



PORT PARTNERS

(CUSTOMS CLEARANCE) LTD

Authorised Economic Operator (AEO) status



Source: www.gov.uk/guidance/authorised-economic-operator-certification



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Introduction

Authorised Economic Operator (AEO) is an internationally recognised mark of quality that demonstrates:

- Your role within the international supply chain is secure;
- Your customs controls and procedures are efficient and compliant;

As part of the application process, H M Revenue and Customs (HMRC) officials will assess, amongst other things:

- Your company's finances;
- Site security;
- Shipping procedures;
- Compliance with customs requirements;
- Fulfilment of the relevant legal and safety regulations.

Although the application for AEO is undoubtedly time consuming and can be a very daunting exercise, you should consider both the commercial and financial benefits of AEO:

The benefits

- larger businesses are increasingly insisting on this as an integral part of any trading partners;
- Faster application process for customs simplifications and authorisations;
- Reduction or waiver of comprehensive guarantees;
- Lower risk score used to decide how often customs carry out physical and documentary checks;
- Consignments being fast-tracked through customs control;
- Reduced requirements for pre-arrival and pre-departure declarations;

Types of certification

Consider the type of certification that best suits your business and/or meets the requirements of your trading partners. You can apply for:

- Customs simplification (AEOC);
- Security and Safety (AEOS) or;
- Both (AEOF).

The chart below shows the benefits of each type of application:

BENEFIT	AEOC	AEOS	AEOF
Faster application process for customs simplifications and authorisations	Yes		Yes
Reduction or waiver of Comprehensive Guarantees: <ul style="list-style-type: none"> ➤ Up to 70% for Deferment guarantees; ➤ Up to 100% for other, including Transit guarantees 	Yes		Yes
Lower risk score used to decide how often customs carry out physical or documentary checks		Yes	Yes
Consignments being fast-tracked through customs control		Yes	Yes
Reduced requirements for mandatory pre-arrival and pre-departure declarations: <ul style="list-style-type: none"> ➤ Entry Summary Declarations; ➤ Exit Summary Declarations 		Yes	Yes
Reciprocal arrangements and mutual recognition with countries outside of the EU (For example: USA or trading partners that adopt the World Customs Organisation frame work		Yes	Yes

The application process

Compliance

HMRC will check your record of compliance over the past three years, or use the latest information if your business has been established for less than this time. They will also check if serious or repeated infringements of customs rules have been committed by:

- Your business;
- The people managing your business;
- The people in your business responsible for customs matters;
- Your legal representation for customs matters.

You will need to show that you have:

COMPLIANCE	AEOC	AEOS	AEOF
Procedures in place to identify and disclose any irregularities or errors to HMRC	Yes	Yes	Yes
Taken appropriate action for any irregularities identified	Yes	Yes	Yes
Procedure in place to tell HMRC about any change in your customs activities	Yes	Yes	Yes
Satisfactory procedures for handling: <ul style="list-style-type: none">➤ Military goods;➤ Dual-use goods;➤ Excise or Common Agricultural Policy goods;➤ Dangerous goods or Hazardous materials	Yes	Yes	Yes

Record retention

You will need to satisfy HMRC that you have an acceptable system of managing commercial and, where appropriate, transport records.

You will need to show that you have:

RECORDS	AEOC	AEOs	AEOF
Methods to allow HMRC access to your customs records	Yes	Yes	Yes
An appropriate logistical systems	Yes	Yes	Yes
An appropriate level of administrative organisation	Yes	Yes	Yes
Documented procedures to control and manage the flow of goods	Yes	Yes	Yes
Internal controls in place to detect illegal or irregular transactions	Yes	Yes	Yes
Procedures in place to handle certain licences and authorisations	Yes	Yes	Yes
Archival and retrieval procedures in place	Yes	Yes	Yes
Trained staff to inform HMRC if systems errors are discovered	Yes	Yes	Yes
Procedures for verifying the accuracy of customs declarations submitted on your behalf by third parties	Yes	Yes	Yes
Information technology security measures in place	Yes	Yes	Yes
A well maintained accounting system with full audit trail	Yes	Yes	Yes

Financial solvency

You will need to prove you have been financially solvent for three years before your application is submitted, and that you have the ability to meet your financial commitments both to HMRC and other creditors.

If you are a newly established business, your financial solvency will be judged on the basis of records and information that are available at the time of application including:

- Cash flow figures;
- Balance sheet;
- Profit and loss forecasts;
- Loan agreements if applicable

You will need to satisfy HMRC of the financial solvency requirements:

FINANCIAL SOLVENCY	AEOC	AEOS	AEOF
You are not listed currently as in insolvency, administration, liquidation, bankruptcy or receivership	Yes	Yes	Yes
You have not entered into a current time to pay agreement	Yes	Yes	Yes
You have not had a bailiff visit in the past three years	Yes	Yes	Yes
You have not had a claim against your deferment guarantee in the past three years	Yes	Yes	Yes
You have not been late paying money that you legally owe to HMRC within the past three years	Yes	Yes	Yes
Information technology security measures in place	Yes	Yes	Yes

HMRC will rely on a full set of annual accounts to establish whether you are able to pay your legal debts to third parties, and will take into account:

FINANCIAL SOLVENCY RECORDS	AEOC	AEOS	AEOF
That company accounts have been filed with Companies House within the time limits laid down within the law	Yes	Yes	Yes
Any audit qualifications or comments in the filed annual accounts about the continuation of the business as a going concern by, for example, the auditors or directors	Yes	Yes	Yes
Any contingent liabilities or provisions	Yes	Yes	Yes
The net current assets are positive	Yes	Yes	Yes
The net assets position and the extent of intangible assets are included	Yes	Yes	Yes

Where a company has negative net assets, for example, a company set up by a parent company where the liabilities are funded by a loan from the parent company, HMRC will require further evidence of financial solvency such as:

- A letter of undertaking from the lender;
- A bank facilities letter;

Competence or professional qualifications

HMRC will test to ensure that you comply with the practical standard of competence or professional qualifications directly related to your customs activity.

They will consider the criterion to have been fulfilled if any of the conditions on the following chart have been met:

COMPETENCE OR PROFESSIONAL QUALIFICATION	AEOC	AEOS	AEOF
<p>The applicant or the person in charge of the applicant's customs matters complies with one of the following practical standards of competence:</p> <ul style="list-style-type: none"> ➤ A minimum three years experience in customs matters; ➤ A quality standard adopted by a European Standardisation body 	Yes		Yes
<p>The applicant or the person in charge of the applicant's customs matters has successfully completed training covering customs legislation consistent with and relevant to the extent of his involvement in your customs related activities, provided by:</p> <ul style="list-style-type: none"> ➤ A customs authority; ➤ An educational; recognised, for the purpose such qualification, by the customs authorities or by a body responsible for professional training; ➤ A professional or trade association recognised by the customs authorities, for the purpose of providing such qualification 	Yes		Yes
<p>The applicant or the person in charge of the applicant's customs matters can provide evidence of practical competence over a previous three year period</p>	Yes		Yes
<p>You use a contracted person to complete your customs work, and they already holds AEOC status</p>	Yes		Yes

Security and safety

HMRC will test your internal controls and measures to secure the safety of your business and your supply chain. These controls and measures are in addition to legal health and safety requirements as well as specific legal requirements that may be applicable to your business.

In order to satisfy HMRC, you will need to show that:

SECURITY AND SAFETY	AEOC	AEOS	AEOF
You or a qualified third party have carried out a security and safety assessment of your business		Yes	Yes
The external boundaries (Walls, fences etc) of your business are appropriately secure and you have documented procedures to control access to your premises for authorised persons while at the same time having procedures for dealing with unauthorised access		Yes	Yes
The net assets position and the extent of intangible assets are included		Yes	Yes
Measures are in place to protect your cargo units and to prevent the introduction, exchange or loss of any material or tampering with those units		Yes	Yes
Appropriate access controls are in place to prevent unauthorised access to shipping areas, loading docks and cargo areas both on arrival and despatch		Yes	Yes
You have appropriate procedures to secure the security and safety of your goods during storage or manufacture		Yes	Yes
There are appropriate procedures in place to ensure the security and safety of your goods during transport, including where transport is sub-contracted to a third party		Yes	Yes

SECURITY AND SAFETY	AEOC	AEOS	AEOF
You have agreed appropriate security and safety measures with your suppliers		Yes	Yes
Procedures are in place to carry out security screening on prospective employees working in security sensitive positions and appropriate security procedures are in place for any contracted parties that have access to your premises		Yes	Yes
You provide staff with training on security and safety requirements		Yes	Yes

You must be able to produce documentation showing the measures and controls put in place and this documentation will be verified during the course of our AEO audit. This should include a risk and security and safety assessment, carried out by a third party or by someone within your business considered competent to carry out such assessment which:

- Should identify all risks and threats to your business and the measures taken to address the identified risks;
- Should be available and understood by all relevant staff;

In addition to documentary evidence, the visiting audit officer will need to see practical examples of the systems working.

Employee screening

All employees working within sensitive areas of your business should be subject to some form of pre-employment screening to provide assurance as to their trustworthiness, integrity and reliability. It is suggested that you have a documented employment history of your employees covering the previous 5 years, although this period is not a mandatory requirement.

The methods of screening may vary according to the level of risk but they should as a minimum:

- Verify identity;
- Confirm the right to work in the UK;
- Confirm the employee has declared any unspent criminal records;
- Check previous employment history

Existing accreditations

The criteria laid down in the following certificates and standards will be taken into consideration to the extent that the criteria for issuing these certificates are identical or correspond to those for issuing AEO authorisations:

- An internationally recognised security and/or safety certificate issued on the basis of international conventions;
- A relevant international standard of the International Organisation for Standardisation, in particular ISO 28000 and ISO 9001;
- A European Standard of the European Standards Organisation;
- Other internationally recognised security and/or safety certificates issued by organisations such as the Transport Asset Protection Association (TAPA)

Pre-authorisation audit

Once your application has been accepted, it will be sent to a local HMRC officer who will need to carry out a pre-authorisation audit. You should be prepared to answer their questions and provide additional information or documentation on all aspects of your application.

During the pre-authorisation audit, the officer will want to see:

PRE-AUTHORISATION AUDIT REQUIREMENTS	AEOC	AEOS	AEOF
Information on customs matters	Yes		Yes
Remedial action taken on previous customs errors	Yes		Yes
Audit trail	Yes		Yes
Accounting and logistical systems	Yes	Yes	Yes
Internal controls subject to internal/external audit	Yes	Yes	Yes
Documented procedures for the control of standing data	Yes	Yes	Yes
Flow of goods	Yes	Yes	Yes
Use of customs agents	Yes		Yes
Information security (computers)	Yes	Yes	Yes
Information security (documents)	Yes	Yes	Yes
Financial solvency	Yes	Yes	Yes
Safety and security measures		Yes	Yes
Safety and security assessment		Yes	Yes
Physical security		Yes	Yes
Logistical processes	Yes	Yes	Yes
Storage of goods		Yes	Yes
Personnel security	Yes	Yes	Yes

Maintaining AEO

Once you have obtained AEO status, you will need to ensure you maintain appropriate standards and your eligibility to AEO authorisation. You must notify HMRC of all changes that may affect your AEO status within 14 days of the change taking place, including:

- changes to your legal entity;
- Change to your business name;
- Your business address;
- The nature and structure of your business;
- Changes to senior personnel responsible for customs matters listed on your AEO application;
- Changes to your accounting or computer systems;
- Additions or deletions of locations or branches involved in the international supply chain;
- Additions or deletions to the categories you have been approved for, that is, manufacture/exporter etc

Additional information

Additional information can be found via: <https://www.gov.uk/guidance/authorised-economic-operator-certification>

- AEO central site contact: 03000 564 556;
- Email: AEOapplications@hmrc.gsi.gov.uk
- Email: AEOteam@hmrc.gsi.gov.uk



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