforcement activity.

It continues to be the case, however, that enforcement activities undertaken, particularly those involving inspection of retail premises, have proved more efficient when conducted by Trading Standards Service staff in conjunction with staff from the assay offices. Such direct enforcement in the market place ensures fair trading between traders and provides important protection for consumers, essential where without a hallmark, the consumer is generally unable to determine the fineness of an article made from precious metal.

The Touchstone Award

As referred to in last year's report, the Touchstone Award, introduced to highlight and encourage Trading Standards Services' enforcement of hallmarking legislation, continues to gain momentum. 2014 has been the third year of the Award, a magnificent silver plate which is kept by the recipient Council for one year. It is presented to a Trading Standards Team for outstanding work in the area of hallmarking; team members also receive an individual award to recognise their contributions.

In June 2014 it was presented to the London Borough of Southwark for enforcement activity which uncovered fraudulent trading, resulting in more than 1,300 items of jewellery being seized. Further investigations revealed Hallmarking and Trade Mark offences including counterfeit hallmarks. The presentation was made at the Annual Dinner of the Trading Standards Institute (TSI), which takes

place during the TSI annual conference and I am grateful for the opportunity so afforded to the BHC.

The Council's thanks to the Assay Offices should be recorded since without their continued support and sponsorship of the Award, it simply would not happen and much diligent work by Trading Standards teams nationally protecting the consumer would go unrecognised.

Finance

The expenses of the Council are covered by the assay offices *pro rata* to their respective turnover figures as laid down by the Hallmarking Act. Accordingly it would not be appropriate for the Council to have either a permanent surplus of income over expense or to create reserves. The accounts for the year are included in the combined report and accounts.

Prices for Assaying and Hallmarking

The Council fixes the maximum charges which may be made for assaying and hallmarking. These were left unchanged during 2014.

Date Letter

The date letter is an optional mark and for 2015 is "q".

Statistics

Details of the number and weight of gold, silver, platinum and palladium items dealt with by the assay offices (and other statistical information) are set out in Appendices II and III to this report.

The total number of items marked in the year was 10,452k.

General Equality Duty

The Council is subject to the public-sector equality duty under the Equality Act 2010 s149. The Council is therefore required, in the exercise of its functions, to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not. The Council is not a body designated to discharge specific duties under the Equality Act 2010 s149.

Publication Scheme

The Council has a Publication Scheme for the purposes of the Freedom of Information Act 2000, a copy of which can be obtained from the Secretary.

Conclusion

To conclude this report, I would again like to express my thanks to a number of people: the officers of the Assay Offices for their support during the course of the last year; the members of the Council for their contributions during 2014 and in particular those who have actively participated in one or other of the Council's sub-committees; the representatives from the National Measurement Office whose guidance on the ways of government continues to be invaluable; and finally but by no means last, our very capable secretary, Geraldine Swanton, without whom the role of chairman would be nigh on impossible and the Council not so well served.

Signed

**Christopher J Jewitt
Chairman for the year ended 31 December 2014.**

Date : 13 April 2015

BRITISH HALLMARKING COUNCIL

MEMBERS OF THE COUNCIL

The members of the Council who served during the year were:

Chairman

Mr Christopher Jewitt D.L. is Chairman of Sheffield-based hand tool manufacturing company, Footprint Sheffield Limited. Prior to becoming Chairman, he was Chairman of the Guardians of the Sheffield Assay Office. He is also a past Master Cutler of the Company of Cutlers in Hallamshire and is a Deputy Lieutenant of the County of Yorkshire.

Members appointed by BIS:

Mr Bryn Aldridge is a former Director of Trading Standards and Veterinary Services for the City of London Corporation and is a Code Panel Member for the Retail Energy Association.

Mr Robert Grice was a Trading Standards Professional for nearly 40 years, retiring as Chief Officer of the Service in 2006. He has an MSc in Criminal Justice and following retirement was, for almost six years, an Assistant Divisional Training Officer for West Yorkshire Police in a part-time capacity. Robert is a long-standing Guardian of the Sheffield Assay Office.

Mr Andrew Hinds is a Director of F Hinds and has worked in the business full time since 1989. He is also the Vice Chairman and Board Member of the National Association of Goldsmiths. He is a Freeman of the Worshipful Company of Goldsmiths and Fellow of the Gemmological Association.

Mr Derek Lassetter has been involved with the manufacture and supply of precious metals to the jewellery and silversmithing trades in the UK and overseas for over 40 years. A former Director of Argex Ltd and Manager at Johnson Matthey, he retains a consultant interest in the trade in addition to serving as a Board Member of a Housing Association and as an independent member of an NHS Medical Research Ethics Committee.

Mr Adrian Levett is the former head of Trading Standards, Warwickshire County Council. He has chaired several key national and regional trading standards bodies concerned with service delivery, and is a consultant in change-management activities.

Mr Eric Melrose is the former Director of Planning and Environmental Services for Aberdeenshire Council having held senior management posts directing trading standards and consumer protection activities in Grampian Council. He has chaired the Metrology Panel of LACORS and was the Scottish Champion of the DTI Consumer Direct service in Scotland.

Ms Helen O'Neill is a director of The PMC Studio Ltd, the distributor of Precious Metal Clay in the UK and Ireland. Following a degree in European Business, she worked in international marketing for 20 years in various industry sectors. Currently she is also National Committee Member of the British Jewellers' Association (BJA).

Mr John Pearce is a professional jewellery designer and manufacturer. He founded Johnny Rocket Ltd in 1997 and has developed the company so that it is now a very well known brand in celebrity circles.

Mr David Sanders is a former senior trading standards officer who has acted for various authorities.

Mr David Thurston was formerly Head of Legal Services for Sainsbury's and a trustee of its pension scheme before being appointed as a founder board member of the Local Better Regulation Office. He is a magistrate and family court justice in Sussex. He holds degrees in law and natural sciences

Assay Office Representatives (London):

Mr Dick Melly is the Clerk of the Goldsmiths Company.

Mr Grant Macdonald is the Chairman of the Worshipful Company of Goldsmiths Assay Office management committee. He is managing director of Grant Macdonald (Silversmiths) Ltd, London

Assay Office Representative (Sheffield):

Mr Simon Batiste is the Law Clerk of the Sheffield Office, and a barrister with Chambers in Leeds. He has a long family connection with hallmarking.

Assay Office Representatives (Birmingham):

Ms Kate Hartigan is a Management Accountant with extensive general management experience, and is also a Trustee and Treasurer of the Birmingham Botanical Gardens and Glasshouses.

Ms Carol Brady is the Chairman of the Board of the Trading Standards Institute. Ms Brady was appointed on 13 October 2014.

Assay Office Representative (Edinburgh):

Mr John Stirling is law clerk to Edinburgh Assay Office and a solicitor in Edinburgh.

Co-Opted Members:

Mr Tom Murray is Deacon of the Incorporation of Goldsmiths in Edinburgh. He is also a solicitor in Edinburgh. He is a member of the Law Society of Scotland's Investor Protection Committee, and is the Purse Bearer to the Lord High Commissioner. He has a long family connection with hallmarking.

Mr Chris Heaton is Chairman of the Guardians of the Sheffield Assay Office. He is a Chartered Accountant and a Main Board Director of OSL Group Holdings, with responsibility for its automotive divisions. He is also a Director of Charterfields Limited, an international asset valuers headquartered in Sheffield.

Assay Masters (entitled to attend):

Dr Robert Organ is Deputy Warden of the London Assay Office.

Ms Stella Layton is Assay Master of the Birmingham Assay Office.

Mr Ashley Carson is Assay Master at the Sheffield Assay Office.

Mr Scott Walter is Assay Master at the Edinburgh Assay Office.

National Measurement Office

Peter Edwards, Assistant Director, and **Fiona Birchall**, Policy Officer, both of the Regulation Policy Team, regularly attend Council meetings.

THE BRITISH HALLMARKING COUNCIL

MAXIMUM CHARGES

The following charges are the maximum charges fixed by the Council for assaying and hallmarking articles of precious metal:

	Maxima P	Band P
GOLD		
Bracelets, Necklets, Chains under 5 grams	45p + 1.5 p/g	46.5 - 52.5
Bracelets, Necklets, Chains under 10 grams	"	52.5 - 60.0
Bracelets, Necklets, Chains under 30 grams	"	60.0 - 90.0
and for every further 20 grams	"	
Locketts, Brooches	"	
Earrings	"	
Cuff Links	"	
Rings	"	
Other Articles: under 2 grams	"	46.5 - 48.0
under 10 grams	"	48.0 - 60.0
under 20 grams	"	60.0 - 75.0
under 50 grams	"	75.0 - 120.0
and for every further 10 grams	"	
Gold Articles (second-hand)	£6.00	
Minimum charge for any parcel	£20.00	
SILVER		
Articles 20 grams and under	45p + 1.5 p/g	57.0 - 75.0
Over 20 grams per 100 grams	"	
Articles less than 10 grams each submitted in identical batches of more than 50	"	57.0 - 60.0
Chain work: under 15 grams	"	57.0 - 67.5
under 30 grams	"	67.5 - 90.0
30 grams and over	"	
Handles (stamped)	"	
Clad Glasswear	"	
Filled Electroforms	60p + 2.0 p/g	
All second-hand articles	£6.00	
Minimum charge for any parcel	£20.00	
PLATINUM		
Platinum articles will be charged at double the rate applicable to Gold articles		
Minimum charge for any parcel	£20.00	

APPENDIX 2

WEIGHT IN KILOGRAMS OF ARTICLES DEALT WITH BY ALL THE ASSAY OFFICES FOR THE TWO CALENDAR YEARS SHOWN

QUARTER	GOLD												SILVER		PLATINUM		PALLADIUM	
	999		980		916		750		585		375		2014	2013	2014	2013	2014	2013
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013						
FIRST	2.3	18	0.0	0	678	652	1,578	1,085	134	85	3,187	2,543	16,554	13,391	465	486	137	185
SECOND	2.3	10	0.0	1	678	799	1,578	1,256	134	83	3,187	2,523	16,554	14,111	465	518	137	208
THIRD	2.3	11	0.0	1	678	999	1,578	1,440	134	111	3,187	2,938	16,554	17,813	465	599	137	184
FOURTH	2.3	4	0.0	0	678	895	1,578	1,904	134	129	3,187	4,416	16,554	20,732	465	574	137	161
Cumulative total to date	9.1	43.0	0.2	2	2,712	3,345	6,313	5,685	537	408	12,747	12,420	66,215	66,047	1,859	2,177	550	738

**NUMBERS OF ARTICLES DEALT WITH BY ALL THE ASSAY OFFICES FOR
2013 AND 2014**

QUARTER	ALL ARTICLES -1000 units		GOLD ARTICLES - 1000 units		SILVER ARTICLES - 1000 units		PLATINUM ARTICLES - single units		PALLADIUM ARTICLES - single units	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
FIRST	2,237	1,807	1,034	795	1,119	925	59,453	59,764	24,499	27,261
SECOND	2,249	1,861	1,066	832	1,080	933	66,205	63,977	36,502	32,335
THIRD	2,624	2,314	1,271	1,029	1,264	1,185	65,242	69,989	23,933	30,674
FOURTH	3,343	3,174	1,689	1,443	1,565	1,646	66,707	63,835	22,301	20,750
TOTAL	10,452	9,156	5,060	4,099	5,027	4,689	257,607	257,565	107,235	111,020

PERCENTAGE FIGURE FOR THE ABOVE TOTALS FOR EACH ASSAY OFFICE

OFFICE	ALL ARTICLES	GOLD ARTICLES	SILVER ARTICLES	PLATINUM ARTICLES	PALLADIUM ARTICLES
	<i>2014</i>	<i>2014</i>	<i>2014</i>	<i>2014</i>	<i>2014</i>
LONDON	31	34	26	37	20
BIRMINGHAM	33	35	31	41	39
SHEFFIELD	23	26	21	17	38
EDINBURGH	13	5	22	5	3

**CONVENTION ON THE CONTROL & MARKING OF ARTICLES
OF PRECIOUS METAL**

**UNITED KINGDOM
YEAR TOTAL 2014**

	GOLD	SILVER	PLATINUM	PALLADIUM	TOTALS
London	812,707	576,936	22,865	4,496	1,417,004
Birmingham	506,031	488,465	27,432	942	1,022,870
Sheffield	721,054	609,552	10,390	6,452	1,347,448
Edinburgh	3,181	100,174	4	0	103,359
TOTALS	2,042,973	1,775,127	60,691	11,890	3,890,681

BRITISH HALLMARKING COUNCIL

Accounts

31 December 2014

ACCOUNTS 2014

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ACCOUNTS 2014

OFFICERS AND PROFESSIONAL ADVISERS

Chairman

Christopher Jewitt

Secretary and Accounting Officer

Geraldine Swanton

Bankers

Lloyds TSB Bank Plc
125 Colmore Row
Birmingham
B3 3AD

Solicitors

SGH Martineau LLP
No. 1 Colmore Square
Birmingham
B4 6AA

Auditors

Comptroller and Auditor General
National Audit Office
157 - 197 Buckingham Palace Road
Victoria
London
SW1W 9SP

FOREWORD TO THE ACCOUNTS

Year ended 31 December 2014

Preparation of accounts

The statement of accounts of the British Hallmarking Council has been prepared in a form directed by the Secretary of State with the consent of the Treasury in accordance with the Hallmarking Act 1973 (as amended by the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003). The statement has also been prepared in accordance with an Accounts Direction letter dated 21 January 2004 from the former Department of Trade and Industry which requires the annual accounts to show a true and fair view of the income and expenditure and cash flows for the financial year and the state of affairs at the year end and further requires the accounts to be prepared in accordance with Executive Non-Departmental Public Bodies Annual Reports and Accounts Guidance and other guidance which the Treasury may issue from time to time and any other specific disclosures required by the Secretary of State. The Annual Reports and Accounts guidance has been superseded by the Government Financial Reporting Manual.

So far as Geraldine Swanton, the Accounting Officer, is aware, there is no relevant audit information of which the Council's auditors are unaware, and the Accounting Officer has taken all steps which she ought to have taken to make herself aware of all relevant audit information and to establish that the Council's auditors are aware of that information.

History, statutory background and principal activities

The British Hallmarking Council was constituted by and is governed by the Hallmarking Act 1973. The British Hallmarking Council is charged with the duty of ensuring that adequate facilities for the assaying and hallmarking of articles of precious metal are available as from time to time required in the United Kingdom, of supervising the activities of assay offices in that behalf, of taking all steps appearing to be open to it for ensuring the enforcement of the law with respect to hallmarking and of advising the Secretary of State with respect to all matters concerning the due execution of the Hallmarking Act including any matter which may be referred to the Council by the Secretary of State.

Financial Reporting Manual disclosure requirements

The Directors' Report and Operating and Financial Review information required to be disclosed by the Government Financial Reporting Manual is contained in the Foreword to the Accounts and the Report of the Chairman. A Remuneration Report is also required by the Financial Reporting Manual, however as all relevant disclosures required are included in note 3 to the accounts - "Staff numbers and related costs" - therefore no separate Remuneration report has been produced.

Results for the year

The results for the year are set out on page 24. The costs of the British Hallmarking Council are funded by contributions from the assay offices in London, Birmingham, Sheffield and Edinburgh in accordance with the Hallmarking Act 1973. Any additional income collected by the Council reduces the Assay Offices' contributions.

FOREWORD TO THE ACCOUNTS

Year ended 31 December 2014

(Continued)

Council members

The Council members who have served at any time during the year are as follows:

Bryn Aldridge	
Simon Batiste	
Carol Brady	
Robert Grice	
Kate Hartigan	
Chris Heaton	
Andrew Hinds	
Christopher Jewitt	Chairman
Derek Lassetter	
Adrian Levett	Chairman of Sub-Office Applications Committee
Grant Macdonald	
Dick Melly	
Eric Melrose	
Tom Murray	
Helen O'Neill	
John Pearce	
David Sanders	
John Sterling	
David Thurston	

FOREWORD TO THE ACCOUNTS
Year ended 31 December 2014
(Continued)

Duties of Council members

The function of the British Hallmarking Council is set out in the Hallmarking Act 1973. Individually Council members contribute to the fulfilment of that function through their participation at meetings - usually twice a year. In addition, Council members may serve on working parties to consider various topics from time to time, and there is also a standing sub-Committee, made up of Council members, to deal with individual applications by assay offices for permission to open a sub Office. The members of the Council's Technical sub-Committee are the four assay members who are not members of the Council.

Disclosure of Council members' interests

The register of Council members' interests, maintained by the Secretary, is open to inspection by the public by prior appointment with the Secretary at the offices of SGH Martineau LLP.

Payment policy

The British Hallmarking Council adheres to the principles of the Better Payment Practice Code ('BPPC') as set out below:

- Agree payment terms at the outset of a deal and stick to them;
- Explain payment procedures to suppliers;
- Pay bills in accordance with any contract agreed with the supplier or as required by law; and
- Tell suppliers without delay when an invoice is contested, and settle disputes quickly.

The BPPC target is to pay all undisputed supplier invoices within 30 days, unless other payment terms have been agreed. This target was achieved in relation to 40% (2013 41%) of invoices by value because of delays in settling invoices from SGH Martineau LLP.

Employees

The British Hallmarking Council does not have any employees.

Auditors

The statement of accounts has been audited by the Comptroller and Auditor General. The auditors are appointed under statute and report to Parliament. The audit fee for the year ended 31 December 2014 is £ 3,150 (£3,000 in 2013). No other services were provided.

Personal data

The British Hallmarking Council is registered as a data controller under number Z3489143. There have been no personal data loss incidents during the year 2014.

Future developments

For 2015, the specific objectives of the British Hallmarking Council are described in the Council's Corporate Statement.

Events after the Reporting Period

There are no events after the reporting period which might affect the understanding of the statement of accounts.

Going Concern

The British Hallmarking Council remains a going concern.

Geraldine Swanton

Secretary and Accounting Officer

Date: 13 April 2015

Christopher Jewitt

Chairman

Date: 13 April 2015

STATEMENT OF COUNCIL AND ACCOUNTING OFFICER'S RESPONSIBILITIES
Year ended 31 December 2014

Under the Hallmarking Act 1973 (as amended), the Secretary of State with the approval of Treasury, has directed the British Hallmarking Council to prepare a statement of accounts each financial year in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the Council's state of affairs at the period end and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Council and the Accounting Officer are required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Secretary of State, including relevant accounting and disclosure requirements, and apply accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departure in the financial statements; and
- prepare the financial statements on a going-concern basis, unless it is inappropriate to do so.

The Principal Accounting Officer for the Department for Business Innovation & Skills appointed the Secretary of the Council as Accounting Officer on 13 February 2012, with effect from 3 October 2011. Her relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances and for keeping proper records, are set out in HM Treasury's "Managing Public Money" Chapter 3.

GOVERNANCE STATEMENT

Year ended 31 December 2014

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the British Hallmarking Council's policies, aims and objectives, whilst safeguarding the public funds and Council assets for which I am personally responsible, in accordance with the responsibilities assigned to me in "Managing Public Money".

My appointment as Accounting Officer was confirmed by the Department for Business, Innovation & Skills, the Council's sponsoring Department (BIS), on 13 February 2012. The appointment letter sets out the specific responsibilities of the Accounting Officer in respect of internal control matters.

On 26 March 2010, the Council adopted the Model Code of Practice for Board Members of Advisory Non-Departmental Public Bodies issued by the Cabinet Office, which was replaced by the Model Code of Conduct for Board Members of Public Bodies, June 2011 and adopted by the Council on 7 April 2014 ("the Code"). The Code is based on Cabinet Office Guidance on 'Codes of Practice for Board Members of Public Bodies' issued in 2004 ("the Guidance"). The Guidance incorporates my responsibilities as Accounting Officer towards the overall management of the Council, its procedures and financial matters.

Governance structure

The composition of the Council is determined by the Hallmarking Act 1973 Schedule 4. The maximum number of members is nineteen and the minimum is sixteen. Ten members are appointed by the Secretary of State, at least three of whom have experience of consumer protection, four of whom are engaged in trading or manufacture of precious metal and the others are of independent status. Six members of the Council are assay-office appointees, two from the Birmingham and London Assay Offices and one each from the Sheffield and Edinburgh Assay Offices. Two further members are co-opted to the Council and such members are usually recommended by the Sheffield and Edinburgh Assay Offices. The assay masters and other employees of the four assay offices are entitled to attend and speak at Council meetings, but may not vote.

The Council meets twice a year, in April and October. Members' attendance or non-attendance is noted at each meeting and documented in the minutes.

At the date of my appointment to the Council, there were two sub-committees, the Applications Committee and the Education & Enforcement Committee. The latter was an *ad hoc* committee which met to consider specific enforcement issues that arose and devised initiatives to raise public awareness of the hallmarking regime. It was dissolved by the Council in April 2013, because the view of Council was that matters within the Committee's remit, in particular enforcement, were better dealt with by the full Council.

The Application Committee is made up of four Secretary-of-State-appointed members of the Council and its remit is to consider applications by the assay offices to set up sub-offices or otherwise engage in off-site hallmarking (e.g. on customers' premises or overseas) and to make recommendations accordingly to the Council. Hence, while the Council grants or refuses applications with respect to setting up sub-offices in accordance with the Hallmarking Act 1973 s13(2)(e), responsibility for the administration of the approvals scheme has been delegated to the Applications Committee. The Applications Committee has issued criteria and protocols for setting up sub-offices, as well as for component and off-shore marking, all of which were approved by the Council. In April 2012, the Council further delegated authority to the Applications Committee to consider applications for temporary sub-offices, in accordance with the Council's powers of delegation under the Hallmarking Act 1973 Schedule 4 par 15. In October 2012, the Council accepted the Applications Committee's recommendation (i) to apply to applications for sub-offices overseas the current control process for new UK sub-offices/component marking and (ii) to apply the control processes in (i) to existing sub-offices. The Applications Committee provides a report of its activities at each meeting of the Council.

Schedules 1 and 2 of the Hallmarking Act 1973 make detailed provision for various technical aspects of the hallmarking regime. From time to time, queries arise concerning the practical application of those provisions, which can only be properly addressed by individuals with the relevant, technical hallmarking expertise. At its October 2012 meeting, the Council approved in principle the creation of a Technical Committee in accordance with the Hallmarking Act 1973 Schedule 5 paragraph 15, to address those technical matters in the relevant Schedules. Terms of reference for the Technical Committee were agreed by the Council at its meeting on 15 April 2013. The Technical Committee's remit is to consider and make recommendations to the Council regarding the interpretation and application of the provisions relating to the technical aspects of hallmarking as set out in the Hallmarking Act 1974 Schedules 1 and 2; to consider and make recommendations on any specific, technical matters referred to it by the Council; and to make decisions on such technical matters within its remit as are specifically delegated to it by the Council. The Technical Committee, whose members are the four assay masters, will be required to report to the Council at its April and October meetings.

Review of Council performance

A system of appraisal of individual members appointed by the Secretary of State has been developed and is conducted by the Chairman. These members are assessed by the Chairman in respect of their understanding of the statutory obligations of the Council, their contribution to the discharge of those responsibilities, attendance at meetings, preparedness, participation in debates, acceptance of collective responsibility. As the Council meets only twice a year, the appraisals are conducted every three years to inform the Secretary of State's decision whether to reappoint the individual member for another term.

Risk and the purpose of the system of internal control

The Chairman, at the beginning of this Annual Report and Accounts, highlights some of the potential risks posed to the hallmarking regime and, hence, indirectly to the Council. The amendment to the Hallmarking Act 1973 permitting overseas hallmarking is a new opportunity for the assay offices to extend their activities, but will also challenge the systems and protocols developed by the Council to ensure that the high standards of hallmarking are maintained in the assay offices' overseas facilities. Finally, budget constraints on local authorities as a result of reduced funding, together with the low quantum of fines sometimes imposed for hallmarking offences, have reduced the appetite amongst some Trading Standards Departments for enforcement of hallmarking legislation.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risk to the achievement of Council policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place at the British Hallmarking Council for the year ended 31 December 2014 and up to the date of approval of the annual accounts, and accords with Treasury guidance.

Capacity to handle risk and the risk and control framework

The Council is a small organisation and internal control procedures have been designed with that in mind. The following arrangements are in place, which demonstrate the Council's capacity to handle the risks to its operations:

- Council meetings, which I attend, are held twice a year to discuss the activities of the Council and to review or assess the impact of existing and proposed legislation, together with relevant government policy, on the Council. Representatives from the assay offices and the National Measurement Office (NMO), an executive agency for BIS, regularly attend Council meetings.
- The Chairman and I work closely throughout the year to monitor Council-related matters and to appraise Council members accordingly. We also liaise regularly with the assay offices to keep up to date with issues relevant to hallmarking. The Chairman and I are in

frequent contact with the NMO to ensure that there is a proper flow of information and government policies affecting the Council are appropriately implemented.

- The annual budget is approved by the Council. SGH Martineau LLP prepare and maintain accounting records under my supervision and any payments made to this firm for all services provided are independently approved by the Chairman and disclosed separately in the financial statements. Invoices for payment to this firm approved by the Chairman are supported by detailed narratives of expenditure.
- Actual expenditure is reviewed in comparison with the annual budget by the Council and is approved by the Council when the statement of accounts is approved.
- The Council does not have an internal audit function or audit committee but the Council will consider matters which have an impact on internal control and the financial statements. This arrangement is considered sufficient for the size and extent of the Council's operations.
- Assay offices are required annually to issue viability statements indicating their ability to provide hallmarking services for the next twelve months, and by implication, to generate income to apply to the Council's costs.
- The Council has no staff or assets and hence its contractual arrangements and related payments are minimal. The vulnerability of the Council to fraud is therefore correspondingly low. Any payments to third parties are approved by me and are made to known contacts. Payments made to SGH Martineau LLP are, as already indicated, supported by detailed narratives and approved by the Chairman.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of Council members who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Council and a plan to address weaknesses and ensure continuous improvement of the system is in place.

A copy of the latest Corporate Statement 2015 will shortly be available on the Council's website.

Geraldine Swanton
Secretary and Accounting Officer

Date: 13 April 2015

BRITISH HALLMARKING COUNCIL

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the British Hallmarking Council for the year ended 31 December 2014 under the Hallmarking Act 1973 as amended by the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Council, Accounting Officer and auditor

As explained more fully in the Statement of the Council and Accounting Officer's Responsibilities, the Council and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Hallmarking Act 1973 as amended by the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the British Hallmarking Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the British Hallmarking Council; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the British Hallmarking Council's affairs as at 31 December 2014 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Hallmarking Act 1973 as amended by the Government Resources and Accounts Act 2000 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion the information given in the Report of the Chairman and the Foreword to the Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

Date 2 June 2015

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

**Statement of Comprehensive Net Expenditure
for the year ended 31 December 2014**

	Note	2014 £	2013 £
Expenditure			
Staff costs	3	-	-
Other expenditures	4	<u>(72,517)</u>	<u>(66,475)</u>
Income			
Income from Activities	5	72,510	66,467
Net expenditure			
Interest receivable		<u>(7) 7</u>	<u>(8) 8</u>
Net Expenditure after interest		<u>-</u>	<u>-</u>

Statement of Changes in Taxpayers Equity

	2014 £	2013 £
Balance at 1 January	-	-
Net expenditure	-	-
Balance at 31 December	-	-

The notes on pages 27-30 form part of these accounts.

**Statement of Financial Position
as at 31 December 2014**

	Note	2014 £	2013 £
Current assets:			
Trade and other receivables	6	15,012	3,674
Other assets	6	520	3,745
Cash and cash equivalents	7	12,897	31,805
Total current assets		<u>28,429</u>	<u>39,224</u>
Total assets		<u>28,429</u>	<u>39,224</u>
Current liabilities:			
Trade and other payables	8	28,429	39,224
Total current liabilities		<u>28,429</u>	<u>39,224</u>
Assets less liabilities		<u>-</u>	<u>-</u>
Reserves		<u>-</u>	<u>-</u>

The financial statements on pages 24 and 25 were approved by the Council on 13 April 2015 and were signed on its behalf by:

(Signed)

**Christopher Jewitt
Chairman**

Date: 13 April 2015

(Signed)

**Geraldine Swanton
Secretary and Accounting Officer**

Date: 13 April 2015

**Statement of Cash Flows
for the year ended 31 December 2014**

	Note	2014 £	2013 £
Cash flows from operating activities			
Net Surplus after cost of capital and interest		-	-
(Increase)/Decrease in trade and other receivables	6	(8,113)	(3,535)
Increase/(Decrease) in trade and other payables	8	(10,795)	4,612
		<hr/>	<hr/>
Net cash inflow from operating activities		(18,908)	1,077
Net financing			-
Net increase/(decrease) in cash and cash equivalents in the period		(18,908)	1,077
		<hr/>	<hr/>
Cash and cash equivalents at the beginning of the period	7	31,805	30,728
		<hr/>	<hr/>
Cash and cash equivalents at the end of the period	7	12,897	31,805

The notes on pages 27-30 form part of these accounts.

Notes to the British Hallmarking Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the British Hallmarking Council for the purpose of giving a true and fair view has been selected. The particular policies adopted by the British Hallmarking Council have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Account convention

These accounts have been prepared under the historical cost convention.

1.2 Funding

The activities of the Council are funded by the Assay Offices. Charges are levied in proportion to the relevant sales of the Assay Offices in the previous financial year, net of any other income received, such as income from notices.

1.3 VAT

Expenditure is recognised net of recoverable Value Added Tax. Amounts due to, or from HM Revenue and Customs in respect of VAT are included in payable, or receivable within the statement of financial position.

2. Analysis of Net Expenditure by Segment

	2014 Hallmarking £	2014 Total £	2013 Hallmarking £	2013 Total £
Gross Expenditure	(72,517)	(72,517)	(66,475)	(66,475)
Income	72,510	72,510	66,467	66,467
Net Expenditure	(7)	(7)	(8)	(8)
Net Asset	-	-	-	-

Hallmarking is the Council's only segment of activity.

3. Staff numbers and related costs

Staff costs comprise:

	2014 £	2013 £
Emoluments of Chairman – Christopher Jewitt	NIL	NIL
Emoluments of Secretary and Accounting Officer - Geraldine Swanton	NIL	NIL

There were no employees of the Council during 2014. The current Chairman, Mr Christopher Jewitt, is Chairman of Sheffield-based hand tool manufacturing company, Footprint Sheffield Limited. At the Council meeting dated 11 November 2005, it was agreed the Chairman's fee should be £14,000. In and around August 2014, the Chairman's remuneration was required by BIS to be paid via a payroll system. An arrangement was therefore made to make the last two quarter payments via the NMO's payroll, which attracted Employer's National Insurance charges as an additional cost to the BHC. The formal duties of the Chairman are set out in the Hallmarking Act 1973 and include conducting meetings of Council and liaising with the Secretary of State. The Chairman does not have set hours of work, nor a target for total hours of work. His remuneration is set by the Council on the basis of a recommendation by an informal committee of Council members. The Chairman is elected by the Council.

The Secretary of the Council, Ms Geraldine Swanton, is a legal director in private practice with SGH Martineau LLP in Birmingham. The Secretary is appointed by the Council for an undefined period. Ms Swanton received no remuneration from the Council for the work she carried out. Ms Swanton's time was charged by SGH Martineau LLP at an agreed rate of £215 per hour. The amount of SGH Martineau LLP's charges in respect of the Secretary's time varies from year to year in accordance with the time spent. In 2014 the amount was £ 30,130 (£26,909, 2013).

SGH Martineau LLP have provided secretarial and accounting services to the Council since its formation on terms agreed from time to time. During the year, SGH Martineau LLP were engaged to provide book-keeping services for £1,150 (£1,150, 2013), and to provide accounts preparation services for £1,750 (£1,750, 2013).

Save for the Chairman's remuneration, and an allowance of £75 per hour paid to the members of the sub-Offices' Application Committee, Eric Melrose, Adrian Levett and Derek Lassetter (the amounts of which during the year amounted to £150 per member), no payments are made to Council members in respect of their time, although they are reimbursed for their travelling expenses.

4. Other Expenditure

	2014	2013
	£	£
Running costs	<u>72,517</u>	<u>66,475</u>
Chairman's remuneration	14,875	14,000
Chairman's expenses	1,222	1,381
Council members' expenses	3,502	2,420
Less: re-charged to assay offices	(693)	(450)
Audit fee	3,150	3,000
Secretarial costs and expenses	30,130	26,909
Other professional charges	19,461	18,218
Other expenses	<u>870</u>	<u>997</u>
	<u>72,517</u>	<u>66,475</u>

5. Income

Income is analysed as follows:-

	2014	2013
	£	£
Contributions from Assay Offices:-		
London	23,620	21,653
Birmingham	19,918	18,257
Sheffield	17,229	15,793
Edinburgh	11,743	10,764
	<hr/>	<hr/>
	72,510	66,467
	<hr/>	<hr/>

6. Trade receivables and other current assets

	2014	2013
	£	£
Amounts falling due within one year:		
Amounts due from Assay Offices	15,012	3,674
Intra-government	520	3,745
	<hr/>	<hr/>
	15,532	7,419
	<hr/>	<hr/>

7. Cash and cash equivalents

	2014	2013
	£	£
Balance at 1 January	31,805	30,728
Net change in cash and cash equivalent balances	(18,908)	1,077
	<hr/>	<hr/>
Balance at 31 December	12,897	31,805
	<hr/>	<hr/>

The following balances at 31 December were held at: Commercial banks

12,897	31,805
<hr/>	<hr/>

8. Trade payables and other current liabilities

	2014	2013
	£	£
Trade payables amounts falling due within one year:		
External to government	28,429	29,450
Amounts due to Assay offices	-	9,774
	<hr/>	<hr/>
	28,429	39,224
	<hr/>	<hr/>

9. Capital commitments

The Council has no capital commitments (2013 £Nil).

10. Commitments under leases

The Council has no leasing commitments (2013 £Nil).

11. Related-party transactions

- 11.1 The sponsoring body of the Council is the National Measurement Office which is an executive agency for the Department of Business Innovation and Skills ("BIS"), both of which are regarded as related parties
- 11.2 The BHC recharges expenditure in-year to the four assay offices. The total recharge income due from each assay office is based on the office's share of total assay office turnover multiplied by expenditure (less interest income).
- 11.3 Amounts paid and payable to SGH Martineau LLP in respect of the year were £49,441 (2013 - £45,127). Geraldine Swanton, the Council's Secretary and Accounting Officer, is a Legal Director at SGH Martineau LLP. All invoices submitted by SGH Martineau LLP are approved by the Chairman prior to payment.
- 11.4 The Chairman of the Council is Chairman of the Sheffield-based hand tool manufacturing company, Footprint Sheffield Limited and the Council pays Mr Jewitt remuneration for the year of £14,875 (2013 - £14,000).

12. Third-party assets

The Council has no third party assets.

13 Events After the Reporting Period

In accordance with the requirements of IAS 10 "Events after the Reporting Period", post Statement of Financial Position events are considered up to the date on which the Accounts are authorised for issue. This is interpreted as the same date as the date of the Certificate and Report of the Comptroller and Auditor General. There are no post Statement of Financial Position events between the balance sheet date and this date.

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