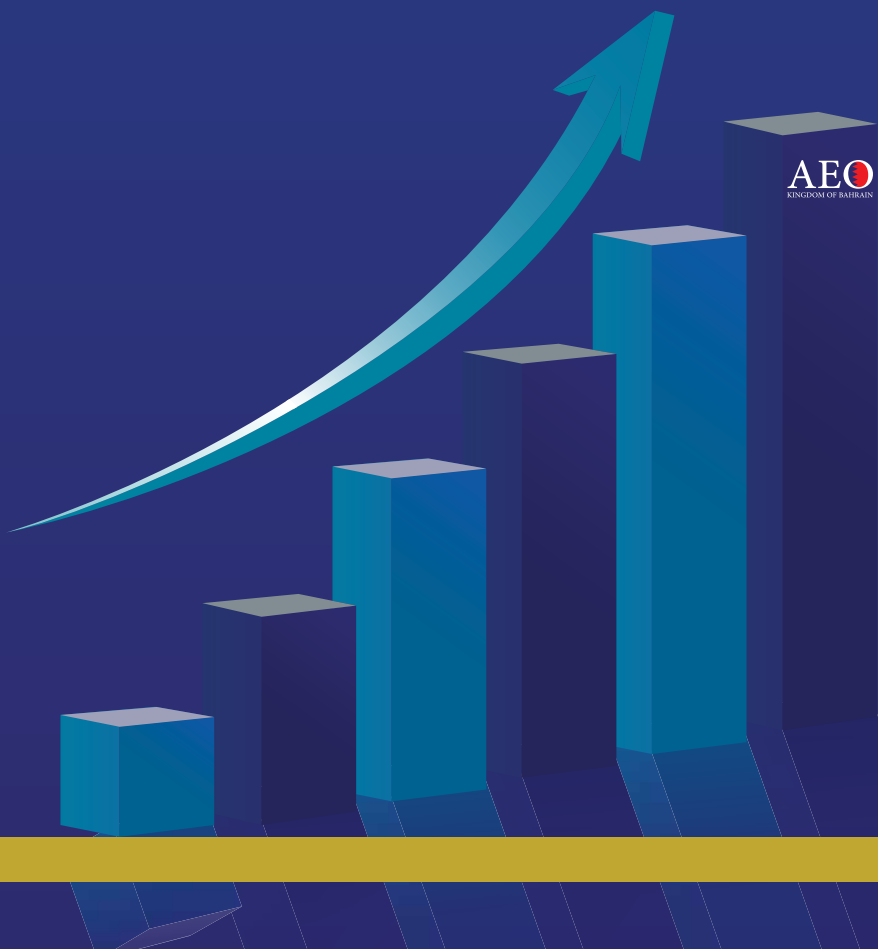




Kingdom of Bahrain
Ministry of Interior
Customs Affairs

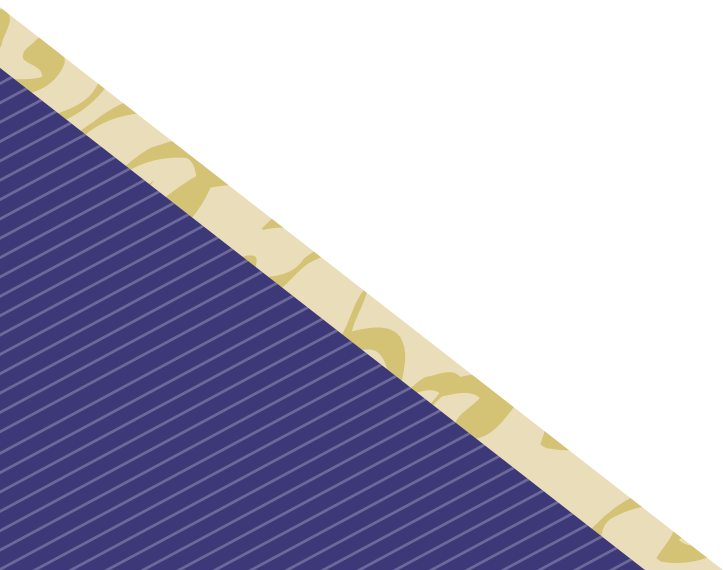


Authorized Economic Operator (AEO) Programme Guide





Authorized Economic
Operator (AEO) Programme
Guide





His Royal Highness Prince
Khalifa bin Salman Al Khalifa
The Prime Minister



His Majesty The King
Hamad bin Isa Al Khalifa
The King of Bahrain



His Royal Highness Prince
Salman bin Hamad Al Khalifa
The Crown Prince
Deputy Supreme Commander



Note by H.E. the President of Customs Affairs

It is my great pleasure and honour to bring forward the Authorized Economic Operator (AEO) Guide that is considered one of the trade facilitation means adopted by the World Customs Organization (WCO) that sets criteria and principles produced by countries to achieve the optimum performance in customs work. It is part of the Customs Affairs Strategic Plan for the years 2017 – 2020, which is in perfect harmony with the Economic Vision 2030.

Customs Affairs seeks to develop its systems in accordance with the latest international practices and international trade facilitation through achieving the principle of partnership between government sector and private sector with the goal of contributing effectively in attracting and encouraging investment and achieving competitive advantage, in addition to contributing in development and economic growth and presenting Bahrain as a safe trading centre.

AEO Programme is considered one of the most important means of facilitating international trade that contributes to providing many benefits and advantages of customs procedures for commercial companies that are accredited in the programme. Most importantly, it saves time and cost through fast clearance and reduced release time of goods and improves security systems, practices, and internal control of the Authorized Economic Operator.

In conclusion, I would like to express my thanks and gratitude



to His Excellency Lt. General Sheikh Rashid bin Abdullah Al Khalifa, the Minister of Interior through the unlimited support and guidance of His Excellency in all matters that would facilitate customs procedures and thanks to all partners and clients, and I ask the Almighty for further prosperity and success in all that is good for the process of development and advancement in our dear country.



Preface

Authorized Economic Operator (AEO) is defined as one of the participating party in the movement of international trade in a manner that conforms to international customs regulations or to equivalent adopted standards of supply chain security. The economic operator includes importers, exporters, manufacturers, brokers, transportation companies, ports, airports, ports operators, warehouses, and distributors.

Therefore, AEO Programme is considered one of the most important means of facilitating international trade and enhancing customs control, which is considered part of the World Customs Organization (WCO) SAFE Framework of Standards. Its implementation is considered an important factor in enhancing customs work performance, increasing cooperation between Customs Affairs and the private sector, encouraging investment through creating an appropriate investment environment and encouraging investors to adhere to customs requirements and international security standards.

AEO Programme consists of a set of procedures and steps conducted by a specialized team from Customs Affairs to audit companies and ensure that they meet AEO requirements through which the companies are granted the AEO certificate.

Furthermore, based upon the continuation of work in the development of Customs Affairs in the Kingdom of Bahrain and under the directives of the President of Customs in keeping up with the developments of customs regulations, AEO Programme is launched to include all scope according to the supply chain management, WCO programmes, Trade Facilitation Agreement (TFA) announced by the World Trade Organization (WTO), and the standards of Revised Kyoto Convention in which the Kingdom of Bahrain is a participant in these agreements.

Accordingly, this guide is classified into chapters, the first chap-



ter; AEO requirements and conditions for all scope (import scope, export scope, transportation and transportation management, warehouses and storages scope, and clearance offices scope), the second chapter; AEO facilitations, the third chapter; AEO work process, company acceptance procedures to join AEO Programme, cases requiring placing the company in an understudy list and raising control rate and reducing facilitation rate, and cases requiring the withdrawal of AEO certificate, the fourth chapter; AEO requirements form, and finally the appendices.



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Glossary

Authorized Economic Operator (AEO) Programme:

A programme applied by Customs Affairs of the Kingdom of Bahrain and is composed of an integrated system of steps, procedures, and requirements in an aim to develop customs performance and facilitate the movement of international trade leading to serving the national economy in terms of its results. The programme is carried out by a specialized team to ensure the availability of customs requirements and international security standards upon which companies are granted the AEO certificate; companies that are compliant with laws, decrees, customs regulations, and all relevant laws and regulations.

Customs Requirements:

Basic requirements that include compliance with the maximum conditions and standards related to customs procedures and regulations that are defined by Customs Affairs.

International Security Requirements:

Requirements that include compliance with the maximum international conditions and elements related to keeping documents and appropriate security and safety standards that are relevant to the security of premises, individuals, information, and goods, etc.

Compliance Assessment Committee:

A team formed by Customs Affairs to post audit companies benefiting from advantages, to ensure that the company is compliant with AEO requirements and conditions, to conduct risk analysis efficiently and effectively, and to conduct audits on beneficiary companies.



Compliance Assessment:

Post audit process of the company to ensure that the company is compliant with some or all conditions and requirements of AEO, which include customs requirements, financial system, internal control, data processing systems, and international security standards as well as customs legislations and other regulations. The process includes auditing declared values, HS codes, invoices, bills of lading, certificates of origin, and quantities and the level of compliance with thereof.

Compliance Improvement Plan:

Plan set by the compliance assessment committee when some or all requirements and conditions are not met by the company. It is set within a period of time determined by Customs Affairs.

Compliance Formulas:

Criteria and rates set by Customs Affairs to indicate the extent and level of compliance.

Compliance Assessment Liaison Officer:

Liaison officer appointed by Customs Affairs to receive company's application wishing to join AEO Programme, to prepare preliminary reports to ensure meeting the basic customs requirements and conditions, to provide the company liaison officer with the AEO requirements form and AEO Programme Guide after meeting the requirements and conditions, and to follow up with any information received from the company and schedule the audit whether preliminary, field, or periodic.

Company Liaison Officer:

Liaison officer appointed by a written order or any means that can be legally recognized, by the applicant company wishing to join AEO Programme to coordinate and communicate with Customs Affairs.



Risk Categories:

Categories determined by the risk rate through the report of compliance assessment committee, which are low risk category, medium risk category, and high risk category.

Low Risk Category:

Classification of a company that has met the required level of compliance in all requirements stated in the compliance assessment form and is subsequently approved to join AEO Programme.

Medium Risk Category:

Classification of a company that has not met more than one of the requirements stated in the compliance assessment form. The errors are to be identified by the compliance assessment committee and the company is given a period of not less than 3 months and not more than 6 months to apply the compliance improvement plan.

High Risk Category:

Classification of a company that is not compliant with the requirements stated in the compliance assessment form.

Closed Meeting:

A meeting held with the company after conducting field and post audit by Customs Affairs or at any time or for any reason that Customs Affairs sees suitable. In the meeting, the audit observations and results are explained and what the compliance improvement plan is, if any, after giving the company a time limit to correct their errors.

Under Study List:

A list in which companies are added where control rate is raised



and facilitation rate is reduced in accordance with certain cases that include committing customs offence worth more than 10% of the declared value of goods, or the general compliance rate of the company is decreased to 85%, or existing errors that need compliance improvement plan in one of AEO requirements, and placing the company under monitoring based on an administrative order for a certain period of time.

AEO Requirements Form:

A set of questions set by Customs Affairs in a form that includes AEO requirements information and is to be filled by the company wishing to join AEO Programme.

AEO Certificate:

A certificate granted to a company classified within low risk category and has met the customs requirements and international security requirements based on the report of the compliance assessment committee.



Goals of AEO Programme

The AEO Programme achieves many goals that promote principles related to compliance, transparency, and self-control in the private sector in return for customs providing all kinds of facilitations. These goals can be summarized in the following:

- Contribute to economic growth and development and present Bahrain as a safe trading centre.
- Facilitate international trade and compliance with international security requirements.
- Achieve compliance in declared revenues and duties payable.
- Attract and promote investment and achieve competitive advantage.
- Contribute in achieving compliance with customs legislations and laws related to customs work.
- Simplify and facilitate customs procedures and reinforce customs control.
- Achieve principle of partnership and cooperation between government sector and private sector.
- Establish Customs networks between countries based on Mutual Recognition Agreements (MRAs) in AEO lists.
- Create awareness on the importance of developing necessary security measures for the supply chain.
- Optimum utilization of resources.
- Develop Customs Affairs regulations according to the latest international practices.
- Save time and cost through fast clearance and reduced release time of goods.
- Improve security systems, practices, and internal control of the Authorized Economic Operator.





- AEO Requirements and Conditions for All Scope:
- (Import Scope, Export Scope, Transportation and Transportation Management Scope, Warehouses and Storages Scope, and Clearance Offices Scope)



Chapter 1



AEO Requirements and Conditions for All Scope

The conditions that shall be met by the Authorized Economic Operator are according to its scope. Conditions are set for all scope; import, export, transportation and transportation management, warehouses and storages, and clearance offices. The difference lies in the compliance conditions of basic customs requirements, as follows:

1- Import Scope

Main Elements	Conditions
Compliance with Basic Customs Requirements	<ul style="list-style-type: none"> • Company establishment period: Shall not be less than 4 years. • Number of employees of the company: Shall not be less than 40 employees. • Import volume: The import value of the company shall not be less than BD 5 million during the previous two years from the date of application. If the value decreases from BD 5 million to BD 2 million, one of the following two conditions applies: <ul style="list-style-type: none"> ◆ The total customs duties shall not be less than BD 50,000 <li style="text-align: center;">or ◆ The number of declarations shall not be less than 100. • The company shall achieve a compliance rate of 90% or higher of the modified declarations within two years. • The company shall not commit customs offences within two years from the date of application, as follows: <ul style="list-style-type: none"> ◆ Committing customs offences worth more than BD 1000 <li style="text-align: center;">or • Offence value exceeds 10% of the declared value of goods <ul style="list-style-type: none"> ◆ Committing material offences related to prohibited or restricted goods ◆ Committing offences related to control bodies • Good conduct of owners of the company and authorized signatories. • Meeting the requirements stated in compliance assessment form according to the company activity.



Main Elements	Conditions
Compliance with Financial System Requirements	<ul style="list-style-type: none"> • Provision of reliable financial records systems that allow Customs to audit the company imports. • Giving Customs the right to audit records related to importation. • Archiving financial records and records related to importation in accordance with Common Customs Law of the GCC States. • Compliance with the Commercial Companies Law. • Using information security systems to protect company data and records related to financial systems from unauthorized access.
Compliance with Internal Control System	<ul style="list-style-type: none"> • The company shall have an internal control system for its business. • The company shall review the validity of procedures conducted on customs declarations. • The company shall have documentation of the authorized processes and procedures. • The company shall have internal and external assessment system to ensure the internal control system.
Compliance with Data Processing Systems	<ul style="list-style-type: none"> • The system of the company shall be electronic. • The company shall have personnel responsible for saving information electronically. • The company shall have process mapping for information flow for each electronic system and links between the systems. • The company shall have access control system. • The company shall keep backup copies of its data and shall be stored in a safe place.
Compliance with the International Security Requirements	<ul style="list-style-type: none"> • Compliance with premises security. • Compliance with personnel security. • Compliance with cargo and conveyance security. • Compliance with information security. • Compliance with risk assessment. • Compliance with training and awareness raising.



2- Export Scope

Main Elements	Conditions
<p>Compliance with Basic Customs Requirements</p>	<ul style="list-style-type: none"> • Company establishment period: Shall not be less than 4 years. • Number of employees of the company: Shall not be less than 40 employees. • Export volume: The export value of the company shall not be less than BD 3 million during the previous two years from the date of application. If the value decreases from BD 3 million to BD 2 million, the following conditions applies: <ul style="list-style-type: none"> ◆ The number of declarations shall not be less than 100. • The company shall achieve a compliance rate of 90% or higher of the modified declarations within two years. • The company shall not commit customs offences within two years from the date of application, as follows: <ul style="list-style-type: none"> ◆ Committing customs offences worth more than BD 1000 <p>or</p> <ul style="list-style-type: none"> • Offence value exceeds 10% of the declared value of goods <ul style="list-style-type: none"> ◆ Committing material offences related to prohibited or restricted goods ◆ Committing offences related to control bodies • Good conduct of owners of the company and authorized signatories. • Meeting the requirements stated in compliance assessment form according to the company activity.



Main Elements	Conditions
Compliance with Financial System Requirements	<ul style="list-style-type: none"> • Provision of reliable financial records systems that allow Customs to audit the company exports. • Giving Customs the right to audit records related to exportation. • Archiving financial records and records related to exportation in accordance with Common Customs Law of the GCC States. • Compliance with the Commercial Companies Law. • Using information security systems to protect company data and records related to financial systems from unauthorized access.
Compliance with Internal Control System	<ul style="list-style-type: none"> • The company shall have an internal control system for its business. • The company shall review the validity of procedures conducted on customs declarations. • The company shall document the authorized processes and procedures. • The company shall have internal and external assessment system to ensure the internal control system.
Compliance with Data Processing Systems	<ul style="list-style-type: none"> • The system of the company shall be electronic. • The company shall have personnel responsible for saving information electronically. • The company shall have process mapping for information flow for each electronic system and links between the systems. • The company shall have access control system. • The company shall keep backup copies of its data and shall be stored in a safe place.
Compliance with the International Security Requirements	<ul style="list-style-type: none"> • Compliance with premises security. • Compliance with personnel security. • Compliance with cargo and conveyance security. • Compliance with information security. • Compliance with risk assessment. • Compliance with training and awareness raising.



3- Transportation and Transportation Management Scope

Main Elements	Conditions
<p>Compliance with Basic Customs Requirements</p>	<ul style="list-style-type: none"> • Company establishment period: Shall not be less than 4 years. • Number of employees of the company: Shall not be less than 40 employees. • The company shall achieve a compliance rate of 90%. • For local transportation companies, the number of bill of lading shall not be less than 500 during the previous two years. As for the international transportation companies, the number of bill of lading shall not be less than 1000 during the previous two years. • Shipment shortage reports or suspicious packages shall not exceed ratio of 0.001 of the number of shipments during the previous two years. • The company shall not commit customs offences within two years from the date of application, as follows: <ul style="list-style-type: none"> ◆ Committing customs offences worth more than BD 500 <p>or</p> • Offence value exceeds 10% of the declared value of goods <ul style="list-style-type: none"> ◆ Committing material offences related to prohibited or restricted goods ◆ Committing offences related to control bodies according to due process • Good conduct of owners of the company and authorized signatories. • Meeting the requirements stated in compliance assessment form according to the company activity.



Main Elements	Conditions
Compliance with Financial System Requirements	<ul style="list-style-type: none"> • Provision of reliable financial records systems that allow Customs to audit the bills of lading (manifest). • Giving Customs the right to audit records related to transportation. • Archiving financial records and records related to transportation in accordance with Common Customs Law of the GCC States. • Compliance with the Commercial Companies Law. • Using information security systems to protect company data and records related to financial systems from unauthorized access.
Compliance with Internal Control System	<ul style="list-style-type: none"> • The company shall have an internal control system for its business. • The company shall review the validity of procedures conducted on bills of lading (manifest). • The company shall document the authorized processes and procedures. • The company shall have internal and external assessment system to ensure the internal control system.
Compliance with Data Processing Systems	<ul style="list-style-type: none"> • The system of the company shall be electronic. • The company shall have personnel responsible for saving information electronically. • The company shall have process mapping for information flow for each electronic system and links between the systems. • The company shall have access control system. • The company shall keep backup copies of its data and shall be stored in a safe place.
Compliance with the International Security Requirements	<ul style="list-style-type: none"> • Compliance with premises security. • Compliance with personnel security. • Compliance with cargo and conveyance security. • Compliance with information security. • Compliance with risk assessment. • Compliance with training and awareness raising.



4- Warehouse and Storages Scope

Main Elements	Conditions
<p>Compliance with Basic Customs Requirements</p>	<ul style="list-style-type: none"> • Company establishment period: Shall not be less than 2 years. • Number of employees of the company: Shall not be less than 40 employees. • The company shall achieve a compliance rate of 90%. • Inventory volume shall not be less than 1000 bills of lading during the previous two years. • Stored goods shortage or suspicious packages shall not exceed ratio of 0.001 of the number of stored goods during the previous two years. • The company shall not commit customs offences within two years from the date of application, as follows: • The company shall not commit customs offences within two years from the date of application, as follows: <ul style="list-style-type: none"> ◆ Committing customs offences worth more than BD 500 <p>or</p> <ul style="list-style-type: none"> • Offence value exceeds 10% of the declared value of goods <ul style="list-style-type: none"> ◆ Committing material offences related to prohibited goods or restricted goods ◆ Committing offences related to control bodies • Good conduct of owners of the company and authorized signatories. • Meeting the requirements stated in compliance assessment form according to the company activity.



Main Elements	Conditions
Compliance with Financial System Requirements	<ul style="list-style-type: none"> • Provision of reliable financial records systems that allow Customs to audit the company inventory records. • Giving Customs the right to audit records related to storage of goods. • Archiving financial records and records related to inventory in accordance with Common Customs Law of the GCC States. • Compliance with the Commercial Companies Law. • Using information security systems to protect company data and records related to financial systems from unauthorized access.
Compliance with Internal Control System	<ul style="list-style-type: none"> • The company shall have an internal control system over all operations in warehouses and storages. • The company shall review the validity of procedures conducted on inventory records and warehouses • The company shall document the authorized processes and procedures. • The company shall have internal and external assessment system to ensure the internal control system.
Compliance with Data Processing Systems	<ul style="list-style-type: none"> • The system of the company shall be electronic. • The company shall have personnel responsible for saving information electronically. • The company shall have process mapping for information flow for each electronic system and links between the systems. • The company shall have access control system. • The company shall keep backup copies of its data and shall be stored in a safe place.
Compliance with the International Security Requirements	<ul style="list-style-type: none"> • Compliance with premises security. • Compliance with personnel security. • Compliance with cargo and conveyance security. • Compliance with information security. • Compliance with risk assessment. • Compliance with training and awareness raising.



5- Clearance Offices Scope

Main Elements	Conditions
<p>Compliance with Basic Customs Requirements</p>	<ul style="list-style-type: none"> • Company establishment period: Shall not be less than 5 years. • Clearing agent or agent representative of the company shall be present around the clock (24/7) or on official holidays at Customs borders that operate around the clock. • The company shall take necessary measures on the delegators to accept clearing their goods after ensuring the safety of their activity. • Number of employees of the company: Shall not be less than 10 employees of which 5 of them are holding clearance licenses. • The compliance rate of the delegators of the company shall be more than 90%. • Clearance volume: Shall not be less than 1000 customs declarations during the previous two years. • The company shall achieve a compliance rate of 90% or higher of the modified declarations within two years. • The company shall not commit customs offences within two years from the date of application, as follows: <ul style="list-style-type: none"> ◆ Committing customs offences worth more than BD 500 <p>or</p> • Offence value exceeds 10% of the declared value of goods <ul style="list-style-type: none"> ◆ Committing material offences related to prohibited or restricted goods ◆ Committing offences related to control bodies • Good conduct of owners of the company and authorized signatories. • Meeting the requirements stated in compliance assessment form according to the company activity.



Main Elements	Conditions
Compliance with Financial System Requirements	<ul style="list-style-type: none"> • Provision of reliable financial records systems that allow Customs to audit the company imports. • Giving Customs the right to audit records related to importation. • Archiving financial records and records related to inventory in accordance with Common Customs Law of the GCC States. • Compliance with the Commercial Companies Law. • Using information security systems to protect company data and records related to financial systems from unauthorized access.
Compliance with Internal Control System	<ul style="list-style-type: none"> • The company shall have an internal control system for its business. • The company shall review the validity of procedures conducted on customs declarations. • The company shall document the authorized processes and procedures. • The company shall have internal and external assessment system to ensure the internal control system.
Compliance with Data Processing Systems	<ul style="list-style-type: none"> • The system of the company shall be electronic. • The company shall have personnel responsible for saving information electronically. • The company shall have process mapping for information flow for each electronic system and links between the systems. • The company shall have access control system. • The company shall keep backup copies of its data and shall be stored in a safe place.
Compliance with the International Security Requirements	<ul style="list-style-type: none"> • Compliance with premises security. • Compliance with personnel security. • Compliance with cargo and conveyance security. • Compliance with information security. • Compliance with risk assessment. • Compliance with training and awareness raising.



The following represent the facilitations to be granted to the satisfactory companies, which have passed all the qualifying requirements and conditions to obtain AEO certificate. Customs will keep the confidentiality of the information related to the beneficiary.



Chapter 2



AEO Facilitations



Priority in clearance procedures

- Specified counter working 24/7 to provide services to AEOs in clearance phase.
- Immediate and fast release of goods against financial or written guarantees upon the completion of Customs declaration procedures including control bodies procedures based on the type of goods.
- Exemption from examination and physical inspection except in cases determined by Customs Affairs.
- Distinguishing AEOs Customs declarations through distinguished marks.
- Priority in dealing with AEOs within the facilitation mechanism applied in emergency procedures when electronic clearance system (OFOQ) breakdown or X-ray scanners.

Priority in release procedures

- Benefiting from examination at AEO premises.

Granting AEO certificate and honouring

- Granting AEO certificate to operators that have passed AEO programme conditions and requirements. AEOs are announced through press release including Customs Affairs website and official newspapers. Awards ceremony is held to AEOs and their representatives, upon the receipt of AEO certificate.
- Announcement of AEOs at Customs borders.



Determination of points of contact and follow-up

- Assigning an employee in the suggested Single Window to undertake:
 - ◆ Assistance and provision of advice to resolve issues and answer inquiries and proper guidance.
 - ◆ Follow-up of AEOs procedures until release of goods.
 - ◆ Follow-up of release procedures of AEOs consignments and ensure resolving any problems encountered.
- Providing AEOs with all instructions and issued administrative orders and answering any inquiries.

In the long run

- Mutual Recognition Agreements (MRAs).
- Provision of additional AEOs advantages through signing memorandum of understanding (MOU) between Customs Affairs and government organisations and control bodies.
- Coordination with control bodies to facilitate the work of AEOs and accredit and prioritise them in examination and finalisation of procedures.



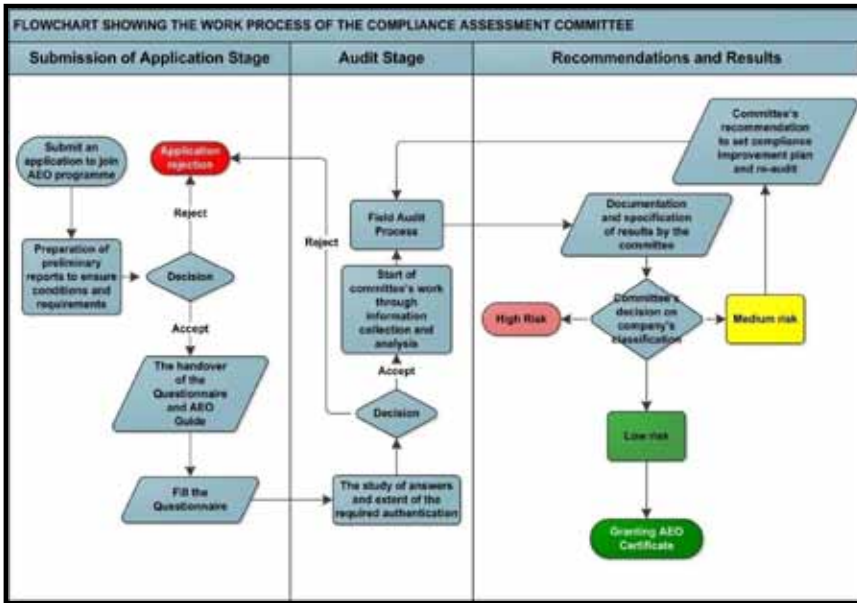
- AEO Work Process
- Company Acceptance Procedures to Join AEO Programme
- Cases Requiring Placing the Company in an Understudy List and Raising Control Rate and Reducing Facilitation Rate
- Cases Requiring the Withdrawal of AEO Certificate



Chapter 3



AEO Work Process



The First Stage: Submit the Application by the Company Wishing to Join AEO Programme

- The company applies to join AEO Programme.
- The company appoints a liaison officer for coordination and communication between parties.
- Customs Affairs appoints company compliance assessment liaison officer.
- The compliance assessment liaison officer prepares the preliminary reports to ensure meeting the basic customs requirements and conditions.
- If the conditions are met, the compliance assessment liaison officer will provide the company liaison officer with AEO requirements form and AEO Programme Guide.



The Second Stage: Preliminary Audit Phase

- AEO requirements form is submitted by the company where the company's answers on the form and the required documentation are studied.
- Customs Affairs prepares a letter of appointment stating the members of the compliance assessment committee and the approval on visiting the company.
- Analytical reports on the company are prepared by the compliance assessment committee where the committee starts collecting information on the company and preparing studies after resorting to Ministry of Industry, Commerce and Tourism website and customs electronic systems to study previous customs declarations through which members of the committee conduct a meeting to perform required tasks.
- The organizational structure, which is received along with AEO requirements form and AEO application form, is used to identify the target organizational units, draw process flowchart, and to prepare work plan for the required field audit programme.
- An initial meeting is held with the company liaison officer to coordinate matters related to the company audit.

The Third Stage: Field Audit Phase

- The company is communicated to schedule an initial meeting with the company liaison officer and determine the date and place.
- The compliance assessment committee is assigned officially (under an official letter to audit the company).
- The compliance assessment committee conducts a meeting with the company representatives to show the audit plan and its goals and sampling methods for auditing, which is set by dates.
- The audit process starts with ensuring that the customs requirements are met, as follows:
 - ◆ Audit of the scope of import or export or warehousing or



transportation or clearance (based on the company activity).

- ◆ Tracking all procedures through auditing documents and records from the moment of signing contracts or purchase orders or letters of credit and all payment methods used by the company as well as the stage of receiving goods and terms of delivery and the required approvals for restricted goods or the ones that need licenses.
- ◆ Audit of customs declarations in accordance with a series of procedures (value, duties, HS code, origin, agreements, and quantities) that require the committee to ensure the correctness of information.
- Audit of financial system or regulations related to transaction process or storage method (based on the company activity).
- Audit of data processing systems used in the company.
- Audit of internal control procedures and what the company internal control systems are and their effectiveness.
- Audit of international security requirements as set in the authorized economic operator by the World Customs Organization (WCO), as follows:

Cargo and conveyances security	Personnel security	Premises security
Training and awareness raising	Risk assessment	Information security

*International security requirements are explained in the form.

- Sampling methods for auditing shall be organized and based on principles even if they are random.
- The committee documents the audit and examination process and the results concluded from the audit process as well as the level of compliance; step by step beginning with the moment of signing contracts to undergoing customs procedures in borders, to goods clearance, to being sold in the markets, or the company activity whether it is import or export or warehousing or transportation or clearance (based on the company activity).



- If the company meets the required level of compliance in all the requirements stated in the compliance assessment form, it will be placed and classified within the list of low risk companies and will be subsequently approved to join AEO Programme.
- If the company does not meet more than one of the requirements stated in the compliance assessment form, the errors will be identified by the compliance assessment committee and the company will be given a period of not less than 3 months and not more than 6 months to apply the compliance improvement plan. The company will remain within medium risk category.
- If the audit indicates that the company is not committed to the requirements stated in the compliance assessment form, the company will be classified as high risk.

The Fourth Stage: Post Audit on Compliance Improvement Plan

- The audit of the company is not just limited to the preliminary stage and field audit stage but there is a fourth stage that begins with the end of field audit process that clarifies the audit results and what the compliance improvement plan is, if any, through conducting a closed meeting with the company after giving it a time limit to correct their errors:
 - ◆ Audit of compliance improvement plan to show the compliance level, either positive or negative, as explained in the compliance assessment form.*
 - ◆ Provide a detailed report of all audit procedures carried out by the compliance assessment committee and the level of compliance of each stage including the risk category and the compliance improvement plan, if any, or any other matters.

The Fifth Stage: Compliance Assessment Phase (the result)

- In this stage, if the company meets all the requirements stated in the compliance assessment form and the compliance improvement plan, the compliance assessment committee will



reclassify the company, after meeting all AEO requirements, from medium risk category to low risk category.

- The compliance assessment committee prepares a recommendation letter for the top management in Customs Affairs stating that the company has met all AEO requirements
- The company that is classified under low risk category, according to the compliance assessment committee report, is granted AEO certificate by Customs Affairs and is announced.
- All customs departments are communicated to start implementing facilitations stated in AEO Programme Guide.

The Sixth Stage: Periodic Audit Phase

- Periodic audit of the company that has been classified as an AEO is conducted after one year unless there is any prior intelligence on fraud or smuggling activities.
- The periodic audit of the company shall be once a year after the end of the given period and according to the compliance assessment form.

Company Acceptance Procedures to Join AEO Programme

- The company to be audited is identified and the compliance assessment committee is assigned to visit and audit the company. The President of Customs has the authority to form the compliance assessment committee based on the recommendation made by the General Director of Security and Follow-up.
- The compliance assessment committee audits the company and prepares a report showing the compliance level of the company to AEO conditions according to AEO Programme Guide.
- The report is submitted by the compliance assessment committee to the Director of Security and Follow-up and any observations or reservations are to be attached to the report. The Director of Security and Follow-up recommends the acceptance or rejection based on the committee report and



submits the report to the President of Customs.

- The authority of acceptance or rejection or withdrawal of the company from AEO Programme is entrusted to the President of Customs.

Cases Requiring Placing the Company in an Understudy List and Raising Control Rate and Reducing Facilitation Rate

- Committing customs offence valued from BD 500 to BD 5000 or the offence value exceeds more than 10% of the declared value of goods.
- The general compliance rate of the company is decreased to 85%.
- The existence of errors that needs compliance improvement plan in one of AEO requirements.
- Placing the company under monitoring based on an administrative order for a certain period of time.

Cases Requiring the Withdrawal of AEO Certificate

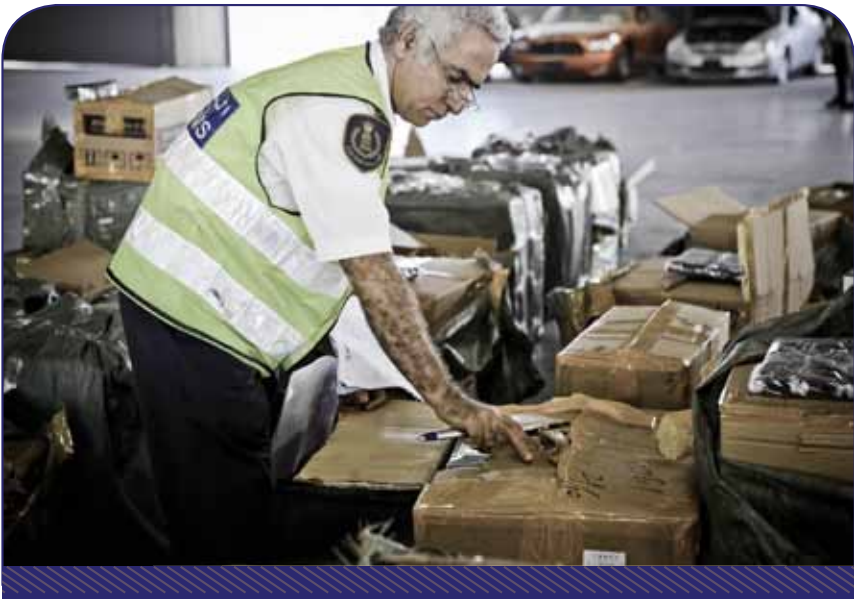
- Committing customs offence worth more than BD 5000 and the compliance assessment committee found that the company should be suspended from AEO Programme, depending on risk rate.
- Committing customs offence related to smuggling materials such as weapons, explosives, drugs, cigarettes, alcohol, and any prohibited materials.
- Committing money laundering or human trafficking or illegal practices.
- The involvement of one of the owners of the company or authorized signatories in cases that required investigating and arresting them.
- The company fails to comply with more than one of the requirements of the compliance improvement plan within a reasonable period of time.
- The company stops practicing the activity in which it was granted AEO certificate.



- The company fails to comply with the compliance assessment committee in audit procedures in accordance with AEO requirements and conditions.

The compliance assessment committee shall consist of qualified employees with the following qualifications and experience:

- Experience in customs procedures.
- Experience in information systems.
- Participants in professional courses in accounting and auditing.







Chapter 4



AEO Requirements Form



AEO Requirements Form

First: General Information				
Company Name				
CR No.:				
Company Activity:				
<input type="checkbox"/> Import	<input type="checkbox"/> Export	<input type="checkbox"/> Transportation and Transportation Management	<input type="checkbox"/> Warehouses and Storages	<input type="checkbox"/> Clearance
Company Activity:				
Address:			Fax No	
Phone No.:				
Email:				

Second: General Organizational Information				
Organizational Chart (Provide a copy)				
Company Type				
<input type="checkbox"/> Public Shareholding	<input type="checkbox"/> With Limited Liability	<input type="checkbox"/> Partnership	<input type="checkbox"/> Others.....	
Company Capital				
Name and Addresses of Company's Branches Inside and Outside of Bahrain (If Any):				
Number of Authorized Signatories and Their Names:				
1 -			2 -	
3 -			4 -	



5 -	6 -
7 -	8 -

Partners Names (Other Than Public Shareholding Companies):	
Do the partners have shares in other companies other than public shareholding companies? Mention them:	
Local Companies and/or Foreign Companies and Their Addresses That Have a Relationship With This Company (Such as Parent Companies, Associates, and Branches):	
Name of the Body Responsible for External Financial Audit of Companies (Audit Company):	
Name of the Main Auditor in Charge (Address and Phone No.):	

Ser	Statement	Yes	No	For Official Use
1	Does the company have ISO certification for quality or any other certification from other bodies? If the answer is "yes", list the names of these bodies:			
2	Are there warehouses or storages for the company? If the answer is "yes", mention the locations of these warehouses or storages.			



Ser	Statement	Yes	No	For Official Use
3	Are there any complaints against the company or previous or pending cases before the courts? If the answer is "yes", clarify the nature of these cases:			

Third: General Information Related to Customs Operations

Ser	Statement	Yes	No	For Official Use
4	Does the company handle customs clearance of its imports or exports? If the answer is "yes", list the names of those authorized for clearance, with the letter issued by Customs Affairs in this regards. If the answer is "no", list the names of clearance offices that the company deals with along with their commercial registration numbers, addresses, and phone numbers of their representatives:			
5	Are customs duties paid directly by the company or are they paid by the clearance office and then the company pays back the clearance office (if any)?			



Third: General Information Related to Customs Operations

Ser	Statement	Yes	No	For Official Use
6	Does the company handle customs clearance of its shipments by persons or companies (broker or importers to others)? If the answer is "yes", list their names and their commercial registration numbers:			
7	Are all customs declarations documents, received by the company from the clearing agent, reviewed? And is there a specific procedure for contacting Customs Affairs and correcting any error found?			
8	Does the company have employees specialized in logistics and transit of goods internationally and all customs matters and regulations and related agreements?			
9	Does the company follow-up with any amendments on Common Customs Law of the GCC States, laws, regulations, and related agreements?			
10	Does the company handle customs clearance of its shipments? A. In one border? Identify the border: B. More than one border? Identify the borders:			



Questions Related to Clearance Office Scope

Ser	Statement	Yes	No	For Official Use
11	Does the company representative work around the clock 24/7 or during the official holidays at customs borders?			
12	Does the company take the necessary measures for the delegators to accept clearance of their goods after ensuring the integrity of their business activity?			
13	Identify the types of goods on which the company carries out customs clearance (if the types of goods are many, then mention the main ones only).			
14	Identify the customs procedures used by the company (importation/deposit in warehouses/goods in transit/temporary admission/exportation/re-exportation, etc.).			

Questions Related to Goods Valuation

Ser	Statement	Yes	No	For Official Use
15	Is there an entity or a department in the company responsible for concluding commercial deals and following up on agreed prices and contracts? Identify the responsible entity or department. Identify the responsible entity or department.			



Questions Related to Goods Valuation				
Ser	Statement	Yes	No	For Official Use
16	Are the declared values of goods in the company's customs declarations the actually paid prices?			
17	<p>What is the method commonly used by Customs Affairs to determine the customs value of your goods, in accordance with Common Customs Law of the GCC States?</p> <p><input type="checkbox"/> Acceptance of the declared value as the transaction value.</p> <p><input type="checkbox"/> Non-acceptance of the value of goods by Customs Affairs and value them in accordance with the bases (methods) of customs valuation.</p>			
18	What are the terms of delivery most commonly used by the company in its commercial activities (C&F, FOB, Ex-Factory, etc.)?			
19	<p>Are there any conditions or restrictions that affect the value of the goods?</p> <p>Identify the conditions and restrictions and the type of goods:</p>			
20	Are you aware that the declared value should include the whole elements of the required Customs value (price actually paid + freight charges + commissions +, etc.) in accordance with article (26), (27), and (28) in the Common Customs Law of the GCC States and decree no. (5) for the year 2008 to amend article (1) from the Rules of Implementation of the Common Customs Law of the GCC States issued in decree no. (3) for the year 2003?			



Questions Related to Goods Valuation

Ser	Statement	Yes	No	For Official Use
21	<p>Are there license or royalty fees related to any goods the company deals with?</p> <p>In import scope.</p> <p>Identify the type of goods and origins:</p>			
22	<p>Has the supplier supplied the importer with any assists (in the form of materials or molds or tools or designs) to be used in the production of goods, and have not been declared in the actually paid price?</p> <p>Identify the type of provided assists or service and the type of imported goods:</p>			
23	<p>What are the payment methods commonly used when purchasing imported goods? Identify:</p>			
	<input type="checkbox"/> Cash	<input type="checkbox"/> Letters of Credit (L/C)	<input type="checkbox"/> Bills of Exchange	<input type="checkbox"/> Telegraphic Transfer (T.T.)



Questions Related to the Origin of Goods in Import Scope

Ser	Statement	Yes	No	For Official Use
24	Is the origin of goods accurately declared in customs declarations and for all imported goods?			
25	Is the certificate of origin presented upon importing?			
26	Do most of the company imports come directly to Bahrain (from the country of origin) or through countries other than the country of origin?			

Questions Related to the Classification of Goods (Harmonized System (HS) Codes)

Ser	Statement	Yes	No	For Official Use
27	Has the company previously obtained an order on HS code classification issued by Customs Affairs, whether before or after importation or exportation of goods through a service of HS code classification or an order on HS code classification issued by the World Customs Organization (WCO)? Identify the type of goods:			
28	Does the company seek consultation in the classification of imported or exported goods, or does it rely on the clearance office or company representative? Mention the details:			



Questions Related to the Classification of Goods (Harmonized System (HS) Codes)

Ser	Statement	Yes	No	For Official Use
29	Does the company benefit from exemption on industrial inputs or any other exemptions mentioned in Common Customs Law of the GCC States or any other agreements or legislation? If the answer is "yes", list them:			
30	Are there any materials imported by the company that need laboratory analysis to determine the HS code? If the answer is "yes", list them:			

Questions Related to Procedures in Import Scope

Ser	Statement	Yes	No	For Official Use
31	Does the company benefit from any privileges offered by Customs Affairs? Identify the number and date of the document:			
32	If the company imports are subject to other bodies procedures (such as Ministry of Health or Standards and Metrology Directorate, etc.) whether in the Kingdom of Bahrain or the GCC countries, are there customs declarations that their contents were rejected by those bodies during the previous three years? Identify the customs declarations numbers or the borders they were organized at:			



Questions Related to Procedures in Import Scope

Ser	Statement	Yes	No	For Official Use
33	<p>Has the company cancelled more than ten customs declarations in one year during the previous three years?</p> <p>Identify the number of cancelled declarations and their numbers and registration dates:</p>			
34	<p>Has the company been subject to material offences worth more than BD 1000 resulting from differences in declared price or quantity or item classification or origin or mis-using of exemptions or temporary admission and refund of customs duties or any other customs offences during the previous two years?</p> <p>Identify the offence type and the value of fine and year:</p>			
35	<p>Are there customs offences or cases against the company employees or (company directors or owners)?</p>			
36	<p>Has the company submitted a refund request of customs duties?</p> <p>Identify the customs declarations numbers and the value of the refund and the reasons:</p>			



Questions Related to Procedures in Import Scope

Ser	Statement	Yes	No	For Official Use
37	Has Customs Affairs claimed the company for unpaid fees during the previous three years?			
38	Does the company submit the required documents to Customs Affairs in a timely manner upon request?			
39	Are the permits issued by other control bodies that are required prior to importation and exportation kept?			
40	Have the company shipments been rejected by control bodies for not meeting the specifications? And what measures have been taken to prevent that from happening in the future?			
41	Does the company have a specific procedure that allows tracking the shipment arrival from the country of import until it arrives to the Kingdom of Bahrain?			
42	Has the company signed any permits related to importation or exportation at customs borders?			



Fourth: Record Keeping System for Accounting and Commercial Documents

Ser	Statement	Yes	No	For Official Use
Questions Related to the Financial System in all Scope				
43	Does the company keep the following records and accounting entries:			
	General journal			
	General ledger			
	Purchases journal			
	Journal of liabilities and receivables			
	Payments record (T.T., L/C, BOE)			
	Inventory records and inbound and outbound receipts			
	Closing entries (trading account, operating account (for manufacturing companies), income statement, and cash flow statement.			
	Sales journal			
44	Are accounting entries and records and all related clarifications kept in accordance with the period specified by the law, regulations, and legislations?			



Fourth: Record Keeping System for Accounting and Commercial Documents

Ser	Statement	Yes	No	For Official Use
45	Does the company keep audited financial statements that are ready for analysis?			
46	Are financial and accounting systems:			
	Fully computerized?			
	Manual?			
	Both?			
47	Does the company have a department responsible for keeping and documenting procedures related to importation, exportation, and customs operations?			
48	Since when did the company start keeping documents and records?			
49	Explain the details of the company policy and its operations in creating, keeping, moving, and destruction of documents related to customs operations:			
50	Where are the records and entries kept in the company?			
51	Does the company keep records and documents related to customs work, as follows:			
	Commercial correspondences (the transaction)			



Fourth: Record Keeping System for Accounting and Commercial Documents

Ser	Statement	Yes	No	For Official Use
	Purchase orders			
	Bills of lading			
	Proforma invoices			
	Delivery orders			
	Shipments lists according to lot number			
	Booklets and any other information			
	Commercial invoices			
	Notes payable and records supporting payments for goods			
	Commissions paid and payable related to shipments			
	Conversion cost of purchased goods			
	Any other payments related to goods			
	Does the company keep sales and purchase contracts for shipments?			
	Does the company keep the license and royalty agreements?			



Fourth: Record Keeping System for Accounting and Commercial Documents

Ser	Statement	Yes	No	For Official Use
	Are prices fixed on the purchase contracts?			
	Does the company keep any direct or indirect documents related to shipments?			
52	Is there documentation for record keeping procedures?			
53	If there is a change in record keeping and documentation procedures, is it documented?			
54	Is there an approved mechanism for cancelling the company commercial records and accounting entries?			
55	If the system is computerized, does the company keep additional electronic copies of hard drives related to the company work separately (BACK UP)?			
56	Is there a mechanism for detecting record keeping errors?			
57	Are there procedures followed if errors are found in records?			



Fourth: Record Keeping System for Accounting and Commercial Documents

Ser	Statement	Yes	No	For Official Use
58	<p>If the company activity includes suspension of customs duties, such as temporary admission or deposit in warehouses, does the company follow receipt policy for the customs declarations among its inventory systems on stock cards or records of goods receipts?</p> <p>If the answer is "yes", explain the inventory management system followed:</p>			
59	<p>Does the company take the necessary measures in keeping records and documents?</p>			
60	<p>Are accounting systems designed in a way that provides reference and accountability to all parties in the accounting process?</p> <p>If the answer is "yes", explain:</p>			



Fifth: Internal Control System

Ser	Statement	Yes	No	For Official Use
61	<p>Does the company have a department or employee responsible for internal control over the company business?</p> <p>If the answer is "yes", identify:</p>			
62	<p>Does the company audit and review the validity of procedures conducted on completed customs declarations and in accordance with customs orders?</p> <p>If the answer is "yes", identify the names of persons or entities responsible:</p>			
63	<p>Does the system allow customs employees to have direct access to the inventory system and follow-up on it?</p>			
64	<p>Identify the policies, mechanisms, and authorized procedures for the purpose of handling customs activities and operations if there are undocumented procedures.</p>			
65	<p>Explain the procedures followed to ensure that the assists, commissions, intellectual property rights (IPR), license fees, freight charges, or any other chargeable expense have been declared correctly to customs authorities.</p>			



Fifth: Internal Control System				
Ser	Statement	Yes	No	For Official Use
66	Explain the assessment results (internal and external) that the company conducted to ensure the efficiency of its internal control system and in relation to customs declarations.			

Sixth: Data Processing Systems				
Ser	Statement	Yes	No	For Official Use
67	Does the company keep any electronic records? If the answer is "yes", identify the computerized records:			
68	Is there an access control system for electronic programmes?			
69	Does the company keep updated backup copies of company data? If the answer is "yes", where are the copies kept?			
70	Provide the name(s) of employee(s) responsible for keeping information electronically:			
71	Explain the relationship between different databases used by the company (provide the flowcharts of every electronic system and between systems):			
72	What are the types of electronic medias used in transferring and storing information?			



Sixth: Data Processing Systems

Ser	Statement	Yes	No	For Official Use
73	Who is the person authorized to view the password to access the computerized systems?			
74	Provide the name of company representative that can be contacted to get more information on company data processing systems, his/her job, and phone number.			
75	What kind of system used in the company "Software"?			

Seventh: International Security Requirements

Ser	Statement	Yes	No	For Official Use
Premises Security				
76	Is the following available:			
	Adequate lighting			
	Surveillance cameras			
	Alarm system			
	Sign boards			
	Security guards			
	Building map			
	Car parks			
77	Do you have a fence or external boundaries of premises that are secured and guarantee the safety of the premises?			



Seventh: International Security Requirements

Ser	Statement	Yes	No	For Official Use
Premises Security				
78	Are there access control measures and procedures for persons, goods, and vehicles (authorized and non-authorized such as visitors)?			
79	Does the company have documented contingency plans in case of accidents and disasters, and have the employees been trained on these plans?			
Personnel Security				
80	Does the company do pre-employment screening?			
81	Does the company have security monitoring system for its employees?			
82	Are there procedures for issuing identification cards (IDs) for employees according to their specialization			
Information Security				
83	Can the control system detect the breaches that may occur in the company system?			



Seventh: International Security Requirements

Ser	Statement	Yes	No	For Official Use
Premises Security				
84	Does the company have a mechanism for reporting illegal activities?			
Cargo and Conveyance Security				
85	Is the credibility of business partners checked within the criteria of international supply chain standards?			
86	Does the company have a system or guidebook related to cargo security, for example shipment tracking system?			
87	Does the company have a mechanism for preparing reports related to accidents and loss of goods and what are the measures followed?			
88	Does the company have drivers that are aware of the procedures followed in emergency cases during transport, loading, and unloading of goods, for example; truck breakdown, damaged customs seal, etc.?			



Seventh: International Security Requirements

Ser	Statement	Yes	No	For Official Use
Premises Security				
89	Does the company deal with transportation companies that are aware of the procedures followed in emergency cases during transport, loading, and unloading of goods, for example; truck breakdown, damaged customs seal, etc.?			
Questions Related to Risk Assessment and Training				
90	Does the company have training plans and awareness raising programmes on security and safety of premises, movement of goods, and customs procedures?			
91	Does the company have training plans in all specializations for its employees to improve the employees' performance?			
92	Does the company have property insurance? And what type of insurance?			



Seventh: International Security Requirements

Ser	Statement	Yes	No	For Official Use
Premises Security				
93	Do you have tasks related to assessment of expected risks and what measures are taken to minimize them?			
94	Do you have indicators to measure the performance of the company (KPIs)? Are they documented?			
95	Is there development of the company based on feedback?			

Names of the company representatives that prepared and answered the questions of this form and their phone numbers, job titles, and signatures:



Name, job title, address, and phone number of the permanent company representative that can be contacted for post audit (liaison officer):

Are all lists and records mentioned in the form authorized by the company?







Appendices



Form 1: Compliance Assessment Form

Compliance Assessment Form							
Company Name:				CR No.:			
Audit Scope:							
Audit Period:	From:				To:		
The Procedure Covered by Examination	Level of Compliance			Result			
	Not Accepted	Subject to Compliance Improvement Plan	Accepted/Rate	Observations and Compliance Improvement Plan			Compliant
				Non-Compliant	In Progress	Completed	



International Security Requirements						
Training and Awareness Raising	Risk Assessment	Information Security (Documents)	Cargo and Conveyance Security	Personnel Security	Premises Security	



Basic Customs Requirements (Conditions and Requirements)*								
Compliance with Value	Compliance with Valuation Procedures							
	Compliance Based on Formula 95%							
Compliance with Declaration of HS Codes Based on Samples	Compliance with HS Code Procedures							
	Compliance Based on Formula 95%							



Origin Based on Samples*	Quantities Based on Samples*	Compliance with Declaration of Agreements Based on Samples*	Compliance with Duties
Compliance Based on Formula 95%	Compliance Based on Formula 95%	Compliance Based on Formula 95%	Compliance Based on Formula 95%



Compliance with Financial System							
Compliance with Internal Control System							
Compliance with Data Processing Systems							

Auditor Who Prepared the Form

Name:	Signature:

Compliance Assessment Team Members

Name	Signature:

The Form is Authorized by

Name:	Signature:



Compliance Formulas

General Compliance Formula	1- $\left(\frac{\text{Number of declarations with errors}}{\text{Total number of declarations}} \right)$
Value Formula	1- $\left(\frac{\text{Value differences}}{\text{Total declared value}} \right)$
HS Code Formula (Based on Samples)	1- $\left(\frac{\text{Number of declarations with errors}}{\text{Total number of declarations}} \right)$
Duties Formula	1- $\left(\frac{\text{Duties differences}}{\text{Total duties paid}} \right)$
Agreements (Based on Samples)	1- $\left(\frac{\text{Number of declarations with errors}}{\text{Total number of declarations}} \right)$
Quantities (Based on Samples)	1- $\left(\frac{\text{Number of declarations with errors}}{\text{Total number of declarations}} \right)$
Origin (Based on Samples)	1- $\left(\frac{\text{Number of declarations with errors}}{\text{Total number of declarations}} \right)$



Form 2: Compliance Improvement Plan

Compliance Improvement Plan				
Company Name:		CR No.:		
Audit Scope:				
Audit Period:	From:		To:	
The Requirement that Requires Compliance Improvement Plan				
Basic Customs Requirements	Financial System Requirements	Internal Control System Requirements	Data Processing Systems Requirements	International Security Requirements
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Current Status of the Requirements				
Status of the Current Requirement	Required Improvement According to Compliance Improvement Plan	Given Period for Improvement		
•	•	•		
•	•	•		
Observations and Recommendations				
The Auditor Who Prepared the Plan				
Name:		Signature:		



Compliance Assessment Team Members

Name:	Signature:

The Form is Authorized by

Name:	Signature:

