

THE iTSCi AUDIT PROCESS



What is an audit?

An audit is a check, or an assessment or evaluation that provides information on circumstances at the time it is performed.

Why conduct an audit?

iTSCi needs to independently verify that four factors of the initiative are working, valid, and have been successfully implemented In order to ensure a 'conflict free' supply chain and progressive improvement towards meeting the OECD due diligence guidance;

1. The chain of custody tagging system;
2. The mine baseline studies;
3. The risk assessments;
4. iTSCi, company and government actions and responsibilities.

Not all of these will be directly relevant to your business, but your organisation is part of the initiative, and part of the supply chain. To ensure each member of the supply chain meets the iTSCi objectives periodic validation is required. This is achieved by auditing. Auditing is another word for checking, and the auditor will need to check some basic requirements to ensure the mineral supply can be classed as 'DRC conflict free, or OECD conforming'.



What is the audit programme management document?

This document describes the responsibilities for the arrangement of the audits, for resourcing, planning, conducting and reporting. This may involve iTSCi management, the auditor and the company being audited. An example 'audit plan' is also provided.

What are the checklists?

The checklists are used by the auditors to record the data sources, evidence and findings from the audit process. Specific questions in the checklists guide the auditor regarding what information should be recorded, including the information needed to assess whether a company is conflict-free and/or implementing the recommendations of the OECD Guidance.

The audit checklists are also used to record a summary of the overall findings of the audit; whether there are issues that may need improvement and how improvement might be carried out with improvement plans. There are separate checklists for mine, processor/negotiators, exporter, trader and smelters.

What is the audit process?

We will send your organisation the audit checklist and the audit plan, then we can agree dates and arrangements for the audit. The audit plan and the audit checklist documents will show you the information and evidence that the iTSCi auditor must check with your organisation.

The purpose of the audit is to identify if there is any reason why your organisation cannot be classed as 'DRC conflict free' and/or 'conforming to OECD due diligence guidance recommendations'. If there

are relevant issues of concern that your organisation knows may become apparent during the audit, or through monitoring by any local iTSCi representatives, then it will be beneficial to raise them before the audit. We can then work out an improvement plan. iTSCi is supporting your organisation in implementing the OECD recommendations and if any issues are raised we can encourage your company to consider and understand how these can be resolved by implementing a suitable plan.

What happens if there are issues found during the audit?

We list these on the audit checklist as either 'Issues' or 'Recommendations' and the auditor will discuss them with you. Some will be more important than others, and we will grade these so the most important can be addressed first. Your organisation may already have plans for improvement and these may be underway and taken into account. Improvements can also be discussed with the auditor to help a formal 'Improvement Plan' to be drawn up.

Why do we need improvement plans?

The objective for iTSCi is to show any interested parties the improvements we are all making; remembering that the basis of OECD due diligence is to demonstrate progressive improvement. Improvements can be monitored through our local representatives or if you can provide us directly with evidence that we can review and record.

Who conducts the audit?

An independent third party conducts the audit, they are professional personnel with specific experience who have been evaluated and approved to conduct this specific type of work. All auditors operate to an agreed Auditor Code of Practice and the audit findings and report they generate are reviewed to ensure they meet the standard required by iTSCi. By implementing these protocols we can be assured that iTSCi meets standard auditing practices recognised throughout the world.

We do not know yet what auditing standards will be required by the US Securities and Exchange Commission when it implements the US Dodd Frank Law. Any changes to the iTSCi auditing process that may be required to meet those still unknown standards will be made as soon as the SEC 'rules' are published. This should help you to sell your products.

What is the auditor code of conduct?

This document describes the standards of independence, ethics and general behaviour expected of the auditor.

What is the auditor competency evaluation and approval document?

This is a document that describes the knowledge, skills and experience required for the people doing the audit, and is used by the iTSCi management in order to select relevant auditors and review their performance. An example 'auditor evaluation record' is provided.

What if I do not agree and have a grievance?

iTSCi has a document describing the auditee grievance procedure which is publicly available. All grievances are recorded and investigated and the person and organisation making the grievance will receive notification of the decision that iTSCi has made, and why, and the plans that have been put in place to prevent the same audit issues happening again.

Can we get help if there are issues?

Local iTSCi staff or the auditor can provide clarification on what your company is advised to do to improve compliance with the OECD & UN due diligence guidance.

REFERENCES

OECD (2011) Due Diligence Guidance for Responsible Supply Chain of Minerals from Conflict-Affected and High-Risk Areas, UN Security Council committee established pursuant to resolution 1533 concerning the DRC, Due diligence guidelines 2010