
From: GRIFFIN, Jason
Sent: Thursday, 22 November 2018 3:17 PM
To: COOK, David
Cc: JONES, Bradley; BARON, Lisa; BOGE, Matthew
Subject: RE: Audit of the Gold holdings at the Bank of England [SEC=UNCLASSIFIED]

Hello,

I will be your ID contact.

I would suggest you also involve PS (Daniel Pavlik, or Jason McCann) if you haven't already.

Regards
 Jason

From: COOK, David
Sent: Thursday, 22 November 2018 1:21 PM
To: GRIFFIN, Jason; BOGE, Matthew
Cc: JONES, Bradley; BARON, Lisa
Subject: Audit of the Gold holdings at the Bank of England [SEC=UNCLASSIFIED]

Hi Jason & Matt

Per the Banks audit plan, Audit Department have an audit of the Gold holdings at the Bank of England (BoE), scheduled for December 2018. We are soon to commence the planning phase of this engagement and would like to get this on your radar, formalising scope, key contacts and locking in dates particularly with the BoE.

At present the potential scope covers physical verification of the Bank's gold holdings at the Bank of England.

Jason – you have been provided as the key contact, please let us know if this is not correct and any other key contacts that should be involved.

I will then arrange a meeting to introduce ourselves, get an update of your business activities, commence discussions regarding scope, timing etc.

Key Information: Timeline Information: *Approximately*

| | |
|-----------------------------------|-----------|
| Planning | Now |
| Fieldwork start date (Visit BoE): | 13/5/2019 |
| Fieldwork end Date : | 17/5/2019 |
| Approx. Reporting date: | June 2019 |

Dates are purely tentative at present, we are starting now to lock them in.

Next Steps:

- Obtain/confirm key contacts from BoE from ID (See details below)
- Audit Department to reach out to BoE and lock in visit/audit.
- Audit Department to organise a kick off meeting to introduce, obtain business update and discuss potential audit scope.

Bank of England Contacts

Thanks
David

From: @bankofengland.co.uk
Sent: Thursday, 28 February 2019 7:20 PM
To: COOK, David
Cc: BARON, Lisa
Subject: RE: RBA Gold holdings at the Bank of England [SEC=UNCLASSIFIED] [BC]

Label: Bank Confidential
David

Many thanks

Bank of England
@bankofengland.co.uk

From: COOK, David @rba.gov.au
Sent: Wednesday, February 27, 2019 9:14 PM
To: BARON, Lisa
Subject: Re: RBA Gold holdings at the Bank of England [SEC=UNCLASSIFIED] [BC]

Hi

Thanks for that and just acknowledging your email. I will confirm dates here and come back to you next week. The visit to the bank of England is part of a wider International trip (so I am organising dates with all parties).

Thanks
David

Sent from my iPhone

On 28 Feb 2019, at 3:06 am, @bankofengland.co.uk wrote:

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Label: Bank Confidential
Hi David

I hope you are well.

Regarding your inspection, we have all of May free at the moment, if you would be able to give us some dates for your visit, we can put this into our calendars.

Look forward to hearing from you

Best regards

Bank of England
@bankofengland.co.uk

From:

Sent: Monday, December 03, 2018 9:40 AM

To: [COOK, David](#)

Cc: BARON, Lisa

Subject: RE: RBA Gold holdings at the Bank of England [SEC=UNCLASSIFIED] [BC]

Label: Bank Confidential

Hi David

Here is some further information regarding your proposed visit in May of next year. On costs

This charge will be debited from your sterling account held with the Bank at the next quarterly gold billing date following completion of the inspection.

You can select your random sample of 450 bars from your current holdings(5504 as at today). This normally takes around 3 days to complete. Because of the work required to retrieve the bars, and as we need to balance this alongside our normal working operations, we will send you a bar list 6 weeks from your confirmed visit date and will need you to provide us with details of the sample bars no later than 2 weeks before— you may of course provide this sooner if you wish.

During your visit, we will give you an overview of our vault operations, but, if there are any specific points you wish to discuss, please let me know in advance. We will do our best to accommodate other meetings, where possible..

I will contact you again in the new year, so that we can lock down the dates for your visit

Best regards

, Bank of England

@bankofengland.co.uk

From: "COOK, David"

Date: 26 November 2018 at 00:12:41 GMT

To:

Cc: "BARON, Lisa" < >

Subject: RBA Gold holdings at the Bank of England [SEC=UNCLASSIFIED]

Hi

The Reserve Bank of Australia (RBA) have an audit of the Gold holdings at the Bank of England (BoE), scheduled in May 2019. We would like to initiate contact and commence the planning aspect of the engagement with the BoE, predominately locking in dates, key contacts and any other information needed.

At present the potential scope covers physical verification of the Bank's gold holdings at the Bank of England.

I have been provided with your details as the BoE relationship, as well as (Could you please confirm):

If needed, I will then arrange a call to introduce and commence discussions regarding scope, timing etc.

Key Information: Timeline Information: *Approximately*

Fieldwork start date (Visit BoE): Mid May 2019 to Late May 2019

Dates are purely tentative at present, we are starting now to lock them in. Depending on scope we are looking at approximately 5 days on site – however, scope still needs to be set etc.

Next Steps:

- Obtain/confirm key contacts from BoE
- Discussion / lock in dates for onsite visit
- If required (now or prior to visit), organise a kick off meeting to introduce, and discuss potential audit scope.

Thanks
David

This footnote also confirms that this message has been checked for computer viruses.

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From: [BARON, Lisa](#)
To: [COOK, David](#)
Subject: RE: Proposal - Gold Holding Audit and Rep Offices [SEC=UNCLASSIFIED]
Date: Monday, 11 March 2019 10:43:11 AM

Hi David

I've updated the table below and it's ready to finalise and provide to Darryl and myself in a formal email/memo.

Thanks!
 Lisa

From: COOK, David
Sent: Monday, 11 March 2019 10:17 AM
To: BARON, Lisa
Subject: RE: Proposal - Gold Holding Audit and Rep Offices [SEC=UNCLASSIFIED]

Hi Lisa

Have updated to address your comments and extra detail.

Let me know your thoughts and next steps.

From: BARON, Lisa
Sent: Friday, 8 March 2019 3:07 PM
To: COOK, David
Subject: RE: Proposal - Gold Holding Audit and Rep Offices [SEC=UNCLASSIFIED]

Hi David

Thanks for these details, I have a few comments below to address. Do you have some proposed dates we can include? What do you think of my proposal below?

Lisa

From: COOK, David
Sent: Thursday, 7 March 2019 11:37 AM
To: BARON, Lisa
Cc: PADILLA, Santiago
Subject: Proposal - Gold Holding Audit and Rep Offices [SEC=UNCLASSIFIED]

Hi Lisa

As mentioned, per the Department's annual Plan, we have scheduled in May/June International Department's Representative (Rep) Offices audits in New York and London; and Gold Holding audit in London. Currently these are to be completed in one trip over four weeks.

I am proposing that these upcoming audits be split as follows:

1. **London** (David & Madison): Visit the Bank of England (BoE) and perform the Gold Holdings audit and visit the London Rep Office and perform the audit.
 - The audits will be conducted onsite one after the other in May. All parties like the timing.
 - Approximately 2.5 weeks onsite (seven days Rep Office and five Days Gold). Rep offices visit will be from 16 to 24 May and the Gold visit would be from 27 to 31 May.
 - Madison is already booked on both audits to assist. There is no impact to the annual plan.
 - The gold audit is physically demanding and two staff will better represent the Bank. BoE have already tentatively agreed to dates in May and we need to confirm this asap. In 2013 an audit of the physical verification of gold bars was performed on a sample of 465 bars, 7.2 per cent of the Bank's holdings. This took approximately 3 days 9-5PM.
 - Costs: This charge will be debited from the Bank's sterling account held at the completion of the inspection.
 - The biggest cost impact will be the additional flight, approx. \$10,000 is budgeted for airfares. There will however be greater benefits in training and knowledge transfer and the volume of work that can be managed onsite.

-

Implications on Annual Plan:

From discussions with Santi:

- There is no impact to Maddison who is already scheduled to assist with both of the audits.

Audit's Initial Overseas Travel Budget for FY19 is per below (22/2/19):

| Location | # of Staff | # of Nights | Flights and Accommodation Budget |
|---------------------------------|------------|-------------|----------------------------------|
| Gold Holdings – Bank of England | 1 | 5 | \$12,854 |
| Total | | | |

Budget Assumptions used are as follows:

Flights:

\$10,000 per return flight (to either London or New York)

Accommodation

London: \$530.82 per night

New York: \$470.98 per night

Taxi Costs

\$200 per person per flight.

Applying budget assumptions to the revised staff and nights gives the following and an additional budget expense total of \$2,602:

| Location | # of Staff | # of Nights | Flights and Accommodation Budget | Assumptions | Flights | Accommodation | Taxi |
|---------------------------------|------------|-------------|----------------------------------|---|---------|---------------|------|
| Gold Holdings – Bank of England | 2 | 5 x 2 | \$5,308 | 2 x accommodation only; flights already included in London Office budget figure | \$0 | \$5,308 | |
| Total | | | | | | | |

Key: ✓ Agrees to details on gold bar OR Storage location in BOE vault.

Audit Testing - Random Sample

| Sample Number - | Customer | Refiner | BoEBatch No | Assay | Vault | Stor. Bin | Gross Wght | Fine Weight | Audit Check Vault/Retrieval | Audit Check Bar details |
|-----------------|----------|---------|-------------|--------|-------|-----------|------------|-------------|-----------------------------|-------------------------|
| 1 | 222 | | | 9961 ✓ | | | 402.275 | 400.706 | | |
| 2 | 222 | | | 9999 ✓ | | | 400.475 | 400.435 | | |
| 3 | 222 | | | 9958 ✓ | | | 402.35 | 400.66 | | |
| 4 | 222 | | | 9998 ✓ | | | 407.775 | 407.693 | | |
| 5 | 222 | | | 9954 ✓ | | | 400.675 | 398.831 | | |
| 6 | 222 | | | 9982 ✓ | | | 399.325 | 398.606 | | |
| 7 | 222 | | | 9988 ✓ | | | 404.15 | 403.665 | | |
| 8 | 222 | | | 9966 ✓ | | | 405.925 | 404.544 | | |
| 9 | 222 | | | 9983 ✓ | | | 410.95 | 410.251 | | |
| 10 | 222 | | | 9957 ✓ | | | 399.825 | 398.105 | | |
| 11 | 222 | | | 9960 ✓ | | | 400.75 | 399.147 | | |
| 12 | 222 | | | 9999 ✓ | | | 393.45 | 393.41 | | |
| 13 | 222 | | | 9998 ✓ | | | 402.15 | 402.069 | | |
| 14 | 222 | | | 9963 ✓ | | | 401.525 | 400.039 | | |
| 15 | 222 | | | 9976 ✓ | | | 402.325 | 401.359 | | |
| 16 | 222 | | | 9999 ✓ | | | 404.025 | 403.984 | | |
| 17 | 222 | | | 9987 ✓ | | | 405.65 | 405.122 | | |
| 18 | 222 | | | 9999 ✓ | | | 400.025 | 399.985 | | |
| 19 | 222 | | | 9999 ✓ | | | 396.075 | 396.035 | | |
| 20 | 222 | | | 9957 ✓ | | | 405.575 | 403.831 | | |
| 21 | 222 | | | 9983 ✓ | | | 406.1 | 405.409 | | |
| 22 | 222 | | | 9963 ✓ | | | 417.45 | 415.905 | | |
| 23 | 222 | | | 9954 ✓ | | | 405.775 | 403.908 | | |
| 24 | 222 | | | 9952 ✓ | | | 400.85 | 398.926 | | |
| 25 | 222 | | | 9966 ✓ | | | 401.325 | 399.96 | | |
| 26 | 222 | | | 9987 ✓ | | | 407.975 | 407.444 | | |
| 27 | 222 | | | 9999 ✓ | | | 426.075 | 426.032 | | |
| 28 | 222 | | | 9999 ✓ | | | 411.375 | 411.333 | | |
| 29 | 222 | | | 9955 ✓ | | | 399.75 | 397.951 | | |
| 30 | 222 | | | 9998 ✓ | | | 416.525 | 416.441 | | |

Audit Testing - Random Sample

Column not need *Audit TEST*

| Sample Number - | Customer | Refiner | BoEBatch No | Assay | Vault | Stor. Bin | Gross Wght | Fine Weight | Audit Check Vault/Retrieval | Audit Check Bar details |
|-----------------|----------|---------|-------------|--------|-------|-----------|------------|-------------|-----------------------------|-------------------------|
| 1 | 222 | | | 9961 ✓ | | | 402.275 | 400.706 | | ✓ |
| 2 | 222 | | | 9999 ✓ | | | 400.475 | 400.435 | | ✓ |
| 3 | 222 | | | 9958 ✓ | | | 402.35 | 400.66 | | ✓ |
| 4 | 222 | | | 9998 ✓ | | | 407.775 | 407.693 | | ✓ 1949 |
| 5 | 222 | | | 9954 ✓ | | | 400.675 | 398.831 | | ✓ |
| 6 | 222 | | | 9982 ✓ | | | 399.325 | 398.606 | | ✓ |
| 7 | 222 | | | 9988 ✓ | | | 404.15 | 403.665 | | ✓ |
| 8 | 222 | | | 9966 ✓ | | | 405.925 | 404.544 | | ✓ |
| 9 | 222 | | | 9983 ✓ | | | 410.95 | 410.251 | | ✓ |
| 10 | 222 | | | 9957 ✓ | | | 399.825 | 398.105 | | ✓ |
| 11 | 222 | | | 9960 ✓ | | | 400.75 | 399.147 | | ✓ |
| 12 | 222 | | | 9999 ✓ | | | 393.45 | 393.41 | | ✓ |
| 13 | 222 | | | 9998 ✓ | | | 402.15 | 402.069 | | ✓ |
| 14 | 222 | | | 9963 ✓ | | | 401.525 | 400.039 | | ✓ |
| 15 | 222 | | | 9976 ✓ | | | 402.325 | 401.359 | | ✓ |
| 16 | 222 | | | 9999 ✓ | | | 404.025 | 403.984 | | ✓ |
| 17 | 222 | | | 9987 ✓ | | | 405.65 | 405.122 | | ✓ |
| 18 | 222 | | | 9999 ✓ | | | 400.025 | 399.985 | | ✓ |
| 19 | 222 | | | 9999 ✓ | | | 396.075 | 396.035 | | ✓ |
| 20 | 222 | | | 9957 ✓ | | | 405.575 | 403.831 | | ✓ |
| 21 | 222 | | | 9983 ✓ | | | 406.1 | 405.409 | | ✓ |
| 22 | 222 | | | 9963 ✓ | | | 417.45 | 415.905 | | ✓ |
| 23 | 222 | | | 9954 ✓ | | | 405.775 | 403.908 | | ✓ |
| 24 | 222 | | | 9952 ✓ | | | 400.85 | 398.926 | | ✓ |
| 25 | 222 | | | 9966 ✓ | | | 401.325 | 399.96 | | ✓ |
| 26 | 222 | | | 9987 ✓ | | | 407.975 | 407.444 | | ✓ |
| 27 | 222 | | | 9999 ✓ | | | 426.075 | 426.032 | | ✓ |
| 28 | 222 | | | 9999 ✓ | | | 411.375 | 411.333 | | ✓ |
| 29 | 222 | | | 9955 ✓ | | | 399.75 | 397.951 | | ✓ |
| 30 | 222 | | | 9998 ✓ | | | 416.525 | 416.441 | | ✓ |

*Note: ✓ means Audit physically verified details

| Testing - Random Sample | | | |
|---|---|----------------|----------------|
| Project Number | ID97-19 | Performed by | Madison Harvey |
| Project Name | ID Gold Holdings at the Bank of England | Date performed | 28/05/2019 |
| Period Covered | N/a | | |
| Sample Selection Reasoning: | | | |
| Sample of 30 gold bars. Refer to: Summary - Random Sample Selection | | | |
| Testing and conclusion - Random Sample | | | |
| <p>Audit verified a random sample of 30 gold bars:</p> <ul style="list-style-type: none"> - During the fieldwork, Audit requested to verify a sample of gold bars including the Bank of England Batch Number, assay, refiner and location of the gold bar. - Audit was escorted by the Bank of England (BoE) to the gold vaults where audit sighted the BoE staff locate the gold bars, one at a time. Audit physically verified the gold bar details. <p>Note - Bank of England was not aware of the sample of gold bars selected until Audit asked to sight the bars during fieldwork onsite.</p> <p>No issues noted. Audit physically sighted and verified the gold bars in the random sample (30 bars).</p> | | | |
| Source of Information | | | |
| | Audit Testing workpaper of the 30 random gold bars tested. | | |
| A.1.6 | Scanned copy of Audit's hand written checklist that was used to sight the gold bars in the vaults during fieldwork. | | |

Sample Selection of Random Gold Bars

| | | | |
|-----------------------|---|-----------------------|----------------|
| Project Number | ID97-19 | Performed by | Madison Harvey |
| Project Name | ID Gold Holdings at the Bank of England | Date performed | 20/05/2019 |
| Period Covered | N/a | | |

Sample Selection Reasoning:

The RBA has a total of 5,504 Gold Bars. The audit will sample a total of 480 Gold Bars (8.7%), made up of:

- 1) Pre-identified - 450 bars - the focus of this document.
- 2) Random - 30 bars - *Sample will be selected prior to the onsite visit but Bank of England will not know the sample until the time of the Audit.*

This sample size was chosen for several reasons including:

- Past sample size used in the 2013 Gold audit.
- Historical sample sizes
- Discussions with the Bank of England
- Internal Auditors Australia (IAA) guidance paper on sample sizes.

Audit has used a non-statistical sampling method. Please refer to the note outlining in detail the Audit Approach and Sample Reasoning: D19/102663

Sample Selection Methodology - Random Sample Gold Bars

Audit has used a random selection methodology to select the 30 random Gold Bars.

To obtain the random sample of 30 Gold Bars Audit:

- Obtained the sample selection performed for the 450 pre-identified Gold bars. Assign these items an identifier 'Pre-identified sample'. The remaining bars that are not tested in the pre-identified sample assign these an identifier 'not tested in pre-identified sample'. This will ensure that Gold bars selected for the pre-identified sample will not be chosen again.
- An Excel formula "RAND()" was used to assign each Bar a random number. This random number was copied and pasted as text so that the formula and random number would not continue to change.
- The random numbers were sorted from smallest to largest using filters.
- The first 30 Gold Bars were selected for testing.
- Audit used a pivot table to summarise the number of Gold Bars selected from each vault and to assess the percentage of the sample against the total population

Sydney Head Office - Gold Holdings

| | | | |
|----------------|------------------------------|----------------|----------------|
| Project Number | ID97-19 | Performed by | Madison Harvey |
| Project Name | ID Gold Holdings at the Bank | Date performed | 7/06/2019 |
| Period Covered | N/a | | |

Sample Selection Reasoning:

Full population - The Bank holds four historical Gold bars in the Sydney Head Office.

Method:

Test 1 - Sight the gold bars and verify the bar number, assay and refiner (where applicable) to the gold register details provided by NI department.

Test 2 - Observe the weighing of the gold bars to verify the gross weight per the gold register details provided by NI department.

Test 3 - Confirm that the scales used to weigh the gold bars were recently calibrated.

Testing:

| Sample | Gold bar details from NI (A.2.2) | | | | | | Audit Testing | | | | | Audit conclusion |
|--------|----------------------------------|-------|--------------------------|---------------------------|-------------------------------------|------------------|----------------------|----------------------------|---|---|---------------------------------|------------------|
| | Bar Number | Assay | Refiner | Gross weight per bar (oz) | Gross weight per gold register (oz) | Fine Weight (oz) | Test 1 - Bar details | Test 2 - Gross weight | | | Test 2 Result | |
| | | | | | | | | A. Gross weight per scales | B. Gross weight rounded down to nearest 0.025 | C. Difference between gross weight per gold register and rounded gross weight (B) | | |
| 1 | D1104 | 9968 | The Perth Mint | 403.160 | 403.150 | 401.860 | Satisfactory | 403.180 | 403.175 | 0.025 | Satisfactory - within tolerance | No issues noted |
| 2 | G667 | 9959 | Royal Mint Melbourne | 399.930 | 399.925 | 398.285 | Satisfactory | 399.940 | 399.925 | 0.000 | Satisfactory | No issues noted |
| 3 | 18 | 9960 | Royal Mint, Perth Branch | 400.200 | 400.200 | 398.599 | Satisfactory | 400.240 | 400.225 | 0.025 | Satisfactory - within tolerance | No issues noted |
| 4 | XH 1682 | 9999 | N/A | 385.050 | 385.050 | 385.011 | Satisfactory | 385.060 | 385.050 | 0.000 | Satisfactory | No issues noted |

Test 3

Audit confirmed that the scales used to weigh the gold bars were calibrated by an external party prior to the weighing checks. The calibration occurred on 7 June 2019 (the day of the inspection) and was performed by an external party.

Conclusion:

No issues noted.

Audit physically verified the four gold bars held in the Sydney Head Office. There were no discrepancies identified between the Gold bar details held by NI department and the physical gold Audit sighted.

From: CHAUMONT, Karine
Sent: Friday, 5 April 2019 6:04 PM
To: COOK, David
Cc: JOHNSTON, Greg; PAVLIK, Daniel
Subject: RE: Gold Holding Audit - APM [SEC=UNCLASSIFIED]

Hi David,

I have review the below and only one minor change in the Background component. You refer to 0.357 million ounces of Gold Certificates, I understand that the Gold system records this information as Gold Certificates but these are no longer applicable under ISDA. The 0.357 million ounces are actually Gold Bars on loan (currently to Gold Corporation).

Thanks and Regards

Karine Chaumont | Manager, Settlements | Payments Settlements Department
RESERVE BANK OF AUSTRALIA | 65 Martin Place, Sydney NSW 2000

| w: www.rba.gov.au

From: COOK, David
Sent: Friday, 5 April 2019 4:45 PM
To: PAVLIK, Daniel @rba.gov.au>; CHAUMONT, Karine @rba.gov.au>
Cc: JOHNSTON, Greg @rba.gov.au>
Subject: Gold Holding Audit - APM [SEC=UNCLASSIFIED]

Hi Karine/Dan

Thanks for meeting up with us regarding the upcoming Gold Holding audit. We have subsequently spoken with International Department and also with the Bank of England.

As a courtesy - attached is a draft Audit Planning Memo (APM) which sets out the details of the gold audit.

Please have a look and let me know if you have any significant comments.

Thanks
David

[D19/99535](#) (View Link)

AUDIT PLANNING MEMORANDUM

| | |
|------------------------|--|
| Audit Project: | International Department – Gold Verification |
| Project Number: | ID97-19 |

In accordance with the Annual Work Plan for 2018/19, Audit Department is scheduled to perform an audit of the International Department's gold holdings.

Background

The Bank has gold holdings of 2.565 million fine ounces, which was valued at AUD\$4.65 billion in March 2019. All of these holdings are stored at the Bank of England (BoE), with the exception of 0.357 million ounces of gold certificates and a few historical gold bars kept in Sydney valued at AUD\$649 million and AUD\$2.8 million respectively. London is the foremost gold market and the BoE is the second largest gold repository in the world. This is the second time a physical verification will be undertaken of the Bank's gold bar holdings at the BoE. Audit last performed a physical verification audit in 2013 and no discrepancies or inconsistencies were identified.

Audit Objectives and Scope

The objective of the audit is to verify the existence and check the authenticity of a proportion of the Bank's gold holdings, and to obtain a high level overview of the BoE's gold safe custody arrangements.

Audit reserves the right to amend the scope of this review depending on circumstances that may arise during the course of the audit. Any material changes to the audit scope will be discussed prior with International Department.

Risk Assessment Methodology

Audit's risk assessment methodology is aligned with the Bank's risk management framework. Areas covered by the scope of this audit are based on the analysis of the high risks identified in the Bank's risk registers.

Exclusions

External Auditor's Input

The external auditors have agreed with the proposed audit coverage.

Estimated Timing of Work

| Stages | Dates |
|--------------------------------|-----------|
| Draft Audit Plan to Management | 5/04/2019 |

| | |
|------------------------|------------|
| Fieldwork Start Date | 23/05/2019 |
| Fieldwork End Date | 29/05/2019 |
| Draft Report to Client | 19/06/2019 |
| Final Report Issued | 26/06/2019 |

Any audit findings will be raised with management as they arise to confirm observations.

Audit Team

The audit team includes Lisa Baron (Senior Manager), David Cook (Oversight Manager), Madison Harvey (Senior Auditor).

Expected Deliverables

The Final Audit Report will be released to Deputy Governor, Assistant Governor (Financial Markets), the Head of International Department, Senior Management of International Department, and included in the Audit Committee distribution.

Reviewed and Approved by: Darryl Ross, Head of Audit

Testing - Pre-identified Sample

| | | | |
|-----------------------|---|-----------------------|-----------------------|
| Project Number | ID97-19 | Performed by | Madison Harvey |
| Project Name | ID Gold Holdings at the Bank of England | Date performed | 23/5/2019 - 29/5/2019 |
| Period Covered | N/a | | |

Sample Selection Reasoning:

450 Gold bars.

Method:

| | |
|---------------------------------|--|
| Test 1 - Refiner Identification | Sight the gold bar and confirm the refiner identification on the bar is correct per the RBA's gold listing. |
| Test 2 - BoE Batch/Bar Number | Sight the gold bar and confirm the BoE batch/bar number on the bar is correct per the RBA's gold listing. |
| Test 3 - Assay Rating | Sight the gold bar and confirm the assay rating on the bar is correct per the RBA's gold listing. |
| Test 4 - Gross Weight | For the selected bars, observe the BoE staff weigh the bar and confirm the gross weight is within the tolerance of +/- 0.025, in line with the RBA's gold listing. Note - the gold listing reflects the weight rounded to the nearest 0.025 at the time it was originally weighed - not the exact weight. |
| Test 5 - Ultrasound Check | For the same sample of gold bars weighed, observe the BoE staff perform ultrasound checks to validate the authenticity of the gold bars. |

Testing:

Audit obtained the gold bar listing (from BoE and PS Department). Audit performed the above tests and compared the gold bar details sighted to the gold bar listing.

Test 4 - Explanation Weighing Checks

The gold listing reflects a gross weight which was rounded down to the nearest 0.025 at the time of original weighing.


Explanation of testing:

- A) Audit observed the weighing and recorded the exact weight of each bar.
- B) Calculated the difference between the gold bar listing and the exact weight recorded in (A).
- C) Calculated if the weight difference as per (B) was within the +/- tolerance of 0.025.
- D) For any items that were not within the tolerance as per (C), rounded the weight in (A) to the nearest 0.025. This is per LBMA (London Bullion Market Association) and BoE standards where gold bars are rounded down to the nearest 0.025 when gold bars are originally weighed, and this rounded amount is what is recorded on the gold listing.
- E) The difference was then calculated between the rounded figures on the gold bar listing and (D).
- F) Audit assessed if (E) was within the tolerance of +/- 0.025 and if the result was an exception or satisfactory.

Testing Result:

No issues or exceptions were identified.

Source of Information

 **FW BANK CONFIDENTIAL RBA Bullion Bar Lists Reports (Encrypt) SEC UNCLASSIFIED**

[List of Refiners by Name](#)

[Summary of Sample \(Pre-identified and Random\) by Refiner & Vault](#)

Conclusion

Audit physically verified 450 gold bars on site at the Bank of England and confirmed the gold bar details of each bar including:

- BoE batch/bar number,
- Refiner identification,
- Assay (fineness) rating.

Audit also observed weighing and ultrasound checks on 90 of the bars.

Effective.

LOMAS, Phil

From: COOK, David
Sent: Monday, 29 April 2019 2:40 PM
To: ROSS, Darryl; BARON, Lisa
Subject: Finalise Gold Holding APM [SEC=UNCLASSIFIED]

Categories: FOI

Hi Darryl / Lisa

I circulated the APM for the audit of the Banks physical verification of gold. None of the departments have any concerns with the APM.

I would like to finalise it now.

Darryl – as discussed, I have made some minor edits (marked up) to incorporate all the Banks gold holdings (i.e. the four bars in Head Office) rather than just the holdings at the BoE.

Thanks

[D19/99535](#)

From:
Sent: Friday, 7 June 2019 10:46 AM
To:
Subject: Gold viewing toady - 1pm [SEC=UNCLASSIFIED]

Hi all,

As organised, we will be meeting in the B1 lift well, outside the workshop, at 1pm.

There is just a couple of things to be aware of:

- You will be under CCTV
- No banknotes are allowed in the secure area. There are small lockers at the entrance, but it is probably better to leave your cash at your desk
- You may bring your mobile phone, but there is very little reception in the area. If you need to be in contact with your teams, 9874 is the phone number to use.
- No photos are allowed to be taken in the secure area, without specific permission.

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| Note Issue

