



INFORMATION GUIDELINE ON AUTHORISED ECONOMIC OPERATOR (AEO) PROGRAM



1. INTRODUCTION

- 1.1 After the September 11 2001 attack on the New York World Trade Centre, the impact on world trade started when countries tightened control at their borders as precautions against future subversions. United States of America pioneered several security initiatives among them the 24-Hours Rule, Container Security Initiatives (CSI) and Customs-Trade Partnership Against Terrorism (C-TPAT). The world's economic powerhouses developed security partnerships to protect the trade supply chain and ensure the smooth flow of legitimate trade and continuation of global economic prosperity.
- 1.2 The World Customs Organisation (WCO) took note of these developments and introduced the SAFE Framework of Standards to Secure and Facilitate Trade or SAFE Framework of Standards (FoS) to provide guidelines on the standards of security to be implemented by operators throughout the trade supply chain. Businesses who complied with the required standards stand to procure benefits provided by customs administrations. These partnerships are the two pillars called Customs-to-Customs Network Arrangement (Pillar I) and Customs-to-Business Partnerships (Pillar II) and form the basis for the successful implementation of FoS.
- 1.3 The Authorised Economic Operator or AEO is a concept introduced by the FoS to refer to operators involved in the movement of goods along the international trade supply chain who have achieved the required security standards and are accredited by the member country. The AEO Scheme developed by RMC is based on a similar concept.
- 1.4 The objective of this Information Guideline is to provide overview information on AEO and to give awareness on the role of Customs and AEO companies.

2. OBJECTIVES OF AEO SCHEME

The AEO Scheme was developed to fulfil the following objectives:

- 2.1 To implement a predictable and transparent global trade security standards
- 2.2 To enhance the level of compliance and awareness among the operators and traders in Malaysia on the importances of monitoring the security of their respective supply chain.
- 2.3 To encourage the traders/operators to manage their respective supply chain security based on established criteria.
- 2.4 To align Malaysia's Customs practice to international best practice based on the WCO SAFE Framework of Standards (FoS) .
- 2.5 To position Malaysia as a secure trading nation in the global arena.
- 2.6 To enhance the competitiveness of Malaysia traders / operators internationally.

3. **TERMINOLOGIES**

3.1 **Authorised Economic Operator (AEO)**

As defined in the WCO SAFE Framework, AEO is a party involved in the international movement of goods in whatever function that has been approved by or on behalf of a national Customs administration as complying with WCO or equivalent supply chain security standards. Authorized Economic Operators include inter alia manufactures, importers, exporters, brokers, carriers, consolidators, intermediaries, ports, airports, terminal operators, integrated operators, warehouses, distributors.

In the Malaysian context, AEO status is only awarded to traders/operators who are accredited and authorized by the AEO Panel to enjoy the benefits offered under the Scheme.

3.2 **AEO Panel Customs Headquarters**

The Panel responsible in deliberating on the application for AEO status.

3.3 **Supply Chain Security Specialist (SCSS)**

Officer who is responsible for verifying the security of the supply chain and endorsing the eligibility of a company as AEO.

3.4 **Enrolment Officer (EO)**

Officer who is responsible for the registration of the AEO and procurement and issuance of Smartcard to the AEO.

3.5 **Security Officer**

Officer who is responsible to “Pre-personalize Smartcard” and perform “Personal Unlocked Key (PUK) retrieval” for “PIN Unblock” and “revocation of e-certificate”.

3.6 **Systems Administrator**

Officer who is responsible for the overall AEO system.

3.7 **Control Station**

The Customs office which administers the AEO.

3.8 **Releasing Station**

The Customs office where importation and exportation are done.

3.9 **Critical Goods**

Goods which are deemed to be critical by the Director General of Customs, namely motor vehicles, cigarettes, alcoholic drinks, petroleum / petroleum products and mobile phones.

3.10 **Permission Request Slip (PRS)**

An electronics document that replaces the Customs Declarations Form for the purpose of release from Customs control at the point of import and export.

3.11 **Consolidated Statement (CS)**

An electronics document which consolidates the PRS data in the system for the calculation and payment of duties / taxes, as well as for trade statistics

3.12 **AEO Smartcard**

A special card used to access the AEO system.

3.13 **Green Lane**

Direct release given to AEOs for importation, exportation and movement using minimum data.

3.14 **Electronic Fund Transfer (EFT)**

Electronic payment of duties / taxes through a nominated bank.

3.15 **Customs Registration Number**

A unique PRS registration number generated by the AEO system.

3.16 **CIS Release Number**

A unique registration reference number for Permission Request Slip (PRS) generated by the AEO system .

4. **CRITERIA**

4.1 Qualifying criteria for applications to AEO Scheme.

4.1.1 Companies involved in importation, exportation and movement of goods.

4.1.2 Companies which have been in operation in Malaysia for at least three years.

4.1.3 Companies which have fullfill the security requirements based on WCO SAFE Framework of Standards.

4.1.4 Companies must be able to submit declaration of goods and payments of duties electronically.

4.2 The company is required to have in place security features that addresses the following elements:

4.2.1 Security of supplies;

4.2.2 Security of business;

4.2.3 Security of premise and physical accessibilty;

4.2.4 Security of personnel;

4.2.5 Security of customs agents acting for the company;

4.2.6 Security of business partner;

4.2.7 Security of cargo;

4.2.8 Security of transport and conveyance;

4.2.9 Security of information and ICT

4.2.10 Security of warehouse/storage;

4.2.11 Management of accidents, disasters and investigations

4.2.12 Management of crisis and recovery.

4.3 Companies dealing with or handling the goods in the following categories are not eligible to join the AEO Scheme:

4.3.1 Critical goods such as motor vehicles, alcoholic beverages, cigarettes, petroleum/petroleum products and mobile phones;

4.3.2 Goods which are under total prohibition or precursor chemicals which can be used in the manufacture of drugs or materials for weapons of mass destructions (WMD).

4.3.3 Any other category of goods as determined by the AEO Panel, at any given time and situation.

5. FACILITATIONS

Benefits provided for AEOs are:

5.1 Release from Customs control for importation, exportation and movement is done via green lane,

5.2 Release from customs control with minimal data using the PRS,

5.3 The company will submit a self-assessed declaration on import, export and movement periodically using the Consolidated Statement (CS), in accordance to specified schedules.

5.4 The Scheme allows for deferred payment of duties via Electronic Fund Transfer (EFT);

5.5 LMWs using the AEO system fully are not required to submit the Monthly Statement on Movement of Raw Materials (M1) and Statement of Finished Product (M2);

5.6 AEOs are allowed to use the Consolidated Statement (CS) to apply for the Certificate of Origin (Form D) for the purpose of claiming CEPT, from the Ministry of International Trade and Industries.

5.7 AEOs are entitled to the benefits offered by international customs administrations under Mutual Recognition Arrangements (MRA) with RMCD,

5.8 Other benefits agreed on by the AEO Panel.

6. AEO PANEL

6.1 The members that made up the AEO Panel are:

6.1.1 The Director General of Customs

- 6.1.2 The Deputy Director General of Customs (Customs and Internal Tax)
 - 6.1.3 Director of Customs Division
 - 6.1.4 Director of Compliance Management Division
 - 6.1.5 Director of Intelligence Sub-Division
 - 6.1.6 Deputy Director of the IT Sub-Division
 - 6.1.7 Deputy Director of the Trade Facilitaion and Industries Sub-Division
 - 6.1.8 Officers appointed by the Panel to act as Secretariat.
- 6.2 The functions of the AEO Panel are:
- 6.2.1 To determine the policy and direction of the AEO Scheme
 - 6.2.2 To approve applications to join the AEO Scheme
 - 6.2.3 To decide on the duration of each approval to the AEO Scheme
 - 6.2.4 To determine actions to be taken on cases referred to the AEO Panel
- 6.3 The AEO Panel shall meet bi-annually or whenever it needs to.
- 6.4 The AEO Panel may sit when at least three members are present. The authority of the chair maybe delegated to an appointed senior officer

7. APPLICATION PROCEDURES

- 7.1 Companies applying to join the AEO Scheme are required to submit the following documents:-
- i. Official letter of application,
 - ii. AEO Application Form (as in **Attachment 1**)
 - iii. Company's Profile,
 - iv. Copy of Company Registration Certificate,
 - v. Copy of Form 24 and Form 49,
 - vi. Completed Self-Assessment Compliance Checklist (as in **Attachment 2**),
 - vii. List of personnel who will deal with Customs and list of forwarding agents given the authority to represent the company,
 - viii. Copy of certificates and recognitions received, such as ISO certificate, C-TPAT (if any),
 - ix. Copy of licenses and facilities received (if any),
 - x. Copy of the latest Financial Statements, audited by a certified auditor,
 - xi. List of raw materials and finished products and their HS Codes,
 - xii. A letter stating agreement to comply with the conditions under AEO Scheme.

Application has to be sent to:

AEO Secretariat,
Trade Facilitation and Industries Sub-Division
Customs Division, Level 4 North
Finance Ministry Complex
No. 3, Pesiaran Perdana
Precinct 2, Federal Government Administrative Centre
62592 PUTRAJAYA.

- 7.2 The company is required to submit only one copy of the application to the AEO Secretariat
- 7.3 For companies with more than one premise or location, only the parent company need to apply for AEO status.

8. PROCEDURES FOR PROCESSING APPROVAL

- 8.1 The flow chart for processing the application is as in **Attachment 13**. All applications will be checked and registered by the AEO Secretariat.
- 8.2 The AEO Secretariat shall subsequently take the following actions:
- 8.2.1 Submit the name of the company, members of the Board of Directors, personnel who will deal with Customs for checks on their background and past records, to:
- 8.2.1.1 Intelligence Sub-Division, Enforcement Division, Customs Headquarters to check on their compliance to the legal requirements of the Department,
- 8.2.1.2 Agent Control Unit of the Control Station to check on the applicant's background and legal compliance,
- 8.2.1.3 Royal Malaysia Police for checks on past criminal records,
- 8.2.1.4 Internal Revenue Board to check on compliance to income tax payment,
- 8.2.1.5 Immigration Department to ensure applicant has not been blacklisted,
- 8.2.1.6 The Companies Commission to ensure the company exists and in compliance with the Commission's legal requirements,
- 8.2.1.7 Any other government agencies with relevant information on the company.
- 8.2.2 Submit a copy of the application to the Industries Sub-Division of the Control Station for verifications that:

8.2.2.1 The company has no record of offences committed or contravention of licensing conditions for the past three years;

8.2.2.2 Is not in the Customs blacklist at time of application,

9.2.2.3 Does not have unpaid debt with Customs.

8.2.3 Submits a copy of the application to the Post Import Sub-Division at Control Station for pre-verification auditing (as in **Attachment 3**) of the following:

8.2.3.1 Application of the *Generally Accepted Accounting Principles* (GAAP) in their accounting system;

8.2.3.2 Complete and systematic 'audit trail' of all commercial documents, computer systems, customers and suppliers;

8.2.3.3 The state of company finance; and

8.2.3.4 Compliance to the laws and regulations administered by the Department.

8.2.4 To carry out a Security Audit to ensure the company has in place security features as listed out in the format of the Security Audit Report (refer to **Attachment 4**);

All the required information has to be sent to the AEO Secretariat within one month.

8.3 Actions by the AEO Secretariat, Customs Headquarter.

8.3.1 After receipt of report and information for para. 9.2.1 to 9.2.4. the AEO Secretariat will prepare an evaluation report and obtain endorsement from the Director of Customs Division, Customs Headquarters.

8.3.2 The AEO Secretariat will present the evaluation report to the AEO Panel meeting, for their consideration.

8.3.3 Approval to the AEO Scheme will be determined by the following factors:

8.3.3.1 Company have in place high security measures.

8.3.3.2 Company has an overall clean record with the Department and other government agencies.

8.3.3.3 The company is engaged in business and activities that can be monitored and will not lead to the loss of national revenue.

8.4 After the AEO Panel's decision, the AEO Secretariat will prepare an approval letter and a list of the AEO's responsibilities, as in **Attachment 5**.

9 **ACTIONS AFTER APPROVAL**

- 9.1 The successful company will be informed to take the following actions:
 - 9.1.1 Submit security in the form of general bond.
 - 9.1.2 Set up a unit to manage the company's Supply Chain Security, if none is in place.
 - 9.1.3 Send two company officials for the Customs Agent Basic Course.
 - 9.1.4 Open an account with a nominated bank for purpose of duty payment.
 - 9.1.5 Company should utilise the AEO system for transactions on import/export/movement/local sales of goods.
 - 9.1.6 Submit the Smartcard Application Form, as in **Attachment 6**.
- 9.2 The AEO is required to sign a Memorandum of Understanding with the Royal Malaysian Customs Department.
- 9.3 The AEO is also required to sign an agreement with a nominated bank for purpose of payment of duty/tax via the Electronic Fund Transfer (EFT), if relevant.
- 9.4 The AEO Secretariat will forward the Smartcard Application to the Enrolment Officer who will be responsible for entering the relevant data into the Smartcards. The process flow for data entry is as in **Attachment 7**.
- 9.5 The AEO Secretariat will train representatives of the AEO on installation and use of the AEO system and procedures for declaring Permission Request Slip (PRS), Consolidated Statement (CS) and payment of duties/taxes.
- 9.6 The Smartcard (with password) and software will be given to the AEO. The format for activating the Smartcard and password are as in **Attachment 8 and 9**, whichever is relevant.
- 9.7 Installation of the AEO system at the company's premise will be carried out by the Systems Administrator from the IT Sub-division of the Headquarters.
- 9.8 Should the Smartcard be blocked, the process to unblock will be carried out by the Systems Administrator.
- 9.9 AEOs who have not activated the use of their AEO system will have to inform the AEO Secretariat, Customs Headquarters to activate it. AEOs have to start using the facility within 6 months from the approval date. If the company is not able to activate the system within that period, it will have to notify Customs on the date they plan to use the system.

10 CUSTOMS PROCESSES

10.1 USE OF PERMISSION REQUEST SLIP (PRS) FOR RELEASE OF GOODS FROM CUSTOMS CONTROL

10.1.1 The PRS main use is for importation, exportation, movement and local sales and it replaces the Customs forms No. 1, 2, 8 and 9 for purpose of customs declaration.

10.1.2 Information required for PRS declaration are transaction type, releasing station, transport information, goods and packaging. The minimal information is to serve as guide to the customs officers on duty.

10.1.3 Every PRS application will be given an automatic release status by the Customs Information System (CIS). PRS which have been successfully registered in the CIS will be given a Release Number and Customs Security Number. The application process, approval and printing of the PRS is as in **Attachment 16**.

10.1.4 PRS should be printed at the AEO's premise with the container number for containerised cargo and lorry number for conventional cargo.

10.1.5 The copies of PRS required will be determined by the transaction type, and distributed as follows:

10.1.5.1 Importation/Exportation

Two copies required:

- i. a copy to be retained by the AEO,
- ii. a copy for the customs officer at the point of entry and exit

10.1.5.2 Movement (including transshipment, in transit and other movement)

Three copies are required:

- i. One copy to be retained by the AEO company,
- ii. One copy to be given to the Customs Officer at the departing station,
- iii. One copy for the Customs Officer at the receiving station.

10.1.5.3 Local sales by the Licensed Manufacturing Warehouse

Only one copy is required for local sales by LMW with AEO status.

10.1.6 With use of PRS, an AEO does not have to deal with an assessment officer, but only the customs officer at the point of entry and exit. The actions to be taken on the PRS, by the Customs officer are as follows:

10.1.6.1 Ensure that the PRS submitted is the original copy

10.1.6.2 Endorse the PRS and update the information into the CIS immediately.

10.1.6.3 Secure the seal and confirm status of the security seal (PRS for C8).

10.1.6.4 Retain a copy for Customs and return a copy to the AEO.

10.1.7 Customs officers are required to physically inspect or detain the vehicle, under the following circumstances:

10.1.7.1 Suspicious of authenticity of the PRS received;

10.1.7.2 Consignment is a consolidation of goods belonging to an AEO and non-AEO

10.1.7.3 When random inspections are required or on instructions by superiors.

10.1.8 Cancellation of approved PRS due to mistakes made, may be done through the AEO system, stating reasons for cancellation. Approval is given by the Head of Import/Export Sub-division at the station where the importation/exportation takes place.

10.1.9 During a systems breakdown, a manual PRS signed by a company personnel already approved by the AEO Secretariat, may be submitted. The application to use a manual PRS requires approval from the Head of Import/Export sub-division on duty. The manual PRS shall be registered manually by the State Customs.

10.1.10 When the systems is back online, the PRS shall re-submitted online, and printed copies will be given to the Customs officer on duty at the entry/exit gate for their record and for them to update the system.

10.1.11 The process flow for release of goods from Customs control using the PRS is as in **Attachment 17 to Attachment 25**.

10.2 PREPARING THE CONSOLIDATED STATEMENT (CS)

10.2.1 CS is a compilation of transactions for periods specified in the system. It functions as a complete customs declaration, where duties/taxes are calculated and is also used as source of information for national trade statistics.

10.2.2 Examples of information required in the CS are goods description, tariff code, quantity, unit, value, total value, reference for exemptions, licence/permit number and so on. An example of a completed CS is shown in **Attachment 10**.

10.2.3 For ease of preparation, a specified schedule on preparation of PRS and submission CS has been fixed in the system. The preparation schedule is as below:

	Timeframe to prepare PRS	Timeframe to submit CS
P1	1 st – 5 th .	6 th – 8 th .
P2	6 th – 10 th .	11 th – 13 th .
P3	11 th – 15 th .	16 th – 18 th .
P4	16 th – 20 th .	21 st - 23 rd .
P5	21 st – 25 th .	26 th – 28 th .
P6	26 th – 30 th ./31 st .	1 st – 3 rd . of the following month.

- Note: 1. 'P' means period/time frame
 2. For P6, 26th – 28th / 29th. is for the month of February.

Explanation of the above schedule:

Should the AEO submit 5 PRS for the period P1 (1st – 5th), timeframe for submission of CS is within 6th – to 8th., and for P6, the latest date for CS submission is the 3rd. of the following month.

10.2.4 Should the AEO fail to submit CS within the specified period, the AEO system will send out an 'alert notice', and the AEO is given extension for a day. Should there be no CS submission within the extended time given, the AEO system will automatically block approvals for subsequent PRS transactions.

10.2.5 Since the implementation of the AEO Scheme is based on trust and self-accounting, the AEO is responsible for ensuring that the declared CS declaration fulfills the following:

- 11.2.5.1 incorporates all PRS approved during the stated transaction period
- 11.2.5.2 gives the correct and precise information
- 11.2.5.3 contains the tariff code, transaction type, rate of duty/tax exemption, correct value and the rate of duty/tax to be paid.

10.2.6 Submission of the completed CS into the CIS is done on-line. CIS will then validate the information in the declaration. CS need not be checked or approved by an assessment officer. A copy of the CS will be sent to the Department of Statistic for purpose of national trade statistics.

10.2.7 Should the CS declaration contain mistakes or transaction is cancelled, AEO may apply for CS cancellation 'on-line'. Approval for the cancellation will be given by the Head of Import/Export/Warehouse Sub-division. The following actions should take place after the cancellation is approved:

- 11.2.7.1 The AEO shall submit a new CS (if required)

11.2.7.2 Duties/taxes due are to be fully paid (if relevant)

10.1.8 Access to the AEO system is by Smartcard. AEO is responsible for devising internal control on the use and distribution of these Smartcards, to avoid misuse.

10.1.9 The process on the preparation and submission of CS is as in **Attachment 26**.

11 PAYMENT OF DUTY/TAXES

11.1 CIS will rely on the data, tariff code, transaction type including any tax exemption, declared in the CS to calculate the amount of duty/tax to be paid.

11.2 Information on amount of duty/tax to be paid will be displayed in the AEO system (payment sub-menu module). AEO will instruct the nominated bank to transfer funds for purpose of duty payment.

11.3 AEOs can only use use electronic fund transfer (EFT) facility through a nominated bank for payment of duty/tax.

11.4 Payment will be processed by CIS and the information updated in the AEO system.

11.5 The period to submit payment is similar to the submission of CS.

11.6 Failure to pay duty within the specified/extended time will result in the termination of the PRS facilities and a letter of claim for duties/taxes due, if any will be issued.

11.7 The process flow for payment of duty/tax is as in **Attachment 27**.

12 APPLICATION FOR REFUND AND DUTY DRAWBACK

12.1 AEOs are allowed to use self-accounting for claims under section 16, 93 and 99 of the Customs Act 1967 and section 29 of the Sales Tax Act 1972.

12.2 AEOs which exports goods subject to claims under section 93/99 of the Customs Act 1967 are required to declare transaction type as D1/D in the PRS and CS.

12.3 Goods involving duty drawback/refund exported by AEO are allowed to be released without physical examination. This however does not preclude customs senior officers at the releasing station from carrying out random inspections from time to time.

12.4 AEOs are required to keep all inventory records and a complete accounting system, to track and account for the movement of inventory, in support of the claim.

12.5 AEO has to submit the claim for duty drawback and refund to the Trade Facilitation and Industries Sub-division, Customs Headquarters, accompanied with the following supporting documents:

12.5.1 Official letter of application from the AEO

12.5.2 Form JKED No. 2

12.5.3 Statement of Claims (as in **Attachment 11**)

12.5.4 Copy of PRS and CS

12.5.5 Copy of Electronic Fund Transfer Statement

12.5.6 Copy of import/export sales invoice

12.5.7 Packing List

12.5.8 Reference no. of the letter of approval for drawback facilities under section 99 of the Customs Act 1967

12.6 Claims application will be processed by the AEO Secretariat, and forwarded to the Revenue Accounting Sub-division for payment to be made within 14 days from date of approval.

12.7 For claims under section 93 of the Customs Act 1967, copies of the approval and payment will be sent to the Import/Export Sub-division of the Control Station for their subsequent actions. However for claims under section 99 of the Customs Act 1967, copies of the approval and payment will be sent to the Industries sub-division of the Control Station.

12.8 The flow chart on claims for refund and duty/tax drawback are as in the **Attachment 28.**

13 ROLES AND RESPONSIBILITIES OF CUSTOMS AND AEO COMPANIES

13.1 The AEO Scheme offers various benefits, and participating parties are required to understand their roles and fulfill their responsibilities:

AEO

13.1.1 Monitoring PRS

Head of Import/Export / Warehousing / Industries, wherever relevant are to make certain of the following:

13.1.1.1 All PRS submitted at the entry/exit gate has to be updated in the CIS immediately.

13.1.1.2 Application for PRS cancellations has to be immediately checked and approved

13.1.1.3 Ensure the quality of data and information in the PRS declaration,

13.1.1.4 Ensure the benefits given is monitored and the AEO complies with their conditions.

13.1.2 Monitoring the CS

Head of Import/Export / Warehousing / Industries, wherever relevant are to make certain of the following:

- 13.1.2.1 Ensure the CS declaration such as tariff code, value and others are true and correct.
- 13.1.2.2 Ensure the CS is prepared within the specified time
- 13.1.2.3 Application for CS cancellation has to be checked and approved immediately.
- 13.1.2.4 Validate the application for refund and duty drawback.

CUSTOMS

13.1.3 Monitoring of the CIS Terminal and allocation of Customs Officers

Head of Import/Export / Warehousing / Industries, wherever relevant are to make certain of the following:

- 13.1.3.1 A CIS terminal is placed at all gates for entry/exit at the Import/Export station.
- 13.1.3.2 There are enough Customs officers on duty at all times.

13.1.4 Monitoring duty payment and claims for refund and duty drawback

The Revenue Accounting Sub-division has to make certain of the following:

- 13.1.4.1 Payment of import duties/taxes is made within the specified period.
- 13.1.4.2 Payment for the claims on refund/drawback should be finalised within 14 days from date of approval.

13.1.5 Monitoring the Performance and Level of Compliance

13.1.5.1 Head of Import/Export / Warehousing / Industries sub-division wherever relevant are to make certain of the following:

- 13.1.5.1.1 To ask for explanations or carry out physical inspections on suspicious consignments.
- 13.1.5.1.2 To take legal action such as offering compounds on offences committed by AEOs.
- 13.1.5.1.3 To report on non-compliance of AEOs to the AEO Secretariat.

13.1.5.2 AEO Secretariat has to make sure:

- 13.1.5.2.1 AEOs abide with the conditions of the AEO Scheme, MoA with Customs and the Bank.
- 13.1.5.2.2 Refund and duty drawback claims are true and correct and submitted within the specified period.
- 13.1.5.2.3 Ensure all OGA approvals or permits have been acquired before submission of PRS and CS declaration
- 13.1.5.2.4 Ensure AEO personnel or representative has the knowledge and awareness of the requirements and responsibilities towards the AEO Scheme.
- 13.1.5.2.5 To ensure AEOs are involved in programmes arranged by the Department.

13.1.5.3 The State Post-Import Sub-division

- 13.1.5.3.1 Has implemented the compliance audit on the AEO, within a year after date of approval.
- 13.1.5.3.2 To forward a copy of the Audit report to the AEO Secretariat.

13.1.6 Monitoring the CIS and AEO System

The IT Sub-division, Customs Headquarters has to make sure:

- 13.1.6.1 The CIS and AEO systems are functioning
- 13.1.6.2 Ensure AEO datas are sent to the Department of Statistics within the specified period.
- 13.1.6.3 Provide recommendations and actions to enhance the AEO system, where required.

14. **AUDITING BY CUSTOMS**

The 3 types of auditing are required on AEOs:

14.1 Pre-Verification Audit

- 14.1.1 The auditing is to be carried out by the State Post-Import Sub-division, before approval can be given.
- 14.1.2 The aim is to verify the company's compliance to the law and regulations administered by the Department before endorsement to the application can be given.

14.1.3 The elements to be audited on are:

- 14.1.3.1 correct classification of goods
- 14.1.3.2 correct valuation
- 14.1.3.3 exemptions and benefits claims
- 14.1.3.4 claims on refund and drawback are genuine
- 14.1.3.5 records on payments of duties/taxes
- 14.1.3.6 use of raw materials for manufacturing
- 14.1.3.7 how commercial documents are kept
- 14.1.3.8 systems used in management of company's administration and transactions such as preparation of inventory, electronic recordkeeping of accounts and so on.

14.1.4 A senior officer (either Senior Assistant Director of Customs or Asst. Director of Customs) will lead the Auditing Team, assisted by at least two other senior officers.

14.1.5 The leader of the team shall prepare a complete report of the outcome of the auditing, and forward it to the Head of the Compliance Sub-division, who will have to comment on the report and endorse it, before sending it to the Director of Compliance, Customs Headquarters for his approval

14.1.6 The audit report which has been endorsed and approved by the Director of Compliance, Customs Headquarters will be forwarded to the AEO Secretariat for next plan of actions.

14.1.7 The Pre-Verification Audit Report shall be sent to the Secretariat within a month from the date of the auditing.

14.2 Post Approval Auditing

14.2.1 The auditing will be carried out by the State Post Import Sub-division within a year after the company received approval as AEO and start using the AEO system.

14.2.2 The objective of the auditing is to determine the duration for approval to the AEO Scheme and to check on the company's compliance to the conditions and requirements of the Scheme.

14.2.3 Subsequent auditing will be carried out at least three years after the first auditing had taken place or whenever needed or on specific instructions of the top management. Post Audit Reports is based on the Format as in **Attachment 12.**

14.2.4 All Reports on Post Auditing have to be forwarded to the AEO Secretariat, Customs Headquarters within a month from the date it was carried out.

14.3 Security Auditing

- 14.3.1 The auditing will be performed by officers from the AEO Secretariat, Customs Headquarters within three weeks after receipt of the complete application form from the company.
- 14.3.2 The aim is to ensure the company has in place the security elements required by the WCO SAFE Framework of Standards for endorsements to the AEO Panel.
- 14.3.3 Elements to be looked into are security of the premises, security supply chain and security of company's information.
- 14.3.4 The leader of the Security Auditing Team shall prepare a report and forward it to the Deputy Director of the Trade Facilitation and Industries Sub-division for his endorsement and approval. The report will be sent to the AEO Secretariat for the next plan of actions.
- 14.3.5 The Report on the Security Auditing has to be sent to the AEO Secretariat within a month after the date of the auditing.
- 14.3.5 Subsequent auditings should be carried out every three years.

15. EXTENDED PERIOD OF APPROVAL

- 15.1 There is no fixed timeline or duration for a given AEO approval but it may be withdrawn by the AEO Panel on **any report of contraventions or non-compliance to the law and regulations administered by the Department.**
- 15.2 The approval for extension or otherwise will depend on the following:
 - 15.2.1 Company has proven high compliance to the the regulations and legislations administered by the Department and other government agencies. This is and supported by by :
 - 16.2.1.1 Periodic auditing reports which supports approval timeline to be extended
 - 16.2.1.2 Absent of reports on non-compliance by the Control Station.
 - 15.2.2 Company has not been offered compounds or court actions taken.
 - 15.2.3 Company voluntarily withdraw from the AEO Scheme
 - 15.2.4 Company has stopped operating or had undergone a change of management taken over by another company, and
 - 15.2.5 AEO Panel decides to extend AEO status.

16. CONFIDENTIALITY

Customs is responsible to ensure that all documents and information pertaining to AEO applicants and companies are classified and kept confidential.

17. LIST OF ATTACHMENTS

- | | | |
|-------|-----------------|---|
| 19.1 | Attachment 1 – | AEO Scheme Application Form |
| 19.2 | Attachment 2 – | Compliance Checklist |
| 19.3 | Attachment 3 – | Pre-Verification Audit Format |
| 19.4 | Attachment 4 – | Security Audit Format |
| 19.5 | Attachment 5 – | List of Responsibilities for AEO |
| 19.6 | Attachment 6 – | Application for Smartcard |
| 19.7 | Attachment 7 – | Application to Activate the Smartcard |
| 19.8 | Attachment 8 – | Pin Advice Slip |
| 19.9 | Attachment 9 – | Permission Request Slip (PRS) |
| 19.10 | Attachment 10 – | Consolidated Statement (CS) |
| 19.11 | Attachment 11 – | Claims Statement |
| 19.12 | Attachment 12 – | Post Auditing Format |
| 19.13 | Attachment 13 – | Process on Application to the AEO Scheme |
| 19.14 | Attachment 14 – | Process on Procurement and Enrolment of Smartcard |
| 19.15 | Attachment 15 – | Other Processes Pertaining to Smartcard |
| 19.16 | Attachment 16 – | Process on Approval of Permission Request Slip (PRS) |
| 19.17 | Attachment 17 – | Physical Release of Import/Export Cargo (by road) |
| 19.18 | Attachment 18 – | Physical Release of Import/Export Cargo (through Tg. Puteri & Tg. Kupang) |
| 19.19 | Attachment 19 – | Release of Cargo in Miri Station, Sarawak. |
| 19.20 | Attachment 20 – | Physical Release of Cargo Import Movement (Free Zone to Licensed Warehouse) |
| 19.21 | Attachment 21 – | Physical Release of Cargo for Movement Between Bonds |
| 19.22 | Attachment 22 – | Physical Release of Import Cargo (Sea /Air) |
| 19.23 | Attachment 23– | Physical Release of Export Cargo (Sea / Air) |
| 19.24 | Attachment 24 – | Physical Release of Cargo from Licensed Warehouse to Local Market |
| 19.25 | Attachment 25 – | Physical Release of Cargo from Licensed Manufacturing Warehouse to Local Market |
| 19.26 | Attachment 26 – | Process on the Preparation of Consolidated Statement (CS) |
| 19.27 | Attachment 27 – | Process on Duty Payment |
| 19.28 | Attachment 28 – | Process on Claims for Refund and Duty/Tax Drawback. |