

Authorised Economic Operator New moves ahead for UK manufacturers



As part of a coordinated approach to secure international trade the European Union (EU) is introducing rigorous new procedures aimed at improving supply chain security. The changes will affect almost every aspect of any business that buys, sells or moves goods into or out of the EU. The Authorised Economic Operator (AEO) regime will introduce an EU-wide accreditation scheme. Businesses that want to meet the AEO requirements need to start preparing now for the necessary changes to systems, supply chains, buyer and seller relationships and customs procedures.

What is AEO?

AEO status is an accreditation regime to prove supply chain compliance. The AEO regulation encourages companies to increase security, in exchange for incentives which will improve the efficiency of the supply chain and ultimately reduce costs. The incentives include, for instance, fewer physical border controls, easier reporting, a reduced customs risk rating and priority treatment for goods selected for examination. Obviously, no such incentives will apply to non-AEO businesses.

In adopting the AEO regime, the EU is aligning with similar measures introduced by other countries which apply rigorous border controls for non-partner consignments, including the US. Bilateral discussions have also been announced with countries including the US, Japan, China and EFTA countries.

AEO will impact on many aspects of your business, such as logistics, finance, IT systems and legal.

Commercial implications

A picture is already emerging of AEO certified businesses preferring to do business with other AEO certified entities – suppliers may be reluctant to sell and customers reluctant to buy from businesses that are not certified. The EU Customs authorities will be concentrating resources on non certified companies which could face increased examination of their imports and exports and therefore increased demurrage charges. This will increase delivery and lead times and generally disrupt the supply chain. The European Commission is looking at developing a publicly available database of AEO companies, which would give further impetus to this concept.

The direct tax risks and commercial implications of not having AEO status could easily lead to a loss of business.

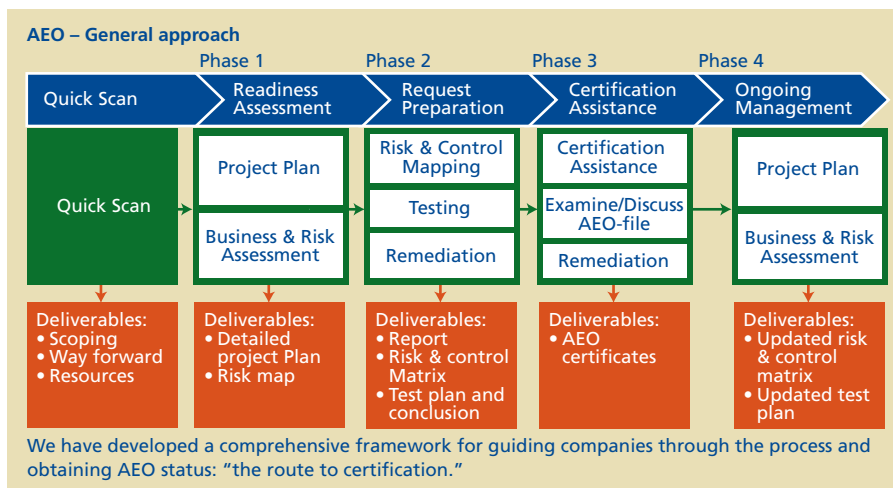
Why act now?

According to European law, operators will be able to apply for AEO accreditation as from 1 January 2008. Further regulatory changes will come into force in the next few years.

The European Commission guidelines on AEO accreditation cover five areas of a business ("sections"):

- I. Company info.
- II. Compliance record.
- III. Accounting and logistical systems.
- IV. Financial solvency.
- V. Safety and security.

The Deloitte route to certification



For some companies, AEO certification will be a complicated process which could take a year or more to complete. It is therefore important to address each of the five sections now, to ensure that the company is ready to apply for AEO.

Some prerequisites for AEO status are:

- good compliance records for the 3 years prior to the application;
- secure internal controls and procedures;
- adequate financial and logistics systems;
- satisfactory security measures – both physical and IT;
- clear employment policies;
- staff training; and
- supplier identification programmes.

Quick Scan

As a first step we complete a high level assessment to determine the impact of AEO on your organisation. Through the Quick Scan you will obtain a better understanding of your business processes, and of the documentation and information available that can be used for documenting the AEO certification process. We identify with you the scope of the processes and the way forward, including an estimate of the resources needed.

Planning and readiness assessment

In this phase, the scope is further elaborated. An AEO project team and project plan is established, and internal and external awareness created. A business and risk assessment will be made in order to identify and understand risks.

Request preparation

In accordance with your business model and risk analysis, we review your systems and procedures against the AEO criteria. For this review we use a Deloitte-developed tool: an AEO Risk And Control Knowledgebase (RACK), based on the AEO Guidelines on Standards and Criteria put forward by the European authorities.

Certification assistance

Based upon the findings of Phase 2, we produce a documented file containing all evidence to support your request for AEO status. We can also assist you in presenting the AEO file to the authorities, facilitating the communication channel and supporting you through any defence of the file.

Ongoing management

The AEO legislation provides that compliance with criteria and conditions will be reviewed at least every three years. Yearly audits may facilitate this process. Changes will be communicated to the authorities in due time.

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Our approach

You will be served by one project team handling all aspects of the AEO authorisation process. Depending upon your needs, we can call upon the expertise of the Deloitte Touche Tohmatsu network in tax, process documentation, testing internal controls and implementation assistance in whichever countries you wish to be certified.

Our approach is founded upon open and frequent communications with the authorities and the business to deliver a balanced and consistent European approach.

For more details on how Deloitte can help UK manufacturing businesses with their AEO authorisation, please contact:

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