



Treasure Chest

Report of the Trustees

For the period of July 2023 to August 2024

The trustees present their report with financial statements of the charity for the period of July 2023 to August 2024.

Objectives and Activities

Objective and aims

- A) To provide the necessary facilities for the daily care, recreation and education of children during out of school hours and
- B) To advance the education and training of the persons in the provision of such care, education and recreational facilities.

Activities and Achievements

Treasure Chest are able to provide full-day care for children from 2 -11 years old from 7.30am to 5.30pm. Treasure Chest provides childcare throughout the year for the maximum of 80 children of both genders, all needs and abilities, depending on the area of the provision.

The childcare areas within the provision are as follows:

Early Birds Breakfast Club - open from 7.30am until 8.45am for pre-school children or for school age children to attend before the school's free breakfast club initiative opens at 7.45am at the cost of £2.00. This provision is held in the school halls. Up to 16 children can attend this service at any one time.

Free breakfast (Council)

The free Breakfast club starts at 7.45am at the cost of £3.00 until 8.15am, this is paid to the council. All children are offered some breakfast and a drink. From 8.15am to 8.30am children are allowed to attend for free.

Little Gems - runs two funded Flying Start sessions during the day. Up to 19 children can attend this service at any one time in the Little Gems room. Children aged 2 to 3 can also attend our paying all day childcare at various prices and times from £15 to £33.

Little Treasures – provides Funded Early Education sessions which start in January through to July, these sessions run Monday to Thursday AM and PM for eligible 3 year olds.

Treasure Chest Wrap Around – provides wrap around care from children who attend our Nursery provision. Children are able to stay before or after their nursery session. Some children may be eligible for the 30 hours free childcare offer. We are able to provide up to 16 children this provision per session. At the cost of £15.00.

After School Club – runs from 3.00 – 5.30pm daily to provide childcare outside of school hours. Club runs from its own specified area within the school, the main hall, studio hall and utilises the Treasure Chest. Up to 80 children can attend this service at any one time at the cost of £4 up to 4pm and £10 up to 5.30pm.

Holiday Club – runs during the school holidays to provide out of school hours care for 2-11 year olds.

Up to 30 children can attend Treasure Chest at any time.

As the service runs for 51 weeks per year and some elements of the provision only operate during term time, staff will be deployed across whichever childcare rooms are required in order to adequately staff the number of children attending during the school holidays. The cost of these sessions range from £12 up to £33.

Policies

Admissions and fees policy

Arrival and collection policy & procedure

Anti-Bullying policy & procedure

Asthma policy & procedure

Accident, incident & illness policy & procedure

Behaviour management policy & procedure

Children's participation policy

Confidentiality policy

Complaints policy & procedure

Environmental Awareness policy & procedure

Emergency/fire evacuation risk assessment/procedure

Equal opportunities policy

Excluding children with illness policy

Health & Hygiene policy & procedure

Health & Safety policy

Lost children policy & procedure

Medication policy & procedure

Nappy changing procedure

Outings policy & procedure

Play equipment & resources policy

Play policy

Parental involvement policy

Special needs policy & procedure

Safe internet usage policy

Settling in & child induction policy

Student & volunteer policy

Staff recruitment policy

Snack/mealtime & healthy eating policy & procedure

Staff disciplinary procedure

Transition policy
Uncollected children policy & procedure

Financial review

Reserves policy

The trustees will maintain sufficient reserves to ensure there are sufficient funds to cover 1 months running costs and redundancy payments for staff

Structure, Governance and Management

Governing document

Treasure Chest is a Charitable Incorporated Organisation and is governed by the Charities Act 2011. Treasure Chest became a registered charity on the 3rd May 2018.

Recruitment and appointment of new trustees

The policy and general management of the affairs of the Club is carried out by trustees which consists of the Chairman, Secretary, and Treasurer and not less than two or more than eight other members of the Club elected at the Annual General Meeting.

Other persons may be co-opted onto the Committee in an advisory capacity as required.

Reference and Administrative Details

Registered Company number

CE013984 (England and Wales)

Registered Charity number

1178219

Principal address

Park CP School
School Road
Llay
Wrexham
LL12 0TR

Trustees

S Owen Chairperson (appointed 3/5/19)
Mrs Martin Hon. Secretary (appointed 3/5/18)
Mrs L Jones (appointed 3/5/18)
Mrs R Billington (05/22)
Mrs C Lucas. Treasurer (appointed 20/09/23)

Approved by order of the board of trustees on 14/01/25

and signed on its behalf by : *S.Owen* . Scot Owen - Trustee

SUMMARY OF TRANSACTIONS OF:

TREASURE CHEST RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 AUGUST 2024

YEAR ENDED	£	2022/23	£
BALANCE B/F	80,479.77	EXPENDITURE	
		BANKLINE	443.09
		CHARGES	336.00
		PEOPLES PARTNERSHIP	8,274.33
		AVOW	1,323.00
		RENTOKIL	935.36
		WCBC	5,569.50
		HMRC	14,103.07
		E OWEN	2,500.00
		MORTON MICHEL LIM	1,997.66
		MOTION PICTURE LIC	183.59
		PARENT PAY	944.46
		D FOULKES (2 YRS)	1,400.00
		FIRST AID COMPANY	1,932.00
		LISA MARIE WINTER	60.00
		SHARON WILLIAMS	566.96
		STEVE JONES	48.55
		WORKNEST LIMITED	4,581.92
		TREASURE CHEST	246,589.22
 TOTAL BALANCE B/F	 80,479.77	 Total Expenditure	 291,788.71
INCOME		BALANCE C/F	54,689.35
CHILD CARE INCOME	14,523.86		
NATIONAL SAVINGS A	25,586.00		
COMP VOUCHER SERV	2,750.00		
DWP RESOURCE MANAG	105.00		
EDENRED	1,386.00		
ENJOY BENEFITS LTD	787.00		
PARENTPAY LTD	33,777.40		
WREXHAM COUNTY BC	75,850.53		
WELSH GOVERNMENT	109,582.50		
WIDER PLAN LTD	1,650.00		
 TOTAL INCOME	 265,998.29	 TOTAL C/F	 54,689.35
 BALANCING TOTAL	 346,478.06	 BALANCING TOTAL	 346,478.06

I certify that the 2023/24 Treasure Chest Account presents an accurate picture of the activities and transactions undertaken on behalf of the Account
For more information please refer to the Audit Report.

AUDITOR:

DATE:

4/12/24.

DEBORAH FOULKES
CHARTERED INSTITUTE OF INTERNAL AUDITORS
18 THE HAWTHORNS
ACTON
WREXHAM
LL12 7BB

CHAIRMAN'S SIGNATURE

DATE:

Treasure Chest Report 2023/24

24/11/2024

Deborah Foulkes MIA

1.Introduction

1.1 Background Information about Treasure Chest, Llay

Treasure Chest, based at Park CP School in Llay, Wrexham, is a comprehensive and flexible childcare service dedicated to providing quality care and educational opportunities for children aged 2 to 11. Their mission is to create a safe, nurturing, and stimulating environment where children can learn, play, and grow. They offer a variety of childcare provisions designed to meet the diverse needs of families in the community, including:

- **Flying Start (Little Gems):** A free early-years education program for eligible families.
- **Early Education (Little Treasures):** A structured early years curriculum, preparing young children for school readiness.
- **Nursery Wraparound:** Tailored care for children attending morning or afternoon nursery sessions.
- **Breakfast Club:** A nutritious and fun start to the school day.
- **After School Club:** A relaxing and engaging space for children after school.
- **All Day Care for Under 3's:** Specialized care for our youngest children.
- **Holiday Club:** Fun-filled holiday programs during school breaks.

They operate from **7.30am to 5.30pm**

1.2 The Importance of Quality Childcare Services

The demand for flexible and accessible childcare services has grown significantly in recent years, driven by an increasing number of working parents and a desire for more diverse and personalized childcare options. Services like Treasure Chest are integral in supporting the well-being and development of children while offering peace of mind to parents.

1.3 A Growing Need for Accessible Childcare

Childcare services like Treasure Chest are essential in today's society. They support families by offering a range of services that align with parents' busy schedules, ensuring children have access to quality care, socialization, and development opportunities. This helps children develop the skills they need to succeed both in and out of the classroom. Moreover, these programs often provide critical support to parents juggling careers, education, and family life, making flexible, reliable childcare an invaluable asset for many families.

Please note that Treasure Chest is **separate from the school** and operates independently with its own procedures and policies.

1.4 Payment Information

At Treasure Chest, they use **ParentPay** for all bookings and payments. This system ensures a smooth and secure process for parents, allowing them to manage their bookings, make payments, and access detailed information about your child's care (testing of the parent pay system was out of the audit scope).

1.5 Impact of Declining Pupil Numbers on Treasure Chest Child Care Service, Llay

The Treasure Chest Child Care Service in Llay, a key provider of early education and childcare in the region, faces the challenge of adapting to a potential decline in pupil numbers due to demographic shifts. Declining birth rates, changing local economic conditions, and evolving migration patterns all contribute to the changing demand for childcare services. If the local population of nursery and infant-aged children is expected to decrease over the next 3 to 5 years, as suggested by national trends of declining fertility rates, the service will need to adjust its operations to remain sustainable.

1.6 Key Demographic Trends in Llay and Wrexham

Whilst specific local population projections for Llay and Wrexham are not immediately available at the point of the review, broader trends suggest a slowing population growth in rural and suburban areas, alongside a shift toward urban centres. Nationally, fertility rates have been declining, leading to fewer children in the population overall. Wrexham, which is part of the North Wales region, has seen fluctuating growth, with some areas experiencing a slight decrease in child numbers due to migration and changing socio-economic conditions. Projections from the Office for National Statistics (ONS) and local authorities suggest that this trend could continue, especially in rural or less densely populated areas like Llay.

1.7 Potential Impacts on the Treasure Chest Child Care Service

- **Reduced Enrolment and Revenue:** As the population of children in the nursery and infant age groups declines, the number of children attending the Treasure Chest Child Care Service is likely to decrease. This could lead to reduced revenue, affecting the financial sustainability of the service. The reduction in the number of children attending may make it harder to maintain current staffing levels or justify the costs associated with maintaining the facility at full capacity.
- **Increased Competition:** A smaller pool of children may intensify competition among local childcare providers. If other nurseries or childminders in the area also face similar demographic shifts, the service will need to differentiate itself through quality offerings, flexible pricing, or enhanced services to retain and attract families.
- **Changes in Local Employment:** With fewer families and children in the area, local employment patterns may shift. If parents are working fewer hours or moving to larger towns or cities for employment, this could affect the demand for full-time childcare. The service may see an increase in demand for part-time care or after-school programs rather than full-day care.

1.8 Strategic Planning and Adaptation

To ensure continued success, the Treasure Chest Child Care Service will need to plan proactively and adopt a flexible approach in response to declining pupil numbers. Key strategies might include:

- **Cost Efficiency and Staffing Adjustments:** As demand for services decreases, the organization may need to review its staffing model to ensure that it remains cost-efficient while still providing high-quality care. This could involve reducing staff hours, consolidating roles, or considering flexible staffing models based on demand. However, maintaining a ratio of staff to children that complies with regulatory requirements must remain a priority.
- **Diversification of Services:** To cater to a broader range of families, the service could consider expanding its offerings. This might include specialised programs for children with additional needs. Developing a reputation for high-quality specialised services could help attract more families even in a declining population.
- **Community Engagement and Partnerships:** The service should strengthen its ties with the local community. Engaging with parents and caregivers, understanding

their needs, and offering tailored solutions could help retain existing clients. Additionally, partnerships with local schools, health providers, and other organisations may provide opportunities for joint programs that could increase visibility and demand.

- **Marketing and Branding:** In the face of demographic changes, effective marketing will become increasingly important. The service should emphasise its unique value proposition—whether that’s experienced staff, excellent facilities, or a commitment to children’s well-being. Digital marketing campaigns targeting local families, as well as word-of-mouth from satisfied parents, could help attract new families despite population declines.
- **Monitoring and Responding to Population Trends:** Whilst population projections indicate a potential decline, staying informed on local demographic trends will be essential. The service should engage with local government and educational authorities to track any shifts in population growth or significant infrastructure developments in the area that might affect childcare demand.
- **Flexible Pricing Models:** If economic conditions change or families face financial pressures due to a reduced number of working-age adults in the area, the Treasure Chest Child Care Service could consider implementing flexible pricing models, offering discounts for siblings, or creating loyalty programs to retain clients.

Conclusion

The Treasure Chest Child Care Service in Llay will face challenges in the coming years due to potentially declining pupil numbers. However, by adapting to demographic shifts, diversifying services, maintaining high-quality care, and staying responsive to community needs, the service can continue to thrive despite these changes. Proactive planning, informed by both local trends and broader national projections, will enable the service to stay resilient in an evolving landscape.

1.9 Auditee Details

Treasure Chest Manager, Elaine Owen, or Assistant Manager Jessica Williams:

- **Contact number:** 07565313055
- **Email:** treasurechestllay@gmail.com
- **Facebook page:** [Treasure Chest Llay](#)

2. Scope of Financial Review for Treasure Chest, Llay (2023/24)

Objective

The primary objective of this financial review is to assess the financial performance, internal controls, and financial management processes of **Treasure Chest, Llay** for the fiscal year 2023/24. This review will ensure that the organisation operates efficiently and sustainably, while also meeting its obligations as a registered charity.

2.1 Scope of the Review

The review will cover the financial aspects of the **Treasure Chest** operations, with particular attention to the following areas:

- **Income and Revenue Analysis**
 - Review of ParentPay usage and reconciliations.
 - Assessment of funding sources, including any government funding (e.g., Flying Start and any grants received).
 - Analysis of any special discounts, subsidies, or funded places.
 - Comparison of projected revenue versus actual revenue for the 2023/24 period.
- **Expenditure and Cost Control**
 - Detailed review of operating costs, including salaries and wages for staff (e.g., Treasure Chest Manager, Assistant Manager, and other childcare staff).
- **Financial Reporting and Recordkeeping**
 - Review of internal controls and procedures for tracking income and expenditure, ensuring that the organization complies with charity accounting standards.
 - Verification that all income is accurately recorded and appropriately allocated in accordance with the charity's objectives.
- **Cash Flow and Liquidity**
 - Review of cash flow management practices, ensuring sufficient liquidity to meet operational needs.

2.2 Methodology

- **Document Review:** Examination of financial records, bank statements, income and expenditure reports, any prior audit reports for the period under review.
- **Interviews and Discussions:** Discussions with the **Treasure Chest Manager (Elaine Owen)** and key financial staff regarding day-to-day financial operations and control processes.
- **Data Reconciliation:** Cross-referencing income data from ParentPay with financial records and bank statements.

- **Analysis:** Benchmarking financial performance against industry standards for childcare and charitable organisations, focusing on key financial ratios and performance indicators.

2.3 Key Deliverables

- A **Financial Review Report** highlighting key findings, including any discrepancies, areas for improvement, and compliance with financial regulations.
- **Recommendations** for improving financial practices, internal controls, and budgeting procedures.
- An **assessment of sustainability**, including how well Treasure Chest can continue to meet community needs without compromising financial health.

2.4 Conclusion

The financial review aims to provide a thorough analysis of **Treasure Chest, Llay's** financial standing for the 2023/24 period, ensuring that the charity is effectively managing its resources to continue delivering high-quality childcare services. This review will highlight strengths and areas for improvement, offering actionable insights to maintain financial sustainability and ensure continued success as a registered charity.

3. Findings: - Income and Revenue Analysis

- Review of ParentPay usage and reconciliations.
- Assessment of funding sources, including any government funding (e.g., Flying Start and any grants received).

3.1 Findings and Observations - ParentPay Usage and Reconciliations

- **Missing Documentation and Insufficient Evidence:**

- **Monthly ParentPay Reports** are not being consistently downloaded and reconciled with the bank statements. This lack of monthly reconciliation creates a risk of income being misreported or inaccurately allocated.

Recommendation:

- Set up a system to download and save **monthly reports** from **ParentPay**, ensuring each report corresponds with the bank statement to allow for proper reconciliation.

3.2 Welsh Government Funding

- **Missing Documentation for the Welsh Government:**

- Key **Welsh Government** funding paperwork is missing, and not all necessary documentation is filed correctly. This raises concerns about potential **arrears** in funding or delayed payments. Without proper documentation, it's difficult to determine whether all funds owed have been received, or if any payments are overdue.

Recommendation:

- Collect and organise all **Welsh Government**-related paperwork, ensuring that every funding agreement, payment confirmation, and relevant documentation is stored in a single, accessible file. Regularly verify with the Welsh Government whether all outstanding payments have been received.

3.3 Wrexham County Borough Council (WCBC) Funding

- **Missing WCBC Documentation:**

- Similar to the Welsh Government, **WCBC funding documentation** is missing. This could potentially result in discrepancies in the amount of funding received or owed by the Council.

Recommendation:

- Verify with **Wrexham County Borough Council** to confirm the exact funding amounts due to **Treasure Chest** and track all incoming payments.
- Collect any missing documentation to ensure proper record-keeping and accurate reconciliation with bank statements.

3.4. ParentPay Arrears and Income Allocation

- **Potential Arrears in ParentPay Income:**

- The audit suggests that there may be some **arrears in ParentPay** payments, meaning that some income expected in the 2023/24 period could have been carried over into the 2024/25 financial year.

- This could lead to discrepancies in the **total income figures** for the year if the arrears are not accounted for.

Recommendation:

- Implement a process to identify and track **ParentPay arrears**, ensuring that any outstanding payments are recorded and carried over correctly into future periods.
- Regularly reconcile **ParentPay income** with bank statements and check that all payments have been received by verifying balances against the reports from **ParentPay**.

3.5. Total Income Summary as Per Bank Statement

- The following summary outlines the total income received during the period under review:

Income Source	Amount	Transaction Type
NATIONAL SAVINGS	£25,586.00	BAC
COMP VOUCHER SERV	£2,750.00	BAC
DWP RESOURCE MANAGER	£105.00	BAC
EDENRED	£1,386.00	BAC
ENJOY BENEFITS LTD - MAISIEEDWARD	£787.00	BAC
PARENTPAY LTD - TREASURE CHEST	£33,777.40	BAC
WREXHAM COUNTY BC	£75,850.53	BAC
WELSH GOVERNMENT - TREASURE CHEST	£109,582.50	BAC
WIDER PLAN LTD - KEIRA SMITH	£1,650.00	BAC
Total Income	£251,474.43	

- The total income summary per the **bank statement** for **2023/24** is **£251,474.43**.
- **Childcare income** listed on the bank statement is **£14,523.86**, which appears to be a breakdown of income directly related to the childcare services provided by Treasure Chest.

Recommendation:

- Cross-reference this childcare income with **ParentPay** monthly reports to ensure no discrepancies exist.

Note: This total is based on reported transactions.

Summary and Recommendations

- **ParentPay Income:** Ensure that all monthly ParentPay reports are downloaded, stored, and reconciled with the bank statement. Develop a clear **audit trail** for voucher transactions to enhance transparency.
- **Missing Documentation:** Immediate action should be taken to gather all missing documentation related to **the Welsh Government** and **Wrexham County Borough Council** payments. Confirm outstanding payments and reconcile them with the bank accounts to ensure that Treasure Chest is actually receiving the income they are entitled too (errors can be made by outside organisations).

- **Potential Arrears:** ParentPay arrears should be tracked and reconciled, with attention given to any potential income carried into the next fiscal year. This will ensure that total income is accurately reported.
- **Financial Reconciliation:** Regular reconciliation of income against bank statements, alongside maintaining detailed financial records, will improve accuracy and help identify discrepancies early.

This audit has highlighted areas where improvements can be made in financial record-keeping, reconciliation, and documentation, which will enhance transparency and ensure that **Treasure Chest** is compliant with its financial management obligations.

FINDINGS 4. - VAT Refund Eligibility for Charities in Wales

Charities in Wales (and the UK) are often eligible to claim VAT refunds on goods and services purchased in relation to their **non-business activities**, including **childcare services**. The rules governing VAT refunds for charities are set by HM Revenue & Customs (HMRC). The key areas to consider are:

- **Non-business vs Business Activities:**
 - **Non-business activities:** Services provided to the public for free or at a low cost, such as **childcare** (e.g., after school clubs, holiday clubs, etc.), are usually exempt from VAT.
 - **Business activities:** If the charity charges for services or activities that could be classified as “business activities,” then VAT would generally apply to those activities. This could include income from fee-paying childcare services where the charity is charging VAT.

Treasure Chest primarily offers childcare services that are **non-business** in nature, which means it is likely that most of the services it provides would be exempt from VAT. However, it may still be eligible to claim back VAT on certain purchases that are used for its non-business activities.

4.1 Time Period for Claiming VAT Refunds

Findings: No VAT has been claimed back for over 4 years.

Charities can generally **backdate VAT refund claims** for a period of **4 years**. However, for a claim to be valid, it must relate to purchases made within this 4-year window, and the charity must ensure that it has retained the proper invoices and records to substantiate the claim.

- For example, a charity can claim VAT refunds on purchases made in the **2020/21 financial year** if they are claiming in the **2024/25** financial year, provided the appropriate records are available.

Key Consideration:

- Claims can be made for purchases made in any of the last 4 years.
- Claims must be submitted by the end of the fourth year (e.g., purchases made in 2020 can be claimed for until the end of 2024).

4.2 Time Period for Claiming VAT Refunds

Charities can generally **backdate VAT refund claims** for a period of **4 years**. However, for a claim to be valid, it must relate to purchases made within this 4-year window, and the charity must ensure that it has retained the proper invoices and records to substantiate the claim.

- For example, a charity can claim VAT refunds on purchases made in the **2020/21 financial year** if they are claiming in the **2024/25** financial year, provided the appropriate records are available.

Key Consideration:

- Claims can be made for purchases made in any of the last 4 years.
- Claims must be submitted by the end of the fourth year (e.g., purchases made in 2020 can be claimed for until the end of 2024).

4.3 Process for Claiming VAT Refunds

Charities can reclaim VAT on purchases using the **Charity VAT Refund Scheme**. This is a scheme administered by HMRC that allows charities to reclaim VAT on goods and services used for **non-business activities**. The process of submitting a VAT refund claim typically involves the following steps:

Step-by-Step Process for Claiming VAT Refund:

- **Determine Eligibility:** Ensure the charity's activities are primarily non-business and the purchases are relevant to the non-business activities.
- **Retain Invoices and Records:** Collect and maintain **VAT invoices** and receipts for all relevant purchases. For example, if the charity purchases items like **toys, books, educational supplies, or even building maintenance** used in their childcare activities, VAT on these purchases could be reclaimed.
- **VAT 126 Form:** Complete the **VAT 126** form to reclaim VAT. This form is specifically designed for charities to claim VAT refunds.
 - The form requires detailed information on the VAT incurred, including:
 - A breakdown of purchases and services.
 - The VAT paid on those purchases.
 - The period for which the claim is being made.
- **Submit Claim to HMRC:** Submit the completed **VAT 126** form to **HMRC**. Claims can be made online through HMRC's **VAT online services portal**.
- **Refund Payment:** Once the claim is processed, HMRC will issue a refund to the charity.

Important Documents for VAT Claim:

- **Invoices** with clear VAT details.
- **Receipts** for all qualifying purchases.
- **Accounting records** detailing how VAT has been attributed to non-business activities.

4.4 Most Effective and Efficient Way to Manage VAT Claims

Managing VAT refunds efficiently involves maintaining a clear and organised system for tracking all VAT-related transactions. Here are several best practices to ensure efficient management of VAT claims for Treasure Chest:

- **Organised Record-Keeping:**

- Ensure that **all invoices** and receipts are kept in an organized system, categorised by the type of purchase (e.g., childcare materials, equipment, utilities).
- Implement a **digital system** for storing invoices to reduce the risk of lost documentation.

- **Regular Reconciliation:**

- Reconcile all VAT payments regularly with the charity's financial records. This will ensure that no VAT payments are overlooked and provide an ongoing view of any VAT that can be reclaimed.
- This should be done monthly or quarterly as part of the regular financial review process.

- **Dedicated VAT Management:**

- Assign a person or team (e.g., a financial officer or accountant) to specifically manage VAT claims and ensure compliance with HMRC requirements.
- If the charity does not have the expertise in-house, it is advisable to consult with a **VAT specialist** or accountant who has experience working with charities.

- **Timing of Claims:**

- Submit VAT claims regularly, ideally at the end of each financial year, but no later than the end of the 4-year period from the date of purchase.
- Avoid waiting until the last minute to submit claims, as this can lead to errors or missed opportunities for refunds.

- **Consultation with HMRC:**

- If there is any confusion about what can or cannot be claimed, or if **Treasure Chest** is unsure about the categorisation of certain expenses, it is advisable to contact HMRC directly for clarification.
- HMRC offers advice on VAT refunds for charities and can provide support with any complicated or unusual cases.

4.5 Conclusion and Recommendations

Treasure Chest, Llay is eligible for VAT refunds on goods and services purchased in relation to their non-business activities (primarily childcare services). To ensure maximum financial efficiency, the charity should:

- **Gather and organise all relevant purchase invoices** from the past 4 years to verify VAT paid.

- **Complete and submit the VAT 126 form** for refunds on eligible purchases.
- **Establish a clear, efficient VAT tracking system** to ensure all eligible VAT is reclaimed and no purchases are overlooked.
- **Consult with a VAT specialist** if the process is unclear or if complex VAT issues arise.
- Ensure that claims are **submitted on time** (within the 4-year backdating window) to avoid missing potential refunds.

By implementing these best practices, **Treasure Chest** can optimise its VAT refund process, ensuring that it is financially sustainable and efficient in managing its resources.

The Auditor will provide a template to assist the Treasure Chest, along with a to track VAT-related transactions. Additionally, relevant internet links will be provided to direct you to the official HMRC website for the necessary forms and for submitting online VAT claims.

VAT Claims Process:

For your first VAT claim, we recommend that you review all eligible expenses from the past four years, as this could result in a significant refund. As a charity, you are eligible to claim VAT on certain items. Please note:

- Items/services typically excluded from VAT claims: (Include any exclusions, such as VAT on certain staff-related costs, non-business activities, etc.)

We suggest drafting a covering letter to HMRC explaining that this is your first VAT claim and requesting that your charity be set up for electronic submissions. In the letter, ask HMRC to provide you with a unique Gateway number and any other details required for accessing their online services.

We recommend that you organise your invoices by year and complete a spreadsheet to record each VAT transaction (it will be easier then to copy and paste the information electronically over to the paper form or the online site). Begin by completing the paper form for the initial claim year, then proceed with the online submission for subsequent years. Once the electronic setup is complete, VAT refunds are typically processed promptly, which will greatly benefit the Treasure Chest's finances.

We trust this guidance will be helpful in facilitating the VAT claim process.

5. Audit Analysis of Treasure Chest After School Club (Charity) – Financial Discrepancies and Risks

The following analysis presents an in-depth review of key discrepancies and issues identified during the financial audit of **Treasure Chest, Llay** for the 2023/24 period. These issues include mismatches between the bank statements and the **Treasure Chest balance sheet** and missing documentation.

The review highlights the financial risks associated with non-compliance and missed payments, along with recommendations for improving the financial oversight and reconciliation process.

Key Findings

5.1. Discrepancies Between Bank Statements and Balance Sheet

Multiple instances were identified where figures on the **bank statement** did not align with the corresponding entries in the **Treasure Chest balance sheet**. These discrepancies include:

- **Unreconciled Transactions:** In several cases, the amounts on the **balance sheet** did not match the amounts recorded on the bank statement. For example, a payment of **£23,426.80** (as per the bank statement dated 12/10/2023) was recorded as **£17,449.24** on the balance sheet. These discrepancies were not adequately explained or documented, leading to confusion about the accuracy of the financial records.
- **Missing Transactions:** Payments from **People's Partnership** were recorded on the bank statement for **01/05/2024** and **31/05/2024** (totaling **£855.58** and **£891.26**, respectively), but there were no corresponding entries in the balance sheet. These missing amounts raise concerns about potential accounting errors or missed payments.
- **No Audit Trail:** In multiple instances, **documentation** was not available to verify the transactions listed in the bank statements, such as payments made to **HMRC, People's Partnership**, and others. Without supporting evidence, the accuracy of these entries cannot be confirmed, creating a risk of financial misreporting. Although, after meeting with Management and staff this information can be downloaded electronically. It was therefore advised to provide this information in future.

5.2. Missing Direct Debit Payments (DD)

- **Direct Debit Discrepancies:** Several **Direct Debit (DD)** payments were either missing from the balance sheet or had discrepancies in amounts recorded in the financial documentation. For example, payments to **People's Partnership** were recorded on the bank statement but did not appear in the balance sheet for the corresponding months.
 - **Missing from Balance Sheet:** A review of the transactions between **April and May 2024** revealed DD payments from **People's Partnership** (totaling **£855.58** and **£891.26**), which were not reflected in the balance sheet. This could indicate either a **data entry error**, a **missed payment**, or an **oversight** in updating the balance sheet.

5.3 HMRC Liabilities and Non-Payment Risks

It was noted that there were outstanding PAYE liabilities with HMRC, resulting in a tax underpayment for the 2023/24 period. The following details outline the underpayment amounts due to HMRC:

Underpayment Details (2023/24):

- **February 28, 2024:** PAYE underpayment of £2,561.25, broken down as follows:
 - Tax: £872.54
 - Class 1 NIC: £1,667.20
 - Interest: £21.51
- **March 19, 2024:** PAYE underpayment for January 2024, totaling £2,572.00, broken down as follows:
 - Tax: £872.54
 - Class 1 NIC: £32.26
 - Interest: £32.26

This underpayment has raised concerns about potential interest and penalties accruing if these HMRC liabilities are not settled promptly.

Risks:

- **Interest and Penalties:** If these outstanding liabilities are not addressed on time, there is a risk of additional interest charges and penalties. These could exacerbate the charity's financial situation. For a charity like Treasure Chest, any delay in HMRC payments could also lead to reputational damage and increase the likelihood of regulatory scrutiny.
- **Non-Compliance:** Failure to meet HMRC's tax obligations is a significant issue, particularly for a registered charity like Treasure Chest, which is subject to rigorous financial oversight. Prolonged non-payment could jeopardize the charity's charitable status and lead to further compliance issues.
- **Incorrect Staff Payments:** During discussions with management, it was noted that there were instances where staff payments were incorrect. While staff took corrective action by resubmitting adjusted amounts, this process has caused confusion regarding the HMRC calculations. This discrepancy has contributed to the complications in the tax underpayment and must be addressed to ensure accurate and timely submissions moving forward.

Recommendation:

To mitigate the above risks, it is crucial that a clear and structured payment schedule is established for HMRC liabilities. The charity should work closely with an accountant to ensure full compliance with all PAYE, NIC, and tax obligations. Additionally, an independent review of HMRC liabilities should be conducted monthly to ensure that payments are made on time and that no further arrears accumulate. Special attention should be given to resolving any inconsistencies in staff payments and ensuring that these are accurately reflected in HMRC filings.

By implementing these measures, the charity can better ensure timely and accurate tax compliance, reducing the risk of penalties and safeguarding its charitable status.

5.4 Evaluation of the Financial Reporting Structure:

- **Accuracy and Transparency of Financial Statements:**
 - The financial reporting is fairly detailed, listing both income and expenditure for each month, with a clear breakdown of the categories such as **staff wages, HMRC payments, consumables, grants**, etc. However, some **missing balances and incomplete data** are noted, such as the **December** income and expenditure not being reported and several months where a balance sheet is not provided (e.g., **September, February, March**).

- There is a variance noted between actual figures recorded in the balance sheets and reported figures in several months. For example, in **June**, there is a **variance of £891.26** between the expenditure reported and the actual balance sheet total, indicating discrepancies.
- **Transparency:** While the charity reports various categories of income and expenditure, there is a lack of clarity or inconsistency in some data (e.g., **missing entries for 'Peoples Partnership' direct debits and absence of audit trails** for certain expenditure items like bank charges and consultancy fees). The **absence of a complete balance sheet for several months** also suggests gaps in financial documentation, which could affect the transparency of reporting.

6. Review of Internal Controls and Procedures for Tracking Income and Expenditure:

- **Tracking Income and Expenditure:**

- The charity has a **robust categorisation system**, tracking income sources such as **government grants (e.g., Welsh Government, EE grants, WCBC)**, and expenditure such as **staff wages, consultancy, and services (e.g., Rentokil, HMRC)**.
- However, the **accuracy of recording** is an issue in several areas. For instance, some **payments to HMRC** (e.g., PAYE liabilities) and other regular payments, like to **Peoples Partnership**, are **missing from the balance sheet** or not recorded in a timely manner. For example, missing **direct debits** and payments not reconciled with the bank statements present a risk of inaccurate reporting.
- **Lack of Audit Trail for Certain Expenditures:** There were instances of lack of supporting documentation or audit trails. Management however, can download the majority of the expenditure documentation electronically and was advised to provide it going forward.

7. Verification that All Income is Accurately Recorded and Appropriately Allocated:

- **Income Allocation and Verification:**

- The reported income sources, including **voucher payments, bank transfers, government grants, and fees from services (e.g., Parent Pay)**, are listed in the breakdowns, with most months showing **no significant discrepancies** between the **reported income** and the **balance sheet totals**. However, in **January**, there is a **variance of £2,250** between the reported income and balance sheet totals. This suggests that some **income might be underreported** or incorrectly allocated, indicating potential weaknesses in income tracking or recording.
- The **missing balance sheet in December** further complicates verification, as this key month lacks full reporting, which impairs the charity's ability to properly **allocate income** and ensure it matches the charity's operational goals. However, the balance sheet is stored electronically by Management and in future all balance sheets will be provided going forward.

8. Assessment of Budgeting Processes, Including Forecasts and Variance Analysis:

- **Budgeting and Forecasting:**
 - **Budgeting** appears to be reactive rather than proactive. There is no explicit mention of formal **budget forecasts** for 2023/24 or an **annual budget** within the documentation. Variance analysis seems to be done **post-factum**, as seen in the monthly financial reports, where actual income and expenditure are compared with balance sheet totals. However, the **variance analysis is incomplete** in certain months, and some discrepancies (e.g., **June's £891.26 variance, January's £2,250 variance**) lack detailed explanations or context.
 - While the **income versus expenditure** analysis shows an overall balance (with small discrepancies), there is no detailed discussion about whether the charity met its **financial goals** or whether the **budgets were realistic** for each category of expenditure. For instance, significant spending in categories like **staff wages, HMRC, and consultancy fees** could benefit from clearer explanations in the context of the charity's overall objectives.
 - **Variance tracking** (between actual income and projected income) does not seem to have a **formalised process**, which might lead to inefficient or suboptimal financial planning.

Summary of Key Findings:

- **Inconsistencies in Recordkeeping:** Some discrepancies exist between the recorded figures and the actual balance sheet totals, with missing data for certain months. These inconsistencies suggest that the financial records might not always be up-to-date or accurate, which undermines the **integrity of financial reporting**.
- **Lack of Complete Documentation:** A balance sheets and incomplete audit could raise concerns about the charity's internal controls and its ability to track **income and expenditure reliably**.
- **Audit and Transparency Concerns:** Missing documentation for certain expenditure categories (e.g., consultancy and bank charges) compromises transparency and may hinder proper oversight.
- **Variance in Income and Expenditure Allocation:** The charity appears to be reasonably good at tracking income sources, but inconsistencies and unexplainable variances (e.g., missing direct debits) suggest weaknesses in **income allocation** and overall **financial reconciliation**.
- **Budgeting and Financial Planning Gaps:** While there is some form of financial tracking and reporting, a more structured approach to budgeting and forecasting is needed. The lack of detailed variance explanations and forecasted figures hinders the charity's ability to proactively manage finances and plan for future financial needs.

Recommendations:

- **Improve Documentation and Audit Trails:** Ensure that all expenditure, especially smaller items like bank charges, consultancy fees, and training costs, are properly documented with supporting receipts or contracts. Maintain up-to-date balance sheets for every month and ensure that no data is missing.
- **Strengthen Internal Controls:** Implement stricter procedures for tracking and reconciling **direct debits, grants, and bank transfers**, ensuring that all payments are correctly recorded and aligned with the financial statements.
- **Enhance Budgeting Practices:** Establish a clear budgeting process with forecasts for each financial year and track the actual performance against budget on a monthly basis, including detailed variance analysis.
- **Increase Transparency and Reporting Accuracy:** Conduct regular independent reviews and audits of the financial records to verify the accuracy and transparency of the financial reporting, ensuring that the charity complies with **charity accounting standards**.

The auditor can provide Treasure Chest with a budgeting spreadsheet should they require.

7. Key Observations:

7.1 Closing Balance Trends:

- The **opening balance** for September 2023 starts high at **£80,479.71** but gradually decreases to **£54,689.35** by August 2024.
- The overall trend shows a **gradual depletion of cash reserves**, with several months showing a **negative profit/loss**, where the **debit** (expenditure) exceeds the **credit** (income), causing a reduction in the closing balance.

7.2 Profit/Loss (Net Cash Flow) Trends:

7.3 Negative Cash Flow: Several months show a **negative cash flow** (e.g., August, July, June, April, February, December, and September), meaning the charity's expenses exceed its income in those months.

7.4 The largest **negative profit/loss** occurs in **November 2023**, where the loss is - **£20,994.69**, followed by **June 2024** at **-£8,556.13**.

7.5 Positive Cash Flow: Some months, such as **May 2024** (+£16,266.76) and **January 2024** (+£4,001.60), show positive cash flow, where income exceeds expenses. This helps partially offset the negative months but doesn't fully reverse the downward trend in the cash balance.

Treasure Chest

Month	Open Balance	Debit	Credit	Profit/Loss	Closing balance	
Aug-24	58612.53	20702.56	16779.38	-3923.18	54689.35	closing balance
Jul-24	59068.72	26232.25	25776.06	-456.19	58612.53	
Jun-24	67624.85	22693.03	14136.9	-8556.13	59068.72	
May-24	51358.09	22575.93	38842.69	16266.76	67624.85	
Apr-24	58274.69	22941.99	16025.39	-6916.6	51358.09	
Mar-24	62644.07	27787.05	23417.67	-4369.38	58274.69	
Feb-24	70468.26	29492.85	21668.66	-7824.19	62644.07	
Jan-24	66466.66	22801.53	26803.13	4001.6	70468.26	
Dec-23	73968.06	23254.55	15753.15	-7501.4	66466.66	
Nov-23	80862.75	22581.19	1586.5	-20994.69	59868.06	
Oct-23	65227.41	25096.06	40731.4	15635.34	80862.75	
Sep-23	80479.71	25629.72	10377.36	-15252.36	65227.35	

Opening balance - Closing balance

80479.71

54689.35

25790.36

We wish to draw attention to the fact that, despite a projected loss of £25,780 for the 2023/24 period, which results in a closing balance of £54,689.35, the opening balance for 2021/22 was £65,981.18. Furthermore, the brought forward balance for 2022/23 was £80,479.77

As highlighted at the outset of this report, the financial performance of Treasure Chest is largely dependent on pupil numbers. Additionally, discussions with management have revealed that the increased room hire costs during the 2023/24 period have further impacted the financial outcome.

8 Cash Flow Volatility:

8.1 The charity experiences significant **volatility** in its cash flow, with some months showing **large negative cash flows**, which leads to a reduction in liquidity. For instance:

8.1.1 **November 2023** stands out with a **massive loss**, which can be attributed to large expenditures not matched by corresponding income. This kind of fluctuation in cash flow could signal that the charity is not consistently generating enough income to cover its expenses.

8.2 The **profit/loss** in **October 2023** and **May 2024** are notable as positive cash flows that contribute to rebuilding the closing balance. However, these surpluses are **insufficient** to counterbalance the months with negative cash flow.

9 Liquidity Analysis:

9.1 **Liquidity Risks:** The **closing balance** consistently decreases, which suggests that the charity might face liquidity challenges if this trend continues but again they are reliant on pupil numbers. If there are **further months with negative cash flow**, the charity may struggle to meet its financial obligations without securing additional funding or adjusting its spending.

9.2 As of August 2024, the **closing balance** is **£54,689.35 (please refer to Appendix A)**, which is still relatively healthy but represents a significant reduction from the **£80,479.71** in September 2023. A continued reduction in reserves could lead to **cash shortages**, which would negatively impact on the charity's operations.

10 Impact on Fluctuating Expenditures and Income:

Expenditure Management: The charity's **expenditure** is highly variable across months. While some months show relatively moderate expenses, other months have **spikes in spending** that may not always be aligned with income patterns. This is evident in months like **November**, where expenditure exceeded income by a large margin.

10.1 **Income Variation:** Similarly, income levels fluctuate, with **larger credits in May, October, and January**, which are not consistently followed by similarly high levels of income in subsequent months. The charity's reliance on certain

income sources, such as **government grants or large one-off payments**, may explain some of this inconsistency.

Recommendations for Improvement:

1. **Improve Expense Management:** The charity has reviewed its petty cash expenditure, which is a positive step. It would also be beneficial to analyse expenditure patterns to identify additional cost-saving opportunities, especially in months with negative cash flow.
2. **Stabilise Income Streams:** The charity should focus on diversifying its income sources to reduce cash flow volatility. This could involve securing long-term sponsorships or other stable funding streams.
3. **Build Cash Reserves:** The charity has some cash reserves, including a £26,000 reserve account. Accessing and utilising these reserves effectively could provide an additional income stream if the interest rate is favourable. If there are difficulties accessing the account, consider seeking advice on transferring the funds to a more suitable account with better controls, such as exploring options with Unity Bank.
4. **Cash Flow Forecasting and Budgeting:** A more robust cash flow forecasting system should be implemented to anticipate potential financial strain and plan accordingly. Budgeting for larger expenditure months and securing income in advance can help mitigate cash flow challenges. A template can be provided to assist with this process.
5. **Review Large Expenditures:** The charity should review any large, irregular expenses (e.g., the November 2023 costs) to determine if they are one-time costs or recurring. Effective management of such expenditures could help improve overall cash flow. For instance, while rent income was high in one month, it's important to ensure future costs are better managed.
6. **Staffing Adjustments:** Due to declining numbers, the manager has had to make difficult decisions regarding staffing levels. Additionally, room hire costs associated with programs like Flying Start and Early Education have impacted finances. While grants have been available to cover staff costs, they do not cover room hire. Further attention should be given to managing these costs.

Conclusion: Implementing these recommendations will help the charity maintain stable and sustainable liquidity.

We would like to thank the staff for their time and efforts and trust that the suggestions in this report will strengthen financial controls and support the charity's long-term sustainability. We also wish Treasure Chest continued success and anticipate that increased pupil numbers, potentially driven by local housing developments, will contribute to future growth.

LITTLE TREASURES INCOME AND EXPENDITURE 2023/24

LITTLE TREASURES SUMMARY OF INCOME 2023/24

BANK BALANCE BROUGHT FORWARD 2023/24 **£80,479.77**

LITTLE TREASURES SUMMARY OF INCOME

DESCRIPTION	AMOUNT
CHILD CARE INCOME	BAC/DPC 14523.86
NATIONAL SAVINGS A	EJON62716 BAC 25586
COMP VOUCHER SERV	11357736 BAC 2750
DWP RESOURCE MANAG	1041794207 BAC 105
EDENRED	BAC 1386
ENJOY BENEFITS LTD	792451MAISIEEDWARD BAC 787
PARENTPAY LTD	TREASURE CHEST BAC 33777.4
WREXHAM COUNTY BC	168437 BAC £75,850.53
WELSH GOVERNMENT	TREASURE CHEST BAC £109,582.50
WIDER PLAN LTD	KEIRA SMITH BAC £1,650.00
	£265,998.29

LITTLE TREASURES SUMMARY OF EXPENDITURE 2023/24

DESCRIPTION	AMOUNT
SUMMARY OF EXPENDITURE	
BANKLINE	BLN £443.09
CHG	CHG £336.00
PEOPLES PARTNERSHIP	DD £8,274.33
AVOW	EBP £1,323.00
RENTOKIL	EBP £935.36
WCBC	EBP £5,569.50
HMRC	EBP £14,103.07
E OWEN	EBP £2,500.00
MORTON MICHEL LIM	EBP £1,997.66
MOTION PICTURE LIC	EBP £183.59
PARENT PAY	EBP £944.46
D FOULKES (2 YRS)	EBP £1,400.00
FIRST AID COMPANY	EBP £1,932.00
LISA MARIE WINTER	EBP £60.00
SHARON WILLIAMS	EBP £566.96
STEVE JONES	EBP £48.55
WORKNEST LIMITED	EBP £4,581.92
TREASURE CHEST	EBP £246,589.22
TOTAL	£291,788.71
BALANCE CARRIED FORWARD	£54,689.35