



## ICGLR THIRD PARTY AUDIT AT MSA EXECUTIVE SUMMARY

(Published on 27 July 2016)

### **1. Introduction**

#### **a. Audit objective**

As part of the Regional Initiative Against the Illegal Exploitation of Natural Resources (RINR) the International Conference on the Great Lakes Region (ICGLR) has implemented the Regional Certification Mechanism (RCM).

The RCM aims is to provide assurance that the tin, tantalum, tungsten and gold extracted in ICGLR Member States (MS) mined, transported and exported by the auditee is in conformance with the requirements of The Mineral Certification Scheme of the International Conference on the Great Lakes Region (ICGLR) – Version Final November 2011 and its appendices.

In order to provide such assurance, the RCM requires an independent third party audit of the mining, transportation and export operations where applicable. Thus the third party audit process is required to verify the systems, processes and practices of the mining, transportation and export. The ICGLR Audit Committee (AC), a tripartite forum representing government, industry and civil society, manages the audit process. The Committee accredits auditors and sets the standards and terms of reference for the audits.

Accordingly the ICGLR Certification Manual (Version November 2011), provides for the AC to be responsible for the review of the audit reports submitted by the accredited auditors. The specific objective of this audit is to verify the level of conformance of auditees systems, processes and practices, up to and including mineral supply chains and mine sites of origin with the audit criteria with a view to obtain certification of the auditee under the ICGLR RCM.

## **b. Auditee**

Minerals Supply Africa Ltd (MSA) is a mineral trading company conducting procurement, processing & exporting of minerals from Rwanda. MSA is based in Kigali and owned 60% by Cronimet Central Africa AG (CCA), a company registered in Switzerland and belonging to Cronimet 'group', domiciled in Germany. MSA has approximately 41 contracted staff located at its premises in Kigali. It purchases materials from mineral comptoirs, mining companies, mining cooperatives and individual miners.

MSA is the largest exporter of 3Ts in Rwanda and in 2014 made up for around 50% of export volumes from Rwanda.<sup>1</sup> Sellers of minerals bring their production direct to the MSA offices in Kigali where all processing, packing and loading of materials and ICGLR export process reconciliation takes place. There is a GMD representative office within the MSA buildings manned by three GMD officers for the recording and reconciliation of iTSCi tags prior to the completion of export documentation and final export of materials.

MSA employs a qualified geologist to manage its due diligence and risk assessment reporting, who is assisted by one other employee.

## **c. Auditor**

- i. Estelle Levin Ltd (ELL)
- ii. Simon Gilbert (Lead auditor)

## **2. Scope of audit**

### **a. Methodology**

The size of operations, time constraints and geographical spread of the MSA client base precluded an audit of all mine sites and transportation routes; a sample based on geographical proximity to Kigali, production and historic reporting was therefore selected and assessed against the RCM criteria. Key informant interviews were held with stakeholders according to their relevance to the audit scope and availability.

The size of operations and time constraints precluded a comprehensive audit of all export packages. Taking this into consideration the auditor was restricted to comprehensively reviewing four export files from the 2015 export list.

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<sup>1</sup>iTSCi 2014a

All documentation pertaining to the company records requested were provided in a timely and efficient manner. This enabled the auditor to review a substantial selection of documents relating to the operations of the company including exports within the temporal scope of January to December 2015.

The methodology consisted of four stages:

- Literature review
- Document review
- Head Office visit with semi structured interviews
- Field Visits with semi structured interviews

The literature review serves two purposes: firstly, it should raise information that may inform a compliance decision for items on the checklists. Secondly, it builds the auditor's understanding of the operating environment, key stakeholders (and thus informants to engage), and prevalent risks and their likelihood, as the basis for developing tactics for questioning on sensitive issues successfully.

A document request list was sent to the auditee prior to arrival. All documents were provided thus enabling the auditor to review a substantial date range and selection of documents within the temporal scope of January to December 2015.

Semi-structured interviews took place with a wide range of individuals with many being interviewed on multiple occasions as well as numerous informal conversations with a wide variety of local businessmen and expatriate individuals in various locations.

In accordance with ISO 19011:2011 Guidelines for Auditing Management Systems<sup>2</sup>, regarding sample strategy the objective of the audit sampling is to *'provide information to the auditor to have confidence that the audit objectives can or will be achieved'*. The documentation, interviews and field visits satisfied this criterion.

## **Overview of review**

### **Mine sites**

Considering the time and manpower constraints on the audit the below mine sites were selected using the following criteria.

- i. Distance from Kigali according to the information provided by the Rwanda Cadastral portal

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<sup>2</sup>BS EN ISO 19011:2011 Guidelines for Auditing Management Systems B.3 - page 38

- ii. RNRA flag status i.e. red flag priority, flowed by yellow flag and green. (All MSA mine site suppliers are currently green flagged).
- iii. Quantity of minerals sold to MSA in 2015.
- iv. Negative iTSCi plausibility reports.
- v. Negative internal (MSA) reporting.

4 mine sites were visited in total. The sites were split into two geographical areas where it was possible to view two sites on each day. One comptoir based in Kigali was also visited. It should be taken into consideration that MSA LTD has over 100 clients throughout Rwanda and with very limited time and geographical spread the sample rate was highly restricted.

### **Field Visits**

Field visits were carried out on five MSA suppliers (1 comptoir and four mine sites), which were planned and executed within the audit plan parameters. The auditor was given complete freedom to view all aspects of the operation. Access was arranged to interview any employee, Sub Contractors and Security guards and government employees. All iTSCi tagging materials and record books were freely available for review. All mining, recovery and stock handling, process and procedures were observed in line with the government Mine Inspection Manual. All production records were made available and reviewed.

- Head office of MSA
- Mine sites and offices from which MSA purchases minerals
- Offices of companies providing transportation facilities to MSA
- Offices of companies providing export facilities to MSA
- Security companies supplying services to MSA
- Government of Rwanda Natural Resources Authority (RNRA), Geology and Mines Department (GMD)

### **Transport Route Verification**

The auditor visited four mine sites supplying minerals to MSA in a variety of locations in Rwanda and traveled the same route as the production material to Kigali. No issues were reported by any interlocutors approached, this included members of the local business community. The auditor observed Rwanda Armed Forces and Police patrolling the routes at regular intervals when approaching Kigali only and not in the rural areas. No supplier mentioned any issues with transportation route security.

### **Materials covered**

- Cassiterite, Wolframite, Coltan

### 3. Findings (flag status)

#### a. Mine sites and trade routes

The auditor visited four mine sites supplying minerals to MSA in a variety of locations in Rwanda and traveled the same route as the production material to Kigali. No issues were reported by any interlocutors approached, this included members of the local business community. The auditor observed Rwanda Armed Forces and Police patrolling the routes at regular intervals when approaching Kigali only and not in the rural areas.

No supplier mentioned any issues with transportation route security.

A Rwandan transport company further transports MSA purchased minerals from Kigali to Dar es Salaam/Mombasa.

Ownership of the material is transferred from MSA to its customers upon completion of the loading of the material and receipt of the 'Bill of Laden' in Kigali.

**Mine Site Status Criteria** - There are no major or minor non-conformances. All of the following Mine site status criteria meet the requirements and standards of the RCM and therefore meet the **green flag status**

**Conflict** – There are no armed conflicts taking place in Rwanda. There are strong and proactive institutional structures within the country pertaining to the extractive industries.

**Working Conditions** – Working conditions were observed at the MSA office in Kigali and at four mines sites who supply to MSA. These were judged to be in conformance with both national legislation and with the ICGLR RCM.

**Environment** – The company office is based on an industrial complex in Kigali and the company does not mine materials itself. All national legislation pertaining to the environment of the office is adhered to.

**Formality and Transparency**- The Company has various written documentation clearly setting out its stance on anti corruption KYC and KYP status. The company also has internal directives on standard operating procedures, which were observed to be adhered to. The company is a member of and uses the ITSCi tracking system effective

**Community Development** – The company has a good reputation with its employees in Kigali and encourages the business development of its customers ostensibly via pre financing of operations.

*Summary Table of conformance to RCM status criteria*

CONFLICT	WORKING CONDITIONS	ENVIRONMENT	FORMALITY/ TRANSPARENCY	COMMUNITY DEVELOPMENT

## Progress Criteria

**Progress Criteria** - There are no major or minor non-conformances. All of the following Mine site progress criteria meet the requirements and standards of the RCM and therefore meet the **green flag status**

**Conflict**– There are no armed conflicts taking place in Rwanda. There are strong and proactive institutional structures within the country pertaining to the extractive industries.

**Working Conditions** – Working conditions were observed at the MSA office in Kigali and at four mines sites who supply to MSA. These were judged to be in conformance with both national legislation and with the ICGLR RCM

**Formality and Transparency** - The Company has various written documentation clearly setting out its stance on anti corruption KYC and KYP status. The company also has internal directives on standard operating procedures, which were observed to be adhered to. The company is a member of and uses the ITSCi tracking system effective

**Community Development** – The company has a good reputation with its employees in Kigali and encourages the business development of its customers ostensibly via pre financing of operations.

*Summary Table of conformance to RCM progress criteria*

CONFLICT	WORKING CONDITIONS	ENVIRONMENT	FORMALITY/ TRANSPARENCY	C D

## b. Exporter Requirements

**Records**–MSA have shown that all records required by law and those requested by the auditor were provided in a timely fashion and met the legislative requirements.

Taxes–All tax receipts were observed as requested in the document request list and were cross referenced with financial records.

Cash Purchases–All cash purchases are recorded and these were observed and cross referenced with the financial records provided.

Bribes–No evidence of bribery were observed during the audit. MSA has an anti bribery and corruption policy

Human Rights–MSA has a general policy protecting human rights.

Conflict–There is no armed conflict in Rwanda.

Public/Private Security–MSA has a policy on the use and hiring of private security personal. Such personnel were observed at the Kigali office

Chain of Custody–MSA is a member of and employs the iTSCi tacking system for all its minerals. The auditor reviewed numerous transactions with suppliers and traced these purchases to the individual Lots or exports that were eventually made. The system is a combination of paper trail and computerised data tracking with detailed spreadsheet technology used in building the financial picture of the company.

Data–MSA has a high capacity for data management with specific reference to the track and tracing of minerals that go into their export Lots and with financial management.

Ownership–All records and documentation pertaining go the ownership of the minerals and payments made is meticulously recorded and stored at the Kigali office.

RECORDS	TAXES	CASH PURCHASES	BRIBES	HUMAN RIGHTS	CONFLICT	PUBLIC or PRIVATE SECURITY	CHAIN of CUSTODY	DATA	OWNERSHIP

#### **4. Conclusion**

Based on the scope and findings of the audit, the locations visited, the individuals interviewed and the processes reviewed, the auditee has demonstrated a level of conformance with the Audit Criteria that is consistent with The Mineral Certification Scheme of the International Conference on the Great Lakes Region (ICGLR) – Version Final November 2011 and its appendices.