

Before you start to complete the questionnaire please read the notes to Section 4 Financial Solvency. Failure to meet these particular criteria will result in the automatic rejection of an application.

The purpose of the AEO questionnaire is to provide HM Revenue & Customs (HMRC) 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 we expect you to achieve and demonstrate to HMRC in order to gain AEO authorisation.

You must answer fully and accurately all questions relevant to the type of AEO authorisation you require. If you fail to do so, your application will be returned to you for completion or amendment. Further details on which questions you need to answer, depending on which category you fall under within the supply chain, can be found at Annex A.

To apply for AEO authorisation you only need to complete and send to us the C117 AEO application form and the C118 AEO questionnaire. We do **not** require you to send any other documents or annexes to us. All other information, in particular the 'documented procedures' referred to regularly throughout the questionnaire, as well as responsible personnel must be available during our visit to verify your application. We strongly recommend that you do not submit your application until all the documented procedures are in place and you are able to answer 'yes' to these questions.

If you are the holder of an internationally recognised accreditation standard as outlined in paragraph 3.10 of Notice 117 and the questionnaire, this will be taken into account when we consider your application where the AEO requirements are identical or comparable. If you currently hold the listed accreditation, include the details at question 15 of the C117 application form but you must still answer the relevant question in the questionnaire. Additionally if you hold any accreditation which is relevant to this questionnaire but only recognised within the UK, this should be included at question 1.01.6. You will need to produce evidence that you hold the accreditation during our visit.

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 and so on. For example, all applicants seeking Security and Safety authorisation will have to demonstrate the adequacy of the physical security of their premises.

1 Trader 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, for example, 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.

For example:

The Limes, 1121 High Street, Sheffield – Registered office, accounting and computer head office, all customs records
50 Leeds Road, Dewsbury – Manufacture of central heating boilers
4 Enderby Road, Grove Industrial Estate, Castleford – manufacture of central heating boilers
J T Merritt, Revesby Road, Dewsbury – Warehouse for storing goods, sales to UK customers
Poplar and Sons, Bowditch Road, Castleford – Warehouse for storing goods, EU and non-EU sales

Total number of sites = 17

You must provide full details of all the sites and their activities during our visit to verify your application.

- 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 warehouse keeper 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 warehouse keeper 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 warehouse keeper 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 12 UK and 3 French associated businesses. You must provide full details during our visit.

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

- relevant to this questionnaire
- independently recognised
- recognised only in the UK.

Details of any internationally recognised standards as outlined in paragraph 3.10 of Notice 117 or in the 'Standard' column within this questionnaire, should be included in your answer to question 15 of the application form C117.

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 and so on.

1.02.4 The procedures should outline the arrangements for dealing with temporary or short term absences of key staff, for example, 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 note 1.03.1.

1.03.3. This includes sites which you own or belong to a third party, for example a warehouse. Provide an approximate figure in square or cubic meters of the total storage capacity covering all sites. The average percentage 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 - £9.6m	400 - £2.6m	150 - £0.8m
2005	2500 - £10.3m	350 - £2.2m	100 - £0.4m
2006	2400 - £10.2m	340 - £2.1m	100 - £0.5m

1.03.5 An example:

	Customs duty	Excise duty	VAT
2004	£300,000	Nil	£1.75m
2005	£400,000	Nil	£1.87m
2006	£380,000	Nil	£1.85m

1.03.6 Please see example at note 1.03.4.

1.04.1 Provide details of no more than the five main non-EU countries with which you deal, for example, USA, China, Taiwan, Canada, and Egypt.

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
- in the case of 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, for example, up to date Tariff or HMRC Classification Team
- details of any BTIs held
- 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, for example, agent or purchasing staff.

During our visit you will need to make available:

- details/lists or product files of your products and their relevant commodity codes and duty rates
- the resources/information, for example, up to date Tariff or 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. Tariff preferences on exports allow your customers in certain non-EU countries to benefit in a similar way. Further details on preferences can be found in Part 7 of Volume 1 of the Tariff.

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, for example, they 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, for example, 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 can be found in Part 3 (imports) and Part 4 (exports) of Volume 1 of the Tariff.

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, for example, not out of date
- presenting/making available, attributing and surrendering in accordance with HMRC 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 can be found in Part 6 of Volume 1 of the Tariff.

1.04.9 Provide as appropriate:

- the names of the non-EU countries; and/or
- 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 can be found at Part 14 of Volume 1 of the Tariff.

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 in terms of the EC regulation 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 license 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.

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.

We 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, we 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
- whether you notified HMRC 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.

June 2006 – Withdrawal of CFSP authorisation due to persistent failure to submit supplementary declarations.

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 (for example 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 HMRC 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, for example, declarations/returns made to HMRC 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 (for example 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 £5500.

2. 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 our audit.

2.02.1 In contrast to note 2.01.3, list all instances of any errors/irregularities you have made which have been identified by HMRC or other government departments (as opposed to you discovering them) relating to your imports, (re-)exports or transit declarations within the last 3 years. This may have resulted in an under or over declaration of revenue or been regulatory, for example, failed to obtain and declare a DoTi licence. 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 Parts 3 and 4 of Volume 1 of the Tariff and Annex 44c of Commission Regulation 2454/93.

3 The accounting and logistical system of the business

You should maintain an accounting system which will enable audit-based customs control. To enable HMRC 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 should 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 organisations 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, for example, 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 on our visit:

- 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 recorded 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, for example, Windows, Unix, and OS390.

3.02.3 Choose which of the following your business uses, including modules as appropriate, for example, F1 = Finance, MM = Materials Management:

- a fully integrated Enterprise Resource planning(ERP) solution, for example, SAP or the Oracle E Business Suite
- a combination of accounting and logistical software applications, for example, SAGE products
- a business software solution focused on small and medium sized enterprises, for example, 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 our visit.

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 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 show evidence that you regularly and fully review your 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, HMRC 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, for example, customers' names and addresses, suppliers, product files containing information on the description of the goods, commodity codes and origin and so on.

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 This includes the following goods:

- imports from non-EU countries
- imports from non-EU countries via other Member States which are not in free circulation
- transfer of non-EU goods, which are not in free circulation, from other Member States(OMS) or within the UK.

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, for example, 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 EU and non-EU goods (not appropriate for a Security and Safety Certificate)
- 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
- 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, for example, 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 documents
- 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, warehouse keepers, 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, for example, 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, for example, direct or indirect
- the way you provide clear and unambiguous instructions to your agent
- how you provide supporting documents 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 HMRC.

As third party representatives, your procedures should include:

- contracts detailing responsibilities, including the type of representation to be used by you, for example, direct or 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 HMRC

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 We 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 authorisation for access and the level of access to the computer systems. (Access to sensitive information should be limited to staff who are authorised 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, for example, agents handling sensitive information provided by you.

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 than 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 HMRC
- have had a bailiff visit or claim against your duty deferment guarantee in the last 3 years
- are late in paying money that is legally due to us in the last 3 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 we shall also take into account:

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

We 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 See bullet point 7 above.
and

4.01.2 To determine your financial solvency we require the submission of your annual accounts to be up to date. We will need to inspect copies of your **full** sets of annual accounts or statements for the last 3 years during our visit. **Abbreviated accounts will not be sufficient.**

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. On our visit you will 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.

5 Safety and security requirements

This section should 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 our visit we will examine the details of their laid down responsibilities.

5.01.2 In preparation for our visit, 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 and so on
- 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, for example, 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, reported upon and by whom.
- 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 For example, hazardous chemicals, high value and goods, excise goods, within the last 3 years on a regular or irregular basis.
- 5.01.6
- 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 This will depend upon the location of the and premises (area of regular theft), the type of goods
- 5.01.9 in which you deal (high value, commercially desirable), and so on. 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. Such measures will depend on the size and type of the business, the type of goods and so on.
- 5.02.1 This covers where you have external boundaries to your premises, for example, fences and 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. When the gates or gateways are not locked they should be manned or guarded with alternative access monitoring or control procedures, for example, security guards or 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 or keypads.
- 5.02.4 Procedures should exist for only authorised personnel 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, for example, by keypads or swipe cards. Access should be limited in areas where manufacturing or (un)loading takes place, computers are kept, cash is held and so on. 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, for example, 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 unauthorised access or intrusion has been discovered, for example, 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, for example, 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 3rd 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 and so on 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 note 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 authorised 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, for example, 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 Maintenance should be done routinely not just in
- and 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 and the frontier, across the EU and within the UK between different sets of premises.
- 5.04.1 For example, soft-sided lorries, tankers, vans, aircraft, rail or ship/boat.
- 5.04.2 You will need to provide details of any external contractors used during our visit.
- 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. 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, for example seals and 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 We 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.

- 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.

5.05.1 We do not expect all incoming goods to have been sealed. Their security may be achieved in other ways. 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.

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.

For customs seals, arrangements should be in place to notify HMRC 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, for example, for transit purposes, that seals are used for appropriate goods, meet laid down standards and been applied in accordance with legal requirements.

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.

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 HMRC 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.

5.05.5 In addition to note 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.

5.05.2 When there are existing arrangements on security measures with domestic and/or EU and non-EU suppliers, staff should be made aware of these arrangements and procedures established to verify the commitment to them.

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.

For example, this may depend on if you are dealing in high value/risk goods. Arrangements may be that the goods:

5.06.1 In addition to note 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, for example, 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 note 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 note 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)
- authorised 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 note 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 note 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, for example, 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 HMRC 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, for example, all goods must be sealed, packed and labelled in a certain way for 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 trading partners 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.

You should make available all such contracts during our visit.

AEO database

Details of applications, rejections and authorisations will be maintained by HMRC. 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. The Commission 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.

Signature

The questionnaire **must** be signed by the sole proprietor, a partner or director of the applicant as appropriate. If the questionnaire is submitted electronically, the signature can be added at the time of our visit.

- 5.10.1 Your employment policy should reflect your security requirements based on your risk assessment. Your procedures should include:
- performing background checks on your 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 by staff to notify their manager of police cautions/bail, pending court proceedings, convictions
 - removal of computer access, return of security pass when staff leave or are dismissed
 - disclosure by staff of any other employment.

- 5.10.2 All staff should receive appropriate training with regard to security and safety requirements, such as security protocols, detection of intrusion/tampering and reporting of incidents and the risks associated to the international supply chains. 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 note 5.10.1).

You must make available all such contracts during our visit.

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

See notes 5.10.1 and 5.10.3 for the procedures you should include.

Annex A

The following tables will help you to decide which questions you need to answer. This is based on the authorisation type and business categories listed below.

Types of AEO authorisation

There are 3 types of AEO authorisations:

1. C - Customs Simplifications
2. S - Security and Safety
3. F - Customs Simplifications **and** Security and Safety

You may only apply for one of the above.

Categories of eligible applicants

There are 7 categories of businesses who may apply for AEO authorisation:

1. Manufacturer
2. Exporter
3. Forwarder
4. Warehouse keeper
5. Customs agent
6. Carrier
7. Importer

You may apply as one or more of the above 7 categories.

Please note

1. The only difference in requirements between authorisations Security and Safety (S) and Customs Simplifications **and** Security and Safety (F) relates to Section 3.04 of the questionnaire. For the Security and Safety authorisation, your logistical system will not be required to differentiate between EU and non-EU goods.
2. All seven categories of businesses must answer each question in Sections 1, 2 and 4 for all three types of authorisation (but see (3) below).
3. If a question is denoted with an asterisk *, you should answer only if it is relevant. Otherwise state N/A – not applicable.

Questions to be completed depending on the category of applicant and the type of authorisation required.

The symbol ✓ denotes that the following questions relate to all 3 types of authorisation – C, S and F.

Question	Manufacturer	Exporter	Forwarder	Warehouse keeper	Customs agent	Carrier	Importer
1.01.1	✓	✓	✓	✓	✓	✓	✓
1.01.2	✓	✓	✓	✓	✓	✓	✓
1.01.3	✓	✓	✓	✓	✓	✓	✓
1.01.4	✓	✓	✓	✓	✓	✓	✓
1.01.5	✓	✓	✓	✓	✓	✓	✓
1.01.6	✓	✓	✓	✓	✓	✓	✓
1.02.1	✓	✓	✓	✓	✓	✓	✓
1.02.2	✓	✓	✓	✓	✓	✓	✓
1.02.3	✓	✓	✓	✓	✓	✓	✓
1.02.4	✓	✓	✓	✓	✓	✓	✓
1.03.1	✓	✓	✓	✓	✓	✓	✓
1.03.2	✓	✓	✓	✓	✓	✓	✓
1.03.3	✓	✓	✓	✓	✓*	✓*	✓
1.03.4	✓	✓	✓	✓	✓	✓*	✓
1.03.5	✓*	✓	✓*	✓	✓	✓*	✓
1.03.6	✓	✓	✓*	✓	✓	✓*	✓
1.04.1	✓*	✓	✓	✓	✓	✓	✓
1.04.2	✓*	✓	✓*	✓	✓	✓*	✓
1.04.3	✓*	✓	✓*	✓	✓	✓*	✓
1.04.4	✓*	✓	✓*	✓	✓	✓*	✓
1.04.5	✓*	✓	✓*	✓	✓	✓*	✓
1.04.6	✓*	✓	✓*	✓	✓	✓*	✓
1.04.7	✓*	✓	✓*	✓	✓	✓*	✓
1.04.8	✓*	✓*	✓*	✓	✓	✓*	✓
1.04.9	✓*	✓*	✓*	✓	✓	✓*	✓
1.04.10	✓*	✓	✓*	✓	✓	✓*	✓

Question	Manufacturer	Exporter	Forwarder	Warehouse keeper	Customs agent	Carrier	Importer
2.01.1	✓	✓	✓	✓	✓	✓	✓
2.01.2	✓	✓	✓	✓	✓	✓	✓
2.01.3	✓	✓	✓	✓	✓	✓	✓
2.01.4	✓	✓	✓	✓	✓	✓	✓
2.02.1	✓	✓	✓	✓	✓	✓	✓
2.02.2	✓	✓	✓	✓	✓	✓	✓
2.02.3	✓	✓	✓	✓	✓	✓	✓
3.01.1	✓	✓	✓	✓	✓	✓	✓
3.02.1	✓	✓	✓	✓	✓	✓	✓
3.02.2	✓	✓	✓	✓	✓	✓	✓
3.02.3	✓	✓	✓	✓	✓	✓	✓
3.02.4	✓	✓	✓	✓	✓	✓	✓
3.02.5	✓	✓	✓	✓	✓	✓	✓
3.03.1	✓	✓	✓	✓	✓	✓	✓
3.03.2	✓	✓	✓	✓	✓	✓	✓
3.03.3	✓	✓	✓	✓	✓	✓	✓
3.04.1	✓*			✓			✓
3.04.2	✓*	✓		✓			✓*
3.04.3	✓						
3.04.4	✓	✓		✓			
3.05.1	✓	✓	✓	✓	✓	✓	✓
3.06.1	✓	✓	✓	✓	✓	✓	✓
3.07.1	✓	✓	✓	✓	✓	✓	✓
3.08.1	✓	✓	✓	✓	✓	✓	✓
4.01.1	✓	✓	✓	✓	✓	✓	✓
4.01.2	✓	✓	✓	✓	✓	✓	✓

The symbol ✓ denotes that the following questions relate to **both** Safety and Security(S) as well as Customs Simplifications/Safety and Security(F) authorisations, **but not Customs Simplifications (C)**.

Question	Manufacturer	Exporter	Forwarder	Warehouse keeper	Customs agent	Carrier	Importer
5.01.1	✓	✓	✓	✓	✓	✓	✓
5.01.2	✓	✓	✓	✓	✓	✓	✓
5.01.3	✓	✓	✓	✓	✓	✓	✓
5.01.4	✓	✓	✓	✓	✓	✓	✓
5.01.5	✓	✓	✓	✓	✓	✓	✓
5.01.6	✓	✓	✓	✓	✓	✓	✓
5.01.7	✓	✓	✓	✓	✓	✓	✓
5.01.8	✓	✓	✓	✓	✓	✓	✓
5.01.9	✓	✓	✓	✓	✓	✓	✓
5.02.1	✓	✓	✓	✓	✓	✓	✓
5.02.2	✓	✓	✓	✓	✓	✓	✓
5.02.3	✓	✓	✓	✓	✓	✓	✓
5.02.4	✓	✓	✓	✓	✓	✓	✓
5.02.5	✓	✓	✓	✓	✓	✓	✓
5.02.6	✓	✓	✓	✓	✓	✓	✓
5.02.7	✓	✓	✓	✓		✓	✓
5.02.8	✓	✓	✓	✓		✓	✓
5.03.1	✓	✓	✓	✓		✓	
5.03.2	✓	✓	✓	✓		✓	
5.03.3	✓	✓	✓	✓		✓	
5.03.4	✓	✓	✓	✓		✓	
5.03.5	✓	✓	✓	✓		✓	
5.03.6	✓	✓	✓	✓		✓	
5.04.1	✓	✓	✓	✓	✓	✓	✓
5.04.2	✓	✓	✓	✓	✓	✓	✓
5.04.3	✓	✓	✓	✓	✓	✓	✓
5.04.4	✓	✓	✓	✓	✓	✓	✓
5.05.1			✓	✓		✓	✓
5.05.2			✓	✓		✓	✓
5.05.3			✓	✓		✓	✓
5.05.4			✓	✓		✓	✓
5.05.5			✓	✓		✓	✓
5.05.6			✓	✓		✓	✓
5.06.1	✓	✓	✓	✓		✓*	✓*
5.07.1	✓	✓*					
5.08.1	✓	✓	✓	✓		✓	

Question	Manufacturer	Exporter	Forwarder	Warehouse keeper	Customs agent	Carrier	Importer
5.08.2	✓	✓	✓	✓		✓	
5.9.1							✓
5.10.1	✓	✓	✓	✓	✓	✓	✓
5.10.2	✓	✓	✓	✓	✓	✓	✓
5.10.3	✓	✓	✓	✓	✓	✓	✓
5.11.1	✓	✓	✓	✓	✓	✓	✓