**eBay & PayPal guidance for Schools September 2012.**

*IT and Electronic Equipment Disposal (pages 7-8) updated July 2014*

We are regularly contacted by schools that are considering using eBay to sell items to ask if we have any guidance or procedures that we can provide them with. The guide only looks at selling items on Ebay not buying items.

As the risk sits with the School it is up to Schools to weight up the risks and benefits and then make an informed decision on whether to proceed.

The main Risks are:

* Lack of separation of duties, the transactions can be initiated by a single user which goes against financial principles. Open to fraud and misuse of Schools and public monies.
* Security of Paypal accounts. Paypal accounts do not have the same security as corporate bank accounts and are prone to being hacked. This could result in substantial financial losses.
* Insurance implications. The SCC insurance policy has an excess on £100k, therefore the school would have to find the first £100k of an losses, as this is a School decision the Local Authority would not cover the £100k.
* Failure to comply with VAT implications and reporting – Could result in fines.
* Failure to comply with the Data protection act and the Waste Electrical & Electronic Equipment (WEEE) directive – Could result in fines.

To aid Schools with this decision we have pulled together information from Policy and Compliance, Internal Audit and our VAT expert. This is a guide only and if Schools are going to make use of Ebay it is for each school to determine its own procedures for use and to be mindful of the potential risks involved.

Due to the procedural risks around separation of duties, concerns around security of Paypal, concerns around VAT implications and disposal of assets **it is the Local Authority recommendation that Paypal and Ebay are not used**.

If schools do decide to make use of Ebay and Paypal it is strongly advised that the school seeks formal approval from its Finance Committee/Governing body, providing them with details of the procedures in place to control its use and to minimise any risks. The minutes should then include reference to the governor’s sign off formally documenting that the governing body are happy that the controls that have been put in place by the school are sufficient, it should also outline the reporting requirements that the governing body expect to see.

The school also needs to notify the Schools Accountancy Team sat@suffolk.gov.uk that a Paypal account has been opened; this information will then be passed to internal audit and the school maybe subject to an additional audit focusing on Paypal.

**General Information**

Below are a few points you need to take into consideration before actively using eBay and PayPal:

* Any accounts for using eBay will need to be set up as business accounts in the name of the school as opposed to personal accounts.
* There should be no personal sales or purchases through the school’s eBay account.
* Common sense should be used when describing the item(s). Failure to adequately/correctly describe goods may have an adverse effect on the sale and subsequent feedback received. Trading Standards should be consulted if the use of item(s) may require set standards to be met i.e. items(s) which could be classed as toys.
* Ensure there is prompt reconciliation procedures in place to identify any possible fraudulent transactions at an early stage, the reconciliation should be undertaken by an independent person i.e not the person with responsible for the day to day running of the Paypal account.
* Consider any commission that may need to be paid on any sales from the use of PayPal.
* There will be costs associated with postage and packaging, staff time taking items to the Post Office, collection charges etc which need to be considered.
* Postal insurance will need to be purchased when sending the item. This is at a cost and can only be purchased for items over a set value. Any loss that is not insured with postal insurance will have to be incurred by the schools own budget. Evidence that the item has been posted will need to be obtained from the post office and this evidence retained by the school.
* Transactions that are made via Paypal are funded by direct transfer to/from the linked bank account. A key control weakness on Paypal transactions is that they can be initiated by a single user, with no independent check or authorisation of the transaction being required by a second authoriser. This means that the principle of internal control on financial transactions is compromised.

**Internal Audit Advice**

This document outlines the controls required by Audit Services for the sale of items through Ebay. They are not comprehensive procedure notes, as these should be produced by the individual establishment. All procedures must be reviewed following an initial trial of Ebay and periodically thereafter and amendments made where necessary.

# Ebay/Paypal provides on-screen guidance throughout the process. However, the controls detailed below should be adhered to.

### Setting up of Ebay Account

* The account should be set up as a ‘business account’ and not as a ‘personal user’. This will enable the account to be set up with a company name, and enable VAT to be accounted for correctly.
* An appropriate user name must be created which must not be to the detriment of Suffolk County Council.
* Passwords to the system must be held securely and restricted to essential staff. All staff that have access to the password will have access and the capability to make purchases and transfer funds from paypal to a bank account. The access to this password should be strictly restricted to a limited amount of staff.
* Ebay will require that their terms and conditions are agreed to prior to setting up the account. The person made responsible for the setting up of the Ebay account is responsible for contacting Legal Services to obtain agreement that the terms and conditions are acceptable to Suffolk County Council. Documented evidence of this agreement between the school and Legal Services should be retained. The school will have to incur the cost of legal Services reviewing these terms and conditions as this is a chargeable piece of work.

Setting up of Paypal Account

Paypal is a system which allows items to be paid for via the internet using a debit or credit card or cheque.

* Set up a seller’s ‘business account’ in accordance with on-screen guidance.
* Please note that the name on the bank account has to be an exact match with the contact name on the Paypal account to allow transfers to take place.
* Paypal will require that their terms and conditions are agreed prior to setting up the account. The person made responsible for the setting up of the Paypal account is responsible for contacting Legal Services to obtain agreement that the terms and conditions are acceptable to Suffolk County Council. Documented evidence of this agreement between the school and Legal Services should be retained

Payments

* Payment should be requested promptly after the sale has taken place. Documentation to support this must be retained.
* Items must not be despatched prior to payment being received. Where payment has been made by cheque, documented evidence of the cheque being cleared by the bank must be retained.

Despatch of Goods

* The despatch note facility within Paypal should be used to ensure that a despatch note can be sent out with every item. A second copy must be retained by the school with documented evidence of the day of posting.
* All goods must be packed appropriately.
* All expenses used in relation to the sale and despatch of goods should be funded and recorded.

Records to be maintained

* A comprehensive record should be maintained of all items sold to support the information held on Ebay. This could be in the form of a spreadsheet which clearly documents all income and expenditure in date order. All invoices and receipts should be retained to support these records. Evidence should be printed from Ebay and Paypal as it is unclear how long these records are retained.
* Each transaction should have a clear audit trail and the documents will have to be retained in line with the document retention guidelines (7 years).

Monthly Reconciliations

* A full reconciliation of the local record, Ebay, Paypal and the bank account should be undertaken monthly and documented.
* A clear separation of duties must be evidenced.
* Any discrepancies should be investigated with appropriated action taken and documented. The Headteacher should be made aware of all discrepancies.

# Monitoring feedback

* Any negative feedback from customers will be a reflection on the seller. Negative feedback will also affect sales. Every effort should be made to ensure that negative feedback is not received.
* An independent person / line manager should monitor feedback. Continuous negative feedback should be investigated and consideration to the continued use of Ebay as a selling tool should be given.

End of year record of transactions.

* A full set of records to reflect the activity throughout the year should be produced. A senior member of staff should independently review the records. The records should be retained to provide a clear audit trail. The review of the yearly activity should be reported to and reviewed by either the full governing body or the finance committee.

Security

* Both the Paypal and the Ebay sites provide guidance on the security of information and the legitimacy of an email. In addition, the sites provide tips on security and fraud prevention, which should be adhered to. Staff involved must familiarise themselves with the guidance.

**VAT Guidance**

Much of the following is only relevant when trading with delegated budgets. VAT will not be a major consideration if using private funds (School Fund) unless the private fund is separately registered for VAT.

Selling

* When registering with e-bay you will need to provide your (SCC’s) VAT registration number. This will mean that ebay (a Luxembourg based company) will not charge VAT on their selling fees. For coding these fees to Oracle the VAT code of I (Intra-EU) should be used. For coding to SIMS the X code (zero rated) should be used, but you will need to inform the tax specialist in SCC of the value of such purchases each month for reporting to HMRC.
* When listing an item check whether you need to charge VAT, a good guide is that if you paid and recovered VAT when you purchased it, then you will need to charge VAT now. Items such as text books, reading books, and children’s clothing are zero rated for VAT and do not have any VAT charge associated with them.
* If the item itself is not zero rated then you will need to account for VAT at the standard rate (currently 20% which is equivalent to 1/6 of the final bid price) unless the rules below on selling abroad apply.
* Don’t forget normal trading standards apply to internet trading, and you must ensure that goods are in saleable condition and accurately described.
* Where a charge for postage is made then this will normally have VAT accountable on it at the same rate as the goods being delivered i.e. if selling a standard rated desk then postage charges will be standard rated, if selling zero rated books the postage charge will be zero rated. This is because, where a contract exists for delivered goods as with ebay, postage charges are not seen as a separate supply of postage from the post office to the seller but are instead a further charge for the goods made by the seller. This applies even if the carrier does not charge you VAT on the cost of postage.
* VAT will need to be accounted for on the full value of the final sale before any eBay, or PayPal, costs are deducted, i.e. If the final selling price is £15 with £5 postage then you will need to account for VAT from £20, even if eBay or PayPal send you less than this.

Selling to abroad

* If the successful purchaser is outside the EU then as long as you retain proof that the goods have been shipped outside the EU you do not need to account for VAT.
* If the successful bidder is in the EU and provides you with a valid EU registration number then you do not need to account for VAT if you retain proof of dispatch to the EU. You will need to quote the buyers VAT registration number on your sales invoice, and this can be verified at <http://ec.europa.eu/taxation_customs/vies> (only the top two boxes for ‘Member State’ and ‘VAT number’ require completion). You should inform the taxation specialist in SCC if you sell to EU businesses as these transactions will require separate notification to HM Revenue and Customs.
* EU bidders that are not in business or who do not have an EC registration number should be charged normal UK VAT.

SCC Taxation Specialist

If you require any further advice on these issues, or have any EU transactions that need reporting then David Saunders (david.saunders@suffolk.gov.uk) is the Taxation Specialist and is based in Constantine House on 01473 260815.

**Disposal of ICT and Electronic/Electrical Equipment**

The Waste Electrical & Electronic Equipment (WEEE) directive is now law which means that all items that are powered by an electric current, from a calculator to a chest freezer, must be disposed of according to the Directive and not be thrown away with general rubbish.

* Redundant equipment must not be given away to third parties or to staff or pupils.
* Where equipment is being sold the school must make arrangements for the equipment to be returned to them for correct disposal.

To dispose of redundant equipment schools can use a specialist contractor, listed below are some companies. Schools need to ensure that they receive a certificate of disposal and data wiping. If a non-contracted supplier is used, the school must ensure that it receives the **correct** certification of disposal and data wiping.

Some Waste Electrical & Electronic Equipment recycling companies that have been checked by Procurement are listed below:

|  |  |  |
| --- | --- | --- |
| **Name** | **Telephone Number** | **Details** |
| The ITAD Works(formerly Redemtech) | 01483 201240 | [theitadworks.com](http://www.theitadworks.com/)dee.coombs@redemtech.co.uk  |
| GB Asset Solutions Ltd | 01787 474343 | info@gbasset.co.uk  |
| Tech Recycle | 01252 757790 | info@tech-recycle.com  |
| PRM Green Technologies | 0800 840 9195 | richard.manning@prmgreentech.com  |
| Inventory MGT Europe | 01993 866166 | dorothee.tonnerre@imeurope.co.uk  |

Charges and minimum quantities may apply. Equipment disposed of by these companies will be refurbished for reuse if possible, or broken up so that the materials can be recycled.

SCC Household Waste Recycling Centres (HWRC)

In addition, all HWRC’s will accept free of charge any ICT equipment that schools have decided should be disposed of. Schools using this service will be required to take the equipment to the HWRC and place in the appropriate containers on site. It will also be necessary to complete a waste notification form at the site. ICT units are shredded by the contractor so that it will not be possible to read data on hard drives in the future.

Certain items may require the school to complete a Hazardous Waste Consignment Note before travelling to the HWRC (e.g. fridges, batteries, fluorescent tubes, projectors, monitors/TVs and laptops). SCC Waste Services can provide a guidance note to advise schools on how to download and complete the form. Please e-mail waste.management@suffolk.gov.uk to obtain a copy of the guidance note.

Data Protection

Schools also need to be mindfully of the Data Protection Act and that the school will be liable for any data that gets into the public domain as a result of a failure to fully wipe IT equipment hard drives. The school should ensure if they are planning to sell on any redundant equipment that they use specialist contractor to wipe the hard drive, a certificate proving the work was completed should be obtained.

Schools also need to ensure that all software is removed from the devices as there are licensing implications where schools receive substantial discounts that cannot be sold on for personal use.

Registering as a Waste Carrier

From January 2014, changes to the *Waste (England and Wales) Regulations 2011* require organisations carrying their own waste to register with the Environment agency as a waste carrier.

For schools and charities carrying their own waste, registration costs nothing and the registration lasts indefinitely, so they will not have to renew your registration unless their situation changes.

In order to register please visit:

<http://www.environment-agency.gov.uk/business/sectors/143914.aspx>.

Schools will need to provide name and address details (the registration sits with the organisation rather than a specific person or vehicle).

If schools do not register, and are found to be transporting waste, they could be liable for a Fixed Penalty Fine of £300, or prosecution and a fine of up to £5,000.

All the previous requirements still also apply, particularly if transporting construction or demolition waste (schools may need to register in the upper tier for £154).

If schools are unsure or have any questions the Environment Agency are very helpful and can be telephoned on 03708 506 506.