

**GOVERNMENT OF PAKISTAN
(REVENUE DIVISION)
CENTRAL BOARD OF REVENUE**

Islamabad, the 18th June, 2001

**NOTIFICATION
(CUSTOMS)**

S.R.O. 450(I)/2001.-¹[In exercise of the powers conferred by section 219 of the Customs Act, 1969 (IV of 1969), section 50 of the Sales Tax Act, 1990, section 40 of the Federal Excise Act, 2005 and section 237 of the Income Tax Ordinance, 2001 (XLIX of 2001), the Federal Board of Revenue is pleased to make the following rules, namely:-]

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²[**Chapter XXXII
Authorized Economic Operator Rules**

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746. Evaluation by the AEO Team.-(1) It is the responsibility of the AEO Team to plan and carry out the evaluation with a view to obtaining reasonable assurance as to whether the applicant is compliant with the prescribed criteria.

(2) When carrying out checks for possible infringements, the following shall be taken into account, namely:-

- (a) the assessment of compliance should cover compliance across all customs activities of the applicant;
- (b) the term “infringement” refers not only to the acts which are discovered by Customs on the occasion of checks carried out at the time when the goods are introduced into the customs territory, or being placed under a customs procedure. Any infringements of the customs rules discovered on the occasion of any post clearance control carried out at a later stage, will also be considered and assessed, as well as any infringements that could be discovered through the use of other customs authorisations and any other source of information available to Customs;
- (c) infringements made by freight forwarders, customs agents or other third parties acting on behalf of the applicant must be also taken into account. The applicant should show evidence that appropriate measures have been put in place to ensure the compliance of persons acting on its behalf such as clear instructions to those parties, monitoring and checking of the accuracy of declarations and remedial action when errors occur;
- (d) failure to comply with National non-customs legislation by the applicant shall not be ignored, although in this case those failures should be considered in the light of the entity’s good faith and relevance to its customs activities; and
- (e) where penalties related to a specific infringement are revised by the competent authority following an appeal or review, the assessment of the seriousness of the infringement should be based on the revised decision. Where the penalty for an infringement is withdrawn in full, the infringement shall be deemed not to have taken place.

1 Existing preamble substituted and shall be deemed always to have been so substituted vide SRO 831(I)/2018 dated 2nd July, 2018. At the time of substitution was as under:-
“In exercise of the powers conferred by section 219 of the Customs Act, 1969 (IV of 1969), the Central Board of Revenue is pleased to make the following rules, namely:--”

2 Added vide SRO 1114(I)/2020 dated 26th October, 2020

(3) AEO team shall carryout a site visit, starting at the goods inward department and finishing in the accounts department, via manufacturing, warehousing and goods outward. AEO team may observe the following while evaluating an applicant list is not conclusive and may include other questions as per nature of business and plan chalked out by the AEO Team, namely:-

- (i) receipt of goods and how they are recorded into the system;
- (ii) how are unexpected deliveries of goods managed;
- (iii) ask to see a copy of recent receipts for goods;
- (iv) how is receipt of goods verified before payment is made;
- (v) how are imported and locally purchased goods identified;
- (vi) how are goods tracked into the manufacturing or production process check daily production documents;
- (vii) how are the finished goods tracked into stocks or storage;
- (viii) how are goods released for shipment;
- (ix) what accompanies goods to docks or customer;
- (x) who completes customs documents;
- (xi) who makes customs declarations; and
- (xii) who arranges or books transport.
- (xiii) who owns the goods used by the applicant and where are they stored prior to loading;
- (xiv) how and by whom are the goods checked before loading;
- (xv) depending on the type of goods, is the 7-point check conducted on containers; appropriate.;
- (xvi) in relation to the reporting of incidents with incoming goods, storage, production or outgoing goods, who has responsibility;
- (xvii) the company to move its goods normally uses what means of transport;
- (xviii) incoming goods - where and how are they received, are they physically checked, and how are they secured;
- (xix) is there comparison of the goods, with the paper , work;
- (xx) are goods always expected;
- (xxi) do there exist any requirements for the suppliers?
- (xxii) storage: are regular stock-takes carried out;
- (xxiii) if parts of the processes are carried out at other premises, is this part of the production line;
- (xxiv) process secure? are goods tracked during the production process;
- (xxv) are outgoing goods sealed;
- (xxvi) are paper checks undertaken against the physical goods, do customers impose any security requirements on the packing and loading of goods;
- (xxvii) has functionality of the audit trail been established;
- (xxviii) what computer system does the company use - Mainframe, mini, PC network, or stand alone PC;
- (xxix) does the system suit the volume and type of business being conducted by the operator;

- (xxx) what is the separation of functions between the development, testing and operational areas;
- (xxxi) what is the separation of functions between the different company departments?
- (xxxii) who is responsible for what;
- (xxxiii) it must be confirmed with the economic operator that customs be given physical or electronic access at all times;
- (xxxiv) how is access to various parts of the system controlled;
- (xxxv) are different systems used for the financial and logistical administration, what software packages are used, is it bespoke (tailored package) or a standard package?
- (xxxvi) who supplied the software package and who provides maintenance;
- (xxxvii) if applicable, does the system able to differentiate/separate between imported and locally purchased goods;
- (xxxviii) what are the links between the financial and logistical systems;
- (xxxix) where are computer activities undertaken, are any computer or accounting activities undertaken off site;
- (xl) check the procedures for staff in the purchase, storage, production and sales department;
- (xli) does the applicant regularly and fully review/audit procedures? if procedures are changed, how are the changes notified to staff;
- (xlii) can the applicant provide any evidence of where remedial action was taken to correct deficiencies;
- (xliii) have any of these procedures been ISO approved or subject to any external audit?
- (xliv) what are their procedures for changing standing data;
- (xlv) what are the applicant's procedures for the sale/purchase of goods and delivery of goods to their premises;
- (xlvi) what procedure has the applicant for controlling stock movements and manufacturing processes;
- (xlvii) check the procedures for back up, recovery, fall back, archiving and retrieval of business records;
- (xlviii) how long are records kept;
- (xlix) where is the main server located;
- (l) details of how the main server is secured;
- (li) in relation to firewalls, virus protection, access and password control, what are the documented procedures;
- (xii) what procedures are in place for the protection of documents and paper records;
- (liii) how are the external boundaries of the premises secured? (type of buildings, windows, gates and fences, burglar alarm systems and CCTV systems);
- (liv) how many access points to the building are there and how are they controlled, loading bay doors should be locked unless container is present;
- (lv) is there key control and key holders;
- (lvi) is there adequate lighting, where required;
- (lvii) who controls the codes for alarms;

- (lviii) how long are CCTV images retained, who monitors the screens;
- (lix) does the plant operate on a twenty four hours and seven days a week basis;
- (lx) how is visitor and subcontractor access controlled, do visitors report to reception and wear badges, are badges returned;
- (lxi) are there car park controls;
- (lxii) how would an unauthorized access be handled;
- (lxiii) is there internal control of movement of staff and visitors, only authorized personnel should have access to loading bays;
- (lxiv) are there regular checks made on buildings and access controls;
- (lxv) does applicant employ a recognized consultant that will perform a background check on their behalf while making recruitments; and
- (lxvi) while making recruitments, does there exist sufficient checks to ensure hiring of employees with clean background.