



**Academy Auditors**

## **Responsible Jewellery Council (RJC)**

### **RJC AUDIT REPORT:**

### **Chain-of-Custody (2012) CERTIFICATION**

### **RJC Member: Precious Refinery SA**

**Report date:** 24 September 2014

**Revision:** N/A

**Distribution:** Precious Refinery SA, RJC Management Team

This **Sample CoC Audit Report** has been developed by RJC to illustrate good practice audit reporting for RJC Chain-of-Custody Certification. The Auditor and Member named in the report are fictitious.

RJC reviews all Audit Reports for consistency with its reporting requirements, before issuing certification to Members. Some of these requirements are further explained through this document.

The Sample Audit report is used for training with RJC Accredited Auditors. Members and stakeholders can also use this sample to better understand the audit reporting process for the Chain-of-Custody Standard.

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## 1. Statement of Conformance

**Entity name:** Precious Refinery SA  
**Member Name:** Precious Metals Refining Group  
**Audit date:** 18-19 September, 2014  
**RJC Standard:** RJC Chain-of-Custody (2012)  
**Audit Type:** Initial Certification Audit  
**No. of Audit Days:** 2 audit days

For CoC Certification, a CoC Certified Entity can be a subsidiary of an RJC Member. Both the Entity and RJC Member (if different) should be identified.

### Statement of Conformance:


Based on the scope and findings of the Verification Assessment, the sites visited and the available information provided by the Member:

- ✓ The Member has demonstrated a conformance level consistent with a 3 year Certification Period.  
The Member is not eligible for CoC Certification due to the identification of Major Non-Conformance(s).  
Critical breaches have been identified and the RJC Management Team should initiate disciplinary procedures.

### Confirmation:

The Auditors confirm that:

- ✓ The information provided by the Member is true and accurate to the best knowledge of the Auditor(s) preparing this report.
- ✓ The findings are based on verified Objective Evidence relevant to the time period for the assessment, traceable and unambiguous.
- ✓ The scope of the assessment and the method used are sufficient to establish confidence that the findings are indicative of the performance of the Member's defined Certification Scope.
- ✓ The Auditor(s) have acted in a manner deemed ethical, truthful, accurate, professional, independent and objective.

**Lead Auditor Name:** Jane Smith  
**Audit Firm:** Academy Auditors  
**Signature:**   
**Date:** 24 September 2014

RJC requires a completed and signed Statement of Conformance from the Auditors, such as the example on this page. A template is available in the Assessment Workbooks for each standard (Code of Practices 2013 and Chain-of-Custody 2012).

The CoC Standard requires a Surveillance Audit to be carried out within 12-18 months. No Major Non-Conformances are permitted for certification.

## 2. Summary of findings

Overall, the Certification audit for Precious Refinery SA identified one Minor Non-Conformance. The Entity is therefore

## 3. Introduction – Background

Precious Refinery SA is a precious metals refinery in Lausanne, Switzerland, and is part of the global Precious Metals Refining Group (PMRG), an RJC Member which operates 5 refineries in 5 countries. The company has been actively involved in discussions on the responsible and conflict-free sourcing of gold bearing material. PMRG has received customer requests for information in regards to their conflict-free status. Precious Metals Refinery SA has therefore requested Academy Auditors to carry out a Certification Audit against the RJC Chain-of-Custody Standard (2012).

Precious Refinery SA is a subsidiary entity of PMRG and owns and controls one refining facility. The on-site component of the CoC audit was conducted over two days. The auditor was able to see all the facilities and offices of the entity and conduct meetings with employees and management as needed. The company was cooperative and provided access to the facilities and requested documents during the course of the assessment.

The main contact for the Precious Refinery SA audit was:

Ms Jacqueline Bianchi – Chief Operating Officer – [jacqueline.bianchi@PreciousRefinerySA .com](mailto:jacqueline.bianchi@PreciousRefinerySA.com)

## 4. CoC Certification Scope

### 4.1 CoC Certification Scope defined by Member and Verified By Auditor

Entity/Facility	Address	Number of Employees	Description of business
Precious Refinery SA	Address, Lausanne, Switzerland	40	Refining
Outsourcing contractors and Service Companies	<i>Not applicable</i>		

CoC Certification is voluntary, so the CoC Certification Scope can be defined by the Member as suits their business. In this example, one refinery (the CoC entity) in a large refining group (which is the RJC Member) has sought CoC Certification. Outsourcing Contractors and Service Companies that are within the CoC Certification Scope should also be listed in this section.

Precious Refinery SA issues eligible material declarations on the below materials:

Eligible Material Declarations: Type of Material (Type and Source)	Gold	Platinum	Palladium	Rhodium
Mined	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mining By-product	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Recycled	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Grandfathered	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mixed of Mined, Mining By-product, Recycled and/or Grandfathered)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Precious Refinery SA issues transfer documents for the materials below:

Type of Material (Type and Source) handled by the Member through Transfer Documents:	Gold	Platinum	Palladium	Rhodium
Mined	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mining By-product	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Recycled	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Grandfathered	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mixed of Mined, Mining By-product, Recycled and/or Grandfathered)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

To clarify, Precious Refinery SA issues eligible material declarations for Mined, Recycled, and Grandfathered Gold internally, but sells the eligible material on as a mix to customers.

Precious Refinery SA issues eligible material declarations for recycled Platinum, Palladium and Rhodium.

The report needs to identify the Types of CoC Material (gold and/or platinum group metals), and whether Eligible Material Declarations will be issued for any of these, or transfer documents. Clear identification has to be made as to what eligibility are being declared for each metal, as well as whether transfer documents are being declared and for which metal.

Miners and refiners are usually the entities who would start a chain-of-custody for eligible material by issuing such declarations, based on the due diligence requirements laid out in the CoC Standard.

## 5. Audit Methodology

### 5.1 Audit Type

RJC Chain-of-Custody 2012 Certification Audit, following the guidelines issued by the RJC in the RJC 2013 Assessment Workbook.

Academy Auditors submitted a detailed audit plan to Precious Refinery SA for review prior to the onsite engagement. The audit plan determined the audit type, scope, criteria and timing and was established following the review of pre-audit documentation shared with Academy Auditors.

The onsite visit carried out by Academy Auditors included four parts:

1. Opening meeting
2. Review of objective evidence
3. Evaluation of objective evidence
4. Closing meeting.

During the onsite visit, Academy Auditors collected objective evidence by means of management and employee interviews, documentation review as well as physical observation.

The evidence collected was reviewed by the auditor to determine Precious Refinery's level of conformance with each applicable provision of the RJC CoC Standard.

Any gaps between the Precious Refinery's systems, processes and procedures and the RJC CoC Standard provisions was discussed with Precious Refinery's team members concerned and has been included in this report.

## 5.2 Audit Scope

The facilities visited and business activities reviewed are summarised below:

### 5.2.1 Facilities visited

The following entities were visited as part of the assessment:

- Precious Refinery located in Lausanne, Switzerland

### 5.2.2 Business activities reviewed

The audit reviewed all relevant business activities under the scope of the assessment, and was carried out with the following timeline:

#### September 18, 2014

Time	Activity
8.15am-8.30am	Auditor arrived at Precious Refinery SA. Security screening and induction.
8.15am-10.30am	Opening Meeting with management to review the purpose, scope and methodology of the assessment and clarify required documentation. The meeting should address: <ul style="list-style-type: none"> <li>• Any operational changes, challenges, and impact of changes that may affect the entity's performance in regards to the RJC CoC Standard;</li> <li>• Confirmation of the final interview schedule as well as identify responsible parties to assist the auditor throughout the process.</li> </ul>
10.30am-11.45am	Management interviews with Metal Control team, Quality Department, and Production Department: <ul style="list-style-type: none"> <li>• Overview of the refinery's policies and internal management system;</li> <li>• General understanding of the refinery's systems in place to comply with RJC Chain of Custody (CoC) Standard.</li> <li>• Review of documents and procedures related to segregation of materials.</li> </ul> Precious Refinery's team to prepared necessary files for the audit team: <ul style="list-style-type: none"> <li>• Selected supplier files;</li> <li>• KYC and AML procedures.</li> </ul>
11.45am-1.15pm	Document review of Supply Chain Due Diligence procedures and supplier files.
1.15pm-1.45pm	Lunch break
1.45pm-4.00pm	Management and Employee interviews on Supply Chain Due Diligence and KYC procedures.
4.00pm-5.00pm	Closing meeting with the management and scheduling of walkthrough activities for day 2.
5.00pm	Auditor leaves factory.

#### September 19, 2014

Time	Activity
8.30am-12.30pm	Full walkthrough of the Precious Metals Plant: <ul style="list-style-type: none"> <li>• Review of internal material control mechanisms;</li> <li>• Verification of type of gold material received;</li> <li>• Verification of procedures for eligible material declarations;</li> <li>• Observation of possible mixing points for eligible and non-eligible material under the RJC CoC Standard;</li> <li>• Procedures for documentation and shipment of final product.</li> </ul>
12.30pm-1.30pm	Lunch break
1.30pm-2:30pm	Documentation review of corporate policies and procedures, business licences and permits, and training records for all aspects covered by the RJC CoC. Finalisation of pending items. Triangulation of reviewed information and observations and preparation for the closing meeting.
2.30pm-3.45pm	Closing meeting with Precious Refinery management.
3.45pm	Auditor leaves facility.

An audit schedule like this, or a summary, provides useful detail about the flow and focus of the audit process on site. Audit reports often also include additional details, subject to relevant confidentiality considerations, such as the names of management interviewed and a sample list of documents reviewed.

### 5.2.3 Provisions from the RJC Standard:

All CoC Provisions applicable to gold refining operations. Please refer to section 6.5 for detailed information on the not applicable provisions.

## 5.3 Audit Team

### 5.3.1 Names and Qualifications

Jane Smith, Lead Auditor.

### 5.3.2 Topic Experts and Translators

No Topic Experts were part of this audit team. The auditor is also fluent in French and Italian, and some management and employee interviews were conducted in these languages.

Where the audit team does not speak all languages used at the facility, translation may be necessary. It is good practice to note the names and affiliation of any translators used during assessments.

### 5.3.3 Independence Status

The auditor confirms that she is fully independent from the companies audited and does not have any conflicts of interest that would prevent her from objectively assessing the performance of this entity in regards to the requirement of the RJC CoC Standard.

## 5.4 Audit Details

### 5.4.1 Limitations or Parts of the Audit Plan that could not be conducted

None identified.

**5.4.2 Level of Cooperation**

The Member cooperated with the auditor to the best of its abilities. The Member agreed with the observations and non-conformance identified and stated it would be addressed.

**5.4.3 Unresolved Conflicts, Disputes and Disagreements**

None identified.



## 6. Audit Findings

### 6.1 Noteworthy achievements

The company found that the requirements of the RJC CoC Standard were able to be incorporated into existing management systems, ensuring clearly assigned responsibilities and resources for implementation. The company has devised a complex risk scoring tool that collates information provided by the KYC exercise and country-specific information and provides a score and recommendation on whether the Member may engage with the supplier.

Not all audits identify 'noteworthy achievements'. However where the auditor identifies good practice, it can be included in the report to RJC. The RJC can then use these to identify potential opportunities for peer learning or case studies, where appropriate.

### 6.2 Status of Corrective Actions from Previous Audit (if applicable)

Not applicable.

Where previous audits have been conducted, auditors review corrective actions undertaken to evaluate and report on progress and completion. If they did not conduct the previous audit, they should obtain a copy of the previous audit report from the Member or from RJC.

### 6.3 Major Non-Conformances

None identified.

### 6.4 Minor Non-Conformances

*Provision:* 10.3 Conflict-Sensitive Sourcing: Complaints or grievance mechanism

*Finding:* The Member does not have a complaints or grievance mechanism specifically addressing concerns related to circumstances in its supply chain involving eligible and/or CoC material.

*Primary Underlying Cause:* Incomplete or Missing Documentation

*Recommendation:* Establish a complaints or grievance mechanism allowing any interested party to voice concerns specifically related to circumstances in the supply chain involving eligible and/or CoC material.

Findings on non-conformances refer to the relevant provision (and often the relevant question in the Assessment Workbook). They should identify why the non-conformance has been raised and note supporting evidence for the finding. Auditors can also offer a general recommendation for how it can be addressed.

### 6.5 List of Not Applicable Provisions with Reasons

Based on the review of the Entity's operations and as declared by the Entity, the following sections of the RJC CoC Standard are considered not applicable for this assessment for the following reasons:

Non-Applicable Provision	Reason
Provision 3 Outsourcing Contractors and Service Companies	No relevant processing or manufacturing is outsourced.
Provision 9.1 and 9.2 Consumer Claims and Intellectual Property	No claims are made directly to consumers.

## 6.6 Suggested Business Improvement

None identified.

## 6.7 Cross recognitions with other standards (provision 10.4)

Precious Refinery SA is an accredited Good Delivery Refiner with the London Bullion Market Association (LBMA). As such the RJC Member has demonstrated compliance with the conflict-sensitive sourcing provision 10.4 of the RJC CoC standard.

## 7. Conclusion and Next Audit

### 7.1 Concluding Remarks

The auditor thanks Precious Refinery SA and the management teams for each entity for their cooperation and extensive preparation for the RJC Code of Practices audit. There were no conflicts or issues encountered during the conduct of this audit.

All recommendations were discussed and agreed upon by the management team. A copy of this report will be shared with the RJC for review against their published requirements for audits, and then issuing of the certification.

### 7.2 Next Scheduled Audits

Audit Schedule	Date / range
Surveillance Audit required in 12-18 months' time	September 2015-March 2016.
Re-certification is due in three (3) years' time	September 2017.

### Abbreviations

AML Anti-Money Laundering

CAP Corrective Action Plan

CoC Chain of Custody

KYC Know Your Customer

RJC Responsible Jewellery Council