

FREQUENTLY ASKED QUESTIONS

Q1. Has the Royal Canadian Mint accounted for all of the unreconciled gold?

The Mint has succeeded in accounting for all of the gold used to support its operations during a record profit year in 2008 and in doing so, confirmed that there was no theft of any gold at the Mint.

With the help of outside experts, it was determined that the Mint used more gold than previously estimated in the process of refining gold during 2008, even though this level remains within industry standards. Furthermore, it was concluded that the Mint had more physical gold on hand than was estimated during the October 2008 count. Lastly, there were prior years' accounting and transactional discrepancies that needed adjusting.

Q2. What exactly happened to the gold that the Mint could not reconcile in 2008?

The work that the Mint has conducted with outside experts for the past several months has established two things. The first conclusion is that there was no theft of gold at the Mint, as confirmed by the research of third parties looking at the Mint's physical security (by the Banks Group and the RCMP), as well as its computer systems (by Microsoft Services).

Accounting reviewers and engineering companies brought in to look closely at our processes for refining precious metals at our Ottawa facility (by IBI Group) and the accounting of prior period transactions (by Deloitte) were able to fully account for all of the physical gold at the Mint at the end of 2008, as well as the true amount of gold used in support of our operations.

The review of precious metal refining processes during 2008 (a record year where volumes for gold sales were 250% higher than in 2007), first established that the Mint accumulated much larger amounts of gold by-products (slag) from the refining process and that the inevitable process losses, as encountered by any manufacturing enterprise were higher both internally and externally. Some of the slag had to be processed externally, by third parties, because of the large physical volumes produced during a record year. IBI Group concluded that the amount of gold contained in the slag volumes processed internally and externally was higher than estimated at October 2008 inventory count.

Secondly, Deloitte's review discovered prior period accounting and transactional discrepancies which accounted for the remainder of the unreconciled gold inventory.

Finally, an aggressive recovery program, which included cleaning the Mint's facility and processing equipment also recovered a significant volume of accumulated gold.

Q3. What is the financial impact on the Mint's books for 2008?

The 2007 and 2008 financial statements have been adjusted to reflect the findings of the Mint and the financial statements have been verified by the Auditor General of Canada. The 2008 financial statements confirm a record profit of \$55.3 million compared to \$23.8 million in 2007, a 133% increase. Furthermore, the Mint recorded \$1.4 billion in revenues for 2008 compared to \$632 million from the previous year, a 120% increase.

Q4. What is the Mint doing about the 2008 performance pay it has held back from employees pending the conclusion of the precious metal reconciliation?

The outstanding amount of performance pay issued to unionized employees for 2008 is determined by collective agreements and, in the case of non-union employees, by terms and conditions of employment set in line with the Canadian industrial market. Now that all precious metals have been accounted for and the Mint has achieved a greater-than-expected record profit of \$55.3 million, employees have been issued a performance pay top-up in accordance with employment contracts to reflect this record profit.

Performance pay has been adjusted as appropriate to reflect senior managers' accountability in regards to this and other matters during the year.

Q5. Did the Mint overstate its results for 2007? If so, was an incorrect amount of bonuses paid to employees at that time?

The results on the Deloitte report concluded that there was a prior period accounting error which had it been detected at the time, would have reduced the Mint's net income in 2007. As a result, performance pay awarded to the Mint's approximately 800 employees for that year will be recovered.

Q6. What have these outside expert reviews cost the taxpayer?

The Mint invested approximately \$1.3 million in these reviews and in the process, received over 150 recommendations that will provide the organization with a best-in-class precious metal control system that will benefit the Mint long into the future.

As a Crown Corporation, we understand that Canadians hold us to a high standard of accountability, therefore resolving the metal reconciliation issue was treated with the utmost priority at the Mint. All necessary resources were committed to bringing a conclusion to this matter as quickly as possible.

Q7. As a result of this review exercise, what measures has the Mint implemented to further bolster its operations?

The valuable lessons the Mint learned through its collaboration with outside experts in successfully reconciling its 2008 precious metal inventory have led to concrete improvements to reduce the future likelihood of such discrepancies.

These changes include:

- hiring of a full-time Precious Metal Comptroller in March 2008;
- the doubling of annual precious metal counts (from semi-annual to quarterly); and,
- extending preparation time as well as increasing the number of staff performing each precious metal count; and
- reviewing process loss standards annually.

The Mint has also implemented the following improvements to its accounting practices:

- reconciliation procedures have been consolidated under the management of senior finance professionals;
- management oversight has been increased for all unusual transactions;
- internal validation and testing of physical count and reconciliation calculations have been improved, and
- all count and reconciliation procedures are documented and reviewed by management.

Finally, the Mint has formed a Refinery Renewal Steering Committee, to be chaired by the CEO, to ensure that all recommendations from the various reviews are addressed in a timely manner.