

**Local Council Qormi**

**Annual Audit Report**

**for the year ended 31 December 2019**

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Local Council Qormi

**Statement of Local Council Members' and Executive Secretary's Responsibilities  
for the year ended 31 December 2019**

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The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's comprehensive income for the period, and of the Council's retained funds at the end of period. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the period and its retained funds as at the period end, and that they comply with the Act, the Local Council (Financial) Regulations, and the Local Council (Financial) Procedures issued in terms of the said Act.

The Executive Secretary is responsible to maintain continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 4 May 2020 and signed on its behalf by:



Renald Falzon  
Mayor



Karen Camilleri  
Executive Secretary

**Government grants**

Government grants relating to operating expenditure are recognised in the Statement of Comprehensive Income in the same period that the related expenditure is incurred.

Government grants relating to the purchase of property, plant and equipment are accounted for using the capital approach, and are thus deducted from the carrying amount of the relative non-current asset.

**Foreign currencies**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Local Council operates. These financial statements are presented in €, which is the Council's functional and presentation currency.

Transactions denominated in foreign currencies are translated into € at the rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into € at the rates of exchange prevailing at the date of the Statement of Financial Position.

**Borrowing costs**

Borrowing costs are recognised as an expense in the period in which they are incurred.

**Profits and losses**

Only profits that were realised at the date of the Statement of Financial Position are recognised in these financial statements. All foreseeable liabilities and potential losses arising up to the said date are accounted for even if they become apparent between the said date and the date on which the financial statements are approved.

**Cash and cash equivalents**

Cash and Cash Equivalents are carried in the Statement of Financial Position at face value. For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash in hand and balances held with banks.

**Critical Accounting Estimates and Judgements**

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Executive Secretary, the accounting estimates and judgements made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS1 (revised) - 'Presentation of Financial Statements'.

**Capital Management**

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objectives are to ensure:

- that the Council's ability to continue as a going concern is still valid and
- that the Council maintains a positive working capital ratio.

To achieve the above, the Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date and has not changed significantly from the previous year. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

**Financial instruments**

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. They are measured subsequently as described below.

**Financial assets**

For the purpose of subsequent measurement, financial assets of the Council are classified into loans and receivables upon initial recognition.

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, as described below.

All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Council's other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

**Financial liabilities**

The Council's financial liabilities include other payables. These are stated at their nominal amount which is a reasonable approximation of fair value.

All interest-related charges are included within 'finance costs'.

Local Council Qormi

Notes to the Financial Statements  
for the year ended 31 December 2019

3. Funds received from central government	2019 €	2018 €
In terms of section 55 of the Local Councils Act	1,193,187	1,131,203
Supplementary Government Income	58,112	68,241
Other Government Income	35,969	69,483
	<u>1,287,268</u>	<u>1,268,927</u>
4. Income raised from Bye-Laws	2019 €	2018 €
Bye-Law - Advertising on Street Furniture	5,900	3,208
Bye-Law - Use of Facilities De La Cruz Garden	2,350	4,000
	<u>8,250</u>	<u>7,208</u>
5. Local Enforcement System	2019 €	2018 €
Contraventions and other fines	23	4,330
Administrative charges to Regional Committees	16,253	17,604
	<u>16,276</u>	<u>21,934</u>
6. General Income	2019 €	2018 €
Community Services	1,367	1,610
Sale of books and other merchandise	55	1,055
Tender Documents/Info. Charges	20	-
Media Advertising	1,470	35
Donations	-	2,000
Refund of expenses	143,014	26,997
Insurance Claims	945	-
Income from Permits	73,858	62,522
	<u>220,729</u>	<u>94,219</u>

**7. Profit / (Loss) for the year**

		2019	2018
		€	€
Profit / (loss) for the year is stated after charging:			
Staff salaries	<i>Note</i>	215,893	199,393
Amortisation of intangible assets		288	82
Depreciation of property, plant and equipment		256,716	892,979
Loss on assets written off		-	513
		<u>215,893</u>	<u>199,393</u>

**Staff salaries**

	2019	2018
	€	€
Mayor's Remuneration	18,006	14,927
Councillors' Allowances	20,217	13,600
Executive Secretary Salary and Allowances	35,172	32,337
Employees' Salaries	127,963	124,309
Social Security Contributions	14,535	14,220
	<u>215,893</u>	<u>199,393</u>

**Average number of people employed**

Employees	9	9
Mayor & Councillors	11	11

**8. Operations and Maintenance**

	2019	2018
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	17,982	11,335
Signs	12,799	10,128
Road Markings	11,829	7,335
Office Furniture and Equipment	1,239	7,875
Plant & Equipment	112	-
Other repairs and Upkeep	7,103	6,494
Council Property	1,015	1,484
	<u>52,079</u>	<u>44,651</u>

<i>Contractual Services:</i>		
Waste Disposal	138,066	144,042
Refuse Collection	225,277	194,621
Bulky Refuse Collection	12,924	12,924
Bring-in Sites	861	1,392
Cleaning Services	3,558	1,900
Road & Street Cleaning	79,876	82,338
Cleaning & Maint. Non-Urban	17,952	7,692
Cleaning - Public Conveniences	14,772	17,807
Cleaning - Council Premises	109	-
Other Contractual Services	13,323	9,123
Clean. & Maint. Parks & Gardens	50,837	77,890
Clean. & Maint. Soft Areas	74,613	-
Street Lighting	27,896	40,127
Studies & Consultations	4,470	13,398
Local Enforcement Expenses	473	1,347
	<u>665,007</u>	<u>604,601</u>
Total Operations and Maintenance Costs	<u>717,086</u>	<u>649,252</u>

9. Administration and other expenditure	2019	2018
	€	€
Utilities	18,169	13,288
Other repairs and upkeep	5,688	12,297
Rent	-	233
National and International Memberships	786	838
Office Services	16,461	16,629
Transport	5,854	5,548
Travel	2,416	1,291
Information Services	6,677	10,846
Insurance Coverage	5,978	4,879
Bank Charges	1,815	2,455
Penalties - Department of Local Councils	10	32
Professional Services	24,090	46,155
Training	5,173	6,667
Conference Expenses	1,077	925
Other Hospitality Costs	1,489	1,213
Social Events	55,053	64,814
Cultural Events	7,754	35,612
Community Services	-	1,997
Sundry Minor Expenses	1,237	1,495
Provision for Doubtful Debtors	(1,804)	(5,436)
Depreciation and amortisation	257,004	893,061
	<u>414,927</u>	<u>1,114,839</u>
10. Finance Income	2019	2018
	€	€
Bank Interest Receivable	62	137
	<u>62</u>	<u>137</u>
11. Finance Costs	2019	2018
	€	€
Interest on Bank Loan	11,931	4,054
	<u>11,931</u>	<u>4,054</u>

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<b>12. Intangible fixed assets</b>	<b>Computer Software €</b>
<b>Cost</b>	
At 1 January 2018	-
Additions	1,153
At 31 December 2018	<u>1,153</u>
<b>Amortisation</b>	
At 1 January 2018	-
Charge for the year	176
At 31 December 2018	<u>176</u>
<b>Net book values</b>	
At 31 December 2018	<u><u>977</u></u>
<b>Cost</b>	
At 1 January 2019	1,153
Additions	-
At 31 December 2019	<u>1,153</u>
<b>Amortisation</b>	
At 1 January 2019	176
Charge for the year	288
At 31 December 2019	<u>464</u>
<b>Net book values</b>	
At 31 December 2019	<u><u>689</u></u>

Local Council Qormi

Notes to the Financial Statements  
for the year ended 31 December 2019

13. Property plant and equipment	Property	Assets under construction	New Steel Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office Furniture & fittings	Motor vehicles	Special Programmes	Total
	€	€	€	€	€	€	€	€	€
<b>Cost</b>									
At 1 January 2018	532,368	215,436	70,658	3,102,035	142,909	110,225	15,500	3,566,731	7,755,862
Additions	236,939	297,484	-	222,687	5,575	10,235	-	68,935	841,855
Assets Capitalised	-	(378,409)	-	24,370	-	-	-	354,039	-
Disposals	-	-	-	-	(14,169)	-	-	-	(14,169)
At 31 December 2018	769,307	134,511	70,658	3,349,092	134,315	120,460	15,500	3,989,705	8,583,548
<b>Depreciation</b>									
At 1 January 2018	35,556	-	70,658	1,700,463	105,770	62,253	4,732	1,672,084	3,651,516
Charge for the year	3,852	-	-	405,750	15,584	17,302	3,282	447,291	893,061
Release on disposal	-	-	-	-	(13,656)	-	-	-	(13,656)
At 31 December 2018	39,408	-	70,658	2,106,213	107,698	79,555	8,014	2,119,375	4,530,921
<b>Grants</b>									
At 1 January 2018	-	-	-	740,943	13,613	-	-	1,208,401	1,962,957
Grants allocated to PPE during the year	-	-	-	121,124	-	-	-	9,800	130,924
At 31 December 2018	-	-	-	862,067	13,613	-	-	1,218,201	2,093,881
<b>Net book values</b>									
At 31 December 2018	729,899	134,511	-	380,812	13,004	40,905	7,486	652,129	1,958,746

**Notes to the Financial Statements  
for the year ended 31 December 2019**

## 13. Property, plant and equipment

	Property	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office Furniture & fittings	Motor vehicles	Special Programmes	Total
	€	€	€	€	€	€	€	€	€
<b>Cost</b>									
At 1 January 2019	769,307	134,511	70,658	3,349,092	134,315	120,460	15,500	3,989,705	8,583,548
Additions	-	337,997	-	128,900	3,328	-	-	-	470,225
Assets capitalised	-	(240)	-	240	-	-	-	-	-
Disposals	-	-	-	-	(483)	-	-	-	(483)
At 31 December 2019	769,307	472,268	70,658	3,478,232	137,160	120,460	15,500	3,989,705	9,053,290
<b>Depreciation</b>									
At 1 January 2019	39,408	-	70,658	2,106,213	107,698	79,555	8,014	2,119,375	4,530,921
Write-offs	-	-	-	-	-	-	-	122,051	256,715
Charge for the year	4,954	-	-	108,433	4,839	13,156	3,282	-	(483)
Release on disposal	-	-	-	-	(483)	-	-	-	-
At 31 December 2019	44,362	-	70,658	2,214,646	112,054	92,711	11,296	241,426	4,787,153
<b>Grants</b>									
At 1 January 2019	-	-	-	862,067	13,613	-	-	218,201	2,093,881
Grants allocated to PPE during the year	-	-	-	18,000	-	-	-	1,351,089	369,089
At 31 December 2019	-	-	-	880,067	13,613	-	-	569,290	2,462,970
<b>Net book values</b>									
At 31 December 2019	724,945	472,268	-	383,519	11,493	27,749	4,204	178,989	1,803,167

14. Inventories	2019 €	2018 €
Souvenirs and similar merchandise	4,555	2,692
	<u>4,555</u>	<u>2,692</u>

15. Receivables	2019 €	2018 €
Receivables	76,863	10,622
Other receivables	1,141	396
Accrued income	628,164	439,271
<b>Financial assets</b>	<u>706,168</u>	<u>450,289</u>
Other receivables	10,386	7,974
Prepayments	8,077	7,288
	<u>724,631</u>	<u>465,551</u>

**Receivables**

General receivables are analysed as follows:

	2019 €	2018 €
Within credit period	28,481	3,171
Exceeded credit period but not impaired	59,538	18,607
Provision for doubtful debts	(11,156)	(11,156)
	<u>76,863</u>	<u>10,622</u>

Included in the receivables are debtors with a carrying amount of €48,382 (2018 : €7,451) which are past due at the reporting date for which the council has not provided as there has not been significant change in credit quality and the amounts are still considered recoverable. The age of financial assets past due but not impaired is as follows:

	2019 €	2018 €
Not more than 3 months	2,007	4,928
More than 3 months but not more than 6 months	9,638	559
More than 6 months	36,737	1,964
	<u>48,382</u>	<u>7,451</u>

The movement in the provision for doubtful debts is as follows:

	2019 €	2018 €
Balance at 1 January	601,373	606,811
Decrease in provision for LES debtors	(1,802)	(5,438)
Balance at 31 December	<u>599,571</u>	<u>601,373</u>

**Local Enforcement System (LES) Debtors**

LES Debtors are stated after a specific provision for doubtful debts amounting to €588,414 (2018 - €590,218).

**16. Cash at bank and in hand**

	2019 €	2018 €
Bank Balances	772,467	665,716
Cash in Hand	232	285
	<u>772,699</u>	<u>666,001</u>

17. Payables	2019 €	2018 €
Payables	143,394	290,809
Other creditors	60,479	-
Accruals	371,673	47,289
<b>Financial liabilities</b>	<b>575,546</b>	<b>338,098</b>
Other taxes and social security costs	4,790	-
Deferred Income Government Grants	<i>Note 19</i> 457,840	547,247
Other Deferred Income	16,031	1,589
	<u>1,054,207</u>	<u>886,934</u>
18. Borrowings	2019 €	2018 €
<b>Non-current</b>		
Bank borrowings	<i>Note</i> 151,753	193,882
<b>Current</b>		
Overdrawn current bank balances	<i>Note</i> 99,734	185,330
Bank borrowings	<i>Note</i> 45,211	45,733
	<u>144,945</u>	<u>231,063</u>
<b>Borrowings</b>		
Repayable between one and two years	18,027	45,529
Repayable between two and five years	47,715	78,757
Repayable in five years or more	86,011	69,596
	<u>151,753</u>	<u>193,882</u>

**Overdrawn current bank balances**

The overdrawn balance is the result of accounting transactions for issued cheques not yet presented at year end and have been cashed on presentation after year end.

**Bank loan**

The first bank loan is secured by a First General and Special Privilege Hypothec over townhouse numbered 390, 392, 394 and 396, Victory Street Qormi and other pledges on insurance policies. The loan bears interest at 4.0% per annum and is repayable by November 2020 by monthly instalments of €2,064.

The second bank loan is secured by a First General and Special Privilege Hypothec over garage 140, St. Edward Street, Qormi and other pledges on insurance policies. The loan bears interest at 4.75% per annum and is repayable by November 2026 by monthly instalments of €2,592.

19. Deferred income Government Grants	2019	2018
	€	€
<b>Government grants</b>		
At 1 January	547,247	160,153
Movement for the year	(29,248)	547,247
	<u>517,999</u>	<u>707,400</u>
Capitalised / Released in year	-	(130,923)
Grant relating to revenue expenditure used during year	-	(29,230)
Reallocated to other creditors	(60,159)	-
At 31 December	<u><u>457,840</u></u>	<u><u>547,247</u></u>
<b>Current Deferred Income</b>	<u><u>457,840</u></u>	<u><u>547,247</u></u>
<b>Non-Current Deferred Income</b>	<u><u>-</u></u>	<u><u>-</u></u>

**20. Capital commitments**

	2019 €	2018 €
Details of capital commitments at the accounting date are as follows:		
(i) Approved but not yet contracted for:		
Acquisition of property	-	236,939
Road Resurfacing & Special programmes	-	374,201
Office Furniture and Fittings	5,000	-
Urban Improvements	135,124	137,449
Construction	220,868	58,700
Office Equipment	5,000	-
	365,992	807,289
(ii) Contracted for but not provided in the Financial Statements:		
Urban Improvements	31,546	142,438
	31,546	142,438
Government grants allocated to capital commitments:		
Road resurfacing and special programmes	574,986	547,247
Urban improvements	40,824	-
Construction	52,440	-
	668,250	547,247

**21. Contingent liabilities**

As at 31 December 2019 the council had contingent liabilities in respect of four claims against it. The council is in a position to quantify the contingent liability of two claims.

One of the claims amounts to €453,123 (2018: €453,123), while the other is quantified as €180,975 (2018: €180,975). As regards the second claim, council has dismissed from legal proceedings but an appeal has been lodged by the aggrieved person. Both claims are being covered by insurance policies.

As at approval date of these financial statements, the council cannot quantify the contingent liability of the other two claims, however it is restricting such claims and no provision has been made in these financial statements in respect of these actions.

## 22. Related party transactions

During the year under review, the Council carried out transactions with the following related parties:

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Councils	Significant control
Central Joint Committee (Local Enforcement)	Joint Control
Northern Harbour District Joint Committee	Joint Control
South Regional Committee	Joint Control
Gozo Regional Committee	No control
North Regional Committee	No control
South Eastern Regional Committee	No control
Central Regional Committee	No control
Police General Head Quarters	No control
Local Councils' Association	No control
Local Enforcement System Agency	No control
Central Bank of Malta	No control
Malta Environment and Planning Authority	No control
Malta Communications Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Department of Inland Revenue	No control
Department of Information	No control
Department for Elderly and Community Care	No control
Commissioner for Data Protection	No control
Wasteserv Malta Limited	No control
Malta Information Technology Agency	No control
ARMS Ltd	No control
Ministry of Finance	No control
GAL - Foundation Local Action Group	No control
Maltapost plc	No control
Transport Malta	No control
Ministry of Transport and Infrastructure	No control
Malta Tourism Authority	No control
Malta Gaming Authority	No control
Malta Council for Science and Technology	No control
Local Council Zurrieq	No control
Local Council San Pawl il-Bahar	No control

The following were the significant transactions carried out by the Council with related parties having significant control:

	2019	2018
	€	€
Annual Financial Allocation	1,193,187	1,131,203

**Key management compensation**

Transactions with key management personnel are disclosed in note 7.

**23. Financial Risk Management**

The Council's activities expose it to a variety of financial risks such as market risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

**Credit risk**

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

The Council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period and is summarised as follows:

	2019	2018
	€	€
Classes of financial assets - carrying amounts		
Trade and other receivables	706,168	450,289
Cash and cash equivalents	772,699	666,001
	<u>1,478,867</u>	<u>1,116,290</u>

**Liquidity risk**

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact, at year end, the Council has as cash in bank and in hand the amount of € 772,699. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position of € 1,954,836 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2019 the council's financial liabilities have contractual maturities which are summarised below:

**31 December 2019**

	<b>Current within 1 year €</b>	<b>Non-current 1 to 5 years €</b>	<b>later than 5 years €</b>
Payables	143,394	-	-
Other creditors	60,479	-	-
Accruals	371,673	-	-
Bank loan	45,211	65,742	86,011

This compares to the maturity of the council's financial liabilities in the previous reporting period as follows:

**31 December 2018**

	<b>Current within 1 year €</b>	<b>Non-current 1 to 5 years €</b>	<b>later than 5 years €</b>
Payables	290,809	-	-
Accruals	47,289	-	-
Bank loan	45,733	124,285	69,597

**Foreign currency risk**

Foreign currency transactions arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Council does not trade in any foreign currencies.

**Interest rate risk**

Interest rate risk mainly arises through interest bearing liabilities and assets. The objective of interest rate risk management is to optimise the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense.

**24. Summary of financial assets and liabilities**

The carrying amounts of the Council's financial assets and liabilities as recognised at the reporting dates under review are categorised as follows.

	2019	2018
	€	€
<b>Current assets</b>		
Loans and receivables:		
Trade and other receivables	706,168	450,289
Cash and cash equivalents	772,699	666,001
	<u>1,478,867</u>	<u>1,116,290</u>
<b>Non-current liabilities</b>		
Financial liabilities measured at amortised cost:		
Bank loan	<u>151,753</u>	<u>193,882</u>
<b>Current liabilities</b>		
Financial liabilities measured at amortised cost:		
Bank loan	45,211	45,733
Payables	143,394	290,809
Other creditors	60,479	-
Accruals	371,673	47,289
	<u>620,757</u>	<u>383,831</u>

**25. Fair values estimation**

The nominal values less estimated credit adjustments of receivables and payables are assumed to approximate their fair values. otherwise, these have been adjusted to approximate their fair values.

**26. Events after the reporting period**

Subsequent to year end, the World Health Organisation declared the spread of Coronavirus Disease (COVID-19), a worldwide pandemic. COVID-19 is having significant effects on global markets, supply chains, businesses, and communities. The Local Council Members and Executive Secretary are monitoring the situation and taking action to safeguard the interests of the Local Council. To date the Local Council is operating as normal. The full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

**27. Going Concern**

The Statement of Financial Position on page 5 and the notes thereto, with special reference to capital commitments, suggest that the going concern assumption used in the preparation of these financial statements is dependent on further sources of funds other than the annual financial allocation by Central Government, on the collection of debts due to the Council and on the continued support of the Council's creditors. Any adverse change in either of these assumptions above, would not let the Council able to meet its financial obligations as they fall due without curtailing its future commitments.