

Mint freezes staff bonuses, continues hunt for gold

Police yet to be called in to help find missing precious metals

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OTTAWA—The Royal Canadian Mint is withholding employee bonus pay as special auditors enter a fourth month hunting for unaccounted gold insiders say could be worth as much as several million dollars.

The Citizen reported Wednesday that external auditors are investigating an “unreconciled difference” between the 2008 financial accounting of the mint’s precious metals holdings and the physical stockpile of gold, silver and palladium at its Ottawa headquarters. The mystery raises possibilities from sloppy bookkeeping to a heist.

Stealing gold or other metals would be a considerable feat, one that would have to evade state-of-the-art security technology.

“We’re one of the most secure facilities in Canada,” Christine Aquino, mint spokeswoman, said Thursday. “Doing business with the mint is still safe and this review will likely give us some suggestions on how to improve our processes.”

The mint has delayed asking federal Auditor General Sheila Fraser to sign off on the Crown corporation’s consolidated financial statements for 2008, as required by law, and senior government and mint officials remain tight-lipped about the probe.

Police, at least for now, have not been asked to investigate.

Instead, external auditors have been working since early March to reconcile the precious metals discrepancy, apparently without success. Even retired mint staff have been quietly brought into the Sussex Drive plant on weekends to try solve the discrepancy, according to a source.

Details of the external audit are expected to be made public within two weeks. Until then, the mint refuses to confirm the quantity of precious metals, believed to be mostly gold, or monetary value involved. It also won’t say what triggered the review.

Officials will only say the discrepancy may be related to an unprecedented demand for gold in 2008, including a 352-per-cent surge in production of its popular Gold Maple Leaf coins.

In recent years, the mint has become a rich source of cash for the government, generating net income of \$21.6 million in 2007 on record revenue of \$632 million. The government, meanwhile, collected a handsome \$74.3-million seigniorage.

Until the matter is settled and the mint’s 2008 financial statement is finalized, employee performance bonuses are frozen. The bonuses range from four to nine per cent of an individual’s salary and are paid

when the workforce meets or exceeds annual corporate profit targets. The target for 2008 was \$36.3 million.

Bonuses are not paid until the financial statements are final," said Aquino. "In good faith in March we paid a partial bonus to employees. We didn't have to do that, but we did.

"Once our review is complete and the books are closed for the year, it is possible that additional bonuses will be paid," provided the 2008 profit target was reached.

Aquino denied the freeze on employee bonuses is punishment for the unaccounted-for gold, noting the mint has been named one of Canada's Top 100 employers by Maclean's magazine for three consecutive years.

The mint employs 865 people at its Ottawa headquarters and a second plant in Winnipeg. Almost 70 per cent of the workforce is unionized. The Government Services Union local at the Ottawa mint refuses to comment on the situation.

"We treat our employees with respect. We're not penalizing them, we're just taking out time to do this review and we look forward, just like anybody, to having the final number," said Aquino.

In the Commons this week, Conservative MP Rob Merrifield, responsible for the mint as minister of state for transport, suggested the government wasn't aware of the situation until the Citizen report on Wednesday. He said he called mint CEO Ian Bennett, "to find out what has been going on. He has assured me that an external audit had been brought in early in March."

On Thursday in the Commons, federal Liberal MP Joe Volpe pushed Merrifield for a second day to explain what the government knows, noting seven of the nine members of the mint's board of directors are Conservative appointments and five directors are "big contributors to their campaigns."

Merrifield refused to speculate on the outcome of the audit.

Outside the Commons, NDP MP Pat Martin, party critic for Crown corporations, said it's crucial for the mint and the government to resolve the situation quickly.

"No matter whether it's \$2, \$10 or a million dollars lost or misplaced or stolen, it's the confidence in the mint and the credibility of the mint that is at stake here."

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