



Academy Auditors

## Responsible Jewellery Council (RJC) Chain of Custody (2012) certification audit report

RJC Member: Precious Metals Refining Group

Entity: Precious Refinery SA

Report date: 24 November 2016

Revision: N/A

Distribution: Precious Refinery SA, RJC management team

This sample Chain of Custody (CoC) audit report has been developed by the RJC to illustrate good practice audit reporting for the [RJC Chain of Custody \(CoC\)](#) Certification. The audit firm, individual auditors, member and entity named in the report are fictitious.

## About the audit report

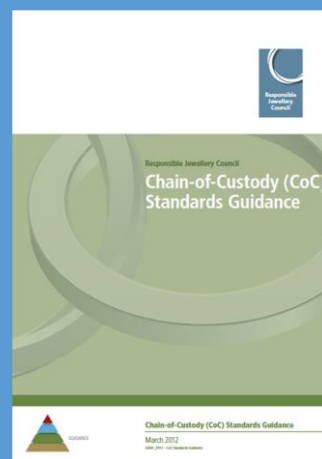
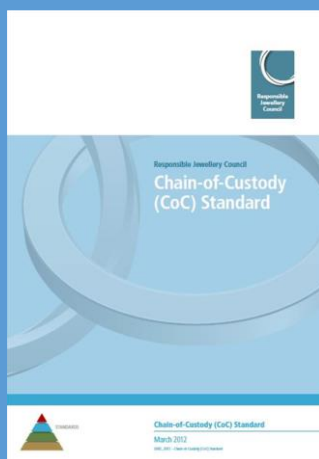
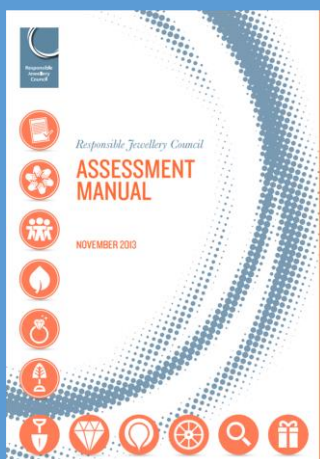
Once an RJC audit has been completed, the lead auditor prepares an RJC audit report to be submitted to the member for approval and then to the RJC for the certification to be granted. The report must give a detailed account of the audit, listing the areas which were found to be satisfactory and those which were not found to be in conformance with provisions in the RJC Standard, in this case the [Chain of Custody CoC standard](#). It must include sufficient information to enable the RJC to confirm that the audit process and findings are consistent with the instructions to auditors in the Assessment Manual (see below) and our reporting requirements.

RJC reviews all audit reports as part of its oversight of accredited audit firms and as a check on consistency. These requirements are explained throughout this document.

The sample audit report is used for training of RJC accredited audit firms and auditors. Members and stakeholders can also use this sample to better understand the audit reporting process for the [Chain of Custody \(CoC\) Standard](#).

Audit reports should be sent to the RJC as soon as possible, but no more than three months after the audit was completed.

Further information on the RJC audit system and requirements can be found in the [RJC Assessment Manual](#) (for COP and CoC audits). This is a crucial manual for all RJC auditors. For more information on the CoC standard, please see the CoC Standard itself, and the standards guidance document that accompanies it:



If you have any questions or feedback on the sample CoC audit report, please email [training@responsiblejewellery.com](mailto:training@responsiblejewellery.com)

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## 1. Statement of conformance

Entity name: Precious Refinery SA  
Member name: Precious Metals Refining Group  
Audit date: 18-19 September, 2016  
RJC standard: RJC Chain of Custody (2012)  
Audit type: Initial certification audit

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 clearly identified. In this case the RJC member is Precious Metals Refining Group whose entity Precious Refinery SA has been audited for CoC certification.

### Statement of conformance

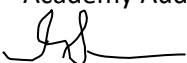
Based on the scope and findings of the audit, the sites visited and the available information provided by the member:

- ✓ 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 2016

RJC requires a completed and signed statement of conformance from the audit firm, such as the example on this page.

The CoC Standard requires a surveillance audit to be carried out within 12-24 months.

CoC certification cannot be granted to members, who have major non-conformances.

## 2. Summary of findings

Overall, the certification audit for Precious Refinery SA identified one minor non-conformance. The entity is therefore eligible for RJC CoC certification.

## 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 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	Not applicable		

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 as if they are relevant, the member must comply with the requirements under CoC provision 3.

For CoC Certification, the identity of Outsourcing Contractors which are audited as part of an Entity's Certification Scope can be withheld from the Entity's CoC Certification Information published on the RJC website, at the Entity's or the Contractor's request.

## 4.2 CoC material certification scope:

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

Eligible material declarations: type of material and source	Gold	Platinum	Palladium	Rhodium
Mined	✓			
Mining by-product				
Recycled	✓	✓	✓	✓
Grandfathered	✓			
Mix of mined, mining by-product, recycled and/or grandfathered				

Precious Refinery SA issues transfer documents for the materials below:

Type of material handled by the member through transfer documents:	Gold	Platinum	Palladium	Rhodium
Mined				
Mining by-product				
Recycled		✓	✓	✓
Grandfathered				
Mix of mined, mining by-product, recycled and/or grandfathered	✓			

## 4.3 Recognised Responsible Mining Standards:

Precious Refinery SA has been a Fairmined Authorised Supplier since 2015. The member has sourced Fairmined gold from certified artisanal and small scale mine (ASM) and incorporated it into the RJC CoC supply chain.

The report needs to identify the types of CoC material (gold and/or platinum group metals) the entity handles. The report also needs to identify whether this entity is the start of the chain (and will therefore issue Eligible Material Declarations) and/or whether the entity will be issuing transfer documents for these materials. Clear identification for each metal needs to be made.

Miners and refiners are usually the entities who would start a Chain of Custody for eligible material by issuing Eligible Material Declarations, based on the requirements laid out in the [CoC standard](#) under provisions 4, 5, 6 and 7.

RJC recognises some material covered by responsible mining standards as eligible mined CoC material (provision 4). These 'Recognised Responsible Mining Standards' can be found on the [RJC website](#). As at March 2017, Fairmined certification is the only Responsible Mining Standard recognised by the RJC.

## 4.4 Known changes to the entity's Certification Scope

There are no known changes to the entity's certification scope.

Any changes to the certification scope which have occurred since the last certification audit (if a re-certification audit report is being submitted) should be included here. When these changes are many, they can be summarised. Auditors should also include any known future changes to the scope during the next 3 years.

## 5. Audit methodology

The RJC Chain of Custody 2012 Certification audit has been conducted following the guidelines issued by the RJC in the [RJC assessment manual](#).

Academy Auditors submitted a detailed audit plan to Precious Refinery SA for review prior to the audit. 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, including the completed [Assessment Workbook](#).

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 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.

### 5.1 Audit type

RJC Chain of Custody 2012 Certification audit.

### 5.2 Audit scope

The total number of audit days including planning and post follow-up reporting was 2.5 days (2 days onsite, 0.5 days offsite).

Please include the number of onsite audit days, as well as days taken for preparing the audit report writing.

#### 5.2.1 Facilities visited

Onsite time was calculated based on the guidance provided in the RJC Assessment Manual. The following entities were visited as part of the assessment:

- Precious Refinery located in Lausanne, Switzerland

We encourage the sampling methodology used to be included in the audit report for the audit scope.

## 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, 2016

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 the 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 CoC Standard.</li> <li>• Review of documents and procedures related to segregation of materials.</li> </ul> Precious Refinery's team 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, 2016

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 of mined, recycled and grandfathered material;</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 the one below 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 6.2.5 for detailed information on the not applicable provisions.

## 5.3 Audit Team

### 5.3.1 Names and qualifications

Jane Smith, Lead Auditor.

All auditors who participate in an RJC audit must be accredited individually by the RJC through the relevant program manager (key contact at the accredited audit firm). This accreditation scope must match the details of the member, such as forum and location of headquarters and for CoC, the relevant RJC standard. They must also have conducted all relevant auditor training requirements of the RJC.

### 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 relevant languages, translation may be necessary. It is good practice to note the names and affiliation of any translators used during assessments. RJC requires **independent** translators to be used in RJC audits.

### 5.3.3 Independence status

The audit team confirms that they are fully independent from the company being audited and do not have any conflicts of interest that would prevent them from objectively assessing the performance of this entity in regards to the requirement of the RJC CoC Standard.

All auditors must be independent from the member and this is declared here. Auditors must not:

- Provide consultancy services to the member they are auditing
- Be involved in the RJC self-assessment of the member or implement any of the RJC audit recommendations for the member
- Have any financial interest (ownership/shares) in the member
- Have any personal relationships that could jeopardize the impartiality of the assessment of the audited company, eg previous employment, close friendship or family relationship to owners or senior management staff.

#### 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 Status of corrective actions from the previous audit (if applicable)

##### 6.1.1 Major non-conformances

Not applicable.

##### 6.1.2 Minor non-conformances

Not applicable.

Where previous audits have been conducted, auditors must review corrective actions undertaken to evaluate and report on progress and closure of non-conformances. If this report is for a first certification audit, please specify this section as not applicable.

If the previous audit was conducted by another audit firm, you should obtain a copy of the previous audit report from the RJC member. Status of corrective actions from previous audits should be presented in this format:

**Provision:** List provision and sub provision number and specify the provision text

**Finding:** Provide a detailed description of the non-conformance, including reference to location and extent of non-conformance, including details of the supporting objective evidence obtained

**Corrective actions:** Provide a detailed description of the corrective action implemented by the member and verified by the auditor.

**Status:** Specify if the non-conformance remains “open” or “closed”.

#### 6.2 Audit findings

##### 6.2.1 Major non-conformances

Not applicable.

##### 6.2.2 Minor non-conformances

CoC Conflict-sensitive sourcing

**Provision 10.3:** The Entity shall establish a complaints or grievance mechanism appropriate to the nature, scale and impact of the business, to allow interested parties to voice concerns about circumstances in its supply chain involving Eligible and/or CoC Materials from Conflict-Affected Areas.

**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.

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. It is best for this section to be more detailed and thorough than not, to prevent follow-up questions from the RJC.

### 6.2.3 Suggested business improvements

None identified.

The RJC encourages any suggested business improvements made to the member during the audit to be included in the audit report sent to the RJC. Suggested business improvements must not relate to compliance with an RJC provision as this would be a non-conformance and should be listed under the audit findings section.

### 6.2.4 Noteworthy achievements

The company found that the requirements of the RJC CoC Standard could 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.

### 6.2.5 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.

There are several provisions that may not be applicable to the entity. These need to be clearly listed with the reasons for their omission in the audit report.

A list of potential non-applicable provisions are listed here, according to the types of entities they apply to:

- Provision 3 – entities that use outsourced contractors
- Provision 4 – entities that issue eligible material declarations for mined materials
- Provision 5 – entities that issue eligible material declarations for recycled material
- Provision 6 – entities that issue eligible material declarations for grandfathered material
- Provision 7 – entities that issue eligible material declarations
- Provision 9.1/2 – entities who make consumer claims
- Provision 10.4 – entities who are gold refiners

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

Precious Refinery SA has the following current cross-recognised certifications:

- ✓ LBMA's Responsible Gold Guidance
- ☐ Conflict Free Smelter Programme
- ☐ DMCC Rules for Risk Based Due Diligence in the Gold and Precious Metals Supply Chain

Precious Refinery SA is an accredited Good Delivery Refiner with the London Bullion Market Association (LBMA). Their last LBMA Responsible Gold Guidance (RGG) audit was conducted on the 25 July 2016 for the period 1 April 2015 to 31 March 2016 – this was checked and verified via the Responsible Gold Certificate and audit report. This member's LBMA certificate was cross-recognised as evidence of the member's compliance with the conflict-sensitive sourcing provision 10.4 of the RJC CoC standard.

Please check all cross-recognition certificates/audits to ensure they are eligible for cross-recognition and outline this in the report (as above). These cross-recognised audits need to have been conducted within the last 12 months of the RJC audit being conducted.

Information of any non-cross recognised certificates or audits may also be useful to capture, but should be added under section 3 (Introduction) rather than here.

## 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 Chain of Custody 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.

As outlined, once an RJC audit has been completed, the lead auditor prepares an RJC audit report. Firstly this is sent to the RJC member, sometimes referred to as a Member Audit Report. The main difference between a Member Audit Report and the RJC Audit Report (of which this document is an example) is that it enables any additional confidential, security-related or commercially sensitive information that may be relevant to internal reviews of business improvements to be reported to the member.

Secondly, the audit firm prepares and submits the RJC audit report to the RJC. This enables the RJC to process the members' certification.

RJC reviews all audit reports as part of its oversight of accredited audit firms and as a check on consistency.

## 7.2 Next scheduled audits

A surveillance audit is due within 12-24 months after the CoC certification is granted, and a re-certification audit due at the end of the 3 year certification.

Surveillance audits are a mandatory requirement for the continued CoC certification.

### Abbreviations:

AML Anti-Money Laundering

CAP Corrective Action Plan

CoC Chain of Custody

KYC Know Your Customer

RJC Responsible Jewellery Council

- End of document -