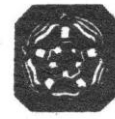


BRITISH HALLMARKING COUNCIL

Annual Report and Accounts
for the year ended 31 December 2017



BRITISH HALLMARKING COUNCIL

Annual Report and Accounts for the year ended 31 December 2017

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

Ordered by the House of Commons to be printed 26 June 2018



© Crown copyright 2018

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.gov.uk/government/publications

Any enquiries regarding this publication should be sent to us at **The British Hallmarking Council at 60 Gracechurch Street London EC3V 0HR.**

ISBN 978-1-5286-0324-9

CCS0418429180 06/18

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

Contents

| | Page |
|---|------|
| Officers and Professional Advisers | 2 |
| Report 2017 | |
| 1 Introduction | 3 |
| 2 Performance Report | 3 |
| a. Overview | 3 |
| b. Performance analysis | 6 |
| 3 Accountability report | 8 |
| a. Corporate Governance Report | 8 |
| b. Governance Statement Year Ended 31 December 2017 | 10 |
| c. Remuneration report (audited) | 13 |
| d. Going concern | 13 |
| e. Parliamentary Accountability: regularity of expenditure (audited) | 14 |
| f. Auditors | 14 |
| 4 Members of the Council | 15 |
| Appendix 1 | 17 |
| Appendix 2 | 18 |
| Appendix 3 | 19 |
| The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament | 20 |
| Statement of Comprehensive Net Expenditure | 23 |
| Statement of Financial Position | 24 |
| Statement of Cash Flows | 25 |
| NOTES TO THE BRITISH HALLMARKING COUNCIL ACCOUNTS | |
| 1 Preparation of accounts | 26 |
| 2 Statement of accounting policies | 26 |
| 3 Analysis of Net Expenditure by Segment | 26 |
| 4 Staff numbers and related costs | 26 |
| 5 Income | 27 |
| 6 Operating Expenditure | 27 |
| 7 Trade receivables and other current assets | 27 |
| 8 Cash and cash equivalents | 28 |
| 9 Trade payables and other current liabilities | 28 |
| 10 Related-party transactions | 28 |
| 11 Events after the Reporting Period | 28 |

OFFICERS AND PROFESSIONAL ADVISERS**Chairman**

Noel Hunter

Secretary

Katrina Ritters

Accounting Officer

Noel Hunter, appointed on 7 April 2017

Bankers

Lloyds TSB Bank Plc
125 Colmore Row
Birmingham
B3 3AD

Solicitors

Shakespeare 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

BRITISH HALLMARKING COUNCIL

("The Council")

REPORT 2017

1. INTRODUCTION

The Annual Report and Accounts for 2017 are drafted in accordance with the Government Financial Reporting Manual.

2. PERFORMANCE REPORT

a. Overview

Statement of the Chairman for the year 2017

This is my first statement as Chairman of the British Hallmarking Council. I was elected with effect from 7 April 2017, having been a member of the Council since the previous year.

I would first like to extend my thanks and gratitude to my predecessor Christopher Jewitt DL for all his efforts on behalf of the Council during his term as Chairman, and for his work and generosity with his time in handing over the reins to me.

During my first year as Chairman I have spent time exploring the business environment and context for hallmarking, in particular visiting all sections of the jewellery industry including manufacturers, wholesalers and retailers both large and small. I have been heartened to find that there is universal acceptance of the importance of hallmarking, a high level of satisfaction with the work of all assay offices, and a recognition of the pivotal role played by the Council. However, it is also the case that the structure and remit of the Council is not well understood in all quarters.

Times remain challenging both for hallmarking and for the industry it serves. The uncertainties thrown up by Brexit impact on us just as much as on much other trade and industry in the UK. The Council occupies a key position in influencing Government opinion but we need to strengthen our present position with robust information regarding the structure, volume and value of the UK industry and the impact of imported product both from within Europe and from elsewhere. The legal context in which the industry may in due course find itself remains uncertain: existing hallmarking convention protocols, European Court judgments and the as yet unknown future trading and regulatory structures and their interaction will continue to produce challenges for all engaged in this area. I will be proposing that the Council consider the commissioning of a study to map the UK jewellery industry including imported products, to strengthen our representations to Government; I am also engaged with a BEIS work programme which is expected to focus on the legal, trading and regulatory structures, which will assist the Council.

Another challenge affecting this industry and others in the UK is global trading and enforcement, particularly with internet sales from abroad. The lack of clarity in the law in this area is unhelpful.

During 2017 the Council continued to address the issues relating to overseas hallmarking and the question whether overseas offices of the assay offices should be required to use a distinguishing Mark. We ran a consultation exercise in 2017, in consultation with and with the support of BEIS. The consultation was published on 14 July 2017, and the results are under discussion.

The integrity of hallmarking remains a priority. In consultation with the Queen's Assay Master, as part of an ongoing increased relationship, we are currently reviewing oversight of arrangements to ensure the continued integrity of assay operations, including sub-offices.

We are also continuing to increase our focus on compliance by the industry, including manufacturers and retailers, but also looking at global and internet trading. The Hallmarking Act 1973 sets the regulatory framework for hallmarking in the UK and compliance is a vital factor in the integrity of hallmarking, and consumer confidence in the industry. Historically the enforcement role has been exercised predominantly by local authorities through Trading Standards, but the erosion of local authority resources over the last ten years has led to a significant reduction in enforcement activity. This has coincided with the rapid increase in global trading and so challenges to enforcement have increased, putting consumers at greater risk as agencies struggle to regulate offshore transactions. The Council has responded to this picture by seeking to stimulate local authority and trading standards interest in hallmarking enforcement through the prestigious Touchstone Award to recognise regulatory achievement. More is needed,

however, and the Assay Offices and the Council are planning to test compliance with the Hallmarking Act in current trading conditions, with particular reference to the impact of internet and global trading on consumer protection and dealing with instances of non-compliance. Lessons learned from this can then be used to formulate longer-term objectives.

I shall be talking to potential partners about the possibility of commissioning a viability and customer impact study of a proposed new Buyer's Certificate for hallmarked items at the point of sale setting out a description of the product, its value and the integrity implied by the hallmark. This would provide a permanent record for the customer which would be of value not only as a record of purchase, but also as an insurance statement. This Certificate would enhance the customer's perception of the product and the prominence and reputation of hallmarking as a key protection for consumers. There is no allocation within the Council's budget for this project and it must therefore be self-sustaining if it is to proceed.

The Council is working to a new Business Plan agreed at its Council meeting in April 2017 with strengthened objectives and a timetable and all are in the process of delivery.

During the year we also moved to a new sponsorship arrangement with Government, through BEIS, and we have established good working relationships, particularly with the BEIS representative Richard Sanders.

Finally I would like to thank all who have served on the Council over the past year for their support and contributions, and Geraldine Swanton and Katrina Ritters for their professional and efficient work in the roles of Accounting Officer and Secretary for the year.

Noel Hunter OBE
Chairman
19 April 2018

Functions of the British Hallmarking Council (“the Council”)

The Council is an Executive Non-Departmental Public Body established and governed by the Hallmarking Act 1973 (HA). The Council’s sponsoring body for 2017 was Regulatory Delivery (RD) which is part of the Department for Business, Energy and Industrial Strategy (BEIS).

The Council is funded entirely by the UK's four Assay Offices according to a formula prescribed by the HA. The Council has neither staff nor premises and meets twice a year in Assay Offices’ premises by rotation. The statutory functions of the Council are set out in the Hallmarking Act s13 and are as follows:

- to ensure that adequate facilities for assaying and hallmarking of precious metal are available as from time to time required in the UK and supervising the activities of Assay Offices accordingly;
- to take all steps appearing to be open to the Council for ensuring the enforcement of the law with respect to hallmarking;
- to advise the Secretary of State with respect to all matters concerning the application of the HA including any matter which may be referred to the Council by the Secretary of State;
- to advise the Secretary of State on: making of orders and regulations under the Hallmarking Act; amending the law as it affects hallmarking, whether directly or indirectly, including advice as to the application of some or all of the provisions of the Hallmarking Act to any metal other than gold, silver, platinum and palladium;
- to fix the maximum charges for assaying and hallmarking of articles of precious metal manufactured in or intended for sale in the UK;
- to advise the Secretary of State on any need for the establishment of a further Assay Office or for the closure of, or amalgamation with, another Assay Office;
- to assist those enforcing the Hallmarking Act by the provision of such technical and other services of the Council as may be available, to appoint such officers as the Council considers appropriate to act as inspectors and otherwise for detecting offences and enforcing the HA by or on behalf of the Council, and, otherwise than in Scotland, to institute proceedings accordingly
- to authorise any assay office to carry on its business in whole or in part (subject to any conditions which may be specified by the Council) in such place, whether in the UK or elsewhere, as may be specified by the Council additional to the place at which the Assay Office is otherwise authorised;
- to make temporary or permanent arrangements between assay offices whereby facilities specified in any case by the Council need not be afforded at an assay office but are afforded at another or others;
- to issue directions or regulations to Assay Offices (all or any individual Assay Office) as to the equipment and procedures to be provided and adopted in the assaying and hallmarking precious metals and in relation to other matters on which directions/regulations may be issued by the Council under the Hallmarking Act;
- to do anything with the Council’s statutory powers which is calculated to facilitate the discharge of any or all of its functions.

Key risks

The Council's key risks are set out in a risk register following a risk assessment covering 2016-2018. Those risks include dissolution of the Council, ensuring the adequacy of hallmarking facilities and loss of an officer of the Council. No risk has been identified as having both high impact and a high likelihood of occurring.

There continues to be a risk relating to the burden of responding to Government Department initiatives and requests for information. The RD has now confirmed that the Council is required to provide a Business Impact Target return annually. Given its constitution (i.e. a body comprising members), responding to those requirements can be a burden on the Council’s limited resources. This risk is also identified in the risk register.

There continue to be uncertainties and risks in relation to UK’s planned withdrawal from the EU. The Council wrote to the relevant Parliamentary Under Secretary of State in March 2017 seeking confirmation that the UK assay offices will not be disadvantaged by the UK’s withdrawal from the EU and that the Government’s negotiators will work sedulously to ensure a system of reciprocal recognition of hallmarks. The reply noted the concerns and recognised that mutual recognition is an issue of importance for hallmarking, as for many businesses and sectors in the UK.

In the 2016 Annual Report and Accounts a risk was noted in relation to the upcoming change of government sponsorship. Good working relationships have been established with the Council's new BEIS partner representative, Richard Sanders.

The question of distinguishing marks for items hallmarked overseas has continued to be an issue for Council members, with no consensus being reached within the Council. The Council therefore conducted a consultation exercise in 2017 in consultation with and with the support of BEIS. The Council worked with an independent consultant, John Bridgeman, a former Director General of Fair Trading, to help clarify the issues raised. At its meeting in March 2018 the Council decided in principle that hallmarks struck overseas by UK Assay Offices should be distinguished by way of a special mark. Once there is agreement on the form that the mark should take it will be implemented within one year.

Performance Summary

The Council approved a Business Plan and Budget at its meeting in April 2017 and progress has been made on each of its seven objectives. An initial review of governance has been undertaken and will be progressed during 2018. A new secretariat has been established. The Applications Committee has undertaken to review BHC oversight of offsite operations and review the consistency of hallmarking generally, in consultation with the Queen's Assay Master. The Education and Enforcement Committee has been re-established: it oversaw the successful Touchstone Award in 2017 and is planning the future development of the Award to enhance enforcement activity; it is also reviewing how future enforcement might be leveraged, conducted and supported. The Joint Assay Office Committee (JAOC) has undertaken a review of amendments needed to the Hallmarking Act. The Technical Committee is reviewing how technical decisions are made, logged, communicated and monitored for their continuing relevance and applicability. The results of the consultation regarding off shore operations have been received and debated and were further considered by the Council at its meeting in March 2018 as set out above. Representations have been made to Government regarding Brexit and the importance of ensuring a system of reciprocal recognition of hallmarks.

The Council also approved applications for one assay sub-office.

The Council fixes the maximum charges which may be made for assaying and hallmarking. These were left unchanged during 2017.

b. Performance Analysis

Performance measures

The Council measures its performance by setting itself specific objectives for each year in consultation with the RD. The objectives for 2017 were as follows:

- Governance and Administration: to undertake a governance review, and to appoint a secretariat to the Council
- Operational Integrity: to review Council oversight of offsite operations and review the consistency of hallmarking generally
- Enforcement and Education: to establish an Enforcement and Education Committee; to complete delivery of the Touchstone Award 2017; to develop a plan for future development of the Touchstone Award; to undertake a review with key stakeholders of how future enforcement might be leveraged, conducted and supported
- Technical Consistency: to review how technical decisions are made, logged, communicated and monitored
- Off Shore Consultation: to receive and analyse the results of the consultation and to decide how this impacts on future policy
- Brexit: to agree a strategy / policy and to respond to developments as appropriate
- Amendments to the Hallmarking Act: to compile a list of possible changes and improvements.

The Council's performance against the objectives above is amenable to clear measurement of the achievement of those objectives. Further, representatives of the RD usually attend Council meetings and the Chairman and Secretary meet separately once a year with those representatives to discuss Council performance, including achievement of the specific objectives.

The Council continued to operate in accordance with the Framework Document produced following the Triennial Review. The Risk Register for 2016-18, also required by the Triennial Review, remained current during the period. The Council continued to publish the agendas and minutes of its meetings on its website.

In September 2017, the Touchstone Award was presented to the London Borough of Ealing for a hallmarking project which led to the successful prosecution of retail premises which failed to comply with hallmarking law. Ealing carried out a range of activities in various high street premises which revealed major non-compliances in jewellery retailers, followed by successful prosecutions and the imposition of fines. Ealing Trading Standards have now embedded a hallmarking project within their Annual Service Plan and Priorities. The presentation was made at the CTSI's annual Consumer Affairs and Trading Standards Conference. The Touchstone Award is a prestige award, which is valuable in providing stimulus for enforcement activity and Robert Grice has been the vital moving force in making it happen.

The Council does not itself exercise the power to enforce the Hallmarking Act. The Hallmarking Act s9(1) provides that "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 Education & Enforcement Committee has made substantial progress since its establishment in 2017 on reviewing and updating the Council's website; in organising training to trading standards officers through their professional body branch meetings, and in running the Council's Touchstone Award for innovation in enforcement of the Hallmarking Act.

Both the Technical Committee and the JAOC have been working on amendments needed to the Hallmarking Act 1973.

One new sub-office was opened during the year, in Redditch.

The Council via the Secretary receives numerous telephone and email queries from members of the public, usually relating to the application of hallmarking law or concerns about jewellery purchased which did not appear to be hallmarked. Responses are sent to all queries.

The Council has the power to consider complaints against assay offices which refuse to hallmark items and can issue directions in response to a complaint. The Council has a complaints procedure which was not invoked in 2017.

The Council's primary function is to ensure that there are adequate facilities for hallmarking as required in the UK from time to time. The Royal Mint conducts annual inspections of the assay offices and provides a copy of its report to the Council. This assists the Council in assessing its performance in respect of this function. The Royal Mint conducted its inspection of the hallmarking and assaying operations of the four Assay Offices in late 2017. The Queen's Assay Master's report confirms that all assay offices are performing satisfactorily and addressing improvement opportunities. It was noted that the satellite offices are subject to less scrutiny than the main assay offices and that there are improvement opportunities for these offices. The integrity of hallmarking remains a priority for the Council. In consultation with the Queen's Assay Master the Council, working with the Applications Committee, is currently reviewing the oversight of arrangements to ensure the continued integrity of assay operations including sub-offices.

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 a permanent surplus of income over expense. The accounts for the year are included in the combined report and accounts.

Signed

**Noel Hunter
Chairman and Accounting Officer**

Date: 19 April 2018

3 ACCOUNTABILITY REPORT

a. Corporate Governance Report

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

Bryn Aldridge
 Simon Batiste
 Carol Brady, with effect from 7 April 2017
 Neil Carson
 Malcolm Craig
 Louise Durose
 Helen Forder
 Robert Grice
 Kate Hartigan
 Peter Hayes
 Andrew Hinds
 Noel Hunter, Chairman from 7 April 2017
 Christopher Jewitt, Chairman until 7 April 2017
 Harriet Kelsall
 Michael King
 Tom Murray
 John Pearce
 David Reddaway
 David Sanders
 John Stirling

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.

There are four standing sub-Committees of the Council:

- Applications Committee, made up of Council members, to deal with individual applications by assay offices for permission to open a sub Office
- Technical Committee, made up of the four assay masters who are not members of the Council
- Joint Assay Office Committee (JAOC), made up of the four assay masters, the assay-office-appointed members of the Council and the Chairman of the Council
- Education and Enforcement Committee, made up of members of the Council and one Assay Office representative to deal with press statements and publicity.

Information about the Chairman and other members of the Council, together with their category of membership, are provided at page 15. The Hallmarking Act Schedule 4 provides that the Council should consist of no fewer than 16 and no more than 19 members. Ten members are appointed by the Secretary of State and six are appointed by the assay offices, with a provision for two co-opted members. There are no individual members who have authority or responsibility for directing or controlling the Council's activities during the year. The Chairman has a casting vote (Hallmarking Act, Schedule 4 para 12). Council members are required to act in accordance with the Cabinet Office's Model Code of Practice for Members of Public Bodies. Further details are provided in the Governance Statement at page 10. The Council has no employees.

Disclosure of Council members' interests

All members complete declaration-of-interest forms. Members who are appointed by the Assay Offices declare an interest accordingly. One member, who owns a jewellery retail business, also declares it as an interest. There are no company directorships or other significant interests which are likely to conflict with the discharge of Council membership.

The register of Council members' interests is open to inspection by the public by prior appointment with the Secretary at the Offices of Shakespeare Martineau.

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 60% (2016: 66%) of invoices by value. There was a delay in receiving some Shakespeare Martineau and Secretariat invoices. Invoices were settled by BACs transfer and batch paying was in operation.

Personal data and whistleblowing

The Council is registered as a data controller under number **Z3489143**. There have been no personal data loss incidents during the year 2017.

The Council has no employees or workers and hence the Public Interest Disclosure Act 1998 does not apply to it. There have, in any event, been no incidents analogous to whistleblowing during 2017.

Statement of Council and Accounting Officer's responsibilities year ended 31 December 2017

Under the Hallmarking Act 1973 (as amended), the Secretary of State with the approval of the 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 then Secretary of the Council, Geraldine Swanton, as Accounting Officer on 13 February 2012, with effect from 3 October 2011. That appointment remained in effect until 7 April 2017. The Principal Accounting Officer for the Department for Business, Energy and & Industrial Strategy appointed the Chair of the Council, Noel Hunter, as Accounting Officer with effect from 7 April 2017. The declarations in this document are made by Noel Hunter, as Accounting Officer.

The relevant responsibilities of the 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.

So far as the Accounting Officer is aware, there is no relevant audit information of which the Council's auditors are unaware. Further, the Accounting Officer confirms that he has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Council's auditors are aware of that

information. The Annual Report and Accounts as a whole is fair, balanced and understandable, and the Accounting Officer takes personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

b. Governance Statement Year Ended 31 December 2017

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, Energy & Industrial Strategy, the Council's sponsoring Department (BEIS), on 7 April 2017. 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, usually in April and October. Members' attendance or non-attendance is noted at each meeting and documented in the minutes.

There are four sub-committees.

The Applications Committee is made up of four Secretary of State-appointed members of the Council. Its remit is to consider applications by the assay offices to set up sub-offices or otherwise engage in off-site hallmarking (eg 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 para 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. The Applications Committee operates in accordance with Standing Orders which were last updated in 2015. The integrity of hallmarking remains a priority for the Council. The Council, with the Applications Committee, is working in consultation with the Queen's Assay Master to review oversight of operations to ensure the continued integrity of assay operations including sub-offices.

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, reports to the Council at its April and October meetings.

On 15 April 2016, the Council approved the creation of a new sub-committee, the Joint Assay Office Committee (JAOC), and its standing orders were subsequently approved on 10 October 2016. The remit of the JAOC is to make recommendations to the Council regarding the discharge of its statutory powers and duties under the Hallmarking Act, in particular with regard to enforcement, advising the Secretary of State, amendments to the Hallmarking Act and any strategic matters specifically referred to it by the Council.

During 2017, the Council agreed to re-establish the Education & Enforcement Committee to work with Trading Standards, the assay offices and the industry to increase awareness and enforcement activity; increase consumer understanding; to deliver the Touchstone Award and develop it for the future. The committee is made up of BEIS-appointed and assay office Council members and one assay office representative to assist with press statements and publicity. The Education & Enforcement Committee reports to the April and October Council meetings. During 2017 it initiated a programme of training for Trading Standards departments and is looking at ways to strengthen enforcement activity.

A review of governance has been started and was discussed at the Council meeting in October 2017. This will be progressed during 2018.

Review of Council performance

A system of appraisal of individual members appointed by the Secretary of State has been developed and is conducted by me as Chairman. These members are assessed 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, and 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. The current round of appraisals will be carried out during the first half of 2018.

Risk and the purpose of the system of internal control

In response to the Triennial Review, a risk assessment was carried out covering the period 2016-18 and a risk register was approved by the Council and published on the Council's website (<https://www.gov.uk/government/organisations/british-hallmarking-council>).

As indicated above, those risks include dissolution of the Council, ensuring the adequacy of hallmarking facilities and loss of an officer of the Council. The increasing demands of servicing Government initiatives and proposed new statutory duties are becoming a burden on Council's resources and it has been confirmed that a Business Impact Target return is required annually.

In the course of 2017 the Council received a number of enquiries and complaints regarding un-hallmarked gold and silver being sold on the internet by overseas suppliers. The law on hallmarking of goods sold in this way is unclear and clearly poses a threat to properly hallmarked items sold in the UK.

An amendment to the Hallmarking Act 1973 permitting overseas hallmarking provided an opportunity for assay offices to extend their activities and a number of assay offices have set up sub-offices overseas (some having since closed down). Currently Birmingham is the only assay office operating overseas, with a sub-office in Mumbai. The Council is currently considering whether it should call for overseas offices to have a distinguishing Mark where items are marked overseas. A consultation exercise was run in 2017 and the results were discussed at the Council meeting in March 2018 when it was decided in principle that hallmarks struck overseas by UK Assay Offices should be distinguished by way of a special mark. Discussions are now taking place with Assay Offices as to what form that mark should take and once agreed it will be implemented within one year.

The integrity of hallmarking remains a priority for the Council. The Council, with the Applications Committee, is working in consultation with the Queen's Assay Master to review oversight of operations to ensure the continued integrity of assay operations including sub-offices.

It remains the case, as reported last year, that 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 2017 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 as Accounting Officer and Chairman, 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 regularly attend Council meetings.
- As Chairman and Accounting Officer, I monitored Council-related matters and appraised Council members accordingly. I also liaised regularly with the assay offices to keep up to date with issues relevant to hallmarking.
- As Chairman and Accounting Officer I have been in frequent contact with the RD 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. Shakespeare Martineau LLP prepares and maintains accounting records under my supervision and any payments made to that firm for all services provided are approved by me and disclosed separately in the financial statements. Invoices for payment to this firm are supported by detailed narratives of expenditure. Invoices for Secretariat services from Ms Katrina Ritters are supported by a breakdown of time spent and are approved by me.
- 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 the Chairman and Secretary and are made to known contacts. Payments made to Shakespeare Martineau LLP are, as already indicated, supported by detailed narratives and approved by the Chairman. Invoices for Secretariat services from Ms Katrina Ritters are supported by a breakdown of time spent and are approved by me.

Review of effectiveness

I took over the role of Accounting Officer from 7 April 2017 from the former Accounting Officer Geraldine Swanton with a handover of the responsibilities together with the relevant information. 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, including the results of the Royal Mint inspections. 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 2018 comprising the Council's Business Plan and Budget will be available on the Council's website once it has been agreed (<https://www.gov.uk/government/organisations/british-hallmarking-council>).

In accordance with the Macpherson Review, I confirm that, in view of the processes outlined above, the Council has a quality assurance framework in place which is used for all business-critical models. Given its constitution, size and the nature of its functions, the Council has not considered it appropriate or proportionate to publish separately a list of business-critical models.

c. Remuneration report (audited)

There were no staff employed by the Council during 2017 (or in previous years).

I am a Fellow of the Chartered Trading Standards Institute, the Royal Society of Arts and a member of the Institute of Consumer Affairs. I am also Vice President of the Chartered Trading Standards Institute and member of its Board. As Chairman I am paid an honorarium of £18,000 per annum as agreed at a Council meeting on 7 April 2017. 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. As Chairman I do not have set hours of work, nor a target for total hours of work. My 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 Chairman in office until 7 April 2017, Christopher Jewitt, was paid an honorarium of £14,000 per annum as agreed at a Council meeting on 11 November 2014.

Members of the Applications Committee are paid £75 per hour for work connected with sub-office applications and the payment is usually made by the Assay Office submitting the relevant application.

During the year the role of Secretary to the Council passed from Shakespeare Martineau to Ms Katrina Ritters, an independent contractor providing secretariat services who is a qualified trading standards officer and academic. The Secretary is appointed by the Council for an undefined period. Ms Ritters is paid for secretariat services on an agreed daily charging rate of £325 per day. The amount charged in respect of secretariat services varies from year to year in accordance with the time spent. In 2017 the amount was £55,237 including work done by Shakespeare Martineau and by Ms Ritters. In 2016 the amount was £67,432 plus VAT, based on the hourly rate charged by Shakespeare Martineau LLP for the services provided by the previous secretary (and Accounting Officer for that year) Ms Geraldine Swanton.

Until 7 April 2017 the Accounting Officer role continued to be discharged by Ms Geraldine Swanton, a legal director in private practice with Shakespeare Martineau LLP in Birmingham. Ms Swanton received no direct remuneration from the Council for the work she carried out. Ms Swanton's time was charged by Shakespeare Martineau LLP at an agreed rate of £230 plus VAT per hour. The amount of Shakespeare Martineau LLP's charges in respect of the Accounting Officer's role varied from year to year in accordance with the time spent. The amount charged during 2017 was incorporated into the figure given for secretariat services. The role of Accounting Officer was taken on by me as Chairman with effect from 7 April 2017.

Off-payroll arrangements

The number of new engagements during the period was two. One was assessed as caught by IR35 and one was assessed as not caught by IR35. Neither person was on the Council's payroll. No assurance information is outstanding from the two people concerned. The IR35 status of neither was changed during the year.

As Accounting Officer I have significant financial responsibility and, as indicated above, my remuneration is off-payroll. The exceptional circumstances that led to this engagement were that the Council has no offices or staff and has to work through self-employed contractors and officials receiving an honorarium. During the period of these Accounts, the engagement lasted from 7 April 2017, and continues.

Similarly, I as Accounting Officer am the only individual who has been deemed to fall into the category of "board members and/or senior officials with significant financial responsibility" during the financial year.

Assurance regarding payment of appropriate taxes and National Insurance has been provided to the Council by both individuals who fall into the category of off-payroll arrangements.

d. Going Concern

The British Hallmarking Council remains a going concern. This is confirmed by the provision of a viability report from each of the four assay offices indicating that they have sufficient funds to provide hallmarking services for 2018 and by inference, to fund the expenses of the Council.

e. Parliamentary Accountability: regularity of expenditure (audited)

The Council's expenses are estimated at its April meeting each year in accordance with the Hallmarking Act 1973 (Schedule 4 paragraph 18(1)). The expenses incurred are met out of the contributions paid by the four Assay Offices in accordance with the allocations prescribed by Hallmarking Act 1973 Schedule 4 paragraph 18(2.). The Hallmarking Act 1973 (Schedule 4 paragraph 20) permits the payment of travelling and/or subsistence and/or other allowances to members or to any member of a committee. The Council's Standing Orders provide that members' reasonable travelling, hotel and other out-of-pocket expenses incurred in the proper performance of Council-related activities will be reimbursed.

Members are required to submit all expenses claims to the Secretary for approval and to support those claims with receipts.

The Council may pay to the Chairman such remuneration as it sees fit (Hallmarking Act 1973 (Schedule 4 paragraph 20)). The current honorarium is £18,000 per annum.

The Hallmarking Act 1973 (Schedule 4 paragraph 21) further permits the appointment of the Secretary on such terms as to remuneration as the Council sees fit. Katrina Ritters, the current Secretary, submits invoices to the Chairman for approval before payment.

There have been no instances of irregular payments.

f. 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 2017 is £3,500 (£3,150 in 2016). No other services were provided.

Signed

Noel Hunter
Accounting Officer

Date: 19 April 2018

4. MEMBERS OF THE COUNCIL

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

Chairman

Mr Noel Hunter OBE is a Fellow of the Chartered Trading Standards Institute, the Royal Society of Arts and a member of the Institute of Consumer Affairs. He is also Vice President of the Chartered Trading Standards Institute and member of its Board. He is Chairman of the Consumer Code for Home Builders and Chairman of the Myton Hospices. He is an Independent member of Disciplinary Tribunal for National Association of Estate Agents. He took over the role of Chairman from 7 April 2017

Mr Christopher J Jewitt DL served as Chairman until 7 April 2017. He is Chairman of the Sheffield hand tool manufacturing company Footprint Sheffield Ltd, and is a member of the BSI Standing Committee for Hand Tools. He has held non-executive or equivalent roles with Sheffield University, the South Yorkshire Community Foundation, Sheffield Chamber of Commerce & Industry and Sheffield Industrial Museums Trust. He is a past Chairman of the Management Committee and the Guardians of the Sheffield Assay Office and a past Master Cutler of the Company of Cutlers in Hallamshire, an Honorary Doctor of Sheffield Hallam University and a Deputy Lieutenant for the County of South Yorkshire.

Members appointed by BEIS:

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 Malcolm Craig is a Chartered Trading Standards Practitioner employed by South Lanarkshire Council. He works in a team specialising in business advice and project management. He is Chair of the Chartered Trading Standards Institute.

Ms Louise Durose is the General Counsel at MAN Diesel & Turbo UK Ltd a subsidiary of MAN Diesel & Turbo SE based in Augsburg, Germany. The MAN Diesel Group designs and manufactures large diesel engines and turbomachinery.

Ms Helen Forder 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.

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 Joint Deputy Chairman of the National Association of Jewellers. He is a Freeman of the Worshipful Company of Goldsmiths and Fellow of the Gemmological Association.

Ms Harriet Kelsall is the founder and chairman of Harriet Kelsall Bespoke Jewellery. She is also the vice-chair of the National Association of Jewellers and a non-executive board member of the Responsible Jewellery Council

Mr Michael King is the Local Government and Social Care Ombudsman for England and the Chair of the Commission for Local Administration in England. He joined the Ombudsman service in 2004, having previously worked as the Chief Trading Standards Officer for Northumberland County Council. Prior to joining the public sector he was a researcher and a freelance journalist.

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 Head of Trading Standards in the Vale of Glamorgan, and a former Assistant Director for Consumer Protection for the City and County of Cardiff. He is a former Council Member, Branch Chairman and National Chairman of CTSI and a Fellow of the Institute. He is Lead Officer for CTSI on Civil Law and Hallmarking. He is a Consumer Representative for the British Standards Institute.

Assay Office Representatives (London):

Sir David Reddaway is the Clerk of the Goldsmiths Company.

Mr Neil Carson is the Chairman of the Worshipful Company of Goldsmiths Assay Office management committee.

Assay Office Representative (Sheffield):

Mr Peter Hayes is Chairman of the Guardians of the Sheffield Assay Office. He is also Chairman of the Sheffield Technology Park and Chairman of the Sheffield Assay Office. He is a Non-Executive Director and a trustee of other trusts and charities and has participated in projects for the Cranfield Trust as a pro-bono adviser to cultural organisations.

Assay Office Representatives (Birmingham):

Ms Kate Hartigan is a Management Accountant by profession. She has a background within engineering and manufacturing and gained extensive general management experience with the international Schaeffler Group. She is Chairman of the Birmingham Assay Office.

Ms Carol Brady MBE is a Warden of Birmingham Assay Office.

Assay Office Representative (Edinburgh):

Mr Tom Murray is Deacon of the Incorporation of Goldsmiths in Edinburgh. He is the founding director of Charityflow, Chairman of Mercy Corps and is the Purse Bearer to the Lord High Commissioner.

Co-Opted Members:

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.

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

Assay Masters (entitled to attend):

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

Mr Douglas Henry 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.

Regulatory Delivery

In addition, members of RD, the sponsor body, attended Council meetings.

Appendix 1

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:

| | Maximum £ |
|---|----------------------|
| Platinum Platinum Articles (including Second Hand) | 25.00 |
| Gold Gold Articles (including Second Hand) | 25.00 |
| Palladium Palladium Articles (including Second Hand) | 25.00 |
| Silver Silver Articles (including Second Hand) | 25.00 |

Non-statutory services

The Council does not set maximum prices for non-statutory services provided by the Assay Offices. For example, deep laser hallmarks, "Early Hall", "1 hr service", are subject to individual Assay Office's charges.

APPENDIX 2

NUMBERS OF ARTICLES DEALT WITH BY ALL THE ASSAY OFFICES FOR
2016 AND 2017

| QUARTER | ALL ARTICLES -1000 units | | GOLD ARTICLES - 1000 units | | SILVER ARTICLES - 1000 units | | PLATINUM ARTICLES - single units | | PALLADIUM ARTICLES - single units | |
|--------------|-----------------------------|-------|-------------------------------|-------|---------------------------------|-------|-------------------------------------|---------|--------------------------------------|---------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| FIRST | 1,921 | 2,190 | 886 | 1,095 | 939 | 995 | 71,256 | 71,417 | 24,306 | 29,159 |
| SECOND | 2,132 | 2,256 | 898 | 1,159 | 1,137 | 990 | 73,034 | 78,233 | 24,520 | 29,079 |
| THIRD | 2,440 | 2,344 | 989 | 1,190 | 1,359 | 1,063 | 70,122 | 65,951 | 21,752 | 25,314 |
| FOURTH | 2,843 | 2,961 | 1,263 | 1,396 | 1,499 | 1,470 | 68,025 | 72,791 | 13,090 | 22,223 |
| TOTAL | 9,336 | 9,751 | 4,036 | 4,840 | 4,934 | 4,518 | 282,437 | 288,392 | 83,668 | 105,775 |

PERCENTAGE FIGURE FOR THE ABOVE TOTALS FOR EACH ASSAY OFFICE

| OFFICE | ALL ARTICLES <i>2017</i> | GOLD ARTICLES <i>2017</i> | SILVER ARTICLES <i>2017</i> | PLATINUM ARTICLES <i>2017</i> | PALLADIUM ARTICLES <i>2017</i> |
|------------|-----------------------------|------------------------------|--------------------------------|----------------------------------|-----------------------------------|
| LONDON | 28 | 36 | 20 | 41 | 20 |
| BIRMINGHAM | 26 | 28 | 23 | 41 | 41 |
| SHEFFIELD | 22 | 31 | 16 | 12 | 35 |
| EDINBURGH | 24 | 5 | 41 | 6 | 4 |

APPENDIX 3

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

UNITED KINGDOM

YEAR TOTAL 2017

| | GOLD | SILVER | PLATINUM | PALLADIUM | TOTALS |
|-------------------|-------------|---------------|-----------------|------------------|---------------|
| London | 704,614 | 401,011 | 31,839 | 4,124 | 1,141,588 |
| Birmingham | 279,504 | 280,710 | 26,780 | 942 | 587,936 |
| Sheffield | 799,403 | 498,326 | 3,896 | 3,630 | 1,305,255 |
| Edinburgh | 340 | 55,802 | 22 | 0 | 56,164 |
| TOTALS | 1,783,861 | 1,235,849 | 62,537 | 8,696 | 3,090,943 |

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

Opinion on financial statements

I certify that I have audited the financial statements of British Hallmarking Council for the year ended 31 December 2017 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, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of British Hallmarking Council's affairs as at 31 December 2017 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 regularity

In my opinion, in all material respects the income and expenditure 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the British Hallmarking Council in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Council and Accounting Officer for the financial statements

As explained more fully in the Statement of 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.

Auditor's responsibilities for the audit of the financial statements

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.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are

considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the British Hallmarking Council's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the British Hallmarking Council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Other Information

The Council and the Accounting Officer are responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Hallmarking Act 1973 as amended by the Government Resources and Accounts Act 2000;

- in the light of the knowledge and understanding of the British Hallmarking Council and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in Performance Report and Accountability Report 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 and the parts of the Accountability Report to be audited 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.

Sir Amyas C E Morse
Comptroller and Auditor General

Date: 6 June 2018

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

STATEMENT OF COMPREHENSIVE NET EXPENDITURE
for the year ended 31 December 2017

| | Note | 2017 £ | 2016 £ |
|----------------------------------|-------------|-------------------------|-------------------------|
| Income | | | |
| Income on Activities | 5 | <u>88,140</u> | <u>98,108</u> |
| Expenditure | | | |
| Operating Expenditure | 6 | <u>(88,148)</u> | <u>(98,116)</u> |
| Net operating expenditure | | (8) | (8) |
| Interest receivable | | <u>8</u> | <u>8</u> |
| Net expenditure for the year | | <u>-</u> | <u>-</u> |

Statement of Changes in Taxpayers Equity

| | 2017 £ | 2016 £ |
|------------------------|-------------------------|-------------------------|
| Balance at 1 January | - | - |
| Net expenditure | - | - |
| Balance at 31 December | - | - |

The notes on pages 26-28 form part of these accounts.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2017

| | Note | 2017 £ | 2016 £ |
|-----------------------------|------|-----------|-----------|
| Current assets: | | | |
| Trade and other receivables | 7 | 3,991 | 20,382 |
| Cash and cash equivalents | 8 | 14,379 | 5,622 |
| | | <hr/> | <hr/> |
| Total current assets | | 18,370 | 26,004 |
| Current liabilities: | | | |
| Trade and other payables | 9 | 18,370 | 26,004 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 18,370 | 26,004 |
| Assets less liabilities | | <hr/> | <hr/> |
| | | - | - |
| Reserves | | <hr/> | <hr/> |
| | | - | - |

The financial statements on pages 23 and 24 were approved by the Council on 22 March 2018 and were signed on its behalf by:

Signed

Noel Hunter
Accounting Officer

Date: 19 April 2018

STATEMENT OF CASH FLOWS
for the year ended 31 December 2017

| | Note | 2017 £ | 2016 £ |
|---|------|---------------|-----------------|
| Cash flows from operating activities | | | |
| Net operating cost | | - | - |
| Decrease/(Increase) in trade and other receivables | 7 | 16,391 | (18,502) |
| (Decrease) in trade and other payables | 9 | (7,634) | (10,017) |
| | | <hr/> | <hr/> |
| Net cash inflow /(outflow) from operating activities | | 8,757 | (28,519) |
| | | <hr/> | <hr/> |
| Net increase/(decrease) in cash and cash equivalents in the period | | 8,757 | (28,519) |
| | | <hr/> | <hr/> |
| Cash and cash equivalents at the beginning of the period | 8 | 5,622 | 34,141 |
| | | <hr/> | <hr/> |
| Cash and cash equivalents at the end of the period | 8 | 14,379 | 5,622 |
| | | <hr/> | <hr/> |

THE NOTES ON PAGES 26-28 FORM PART OF THESE ACCOUNTS.

NOTES TO THE BRITISH HALLMARKING ACCOUNTS

1. 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 the Government Financial Reporting Manual and other guidance which the Treasury may issue from time to time and any other specific disclosures required by the Secretary of State.

2. STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2017/18 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.

Account convention

These accounts have been prepared under the historical cost convention.

Income

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.

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.

3. ANALYSIS OF NET EXPENDITURE BY SEGMENT

Hallmarking is the Council's only segment of activity; as such financial results are as shown on the Statement of Comprehensive Net Expenditure.

4. STAFF NUMBERS AND RELATED COSTS

No staff were employed by the Council during 2017 (see Remuneration Report on page 13).

5. INCOME

Income is analysed as follows:-

| | 2017 £ | 2016 £ |
|------------------------------------|-----------|-----------|
| Contributions from Assay Offices:- | | |
| Birmingham | 21,674 | 25,979 |
| Edinburgh | 14,137 | 14,452 |
| London | 25,420 | 30,363 |
| Sheffield | 26,909 | 27,314 |
| | 88,140 | 98,108 |

6. OPERATING EXPENDITURE

| | 2017 £ | 2016 £ |
|---|-----------|-----------|
| Chairman's remuneration | 17,487 | 15,087 |
| Chairman's expenses | 3,204 | 2,472 |
| Council members' expenses | 2,817 | 3,825 |
| Less: re-charged to assay offices for Applications Committee expenses | - | (773) |
| Audit fee | 3,500 | 3,150 |
| Secretarial costs and expenses | 55,237 | 67,432 |
| Other professional charges | 5,590 | 5,550 |
| Other expenses | 313 | 1,373 |
| | 88,148 | 98,116 |

Shakespeare Martineau LLP have provided legal, secretarial and accounting services to the Council since its formation on terms agreed from time to time. During the year, Shakespeare Martineau LLP were engaged to provide book-keeping services for £3,440 (2016: £3,250), and to provide accounts preparation services for £2,150 (2016: £2,150). During 2017 a secretariat was established, with Ms Katrina Ritters providing secretarial services as an external contractor.

Save for the Chairman's remuneration, and an allowance of £75 per hour paid to the members of the sub-Offices' Applications Committee, Bryn Aldridge and David Sanders, no payments are made to Council members in respect of their time, although they are reimbursed for their travelling expenses.

7. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

| | 2017 £ | 2016 £ |
|---|-----------|-----------|
| Amounts falling due within one year: | | |
| Trade Receivables | 3,105 | 20,257 |
| Prepayments | 599 | 125 |
| VAT, other taxation and social security | 287 | - |
| | 3,991 | 20,382 |

8. CASH AND CASH EQUIVALENTS

| | 2017 £ | 2016 £ |
|--|-----------|-----------|
| Balance at 1 January | 5,622 | 34,141 |
| Net change in cash and cash equivalent balances | 8,757 | (28,519) |
| | <hr/> | <hr/> |
| Balance at 31 December | 14,379 | 5,622 |
| The following balances at 31 December were held at Lloyds Bank Plc | <hr/> | <hr/> |
| | 14,379 | 5,622 |

9. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

| | 2017 £ | 2016 £ |
|--|-----------|-----------|
| Trade payables amounts falling due within one year: | | |
| Trade payables | 14,870 | 20,414 |
| Other payables | 3,500 | - |
| VAT, other taxation and social security | - | 5,590 |
| | <hr/> | <hr/> |
| | 18,370 | 26,004 |

10. RELATED-PARTY TRANSACTIONS

The sponsoring body of the Council is Regulatory Delivery (RD), which is a directorate of the Department for Business, Energy and Industrial Strategy Department (BEIS), both of which are regarded as related parties. BHC have had material transactions with their sponsor body in 2017 as the Chairman in place until 7 April 2017 was paid by BEIS who recharged this expense to BHC. The Chairman's remuneration paid through BEIS for 2017 was £3,988 (2016: £15,087).

The Council 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), the amounts of these transactions are disclosed in note 5.

11. 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.

CCS0418429180
978-1-5286-0324-9