

SELECT COMMITTEE ON THE PERTH MINT AND COMMONWEALTH REGULATORY COMPLIANCE

Response by Gold Corporation to Questions on Notice received at the hearing of the Committee held on 3 November 2023 in Perth, Western Australia

Question 1

Senator Reynolds: ...Richard Watson was brought onto the board, I think, a month after you were brought on as chair of the board. He is the under treasurer. Was he appointed at your request, or did you have a discussion with the Treasurer about how you needed a Treasury or government representative?

Mr Walsh: No, we had always had a Treasury rep on the board. I'm not sure who actually nominated Richard to join the board, but—

Senator Reynolds: Could you take that on notice for us, please?

Mr Walsh: Yes.

Senator Reynolds: Provide details of his appointment. Also, shortly after that—that same year—Mr Neil Roberts was appointed to the board. Are you aware of the circumstances of his appointment to the board?

Response

Section 5(2) of the *Gold Corporation Act 1987* (WA) (**GC Act**) provides that the membership of the Board of Gold Corporation (**Corporation**) includes the person holding or acting in the office of Under Treasurer of the State of Western Australia (**WA**), who shall be a director of the Corporation ‘*ex officio*’, i.e. by virtue of holding that office.

Under section 5(5) of the GC Act, the Under Treasurer may formally delegate their duties as an *ex officio* director of the Corporation to another officer of the Department of Treasury (**Treasury WA**) by signing an instrument of delegation.

Under section 5(6) of the GC Act, where such delegation occurs, the authorised officer of Treasury WA is deemed to be a director of the Corporation and shall have the powers, duties and immunity of a director when attending a meeting of the Board of the Corporation or otherwise performing that function.

(i) *Mr Richard Watson*

In accordance with the GC Act, Mr Watson was nominated by the then Responsible Minister, the former Premier Mr Mark McGowan. Following consideration by the WA Government, Mr Watson was appointed by the Governor to the Board of the Corporation as a non-executive director on 15 February 2019.

(ii) *Mr Neil Roberts*

In accordance with section 5(2) of the GC Act, Mr Roberts was nominated by the Responsible Minister, the Hon. Bill Johnston MLA. Following consideration by the WA Government, Mr Roberts was appointed by the Governor to the Board of the Corporation as a non-executive director on 10 August 2021.

Question 2

Senator Reynolds: [To Mr Walsh] So you came in and you took over the board because the Premier had identified there were governance and compliance issues. You identified that first one when you came on board. As you worked through the next few years and then into the AUSTRAC activities and some of the other issues the Auditor General had concerns with—are you able to take on notice or give us a short summary now of how those issues rolled out...

Response

Since his appointment as Chair of the Corporation in January 2019, Mr Sam Walsh AO has led action by the Board to strengthen governance and regulatory compliance. The key issues that Mr Walsh and the Board have addressed during this period may be summarised as:

- a governance issue that was resolved in 2019 and related to the management of a conflict of interest with respect to a cybersecurity business;
- a supply chain issue that was resolved in 2020 and related to the then operational practice of refining extremely small quantities of gold from artisanal and small-scale (ASM) mines outside of Australia;
- a production issue that was resolved in 2021 and related to a customer concern regarding the non-conformance of a limited number of gold kilogram bars with the unique non-gold specifications of the Shanghai Gold Exchange (SGE);
- incidences of non-compliance with the anti-money laundering (AML) legislation administered by the Australian Transaction Reports and Analysis Centre (AUSTRAC); and
- non-compliance with the Model State Commodity Code administered by regulators in relevant State jurisdictions of the United States.

Following his commencement as Chair, Mr Walsh addressed concerns regarding a proposal by the former Chair for the Corporation to consider procuring services from a cybersecurity company. Note: the company was not engaged by the Corporation.

Under Mr Walsh's leadership, the matter was examined by both an external organisation with relevant expertise and the Corruption and Crime Commission.

The resolution of this governance matter in 2019 has been in the public domain through media reports since June 2020.

In mid-2020, Mr Walsh and the Board became aware of concerns related to the then operational practice of refining extremely small quantities of gold from ASM mines in Papua New Guinea.

Under Mr Walsh's leadership, the Corporation ceased accepting gold from ASM sources outside of Australia in June 2020, and the matter was examined by an external organisation with relevant expertise. The matter was also investigated by the independent global authority for precious metals, the London Bullion Market Association (LBMA).

The resolution of this supply chain matter has been in the public domain since August 2020 through statements by the Corporation and the LBMA, as well as media reports.

In October 2021, Mr Walsh and the Board were notified that a limited number of gold bars did not conform to the non-gold specifications of the SGE.

The resolution of this operational matter has been in the public domain since March 2023 through statements by Mr Walsh and the Corporation, as well as media reports.

In relation to regulatory matters, the Corporation's proactive engagement and cooperation with regulators on compliance matters has been in the public domain since August 2022 through statements by Mr Walsh, the Corporation and AUSTRAC, as well as media reports.

In the Enforceable Undertaking by the Corporation that was published on 23 November 2023, AUSTRAC acknowledges the cooperation and engagement of the Corporation, and that the Corporation has already completed a number of critical improvement initiatives as part of a significant uplift through the Corporation's AML Remediation Program.

Question 3

***Senator Reynolds:** On that—I just want to follow the bouncing ball—you at some point identified that you needed to do an extensive remediation plan. Was that mainly for 'know-your-customer', which you described as inconsistent? Or was it wider than that? And did your submission to do this program go through to the minister of the day? Did it go through to the premier or the Treasurer, who runs ERC?*

***Mr Walsh:** It obviously went through to the minister responsible for the Mint, but it then went on to the Expenditure Review Committee for them to endorse the funding of the project.*

***Senator Reynolds:** Could you take on notice and table that submission that you made?*

[...]

***Senator Reynolds:** Could you provide information on the submission that you sent to government and also provide a copy of your remediation plan?*

Response

The submission made by the Corporation to the WA Government in relation to the funding of its AML Program (**Submission**) was prepared during the Corporation's annual budget process for the Expenditure Review Committee, which is a subcommittee of State Cabinet.

As outlined in the Cabinet Handbook published by the Department of the Premier and Cabinet, the confidentiality of Cabinet documents, discussions and decisions is a long-established principle and has been regarded as essential for the maintenance of Cabinet collective responsibility. Accordingly, the Submission is regarded as a confidential record of Cabinet and cannot be provided to the Committee.

Question 4

Senator Reynolds: ...Also, in terms of the 70,000 customers, what proportion did you assess that you had current 'good enough' information on and what proportion did you assess that you didn't? Could you take that on notice?

Response

In planning and implementing its AML Remediation Program, the Corporation has elected to undertake a 'Know Your Customer' (KYC) refresh of its entire customer database, which comprises approximately 70,000 customer records.

This thorough and comprehensive approach was voluntarily adopted by the Corporation in mid-2022 in preference to a remediation with more limited scope, for example, only of records created within a specific timeframe, or records pertaining to a specific cohort of customers.

Based on this approach, the Corporation did not undertake an assessment of the number of customer records for which the relevant information was sufficiently accurate and complete prior to commencing the data remediation initiative.

The customer records that are being remediated by the Corporation span years of transactions across all the Corporation's various sales channels, including Minted Products, The Perth Mint Refinery and Depository.

The Corporation is checking records of current and recently active customers, as well as records for customers who have not transacted with the Corporation recently, or who may have only conducted a single transaction with the Corporation in the past. This approach demonstrates the Corporation's commitment to strengthening regulatory compliance.

Through the implementation of its AML Remediation Program, the Corporation aims to build and maintain high-quality data across its entire customer base in the interests of meeting its regulatory obligations and the expectations of stakeholders.

Question 5

Chair: [To Mr O'Connor] What did the August 2020 independent assurance audit report find in regard to the part A and part B compliance requirements of the AML/CTF regime?

Response

The audit report provided by an external organisation in August 2020 made findings and recommendations regarding the Corporation's compliance with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) and the *Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007* (**AML/CTF Rules**) following an audit of the implementation of the Corporation's AML/CTF Program during the period from August 2017 to 31 March 2020 (**Review Period**).

In relation to the Review Period, the report concluded:

- The design of the Corporation's AML/CTF Program broadly aligned with the requirements of the AML/CTF Rules.
- There was scope to strengthen supporting procedures to formalise and effectively implement the required controls, such that the controls were better understood by control owners and were more consistently applied.
- Employee changes within the Risk and Governance team during the Review Period had impacted the effective operation of the AML/CTF Program, including in areas such as conducting AML risk assessment reviews and delivering AML general risk awareness training.
- The Transaction Monitoring Program during the Review Period was largely manual, with a reliance on employees who processed transactions exercising judgement to identify suspicious transactions.
- Records affirming that formal AML/CTF general risk awareness training had been conducted were not available.
- Actions had been taken by the Corporation to address previous findings relating to risk awareness training and customer due diligence; however, the implemented controls were not consistently applied during the Review Period.

Question 6

Chair: *That's on the public record. Mr Walsh, the Auditor General in her evidence this morning mentioned that she spoke to you after your appointment as the chair in 2019 and brought to your attention a variety of matters that were significant enough for her to bring them to your attention. What was your reaction to that discussion?*

Mr Walsh: *It was a very cordial and helpful discussion. It was helpful for a board chair because you rely on others to point you in the direction that you need to focus on. She identified areas that needed to be focused on. I fed those back to the executive and to the head of audit and risk as areas of concern.*

Senator Reynolds: *And the Premier?*

Mr Walsh: *I can't recall.*

Senator Reynolds: *Can you take that on notice?*

Response

Representatives from the Corporation, including Mr Walsh, met with the former Premier, Mr Mark McGowan, at regular intervals whilst Mr McGowan was the Responsible Minister for the Corporation.

At a meeting between the then Responsible Minister and representatives of the Corporation on 27 August 2019, a range of matters pertaining to the corporate governance and commercial activities of the Corporation was discussed.

The Corporation is unable to provide advice in relation to any separate meetings that may have occurred between the then Responsible Minister and the Auditor General of Western Australia in relation to the Corporation.

Question 7

Chair: Thank you very much. Finally from me, why was the external auditor not able to complete the audit within the 180-day time frame?

Mr Waters: I put it down to a few areas if I can generalise conversationally.

Chair: You can generalise for the sake of this and then provide some information on notice.

Response

The external audit commenced in late November 2022. The Corporation cooperated with the auditor to support the audit process and continued to implement its AML Remediation Program while the audit was conducted.

There were a range of internal and external factors that led to AUSTRAC approving a brief extension of time for the finalisation of the audit.

As outlined in AUSTRAC's evidence to the Legal and Constitutional Affairs Legislation Committee for Senate Estimates on 25 May 2023, the extension was approved following AUSTRAC's consideration of a range of relevant factors, including the breadth and complexity of the audit, incidences of employee absence due to illness, and issues with historical records and systems.

AUSTRAC noted in its evidence at Senate Estimates that an audit extension is not uncommon and may be approved by AUSTRAC where it is considered appropriate. AUSTRAC also noted at Senate Estimates that the Corporation cooperated with the external audit.

In AUSTRAC's evidence to this Inquiry on 27 July 2023, AUSTRAC affirmed that the Corporation cooperated with AUSTRAC and with the external audit.

In the Enforceable Undertaking by the Corporation that was published on 23 November 2023, AUSTRAC acknowledges the cooperation and engagement of the Corporation, and that the Corporation has already completed a number of critical improvement initiatives as part of a significant uplift through the Corporation's AML Remediation Program.

Question 8

Chair: Mr Walsh, on what date or at what meeting did you bring it to the minister's attention that a compliance notice had been put over Perth Mint/Gold Corp? The compliance notice was on 14 January 2021.

Response

Records indicate that on 27 January 2021, the then Chief Executive Officer of the Corporation formally notified the office of the then Responsible Minister that AUSTRAC had issued a Compliance Assessment Notice to the Corporation.