



BRITISH HALLMARKING COUNCIL

Annual Report and Accounts
for the year ended 31 December 2018

Annual Report and Accounts for the year ended 31 December 2018

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 16 May 2019



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ISBN 978-1-5286-1085-8

CCS0219701140 05/19

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

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BRITISH HALLMARKING COUNCIL

("The Council")

REPORT 2018

1. INTRODUCTION

The Annual Report and Accounts for 2018 are drafted in accordance with the Government Financial Reporting Manual.

2. PERFORMANCE REPORT

a. Overview

Statement of the Chair for the year 2018

2018 has seen the British Hallmarking Council make good progress in its activities to regulate hallmarking and protect consumers. These are challenging times for the industry and for hallmarking, with a declining market for hallmarked jewellery set against the uncertainties of EU Exit. Alongside this the industry faces issues with global and internet trading, particularly internet sales from abroad.

My ongoing discussions throughout the industry have emphasised the importance attached to Hallmarking to underpin the integrity of product, essential to industry sustainability and consumer confidence.

As in many other areas of business in the UK, a great unknown is facing hallmarking as the date for EU Exit approaches, with concern about the outcome. The British Hallmarking Council is engaged in the process with the Assay Offices, the industry and with government through the Department for Business, Energy & Industrial Strategy ("BEIS"). We are focused on the importance of protecting consumers while trying to ensure the industry in the UK is also supported and protected.

The BHC has commissioned wide-ranging research across the industry which started during 2018 and continues during 2019. This will inform our work and form the basis of advice to the Secretary of State on conditions in the industry.

The credibility of hallmarking relies on its technical consistency and operational integrity. Operational integrity remains a priority for the BHC and during 2018 the BHC's Applications Committee developed new protocols for applications for sub-offices and for continuing monitoring and re-validation of sub-offices which are now in operation. Technical consistency is at the heart of maintaining the reputation of hallmarking and work is ongoing to review the database of technical decisions and develop a protocol for the use of XRF testing. The relationship with the Queen's Assay Master is increasingly important.

The issue of whether a distinguishing mark should be applied to items hallmarked by UK assay offices in their overseas sub-offices has been an issue for the Council. The Hallmarking Act 1973 was amended in 2013 by the Legislative Reform (Hallmarking) Order in 2013 to permit overseas hallmarking for the first time. The new section 4 of the Hallmarking Act 1973 made no express provision for a distinguishing mark to be applied; instead it provided that the hallmark to be used was the mark approved by the Council. The amended legislation therefore gave the Council the freedom to decide what marks should be applied and hence the discretion to require them to be either distinguishable from or the same as hallmarks applied by assay offices in the UK. The Council's policy on the use of existing marks with no differentiation was established in 2014. This policy came under review following a European Court of Justice decision in 2016 and during 2017 a consultation process was undertaken to receive the views of stakeholders on the issue. Taking account of all views, the Council collectively determined to change the previous policy and it decided that hallmarks struck outside the UK by UK assay offices should be distinguishable from those struck in the UK. The form of the offshore mark was agreed and a 12 month transition period for implementation was agreed.

There remains a significant and increasing challenge relating to global trading and enforcement, particularly with internet sales from abroad, where the lack of clarity in the law is unhelpful. The Council has commissioned a pilot enforcement exercise to assess consumer detriment in relation to imported products. The work has commenced in early 2019 and will inform future direction. It also remains vital to ensure that the profile of hallmarking and its importance in protecting consumers is kept to the fore. Accordingly the BHC continues to increase its focus on

stimulating enforcement activity through Trading Standards. However, the pressure on local authority resources has reduced the level and consistency of enforcement. Against this background the BHC seeks to stimulate further enforcement activity to protect consumers and to raise standards of compliance across the industry. The prestigious Touchstone Award for Trading Standards departments' activity in relation to hallmarking has increased the number and quality of applications, and continues to contribute to increased enforcement activity on the ground. During 2018 a collaboration with the National Association of Jewellers was agreed, so that the Touchstone Award can be developed further in future years.

The importance of continued vigilance in the UK has also been reinforced by a major prosecution undertaken by Birmingham City Council which identified a substantial fraud in the sale of jewellery involving three jewellers falsely claiming that sets of gold bangles they manufactured and sold were made from a higher quality of gold than was in fact the case. The prosecution resulted in lengthy prison sentences. Other prosecutions are pending.

Education and raising the profile of hallmarking are important alongside this. The BHC's Education & Enforcement Committee have continued their programme of training for Trading Standards departments and the BHC is working on developing its website to be a useful source of information for its key audiences.

Long-term plans to amend the Hallmarking Act 1973 to modernise and strengthen it for today's world of global and internet trading continue.

Our focus on governance and efficient administration via the Secretariat supports all of this activity. During 2018 we took forward our comprehensive review of governance including revisions of Standing Orders for the Council and its four committees and production of a Governance Overview Document for the use of Council members. A new Business Plan and draft Budget for 2019 were approved at the Council meeting in October 2018, setting the scene for further progress on our objectives during 2019 and work on these is in progress.

The framework for all of these activities is an active, engaged and well organised Council. Four new Council members have joined us from 1 January 2019 and we are planning for a further three from 1 January 2020.

Our good working relationship with our sponsor body continues, particularly with the BEIS representative Richard Sanders of the Office for Product Safety and Standards.

Finally I would like to thank all who have served on the Council over the past year for their support and contributions. The end of 2018 saw the retirements of four Council members, Bryn Aldridge, Robert Grice, Mick King and John Pearce, three of whom had served for three terms each, and I extend my particular thanks to them for their work for the Council. Under the leadership of Robert Grice the Touchstone Award for Trading Standards has become a force for change in raising the profile of hallmarking in Trading Standards departments and in helping to stimulate enforcement work. Mick King's work on setting new principles for approval and operation of sub-offices has made a significant contribution to the integrity of hallmarking. I would also like to thank Geraldine Swanton of Shakespeare Martineau for her professional advice on legal aspects of hallmarking and Katrina Ritters and Sue Green for their efficient work in providing Secretariat services during the year.

Noel Hunter OBE
Chair

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 (HMA). The Council's sponsoring body for 2018 was the Office for Product and Safety Standards (OPSS) 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 HMA. 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 HMA 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 HMA 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 carried out in October 2018. Those risks include dissolution of the Council, ensuring the adequacy of hallmarking facilities and loss of an officer of the Council. This year, risks have been identified as having a high impact and a high likelihood of occurring. These were:

- Loss of Secretary of State appointed members (and, to a lesser extent, failure to recruit Secretary of State appointed members) as a result of recent Cabinet Office changes stipulating that members can serve a maximum of two terms. For the BHC the maximum had previously been three terms. The BHC faced losing seven of its ten Secretary of State appointed members in one year. These risks have in practice reduced as three members coming to the end of their second term were granted an extension of one year, thus staggering the impact of the change. A successful recruitment exercise has brought in new members for 2019 to replace those who retired at the end of 2018.
- EU Exit and the associated uncertainties and risks. This remains a central concern for the BHC, the Assay Offices and the industry. The BHC participated in a number of discussions with government regarding the uncertainties thrown up by EU Exit and continues to monitor the situation closely. An industry survey has been commissioned, with initial results considered by the Council at its October meeting. This has been taken forward into a wide-ranging survey across the industry with the results to be considered at the Council's April meeting and to form the basis of advice to the Secretary of State on the state of the industry.

There continues to be a risk relating to the burden of responding to Government Department initiatives and requests for information including the 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.

In previous years a risk had been noted associated with a change in the BHC's sponsor body in government. As noted in the 2017 Annual Report & Accounts, a good working relationship has been established with the Council's BEIS partner representative, Richard Sanders of OPSS, and this continues.

The issue of whether a distinguishing mark should be applied to items hallmarked by UK assay offices in their overseas sub-offices has been an issue for the Council and noted as a risk in last year's Annual Report & Accounts. The Hallmarking Act 1973 was amended in 2013 by the Legislative Reform (Hallmarking) Order in 2013 to permit overseas hallmarking for the first time. The new section 4 of the Hallmarking Act 1973 made no express provision for a distinguishing mark to be applied; instead it provided that the hallmark to be used was the mark approved by the Council. The amended legislation therefore gave the Council the freedom to decide what marks should be applied and hence the discretion to require them to be either distinguishable from or the same as hallmarks applied by assay offices in the UK. The Council's policy on the use of existing marks with no differentiation was established in 2014. This policy came under review following a European Court of Justice decision in 2016 and during 2017 a consultation process was undertaken to receive the views of stakeholders on the issue. During 2018, taking account of all views, the Council collectively determined to change the previous policy and it decided that hallmarks struck outside the UK by UK assay offices should be distinguishable from those struck in the UK. The form of the offshore mark was agreed and a 12 month transition period for implementation was agreed.

Performance Summary

At its meeting in March 2018 the Council approved an updated Business Plan for the year and a new Budget. Progress was reviewed at its meeting in October 2018.

- The review of governance, started during 2017, was completed during 2018. A comprehensive Governance Overview Document for Council Members was produced and a full review and revision of Standing Orders for the Council and all four committees undertaken.
- The integrity of hallmarking remains a priority. New protocols for the Applications Committee and applications for sub-offices were agreed as part of the governance review and these are in the process of being implemented as is a major upgrade of our management and overview systems.
- Technical consistency remains under review by the Technical Committee, as does the question of potential amendments to the Hallmarking Act.
- The Education & Enforcement Committee, recently re-established, ran another successful Touchstone Award and oversaw promising developments for the future in a new collaboration with the National Association of Jewellers for Touchstone 2019 and beyond. Alongside this, an increased focus on enforcement is gradually raising the profile of hallmarking and the Assay Offices have been instrumental in a number of successful prosecutions. The BHC has commissioned an enforcement pilot which has been commenced in 2019. A review of the BHC's website content and look and feel is under way.
- The BHC decided in principle that hallmarks struck overseas by UK Assay Offices should be distinguished by way of a special mark whose form has now been agreed, and communications by way of a revised Dealer's Notice are in hand. The outcome of the consultation on overseas marks was published on gov.uk.
- The BHC participated in a number of discussions with government regarding the uncertainties thrown up by EU Exit and continues to monitor the situation closely. An industry survey has been commissioned, with initial results considered by the Council at its October meeting. This has been taken forward into a wide-ranging survey across the industry with the results to be considered at the Council's April meeting and to form the basis of advice to the Secretary of State on the state of the industry.
- The end of 2018 saw the retirements of four Secretary of State appointed members and new members have been appointed with effect from January 2019 to replace them. The changes to Cabinet Office rules restricting the number of terms served to two, rather than the previous three, could potentially have caused the BHC significant problems but the impact has been mitigated by an extension of term for three members

who had reached the end of their second term, allowing them to serve to the end of 2019, which staggers the impact of the change.

- Annual processes were revised so that the Business Plan and draft Budget would be brought to the Council in the autumn ready for the following year and this was done, with a new Business Plan and draft Budget for 2019 agreed at the Council meeting in October 2018.
- The relationship with our Sponsor in BEIS, the OPSS, has continued to work well. BEIS representatives attend Council meetings and provide support to the Secretariat and will participate in the inductions of new Council members.

During the year the Council did not approve any applications for new sub-offices.

The Council fixes the maximum charges which may be made for assaying and hallmarking. These remained unchanged during 2018.

b. Performance Analysis

Performance measures

The Council measures its performance by setting itself specific objectives for each year in consultation with the OPSS. The objectives for 2018 were as follows:

- **Governance and Administration:** to continue the work on the governance review. The review of governance, started during 2017, was completed during 2018. A comprehensive Governance Overview Document for Council Members was produced and a full review and revision of Standing Orders for the Council and all four committees undertaken.
- **Operational Integrity:** working with the Queen's Assay Master, to review oversight of arrangements to ensure the continued integrity of assay operations, including sub-offices; to develop new protocols for applications for sub-offices. The integrity of hallmarking remains a priority. New protocols for the Applications Committee and applications for sub-office approvals were agreed as part of the governance review and these are in the process of being implemented as is a major upgrade of the BHC's management and overview systems.
- **Technical Consistency:** to review the database of technical decisions and guidance, and how technical decisions are made, logged, communicated and monitored; to develop a protocol for the use of XRF testing. Technical consistency remains under review by the Technical Committee.
- **Education and Enforcement:** To undertake work to assess current enforcement activity; to develop terms of reference for a pilot enforcement project; to assess other issues including the impact of global trading on consumer protection. To complete delivery of the Touchstone Award 2018. To develop a plan for the future of the Touchstone Award. To design and implement changes to the BHC website on gov.uk to enhance the visibility and understanding of hallmarking for consumers. Succession planning for the chair of the Education & Enforcement Committee. The Education & Enforcement Committee ran another successful Touchstone Award and oversaw promising developments for the future in a new collaboration with the National Association of Jewellers for Touchstone 2019 and beyond. Alongside this, an increased focus on enforcement is gradually raising the profile of hallmarking and the Assay Offices have been instrumental in a number of successful prosecutions. The BHC has commissioned an enforcement pilot which has been commenced in 2019. Review of the BHC's website content and look and feel is under way.
- **Raising the profile of Hallmarking and the BHC.** Alongside the Education & Enforcement activities, the BHC's profile is being raised, and a programme of publicity for the BHC's activities has been started in 2019.
- **Offshore Hallmarking Consultation:** to arrive at an agreed way forward on the issue of hallmarking conducted by UK Assay Offices offshore. The BHC decided in principle that hallmarks struck overseas by UK Assay Offices should be distinguished by way of a special mark whose form has now been agreed, and communications by way of a revised Dealer's Notice are in hand. The outcome of the consultation on overseas marks was published on gov.uk.
- **EU Exit:** to commission a study to map the industry. To engage with the BEIS work programme on legal, trading and regulatory structures and to respond accordingly. The BHC participated in a number of discussions with government regarding the uncertainties thrown up by the planned EU Exit and continues to monitor the situation closely. An industry survey has been commissioned, with initial results considered by the Council at its October meeting. This has been taken forward into a wide-ranging survey across the industry with the results to be considered at the Council's April meeting and to form the basis of advice to the Secretary of State on the state of the industry.

- Amendments to the Hallmarking Act. To compile a list of possible changes and improvements to the Hallmarking Act 1973 and its accompanying schedules. This issue remains under review by the Technical Committee.
- Council: to work with OPSS to recruit new Council members and plan their induction; to appoint new Chairs of the Applications Committee and the Education & Enforcement Committee; to undertake appraisals of Council members. The end of 2018 saw the retirements of four Secretary of State-appointed members. New members have been appointed with effect from January 2019 to replace them. Appraisals were undertaken and processes for appointing new Committee chairs are in hand.
- Planning for 2019: to bring the 2019 draft Business Plan and Budget to the October Council meeting for approval. Annual processes were revised so that the Business Plan and draft Budget would be brought to the Council in the autumn ready for the following year. This was done, with a new Business Plan and draft Budget for 2019 agreed at the Council meeting in October 2018.
- Sponsor Relationship: to prepare and undertake the 2018 Tailored Review and implement agreed actions as a result. The relationship with our Sponsor in BEIS, the OPSS, has continued to work well. BEIS representatives attend Council meetings and provide support to the Secretariat and will participate in the inductions of new Council members. The Tailored Review has not yet taken place.

The Council's performance against the objectives above is amenable to clear measurement of the achievement of those objectives. Further, representatives of the OPSS usually attend Council meetings and the Chair and Secretary meet separately 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 2015 Triennial Review. A new Framework Document was agreed and signed during 2018 and has been published on the BHC's website.

The Risk Register for 2016-18, also required by the Triennial Review, remained current during the period. A new Risk Register was agreed by the Council at its meeting in October 2018.

The Council continued to publish the agendas and minutes of its meetings on its website.

In June 2018 the Touchstone Award was presented to the City of Wolverhampton Trading Standards team for a proactive campaign to improve awareness of the laws and benefits surrounding hallmarking amongst both businesses and consumers within their very diverse community. The team engaged with every jeweller in the city, providing them with a comprehensive educational pack detailing the rules and benefits of hallmarking, emphasising how selling hallmarked items could add to their reputation. The free packs also included a current Dealer's Notice so there could be no excuses for non-compliance. This intensive education programme for both trade and consumers also heightened awareness throughout the City of Wolverhampton. The campaign included following up with an intelligence and enforcement project to maintain the impetus. The presentation of the award 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. All of the Assay Offices have worked closely with Trading Standards Officers over the last year.

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.

Long-term plans to amend the Hallmarking Act 1973 and modernise and strengthen it for today's world of global and internet trading continue.

No new sub-offices were opened during the year.

The Council via the Secretary receives numerous 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 2018.

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 2018. 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, continues to review the oversight of arrangements to ensure the continued integrity of assay operations including sub-offices. During 2018 the BHC's Applications Committee developed new protocols for applications for sub-offices and for continuing monitoring and re-validation of sub-offices which are now in operation.

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
Chair and Accounting Officer

Date: 4 April 2019

3 ACCOUNTABILITY REPORT

a. Corporate Governance Report

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

Bryn Aldridge
 Carol Brady
 Neil Carson
 Malcolm Craig
 Louise Durose
 Helen Forder
 Robert Grice
 Kate Hartigan
 Peter Hayes
 Andrew Hinds
 Noel Hunter, Chair
 Harriet Kelsall
 Michael King
 Tom Murray
 John Pearce
 David Reddaway
 David Sanders
 Matthew Sibley
 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 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 Chair 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 Chair and other members of the Council, together with their category of membership, is provided at page 18. 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 Chair 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 12. 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 78% (2017: 60%) of invoices by value. There was a delay in receiving some authorised Shakespeare Martineau invoices. It was also realised that the previous system of approving the budget some way into the year caused a built-in cashflow problem which has been resolved by moving the budget approval process to an earlier point, at the autumn council meeting in the prior year. 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 2018.

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 2018. Although the Council pays the Chair and Secretary via a payroll in accordance with advice received relating to statutory office-holders and National Insurance neither is considered to be an employee of the Council or a worker in respect of the Council.

Statement of Council and Accounting Officer's responsibilities year ended 31 December 2018

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 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 2018

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. During 2018 a special Council meeting was held in January to discuss the consultation on overseas hallmarking. The spring meeting was held in March, rather than April.

There are four committees.

The Applications Committee is made up of no fewer than three and no more than 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 substantially revised in 2018 and incorporated new Principles Governing the Approval of Sub-offices. The integrity of hallmarking remains a priority for the Council. The Council, with the Applications Committee, continues to work 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. Its Standing Orders were updated during 2018.

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. Its Standing Orders were updated during 2018.

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 which was continued during 2018. It continues to look at ways to strengthen enforcement activity. It has carried out work on reviewing the BHC's website hosted on gov.uk to ensure that all content is up to date and on overseeing changes to the look and feel of the website to enhance the visibility and understanding of hallmarking for consumers. Standing Orders for the Education & Enforcement Committee were produced during 2018.

The review of governance which started in 2017 was completed during 2018. A comprehensive Governance Overview Document was produced and the Standing Orders of the BHC revised and updated. Standing Orders for the Applications Committee, JAOC and Technical Committee were revised and updated. Standing Orders were produced for the Education & Enforcement Committee. It was agreed to produce a draft Business Plan and Budget each autumn for the following year, rather than these being produced during the course of the year to which they relate.

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 Chair. 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. A full round of appraisals was carried out in 2018.

Risk and the purpose of the system of internal control

A risk register covering the period 2016-18 was in place during the year. At its meeting in October 2018 the BHC approved an updated Risk Register.

As indicated above, those risks include dissolution of the Council, ensuring the adequacy of hallmarking facilities and loss of an officer of the Council. This year, risks have been identified as having a high impact and a high likelihood of occurring. These were:

- Loss of Secretary of State appointed members (and, to a lesser extent, failure to recruit Secretary of State appointed members) as a result of recent Cabinet Office changes stipulating that members can serve a maximum of two terms. For the BHC the maximum had previously been three terms. The BHC faced losing seven of its ten Secretary of State appointed members in one year. These risks have in practice reduced as three members coming to the end of their second term were granted an extension of one year, thus staggering the impact of the change. A successful recruitment exercise has brought in new members for 2019 to replace those who retired at the end of 2018.

- EU Exit and the associated uncertainties and risks. This remains a central concern for the BHC, the Assay Offices and the industry. The BHC participated in a number of discussions with government regarding the uncertainties thrown up by EU Exit and continues to monitor the situation closely. An industry survey has been commissioned, with initial results considered by the Council at its October meeting and a wide-ranging email survey has been distributed across the industry during January and the results to be considered at the Council's April meeting.

There continues to be a risk relating to the burden of responding to Government Department initiatives and requests for information including the 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.

The issue of whether a distinguishing mark should be applied to items hallmarked by UK assay offices in their overseas sub-offices has been an issue for the Council and noted as a risk in last year's Annual Report & Accounts. The Hallmarking Act 1973 was amended in 2013 by the Legislative Reform (Hallmarking) Order in 2013 to permit overseas hallmarking for the first time. The new section 4 of the Hallmarking Act 1973 made no express provision for a distinguishing mark to be applied; instead it provided that the hallmark to be used was the mark approved by the Council. The amended legislation therefore gave the Council the freedom to decide what marks should be applied and hence the discretion to require them to be either distinguishable from or the same as hallmarks applied by assay offices in the UK. The Council's policy on the use of existing marks with no differentiation was established in 2014. This policy came under review following a European Court of Justice decision in 2016 and during 2017 a consultation process was undertaken to receive the views of stakeholders on the issue. During 2018, taking account of all views, the Council collectively determined to change the previous policy and it decided that hallmarks struck outside the UK by UK assay offices should be distinguishable from those struck in the UK. The form of the offshore mark was agreed and a 12 month transition period for implementation was agreed.

In the course of 2018 the Council, as in previous years, 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.

The integrity of hallmarking remains a priority for the Council. The credibility of hallmarking relies on its technical consistency and operational integrity. Operational integrity remains a priority for the BHC and during 2018 the Applications Committee developed new protocols for applications for sub-offices and for continuing monitoring and re-validation of sub-offices which are now in operation. Technical consistency is at the heart of maintaining the reputation of hallmarking and work is ongoing to review the database of technical decisions and develop a protocol for the use of XRF testing. The relationship with the Queen's Assay Master is increasingly important.

It remains the case, as reported in previous years, 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 BHC, through education and the Touchstone Award, and the Assay Offices, through supporting prosecutions, continue to seek to stimulate enforcement activity which is vital for the protection of consumers.

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 2018 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 Chair, 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 Chair 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 Chair and Accounting Officer I have been in frequent contact with the OPSS 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. During the year the role of Secretary was handed over from Katrina Ritters to Sue Green. Invoices for Secretariat services from Katrina Ritters or Sue Green were supported by a breakdown of time spent and are approved by me. During the year the advice received in relation to statutory office holders and Employers National Insurance led to invoices for Secretariat services being replaced by monthly Statements of Time Spent and these 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 Chair 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 me. Invoices from Katrina Ritters or Sue Green or Statements of Time Spent for Secretariat services from Sue Green are supported by a breakdown of time spent and are approved by me.

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, 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 2019 comprising the Council's Business Plan and Budget will be available on the Council's website once confirmed at the April Council meeting.
(<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 2018 (none in previous years). However having received advice in relation to statutory office-holders and National Insurance the BHC now operates a payroll for the purposes of paying the Chair and Secretary.

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 a member of its Board. As Chair 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 Chair are set out in the Hallmarking Act 1973 and include conducting meetings of Council and liaising with the Secretary of State. As Chair 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 Chair is elected by the Council.

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 Katrina Ritters, an independent contractor providing secretariat services who is a qualified trading standards officer and academic, to Sue Green, an independent contractor providing secretariat services. The Secretary is appointed by the Council for an undefined period. The Secretary, Katrina Ritters and, more recently, Sue Green, 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 2018 the amount was £56,320 including work done by Katrina Ritters and Sue Green. In 2017 the amount was £55,237 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 and Katrina Ritters who took over as Secretary during that year.

Off-payroll arrangements

In 2017 the Chair and Secretary had been paid under off-payroll arrangements as the Chair was self-employed and in the first part of the year the Secretary, a practising lawyer, provided the secretarial service in the course of her employment by Shakespeare Martineau, a commercial law firm. During 2017 the Secretary role passed to Katrina Ritters, an external contractor who was self-employed and this role was taken over by Sue Green, an external contractor during 2018. During 2018 advice was taken by the BHC and it was concluded that both roles are deemed to be statutory office-holders and that accordingly Employers National Insurance was payable and a payroll needed to be operated for payment to both the Chair and the Secretary. This was put into operation during the year and backdated to 6 April 2018.

Accordingly there are no off-payroll arrangements in place.

The number of new engagements during the period was zero.

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 2019 and by inference, to fund the expenses of the Council. OPSS as the sponsor team within BEIS have indicated that they will continue to support the hallmarking regime for the foreseeable future.

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 Chair 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 previous Secretary, and Sue Green, who took over as Secretary during the year, submitted invoices to the Chair for approval before payment, and under the payroll system which is now in operation Sue Green submits Schedules of Time Spent 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 2018 is £3,550 (£3,500 in 2017). No other services were provided.

Signed

**Noel Hunter
Accounting Officer**

Date: 4 April 2019

4. MEMBERS OF THE COUNCIL

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

Chair

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 Chair of the Consumer Code for Home Builders and Chair of the Myton Hospices. He is an Independent member of Disciplinary Tribunal for National Association of Estate Agents. He took over the role of Chair from 7 April 2017

Members appointed by BEIS:

Bryn Aldridge MBE 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.

Malcolm Craig is a Chartered Trading Standards Practitioner. He is employed by Stirling Council as a Senior Trading Standards Officer and is responsible for the day to day running of Trading Standards across Stirling and Clackmannanshire. He is Immediate Past Chair of the Chartered Trading Standards Institute.

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

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.

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.

Andrew Hinds is a Director of F Hinds, a retailer with 116 stores across England & Wales and has worked in the business full time since 1989. He is on the National Committee of the National Association of Jewellers and is a former Chairman. He is a Liveryman of the Worshipful Company of Goldsmiths and Fellow of the Gemmological Association.

Harriet Kelsall is the founder and executive chair of Harriet Kelsall Bespoke Jewellery. She is the chair of the National Association of Jewellers and a non-executive director of the Responsible Jewellery Council. She is a Freeman of the Worshipful Company of Goldsmiths, an author and a public speaker.

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.

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.

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 KCMG MBE is Chief Executive and Clerk of the Goldsmiths' Company.

Neil Carson OBE is the Chairman of the Goldsmiths' Company Assay Office Management Board.

Assay Office Representative (Sheffield):

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.

Assay Office Representatives (Birmingham):

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.

Carol Brady MBE is a Warden of Birmingham Assay Office.

Assay Office Representative (Edinburgh):

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:

Matthew Sibley is the Law Clerk to and on the Executive board of the Sheffield Assay Office, a solicitor and strategic business consultant in Sheffield, a charity trustee and a non-executive director.

John Stirling is Law Clerk to the Edinburgh Assay Office and a solicitor in Edinburgh.

Assay Masters (entitled to attend):

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

Douglas Henry is Assay Master of the Birmingham Assay Office.

Ashley Carson is Assay Master at the Sheffield Assay Office.

Scott Walter is Assay Master at the Edinburgh Assay Office.

The Office for Product and Safety Standards

In addition, members of OPSS, 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
2017 AND 2018**

QUARTER	ALL ARTICLES -1000 units		GOLD ARTICLES - 1000 units		SILVER ARTICLES - 1000 units		PLATINUM ARTICLES - single units		PALLADIUM ARTICLES - single units	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
FIRST	2,051	1,921	873	886	1,092	939	66,211	71,256	19,408	24,306
SECOND	1,934	2,132	883	898	955	1,137	76,925	73,034	18,112	24,520
THIRD	2,266	2,440	1,057	989	1,114	1,359	79,430	70,122	15,186	21,752
FOURTH	2,863	2,843	1,300	1,263	1,479	1,499	74,957	68,025	9,036	13,090
TOTAL	9114	9,336	4,113	4,036	4,640	4,934	297,523	282,437	61,742	83,668

PERCENTAGE FIGURE FOR THE ABOVE TOTALS FOR EACH ASSAY OFFICE

OFFICE	ALL ARTICLES	GOLD ARTICLES	SILVER ARTICLES	PLATINUM ARTICLES	PALLADIUM ARTICLES
	<i>2018</i>	<i>2018</i>	<i>2018</i>	<i>2018</i>	<i>2018</i>
LONDON	27	33	21	37	17
BIRMINGHAM	27	28	25	44	44
SHEFFIELD	24	33	17	13	34
EDINBURGH	22	6	37	6	5

APPENDIX 3

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

UNITED KINGDOM

YEAR TOTAL 2018

	GOLD	SILVER	PLATINUM	PALLADIUM	TOTALS
London	733,448	470,413	31,935	3,082	1,238,878
Birmingham	272,601	287,561	33,157	640	593,959
Sheffield	798,303	510,579	6,935	2,973	1,318,790
Edinburgh	5,082	132,207	2	0	137,291
TOTALS	1,809,434	1,400,760	72,029	6,695	3,288,918

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 the British Hallmarking Council for the year ended 31 December 2018 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; 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 2018 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.

Conclusions relating to going concern

We are required to 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 for a period of at least twelve months from the date of approval of the financial statements. 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. I have nothing to report in these respects.

Responsibilities of the Council and Accounting Officer for the financial statements

As explained more fully in the Statement of 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 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.
- 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

Date 26 April 2019

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

STATEMENT OF COMPREHENSIVE NET EXPENDITURE
for the year ended 31 December 2018

	Note	2018 £	2017 £
Income			
Income on Activities	5	101,243	88,140
Expenditure			
Operating Expenditure	6	(101,250)	(88,148)
Net operating expenditure		(7)	(8)
Interest receivable		7	8
Net expenditure for the year		-	-

Statement of Changes in Taxpayers Equity

	2018 £	2017 £
Balance at 1 January	-	-
Net expenditure	-	-
Balance at 31 December	-	-

The notes on pages 29-31 form part of these accounts.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

	Note	2018 £	2017 £
Current assets:			
Trade and other receivables	7	4,745	3,991
Cash and cash equivalents	8	14,613	14,379
		<hr/>	<hr/>
Total current assets		19,358	18,370
		<hr/>	<hr/>
Current liabilities:			
Trade and other payables	9	19,358	18,370
		<hr/>	<hr/>
Total current liabilities		19,358	18,370
		<hr/>	<hr/>
Assets less liabilities		-	-
		<hr/>	<hr/>
Reserves		-	-
		<hr/>	<hr/>

The financial statements on pages 26 and 27 were approved by the Council on 4 April 2019 and were signed on its behalf by:

Signed

Noel Hunter
Accounting Officer

Date: 4 April 2019

STATEMENT OF CASH FLOWS
for the year ended 31 December 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
Net operating cost		-	-
(Increase) / Decrease in trade and other receivables	7	(754)	16,391
Increase / (Decrease) in trade and other payables	9	988	(7,634)
		<hr/>	<hr/>
Net cash inflow /(outflow) from operating activities		234	8,757
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents in the period		234	8,757
		<hr/>	<hr/>
Cash and cash equivalents at the beginning of the period	8	14,379	5,622
		<hr/>	<hr/>
Cash and cash equivalents at the end of the period	8	14,613	14,379
		<hr/>	<hr/>

THE NOTES ON PAGES 29-31 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 2018 (2017: Nil) (see Remuneration Report on page 15). Under HMA 1973 Schedule 4 paragraphs 20 and 21 the BHC may pay the Chair and Secretary such remuneration as they see fit. The Chair and Secretary are now paid via a payroll operated for the BHC but are not employees of the Council. No pension payments are made to either the Chair or Secretary.

5. INCOME

Income is analysed as follows:-

	2018 £	2017 £
Contributions from Assay Offices:-		
Birmingham	24,489	21,674
Edinburgh	23,717	14,137
London	31,458	25,420
Sheffield	21,579	26,909
	101,243	88,140

6. OPERATING EXPENDITURE

	2018 £	2017 £
Chair's remuneration	19,572	17,487
Chair's expenses	3,233	3,204
Council members' expenses	3,690	2,817
Less: re-charged to assay offices for Applications Committee expenses	(792)	-
Audit fee	3,550	3,500
Legal and Secretarial costs and expenses	56,320	55,237
Other professional charges	13,250	5,590
Other expenses	2,427	313
	101,250	88,148

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 £3,850 (2017: £3,440), and to provide accounts preparation services for £2,150 (2017: £2,150). During 2018 a secretariat was in operation, with Katrina Ritters and Susan Green providing secretarial services as external contractors.

Save for the Chair's remuneration, and an allowance of £75 per hour paid to the members of the sub-Offices' Applications Committee, 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

	2018 £	2017 £
Amounts falling due within one year:		
Trade Receivables	4,055	3,105
Prepayments	690	599
VAT, other taxation and social security	-	287
	4,745	3,991

8. CASH AND CASH EQUIVALENTS

	2018 £	2017 £
Balance at 1 January	14,379	5,622
Net change in cash and cash equivalent balances	234	8,757
	<hr/>	<hr/>
Balance at 31 December	14,613	14,379
The following balances at 31 December were held at Lloyds Bank Plc	<hr/>	<hr/>
	14,613	14,379

9. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2018 £	2017 £
Trade payables amounts falling due within one year:		
Trade payables	12,975	14,870
Other payables	5,600	3,500
VAT, other taxation and social security	783	-
	<hr/>	<hr/>
	19,358	18,370

10. RELATED-PARTY TRANSACTIONS

The sponsoring body of the Council is the Office for Product Safety and Standards (OPSS), 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 Chair in place until 7 April 2017 was paid by BEIS who recharged this expense to BHC. The Chair's remuneration paid through BEIS for 2018 was £Nil (2017: £3,988).

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.

