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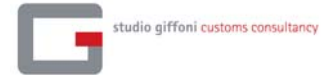
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Authorized Economic Operator Status

"Pre-audit" for the request of the AEO certificate

Introduction

Community provisions concerning the new status of Authorized Economic Operator entered into force on January 1th 2008, with the adoption of Regulations (EC) N. 648/2005 and N. 1875/2006 amending, respectively, the Community Customs Code [Reg. (EC) N. 2913/1992] and the Implementing Provisions of the Community Customs Code [Reg. (EEC) n. 2454/1993].

The AEO Community certification program consist of the release by the customs authorities to the economic operator, on their request, of a special certificate valid on the entire Community territory (whose possession is not mandatory), articulated in three separate typologies:

- AEOC (Customs): Customs simplifications;
- AEOS (Security): Safety and Security;
- AEOF (Full): Customs simplifications / safety and Security.

The AEO status is the result of a careful audit action conducted by customs, aimed to verify that the applicant meets special requirements, and attributes to the economic operators achieving one of the above certificates, a public recognition of reliability at Community level, to which several benefits are connected. The nature of these benefits varies according to the type of certificate obtained (customs facilitations safety and/or security facilitations).

Such advantages can be summarized as follows:

- **reduction of the percentage of physical and document-based controls up to 90%;**
- **easier admittance to customs simplifications;**
- **possibility to benefit from special facilitations in the safety and security field;**
- **priority treatment of consignments if selected for control (with consequent acceleration of the release of goods);**
- **reduced data set for summary declarations;**
- **choice of the place of customs control (AEO can require customs to perform controls in another place, so reducing delays or costs on its charge);**
- **prior notification (when submitting a summary declaration, AEO can require the competent customs office – on condition that this it does not jeopardize**

the control to be carried out – the communication, before the arrival/departure of the goods into/from the Community of the results of the risk analysis performed by customs).

The holding of the AEO certificate yields an improvement, on the whole, of the relations of the economic operator with the customs authorities. Moreover, it offers the possibility to access to special mutual recognition programs with other equivalent reliability and safety/security initiatives implemented by third Countries, and allows operators to benefit from a recognized quality mark towards clients and commercial partners.

Any kind of economic operator participating to the international logistic chain (both those established in the Community and - to some extent - those established out of such a territory), can ask for the certification (e.g. manufacturing companies, exporters, shipping and forwarding companies, warehouse-keepers, customs agents, carriers, importers and all those people that, during their commercial activities, they take part to activities governed by the customs regulation).

The AEO status application must be submitted to the customs office competent for the place where the operator holds the accounts concerning the operations put in place and where at least part of the operations covered by the AEO certification are conducted.

Requirements to access to the AEO status

In order to obtain the AEO certification, the following conditions need to be fulfilled:

- **to ensure to the customs authority the physical or electronic accessibility** to customs-related documents and, where appropriate, to transport records;
- **to hold an effective accounting system**, allowing appropriate customs controls, and **satisfactory archiving procedures of the company's records**, as well as **information and tools of protection against the loss of data**;
- **to dispose of a suitable administrative organization**, which corresponds to the type of enterprise and is suitable for the management of the flow of goods;
- to dispose of an **internal control system** and, where necessary, of satisfactory procedures allowing the **handling of licenses and authorizations** related to commercial policy measures or to trade in agricultural goods;
- to guarantee a **sound financial situation**, in order to allow the applicant to properly carry out its obligations, considering the characteristics of the type of business activity (the applicant's solvency is certified for the three years before the demand has been submitted to customs);

- to ensure that buildings used in connection with the business activities and the customs operations provide **protection against unlawful intrusion** and that the control measures put in place are able to **prevent unauthorized access to the shipping areas, loading docks and cargo areas**;
- to adopt measures allowing a clear **identification of business partners**, in order to secure the international supply chain;
- **dispose of a logistical system** capable to distinguish between Community and non-Community goods.

Some of the aforesaid conditions are characteristic of one, rather than another certification AEO type.

Execution of the pre-audit phase

The audit process conducted by the customs administration in order to grant the applicants the AEO certificate, is quite complex, as it involves the examination and the evaluation of a number of requirements and conditions aimed to reconstruct, in detail, the kind of business performed by the operator as well as to gain a general knowledge on how he conducts his business.

In fact, a focused assistance process aimed to support to the applicant in complying with the aforesaid conditions, can be of help both in terms of reduced waste of time, costs and energies for the acquisition of the AEO certificate, as well as in order to obtain a higher reliability evaluation by customs.

The pre-audit process consists of a preventive check-up of the internal company procedures (before that the team of auditors of the Customs Agency will intervene), aimed to verify the holding of the requirements demanded, so to bring possible improvements to the business organization, before that the demand to access to the AEO certificate will be submitted. The pre-audit process covers in particular the customs, accounting, logistic, administrative and organizational sectors, in order to remove from each of such areas all those elements which are incompatible with the granting of the AEO status. During the pre-audit process, customs authorizations, certifications and other operational information related to the firm which are not yet at disposal of the Customs Agency will be collected and evaluated.

Within the pre-audit, a careful classification and evaluation of all the risks, both potential and real, as well as of all the critical areas of the managerial process will be performed, verifying the impact of each element on the customs operations conducted by the firm.

At the end of the check-up phase, an action plan will be drafted. In this plan all the activities to be implemented with the express purpose to satisfy the verifications conducted by the customs officials in the audit phase, will be analytically specified, so to foster the obtainment of a rapid release of the AEO certificate.

Moreover, a support will be provided to business companies to prepare and fill in both the self-evaluation questionnaire and the demand (with its annexes) for the request of the AEO certificate, assisting the operator on the choice of type of certificate that better suits to its needs.

Pre-audit process

Our pre-audit activity is based on a process articulated in two phases :

Phase 1: Positioning analysis

Within such a phase, not necessarily to be performed at the firm's premises, a whole analysis on the business organization and on the type of foreign trade operations more frequently performed by the business operator will be executed (e.g. frequently used customs procedures, goods treated, special documents and certifications needed for the import/export of the goods, implemented safety and security measures, etc.)

This activity will be started on the basis of a series of documents that the firm will make available (es. balance sheets, organization charts, security plans, etc.), on which basis we will detect the most critical business areas where to focus the pre-audit process. This activity will be conducted within the firm (Phase 2).

Within such a phase, a **calendar of meetings** with the persons in charge for each one of the business areas will be organized, in cooperation with the firm.

At the end of this preliminary activity, a *check list* will be arranged with the actions to be developed, along with a *provisional working plan*, to be amended, revised and complemented during the following phase, so to determine the general degree of reliability - from the customs and/or of the safety and security point of view - and suggest the measures needed in order to obtain the AEO certificate.

Phase 2: Assistance on the spot

Such a phase consists in the verification, directly within the firm and on the basis of the working plan and calendar of meetings defined during the preceding phase, of the compliance of the procedures and measures internal to the firm to the

requirements needed by the customs authorities in order to grant the AEO certificate.

Special surveys will be executed in the areas and in the business premises interested by the control, so to detect the services interested by the customs auditing activities. On this occasion, special **self-evaluation questionnaires** will be handed out to the personnel, in order to reconstruct the various procedural and safety aspects implemented in each area (es. market/commercial area, accounting area, customs area).

Once the questionnaires will be gathered, a **general working plan** assembling all information collected will be arranged, and the action plan elaborated during the phase n. 1 will be updated. Where failures are detected as a result of the diagnostics, special corrective measures will be put in place. Such measures will be indicated both in the action plan defined during the preceding activity, and in a **procedural manual** (to be released to the operator), where they will be further detailed (e.g. measures aimed to ensure the compliance of the perimeters to access to the company's premises, measures of control of the access to the shipping areas, etc.). The procedural manual will also describe the internal procedures to be followed in order to ensure correct management of the customs, accounting and commercial activities.

At the end of such a phase, assistance will be provided to the firm in the implementation of the aforesaid measures, after verifying their correspondence with the contents of the procedural manual previously drafted.

Request of the Certificate

Once the pre-audit process will be finalized, assistance will be provided concerning the preparation of the self-assessment questionnaire, as well as in submitting the request for the AEO status to the Customs authority.

Before the intervention of the team of auditors of the Customs authority, a project manager will be appointed within the firm, to which responsibility will be given for the coordination of the customs auditing process. At the same time, we will prepare the officials and executives within the firm dealing with the Customs authority, so to create a climate favorable to the dialogue and facilitate the tasks of the customs administration.

Pre-audit tools

In order to allow a swift and effective evaluation of the operator's situation, we will use during our pre-audit process the followings tools:

- **Action Plain**, describing the business situation and the measures to be implemented within the operator's structure;
- **Self-evaluation questionnaires** (for each business area);
- **Check-list** of the documents to provide to customs and of the actions to be performed;
- **List of preparatory actions** to be implemented in order to facilitate the customs administration's tasks

Output

At the end of the pre-audit process the followings documents will be released to the firm:

- **Procedural manual**;
- **Plain of action** (definitive version) where all the developed activities and the measures implemented within the firm in order to obtain AEO certified, will be described.

Customs compliance monitoring

Once the pre-audit activity will be finalized and the economic operator has received the AEO certificate, it will be possible to require our further intervention in order to control that the customs conformity of the company still corresponds to the requirements at the basis of the certification released by customs. On that occasion we will also update the procedural manual.

For further information contact us to one of the above addresses.