

**AUTHORISED ECONOMIC OPERATOR**

**INSTRUCTIONS FOR COMPLETING**

**THE SELF ASSESSMENT QUESTIONNAIRE**

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## CHAPTER 1

## AEO CRITERIA and SELF- ASSESSMENT

### 1.1 Introduction

- 1.1.1 The legislation governing the Authorised Economic Operator (AEO) programme is set out in Ministerial Order No. 324/2012 of 23 November 2012 ('MO'). This Self-Assessment Questionnaire (SAQ) has been developed on the basis of these legal provisions and is attached at Annex 11 of that MO.
- 1.1.2 The purpose of the Instructions for completing the AEO-SAQ (the 'Instructions') are to;
- understand the requirements associated with obtaining AEO status and provide guidance to affected stakeholders on how to answer the questions in the SAQ,
  - provide information on the standards the Customs Authority expects the economic operator to achieve and demonstrate, and
  - provide the Customs Authority with information about the enterprise and its business, in addition to that provided in the application.
- 1.1.3 It is also very important to state, at the very outset, that interested economic operators should become familiar with the applicable legislation. Economic operators should read the Training Manual on the AEO programme (the 'Manual') and the Guide on Managing the Risk in the AEO programme (the 'Guide') and together with these Instructions, they aim to simplify and speed up the AEO application process for both the economic operator and the Customs Authority.
- 1.1.4 Additional information about the AEO programme may be found on the Customs Authority's website.
- 1.1.5 Although it is a mandatory requirement to complete and submit it with the application, the Customs Authority recommends that economic operators use the SAQ, in any event, to check their readiness to meet the AEO criteria, in advance of preparing and lodging a formal application for AEO status.
- 1.1.6 The SAQ, when submitted, gives the Customs Authority the opportunity to get an overall picture of the applicant, in addition to the information provided by the economic operator in the application form. As it is designed to assist in speeding up the authorisation process, economic operators should, therefore, complete the SAQ in a careful and correct way and answer all relevant questions in relation to their business.
- 1.1.7 The information provided in the AEO-SAQ by the economic operator **may** also be used by the Customs Authority in the context of granting other authorisations in which it is necessary for the economic operator to be compliant with some or all of the AEO criteria.

### 1.2 Completing SAQ

- 1.2.1 Would-be applicants for AEO status should contact the Customs Authority in relation to any queries that they may have regarding the SAQ, the application or any other relevant matter in advance or actually preparing the application for AEO status.
- 1.2.2 Each section of the SAQ deals with very important issues and contains valuable information provided by the economic operator that can be of use for the Customs Authority. However, it should be noted some issues **may** affect only certain stakeholders in the international supply chain. This could also vary, depending on the type of certificate that any particular economic operator is applying for.
- 1.2.3 An economic operator may not need to answer questions that are irrelevant for its business and, in such cases, the term "Not applicable" should be entered in the appropriate boxes of the SAQ, followed by a short

comment as to why it is not applicable. In such cases, the economic operator can, for example, make a reference to the part of the international supply chain that it is involved in or the type of certificate being applied for.

- 1.2.4 A table has been prepared and is to be found at the end of these instructions, that includes references as to which parts of the SAQ are relevant for the different stakeholders in the supply chain as well as the type of certificate requested.
- 1.2.5 If the economic operator already has customs simplifications or other customs authorisations that demonstrate that one or more AEO criteria are fulfilled, then it is sufficient to refer to those simplifications or authorisations. Ordinarily, it would not need to recheck the criterion / criteria in question but, obviously, the Customs Authority reserves the right to do so, if it considers it necessary.
- 1.2.6 If the economic operator holds certificates, expert reports or any other conclusions from experts, for example, economic reviews, international certificates etc., they should either be provided for scrutiny by the Customs Authority or a reference made to them in the SAQ. Whilst there is no obligation, the economic operator, if it has any of these reviews, certifications, etc. they could be useful information for the Customs Authority and could result, most importantly, in speeding up the process. (The corresponding section(s) in the Training Manual should be consulted for more references and examples that cover each of the criteria completely.)
- 1.2.7 It may not be necessary to answer all the questions in the SAQ. This depends on whether the Customs Authority already has access to the information (for example, through different databases). In any event, the Customs Authority will advise on this matter, if it applies.
- 1.2.8 It should be particularly noted that individual answers to questions are not considered in isolation but as part of an overall assessment process in relation to the criterion concerned. One unsatisfactory answer to a single question may not lead to a refusal of AEO status, if the criterion is shown to be fulfilled elsewhere in the process (in overall terms).
- 1.2.9 The conditions and criteria for an AEO certificate are the same for all economic operators. However, the Customs Authority will take into account the size of the enterprise, such as an SME, its legal status, structure, key business partners and also the specific economic activity in which it is engaged. This means that the implementation of measures, in order to fulfil the criteria, can vary from economic operator to economic operator depending on size, for example, without challenging the fundamental principle of compliance with the requirements.
- 1.2.10 The SAQ must be submitted together with the application requesting the grant of an AEO certificate to the Customs Authority (the manner of submission will be dependent on the facilities that the Customs Authority has in place), together with all necessary supporting documentation.

### **1.3 International Standards**

- 1.3.1 An AEO authorisation is based on the same principles as other international standards and where internal quality assurance standards are being adhered to by the economic operator. The economic operator, applying for AEO status, is responsible for having quality assured procedures at its premises, for customs matters as well as security and safety (if applicable). During the on-site visits by the Customs Authority auditors, the economic operator must show that it has adequate internal procedures in place, in order to manage its customs \*and / or security and safety) matters and adequate internal controls so as to ensure and assure that those procedures work properly. In this regard, internal policies and / or instructions must be documented, either electronically or in paper form. These internal policies and / or instructions must be known within the organisation, be available to all users and continuously updated.

- 1.3.2 Therefore, the first step relates to the economic operator's internal quality assurance standards. The answers in the SAQ, submitted with the application, should be a summary of the internal procedures and instructions that the economic operator has in place so as to give the Customs Authority an overall picture of the business. In order to complete the SAQ and to be prepared for the (AEO) audit process, all the main departments of the business involved in the international supply chain (customs, logistics, accounting, computing, purchasing, sales, security, quality control, etc.) will have to be involved in the process.
- 1.3.3 Internal company policies or instructions regarding customs matters (and / or security and safety), could be referred to in the answers in the SAQ. In this regard, the name or number of the document should be specified in the SAQ and it must be kept ready for the on-site audit by the Customs Authority. To speed up the process, it is also possible to submit these specific documents (the manner of submission will be dependent on the facilities that the Customs Authority has in place – in electronic format or manually) with the SAQ, together with the application form and the other requisite documents.
- 1.3.4 The information sent in the application process falls under the data security legislation and will be treated as confidential.

## **1.4 The Criteria**

- 1.4.3 Chapter 2 deals with the three criteria, in respect of which legislation has been passed. Each of these criteria is reviewed and examined in depth, which should assist any would-be applicant for AEO status in completing the SAQ. As already highlighted in the Training Manual on the AEO, the SAQ will assist economic operators that are considering seeking AEO status in understanding and appreciating the specific requirements that have to be met before making an application for AEO status.
- 1.4.2 The security and safety criterion – so crucial for stakeholders operating in the international supply chain - has been included in this chapter. The primary reason is to raise the awareness of the Customs Authority and affected stakeholders to the extent and nature of the requirements that must be met in order to acquire AEO status in respect of safety and security.
- 1.4.3 Provided the current legislation is amended to include the security and safety criterion, the SAQ will be amended to include it as an additional part. This part of the SAQ should then **only** be completed if the economic operator is applying for an AEO (security and safety) certification. It is to be noted that the self-assessment for this requirement shall comprise all the premises that are relevant to the customs-related activities of the applicant.

## CHAPTER 2

## THE CRITERIA

### Section I – Information about Economic Operator *(Article 9 of MO and sub-section 1.19 of SAQ of MO)*

This section is used for the purpose of giving the Customs Authority an overview of the applicant's company. The information requested can be given in a general way and serves as a snapshot of the company's activities on the date of the application submission.

If the requested information is already available to and accessible by the Customs Authority, this should be indicated on the form or a reference provided to when the information was submitted. It should be noted that the Customs Authority may, nevertheless, insist on all requested information, as set down in the SAQ, being provided by the applicant concerned.

#### Sub-section 1.01 Organisational characteristics

##### Completion of section

The details required, from an economic operator seeking AEO status, should be simple and straight forward to be provided, either on the application form or SAQ;

- type(s) of certificate being applied for,
- applicant company,
  - full name,
  - actual address,
  - legal status (as in act of incorporation),
  - date (use numbers) and place of incorporation
  - full address of place of incorporation, including country,
  - identification number, as registered with Ministry of Industry and Commerce,
  - registration number assigned by Companies Office,
  - Unique Tax Identification Number (NUIT),
  - mailing address if not the same as actual address or place of incorporation,
  - activity / activities engaged in,
  - address where main activity is carried on,
  - addresses of headquarters, each warehouse, branch or subsidiary acting in the supply chain, where activities are not identical,
- full name of individual representing the company,
- contact individual, nominated by applicant company,
  - name,
  - email address,
  - telephone number,
  - fax number
- names of customs offices normally used when crossing Border Crossing Points (BCPs)
- simplified procedures and other customs facilitations and related authorisation numbers,
- at least three addresses of the main suppliers and customers.

##### Explanations

There is a need for some explanation and clarification of the requirements in this section, in the following paragraphs. Some additional material is included to cater for the possibility that the AEO programme may be extended to include other stakeholders in the supply chain and the security and safety criterion.

Where it is a group company (a subsidiary), the applicant should indicate if any other entities in the group has an AEO certificate or has applied for AEO status and is currently undergoing an AEO audit.

The applicant company should provide details (name, address, date of birth, Identification Number) of;

- shareholders,
- board member and/ or managers,
- advisory board, if any, and board of directors,

who are involved in the day to day working / decision making process of the company.

The person responsible for customs matters is;

- a) an individual employed directly by the economic operator or appointed by the economic operator, for example, a customs broker, to represent the economic operator in customs formalities, or
- b) an individual or individuals responsible for representing the economic operator, such as a legal representative, in matters involving customs law; who may either be employed directly or appointed by the economic operator to represent it in customs legal matters.

Where possible, the appropriate statistical classification of economic activities code of the economic operator's commercial activity / activities, should be provided

For assessing and indicating the role of the economic operator in the international supply chain, the following guidance should be used;

a) **importer (IM)**: Party who makes, or on whose behalf a customs broker or other authorised person makes an import declaration. This may include an individual who has possession of the goods or to whom the goods are consigned.

This code should be used only if the economic operator has possession of the goods. In case of customs representatives / brokers, the code for 'customs broker' should be used.

b) **exporter (EX)**: Party who makes, or on whose behalf the export declaration is made, and who is the owner of the goods or has similar rights of disposal over them at the time when the declaration is accepted.

In case of customs representatives / brokers, the code for 'customs broker' should be used.

c) **customs broker (CB)**: agent or representative or a professional customs broker who deals directly with the Customs Authority on behalf of the importer or exporter.

The code can be used also for economic operators who acts as brokers / representatives also for other purposes (for example, carrier's agent)

d) **manufacturer of goods (MF)**: Party who manufactures goods.

This code should be used only if the economic operator manufactures the goods. It does not cover cases where the economic operator is only involved in trading with the goods, such as exporting or importing.

e) **carrier (CA)**: Party undertaking or arranging transport of goods between named points.

f) **freight forwarder (FW)**: Party arranging the forwarding of goods.

g) **consolidator (CS)**: Party consolidating various consignments, payments, etc.

h) **terminal operator (TR)**: A party that handles the loading and unloading of maritime vessels

i) **warehouse keeper (WH)**: Party taking responsibility for goods entered into a warehouse

A warehouse should not be considered compulsory as a customs warehouse; thus, this code should be used also by economic operators that are using other storage facility operators (for example, temporary storage, free zone, etc.).

j) **others:** e.g. container operator (CF), stevedore (DEP), shipping line service (HR).

If the economic operator has more than one role in the international supply chain, they should be included in the relevant codes to indicate them.

If the economic operator engages in trade in goods (and not services) with associated businesses, for example, making purchases from the parent company in a third country or importing on behalf of and distributing to associated businesses in the State, full details must be provided during the authorisation process by the Customs Authority.

## **Sub-section 1.02 Internal Organisation**

### **Structure**

#### **1.02.1**

The internal organisation of the company, showing the different areas / departments / functions / tasks / responsibilities should be described. Details of the line management structure should also be provided. Ideally, a detailed organisational chart should also be provided for the information of the Customs Authority. **1.02.1**

### **Personnel**

#### **1.02.2**

The economic operator must provide details of the (approximate) number of employees, known at the time of submission of the application.

### **Management**

#### **1.02.3**

The economic operator must list the names of the senior management, comprising;

- directors
- head of accounting,
- head of security,
- head of sales,
- head of customs, etc.

In regard to customs matters, the number of employees involved should be stated, including the Head of Department and detailing their main tasks and their level of training in customs matters.

The level of knowledge of the employees in regard to the use of information technology in customs and commercial processes and general commercial matters should be indicated

If the economic operator has no customs department or customs expert within the company, the economic operator should state "not applicable". In this regard, it should also indicate how it deals with compliance with customs legislation, etc. in relation to imports and exports and how it ensures, in particular, how the correct import charges are accounted for and how prohibitions and restrictions are complied with.

### **Stand-in arrangements**

#### **1.02.4**

The economic operator should describe the 'stand-in' arrangements for dealing with long-term, temporary or short-term absences of key employees or tasks, for example, management, coordination, supervision, leadership, quality control should be described. In particular, how absences of, say, a customs manager, import clerk, should be outlined, including how their normal responsibilities are covered and by whom.

The economic operator should be able to explain to the Customs Authority auditors, during their on-site visit, how, in the absence of any contingency plan, the company can function efficiently and effectively. **1.02.4**

## **Sub-section 1.03 Volume of business**

**Turnover / profit or loss****1.03.1 and 2**

The economic operator has to provide information on its business activity over the past three years of completed annual accounts.

Details of the annual turnover of the company for each of those three years should be supplied.

In addition, the annual net profit or loss for each of those three years should also be supplied

If it is a new business and does not have three sets of accounts, any finalised full set of accounts should be provided. Otherwise, the economic operator must provide other evidence to confirm that it is a 'going concern'.

**Storage****1.03.3**

As regards storage facilities, the economic operator should indicate;

- the location of each of these facilities,
- the storage capacity of each facility, and
- the average capacity percentage of storage space used.

The economic operator should distinguish between facilities it owns and those that are leased / rented from third parties.

**Declarations****1.03.4**

The economic operator has to furnish an estimate of the number and value of the declarations made in each of the past three years. The following example highlights what is required.

	<b>Import</b>		<b>Export</b>		<b>Transit</b>	
	<b>number</b>	<b>value</b>	<b>number</b>	<b>value</b>	<b>number</b>	<b>value</b>
2013	220	€9.6 m	45	€2.6 m	18	€0.8 m
2014	250	€10.3 m	38	€2.2 m	26	€0.4 m
2015	240	€10.2 m	33	€2.1 m	10	€0.5 m

In the case of a customs broker / third party representative, all declarations made both in its name and on behalf of others should be included

If it is a new business, as much information as possible should be provided by the economic operator.

**Import charges****1.03.5**

For each of the following, the economic operator should give an estimate of the amount paid, in each of the last three years. The following example highlights what is required;

	<b>Customs duty</b>	<b>Excise duty</b>	<b>VAT</b>
2013	€100 m	€1.75m	€2.32m
2014	€180m	€1.87m	€2.12m
2015	€100m	€1.85m	€2.10m

In the case of customs brokers / third party representatives, all revenue paid through the various customers' or own payment facilities should be included.

**Future declarations****1.03.6**



The economic operator must estimate the number and value of customs declarations expected to be made in each of the next two years.

### **Classification of goods**

#### **1.03.8**

The economic operator should set out how and by whom is the tariff classification of goods decided.

The name and position of the employee(s) responsible for classifying goods should be provided. If a third party is used to do this work, their name should also be included.

The nature of the quality assurance measures that the economic operator undertakes to ensure that tariff classifications are correct, such as checks, plausibility checks, internal working instructions, regular training, should be detailed.

In this regard, the economic operator should indicate whether it maintains a product file in which each article is linked to a commodity code with the appropriate duty and VAT rate and any other import charge applicable.

The economic operator should maintain records of any quality assurance measures carried out with the results. Where quality assurance measures are put in place, the economic operator should provide evidence, during the visit of the Customs Authority auditors, that the measures are regularly and fully reviewed, any changes documented and affected employees notified of the changes.

In the case where a third party is used for this work, the economic operator should describe how it ensures that this work has been done correctly and according to its instructions.

Where the effectiveness of such measures are monitored, the economic operator should indicate how, by whom and the frequency the tariff classifications are reviewed and updated in the product file and any other dependant records as well as notifying any individuals affected by the change, for example, customs broker, purchasing employees.

The economic operator should also indicate the resources it uses for the tariff classification of goods, for example a database of standing data on goods.

The economic operator should indicate also if it uses any Binding Tariff Information(s) BTIs.

During the Customs Authority audit process, the economic operator might need to make available;

- details / lists or product files of its products and their relevant commodity codes and duty rates
- resources / information, for example, up-to-date tariff, technical information used to classify the goods.

### **Valuation of goods**

The economic operator must indicate the name and position of the employees responsible for the valuation of goods or if a third party is used to do this work, their name should be included.

The nature of the quality assurance measures that the economic operator takes to ensure that valuations of imported goods are correct, such as checks, plausibility checks, internal working instructions, regular training, should be detailed. In this regard, the economic operator should indicate whether you it maintains a product file in which each article is linked to a basis of valuation, as detailed later in this heading.

The quality assurance measures apply irrespective of whether the economic operator itself or a third party is used to ensure that this work has been done correctly and according to instructions.

The quality assurance measures should include, for instance;

- the valuation method(s) used,
- how valuation statements are completed and submitted when required,
- how the customs and VAT values are determined?
- how the following are accounted;

- freight and insurance costs,
- royalties and licence fees related to the imported goods, payable either directly or indirectly by the buyer as a condition of sale,
- proceeds of any subsequent resale, disposal or use is paid directly or indirectly to the seller,
- costs incurred by the buyer (but not included in the price) in respect of commissions or brokerage (except buying commissions),
- costs incurred in relation to containers and packaging,
- goods and / or services supplied by the buyer free of charge or at reduced cost for use in connection with the production and sale for export of the imported goods.

If quality assurance procedures are put in place, the economic operator should provide evidence, during the visit of the Customs Authority auditors, that the procedures are regularly and fully reviewed, any changes are documented and affected employees are notified of the changes.

The economic operator should also confirm that notes on the measures are maintained.

Where the economic operator does not such procedures and / or arrangement, the Customs Authority will require to be provided with reasons.

### **Preference**

### **1.03.7, 9, 10, 11**

The economic operator should list the main countries with which it trades. No more than seven should be listed.

An overview of the (non) preferential aspect of the economic operator's import business should be given.

The economic operator should specify the actions it has taken to verify that the country of origin of the imported goods has been declared correctly to the Customs Authority.

Such internal actions would include measures on how it ensures;

- the exporting country is entitled to give a preference and that the goods attract a preferential rate of duty
- the direct transport / non-manipulation requirements are met
- a valid and original certificate or an invoice declaration is available when preference is claimed
- the certificate or invoice declaration is appropriate for the consignment and that the origin rules are met
- no opportunity to duplicate use of the certificate/invoice declaration
- import preference claimed within the period of validity of the certificate/invoice declaration, and
- original certificates/invoice declarations are retained as part of the audit trail in a safe and secure manner

In relation to the issue of proof or preference or certificates of origin for export, the economic operator should consider the way to ensure that;

- goods qualify for an export preference, for example, they meet the rules of origin,
- all necessary documents / calculations / costing / descriptions of processes to support preferential origin and the issue of a certificate / invoice declaration are retained safely and securely, as part of the audit trail,
- appropriate documents, such as a certificate or invoice declaration are signed and issued, in a timely manner, by an authorised employee,
- invoice declarations are not issued for medium and high value consignments, unless approval by the Customs Authority to do so has already been obtained,
- unused certificates are stored safely and securely, and
- certificates are presented as required to customs at export.

### **Licences**

### **1.03.12 and 13**

An overview of the licensing, etc. aspect of the economic operator's import / export business should be given by the economic operator for the information of the Customs Authority auditors during their on-site visit.

The economic operator should list the goods in respect of which licences / authorisations, etc. are required.

The economic operator should specify the actions it has taken to verify that;

- the tariff classifications of the affected imported / exported goods have been declared correctly, and
- the licence, etc. is fully in agreement with the goods.

Such internal actions would include measures on how the economic operator ensures;

- the goods are, in fact, subject to licence, etc.,
- the licence, etc. is appropriate for the consignment of goods,
- the licence, etc. is in date,
- original licences, etc. are retained, after being controlled ('written off') by the Customs Authority, as part of the audit trail, in a safe and secure manner.

The economic operator should also consider the way to ensure that;

- licences are presented, in a timely manner, as required to the Customs Authority at import or export,
- licences are stored securely and safely,
- unused licences, etc. are stored safely and securely,
- when expired, licences are filed appropriately for easy access for audit by the Customs Authority or other State authority or are returned to the relevant Ministry.

### **Anti-dumping duties**

### **1.03.14**

The economic operator must account for anti-dumping duties and countervailing duties on certain imported goods. In those cases, the economic operator must supply, as appropriate;

- the names of the third countries involved, and / or
- the names / addresses of the manufacturers on whose anti-dumping or countervailing duties must be paid.

### **Comment**

Known future changes are the changes that may influence the organisation of the company, the fulfilment of the AEO criteria or the risk assessment of the international supply chain. This may include, for example, changes in key personnel, changes to the accounting system, opening of new sites, awarding of new logistics contracts, etc.

## **CRITERION 1 Compliance with customs legislation and taxation rules (Articles 7.1 a) and 7.2 of the MO.)**

In essence, compliance with customs legislation and taxation rules by the economic operator and the individuals specified in the MO are based on the last three years preceding the application. However, the record of compliance may be considered as acceptable if the infringements are of minor importance in relation to the number or size of the customs related operations / activities and do not create doubts concerning the overall compliance levels.

In doing so, the Customs Authority will consider;

- irregularities / errors as a whole and on a cumulative basis,
- their frequency, in order to establish if there is a systemic problem,
- if there was any fraudulent intent or negligence,
- whether the Customs Authority was informed voluntarily of the errors / irregularities discovered.
- if any remedial action to prevent or minimise future errors was taken.

### **breaches and quality assurance**

The economic operator must list all breaches of customs legislation and taxation that took place during the past three years, irrespective of whether they were self- discovered or discovered by the Customs Authority. If there are several, provide a total number and a brief summary of the main reasons for the errors.

Examples of breaches of customs rules detected:

January to June 2015 – use of incorrect currency code on imports from China resulting in an over declaration of customs duty and VAT of €5500.

September 2015 – quarterly return not submitted under a Procedure with Economic Impact, for example, Inward Processing (duty suspension) regime (IPR).

Examples of quality assurance measures taken as a result of the two instances listed:

July 2015 - computer system change to prevent entries being finalised until check performed on declared currency.

November 2015 - outstanding return submitted. The related IPR procedures reviewed, to include quarterly management checks and revised instructions issued to relevant employees.

The economic operator's quality assurance measures would normally include;

- the appointment of a responsible contact person within the company to disclose irregularities / errors, including suspicion of criminal activity, to the Customs Authority or other government departments,
- requirements, including frequency, for checks to be performed and evidenced on the accuracy, completeness, timeliness of the recording and maintenance of records, for example, declarations / returns made to the Customs Authority and other regulatory authorities, compliance with the conditions of approvals / authorisations,
- use of internal audit resources to test / gain assurance of the procedures,
- how employees are notified of requirements / changes,
- the frequency of future reviews,
- management checks to ensure procedures followed.

### **Withdrawals of approval**

The economic operator should state if authorisations / certificates been refused or existing authorisations been suspended or revoked because of breaches of customs legislation or taxation rules in the past three years.

The following is an example.

August 2015 – refusal of customs warehouse application due to lack of economic need.

January 2016 – withdrawal of simplified procedure authorisation due to persistent failure to submit supplementary declarations.

The refusal / suspension / withdrawal of any application / authorisation by the Customs Authority will not necessarily result in the rejection of the economic operator's AEO application. However, it has to be taken into account when considering an application for AEO status.

## **CRITERION Accounting and logistical system** *(Article 7.1 c) and article 7.4 of the MO)*

To comply with the criterion, the economic operator must maintain an accounting system that will enable audit-based customs control to be carried out by the Customs Authority. To carry out these controls, the Customs Authority must be permitted to have physical or electronic access to the economic operator's accounting records. Electronic access is not a pre-requisite to comply with this requirement. In addition to the foregoing, the economic operator must also have in place a system or processes and procedures that distinguishes between AEO and non-AEO goods.

### **Sub-criterion 1**

#### **Audit trail**

Many businesses and organisations require an audit trail in their automated systems for security reasons. For any modern enterprise, this requirement is indispensable. An audit trail is a process or an instance of cross-referencing each bookkeeping entry to its source in order to check its accuracy. A complete audit trail enables the economic operator to track operational activities from the flow of goods and products entering, being processed in, where appropriate, and exiting the premises of the economic operator. A complete audit trail also maintains a historical record that enables the economic operator to trace a piece of data from the moment it enters the file until the time it leaves.

The accounting system includes the following;

- general ledger,
- sales ledger,
- purchase ledger,
- assets,
- management accounts.

The logistical system includes the following;

- sales order processing,
- purchase order processing,
- manufacture,
- inventory – storage, warehousing,
- shipping / transport,
- supplier / customer lists.

The economic operator's audit trail should include;

- sales,
- purchases and purchase orders,
- inventory control,
- storage (and movements between storage locations),
- manufacture,
- sales and sales orders,
- customs declarations and documentation,
- shipping,
- transportation,
- accounting, for example, invoicing, credit and debit notes, remittances / payments.

### **Sub-criterion 2**

#### **Accounting system**

The economic operator should indicate if it uses;

- hardware, such as;
  - sole reliance on a free standing personal computer (PC),
  - PCs that are networked together,
  - a server-based computer system,
  - a mainframe-based system,

- other
- software, such as computer programmes that allow the computer to run and execute the software applications that support the business, for example, Windows, UNIX, etc.
- systems (the name of the supplier should be provided), such as:
  - a fully integrated ERP solution,
  - a combination of accounting and logistical software applications,
  - a business software solution, focused on small and medium sized enterprises,
  - a software solution, developed specifically by or for the economic operator's business.

The economic operator needs to demonstrate, during the authorisation process;

- the extent of the computerisation,
- the hardware platform available and the operating system running on it,
- the segregation of functions between development, testing and operations,
- the segregation of functions amongst users,
- how access to the various parts of the system is controlled,
- whether there have been any adaptations to the standard package,
- the list of ledger accounts,
- whether the system makes use of verification interim accounts,
- how liabilities to customs duty, etc. / VAT are recorded in the ledger,
- whether 'batch operations' are being carried on,
- whether the stock and financial records are linked,
- how records are managed, where these are maintained by a third party software provider.

If the activities, for example, setting up standing data or keying data are split between more than one location, each location, where the activities are carried out, should be advised.

### **Sub-criterion 3**

### **Internal control systems**

The economic operator should have a system that corresponds to the type and size of the business and that is suitable to the management of the flow of goods, and have internal controls capable of detecting illegal or irregular transactions.

During the visit by the Customs Authority auditors, the economic operator should provide evidence that the procedures;

- are regularly and fully reviewed,
- any changes are documented and
- affected employees are notified in a timely manner of the procedures and any changes thereto.

Examples of the types of audit may be;

- internal audit within the company by selected employees or by the parent company,
- external audit by customers, independent accountants / auditors, the Customs Authority or other government authorities or agencies.

The economic operator also needs to make any such (audit) reports available when the Customs Authority auditors visit the premises as well as evidence of any remedial action taken to correct any deficiencies identified.

Standing data or master files mean key information about the business, for example, customers' names and addresses, suppliers, product files containing information on the description of the goods, commodity codes and origin etc.

### **Sub-criterion 4**

### **Flow of goods**

The procedures, used by the economic operator, should include;

*For goods arriving at the premises;*

- purchase ordering,
- confirmation of order,
- shipping / transport of goods,
- supporting documentation requirements,
- transport of goods from the Border Crossing Point (BCP) to the premises of the economic operator or the premises of the customers',
- receipt of goods at its own premises or that of the customers' premises,
- payments / settlements,
- how, when and by whom are goods entered into the stock record?

*For goods during their storage at the premises, including a third party premises;*

- a clear assignment of a location for storage of the goods,
- safe storage of dangerous / hazardous goods / high value / excise goods,
- whether stock is recorded by value and / or quantity,
- existence and frequency of stock-taking,
- if a third party's premises is used to store the goods, arrangements in place, including reconciliation between the third party's stock record and the economic operator concerned,
- if a temporary location is used to store the goods, the arrangements in place, including reconciliation between the stock record in the temporary location and the economic operator concerned.

*For goods during the manufacturing process at the premises;*

- raising the works order,
- requisitioning of stock items and delivery from storage,
- manufacturing process, employees' responsibilities, and records maintained,
- recipe codes,
- recording the manufactured product and unused stock in the stock records,
- use of standard manufacturing methods in the production,
- rates of yield.

*For good during the shipping process from the premises (including third party premises);*

- receiving customer order and raising works or delivery order,
- informing the warehouse of the sale order / release of the goods,
- instructions to third party, if goods stored elsewhere,
- picking,
- packing procedures,
- how, when and by whom are the stock records updated?

The checking and quality control procedures should include the following;

*For goods arriving at the premises;*

- reconciliation between purchase order and goods received,
- arrangements for returning / rejecting goods,
- arrangements for accounting and reporting short and over shipments,
- arrangements for identifying and amending incorrect entries in the stock record,
- identification of non-AEO goods within the system.

*For goods during the storage of goods at the premises;*

- recording and controlling the stock,
- identifying AEO and non-AEO goods,



- movement and recording of goods between locations within the same premises or different sets of premises,
- arrangements for dealing with breakages, deterioration or destruction of goods, losses and stock variations.

*For goods during the manufacturing process at the premises;*

- monitoring and management controls of the manufacturing process, for example, rates of yield,
- how irregularities, variations, waste, by-products and losses in the manufacturing process are dealt with,
- quality inspection of manufactured goods and recording of results,
- safe disposal of hazardous goods.

*For goods during the shipping process from the premises;*

- delivery / despatch / collection notes,
- transport of goods to the customers' premises or to the BCP for (re-)export,
- raising sales invoices,
- instructions to customs broker for (re-)exports and raising / availability / control of supporting documents,
- acknowledgement of receipt / evidence of shipment of goods,
- returned goods – inspection, counting and recording in stock,
- payments and credit notes,
- dealing with irregularities, short shipments and variations.

## **Sub-criterion 5**

## **Customs routines**

*As importers and / or exporters, the procedures should include;*

- how the completeness, accuracy and timeliness of self-prepared customs declarations, including performing management checks, are ensured,
- presentation or availability of supporting documentation, for example, licences, certificates, authorisations, etc. and their retention / return,
- correctness of tariff classifications, valuations, origin and customs procedure used,
- role of customs broker
- what customs broker should do, if the instructions from economic operator are unclear,
- relationship of economic operator with customs brokers / third parties
  - maintain up to date details (names and addresses) used,
  - how they are appointed, for example, credibility / suitability checks carried out before appointment,
  - the circumstances in which they are used,
  - contracts, detailing responsibilities, including type of representation, for example, direct, indirect,
  - the way clear and unambiguous instructions are provided,
  - checking / verification of the accuracy and timeliness of the work carried out,
  - how errors / amendments are notified, regarding declarations where the goods have been cleared,
- dealing with irregularities,
- voluntary disclosures of errors to the Customs Authority,

*As third party representatives, the procedures should include,*

- contracts detailing responsibilities, including the type of representation used, for example, direct or indirect,
- how the completeness, accuracy and timeliness of customs declarations are ensured, including performing management checks,
- prompt presentation or availability of supporting documentation,
- how employees are made aware of customers' and contract requirements,
- what is done if the customers' instructions are unclear or the details provided are incorrect,
- what is done if errors / amendments regarding cleared entries are discovered,
- voluntary disclosures of errors to the Customs Authority.

Where these instructions are documented, evidence should be provided, during the visit of the Customs Authority auditors, that they are regularly and fully reviewed, any changes being documented and affected employees notified of the changes.

When dealing with irregularities, the economic operator should provide evidence, during the visit by the Customs Authority auditors, that the instructions / guidelines / procedures in place, are working properly and are regularly and fully reviewed. In addition, any changes are documented and affected employees notified.

Details of detections of any irregularities (or presumed irregularities) and their notification to the Customs Authority during the last year, should be provided.

If there are no instructions or guidelines in place, the economic operator should explain the reasons during the Customs Authority auditors visit to the premises and how they deal with customs routines, as set out in this sub-criterion.

If it trades in goods that are subject to economic trade licences, such as textiles and agricultural products, the economic operator must have appropriate licences and authorisations in place.

Procedures to monitor and control the licensing / authorisation arrangement must be in place and the economic operator should provide evidence, during the visit by the Customs Authority auditors, that the procedures are regularly and fully reviewed, any changes are documented and affected employees notified.

If there are no procedures in place, the economic operator should be able to explain the reasons during the Customs Authority auditors visit to the premises.

## **Sub-criterion 6**

## **Procedures for back-up, recovery, fall-back and archiving**

To comply with this sub-criterion, the economic operator should have satisfactory procedures in place for

- back-up,
- recovery,
- fall-back,
- archiving,
- retrieving of its records and information, and
- protection against loss of information.

The procedures should include;

- the kind of media the data is stored,
- in which software format the data is stored, and
- whether the data gets compressed and, if so, at what stage.

If a third party is used, the arrangements, the frequency and location of any back-up and archived information should be stated.

The period of time that the data is saved in the production system and in the archive system should also be indicated.

If a contingency plan for system disruption or failure exists, the economic operator should indicate how it guarantees the long-term availability of the technical quality of the recording and the availability of the hardware and programme code.

If there is no contingency plan, the economic operator should explain to the Customs Authority auditors how it would cope with a system disruption or failure.

## **Sub-criterion 7**

## **Protection of computer systems**

To comply with this sub-criterion, the economic operator should have appropriate information technology security measures, for example, firewalls and anti-virus protection, to protect the computer system from unauthorised intrusion and to secure documentation.

The economic operator's actions should consider and the related procedures should include;

- an updated safety plan, describing the measures in place protecting the computer system from unauthorised access as well as deliberate destruction or loss of information.
- details of whether multiple systems at multiple sites are operated and how they are controlled,
- the individual responsible for the protection and running of the computer system (responsibility should not be limited to one individual only but to several individuals who are able to monitor each other's actions),
- details of firewalls and anti-virus protection,
- a business continuity / disaster recovery plan, in case of incidents,
- back-up routines, when the system does not work, including restoration of all relevant programmes and data.

The frequency of testing the system against unauthorised access, the recording of these results, and how incidents are dealt with when the system has been compromised, should be indicated.

The economic operator should describe briefly how access rights for the computer systems are issued.

The access rights procedures should include:

- how authorisation for access is issued and how the level of access to computer systems is determined \*access to sensitive information should be limited to employees who are authorised to apply changes / additions to the information);
- the format for setting passwords, frequency of changes and who issues the passwords, and
- removal / maintenance / updating of user details.

## **Sub-criterion 8**

## **Documentation security**

The actions and related procedures should normally include;

- recording and backing-up documents, including scanning and microfiche, and limiting access,
- an updated safety plan describing the measures in place to protect documents from unauthorised access as well as their deliberate destruction or loss,
- the filing and safe, secure storage of documents, including responsibilities for their handling,
- dealing with incidents that compromise document security.

The measures should consider;

- testing the system against unauthorised access and recording the results of such tests,
- business continuity / disaster recovery plan,
- documented remedial action taken as a result of any actual incidents.

## **Criterion 4**                      **Financial solvency**      *(Articles 7.1 c) and 7.4 of the MO apply.)*

Solvency means a good financial standing that is sufficient to fulfil the commitments of the economic operator, with due regard to the characteristics of its type of business activity and will be based on the basis of the last three years. These records should only relate to the applicant making the AEO application.

### **Sub-criterion 1**                      **Proceedings**

Details of any insolvency, bankruptcy or liquidation proceedings taken against the economic operator or the economic operator's assets in the last three years should be provided for the information of the Customs Authority auditors during their on-site visit.

### **Sub-criterion 2**                      **Financial standing**

The economic operator must provide evidence of having a consistently good financial standing that is sufficient to meet its financial commitments, over the past three years.

The evidence or information required could include;

- audit reports covering the past three years and a copy of the latest finalised accounts, if not yet audited,
- letter from the company auditors,
- evidence from its bank or financial institution

The information or evidence may concern also any contingent liabilities or provisions, the net current assets position or the net assets position and the extent of intangible assets.

In some circumstances it may be normal practice for a business to have negative net assets, for example, when a company is set up by a parent company for research and development purposes and when the liabilities may be funded by a loan from the parent or a financial institution.

In these particular circumstances, negative net assets may not be an indicator that the economic operator is unable to pay its legal debts but the Customs Authority may require further evidence such as;

- an undertaking from the lender,
- reference to the use of a guarantee from a parent company,
- a bank facilities letter to satisfy the requirement, or
- if the economic operator is a sole proprietor, a list of any personal assets used to support the solvency of the business.

To determine financial solvency of the economic operator, the Customs Authority may require the submission of the economic operator's annual accounts to be up to date. The Customs Authority may need to inspect copies of the full sets of annual accounts or statements for the last three years during the visit of the auditors. The Customs Authority may also request to see the most recent management accounts to establish the most up-to-date financial situation.

### **Sub-criterion 3**                      **Future events**

If there is anything in relation to the business that could impact of the financial solvency of the economic operator, such as difficulties with suppliers, obsolescence of products, etc. should be communicated to the Customs Authority.

### **Sub-criterion 4**                      **New business**

If it has been in business for less than three years, then the economic operator's financial solvency and status will be judged on the basis of records and information that are available. Such records and information include, for example, latest cash flow, balance sheet and profit and loss forecasts approved by the directors / sole trader.

## **Criterion 4      Security and safety requirements** *(This criterion is not provided for in the legislation.)*

This section, which concerns the security and safety criterion for AEO status, has been included to raise the awareness of the Customs Authority and affected stakeholders to the extent and nature of the requirements that must be met. It should **only** be completed if the economic operator is applying for an AEO (security and safety) certification. The self-assessment for this requirement shall comprise all the premises that are relevant to the customs-related activities of the applicant.

The economic operator should be able to demonstrate a high-level of awareness on security and safety measures, internally and in its business activities with customers, suppliers and external service providers, taking into account its own.

The Customs Authority would normally expect any procedures, inter alia, to be of a sufficient standard and detail to;

- clearly identify both the responsible person and their deputy deputies, and
- enable the deputy to act in the way designated by the responsible person.

All procedures should be documented and made available for the information of the Customs Authority during the audit of the AEO criteria and will always be checked on-site.

The documents that the economic operator is required to produce, particularly in relation to the risk and assessment / security plan, should reflect;

- the role of the economic operator in the international supply chain,
- the nature and size of the economic operator's business, and
- the risks and threats to the economic operator's business.

### **SUB-CRITERION 1**

### **SELF-ASSESSMENT**

#### **Risk and threat assessment / security plan**

The Customs Authority expects a documented risk and threat assessment to have been carried out, either by the economic operator itself or by a security company, if so contracted by the economic operator. Failure to produce this assessment at the visit of the Customs Authority's auditors may result in the termination of the audit and the automatic recommendation that the application be rejected.

The risk and threat assessment has to cover all the premises that are relevant to the customs-related activities of the economic operator. The purpose of the assessment, undertaken by the economic operator is;

- to identify the risks and threats that might occur in that part of the international supply chain in which the economic operator operates, and
- to examine the measures in place to minimise the risks and threats.

The assessment should also cover all the risks related to the security of the role of the economic operator in the international supply chain and should include, for example;

- physical threats to premises and goods,
- fiscal threats,
- contractual arrangements for business partners in the supply chain.

The assessment should address the following matters;

- the goods in which the economic operator deals / trades,
- the specific management of air cargo / air mail, if relevant, such as access, handling, storage, etc.,
- the premises and buildings, used for the storage, manufacture etc. of goods
- personnel, including recruitment, use of temporary workers, sub-contract labour,
- the transport of goods, their loading and unloading,
- the computer system, accounting records and documentation,

- any recently reported security incidents in any of the areas above.

The economic operator should also provide evidence of how often each such document is reviewed and updated. The procedures should include how to report incidents and the frequency of future reviews.

In addition to the foregoing, the Customs Authority will also seek evidence of how and when these procedures are communicated to both employees and visitors.

Failure to produce either a risk and threat assessment or a security plan, during the visit of the Customs Authority auditors, may result in premature termination of the visit and / or rejection of the application.

A review programme should be put in place for the risk and threat assessment / security plan, which should include records of amendments that are signed and dated by the responsible individual.

### **Security risks**

The economic operator should include a description of at least the top four or five perceived risks that it has identified. These risks can arise either within the company itself or in the economic operator's dealings with customers, suppliers and external service providers. The Customs Authority will expect that the economic operator will have assessed and included them in its risk and threat assessment, covering their likelihood of occurrence and the consequences and any countermeasures proposed. Examples of these risks could include;

- smuggling illicit goods.
- contamination of products,
- tampering with goods for export.
- unauthorised access, etc.

### **Security measures**

The economic operator must describe briefly the process for dealing with security measures, including setting up, implementing, monitoring and reviewing them.

The economic operator must identify the individual who is responsible for security measures and specify all his related tasks. There should be one individual, at the appropriate level within the organisation, with overall responsibility for all security measures and with the necessary authority to implement appropriate security measures, when required.

A deputy (up deputies, if considered appropriate and necessary) must also be appointed to take over responsibility, in the absence of the responsible individual.

If a single individual has not been appointed and given responsibility for these security measures, the various departments involved and the overall coordination and management process to set up, implement, monitor and review the security measures, should be indicated.

If external security services are used, the responsible individual within the economic operator's company should manage the contract and ensure a proper service level agreement is in place that meets the AEO requirements, as demonstrated by the various issues highlighted in respect of this criterion.

The responsible individual should be able to explain and have adequate procedures in place for drafting, reviewing and updating all security measures. This individual would normally be responsible for preparing the documents required in relation to the risk and threat assessment and security plan.

The Customs Authority expects the procedures to be sufficient to enable any individual deputising for the responsible individual both to accept responsibility and undertake the task(s) required.

### **Security for multiple premises**

In many cases, there are multiple premises involved and security measures are likely to be site-specific.

However, the governance procedures for setting-up, implementing, monitoring and reviewing these measures may be harmonised across all locations.

In any case, where measures are not harmonised, this may result in an increase in the number of site visits carried out by the Customs Authority auditors.

### **Documented security instructions**

The economic operator should have documented procedures in place to enable and encourage employees and visitors to report any security incidents, for example,

- unauthorised access,
- theft,
- use of unchecked personnel.

These procedures should include how it is to be done, to whom security incidents are to be reported and where these individuals are located.

The procedures should also detail how such incidents should be investigated, reported upon and by whom.

If there are no documented instructions, the economic operator should indicate how it is intended to address this matter and the time scale involved should also be indicated.

Where they are in place, the economic operator has to explain how these security and safety instructions are communicated to employees. Details as to how the economic operator ensures that employees have seen the instructions should also be included.

The economic operator should also explain how security instructions are brought to the attention of visitors. **(See also Procedures dealing with Unauthorised Entry in this Sub-criterion.)**

References to 'security' instructions should not be confused with any instructions required for health and safety reasons – a completely different and separate issue - and made clear to visitors and employees.

### **Security incidents**

This relates to the international supply chain security and not health and safety incidents and examples include;

- losses in warehouse,
- broken seals,
- damaged anti-tampering devices,
- unauthorised entry.

If there have been any incidents during the previous year, the Customs Authority expects that the economic operator's security and safety procedures have been reviewed and amended to take account of any necessary remedial action undertaken.

Evidence will also be required as to how these changes were subsequently communicated to the employees and visitors to the premises.

If any amendments are made, following any review of the economic operator's security and safety procedures, these should be recorded as a revision with a record of the date and the part(s) revised.

### **Certification by authorities / agencies**

The relates to certification by a State authority or a public agency in relation to, for example, transport security.

Such certification includes, for example;

- Regulated Agent (certificate and assessment report),
- Known Consignor (certificate and assessment report),
- TAPA (certificate and assessment report),
- ISO (certificate and quality manual).

The economic operator should ensure that it holds the original documentation, including the assessment report, if it is available, as this may be requested by the Customs Authority auditors during the on-site visit.

The existence of the relevant certification will be taken into account by the Customs Authority when they prepare for and conduct the audit.

### **Security arrangements for particular goods**

The economic operator should include, for example, details as to any hazardous chemicals, high value goods, or excise goods that are regularly imported or exported.

The economic operator should indicate whether these transactions are on a regular or irregular basis.

Details of the security arrangements should be given, for example, special packaging, specific storage requirements, etc. **See also Sub-Criterion 5 (Logistic processes).**

### **Services of security company**

The name and address of the company(s) should be made available and the number of years the security company has been employed by the economic operator should be indicated.

Details of any other services provided should also be given.

If the security company has made a risk and threat assessment, the economic operator should also confirm what, if any, risks were identified in relation to the AEO criteria and whether they have been incorporated in its **Risk and Threat Assessment / Security Plan in this Sub-criterion.**

The documents should show the date(s) when the assessment was conducted and implementation of any recommendations made.

The document should be made available to the Customs Authority auditors during the on-site visit.

### **Security requirements imposed by others**

The economic operator should give an indication of its different customers' / insurance company's requirements and the goods affected by any special requirements, such as particular packaging or storage requirements.

If the economic operator has a wide range of products and requirements, it will be sufficient to summarise them. They will be examined in more detail during the visit by Customs Authority auditors.

## **SUB-CRITERION 2      ACCESS CONTROLS**

### **Premises**

The economic operator must describe briefly the process for accessing the premises - buildings, storage areas, production areas, warehouses, etc. - for employees, visitors, other persons, vehicles and goods.

It should be made clear, where necessary, if any site-specific processes are involved.



For a multi-site application, it may be helpful to describe or provide an image of a general view of the sites.

The procedures should document who has access to which areas, buildings, and rooms and how this access is controlled, for example, by keypads or swipe cards. Access restrictions should take into account the **Risk and Threat Assessment / Security Plan in Sub-criterion 1**.

The systems should be capable of identifying attempts at unauthorised access and to monitor these.

The economic operator must describe the system used to identify all employees and distinguish them from visitors, by the use of, for example, identity cards.

The individual and deputy, who is responsible for checking that these procedures are complied with, should be identified.

#### **Unauthorised entry**

The economic operator's reply should confirm the procedure(s) to be followed when dealing with an unauthorised individual / vehicle is discovered on the grounds or buildings of the premises, by reference to the **Risk and Threat Assessment / Security Plan in Sub-criterion 1**.

Details of any cooperation with other security organisations / law enforcement agencies who share knowledge of such matters should be included.

The economic operator should also refer to **Documented Security Instructions in Sub-criterion 1**

The individual / deputy, responsible for checking that these procedures are complied with, should be identified.

#### **Site plan(s)**

A site plan should be made available by the economic operator showing, in respect of each location that is involved in customs-related activities, layout, borders, access routes, buildings, etc. This should be provided for the information of the Customs Authority auditors.

Whilst a plan is not mandatory, any illustration will assist the Customs Authority in preparation for the audit and may reduce the time required during the on-site(s) visit by the auditors.

The plan could be or include a satellite / internet image of the site, if available.

Any image or plan presented should contain the date when produced and be otherwise uniquely identifiable to form an audit trail for the AEO application.

#### **Other companies at location(s)**

Particular attention should be paid to any outside companies at the location(s) /site(s) of the economic operator that are merely tenants rather than those involved in making supplies to or for the economic operator.

Tenants may pose special security issues and any arrangements covering, for example, their segregated entry and occupancy within the economic operator's area should be briefly described. **(See also Security Imposed by Others in Sub-criterion 1.)**

### **SUB-CRITERION 3      PHYSICAL SECURITY**

In order to comply with this sub-criterion mentioned, the economic operator should ensure that the premises, including external perimeters / boundaries, buildings, outside storage space, car parks, etc., used in connection with the operations to be covered by the certificate, are secure and safe.

Buildings should be constructed of materials that which prevent unlawful entry and provide protection against unlawful intrusion.

Appropriate access control measures should be in place to prevent unauthorised access to premises, manufacturing areas, shipping areas, loading bays, cargo areas and offices.

Such measures will depend on the size and type of the business, the type of goods involved, etc.

### **perimeters**

This covers where the economic operator has visible external boundaries to its premises, for example, fences and gates. The Customs Authority expects all external and internal windows, gates and fences to be secured with, for example, locking devices, alternative access monitoring or control measures such as internal / external anti burglar alarm systems or Closed Circuit TV systems (CCTV).

Details as to;

- how compliance with these procedures is checked,
- the frequency of checks to buildings and any fences,
- how security incidents are reported and dealt with,

should be contained in the document, prepared in relation to the **Risk and Threat Assessment / Security Plan in Sub-criterion 1.**

Reference(s) should be provided to the appropriate paragraph, section or page (revision / date) of that document.

### **Access**

The economic operator should list all access points, preferably with reference to the site plan. Details of any fire escapes showing access stairways should be included. Those access points, designed for cargo (un)loading and those for utilities, counters for public access, drivers' rest areas should also be distinguished. The location where any security guard offices / guardhouse should be stated.

The description of how these points are observed should include, where appropriate the type of CCTV (e.g. static camera or pan tilt and zoom), how they are controlled and whether the image is used proactively or reactively.

In addition to external access controls, the economic operator should also describe internal access controls, including, where appropriate, internal access within shared premises.

The economic operator should also confirm whether the premises operate on a 24 / 7 basis, for example, shift working) or normal office hours.

### **Lighting**

The economic operator should describe how the premises is / are illuminated, such as continuous light, movements sensors, twilight switch, etc.

If appropriate also the economic operator should also include details of any back-up generators or devices in place to ensure constant lighting to cover when local power supply is interrupted and how this is maintained.

### **Keys**

The economic operator should indicate how the use of keys is administered within the premises, in terms of location, access and logging.

The economic operator should indicate how keys are identified and the procedures that are in place to prevent misuse and how any loss is dealt with.

Procedures should exist for authorised employees only to have access to keys to locked buildings, sites, rooms, secure areas, filing cabinets, safe, vehicles and machinery. The procedures should also include;

- the specially appointed place where the keys are kept,
- the person responsible for controlling the security of the keys,
- the recording of when the keys are taken, by whom, why and their return,
- dealing with losses, failures to return keys.

The details of any lock-up procedures and, if appropriate, the master key holders responsible for closing down the premises at night and re-opening on the next working day should be provided.

The economic operator must provide details of other “key” devices as “radio keys” used, for example, to remotely operate a car park barrier) in use and to whom they have been issued.

### **Car parking**

The economic operator should set out the car parking arrangements on the premises, if permitted.

The economic operator’s procedures should include;

- how visitors with private vehicles attending the premises are controlled / recorded,
- how employees’ vehicles at the premises are controlled / recorded,
- specially designated car park areas for visitors and employees that are not close to secure areas, for example, loading bays, to avoid the possibility of theft, obstruction or interference checks that parking requirements are being adhered to,

The economic operator should explain whether visitors’ cars are segregated from employees’ cars. Details of any other vehicles that have temporary access to the site(s), for example, taxis or employees bus, should also be included.

The economic operator should ensure that there are procedures in place to ensure that authorisations to use the car park are regularly reviewed and updated to take into account changes of employees’ cars. Details should also be provided, if employees are issued with a parking permit and the mechanism for entering / exiting the car park, for example, by way of a card swipe barrier.

The individual(s) responsible for approving the parking of cars should be listed by the economic operator.

Any process or procedure employed for vehicle checking, for example, if barriers are manned during peak hours to control tail-gating and to ensure proper control of all vehicles should be detailed.

Any written regulations covering car parking and how these are communicated to the employees should be described. Confirmation should also be provided by the economic operator as to whether such regulations have been included in the security assessment.

## **Sub-criterion 4                      Cargo Units**

In order to comply with the sub-criterion, measures for the handling of goods include protection against the introduction, exchange or loss of any material and tampering with cargo units should be put in place.

Cargo units include containers, tankers, vans, lorries, vehicles, pipelines, etc., in which the economic operator’s goods are transported. Procedures should be in place to examine the integrity of the cargo unit before loading and

during unloading. Details of the owners / suppliers of the cargo units must be made available during the visit by the Customs Authority auditors.

### **Access**

The integrity of cargo units should be ensured, for example, by placing them under permanent monitoring or keeping them in a safe, locked area or by inspection prior to use. Only properly identified and authorised persons should have access to the cargo units. The procedures should include;

- how access to the area where the cargo units are held is controlled for, for example, employees, external truck drivers, etc.)
- that only authorised persons have access
- how monitoring of the units is maintained at all times, for example, by nominated responsible employees and deputies.

Planned and random checking by responsible employees in the affected areas to ensure and assure the presence of authorised employees, with each such check noted in the appropriate record.

### **Unauthorised access**

The economic operator must ensure that unauthorised access to and tampering with cargo units, especially in open storage areas is prevented. This can be achieved through constant supervision, training employees and making them aware of the risks, proper use of seals and instructions on what to do in the case of unauthorised entry.

The procedures should include;

- who is the responsible person to whom incidents are reported?
- how incidents are reported and recorded,
- what action should be taken, including reporting to the police / senior management,
- review and amending existing procedures,
- notification of any changes to employees.

The Customs Authority expects to see evidence of these checks during the audit visit.

### **Seals**

The type of seals used by the economic operator and any standards, such as ISO, satisfied by the particular seals used should be stated.

The name of the manufacturer, the procedure for issuing seals and for recording their issue, usage and removal should also be described.

Document the procedures for dealing with broken and tampered seals.

If seals are not used, the economic operator should explain how it ensures that goods have not been tampered with.

### **Checking cargo units**

Depending on the cargo unit used, a seven-point inspection process should be carried out (to include tractor unit);

- front wall,
- left side,
- right side,
- floor,
- ceiling / roof,
- inside / outside doors,
- outside / undercarriage.

### **Maintenance**

The economic operator must provide details of;

- the owners / operators of the cargo units,
- the maintenance programme and routine (whether carried out in-house or by a third party).

Maintenance should be done routinely and not just in cases of damage or incidents. If maintenance is done externally or outside the supervision of economic operator's employees, the cargo unit's integrity should be inspected when returning to the premises.

The procedures should include;

- the requirements for the economic operator's employees to check the integrity of the units on their return,
- the nature, type and extent of the checks carried out, when and by whom,
- how your procedures are communicated to employees?
- management checks and their frequency to ensure units are re-examined.

The economic operator should explain whether it routinely checks all cargo units, both before accepting any incoming load and before loading goods for despatch and whether have inserted procedures have been inserted in the documents referred to in the **Risk and Threat Assessment / Security Plan in sub-criterion 1.**

## **SUB-CRITERION 5                      LOGISTICAL PROCESS 5.5**

### **Means of transport**

This covers the movement of the economic operator's imported and / or exported goods between its premises and the BCP, across third countries and within different sets of premises.

The economic operator should list all modes of transport used starting or ending within its premises and entering the international supply chain. Indicate the mode of transport used.

The economic operator should list all external service providers, such as freight forwarders / carriers, that it uses.

It should also indicate how it establishes it they meet the required security standards, by way of a security certificate, declarations or agreements. Reference should also be made to **Sub-criterion 13 (External services).**

## **SUB-CRITERION 6                      NON FISCAL REQUIREMENTS**

This sub-criterion deals with goods that are subject to non-fiscal requirements, such as dual-use goods, goods that are subject to licence or goods that are subject to export restrictions or embargoes.

In order to comply with the sub-criterion criterion, where applicable, procedures should be put in place for handling;

- such goods and being able to distinguish them from other goods,
- import and / or export licences relating to prohibitions and restrictions.

The procedures should ensure compliance with the relevant legal provisions regarding these goods, for example, the management of licences, authorisations, specially trained employees, etc.

The process and procedures for identifying who is responsible for ensuring licences, etc. are in place and action required when missing should be documented by the economic operator.

Any additional security measures, which the economic operator may need to have in place to cover dual-use goods, should also be described

This **section supplements 3.5.3 and covers non fiscal requirements.**

## **SUB-CRITERION 7      INCOMING GOODS    5.7**

In order to comply with this sub-criterion, appropriate access control measures should be put in place, by the economic operator, to prevent unauthorised access to unshipping areas, loading docks and cargo areas.

### **Security of arrivals**

The procedures must describe arrangements, from when an order is placed for the goods all the way through to the delivery for the international supply chain and ultimate arrival at the premises of the economic operator.

Stakeholders, such as suppliers, freight forwarders, customs brokers, hauliers, packers, carriers, etc., in the international supply chain, play a part in these procedures, to the extent of their respective involvements.

The documented procedures should show the flow of goods and related documents and include the other stakeholders involved. how

The procedures must describe how compliance with the arrangements is carried out, ensured and assured

### **Informing employees**

When there are existing arrangements on security and safety measures with domestic and / or third country suppliers, employees should be made aware of these arrangements and the related procedures established to verify their commitment to them.

The economic operator should describe the process whereby employees are informed about security, the frequency of any retraining and consider the evidence required to substantiate this to the Customs Authority auditors and for any AEO review.

The procedures of the economic operator should also include;

- appointing employees responsible for receiving the driver and the goods at arrival,
- maintaining a schedule of expected arrivals,
- dealing with unexpected arrivals,
- recording the transport documents and customs papers accompanying the goods,
- comparing the goods with the accompanying transport documents and customs papers,
- checking the integrity of any seals,
- recording the completion and results of any checks.
- informing the Customs Authority on arrival of goods to enable them to perform the necessary controls,
- weighing / counting / tallying the goods against the picking list / purchase order,
- testing quality,
- ensuring the goods are adequately marked before going into stock to enable identification,
- identification and reporting of discrepancies or quality control failures,
- informing the purchase department and the administration of the receipt of goods.

In the case of the economic operator dealing in high value / risk goods, the arrangements may be that the goods;

- must arrive in the same condition they left the supplier,
- be sealed at all times,
- have not breached any security or safety requirements.

In addition, and underpinning the control aspect, these procedures should also include;

- communicating such arrangements to employees responsible for receiving incoming goods so that they are aware of what to do, in particular, if an irregularity is discovered,
- reviewing and updating these procedures on a regular basis,
- management/supervisory checks to ensure employees are following these requirements.

### **Integrity of seals**

The economic operator should briefly set out the type of goods being imported, focusing on whether they arrive in sealed containers or loose, as part of a groupage load, which is broken down into its separate consignments.

On arrival of a sealed cargo unit, measures should be in place to ensure;

- correct treatment of the seal,
- the seal is actually intact, and
- there is no evidence of tampering.

Once satisfied, from a visual inspection, the economic operator can then proceed to physically test the seal by applying suitable pressure to ensure it is still intact.

In case the economic operator is dealing with specific types of goods requiring specific security measures, such as air cargo / air mail, the procedures should include how the measures are applied and their application checked. For example, in case the economic operator is a Regulated Agent whether and how the economic operator checks the haulier declaration and the identity of the haulier for the transportation of secure air cargo / air mail from a Known Consignor would have to be included in the procedures.

### **Marking of goods and storage**

The economic operator should indicate whether, and to what extent, if any, the goods are marked and how, or stored in separate areas and where,

### **Counting and weighing**

Where counting is necessary, the procedure should describe when, how and where it is carried out. The main objective of the procedure is to avoid double-counting or under-counting. The employees required to be present, the method of counting and records kept should also be included.

The same general principles apply in the case of weighing. Special care is required in relation to the balancing of the weighing scales prior to the weighing of the goods. Packages should be weighed gross and tared. A representative sample of packages should be weighed and the results extrapolated to the total consignment, if the packages are of uniform size.

Depending on the nature of the goods in which the economic operator deals, counting, weighing or quantification may not be appropriate. An alternative method for accounting for incoming goods should be described.

In all of these cases, compliance with the specific procedure requires to be evidenced.

### **Checking goods against documents**

The economic operator's procedures should include;

- how (on the basis of which documents), when and by whom are goods received entered in the stock records,
- checking the goods against loading lists and purchase orders,
- recording the goods in the stock record, as soon as possible after their arrival.

### **Segregation of duties**

This will depend upon the size and complexity of the economic operator's business. However, ideally, there should be a segregation of duties between;

- the ordering of the goods (purchase),
- the receipt (warehouse),
- the entering of the goods in the system (administration), and
- the payment of the invoice.

The extent of integration of internal control mechanisms between the sections dealing with goods should be set out.

## **SUB-CRITERION 8      STORAGE OF GOODS**

The procedures, which cover goods that are part of an international supply chain, should include;

- a designated area, in the location (or in each of the locations used, if more than one), for storage of the goods that is both secure and safe and clearly known to the responsible employees,
- outside and inside storage area(s),
- storage area(s) only accessible to authorised employees,
- regular stock-takings,
- controlling incoming goods, transfers to other premises, permanent and temporary removals,
- action to be taken if irregularities, discrepancies, losses or theft are identified,
- handling and processing of goods and their return to stock,
- separation of different types of goods, where appropriate, for example, AEO, non-AEO goods, other customs-controlled goods, high value, hazardous, air cargo / air mail,
- maintaining and updating stock records promptly, including the location of the goods,
- addressing all aspects of physical security of the storage facility.

Standards of security and safety will depend on the type of goods, size and complexity of the business that could range from a single room in a block of offices to a large multi-sited business operating in many locations, both national and international.

### **Outsourcing storage**

In case of subcontracting the storage of goods to a third party or service provider, company /companies in charge of the storage and the location(s) of the goods should be indicated.

The control measures, by the economic operator, apply to supervising the handling of goods should be specified.

## **SUB-CRITERION 9      PRODUCTION OF GOODS**

**This only covers the production of goods that form part of an international supply chain.**

Production in this context can include a range of activities such as manufacturing from raw materials through to assembly from bought-in parts.

### **Locations**

In relation to the description of the production process, the economic operator should indicate whether those working in the production area are permanent employees or temporary workers.

The location(s) of the production in the premises should be described and, if possible, its (their) location(s) on a copy of the site plan should also be indicated. **(See also Sub-criterion 2.)**

In any case where production is carried out by an external partner, for example, job processing, drop shipments, how the integrity of the goods is ensured should be described, for example, by way of contractual agreements.

### **Security**

The security measures put in place to protect the goods against unauthorised access to the production area, should be set out in writing by the economic operator.

The procedures should be supported by appropriate references to the to the **Risk and Threat Assessment in Sub-criterion 1.**



The necessary compliance checking should be supported by suitable evidence that is signed and dated.

If there are no security measures in place, the economic operator should be requested to explain the reasons,

### **Packing goods**

The procedures for the packing of goods should be described in writing.

Any reference to technological aids to packing integrity, for example, weight checked or CCTV surveillance, etc. should be included by the economic operator. Any securing process, both of the individual packages and how the packages are consolidated should also be described, for example, palletised.

Details, as to when consignee (address) is known and how this knowledge is controlled, should be provided.

### **Packing by third party**

In any case where the packing of goods is outsourced to a third party, how the integrity of the goods is guaranteed should be described, for example, by way of reference to any contractual and or service level agreements with the third party. The Customs Authority will want to see these.

This also includes situations where packages may be consolidated.

## **SUB-CRITERION 10    LOADING OF GOODS**

### **Managing loadings**

The economic operator should describe briefly how the loading of goods is managed through, inter alia,

- allocation of responsibilities between departments, if appropriate, and employees,
- checking of goods,
- means of transport,
- recording of results,
- provision of information.

The instructions should be in writing. If not, the economic operator should explain how the process is managed.

Employees should be assigned to supervise loadings to prevent goods being loaded unsupervised or left behind.

The economic operator's procedures should include;

- appointment of employees responsible for receiving the driver and the loading of the goods,
- ensuring that assigned employees are present at all times,
- arrangements when assigned employees are not available, for example, appointment of deputies,
- loading taking place only in the presence of authorised employees,
- arrangements for weighing, counting, tallying and marking of goods,
- dealing with discrepancies / irregularities,
- the application of seals on containers / vehicles and recording details on documents / records,
- ensuring that seals have been used for appropriate goods, meet standards that have been laid down and applied according to legal requirements,
- recording the transport and customs documents accompanying the goods in the records,
- comparing the goods with the accompanying transport and customs documents,
- recording the completion and results of the checks,
- informing the Customs Authority, as required, on departure of the goods to enable them to perform the necessary controls,
- informing the selling department / administration on the departure of goods,
- how (on the basis of which documents), when and by whom are the goods loaded recorded in the stock records,

- checking the goods against loading lists and selling orders,
- recording the goods out of the stock, as soon as possible after departure of the goods,
- acknowledging receipt of the goods and any irregularities by your customers,
- proof of export where appropriate.

### **Customers' specific requirements**

This only applies if (some) customers of the economic operator have agreed specific requirements, for example, that all goods must be sealed, packed and labelled in a certain way for X-ray requirements.

If so, employees should be made aware of these arrangements.

The procedures should include management / supervisory checks to ensure employees follow the requirements.

These procedures should be reviewed and updated on a regular basis. **(See also Sub-criterion 1.)**

### **Irregularities 5.10.7**

Evidence to support the control mechanisms that the economic operator has in place for detecting irregularities should be described briefly.

This issue should be referenced to the appropriate area in **Sub-criterion 1 (Risk and Threat Assessment)** relating to security requirements for business partners.

Irregularities may include customer returns, unauthorised drivers, broken anti-tampering devices, etc.

## **SUB-CRITERION 11 SECURITY REQUIREMENTS FOR BUSINESS PARTNERS**

To comply with this sub-criterion, the economic operator should have implemented measures allowing a clear identification of its business partners, in order to secure the international supply chain.

Business Partners can be suppliers (of goods or services) or customers.

### **Choosing business partners**

The economic operator should describe briefly the security and safety requirements it applies in choosing appropriate business partners and may include, inter alia, security declaration, contractual requirements or trade with partners that have their own AEO status.

The economic operator will only be held responsible for its part of the international supply chain and for the goods which are under its control. Only through security declarations, contractual requirements between business partners can the security of the international supply chain be ensured.

Requirements for the economic operator's suppliers could include, for example, that all goods must be marked, sealed, packed, labelled in a certain way, subject to X-ray checks, etc. and the suppliers keep to any laid down international standards.

Where such requirements exist, the economic operator's procedures should include;

- where possible, regular visits to the supplier's business premises to verify requirements are being adhered to,
- communicating these arrangements to the economic operator's employees to check compliance on arrival of the goods,
- arrangements for employees to report irregularities / incidents,
- management / supervisory checks to ensure employees are following these requirements,
- remedial action taken as a result of any identified breaches of these arrangements,

- review and update of procedures on a regular basis.

The Customs Authority would expect to see the documentary evidence that the economic operator has in support of compliance with this requirement. Such documents would include the record of checks applied. These should be made available for inspection during the visit by the Customs Authority auditors.

#### **Verifying identity of trade partners**

This involves the process of searching information from the internet, trade partner website, publicly available information, other appropriate sources, to confirm the bona fides of trade partners before accepting / placing orders.

The economic operator would be expected to support its position by documentary evidence, which should be made available to the Customs Authority, for inspection by the auditors during the on-site visit.

Such documents would include the economic operators' record of checks applied, which should be made available for inspection by the Customs Authority auditors during the on-site visit.

#### **Breaches of security detected**

This concerns the number and nature, if any, of breaches of the security arrangements in place with trade partners over the course of the past year.

Whether there were breaches or not, the economic operator would be expected to support the facts with documentary evidence.

The Customs Authority would expect to see the evidence in support of the facts adduced.

The Customs Authority would also expect that any such breaches would be reflected in the documents referred to in the **Sub-criterion 1 (Risk and Threat Assessment)**, together with a suitable revision and additional counter-measure(s).

### **SUB-CRITERION 12 PERSONNEL SECURITY**

To comply with the sub-criterion, the economic operator should;

- have an employment policy in place that deals with security and safety requirements,
- carry out appropriate security checks on employees,
- conduct relevant training for employees and temporary workers, and
- engage in security awareness programmes for employees and temporary workers.

#### **Employment policy**

This deals with the employment policy of the economic operator as it relates to meeting the requirements of security and safety. In this area, it is important that the individual responsible should be identified at the outset.

The employment policy of the economic operator should reflect its security requirements, based on the risk assessment. The procedures, which should be in writing, should include;

- performing background checks on new and existing employees who will be working in or moving to security sensitive positions,
- seeking and taking up references on recruitment,
- identifying critical security posts and carrying out necessary background checks, to include convictions,
- requirement for employees to notify their manager of police cautions / bail, pending court proceedings, convictions,
- removal of computer access, return of security pass and similar actions, when employees leave or are dismissed,

- disclosure by employees of any other employment.

Any compliance-checking should be properly evidenced, by way of initial and date in a suitable record.

### **Employee security**

Procedures for the checking of employees should be in place and documented by the economic operator. referred to in **Sub-criterion 1 (Risk and Threat Assessment)**.

These procedures should cover how prospective new employees are checked before being offered employment and the process of induction and training, which should include the company's security instructions. All new employees should provide appropriate certification to indicate their understanding of the issues.

Procedures should also cover what measures are taken in case existing employees are transferred to security sensitive areas.

### **Security training**

All employees / temporary workers should receive appropriate training, regarding security and safety, such as;

- security protocols,
- detection of intrusion / tampering,
- reporting of incidents, and
- risks associated to the international supply chains.

The frequency of the training should be specific, including details of the different programmes delivered.

The nature and extent of (annual) refresher training should be specified.

A unit or a group of individuals (internal or external) should be responsible for providing training to the permanent employees and temporary workers.

Training should be updated, if there are changes, and a record made of all training activity should be maintained.

Written records of all training delivered should be maintained

For any external supplier, a suitable Service Level Agreement should be obtained. **(See Sub-criterion 13 (External services).)**

The Customs Authority auditors are likely to see details of all such training delivered, in addition to reviewing agreements with any external suppliers.

### **Temporary workers**

The company should have security requirements in place regarding the use of temporary workers, including the nature, extent and frequency of checks applied.

The economic operator's related procedures, which should be in writing, should include;

- contracts with employment agencies, detailing levels of security checks to be performed, on permanent employees and temporary workers, prior to and after appointment,
- use of only known agencies who meet specified requirements,
- similar security standards for both permanent employees and temporary workers. **(see Employment policy).**

The location(s) within the company's premises, where temporary workers are employed, should be specified.

The economic operator should ensure that all temporary workers are subject to and made aware of the same security standards as apply to other (permanent) employees. All temporary workers should be checked to the same standard as permanent employees. The frequency of such checks, how are they carried out and by whom, should be stated by the economic operator.

As it is common for such (temporary) workers to be procured by an external temporary employment agency, such agencies should be subject to service level agreements (and procedures should exist to ensure standards provided for in these agreements are maintained by the company and evidenced within the economic operator's records. **(See Sub-criterion 13 (External services).)**

The Customs Authority would expect that all temporary workers to have been checked to the same standard as permanent employees. As it is common for such (temporary) workers to be procured by an external temporary employment agency, such agencies should be subject to service level agreements **(see also 5.13)** and procedures should exist to ensure standards provided for in these agreements are maintained by the company and evidenced within the economic operator's records.

### **SUB-CRITERION 13    EXTERNAL SERVICES**

This is the final sub-criterion that must be complied with by the economic operator.

If services are outsourced, for example, transportation, security guards, cleaning and maintenance, any related security demands should be incorporated into the contractual arrangements made with the external contractors.

A list of all such external provider companies, setting out the services they provide, should be prepared by the economic operator and made available for the Customs Authority auditors during the on-site visit.

The economic operator should describe briefly what services are provided by each such external service provider and to what extent.

The economic operator should also have ready all contracts and service level agreements with all external service providers covering security matters, such as identity checks on employees and other related security matters.

With regard to how compliance with the procedures, which that are included in these agreements, is checked, the economic operator should describe how;

- the contract is monitored,
- any irregularities are handled, and
- the procedures are reviewed.

Compliance with the requirement relating to external services should be supported by reference, as appropriate, to **the Risk and Threat Assessment** described at **Sub-criterion 1**.

Any checks, on compliance with these procedures, should also be supported by suitable evidence, which should also be signed and dated and made available to the Customs Authority auditors during the on-site visit.