

SELECT COMMITTEE ON THE PERTH MINT AND COMMONWEALTH REGULATORY COMPLIANCE

Response by The Perth Mint to Questions on Notice received on 24 October 2023

Question 1

Please provide dates of meetings of the Board for the following years:

- 2019/2020
- 2020/2021
- 2021/2022
- 2022/2023
- 1 July 2023 to 23 October 2023

Response

FY 2019/20

- 28 August 2019
- 9 September 2019
- 22 November 2019
- 24 February 2020
- 28 May 2020
- 13 June 2020

FY 2020/21

- 27 August 2020
- 11 September 2020
- 20 November 2020
- 26 February 2021
- 27 May 2021

FY 2021/22

- 31 August 2021
- 10 September 2021
- 28 October 2021
- 19 November 2021
- 20 December 2021
- 23 February 2022
- 27 May 2022

FY 2022/23

- 31 August 2022
- 7 September 2022
- 16 September 2022
- 18 November 2022
- 17 February 2023
- 7 March 2023
- 10 March 2023 (AM)
- 10 March 2023 (PM)
- 16 March 2023
- 27 March 2023
- 18 April 2023
- 1 June 2023

FY 2023/24

- 7 July 2023
- 12 September 2023

In addition to the Board meetings listed above, members of the Board of Gold Corporation attended meetings solely relating to The Perth Mint's Anti-Money Laundering Remediation Program (**AML Remediation Program**) on the following dates:

- 24 August 2022 (AML Remediation Program workshop)
- 26 October 2022
- 6 December 2022
- 16 January 2023
- 29 March 2023
- 28 April 2023
- 22 May 2023
- 24 July 2023
- 21 August 2023
- 23 October 2023

Question 2

Please provide dates of all meetings of the Audit and Risk Management Committee of the Board for the following years:

- 2019/2020
- 2020/2021
- 2021/2022
- 2022/2023
- 1 July 2023 to 23 October 2023

Response

FY 2019/2020

- 1 August 2019
- 2 September 2019
- 7 November 2019
- 12 March 2020
- 14 May 2020

FY 2020/2021

- 23 July 2020
- 3 September 2020
- 5 November 2020
- 18 March 2021
- 27 April 2021
- 18 May 2021

FY 2021/2022

- 10 August 2021
- 2 September 2021
- 4 November 2021
- 17 March 2022
- 13 May 2022

FY 2022/2023

- 8 August 2022
- 1 September 2022
- 16 November 2022
- 9 February 2023
- 24 February 2023
- 4 May 2023

FY 2023/2024

- 24 August 2023
- 5 September 2023

Question 3

On how many occasions did the Audit and Risk Management Committee meet with the Perth Mint's internal and external auditors?

- *Please also provide the dates for each of these meetings*

Response*

Set out below is a list of meetings of the Audit and Risk Management Committee (**ARMC**) during FY2019/20 to FY2023/24, which were attended by Gold Corporation's internal and/or external auditors. In this list:

- '(E)' indicates meetings of the ARMC attended by Gold Corporation's external auditors only; and
- '(IE)' indicates meetings of the ARMC attended by both Gold Corporation's internal and external auditors.

Gold Corporation's Chair of the ARMC, Mr John O'Connor, also meets separately with the Corporation's internal and/or external auditors prior to the date of each meeting at which they attend. These meetings typically last for 1 hour.

FY 2019/2020

- 1 August 2019 (IE)
- 2 September 2019 (IE)
- 7 November 2019 (IE)
- 12 March 2020 (IE)
- 14 May 2020 (IE)

FY 2020/2021

- 23 July 2020 (IE)
- 3 September 2020 (IE)
- 5 November 2020 (IE)
- 18 March 2021 (IE)
- 27 April 2021 (IE)
- 18 May 2021 (IE)

FY 2021/2022

- 10 August 2021 (IE)
- 2 September 2021 (IE)
- 4 November 2021 (IE)
- 17 March 2022 (IE)
- 13 May 2022 (IE)

FY 2022/2023

- 8 August 2022 (IE)
- 1 September 2022 (IE)
- 16 November 2022 (IE)
- 9 February 2023 (IE)
- 4 May 2023 (IE)

FY 2023/2024

- 24 August 2023 (IE)
- 5 September 2023 (E)

**Note: For the purposes of this Question, The Perth Mint has responded on the basis that the Select Committee would be assisted by occasions falling within FY2019/20 to FY2023/24, as per Questions 1 and 2. Please advise if the Select Committee wishes to receive a response which captures occasions outside of this date-range.*

Question 4

What regular and ad hoc internal audit reviews of risk management controls and procedures were undertaken in the following years:

- 2019/2020
- 2020/2021
- 2021/2022
- 2022/2023
- 1 July 2023 to 23 October 2023

Response

The Perth Mint uses an outsourced internal audit model. In the years FY2019/20 to FY2023/24, The Perth Mint's internal auditors conducted audit reviews of risk management controls and procedures in relation to core business areas in line with an approved annual audit plan. The ARMC approves this annual audit plan and the scopes of work for each audit. In addition, The Perth Mint's internal auditors undertook a number of ad-hoc audit reviews at the request of management and as approved by the ARMC.

Question 5

Please provide a summary of the:

- *“historical matters” identified by the Chair in the Chair’s review contained in the 2023 Annual Report of the Perth Mint (page 6); and*
- *“historical shortcomings” identified by the Chair in the Chair’s review contained in the 2023 Annual Report of the Perth Mint (page 6).*

Response

The historical matters and historical shortcomings referenced in the Chair's review in Gold Corporation's Annual Report 2022-23 may be summarised as:

- a production issue that was resolved in 2021 and related to a customer concern raised in respect of the 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 legislation administered by the Australian Transaction Reports and Analysis Centre (**AUSTRAC**) and;
- non-compliance with the Model State Commodity Code administered by regulators in the nineteen relevant State jurisdictions of the United States.

As outlined in the Chair's public statement on 21 March 2023, when the Board were notified in October 2021 that some of The Perth Mint's 99.99% gold bars did not conform to the non-gold specifications of the SGE, the Board took immediate action to ensure the matter was dealt with appropriately and an acceptable solution was found for the customer. Production processes were changed and since that time, The Perth Mint one-kilogram bars have an average minimum purity of 99.996% gold.

The SGE matter was raised in media reports in 2022-23 and was appropriately acknowledged in general terms in the Annual Report.

In relation to regulatory matters, The Perth Mint voluntarily self-disclosed the non-compliance to the relevant regulator in 2021 and 2022 respectively, and since then has actively engaged with the regulators to address and remediate the compliance issues.

These historical matters were acknowledged by the Chair in his public statement on 21 March 2023 and were appropriately acknowledged again in the Annual Report.

Question 6

Please provide a copy of the final report of the external auditor provided to AUSTRAC in July 2023.

- *If a copy cannot be made available, please provide a summary of the final report including a list of conclusions and recommendations contained in the report.*

Response

The Perth Mint treats regulatory compliance obligations with utmost seriousness. In accordance with Part 11 of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) (**AML/CTF Act**), The Perth Mint is not permitted to produce to the Select Committee a copy of the final report of the external auditor (**Report**) provided to AUSTRAC in July 2023, or a restatement of the conclusions and recommendations made in it.

As noted by AUSTRAC at page 10 of its Submission to the Select Committee, all information and reports received from reporting entities, which includes Gold Corporation - The Perth Mint's corporate entity, during the conduct of AUSTRAC's regulatory engagements fall within the definition of 'AUSTRAC information'.

Part 11 of the AML/CTF Act contains strict prohibitions on the disclosure or access of AUSTRAC information, except in limited circumstances. Accordingly, there is a risk that in disclosing the Report or a summary of it, The Perth Mint may commit an offence under the AML/CTF Act.

In addition, there are strong policy reasons for The Perth Mint to refrain from disclosing a copy of the Report or a summary of it to the Select Committee.

In its evidence to the Select Committee on 10 August 2023, AUSTRAC noted that external audit reports are not publicly accessible documents and are not shared with government.

This is as the Report contains sensitive information relating to individual customers of The Perth Mint and details of The Perth Mint's anti-money laundering systems and processes. Accordingly, there is a risk that in disclosing this information, The Perth Mint may inadvertently enable criminal actors to undermine its systems.

Question 7

Please provide details of the Perth Mint's "full and open engagement with AUSTRAC" referenced by the Chair in the Chair's review contained in the 2023 Annual Report of the Perth Mint (page 7).

Response

As outlined on page 12 of the Annual Report 2022-23, in August 2022 AUSTRAC announced that it had ordered The Perth Mint to appoint an independent auditor to conduct an audit of our AML/CTF systems and processes during the period of 4 January 2021 to 30 August 2022.

The external audit commenced in late November 2022. We cooperated with the auditor to support the process and continued to implement our AML Remediation Program.

As previously outlined by AUSTRAC in its evidence to this Inquiry on 27 July 2023, The Perth Mint has had regular engagement with AUSTRAC since January 2021, and has continued this engagement while the independent external audit was under way.

Since the audit report was submitted to AUSTRAC in July 2023, The Perth Mint continues to engage regularly with AUSTRAC in relation to a range of matters, including progress on our AML Remediation Program.

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

Question 8

Please provide details of the remediation works identified in the Chief Executive Officer's review contained in the 2023 Annual Report of the Perth Mint (page 8).

Response

The Perth Mint has a range of systems and processes in place to meet obligations under the AML/CTF Act. The Mint adopts a continuous improvement approach to this important aspect of our business.

As outlined on pages 12 and 19 of the Annual Report 2022-23, The Perth Mint continues to implement its AML Remediation Program, which commenced in March 2021, and is driving a major uplift in AML systems and processes across the enterprise in 2022-23.

To date, we have recruited and trained more than 48 specialists across a range of business areas, including a team of 38 customer information specialists to refresh and remediate the 'Know Your Customer' data for about 70,000 customer records.

After a successful pilot program in the shop in 2022-23, the Mint has established a centralised Customer Operations Team (**COT**) to implement improved processes around accepting new customers and the delivery of ongoing customer due diligence and transaction monitoring.

The COT will be supported by a Customer Lifecycle Management tool to provide a digital solution for ongoing customer management processes.

Question 9

The WA Auditor General's 2023 Independent Auditor's Report states that it is "not possible to quantify the potential financial effects, if any" of Perth Mint's compliance with the anti-money laundering and counter-terrorism financing legislative provisions.

Has the Perth Mint undertaken any analysis to estimate the likelihood and quantum of any penalty incurred for non-compliance with anti-money laundering regulations and laws.

- *If so, what is the view of the Perth Mint regarding the likelihood of a financial penalty and what is the estimated quantum of that penalty?*

Response

The Perth Mint has considered the potential for a penalty for non-compliance with anti-money laundering laws and regulations, including the possibility of a financial penalty.

As outlined on page 116 of the Annual Report 2022-23, in August 2022, AUSTRAC issued a notice regarding the appointment of an external auditor to assess historical compliance by The Perth Mint's with the AML/CTF Act and Rules. The external auditor's final audit report was provided to AUSTRAC on 21 July 2023.

The Perth Mint has concluded that it is not possible to quantify the potential financial effects, if any, arising from the external audit until after AUSTRAC has appropriately considered the final audit report and made its determination. The relevant disclosures made at page 116 of the Annual Report are consistent with the requirements of Australian Accounting Standard AASB 137, *Provisions, Contingent Liabilities and Contingent Assets*.

The Perth Mint respectfully notes that the independent Auditor General of Western Australia concurs with Gold Corporation's assessment that it is not possible to quantify the potential financial effects, if any, arising from this matter until after AUSTRAC has considered the final audit report and made its determination.

Question 10

Please provide an explanation of the reporting relationship and obligations between the Perth Mint, Gold Corporation and the Government of Western Australia identified on page 30 of the 2023 Annual Report of the Perth Mint (page 30 and 31).

Response

Gold Corporation is a government trading enterprise established under the *Gold Corporation Act 1987 (WA)* (**GC Act**) and wholly owned by the Government of Western Australia on behalf of the people of WA.

Gold Corporation is a body corporate incorporated under the GC Act, and the Western Australian Mint (**WA Mint**) and GoldCorp Australia (**GoldCorp**) both subsidiaries of the holding company. The Perth Mint is the trading name of Gold Corporation.

The GC Act sets out the functions of Gold Corporation, which includes refining, minting, distribution, investing and storage for our customers in international and Australian markets.

As a government trading enterprise, Gold Corporation is a government-owned business that aims to generate returns for the people of WA. The Gold Corporation Chief Executive Officer and their Executive team are responsible for operational and commercial matters.

The Board of Directors is the governing body of Gold Corporation and its subsidiaries. The Board, which includes a representative of the Department of Treasury WA, is accountable to the Minister for Mines and Petroleum.

The Chair, the CEO and senior representatives of Gold Corporation consult with, and provide information and advice to, the Minister and the WA Government in accordance with Gold Corporation's obligations under the GC Act, and in line with community expectations of a government entity.

The Chair of the Board and the CEO meet with the Minister on a regular basis and take steps to inform the Minister and the WA Government of all material matters in a timely manner.

Each year, the Board must prepare and submit to the Minister a Strategic Development Plan and Statement of Corporate Intent for Gold Corporation. This provides the Minister with information regarding Gold Corporation's strategic direction, as well as issues and opportunities for the enterprise.

Gold Corporation is also required to comply with a broad range of State legislation. This includes operating under the *Financial Management Act 2006 (WA)* (**FMA**), in the same way as general government sector agencies.

Coverage under the FMA means that Gold Corporation is also the subject to the Treasurer's Instructions in relation to matters that fall within the scope of the GC Act. These matters include the requirement for an internal audit function and an Internal Audit Committee which is independently chaired by a suitably qualified person not employed within the enterprise.

Under the FMA, Gold Corporation is also required to prepare an annual report, including financial statements, for each financial year and submit its financial statements to the WA Auditor General for independent audit.

The Auditor General is required to provide their audit report to Gold Corporation and the Minister. In addition, Gold Corporation is required to provide a copy of the audit report to the Minister, along with its annual report which is publicly tabled by the Minister in the WA Parliament every year.

The Perth Mint is proud to be a government trading enterprise owned by the WA Government on behalf of the people of WA.