



The East African Community

# **AUTHORISED ECONOMIC OPERATOR Programme Procedure**

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## **Benefits and Criteria**

October 2016



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## **Acronyms**

AEO	– Authorised Economic Operator
CBRA	- Cross Border Regulatory Agencies
EAC	- East African Community
EACCMA	– East African Community Customs Management Act
ECTS	– Electronic Cargo Tracking System
PCA	– Post Clearance Audit
PS	- Partner State
SAFE Framework	– SAFE Framework of Standards to secure and facilitate global trade
SOP	– Standard Operating Procedures
WCO	– World Customs Organisation



## Definitions

**Authorized Economic Operator (AEO)** includes an importer, exporter, customs agent, warehouse operator, or any other person involved in the international movement of goods and has been approved by the Customs administration as complying with WCO supply chain security standards;

**AEO Unit** is the single point of contact/liaison unit at each Customs administration that is responsible for managing the AEO Programme. Particularly, the AEO Unit is responsible to decide about the acceptance of the application, communication with the other PS, monitoring of the AEO authorisation and the overall AEO policy;

**Self-management of bonded warehouse** is a facility extended to a warehousing operator where the responsibilities of a Customs Officer are delegated to the bonded warehouse operator.

**Transporter** is the person actually transporting the goods or who has undertaken a contract, and issued e.g. a bill of lading or air waybill, for the actual carriage of the goods. For the purpose of the regional AEO programme, transporters under all modes of transport are eligible to apply for an authorisation.

**Validation committee** is a committee composed of technical officers from key functions of the customs clearance process at each national customs administration that is charged with the responsibility of validating/vetting and reassessment of all applications and authorisations and submitting their findings to the approval committee for consideration.










## Purpose

This manual is meant for use by Customs officers of the EAC Customs Administrations, Cross Border Regulatory Agencies and the trading community within the EAC. The Standard Operating Procedure (SOP) manual will be developed to provide detailed step-by-step process of this procedure manual.

## Approval

This Regional AEO Procedure Manual is hereby approved for implementation in EAC.

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## 1. Introduction

The AEO program is derived from the WCO SAFE Framework of Standards. The SAFE Framework was adopted by the Directors General of Customs representing the members of the WCO at the June 2005 annual Council Sessions in Brussels. In June 2015, the WCO Council adopted the updated edition of the SAFE Framework 2015.

The Customs Administrations of Burundi, Kenya, Rwanda, Tanzania and Uganda are members of the WCO and each of them have submitted a letter of intent to implement the WCO SAFE Framework. The EAC PS Customs Administrations adopted the SAFE framework and agreed to implement the AEO program as a region in 2007.

### 1.1. Background

The 21st century has been characterized by globalization of trade, tremendous growth in volumes of imports and exports within the East African region. Customs is faced with an ever increasing demand for faster clearance and fewer trade bottlenecks against a need for proper control, providing increased security to the global supply chain and contributing to socio-economic development through revenue collection.

The introduction of an AEO program aims to fundamentally change the relationship between businesses and the Customs Administrations by implementing preferential treatment to those businesses that are established to be compliant through a structured assessment of risk (authorisation). The AEOs shall benefit from simplification of procedures and/or facilitation with regard to Customs controls, including those related to security and safety throughout the EAC Region.

### 1.2. Scope

This Manual describes processes and procedures for implementing the Regional AEO program as envisaged in the WCO SAFE Framework and the EAC Compliance and Enforcement Regulations, 2012 within the EAC PS. The implementation of the AEO program shall also be in line with the Single Customs Territory business processes.

### 1.3. Eligible applicants

Any economic operator that is established in at least one of the EAC PS, involved in the international supply chain and carries out Customs related activity in the EAC can apply for the Regional AEO authorisation irrespective of the size of the business.

These operators include:



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- Exporters
- Importers
- Freight forwarders
- Customs Agents
- Bonded warehouse owners
- Manufacturers
- Transporters
- Terminal operators

A person may apply for authorisation under one or more of these client categories. If the application for authorisation is approved, authorisation will relate to the specific client categories that the client has qualified for.

### 1.4. Legal provisions

The AEO program derives its mandate from the provisions for Trade Facilitation and Customs modernisation under the EACCMA, 2004 and the EAC Compliance and Enforcement Regulations, 2012.

### 1.5. AEO authorisation type

The Regional AEO applicant shall be assessed using the criteria provided for in this manual and the authorisation shall qualify the AEO for Customs simplification, Safety and Security.

## 2. Benefits Management

The identified Regional AEO benefits and how they will be administered is explained below. The benefits to be enjoyed by a regional AEO depend on the client category of business. An AEO may enjoy the benefits for the category/categories of business that he is authorised for. These benefits shall apply across the EAC Region. The Regional AEO shall be uniquely identified throughout the clearance process.

### 2.1. Importers/Exporters/Manufacturers

#### 2.1.1. Expedited processing of entries/declarations

All AEO declarations will be given priority throughout the whole clearance process. This will include:

##### a) Automatic passing of declaration

Once all conditions for lodgement of a declaration are fulfilled by the AEO, the declaration shall be lodged and selected BLUE/GREEN lane and thereafter system released.





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### **b) No physical examination of goods, except for random or risk based interventions.**

Where an AEO declaration is randomly selected to the RED or YELLOW lane, priority treatment shall be given during examination of goods. The operator may have the option to choose the location in case physical examination is required.

#### **2.1.2. ECTS requirement waiver where applicable**

In cases where the ECTS is required, an AEO may be waived from this requirement. This shall only apply to consignments where the Importer/Exporter, Customs Agents, and the transporter are ALL AEOs.

#### **2.1.3. Expedited payment of refund claim**

Priority shall be given in processing of the refund claims submitted by an AEO. Where applicable, some procedures can be simplified for the AEO, e.g. establishment of special desks for AEO refunds claims, arrangement made between the tax administration and the refunding authority, reduction of processing time.

#### **2.1.4. Reduced Customs security where applicable**

Subject to relevant provisions of law/regulations, consideration for a lower Customs Security may be granted for an AEO.

#### **2.1.5. Priority to participate in Customs initiatives**

AEO shall be given first opportunity to take part in new trade facilitation initiatives launched within the Revenue Authorities.

### **2.2. Customs Agents/Freight Forwarders**

#### **2.2.1. Guaranteed renewal of Customs agent's license**

The AEO Customs agents will automatically qualify for a three years clearing licence, shall not be subject to the vetting process but the AEO shall be required to make payment for licensing fees and any other related payments.

#### **2.2.2. Priority to participate in Customs initiatives**

AEO Customs agents may be given first opportunity to take part in new trade facilitation initiatives launched within the Revenue Authorities.

#### **2.2.3. Priority treatment in cargo clearance chain**



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Any consignment declared by an AEO Customs Agent shall be processed before the non-AEO declarations.

### **2.2.4. Waiver of movement bond requirements for AEO**

AEO goods being moved to the warehouses shall be exempted from movement bond requirements. This shall only apply to consignments where the Importer/Exporter, Customs Agents, and the transporter are ALL AEOs.

**NB: This benefit shall not absolve the Clearing Agent from any liability in the event that the consignment is lost or short-landed.**

## **2.3. Transporters**

### **2.3.1. Guaranteed renewal of transit goods licence and any other licences issued by Customs.**

The renewal of licences issued by Customs shall not be subject to the vetting process but the AEO shall be required to make payment for licensing fees and any other related payments.

### **2.3.2. Exemption from the mandatory use of Customs Electronic Cargo Tracking System (ECTS).**

In cases where the ECTS is required, an AEO may be waived from this requirement.

### **2.3.3. Priority clearance at entry and exit points**

Consignment transported by AEOs will enjoy expedited processes at entry and exit points and where appropriate, they may have a dedicated clearance lane for AEO consignments.

## **2.4 Bonded Warehouse Operators**

### **2.4.1. Self-management of bonded warehouse**

Self-management of bonded warehouse facility is extended to AEOs to enhance flexibility of bonded warehouse operations in terms of time and cost. The AEO authorisation shall be recognised across the EAC Region.

### **2.4.2. Guaranteed renewal of Warehouse Operator's licence**

The renewal of the AEO Warehouse Operator's licence shall not be subject to the vetting process but the AEO shall be required to make payment for licensing fees and any other related payments.

### **2.4.3. Reduced Customs security wherever applicable**



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Subject to relevant provisions of law/regulations, consideration for a lower Customs security on a case-to-case basis will be allowed to an AEO.

It is important to note that in the process of delivering the above benefits the following shall be ensured:

(a) **Appointment of Dedicated service point** at all customs offices/clearance points. An officer shall be assigned to attend to AEOs to ensure that they are accorded faster clearance at all Customs offices. A clear sign shall be put up at Customs Offices to guide AEOs where they will be served.

(b) Customs administration shall collaborate with other stakeholders involved in facilitating clearance for AEOs including but not limited to CBRAs, Port Authorities, shipping lines and other relevant stakeholders.

### 3. Eligibility Requirements

This part outlines the detailed eligibility criteria for the EAC Regional AEO Scheme, in line with the EACCMA, 2004 and the Compliance and Enforcement Regulations, 2012. Eligibility requirements are conditions, standards and measures which shall be used in evaluating applicants for AEO authorisation in the EAC. An applicant **MUST** be a legal entity incorporated within the EAC.

To be eligible for authorization, the Commissioner of Customs may require the applicant to verify any statement in an application. The applicant should be able to provide information and ensure compliance with all of the following:

- i. Company details
- ii. Record of compliance
- iii. Maintenance of records
- iv. Financial solvency
- v. Security and safety standards, including trade partners
- vi. Volumes of business
- vii. Nature of Goods traded

The detailed information to be provided and the required processes and procedures economic operators are expected to have in place in order to meet the eligibility criteria are described as follows.

#### 3.1. Company details

- i. Company structure and position of the official responsible for Customs matters in the organization structure.
- ii. Contact person(s) for the purpose of the AEO authorisation and his/their respective contact details
- iii. Nature of business which should be in line with eligibility requirements. The applicant should provide detailed information allowing Customs to get sufficient



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and clear understanding of the company's role in the international trade supply chain.

- iv. Key employees responsible for customs matters with knowledge and experience in Customs matters.

### 3.2. Record of Compliance

The applicant should not have contravened any laws, rules and regulations pertaining to Customs, Domestic Taxes and all relevant Government Agencies for a period of 3 years prior to application for authorisation. Where the applicant has been established for more than 1 but less than 3 years, customs authorities shall assess the fulfilment of the condition on the basis of the records and information that are available and for the period the company has been established.

The applicant should provide, and/or demonstrate the following:

- (a) The applicant should have compliance history for a period of 3 years;
- (b) With no record of offence of customs laws or any other tax laws of the PS;
- (c) With a tolerable number of technical errors/mistakes and evidence of corrective action;
- (d) With evidence of self-compliance checks and voluntary disclosure. The applicant should have in place procedures ensuring that relevant employees are instructed to inform the Customs whenever compliance difficulties are discovered and established procedures for informing Customs of such difficulties;
- (e) Presence of and adherence to a professional code of conduct;
- (f) With no tax arrears (taxes past the due date) unless the applicant has an approved settlement plan with the PS Revenue Authority;
- (g) With evidence of compliance with all relevant government regulations;
- (h) The applicant must not have been convicted of any criminal offence;
- (i) The applicant's representative/agent in customs matters must not have been convicted for any criminal offence
- (g) An applicant who has already been an AEO before and his AEO authorisation has been revoked by customs, can submit a new application after three years following the date of revocation of the previous AEO authorisation.

### 3.3. Maintenance of records

The applicant shall maintain timely, accurate, complete and verifiable records relating to its customs transactions and activities.

The applicant must demonstrate that the computer systems, the organizational internal operational procedures and processes will ensure compliance. In this regard, the condition on appropriate maintenance of records shall be considered to be fulfilled if the following conditions are met:

#### 3.3.1. Adequate level of automation of company processes, including, where appropriate



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- Electronic registers
- Stock movements
- Inbound and outbound processes

3.3.2. Ease of access to company records by customs. The applicant should allow the customs authority physical access to its accounting systems and, where applicable, to its commercial and transport records.

3.3.3. Integrated accounting systems consistent with the generally accepted accounting principles. The applicant should maintain an accounting system which is consistent with the generally accepted accounting principles, allowing audit-based customs control and maintaining a historical record of data that provides an audit trail from the moment the data enters the file.

3.3.4. Adequate internal control procedures. The applicant should have an administrative organisation which corresponds to the type and size of business and which is suitable for the management of the flow of goods, and has internal controls capable of preventing, detecting and correcting errors and of preventing and detecting illegal or irregular transactions.

3.3.5. Maintenance/archiving of records for a specified period in line with EACCMA. The applicant should have satisfactory procedures in place for the archiving of its records and information and for protection against the loss of information.

3.3.6. Adequate Information Technology (IT) security measures to protect against access by unauthorized persons.

### **3.4. Financial Solvency**

The applicant must demonstrate adequate financial standing sufficient to fulfill its commitments with regard to the type of business. The applicant shall be deemed to have met the condition of solvency if it can be proven for the past 3 years. Where the applicant has been established for more than 1 but less than 3 years, customs authorities shall assess the fulfilment of the condition on the basis of the records and information that are available and for the period the company has been established.

The applicant shall not be subject to bankruptcy proceedings and must have fulfilled his obligations regarding payments of Customs duties, taxes and other charges for last three years.

The AEO applicant shall maintain and provide documents to demonstrate his financial solvency, which may include, profit and loss statements and balance sheets; declaration of insolvency proceedings, if any, and statements from banks, financial institutions or National Tax Authority.



### 3.5. Security and Safety Standards

The applicant must demonstrate a high level of awareness on established security and safety measures, internally and in its business activities with clients. Understanding and implementation of safety and security controls must extend to the applicants personnel.

The condition on security and safety standards shall be considered as fulfilled where the applicant provides evidence of:

3.5.1. Internal controls to embody safety and security procedures. These shall include provisions on:

- (a) regular assessments of the security risks in their operations and taking appropriate measures to mitigate those risks;
- (b) regular self assessment of the security management system;
- (c) fully document the self-assessment procedure and those of responsible parties; and
- (d) include in the review assessment results, feedback from the designated parties and recommendations for possible enhancements to be incorporated in a plan for the forthcoming period to ensure continued adequacy of the security management system.

3.5.2. Appropriate premises security. Premises security shall include the following, as appropriate and based on risk:

- (a) buildings to be used in connection with the operations relating to the AEO authorisation provide protection against unlawful intrusion and are constructed of materials which resist unlawful entry;
- (b) appropriate measures are in place to prevent unauthorised access to offices, shipping areas, loading docks, cargo areas and other relevant places;
- (c) employees issued with identification. Only properly identified and authorized persons, vehicles and goods are permitted to access facilities

3.5.3. Appropriate cargo security. Cargo security shall include the following, as appropriate and based on risk:

- (a) established measures and routine procedures to ensure the integrity of cargo;
- (b) established administrative procedures on handling and inspecting cargo;
- (c) ownership & maintenance of cargo storage facilities;
- (d) sealing and tracking of cargo
- (e) entry restriction to cargo areas

3.5.4. Appropriate conveyance security. Conveyance security shall include the following, as appropriate and based on risk:

- (a) all transport conveyances used for the transportation of cargo within its supply chain are capable of being effectively secured;
- (b) all operators of conveyances used for the transportation of cargo are trained to maintain the security of the transport conveyance and the cargo at all times while in its custody;
- (c) consider potential places of concealment of illegal goods on transport conveyances, ensure that these places are regularly inspected, and secure all internal and external compartments and panels, as appropriate.



- 3.5.5. Appropriate information and IT security
- 3.5.6. Appropriate measures for crisis management and incident recovery. The applicant shall establish crisis management and recovery procedures, which shall include planning and disaster recovery measures.
- 3.5.7. Appropriate security requirements on trade partners. The applicant shall have to prove to the satisfaction of Customs that:
- (a) has taken measures to allow clear identify his business partners
  - (b) where applicable, when entering into negotiated contractual arrangements with a trading partner, encourage the other contracting party to assess and enhance its supply chain security and, to the extent practical for its business model, include such language in those contractual arrangements.
  - (c) has established a system of reviewing relevant commercial information relating to the other contracting party before entering into contractual relations.
- 3.5.8. Appropriate Personnel Security. Personnel security shall include the following, as appropriate and based on risk:
- (a) Procedures on recruiting new staff to verify that they are not previously convicted of security-related, Customs or other criminal offences, to the extent permitted by national legislation;
  - (b) conduct periodic or cause background checks on employees working in security sensitive positions;
  - (c) have employee identification procedures
- 3.5.9. Presence of security awareness programmes. The applicant shall ensure that:
- (a) The company personnel is aware of the security and safety risks with regard to international supply chain;
  - (b) Its staff having responsibilities relevant for security issues regularly participate in programmes to raise their awareness of those security issues.

### **3.6. Nature of Goods Traded**

The applicant shall be assessed as to the nature and flow of goods traded in. The assessment shall take into account:

- i. Customs Procedures in respect of the nature of goods, .i.e.
  - a. Tariff classification of the goods
  - b. Fiscal aspects
  - c. Non-fiscal aspects
  - d. Origin of the goods
  - e. Value of the goods,
  - f. Legal requirements





- ii. Internal aspects with regard to control over stock movement shall also be examined:
  - a. Reconciliation of movement of goods (ordered, entered & received)
  - b. Storage
  - c. Production
  - d. Chain of Custody
  - e. Outgoing flow of goods (delivery from warehouse, shipment, transfer).

### **3.7. Volume of business to be moved under the section on assessment**

There is no threshold to determine whether a company may apply for an authorisation. The volume of the applicant's business will be used to gauge eligibility (Risk assessment) for authorisation. Whereas specific requirements may vary, the following shall be examined to establish the relevant position:

- i. Statistics on the operator's business operation
- ii. Statistics on customs matters
- iii. Fiscal statistics

## **4. Authorisation Process and Procedures**

This part provides a general overview of the complete authorisation process, from application to authorisation and post-authorisation management. The more detailed description for each part of the process is given in the EAC Regional AEO SOP.

It should be noted that the authorisation process logically flows from and alongside the regional Risk Management and Post Clearance procedures. It is advised that the user of this document should be familiar with those other procedures as they pertain to the AEO as well.

This process begins when the formal conditions and the criteria of the AEO have been published.

A graphical representation of the process flow is included as *Appendix 3*.

### **4.1. Inputs/requirements**

4.1.1. For an AEO applicant, the following are the main inputs at various stages of the authorisation process:

- AEO Application and Self-Assessment Forms and attachments
- Knowledge about the criteria
- Checklist for Compliance and offence history
- Post Clearance and other Audit Reports available
- Financial Viability – (Record Keeping/Bank Statements)
- Certifications/authorizations granted by other Agencies.
- AEO status in any other country





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4.1.2. For customs administrations, the following are the main inputs at various stages of the authorisation process:

- Promotional Brochures
- Risk Profiles (National and Regional)
- National Security Profiles
- Government Agency Published Reports
- Regional Strategic Plan
- Customs Integrity Compendium

### **4.2. AEO application and self-assessment form**

4.2.1. The applicant shall obtain the AEO Application and Self-Assessment Form from the respective Customs Administration or multipurpose online web-portal where available at the time.

4.2.2. The AEO application and SAF shall comply with the form as laid down in Appendix 1.

4.2.3. The applicant shall carry out a self-assessment against the set criteria and only submit the application to the Commissioner in the respective Customs administrations of the PS if he/she meets the criteria.

4.2.4. The applicant will be taken through the sensitization process by the AEO Unit to obtain more information about the programme.

### **4.3. Validation**

4.3.1. For each applicant, the validation committee shall obtain the information regarding the compliance of the applicant and consult the other partner states to establish whether they meet set criteria.

4.3.2. For the purposes of the validation whether the criteria are fulfilled, customs may take into account expert conclusions provided by the applicant, where the expert having drawn the conclusions is not related to the applicant. The applicant shall make available to customs any audited reports by qualified auditors.

### **4.4. Time-limit**

4.4.1. Customs shall take the decision to grant the AEO authorisation or to reject the application and shall notify the applicant without delay, and at the latest 90 days of the date of acceptance of the application.

4.4.2. Where customs administration is unable to comply with the time-limit under point 4.4.1., they shall inform the applicant of the fact before the expiry of that time-limit,



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stating the reasons and indicating the further period of time which they consider necessary in order to take a decision. The further period of time shall not exceed 30 days.

4.4.3. Where after acceptance of the application during the validation process, customs considers it is necessary to ask for additional information from the applicant, it shall set a time-limit that shall not exceed 30 days for the applicant to provide the information. The time-limit under point 4.4.1. shall be extended by that period.

### 4. Post Authorisation Management

The Post Authorisation Management of the AEO authorisation shall consist of the following activities: monitoring, reassessment, re-authorisation, suspension and revocation of the AEO authorisation.

#### 5.1. Monitoring

5.1.1. Customs shall monitor the conditions and criteria to be fulfilled by the AEO. They shall monitor compliance with the obligations resulting from that decision.

5.1.2. Where the AEO has been established for less than three years, Customs shall closely monitor the authorisation during the first year after it has been granted.

5.1.3. The AEO Units in the PS shall carry out Ad hoc/ Surprise visits to the operator's premises to check if the compliance levels are maintained.

5.1.4. The AEO Units shall appoint Client Relationship managers to oversee smooth running of the day to day AEO transactions.

5.1.5. The AEO shall comply with the obligations resulting from the authorisation.

5.1.6. The AEO shall inform Customs without delay of any factor arising after the authorisation is granted, which may influence its continuation or content.

#### 5.2. Reassessment

5.2.1. The Validation committees in the PS shall periodically (every 3 years) conduct a reassessment.

5.2.2. In specific cases, where necessary, customs may carry out reassessment before the expiry of the 3 years period. .



### **5.3. Re-authorisation**

Where following a reassessment after 3 years the operator is found compliant, the validation committee shall prepare a report of findings and submit to the approval committee for re-authorisation. A copy of the report shall be provided to the AEO together with the renewed AEO authorisation.

### **5.4. Warning, Suspension and Revocation**

5.4.1. Where customs considers that one or more of the conditions for the AEO are not fulfilled or that the AEO does not comply with the obligations imposed under the AEO authorisation, depending on the gravity of non-compliance the approval committee shall make recommendations to the Commissioner for warning, suspension or revocation.

5.4.2. The AEO may request the authorisation to be suspended if he is temporarily unable to fulfil the conditions for the authorisation or cannot comply with the obligations imposed under that authorisation.

5.4.3. Where warning is recommended the Commissioner may warn the AEO for a period not exceeding 6 months subject to correction of the non-compliance issues and notify the Committee on Customs on the corrective measures taken.

5.4.4. Where suspension is recommended the Commissioner may suspend the AEO authorisation for a period of 30 days subject to correction of the non-compliance issues and notify the Committee on Customs on the corrective measures taken

5.4.5. Where suspension of the authorisation is on request by the AEO, the Commissioner may suspend the AEO authorisation for the period notified by the AEO.

5.4.6. If the company fails to resolve the non-compliance issues within the period allowed for warning or suspension, the Commissioner may proceed with revocation of the authorisation.

### **5.5. Appeal**

5.5.1 Where the Operator wishes to appeal against the decision above, then they may submit in writing their appeal to the Commissioner.

5.5.2 The appeal will be reviewed by the Commissioner and handled in accordance with Part XX of the EACCMA.

5.5.3 Where the Operator does not appeal in writing within the stipulated time frame the decision is upheld.



## 5.6. Outputs

5.6.1. For an AEO applicant, the following are the main outputs at the end of the authorisation process:

- AEO authorisation
- Rejected applications
- Obligations for continuous monitoring and compliance with the AEO conditions and requirements

5.6.2. For customs administrations, the following are the outputs at the end of the authorisation process:

- Warned, Suspended or revoked operators.
- Forms, notices, list of cases, profiles, etc.
- Reports (performance, audit)
- Risk profiles (new, old, updates)
- A fully developed and tested framework for national and regional AEO Certification
- Risk register.



## **6. Appendices**



**APPENDIX 1: AEO APPLICATION AND SELF-ASSESSMENT FORM**



**AEO APPLICATION AND SELF ASSESSMENT FORM**

I would like to apply for authorisation to the AEO Programme that you offer.

I take cognisance of all the conditions listed below so as to be part of this programme, and hereby confirm my unreserved adherence to the said conditions, namely:

- a) Submission of the completed form does not automatically imply acceptance to this programme
- b) As an AEO I shall comply with all laws and regulations under the East African Community Customs Management Act, 2004 and the Compliance and Enforcement Regulations.
- c) That the Commissioner of Customs Administrations may revoke the AEO authorisation if I am found in violation of the conditions and requirements for participation in the AEO programme.
- d) By submitting this application I accept that information regarding my operations may be shared with other Customs administrations as well as other regulatory agencies within the EAC.
- e) Any other conditions as may be imposed by the Commissioner of Customs Administrations under this programme.

**Date** .....

\_\_\_\_\_

**Name of the Signatory**

\_\_\_\_\_

**Title**

\_\_\_\_\_

**Signature and Company stamp**





**A. APPLICATION**

**1. Company Information**

Corporate Name.....

Legal status and date of establishment.....

PIN/TIN.....

Postal address.....

Physical address (*please state*)

Town.....Street.....

Building.....Floor.....

Phone:.....Fax:.....

E-mail:.....

Names of Directors/Partners                      ID/ Passport No.    Signature

a).....

b).....

c).....

d).....

**2. Nature of Business (*tick appropriate*)**



**REGIONAL AUTHORISED ECONOMIC OPERATOR - PROCEDURE MANUAL**

Importer/Exporter  Customs Agent  Transporter  Bonded  
Warehouse Operator  Other (specify .....

**3. Contact Person**

Surname .....

Other Names .....

Title .....

Direct phone line .....

Mobile .....

E-mail .....

Please state the main nature of your business? Please indicate the date since you have started customs related activities.

.....  
.....  
.....  
.....

What was the gross turnover of your business per annum over the last three years?

.....  
.....  
.....  
.....  
.....  
.....

How many employees does your company have?

.....

Briefly describe the organization structure of your business (You may attach an organization chart).

.....  
.....  
.....





**B. SELF ASSESSMENT FORM**

		<b>Response</b>	<b>Observation</b>	<b>Risk Rating</b>
<b>1.</b>	<b>COMPANY INFORMATION</b>			
1.1	Do you trade with businesses which are related to you?			
1.2	Please provide details of any independently accredited standards to which you adhere.			
	<b>Internal organization</b>			
1.3	Provide the contact details of the senior personnel responsible for customs matters in your organization. Please provide information on his professional background, in particular experience in customs matters.			
1.4	Have you documented fall back procedures when key staffs are absent?			
<b>2.</b>	<b>COMPLIANCE RECORD</b>			
	<b>Compliance history</b>			
2.1	Has any action been taken against your company on any offence committed under the laws, rules and regulations pertaining to Customs, Domestic Taxes and all relevant Government Agencies in the last 3 years? If yes, please specify type of offence and action taken?			

2.2	Does your company owe any unpaid duties to the Customs Administration or have any other outstanding obligation to any of the EAC Revenue Administrations? If yes, please specify.			
2.3	Provide brief details of any customs authorisation held or sought by your business which has been withdrawn, suspended or denied in the last three years.			
2.4	Does your company have routines and/or instructions or guidelines on the notification of irregularities to customs? Are these instructions documented (e.g. work instructions, manuals, other guidance documents)? Over the last year, have you detected any irregularities (or presumed irregularities) and notified them to the competent authorities? Yes /No			
2.5	Provide brief details of any compliance errors or irregularities you have discovered in your business in the last three years.			
2.6	Have you taken any remedial action as a result of the above? ( <b>Yes or No</b> ). If yes, please provide details of what you have done.			
2.7	Do you have a documented personnel code of conduct? ( <b>Yes or No</b> )			
2.8	Have you been convicted for any criminal offence? ( <b>Yes or No</b> ), if yes provide details			

<b>3.</b>	<b>MAINTENANCE OF RECORDS</b>			
3.1	Do you maintain a full audit trail of your customs activities? <b>(Yes or No)</b> . If yes, please give details.			
	<b>Accounting and logistical system</b>			
3.2	What accounting package/logistical application system (e. g sun system, sage e. t. c) do you use for your commercial management?			
3.3	Please provide the name of the software manufacturer.			
3.4	Where are your computer servers located?			
3.5	If the accounting system is automated, is it possible for Customs to interrogate and extract the data from the system? <b>(Yes or No)</b>			
	<b>Internal control system</b>			
3.6	Have you documented procedures by which employees within the different units in your business operate? (E.g. depending on the business activity - sales, production, etc.) <b>(Yes or No)</b> . If Yes, please provide details.			
3.7	Does your company have an internal audit function? <b>(Yes or No)</b>			
3.8	Is there a framework established to take actions on recommendations of the Internal Audit? <b>(Yes or No)</b>			

3.9	Have your internal control processes been subject to any internal/external audit? (Yes or No)			
3.10	Have you documented procedures to regulate and control the use and access to key and confidential business information?			
	<b>Making customs declarations and the use of customs agents</b>			
3.11	Have you documented procedures for verifying the accuracy of customs declarations including those submitted on your behalf by a third party representative e.g. agent, forwarder etc? Yes/No. If yes please describe briefly the procedures. If no, do you verify the accuracy of customs declaration? Yes/No. If Yes in what way?			
<b>4.</b>	<b>FINANCIAL SOLVENCY</b>			
4.1	Are all your annual accounts up to date? (Yes or No)			
4.2	Do you have copies of your external auditors' reports for the last 3 years? (Yes or No)			
<b>5.</b>	<b>SECURITY AND SAFETY STANDARDS</b>			
	<b>Information security</b>			
5.1.	Have you documented procedures for back-up, recovery, fall back, archiving and retrieval of your business records? (Yes			

	<b>or No).</b> If yes, please describe them briefly.			
5.2	Have you documented procedures to protect your computer system against unauthorized access? ( <b>Yes or No</b> )			
5.3	Have you documented procedures to ensure your company documents are secure? (Yes or No)			
	<b>Logistical security</b>			
5.4	Which means of transport are normally used by your business?			
5.5	Transport ownership – Does your company use transport as: a. sole ownership b. third party (e.g. external carriers, freight forwarders, etc.) c. both			
5.6	If “b” or “c” above, do you have agreements in place outlining responsibilities and procedures for the security of goods under conveyance? ( <b>Yes or No</b> )			
	<b>Premises security</b>			
5.7	Have you implemented measures to secure your business premise? Describe briefly how the external boundary of your company’s premises is secured. How is compliance with these procedures			

	checked? How, by whom and at what intervals are checks carried out on the fences and buildings? How are security incidents reported and dealt with.			
5.8	Have you documented procedures for control of access to cargo areas? (Yes or No)			
	<b>Personnel security</b>			
5.9.	Please describe briefly how your employment policy deals with security and safety requirements? Who is responsible for this area? Are the security procedures recorded in writing? Yes/No. Describe briefly how compliance with these procedures is checked?			
5.10	Are employees provided with identification while at work?			
5.11	Does your company conduct trainings on security awareness programs to employees? (Yes or No)			
5.12	5.4.3. Do you carry out back ground checks on newly recruited staff? (Yes or No)			
	<b>Trade partners</b>			
5.13	When entering into negotiated contractual arrangements with a trading partner, do you encourage your contracting party to assess and enhance its supply chain security?			

5.14	Have you established a system of reviewing relevant commercial information relating to your contracting party before entering into contractual relations?			
<b>6.</b>	<b>Volume of business</b>			
	<b>Fiscal statistics on Customs matters</b>			
6.1.	Do you perform customs formalities in your own name and for your own account? Are you being represented by someone regarding customs formalities, if yes by whom? Do you represent other persons in customs formalities? If yes, whom? (Name the most significant clients)			
6.2	What is the number of Customs declarations (imports, exports and/or re-exports, transit) made by your company in the last 3 years?			
6.3	What is the total amount of Customs duties and taxes paid by your company in the last 3 years?			
6.4	Has your company dealt in duty exempted goods in the last 3 years? <b>(Yes or No)</b>			
6.5.	Please indicate the location of the storage facilities used, but not owned by you?			
<b>7.</b>	<b>NATURE AND FLOW OF GOODS TRADED IN</b>			

	<b>Nature of goods</b>			
7.1	Provide a list of the main countries with which you trade.			
7.2	Do you deal in goods which are subject to preferential rate of duty? <b>(Yes or No)</b> . If yes, please give an overview of the preferential schemes you are using.			
7.3	Do you deal in goods subject to licenses, permits, certificates or restrictions? If yes, please provide details.			
	<b>Flow of goods</b>			
7.4	Depending on your business activity, please describe briefly the registration procedure (physically and in the records) for the flow of goods starting from their arrival, the storage up to manufacture and shipment. Who keeps records and where are they kept?			
7.5	Have you documented procedures to control stock movement? <b>(Yes or No)</b>  Briefly describe the procedures in place for checking stock levels, including the frequency of those checks and how are discrepancies handled (e.g. stocktaking and inventory)?			
7.6	Have you documented procedures to control your manufacturing processes? <b>(Yes or No)</b>			



7.7	Have you documented procedures to control the delivery of goods to your customers? <b>(Yes or No)</b>			
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## **APPENDIX 2: SELF ASSESSMENT FORM EXPLANATORY NOTES**

### **EXPLANATORY NOTES FOR AEO SELF ASSESSMENT FORM (SAF)**

The purpose of the AEO SAF is to help you as an applicant to understand the requirements associated with obtaining the AEO authorisation and provide Customs with information about you and your business in addition to that provided in your application.

These notes provide you with both guidance on how to answer the questions in the SAF as well as information on the standards customs administrations expect you to achieve and demonstrate to them in order to obtain the AEO authorisation.

According to point 4.2. of the regional AEO Procedure Manual in order to apply for the AEO authorisation the applicant shall submit a SAF, which the customs shall make available, together with the application.

1. This SAF is built on the provisions of the EAC Compliance and Enforcement Regulation as well as the regional AEO Procedure Manual. It aims to simplify and speed up the AEO application process.

It also allows for the Customs administration to get a good overall picture of the applicant together with the application form and that will result in speeding up the authorisation process. Economic operators are therefore invited to fill in the SAF in a correct way and answer to all relevant questions for their business.

You can find additional information about AEO programme on the EAC website and your national Customs administration's website.

Please note that it is important to read Part V (Authorized Economic Operators) of the EAC Compliance and Enforcement Regulation, the regional AEO Procedure Manual and regional AEO SOP carefully, before starting the application process.

2. The SAF is part of the AEO application and both parts have to be submitted together to the respective Partner State (PS) customs administration where you are established (the manner of submission will be dependent on the facilities that the relevant customs administration has in place).

It is recommended to contact the respective PS customs administration should you have any questions or require further information regarding the SAF or the application before submitting them.

3. The SAF contains the most important issues that can be of use for customs under each section. However, some issues do affect only certain actors in the international supply chain. You do not need to answer questions that are irrelevant for your business. Please answer these issues with "Not applicable" followed by a short comment on why it is not applicable.

If your company holds certificates, expert reports or any other conclusions from experts (for example economic reviews, international certificates etc.), please either provide them or

make reference to them. Note that this is not absolutely necessary, but if you have any of them it could be useful information for customs administration and could result in speeding up the process.

If you do so, please specify the name or number of the document and keep this ready for an on-site audit by the customs administration. To speed up the process it might be also possible to submit the documents (the manner of submission will be dependent on the facilities that the relevant customs administration has in place) together with the SAF.

4. The completed AEO application and SAF shall be submitted to the customs administration in an electronic form (preferably) or in writing.

5. The information sent within the application process falls under the data security legislation and will be treated as confidential.

6. It should be noted that individual answers to questions are not considered in isolation, but as part of an overall assessment process in relation to the criterion concerned. One unsatisfactory answer to a single question may not lead to a rejection of the AEO application in case the criterion is shown to be fulfilled elsewhere in the process.

7. The conditions and criteria for an AEO authorisation are the same for all economic operators. However, customs authorities will take into account the size of the company (e.g. Small and Medium Sized Enterprises (SME)), legal status of company, structure, the key business partners and also the specific economic activity. This means that the implementation of measures in order to fulfil the criteria can vary from operator to operator depending on size for example, without challenging the compliance of the requirements.

6. Please note that compliance with the various requirements will be checked for the last 3 years preceding the submission of the AEO application. In case you have been established for more than 1 but less than 3 years, it will be assessed for the period you have been established and based on the information and records available.

8. An AEO authorisation is based on the same principles as other international standards and where internal quality assurance standards are being adhered to by the company. **You as applicant are responsible for having quality assured procedures** at your premises, for customs matters as well as security and safety. At the site visits your company should show the customs authorities that you have adequate internal procedures in place, in order to manage your customs and security and safety matters and adequate internal controls in order to assure that those procedures work properly.

The answers in the questionnaire submitted together with the application should be a summary of the internal procedures and instructions you have in place in order to give the customs an overall picture of your business. In order to reply to the questionnaire and to be prepared for the AEO validation process all the main departments of your business involved in the international supply chain such as customs, logistics, accounting, computing, purchasing, sales, security, quality departments will have to be involved in the process.

## Section 1 COMPANY INFORMATION

The purpose of this section is mainly to get information giving the customs administration an overview on the company. The information requested can be given in a general way and serves as a snapshot of applicant's activities on the date of the application submission. If under any question a specific document is required it has to be provided together with the SAF.

### **1.1 Do you trade with businesses which are related to you?**

This question applies to all applicants in all client categories.

The question is asking the applicant to indicate whether there are other business partners related to that company, for instance if the applicant is an importer we would like to know whether the supplier is a subsidiary of the same company located in another PS or third country.

### **1.2 Provide details of any independently accredited standards to which you adhere**

This question applies to all applicants in all client categories.

The question is asking the applicant to indicate whether he has been qualified and accredited for any other standard certification, for instance ISO certification, environmental certification, security and safety certification etc.

### **Internal organization**

This section seeks to know the organisational structure of the business entity. This will provide the guarantee that the relationship between customs and the entity will be maintained even after his accreditation.

### **1.3. Provide the contact details of the senior personnel responsible for customs matters in your organization. Please provide information on his professional background, in particular experience in customs matters.**

This question applies to all applicants in all client categories.

The person in charge of customs matters is the person inside the company or a contracted person dealing with the applicant's customs matters.

This helps customs to know that they are dealing with skilled personnel in customs related matters.

### **1.4. Have you documented fall back procedures when key staffs are absent?**

This question applies to all applicants in all client categories.

Please describe briefly how do you deal with temporary or short term absences of key staff e.g. customs manager, import clerk including how their normal responsibilities are covered and by whom.

## Section 2 COMPLIANCE RECORD

The purpose of this section is mainly to show how the applicant adheres to the set customs procedures, laws and regulations.

You should not have committed any offence under customs laws, other taxation laws and laws of all relevant Government Agencies. However the record of compliance may be considered as acceptable if the offences are of low risk in relation to the number or size of the related operations/ activities.

**2.1. Has any action been taken against your company on any offence committed under the laws, rules and regulations pertaining to Customs, Domestic Taxes and all relevant Government Agencies in the last 3 years? If yes, please specify type of offence and action taken?**

This question applies to all applicants in all client categories.

**2.2 Does your company owe any unpaid duties to the Customs Administration or have any other outstanding obligation to any of the EAC Revenue Administrations? If yes, please specify.**

This question applies to importers, customs agents and exporters.

**2.3 Provide brief details of any customs authorisation held or sought by your business which has been withdrawn, suspended or denied in the last 3 year.**

This question applies to all applicants in all client categories.

**2.4 Does your company have routines and/or instructions or guidelines on the notification of irregularities to customs? Are these instructions documented (e.g. work instructions, manuals, and other guidance documents)?**

**Over the last year, have you detected any irregularities (or presumed irregularities) and notified them to the competent authorities? Yes /No**

This question applies to all applicants in all client categories.

The applicant is required to document procedures for identifying irregularities/ errors (nonconformities) and submit to customs/ regulatory authorities for further management. For instance if the operator has identified irregularities/ errors (nonconformities) on his declaration like using wrong HSC, wrong currency, or omitted documents he/she will need to follow the laid out procedures to report to customs for rectification of the error.

**2.5 Provide brief details of any compliance errors or irregularities you have discovered in your business in the last three years.**

This question applies to all applicants in all client categories.

**2.6 Have you taken any remedial action as a result of the above? If yes, please provide details of what you have done.**

This question applies to all applicants in all client categories.

**2.7 Do you have a documented personnel code of conduct? (Yes or No)**

This question applies to all applicants in all client categories.

**2.8 Have you been convicted for any criminal offence? (Yes or No), if yes provide details**

This may include the directors, the staff dealing with customs related matters. The criminal offence conviction is done by court.

**Section 3 MAINTENANCE OF RECORDS**

The purpose of the questions under this section is mainly to give information to customs with regard to the accounting and logistical system and records you use. The accounting and logistical system should provide customs with insights into the flow of goods and flow of money related to the goods flow and the tax aspects are very much relevant in that respect. An audit trail of the tax relevant movement of goods gives customs the opportunity to cross check if goods can be surreptitiously introduced in international trade supply chains and it provides a clear indication on the licit purposes of a transaction.

**3.1 Do you maintain a full audit trail of your customs activities? (Yes or No), If yes, please give details.**

This question applies to all applicants in all client categories.

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 also maintains a historical record that enables you to trace a piece of data from the moment it enters the trail to the time it leaves.

**Accounting and logistical system**

The applicant must maintain an accounting system which allows audit based customs control. To enable customs to apply the necessary controls you must allow customs to have physical and –in case your systems and records are kept electronically –electronic access to your records.

**3.2 What accounting package/logistical application system (e. g sun system, sage e. t. c) do you use for your commercial management?**

This question applies to all client categories.

**3.3 Please provide the name of the software manufacturer.**

This question applies to all client categories.

**3.4 Where are your computer servers located?**

This question applies to all client categories.

**3.5 If the accounting system is automated, is it possible for Customs to interrogate and extract the data from the system? (Yes or No)**

This question applies to all client categories.

### **Internal control system**

The operator should have an administrative organisation which corresponds to the type and size of the business and which is suitable for the management of the flow of goods and have internal controls capable of preventing and detecting illegal and irregular transactions.

Internal policies and/or instructions should be documented either electronically or on paper. They must be known and applied within the organisation, be available to all users and of course continuously updated.

**3.6 Have you documented procedures by which employees within the different units in your business operate? (E.g. depending on the business activity - sales, production, etc.) (Yes or No) If yes, please provide details.**

These procedures should provide evidence that they are regularly and fully reviewed, document any changes and notify affected staff of the changes.

**3.7 Does your company have an internal audit function? (Yes or No)**

This question applies to all client categories.

**3.8 Is there a framework established to take actions on recommendations of the Internal Audit? (Yes or No)**

This question applies to all client categories.

**3.9 Have your internal control processes been subject to any internal/external audit? (Yes or No)**

This question applies to all client categories.

**3.10 Have you documented procedures to regulate and control the use and access to key and confidential business information?**

The company should have documented procedure for managing use and access to confidential information of the company e.g. payroll of staff, password management etc.)

### **Making customs declarations and the use of customs agents**

**3.11. Have you documented procedures for verifying the accuracy of customs declarations including those submitted on your behalf by a third party representative e.g. agent, forwarder e. t. c? Yes/No. If yes please describe briefly the procedures. If no, do you verify the accuracy of customs declaration? Yes/No. If Yes in what way?**

In case of 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 customs agents/third parties used;
- how customs agents are appointed e.g. 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 customs agent;
- the way you provide clear and unambiguous instructions to your customs agent;
- how you provide supporting documents (e.g. licences, certificates etc.) to your customs agent, including presentation and retention/return;
- what the customs agent should do if the instructions are unclear;
- checking/verification of the accuracy and timeliness of your customs agent's work by you;
- how you notify your customs agent of any errors/amendments regarding cleared entries;
- dealing with irregularities;
- voluntary disclosures of errors to customs.

In case of customs representatives, your procedures should include:

- contracts detailing responsibilities,
- 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.

## Section 4 **FINANCIAL SOLVENCY**

Solvency means a good financial standing which is sufficient to fulfil your commitment with due regards to the characteristics of the type of business activity.

### **4.1 Are all your annual accounts up to date? (Yes or No)**

This question applies to all applicants in all client categories.

### **4.2 Do you have copies of your external auditors' reports for the last 3 years? (Yes or No)**

This question applies to all applicants in all client categories.



## Section 5 SECURITY AND SAFETY STANDARDS

This section concerns the security and safety criterion for AEO. The self-assessment for this requirement shall comprise all the premises which are relevant to the customs related activities of the applicant. 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, considering your role in the international supply chain.

You should not confuse this with health and safety requirements.

Normally any procedures referred to in this Section are expected to be of a sufficient standard and detail to (a) clearly identify both the responsible person and their deputy(ies) and (b) to enable the deputy(ies) to act in the way designated by the responsible person.

All procedures should be documented and made available for customs authorities during the audit of the AEO criteria and will always be checked on site.

### **5.1. Have you documented procedures for back-up, recovery, fall back, archiving and retrieval of your business records? (Yes or No) If yes, please describe them briefly.**

Your procedures should include on what kind of media the data is stored, in which software format the data is stored and whether the data gets compressed and at what stage. If a third party is used, please indicate the arrangements, the frequency and location of any back-up and archived information.

Please indicate how long the data is saved in the production system and how long the data is archived.

Please describe whether your company has a contingency plan for systems disruption/failure.

This question applies to all applicants in all client categories.

### **5.2 Have you documented procedures to protect your computer system against unauthorized access? (Yes or No)**

If yes, please describe briefly what actions you have taken in order to protect your computer system from unauthorised intrusion. Your actions should consider:

- an updated safety plan describing the measures in place for 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 other's actions);

- details of firewalls, anti-virus and other malware protection;
- a business continuity/disaster recovery plan in case of incidents;
- back-up routines including restoration of all relevant programmes and data following the disruption due to a breakdown of the system;
- logs where each user and his actions are recorded;
- whether the vulnerability management of the system is done periodically and by whom.

This question applies to all applicants in all client categories.

**5.3 Have you documented procedures to ensure your company documents are secure? (Yes or No)**

If yes, please describe briefly. Normally, these shall include:- how recording and back-up of documents including scanning and microfiche, and limiting access is done;

- 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.

This question applies to all applicants in all client categories.

## Logistical security

**5.4 Which means of transport are normally used by your business?**

This question applies to the movement of your imported and/or exported goods, as the case may be, between your premises and the border of the EAC, across the EAC territory and within different sets of premises.

You should list all modes of transport used starting or ending within your premises and entering the international supply chain.

This question applies to all applicants in all client categories except for cases of customs agents just dealing with customs documents.

**5.5 Transport ownership – Does your company use transport as:**

- a. sole ownership
- b. third party (e.g. external carriers, freight forwarders, etc.)
- c. both

This question applies to all applicants in all client categories except for cases of customs agents just dealing with customs documents.

**5.6 If “b” or “c” above, do you have agreements in place outlining responsibilities and procedures for the security of goods under conveyance? (Yes or No)**

If yes, please describe briefly how you choose the external providers and how you establish whether the freight forwarder/carrier meets the security requirements.

This question applies to all applicants in all client categories except for cases of customs agents just dealing with customs documents.

### **Premises security**

**5.7 Have you implemented measures to secure your business premises? Describe briefly how the external boundary of your company’s premises is secured. How is compliance with these procedures checked? How, by whom and at what intervals are checks carried out on the fences and buildings? How are security incidents reported and dealt with.**

This question is relevant for all actors in the supply chain.

**5.8 Have you documented procedures for control of access to cargo areas? (Yes or No)**

This question applies to all applicants in all client categories except for cases of customs agents just dealing with customs documents.

### **Personnel security**

This question is relevant for all actors in the supply chain.

**5.9. Please describe briefly how your employment policy deals with security and safety requirements? Who is responsible for this area? Are the security procedures recorded in writing? Yes/No. Describe briefly how compliance with these procedures is checked?**

**5.10 Are employees provided with identification while at work?**

**5.11 Does your company conduct trainings on security awareness programs to employees? (Yes or No)**

If yes, please describe briefly:

- what is the frequency of the security and safety training?
- is this training internal or provided by an external supplier?
- Are there written records on these trainings (e.g. content, who has attended these?)

**5.12 Do you carry out back ground checks on newly recruited staff? (Yes or No)**

Please describe briefly: To what extent are the following types of employees subject to security checks (e.g. police checks to confirm that he/she has no criminal record)

- a) new employees who will be working in security-sensitive fields

b) existing employees who are to be transferred into security-sensitive fields.

How is it ensured that when staffs leave, they no longer have any physical or electronic access to company premises or data?

### Trade Partners

**5.13. When entering into negotiated contractual arrangements with a trading partner, do you encourage your contracting party to assess and enhance its supply chain security?**

This applies to all applicants in all client categories

While making contracts with trading partners the operator should ensure that the clause stating security responsibilities of the parties involved in the contract are covered, for instance transport contracts where by the transporter should be responsible for the security of the cargo they are transporting.

**5.14. Have you established a system of reviewing relevant commercial information relating to your contracting party before entering into contractual relations?**

This applies to all applicants in all client categories

There should be established guidelines or a mechanism of back ground check before entering a contract with any party.

## Section 6 VOLUME OF BUSINESS

The questions under this section aim at providing customs with general overview of the volume of your business, including volume of customs related activities.

### Fiscal statistics on Customs matters

**6.1. Do you perform customs formalities in your own name and for your own account?**

Are you being represented by someone regarding customs formalities, if yes by whom?

Do you represent other persons in customs formalities? If yes, whom? (Name the most significant clients)

**6.2. What is the number of Customs declarations (imports, exports and re-exports, transit) made by your company in the last 3 years?**

This question doesn't apply to transporters.

**6.3 What is the total amount of Customs duties and taxes paid by your company in the last 3 years?**

This question doesn't apply to transporters.

**6.4. Has your company dealt in duty exempted goods in the last 3 years? (Yes or No)**

If yes, please provide details regarding the scheme under which you were entitled on this.

This question doesn't apply to transporters.

## Section 7 NATURE AND FLOW OF GOODS TRADED IN

### Nature of goods

**7.1. Provide a list of the main countries with which you trade in. (e.g. you import goods from, you export goods to, you transport goods between).**

This question applies to all client categories.

**7.2. Do you deal in goods which are subject to preferential rate of duty? (Yes or No). If yes, please give an overview of the preferential schemes you are using.**

This question doesn't apply to transporters.

**7.3. Do you deal in goods subject to licenses, permits, certificates or restrictions? If yes, please provide details.)**

This question applies to all client categories.

### Flow of goods

**7.4. Have you documented procedures to control stock movement? (Yes or No)**

This question doesn't apply to customs agents dealing with customs documents only.

Stock movement procedures should include, before and during the arrival of goods;

- purchase ordering procedures
- confirmation of order
- shipping/transport of goods
- 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,

During the storage of goods,

- 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,

**7.5. Have you documented procedures to control your manufacturing processes? (Yes or No)**

This question applies to manufacturers.

During the manufacturing process of goods,

- 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,

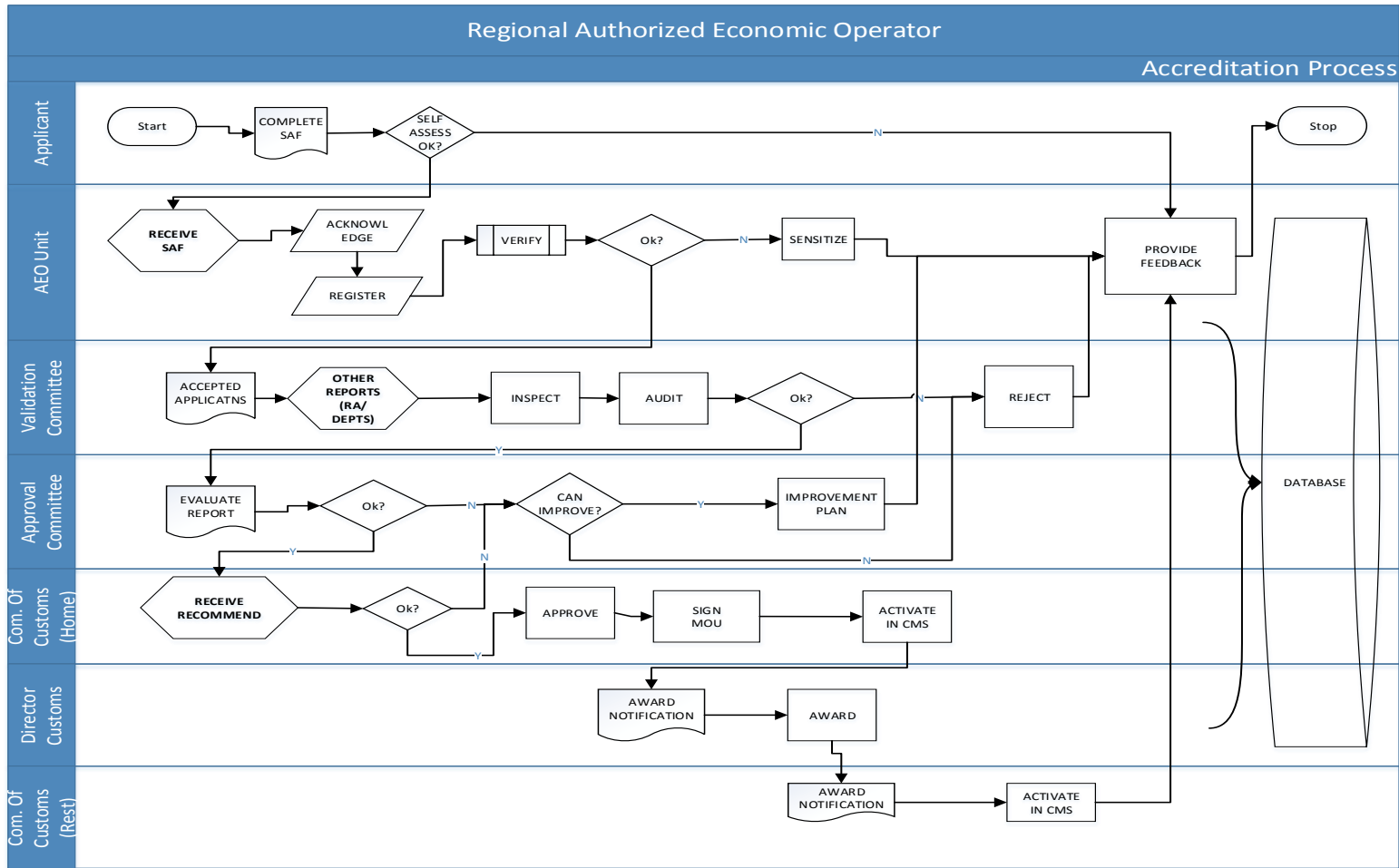
**7.6 Have you documented procedures to control the delivery of goods to your customers?  
(Yes or No)**

This question doesn't apply to customs agents dealing with customs documents only.

The procedures should include information about,

- 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.

**APPENDIX 3: REGIONAL AEO ACCREDITATION PROCESS**



**APPENDIX 4: AEO MEMORANDUM OF UNDERSTANDING TEMPLATE**

**MEMORANDUM OF UNDERSTANDING**

**BETWEEN**

\_\_\_\_\_ *(Partner state)* \_\_\_\_\_ **REVENUE AUTHORITY**

**AND**

\_\_\_\_\_ *Name of AEO* \_\_\_\_\_



**THE REPUBLIC OF** \_\_\_\_\_ *(Partner state)* \_\_\_\_\_

**MEMORANDUM OF UNDERSTANDING**

**THIS MEMORANDUM OF UNDERSTANDING** is made this ..... day of .....201....

**BETWEEN**

\_\_\_\_\_ *(Company name)* \_\_\_\_\_ of \_\_\_\_\_ *(Postal Address)* \_\_\_\_\_, a company incorporated under the laws of \_\_\_\_\_ *(Partner state)* \_\_\_\_\_ with registered offices at \_\_\_\_\_ *(Physical address)* \_\_\_\_\_, hereinafter referred to as the “**AEO**” on the one part,

**AND**

\_\_\_\_\_ *(Partner state)* \_\_\_\_\_ **REVENUE AUTHORITY** of \_\_\_\_\_ *(Postal Address)* \_\_\_\_\_, herein after referred to as “\_\_\_\_\_ *(Acronym for the Revenue Authority eg URA)* \_\_\_\_\_” on the other part;

**Preamble**

**WHEREAS** \_\_\_\_\_ *(Acronym for the Revenue Authority eg URA)* \_\_\_\_\_, in an effort to facilitate trade and perform its numerous functions in the collection of government revenue and protection of Society, embarked on an East African Community, hereinafter referred to as the “**EAC**”, regional program entitled “Authorized Economic Operator” a World Customs Organisation trade facilitation and supply chain security standard,

**RECOGNIZING** that \_\_\_\_\_ *(Acronym for the Revenue Authority eg TRA)* \_\_\_\_\_ considers that the objectives of the Authorised Economic Operator program mentioned hereunder will be achieved through formation of partnerships between \_\_\_\_\_ *(Acronym for the Revenue Authority eg RRA)* \_\_\_\_\_ and reliable economic operators,

**EMPHASISING** that the Authorised Economic Operator program is a voluntary program opened to economic operators and that by applying and joining the program, the AEO commits to complying with the Customs laws, regulations and procedures , standards and conditions of the AEO program;

**RECOGNISING** that the AEO, following the Authorisation process has proven to the satisfaction of \_\_\_\_\_ *(Acronym for the Revenue Authority eg OBR)* \_\_\_\_\_ to be compliant

**RECOGNISING** that the regional AEO authorisation shall be mutually recognized in the Partner States;

**EMPHASIZING** that the terms and provisions of this MOU shall apply in the Partner States at the time the AEO is authorized to enjoy the benefits associated with the EAC Regional Authorised Economic Operators program,

**AND WHEREAS** the parties have agreed to sign a Memorandum of Understanding on the following terms;

**NOW THESE PRESENTS WITNESS AS FOLLOWS:**

### **1. OBJECTIVES OF THE AUTHORISED ECONOMIC OPERATOR PROGRAM**

The objectives of the EAC Regional Authorised Economic Operator Program are to:

- i. Enhance voluntary compliance with Customs laws, regulations and procedures
- ii. Promote security of the international trade supply chain
- iii. Promote Customs to Business partnership
- iv. Enhance trade facilitation by embracing best practices while performing the roles and functions of Customs,

### **2. SCOPE OF THE AUTHORISED ECONOMIC OPERATOR PROGRAM**

The Authorised Economic Operator Program shall cover:

- i. Security and Safety, and
- ii. Customs Procedures Simplification

### **3. ENTITLEMENT TO BENEFITS**

The AEO shall be entitled to receive the benefits stipulated in Schedule 1 which is attached hereto upon execution of this MoU.

### **4. OBLIGATIONS OF THE AUTHORISED ECONOMIC OPERATOR**

The AEO shall:

- i. Instruct its contracted parties to exercise due diligence and to perform delegated operations in a way that will ensure that the AEO continues to meet the requirements and conditions for being on the Authorised Economic Operator Program as established during the Authorisation process.

- ii. Maintain the status of its operations to at least the level that was assessed by \_\_\_\_\_ *(Acronym for the Revenue Authority eg KRA)* \_\_\_\_\_ during the Authorisation process and inform \_\_\_\_\_ *(Acronym for the Revenue Authority eg KRA)* \_\_\_\_\_ in case there are changes or plans to make changes.
- iii. Uphold compliance with Customs laws and any other relevant laws during its operations and shall adhere to notices guides and any other administrative instruments from the \_\_\_\_\_ *(Acronym for the Revenue Authority eg URA)* \_\_\_\_\_ Commissioner of Customs.
- iv. Report to \_\_\_\_\_ *(Acronym for the Revenue Authority eg URA)* \_\_\_\_\_ or the EAC Customs administration under whose jurisdiction the AEO is conducting its operations at the time, any cases of noncompliance that shall come to its knowledge, whether arising from its own operations or otherwise.
- v. Have the right to an appeal and a fair hearing in case it is not satisfied with a decision taken by \_\_\_\_\_ *(Acronym for the Revenue Authority eg URA)* \_\_\_\_\_ or the EAC Customs administration under whose jurisdiction the AEO is conducting its operations at the time.

## **5. OBLIGATIONS OF \_\_\_\_\_ *(Acronym for the Revenue Authority eg URA)* \_\_\_\_\_**

\_\_\_\_\_ *(Acronym for the Revenue Authority eg URA)* \_\_\_\_\_ shall:

- i. Put in place measures and systems to administer and ensure that the AEO receives and enjoys the benefits stipulated in Schedule 1.
- ii. Notify the other Partner States, through the EAC Director Customs, to recognize the status of the AEO and accord benefits as per the EAC regional program terms
- iii. Periodically conduct a reassessment in consultation with the Revenue Authorities of the Partner States.
- iv. Conduct audit of the AEO's operations including visits when necessary, to the operator's premises to check if the compliance levels are maintained.
- v. In the effort to ensure compliance, issue notices, guides and any other administrative instruments as may be necessary to guide the operations of the AEO.
- vi. Reserve the right to suspend or revoke the authorisation in line with the regional procedures if the AEO is in breach of the objectives of the AEO program, Customs laws, other Tax laws, or any other relevant laws, regulations and procedures of the Partner States
- vii. Notify the AEO, in writing within reasonable time, of any changes under the Authorised Economic Operators Program.

## **6. COMMENCEMENT, DURATION AND TERMINATION**

This Memorandum of Understanding is effective from the date of signing by both parties and shall remain in force until terminated and will be reviewed at the time of reassessment to ensure that it remains relevant to all parties.

## **7. MAINTAINING EXISTING STATUTORY AUTHORITY AND OBLIGATIONS**

- i. Each party to this MoU retains all rights and obligations under the existing Acts and regulations and this MOU will not restrict the supervisory and functional prerogatives of either party.
- ii. Nothing in this MOU shall be deemed to restrict, enlarge or otherwise modify the respective jurisdictions of the parties. Neither this MOU nor its termination shall affect the rights and obligations of the parties under applicable law.

## **8. AMENDMENT**

- i. Any changes, modifications or amendments to this MoU shall be made only by mutual agreement in writing between the parties hereto and such changes, modifications or amendments shall become an integral part of this MoU.
- ii. Notwithstanding paragraph i above, \_\_\_\_\_ (*Acronym for the Revenue Authority eg URA*) \_\_\_\_\_ may amend schedule I and give the AEO not less than 5 (five) working days' notice before effecting such change.

## **9. ASSIGNMENT**

Neither the AEO nor \_\_\_\_\_ (*Acronym for the Revenue Authority eg URA*) \_\_\_\_\_ will assign in whole or in part their responsibility under this MoU.

## **10. GOVERNING LAW**

This MoU shall be governed by the provisions of the East African Community Customs Management Act, 2004 (EACCMA) and other applicable laws of the Republic of \_\_\_\_\_ (*Partner state*) \_\_\_\_\_. In the event of any conflict between the terms of the MoU and the EACCMA, the EACCMA will take precedence.

## **11. DISPUTE RESOLUTION**

The parties shall cooperate to resolve amicably any disagreement or disputes arising out of the interpretation or execution of this MoU. In the event that the dispute is not resolved after the mutual agreement procedures; the dispute may be resolved in accordance with the EACCMA.

**12. TERMINATION AND CONTINUING OBLIGATION**

- a- Either party to this MOU may terminate it by giving the other three months written notice of intention to do so.
- b- The termination will take effect on agreement of the two parties at the end of three months from the date of service of notice.
- c- A party to this MOU that terminates the MOU will continue to perform its outstanding responsibilities as agreed upon until to the extinction of those obligations.

**13. NOTICES**

Any notice or request required or permitted to be given under this MoU shall be in writing and shall be given at each party’s address set out below or as amended from time to time by notice to the other.

**FOR** \_\_\_\_\_ *(Acronym for the Revenue Authority eg URA)* \_\_\_\_\_ :

The Commissioner Customs,  
 \_\_\_\_\_ *(Partner state)* \_\_\_\_\_ Revenue Authority,  
 \_\_\_\_\_ *(Address)* \_\_\_\_\_  
 \_\_\_\_\_ *(Address)* \_\_\_\_\_  
 \_\_\_\_\_ *(Address)* \_\_\_\_\_

A. Telephone: + \_\_\_\_\_

**FOR AEO:**

The \_\_\_\_\_ *(Title of Contact Person)* \_\_\_\_\_  
 \_\_\_\_\_ *(Company Name)* \_\_\_\_\_,  
 \_\_\_\_\_,  
 \_\_\_\_\_  
 Telephone: + \_\_\_\_\_

**IN WITNESS WHEREOF, THE PARTIES HAVE HEREUNTO SET THEIR HANDS AND SEALS THE DAY AND YEAR FIRST ABOVE WRITTEN TO THIS MEMORANDUM OF UNDERSTANDING.**

The Seal/Rubber stamp of \_\_\_\_\_  
 \_\_\_\_\_  
 Was affixed hereto by  
 Name: \_\_\_\_\_

Position: \_\_\_\_\_  
.....

In the Presence of

Name: \_\_\_\_\_  
Position: \_\_\_\_\_  
.....

The Seal of \_\_\_\_\_(Partner state)\_

**REVENUE AUTHORITY**

Was affixed hereto by

Name: \_\_\_\_\_  
Position: \_\_\_\_\_

In the presence of

**Name:** \_\_\_\_\_  
**Position:** \_\_\_\_\_

**SCHEDULE 1**

**Benefits accorded to the AEO**

The AEO shall be allowed under the EAC Regional Authorised Economic Operator Program to enjoy the following benefits;

**1 IMPORTERS/EXPORTERS/MANUFACTURERS** *(To be inserted as appropriate)*

**Expedited processing of entries/declarations – AEO declarations will be given priority throughout the whole clearance process. This will include;**

**1.1 Automatic passing of declaration.**

Once all conditions for lodgement of a declaration are fulfilled by the AEO, the declaration shall be lodged and thereafter system released.

**1.2 No physical or document examination except for random or risk based interventions/exceptional cases.**

Where the AEO declaration is randomly selected to the red or yellow lane, priority treatment shall be given during examination. The AEO shall also have the option to choose the location for the physical examination.

**1.3 ECTS requirement waiver where applicable.**

In cases where the ECTS is required, the AEO shall also have the option to choose whether to use it or not.

**1.4 Expedited payment of refund claim.**

Priority shall be given in processing of the refund claims. Where applicable, some procedures will be simplified for the AEO.

**1.5 Reduced Customs security wherever applicable**

Subject to relevant provisions of law/regulations, consideration for a lower Customs Security on a case-to-case basis will be granted to the AEO.

**2 CUSTOMS AGENTS** *(To be inserted as appropriate)***2.1 Guaranteed renewal of Customs agent's license**

The renewal of the AEO Customs Agent's licence shall not be subject to the vetting process but the AEO shall be required to make payment for licencing fees and any other related payments.

**2.2 Priority to participate in Customs initiatives**

The AEO will be given first opportunity to take part in new trade facilitation initiatives within EAC Revenue Authorities.

**2.3 Priority treatment in cargo clearance chain**

Any consignment declared by the AEO Customs Agent will be processed before the non-AEO declarations.

**2.4 Waiver of movement bond for AEO**

The AEO's goods in transit to the warehouses will be exempted from movement bond requirements. This will only apply to consignments where the Importer/Exporter, Customs Agents, and the transporter are ALL AEOs.

**3 TRANSPORTERS** *(To be inserted as appropriate)***3.1 Guaranteed renewal of transit goods licence and any other licences issued by Customs.**

The renewal of licences issued by Customs will not be subject to the vetting process but the AEO shall be required to make payment for licencing fees and any other related payments.

**3.2 Exemption from the mandatory use of Customs Electronic Cargo Tracking System (ECTS).**

In cases where the ECTS is required, the AEO will enjoy the benefit of optional use of ECTS.

### **3.3 Priority clearance at the borders.**

Subject to adequacy, consignments transported by the AEO will enjoy expedited border processes.

## **4 WAREHOUSE OPERATORS** *(To be inserted as appropriate)*

### **4.1 Self-management of bonded warehouse**

The AEO will be granted the privileged to self-manage his/her bonded warehouse. Self-managed bonded warehouse is a facility extended to a warehousing operator where the responsibilities of a Customs Officer are delegated to the bonded warehouse operator. However the Warehouse Operator is required to adhere to the provisions of the law and any other conditions that may be given by the Commissioner. This facility is extended to the AEOs to enhance flexibility of bonded warehouse operations in terms of time and cost.

### **4.2 Guaranteed renewal of Warehouse Operator's license**

The renewal of the AEO Warehouse Operator's license shall not be subject to the vetting process but the AEO shall be required to make payment for licensing fees and any other related payments.

### **4.3 Reduced Customs security wherever applicable**

Subject to relevant provisions of law/regulations, consideration for a lower Customs security on a case-to-case basis will be for an AEO.