EXPLANATORY NOTES FOR AEO SELF-ASSESSMENT

The purpose of the AEO Self-assessment is to help you appreciate the requirements associated with obtaining AEO status and provide Customs with additional information about you and your business to that provided in your application. These explanatory notes provide you with both guidance on how to answer the questions as well as information on the standards customs expect you to achieve and demonstrate to customs in order to gain AEO authorisation.

To apply for AEO status you will need to complete and send to customs **the AEO application; if you use the self-assessment tool, it would be recommended to attach it to your application as it will facilitate customs evaluation of your application and also the subsequent examination.**

If you are the holder of an internationally recognised accreditation, this will be taken into account when customs consider your application where the AEO requirements are identical or comparable. If you currently hold accreditations, include the details in Box 15 of the application form but you must still answer the relevant question in the self-assessment. You will need to produce evidence that you hold the accreditation during the authorisation process.

The conditions and criteria for AEO authorisation relevant to each category of business will apply to all businesses regardless of their size. However it is accepted that the standard of compliance will vary and be in proportion to the size and complexity of the business, type of goods handled etc. For example, all applicants seeking Security and Safety certificate will have to demonstrate the adequacy of the physical security of their premises.

Section 1 Economic operator Information

1.01.1 Provide the names and home addresses as requested. Include only shareholders who are involved in the day to day working/decision making of the company. The legal representative(s) is the person or persons responsible for representing you in matters involving customs law. They will be solicitors, lawyers, barristers etc who may either be employed directly by you or appointed by you to represent you in customs legal matters.

1.01.2 Provide a brief description eg manufacturer and distributor of car accessories, freight forwarder, mail order company, exporter of pharmaceuticals.

1.01.3 Provide details of both location (address) and business activities at that site/subsidiary. If you have numerous sites and subsidiaries, provide details of the five principal locations as well as the total number of locations.

You must provide full details of all the sites and their activities during the authorisation process.

1.01.4 The purpose of this question is to determine whether you are acting in your own capacity or on behalf of other businesses, for example:

- A warehousekeeper who stores only their own goods or an importer importing goods only for themselves may be said to act in their own name and on their own behalf
- A warehousekeeper storing their own goods as well as those belonging to other businesses or an importer importing for themselves and 4 other businesses may be said to act in their own name and on behalf of another person
- A warehousekeeper only storing goods belonging to other businesses or an agent acting as a direct representative may be said to act in the name and behalf of other businesses

1.01.5 This is to determine whether you trade (goods, not services) with your associated businesses or not. For example, all your purchases are from your parent company in the USA or you import on behalf of and distribute to associated businesses. You must provide full details during the authorisation process.

1.01.6 You should provide details of any accredited standards you hold which are:

- relevant to this self-assessment
- independently recognised

Details of any internationally recognised standards should be included in your answer to question 15 of the application form.

1.02.1 The documented structure could be in the format of an organisational chart of the whole of the business which should include:

• The different areas/departments of your business, their functions/responsibilities and the management chain

1.02.2 Provide the (approximate) number known at the time of submission of your application.

1.02.3 This should include for example the managing director, divisional heads, accounts manager, finance manager, customs manager etc.

1.02.4 The procedures should outline the arrangements for dealing with temporary or short term absences of key staff eg customs manager, import clerk including how their normal responsibilities are covered and by whom.

1.03.1 If you are a new business and have fewer than three full sets of accounts, provide details from those which have been completed. If you have not traded long enough to have produced any finalised full sets of accounts, state "not applicable".

1.03.2 As per 1.03.1.

1.03.3 This includes any sites which you own or belong to a third party, eg warehouse. Provide an approximate figure in square or cubic meters of the total storage capacity covering all sites. The average % used should reflect any seasonal variations. You may find it easier to provide this information per site, if the number of sites does not exceed five.

1.03.4 An example:

	Import Number/value	Export Number/value	Transit Number/value
2004	2200 - Rs9.6m	400 - Rs2.6m	150 - Rs0.8m
2005	2500 - Rs10.3m	350 - Rs2.2m	100 - Rs0.4m
2006	2400 - Rs10.2m	340 - Rs2.1m	100 - Rs0.5m

For customs agents/third party representatives, include all declarations made both in your name and on behalf of others.

1.03.5 An example:

	Customs duty	Excise duty	VAT
2004	Rs300k	Nil	€1.75m
2005	Rs400k	Nil	€1.87m
2006	Rs380k	Nil	€1.85m

For customs agents/third party representatives, include all revenue paid through your customers' or your payment facilities.

1.03.6 Please see example and comments at 1.03.4

1.04.1 Provide details of no more than the 5 main countries with which you deal, e.g. USA, China, UK, Canada, France.

1.04.2 The procedures should include:

- The name and position of the member of staff responsible for classifying your goods or if you use a third party to do this work, include their name
- If you use a third party, how you ensure that this work has been done correctly and according to your instruction
- Whether you maintain a product file in which each article is linked to a commodity code with the appropriate duty and VAT rates
- How you classify new goods/products - including the information used to

classify the goods e.g. up to date Tariff,
How, by whom and the frequency you review the classifications and update the product file and any other dependant records as well as notifying any persons affected by the change e.g. agent, purchasing staff

During the authorisation process you might need to make available:

- Details/lists or product files of your products and their relevant commodity codes and duty rates
- The resources/information, e.g. up to date Tariff, technical information you usually use to classify your goods

1.04.3 Tariff preferences allow you to claim a reduced or nil rate of duty on your imports from preference-giving countries

1.04.4 Your procedures should include how you ensure:

- 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
- Original certificates/invoice declarations are retained as part of the audit trail in a safe and secure manner

1.04.5 Your procedures should include how you ensure:

- Goods qualify for an export preference e.g. meet the rules of origin
- All necessary documents/calculations/costings/descriptions of processes to support preferential origin and the issue of a certificate/invoice declaration are retained as part of the audit trail in a safe and secure manner
- Appropriate documents e.g. certificate or invoice declaration are signed and issued timely by an authorised member of staff
- Invoice declarations are not issued for medium and high value consignments unless you have been approved by customs to do so
- Unused certificates are stored safely and securely
- Certificates are presented as required to customs at export.

1.04.6 Details of the types of licences, permits, certificates or restrictions

1.04.7 Your procedures should include:

- Ensuring your goods are not subject to a prohibition or embargo
- How you control dual-use goods
- Determining how and when a licence/permit is required
- Obtaining the appropriate licence from the issuing authority at the correct time

- Ensuring the licence covers the consignment and is valid e.g. not out of date
- Presenting/making available, attributing and surrendering in accordance with Customs and other regulatory bodies' requirements

- Entering in records and retaining copies if appropriate as part of an audit trail.

1.04.8 Details on anti-dumping and countervailing duties.

1.04.9 Provide as appropriate:
- The names and addresses of the manufacturers

on whose goods you have to pay anti-dumping or countervailing duties.

1.04.10 Details on the valuation of goods.

Your procedures should include:

- Valuation method(s) used
- How valuation statements are completed and submitted when required

- How the customs and VAT values are determined
- How freight and insurance costs are accounted for
- Any customs valuation rulings
- Buyer and seller relationship and the influence the relationship may have on the price of the imported goods
- Restrictions on the disposal of the goods by the buyer
- If the sale or price is subject to some condition or consideration for which a value cannot be determined with respect to the goods being valued
- Royalties and licence fees related to the imported goods payable either directly or indirectly by the buyer as a condition of sale
- Arrangements under which part of the 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) or of 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
- Other costs than those associated with the delivery of the imported goods included in the price payable
- How the person who makes the declaration is aware of possible costs not directly linked to a consignment

Section 2 Compliance Record

Your compliance record will be based on the last 3 years preceding the application. During that time you should not have committed a serious infringement or repeated infringements of customs rules. However, the record of compliance may be considered as acceptable if the infringements are of minor or negligible importance in relation to the number or size of the your customs related operations/activities and do not create doubts concerning your overall compliance levels.

Customs will take into account the compliance of:

- the applicant
- the persons in charge or exercising control over the management of the business
- the legal representative in customs matters, if applicable
- the person responsible for customs matters.

In doing so, customs will consider:

- irregularities/errors as a whole and on a cumulative basis
- their frequency to establish if there is a systematic problem
- if there was any fraudulent/negligent intent
- notified Customs voluntarily of the error/irregularities you discovered
- if you took any remedial action to prevent or minimise future errors

If the persons exercising control over the management of the business are established or resident in a third country, their compliance shall be judged on the basis of records and information that are available.

If you have been established for less than 3 years, then your compliance will be judged on the records and information available, including your involvement in previous businesses.

2.01.1 For example:

> May 2005 - Refusal of customs warehouse application due to lack of economic need.
>
> The refusal/suspension/withdrawal of any customs application/authorisation will not necessarily result in the rejection of your AEO application.

2.01.2 This refers to both financial and regulatory (e.g. licensing) irregularities/errors. Your

procedures should include:

- The appointment of a responsible contact person within your business to disclose irregularities/errors, including suspicion of criminal activity, to Customs or other government departments
- Requirements, including frequency, for checks to be performed and evidenced on the accuracy, completeness and timeliness of the recording and maintenance of records e.g. declarations/returns made to Customs and other regulatory authorities, compliance with the conditions of approvals/ authorisations
- Use of internal audit resources to test/gain assurance of your procedures
- How staff are notified of requirements/changes
- The frequency of future reviews
- Management checks to ensure procedures followed

2.01.3 This refers to both financial and regulatory (e.g. licensing) irregularities/errors. For

example:

1. March to September 2005 - Use of incorrect currency code on imports from

   China resulting in an over declaration of customs duty and VAT of Rs55,000.

   December 2006 - Quarterly IPR suspension return not submitted.

If there are several, provide a total number and a brief summary of the main reasons for the errors.

2.01.4 Examples of remedial action taken as a result of the 2 instances at 2.01.3 above:

1. 6.10.05 - Computer system change to prevent entries being finalised until check performed on declared currency.

2. Outstanding return submitted. IPR suspension return procedures reviewed to include quarterly management checks and issued to relevant staff.

This information can be provided during the authorisation process.

2.02.1 In contrast to 2.01.3, list all instances of any errors/irregularities you have

made which have been identified by customs or other government departments (as opposed to you discovering them) relating to your imports, (re-)exports or transit declarations within the last 3 years. If there are several, provide a total number and a brief summary of the main reasons for the errors.

2.02.2 See 2.01.4 above.

2.02.3 Details of high risk and restricted goods can be found in Supply Control Act.

Section 3 The accounting and logistical system of the business
You must maintain an accounting system which will enable audit-based customs control. To enable customs to apply the necessary controls, you must allow us physical or electronic access to your records. Electronic access is not a pre-requisite to comply with this requirement.

You must also have a system or processes which distinguish between Community and non-Community goods, though this condition is not appropriate in the case of an AEO Certificate - Security and Safety. **It should be noted that this is the only difference in requirements between a Safety and Security authorisation and a Customs Simplifications/Safety and Security authorisation.**

Many businesses and organizations require an audit trail in their automated systems for security reasons. An audit trail is a process or an instance of cross-referring each bookkeeping entry to its source in order to check its accuracy. A complete audit trail will enable you to track operational activities from the flow of goods and products coming in, being processed and leaving the business. A complete audit trail also maintains a historical record that enables you to trace a piece of data from the moment it enters the file to the time it leaves.

The accounting system would normally include:

- General ledger
- Sales ledger
- Purchase ledger
- Assets
- Management accounts

The logistical system would normally include:

- Sales order processing
- Purchase order processing
- Manufacture
- Inventory - storage, warehousing
- Shipping/transport
- Supplier/customer lists

3.01.1 Your 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 e.g. invoicing, credit and debit notes, remittances/payments

3.02 If you use a computer to control your accounting and logistical systems, you will need 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/excise duty/VAT are recoded in the ledger
- Whether you operate in batches
- Whether your stock and financial records are linked

3.02.1 Choose from the following:
- Solely on a free standing personal computer(PC)
- On PCs which are networked together
- Using a "server" based computer system
- Using a mainframe based system
- Other

3.02.2 The operating system is the collection of computer programs which allow the computer to run and execute the software applications that support the business, eg Windows, Unix, OS390.

3.02.3 Choose which of the following your business uses, including modules as

appropriate eg F1 = Finance, MM = Materials Management:

- A fully integrated Enterprise Resource Planning(ERP) solution eg SAP or the Oracle E Business Suite
- A combination of accounting and logistical software applications eg SAGE products
- A business software solution focused on small and medium sized enterprises eg Pegasus Opera
- A software solution developed by or for your business

You will also need to provide details of any adaptations to your standard package and the reason for the adaptation during the authorisation process.

3.02.4 Provide the name of the supplier.

3.02.5 State the address where your computer activities are conducted - either at your premises or that of a third party. If the activities are split between more than one site, advise which activities are carried out at each location.

3.03 You should have a system which corresponds to the type and size of your

3.04 business and which is suitable to the management of the flow of goods, and have internal controls capable of detecting illegal or irregular transactions.

3.03.1 Further details of what you should include within your documented guidelines covering all these processes can be found in the Explanatory Notes at 3.04.1 to
    3.04.4. These should also cover transportation and freight forwarding. During our visit you should also evidence that you regularly and fully review your

    3.04.5. procedures, document any changes and notify affected staff of the changes.

3.03.2 The internal control processes relate to those detailed at question 3.03.1 above. Examples of the types of audit may be:

- Internal audit within your company or by your parent company
- External audit by customers, independent accountants/auditors, customs or other government departments.

You will need to make any reports available during our visit as well as evidence of any remedial action taken to correct any deficiencies identified.

3.03.3 Standing data (master files) mean key information about your business e.g. customers' names and addresses, suppliers, product files containing information on the description of the goods, commodity codes and origin etc

Your documented procedures should include:

- How you set up, maintain, change and archive standing data which are relevant to customs
- Who is responsible for these within your business
- If you use a third party, the functions they perform
- How changes to standing data are authorised

- How access to standing data is controlled within your business

3.04.1 Your procedures should include:

- Purchase ordering procedures
- Confirmation of order
- Shipping/transport of goods
- Inco terms
- Customs clearance arrangements
- Supporting documentation requirements
- Transport of goods from the frontier to your or your customers' premises
- Receipt of goods at your or customers' premises
- Payment/settlement
- How, when and by whom are goods entered into the stock record
- 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 records
- Quality control
- Identification of non-community goods within the system
- Use of a 3rd party's or customer's premises e.g. Type A customs warehouse and procedures for exchanging information

3.04.2 Your procedures should include:

- A clear assignment of a location for storage of the goods
- Safe storage of dangerous/hazardous goods
- Whether stock is recorded by value and/or quantity
- Existence and frequency of stock-taking
- If a 3rd party's premises is used to store your goods, arrangements including reconciliation between your and 3rd party's stock record
- If a temporary location is used to store the goods
- Recording and controlling the stock
- Identifying goods (not appropriate for a Security and Safety Certificate)
- Movement and recording of goods between locations within the same premises or different sets of premise
- Arrangements for dealing with breakages, deterioration or destruction of goods, losses and stock variations
- Quality control

3.04.3 Your procedures should include:

- Raising the works order
- Requisitioning of stock items and delivery from storage
- Manufacturing process, staff 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
- Monitoring and management controls of the manufacturing process e.g. rates of yield
- How you deal with irregularities, variations, waste, by-products and losses in the manufacturing process

- Quality inspection of manufactured goods and recording of results
- Safe disposal of hazardous goods

3.04.4 Your procedures should include:

- Receiving customer order and raising works or purchase order
- Informing the warehouse of the sale order/release of the goods
- Instructions to 3rd party if goods stored elsewhere
- Picking
- Packing procedures
- How, when and by whom are the stock records updated
- Quality control
- Despatch/collection notes
- Inco terms
- Transport of goods to your customers or to the frontier for (re-)export
- Raising sales invoices
- Instructions to agent for   (re-)exports and raising/availability/control of supporting docs
- Acknowledgement of receipt/evidence of shipment of goods
- Returned goods - inspection, counting and recording in stock
- Payment and credit notes
- Dealing with irregularities, short shipments and variations

3.05.1 As importers, exporters, warehousekeepers, your procedures should include:

- How you ensure the completeness, accuracy and timeliness of customs declarations you make yourself, including performing management checks
- Presentation or availability of supporting documentation
- Up to date details (names and addresses) of agents/third parties used
- How agents are appointed eg the credibility and suitability checks you perform before you appoint them
- The circumstances when they are used

- Contracts detailing responsibilities, including the type of representation by agent e.g. direct, indirect
- The way you provide clear and unambiguous instructions to your agent
- How you provide supporting documents (e.g. licences, certificates etc) to your agent, including presentation and retention/return
- What the agent should do if the instructions are unclear
- Checking/verification of the accuracy and timeliness of your agent's work by you
- How you notify your agent of any errors/amendments regarding cleared entries
- Dealing with irregularities
- Voluntary disclosures of errors to customs

As third party representatives, your procedures should include:

- Contracts detailing responsibilities, including the type of representation to be used by you e.g. direct, indirect
- How you ensure the completeness, accuracy and timeliness of customs declarations you make, including performing management checks
- Prompt presentation or availability of supporting documentation
- How your staff are aware of customers' and contract requirements

- What you do if the customers' instructions are unclear or the details provided are incorrect
- What you do if you discover any errors/amendments regarding cleared entries
- Voluntary disclosures of errors to customs

3.06.1 You should have satisfactory procedures in place for the archiving and retrieving of your records and information and for protection against the loss of information.

Your procedures should include:

- How long the data remains available on-line in its original form
- How and for how long is the data archived
- On what kind of media the data is stored
- In which software format the data is stored
- Whether the data gets compressed and at what stage
- How you guarantee:
    - the long-term availability of the technical quality of the recording
    - media
    - availability of the hardware and program code -
    descriptions of the data
    the program code
- The arrangements if a third party is used
- The frequency and location of any back-up and archived information

3.07.1 Customs would expect you to have appropriate information technology security measures, for example firewalls and anti-virus protection, to protect your computer system from unauthorised intrusion and to secure your documentation.

Your procedures should include:
- An updated safety plan describing the measures in place protecting your computer system from unauthorised access as well as deliberate destruction or loss of information
- Details of whether you operate multiple systems at multiple sites and how they are controlled
- Who is responsible for the protection and running of the company's computer system (Responsibility should not be limited to one person only but to several persons who are able to monitor each others actions)
- How you issue authorization for access and the level of access to the computer systems. (Access to sensitive information should be limited to staff who are authorized to apply changes/additions to the information)
- The format for setting passwords, frequency of changes and who issues passwords
- Details of firewalls and anti-virus protection
- Removal/maintenance/updating of user details
- Dealing with incidents when the system has been compromised
- The frequency of testing your system against unauthorised access and the recording of results
- A business continuity/disaster recovery plan in case of incidents
- Back-up routines when your system does not work, including restoration of all relevant programs and data

3.08.1 Your procedures should include:

- Recording and back-up of 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 which compromise document security
- Testing your system against unauthorised access and recording the results
- Business continuity/disaster recovery plan
- Documented remedial action taken as a result of any actual incidents
- Which staff have authorised access to your documents
- Who is authorised to change details of documents
- Security requirements you have placed on your partners and other contacts e.g. agents handling sensitive information provided by you

Section 4 Financial solvency

Solvency means a good financial standing which is sufficient to fulfil your commitments with due regard to the characteristics of your type of the business activity and will be based on the last 3 years. If you have operated for less then 3 years, then your financial solvency will be judged on the basis of records and information that are available.

Your solvency will **not** be considered proven and your application rejected if you:

- are listed currently as in insolvency, administration, liquidation, bankruptcy or receivership
- have entered into a current time to pay agreement with customs
- have had a bailiff visit or claim against your duty deferment guarantee in the last three years
- are late in paying money that is legally due to us in the last three years (this excludes amounts that are not yet legally due or are under appeal)

unless there are mitigating circumstances.

Examples of acceptable mitigating circumstances could be:

- have gone into voluntary liquidation for reasons other than financial reasons
- are unaware of the debt because it had been issued to an incorrect address

In addition customs might also take into account:

- whether your accounts have been filed with the appropriate authority within the time limits laid down in company law
- if you are a company, any audit qualifications or comments about the continuation of the business as a going concern by, for example, the auditors or directors
- any contingent liabilities or provisions
- the net current assets position
- the net assets position and the extent intangible assets are included

Customs may recognise 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 when the liabilities may be funded by a loan from the parent or a financial institution. In these circumstances negative net assets may not be an indicator that a business is unable to pay their legal debts but we may require further evidence such as an undertaking from the lender or a bank facilities letter to satisfy the requirement or, if you are a sole proprietor or partnership a list of any personal assets that are used to support the solvency of the business.

4.01.1 and 4.01.2 See bullet point 7 above.

To determine your financial solvency customs may require the submission of your annual accounts to be up to date. Customs may need to inspect copies of your **full** sets of annual accounts or statements for the last 3 years during our visit.

If you are a newly established business, or have just started trading, your financial solvency will be judged on the basis of records and information that are available at the time of your application. During the authorisation process you may need to make available the latest cash flow, balance sheet and profit and loss forecasts approved by the directors/ partners/sole proprietor. If your business is financed by a loan from another company or financial institution we will also require a copy of your business case and the bank facilities letter and evidence that you are operating within your approved overdraft facility.

Section 5 Safety and security requirements

This section should not be completed if you are only applying for AEO Certificate - Customs Simplifications

You should demonstrate a high-level of awareness on security and safety measures, internally and in your business activities with clients, suppliers and external service providers.

5.01.1 Provide the name of the person(s) responsible for co-ordinating your safety and security measures. During the authorisation process we will examine the details of their laid down responsibilities.

5.01.2 In preparation for `the` authorisation process, you should conduct or arrange a self assessment to analyse whether you are able to meet the AEO security requirements. This assessment should be made available during our visit. The purpose of the assessment is to identify the risks and threats which might occur in that part of the supply chain in which you operate, and to look into the measures in place to minimise the risks and threats.

Such an assessment should address the following:

- The goods in which you deal/trade
- Premises and buildings, for storage, manufacture etc
- Staff including recruitment, use of temporary staff, sub-contract labour
- Transport of goods, loading and unloading
- Computer system, accounting records and documents
- Recently reported security incidents in any of the areas above

5.01.3 Having carried out your safety and security assessment, you should then develop and document your policy and procedures to address these risks. Such procedures should include how to report incidents and the frequency of future

reviews. We shall also seek evidence of how and when your procedures are communicated to both staff and visitors.

5.01.4 You should have documented procedures in place to enable and encourage staff and visitors to report any security incidents, e.g. unauthorised access, theft, use of unvetted personnel. This should include how this is to be done, to whom and where they are located. Your procedures should also detail how such incidents should be investigated, by whom and reported upon.

If there have been any incidents we will expect your safety and security procedures to have been reviewed and amended to take on board any remedial action. Evidence will also be required of how these changes were subsequently communicated to your staff and visitors.

5.01.5 and 5.01.6 e.g. hazardous chemicals, high value goods, excise goods, within the last 3 years on a regular or irregular basis.

5.01.7 We would expect a documented threat assessment to have been carried out by either you or the security company if you use one. This assessment should be made available at our visit.

5.01.8 and 5.01.9 This will depend upon the location of the premises (area of regular theft), the type of goods in which you deal (high value, commercially desirable), etc. Evidence of any requirements should be made available at our visit along with how these requirements have been addressed.

5.02 Buildings should be constructed of materials, 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. In addition there should be adequate lighting throughout the premises and in particular at key (access) areas e.g. doors, windows, gates, fences, car parking, loading etc.

5.02.1 This covers where you have external boundaries to your premises e.g. fences, gates. We would expect all external and internal windows, gates and fences to be secured with locking devices or alternative access monitoring or control measures such as internal/external anti-burglar alarm systems or CCTV (close circuit TV systems.

5.02.2 This includes access through all main doors, gates, entrances to your site or buildings by people or vehicles. It is recommended that access should be controlled through the use of badges which are issued and supervised by you. When the gates or gateways are not locked they should be manned or guarded with alternative access monitoring or control procedures, eg security guards, receptionist, as appropriate.

5.02.3 This relates to inner and outer doors and windows within the site or building. These should be locked or secured for example by locks, swipe cards, keypads.

5.02.4 Procedures should exist for only authorised persons to have access to keys to locked buildings, sites, rooms, secure areas, filing cabinets, safe,

vehicles and machinery. Your 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

5.02.5 Your procedures should document who has access to which areas, buildings, rooms and how this access is controlled e.g. by keypads, swipe cards. For example, access should be limited in areas where manufacturing or

(un)loading takes place, computers are kept, cash is held etc. Your system should also be capable of identifying attempts at unauthorised access.

5.02.6 Your procedures should include:

- How you control/record visitors with private vehicles attending your premises
- How you control staff vehicles at your premises
- Specially designated car park areas for visitors and staff which are not close to secure areas e.g. loading bays to avoid the possibility of theft, obstruction or interference
- Checks that parking requirements are being adhered to

5.02.7 Your business should have established procedures to respond when an unauthorized access or intrusion has been discovered (e.g. involvement of internal security staff, contact local police).

Your procedures should include:

- Appointing a responsible person to whom incidents should be reported
- Providing information and displaying it to staff and visitors on what and how to report
- How reported incidents should be dealt with e.g. recorded, police/senior management informed
- Reviewing and amending if appropriate security procedures, notifying staff and visitors of any changes.

5.02.8 The external boundaries and buildings should be regularly checked either by a specially appointed person or by a third party. If a third party is responsible for checking and maintenance of the external boundaries and buildings, they should report to a staff member of the business who is appointed for controlling maintenance works on the external boundaries and buildings. Your procedures should also include:

- The frequency of the checks, by whom and how
- The recording of the results of the checks
- Reviewing and amending existing procedures
- Notification to staff

5.03 Measures for the handling of goods shall include protection against the introduction, exchange or loss of any material and tampering with cargo units.

Cargo units include containers, tankers, vans, lorries, vehicles, pipelines etc in which your goods are transported.

5.03.1 If the business does not own the cargo units, procedures should be in place to examine the integrity of the cargo unit before loading. The inspection process mentioned under 5.03.2 below should be mandatory for personnel. Details of the owners/suppliers of the cargo units must be made available during our visit.

5.03.2 Depending on the cargo unit used, a seven-point inspection process should be carried out (to include the tractor unit as well):
- Front wall
- Left side
- Right side
- Floor
- Ceiling/roof
- Inside/outside doors
- Outside/undercarriage

5.03.3 The integrity of cargo units should be ensured by placing them under permanent monitoring or keeping them in a safe, locked area. Only properly identified and authorized persons should have access to the cargo units. Your procedures should include:

- How access to the area where the cargo units are held is controlled
- That only authorised persons have access
- How monitoring of the units is maintained at all times e.g. nominated responsible staff and deputies

5.03.4 Your 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 police/senior management
- Review and amending of existing procedures
  Notification of any changes to staff

5.03.5 **and 5.03.6** Maintenance should be done routinely, not just in cases of damage or incidents. If the maintenance is done externally or outside the supervision of your staff, the cargo unit's integrity should be inspected when returning to your business. Your procedures should include:

- the requirements for your staff to check the integrity of the units on their return
- what checks are to be performed, when and by whom
- how your procedures are communicated to staff
- management checks and their frequency to ensure units are re-examined

5.04 This covers the movement of your imported and exported goods between your premises.

5.04.1 E.g. soft-sided lorries, tankers, vans, aircraft, rail, ship/boat.

5.04.2 You will need to provide details of any external contractors used during the authorisation process.

5.04.3 The contracts with external transport contractors should specify your requirements for the safety and security of your goods from collection to delivery and how they will be met. This will also need to take into account if your transport company sub-contracts the work out and how safety and security standards will continue to be maintained.

However if:

- the contract for your inward goods includes delivery to your premises and you have no control over their transport; or
- your customer collects goods from your premises and arranges delivery/(re-) export with no involvement by you in their delivery

then you will not be responsible for the safety and security requirements of those movements.

Otherwise your agreements should include:

- the contractor only employing drivers who have been security vetted
- loads being secured at all times to prevent unauthorised access eg seals, locks
- regular vehicle inspections after stops in journey
- the driver ensuring the integrity of the load whilst other consignments are added or removed
- if the work is sub-contracted out by the your haulier, then similar requirements/ standards are maintained
- prompt reporting of incidents
- frequency of renewal/review of contract

5.04.4 Customs would expect you to use the same transport companies on a regular basis which you have vetted as reliable and trustworthy. There may be occasions when this is not possible. In such circumstances you should seek to achieve standards of security which are similar to those when regular contractors are used. For example you may operate an "A" list of regularly used contractors and a "B" list who are used as reserves on an infrequent basis but who are still required to meet the same standards.

5.05.1 As part of the processes for dealing with incoming goods, we would expect security checks to be performed regularly during the journey and on reception at your premises to ensure the integrity of the consignment. This would involve ensuring that seals, both customs and trade applied, were still intact, their details recorded and compared to the accompanying documents.

For customs seals, arrangements should be in place to notify customs promptly to enable us to attend as required. Procedures will also include if the seal is not intact - including who to notify, investigation of what happened and recording of impact on load. In addition you should cover when you are obliged to seal goods e.g. for transit purposes, that seals are used for appropriate goods, meet laid down standards and been applied in accordance with legal requirements.

Your procedures should also include:

- Appointing staff 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 customs as required on arrival of the goods to enable us to perform our controls
- Weighing/counting and tallying the goods against the picking list/purchase order
- Testing quality
- 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.
  5.05.2 When there exist arrangements on security measures with suppliers, staff should be made aware of these arrangements and procedures established to verify the commitment to them.

For example, this may depend on if you are dealing in high value/risk goods. 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 safety or security requirements

Your procedures should include:

- Communicating such arrangements to staff 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 staff are following these requirements

5.05.3 It should not be possible to deliver goods to an unsupervised area. The company should set procedures to avoid the situation that goods are left unsupervised. Your procedures should include:

- Having a dedicated area for receiving incoming goods that is safe and secure to prevent unauthorised access to the vehicle and the goods

- Their receipt is supervised by authorised staff

5.05.4 You should inform your staff of safety and security measures on a regular basis to maintain their awareness. You will also have legal obligations in respect of the health, safety and security of staff handling goods and you should have conducted a risk assessment covering the receipt of goods. You should then have documented your safety and security procedures and notified them to staff. Your procedures should cover:

- How to deal with goods which have moved dangerously within the container during transit
- Leaks
- Dealing with hazardous cargo
- Hygiene requirements/contaminating foodstuffs and perishable items
- Discovery of infestation
- Unexpected cargo
- Frequency of review of procedures

5.05.5 In addition to 3.04.1, your procedures should include**:**

- How and on the basis of which documents, when and by whom are the 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

5.05.6 There should exist a segregation of duties between the ordering of the goods (purchase), receipt (warehouse), the entering of the goods in the system (administration) and the payment of the invoice. This will depend upon the size and complexity of the business.

5.06.1 In addition to 3.04.2 your procedures should include:

- A designated area for storage of the goods which is both safe and secure and clearly known to staff controlling staff
- Storage area only accessible to authorised staff
- Regular stock takes
- Controlling incoming goods, transfers to other premises, permanent and temporary removals
- Action to be taken if irregularities, discrepancies, losses or theft are identified
- Dealing with deterioration or destruction of goods
- Handling and processing of goods and their return to stock
- Separation of different types of goods e.g. community, non community, high value, hazardous
- Maintaining and updating stock records promptly including the location of the goods
- Addressing all aspects of physical security of the storage facility as outlined at 5.02
- Standards of security will depend on the type of goods, size and complexity of the business which will range from a single room in a block of offices to a large multi-sited business operating in several member states.

5.07.1 In addition to 3.04.3 your procedures should include:

- An area or areas designated for the production of goods
- When goods are produced or packed externally, established security arrangements with the persons responsible for the external premises to ensure the integrity of the goods (their integrity should also be re-checked if they return to your premises after loading)
- Authorized access in the production area(s) only for designated staff or appropriately authorised persons
- Supervision and monitoring of the production process by systems and/or personnel
- A segregation of duties between the person responsible for controlling the manufacturing methods and the person responsible for establishing the manufacturing methods
- Quality control and inspection of finished product to ensure no tampering/unauthorised intervention
- Addressing all aspects of physical security of the production area as outlined at 5.02

5.08.1 Personnel should be assigned to supervise the loading of goods to prevent goods being loaded unsupervised or left behind. In addition to 3.04.4 your procedures should include:

- Appointing staff responsible of receiving the driver and the loading of the goods
- Assigned staff are present at all times
- Procedure if assigned staff not available eg appointment of deputies
- Loading only taking place in the presence of authorised staff
- Weighing, counting, tallying and marking of goods
- Dealing with discrepancies/irregularities
- The application of seals and recording on documents/records, ensuring that seals have been used for appropriate goods, meet laid down standards and applied in accordance with legal requirements.
- Recording the transport and customs documents accompanying the goods in your records
- Comparing the goods with the accompanying transport and customs documents
- Recording the completion and results of the checks
- Informing customs as required on departure of the goods to enable us to perform our 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

5.08.2 This will only apply if your customers have agreed specific requirements with you e.g. all goods must be sealed, packed, labelled in a certain way, X-ray requirements. If so, staff should be made aware of these arrangements and your procedures should include management/supervisory checks to ensure staff are following these requirements. These procedures should be reviewed and updated on a regular basis.

5.09.1 You should implement measures allowing a clear identification of your domestic and foreign suppliers in order to secure the international supply chain. You will only be held responsible for your part of the supply chain, and for the goods which are under your control. Only through contractual arrangements between business partners can the security of the supply chain be ensured. Shipments which are not, or only partially covered by security measures, will not be regarded as fully secure and will be more likely subject to customs intervention.

Requirements of your 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 they keep to any laid down international standards.

Where such requirements exist, your procedures should include:

- Where possible, regular visits to the supplier's business premises to verify requirements are being adhered to
- Communicating these arrangements to your staff to check compliance on arrival of the goods
- Arrangements for staff to report irregularities/incidents
- Management/supervisory checks to ensure staff 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.

5.10.1 Your employment policy should reflect your security requirements based on your risk assessment. Your procedures 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
- For critical/security posts, police checks to include both spent and unspent convictions
- Requirement of staff to notify their manager of police cautions/bail, pending court proceedings, convictions
- Removal of computer access, return of security pass/badge when staff leave or are dismissed
- Disclosure by staff of any other employment

5.10.2 All staff involved with movements of goods within the international trade supply chain should receive appropriate training with regard to security and safety risks associated with this work. This would include staff involved with

security, cargo handling and cargo documentation, shipping etc. Such training could provide information on security protocols, detection of intrusion/ tampering and reporting of incidents, recognition of potential internal threats to security and protecting access controls. A unit or a group of persons (internal or external) should be responsible for providing training to the staff.

Training should be updated if there are changes.

5.10.3 The company should have security requirements in place regarding the use of temporary personnel. Your procedures should include:

- Contracts with employment agencies detailing levels of security checks to be performed on staff prior to and after appointment
- Use of only known agencies who meet requirements
- Similar security standards for both temporary and permanent staff (see 5.10.1 above)

 You must make available all such contracts during the authorisation process.

5.11.1 If services are outsourced, e.g. transportation, security guards, cleaning, maintenance, security demands should be incorporated into the contractual arrangements made with the external contractors.

 Your procedures should include:

- See 5.10.1 and 5.10.3 above

 You should make available all such contracts during the authorisation process.

AEO database

Details of applications, rejections and authorisations will be maintained by customs. This information will be sent to the Commission who will maintain a database containing all Member States' details. This database will only be accessible to all Member States' customs administrations.

MRA will separately publish a list of AEO traders for public access via the Internet. **Inclusion on this list is voluntary.** Please indicate if you are willing for your details to be added if you are authorised.