

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the financial statements, comprising the Statements of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets/Equity and Statement of Cash Flows and Notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Public Sector Accounting Standards (IPSAS).

In preparing the financial statements, the Directors accept responsibility for the following:

- Maintenance of proper accounting records
- Selection of suitable accounting policies and applying them consistently
- Making judgments and estimates that are reasonable and prudent
- Compliance with applicable accounting standards and preparing financial statements, subject to any material departures being disclosed and explained in the financial statements; and
- Also responsible for such internal controls as the directors deem necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and maintain an effective system of risk management.

The directors have made an assessment of the ability of the Council to continue as a going concern and no reason to believe that the business of the Council will not be a going concern in the year ahead.

BLANTYRE CITY COUNCIL

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30TH JUNE 2014

ASSETS	NOTES	30-Jun-14 K'000	30-Jun-13 K'000
Non Current Assets			
Property Plant and Equipment	1	4,820,201	5,127,226
Current Assets			
Inventories	2	1,558	1,558
Trade Receivables	3	2,581,233	1,947,242
Other Receivables	4	52,246	34,344
Cash and Cash Equivalents	5	118,196	16,835
Total Current Assets		<u>2,753,233</u>	<u>1,999,979</u>
TOTAL ASSETS		<u>7,573,434</u>	<u>7,127,205</u>
EQUITY AND LIABILITIES			
EQUITY			
Capital Funds Unapplied			
Capital Fund		5,567,437	5,616,273
Rate Fund Revenue account		1,252,036	826,379
		<u>6,819,473</u>	<u>6,442,652</u>
Non Current Liabilities			
Longterm Loans	6	206,576	233,668
Current Liabilities			
Trade Payables and Accruals	7	47,890	78,821
Other Payables	8	346,310	239,792
Bank Overdraft	5	153,185	132,272
Total Current Liabilities		<u>547,385</u>	<u>450,885</u>
TOTAL EQUITY AND LIABILITIES		<u>7,573,434</u>	<u>7,127,205</u>

BLANTYRE CITY COUNCIL

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Estimates 2013/2014 MWK	Actuals to date 2013/14	Actuals to date 2012-13
REVENUE				
1.0 Government Transfers				
1.1 Assembly voted transfers				
60		47,415,006	28,248,914	37,337,292
61		204,848,014	178,650,923	142,051,995
64		56,000,000	56,000,000	56,000,000
65		127,650,000	95,737,500	98,181,818
Sub total		435,913,020	358,637,337	333,571,105
2.0 Locally Generated Revenue				
67		40,000,000	203,537,936	157,166,238
68		1,561,000,000	1,639,377,994	1,234,708,369
69		170,069,760	123,106,397	113,179,136
71		679,733,159	347,101,198	154,641,669
72		183,930,790	178,481,468	130,510,906
Total Locally Generated Revenues		2,634,733,709	2,491,604,993	1,790,206,318
TOTAL REVENUE		3,070,646,729	2,850,242,330	2,123,777,423
EXPENDITURE				
1.0 Personal Emoluments				
10		16,803,500	35,127,400	20,163,848
46		1,070,918,958	742,653,996	533,731,190
Sub total		1,087,722,458	777,781,396	553,895,038
2.0 Other Recurrent Transactions				
21		56,573,660	62,420,592	56,443,270
22		12,600,000	28,076,415	13,391,088
23		134,151,654	186,291,124	96,150,762
24		253,848,135	151,357,971	158,843,615
25		81,391,639	6,608,306	10,917,172
26		8,400,000	8,604,407	8,997,201
27		33,396,619	22,150,849	39,642,439
28		15,856,997	11,337,179	1,204,058
29		216,040,500	51,497,947	16,778,864
30		23,712,568	18,708,812	19,249,442
31		10,111,800	450,675	706,285
32		12,358,000	5,380,406	4,157,270

33	Other goods and services	13	70,366,180	46,813,647	527,419,403
34	Motor Vehicle Running Expenses		288,644,548	214,314,789	173,501,385
35	Maintenance of Assets		192,792,781	153,375,858	120,038,344
39	Subscription		-	-	218,592
40	Grants & Subvention		81,553,625	59,631,461	36,977,703
41	Formation and maintenance of capital assets	14	146,091,698	415,425,268	409,246,675
47	Chiefs emoluments				
48	Chiefs expenses				
49	Council & functions		7,507,400	1,825,796	3,020,249
50	HIV/AIDS Intervention		2,548,300	8,262,983	12,492,945
51	Debt Servicing	15	36,000,000	57,052,931	40,984,194
Sub total			1,683,946,104	1,509,587,416	1,750,380,956
3.0 Capital Outlay					
54	Own capital contribution		145,328,167	39,991,368	107,419,002
55	Constituency Development Fund		56,000,000	49,201,161	39,484,087
56	Infrastructure Development Fund		127,650,000	89,745,755	52,610,781
Subtotal			328,978,167	178,938,284	199,513,870
TOTAL EXPENDITURE			3,100,646,729	2,466,307,095	2,503,789,864
Surplus/Deficit			(30,000,000)	383,935,235	(380,012,441)
4.0 Commercial Undertakings					
70	Income from Commercial Undertakings		30,000,000	20,406,000	12,539,970
45	Direct Staff (Commercial Undertakings)				
52	Operations Commercial Undertakings				
Commercial undertakings Total			30,000,000	20,406,000	12,539,970
33	Decrease in provision for doubtful debts			27,978,596	
5.0 Donor Funds					
73	Donor Receipts			10,238,000	12,376,240
57	Less: Donor Expenditure			(5,225,632)	(9,160,201)
Donor Surplus/Deficit				5,012,368	3,216,039
Loss on sale of fixed assets				(11,674,999)	
Surplus/Deficit For the year			-	425,657,200	(364,256,432)

BLANTYRE CITY COUNCIL

STATEMENT OF CHANGES IN CAPITAL FUND FOR 2014

	Capital Fund Unapplied	Capital Fund Unapplied K'000	Capital Fund K'000	General Rate Fund K'000	Total K'000
Balance as at 1 July 2012	828,847	828,847	5,192,890	1,190,635	7,212,372
Surplus for the period	-	-	-	(364,256)	(364,256)
Capital Adjustment	-	-	(405,464)	-	(405,464)
Capital fund unapplied	(828,847)	(828,847)	828,847	-	-
Balance as at 30 June 2013	-	-	5,616,273	826,379	6,442,652
Balance as at 1 July 2013	-	-	5,616,273	826,379	6,442,652
Surplus for the period	-	-	-	425,657	425,657
Capital Adjustment	-	-	(48,836)	-	-
Balance as at 30 June 2014	-	-	5,567,437	1,252,036	6,868,309

BLANTYRE CITY COUNCIL

STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	K'000	K'000
Cashflow from operating activities		
Surplus/ Deficit for the year	425,657	(364,256)
Interest received	-	-
Interest paid	57,053	30,435
Depreciation	352,017	334,797
Provision for doubtful debts	(27,979)	475,766
Loss on disposal of fixed assets	11,675	
	<hr/>	<hr/>
	818,423	476,742
 Movement in Working Capital		
(Increase)/decrease in Inventories	-	-
(Increase)/decrease in receivables	651,893	145,819
Increase/(Decrease) in payables	75,587	(382,821)
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Cashflow from operating activities	1,545,903	239,740
Interest paid	(57,053)	(30,435)
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Net Cashflow from operating activities	1,488,850	209,305
 Cashflow from Investing activities		
Disposal of assets	307,025	785,813
Interest received	-	-
	<hr/>	<hr/>
Net Cashflow from Investing activities	307,025	785,813
 Cashflows from financing activities		
Capital Fund	48,836	405,464
Capital Adjustment	(204,749)	279,796
Loan repayments	(27,092)	120,750
	<hr/>	<hr/>
Net Cashflow from financing activities	21,744	526,214
 Increase in cash and cash equivalents	80,448	(144,174)
Opening Cash and Cash equivalents	(115,437)	28,737
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Closing cash and cash equivalents	(34,989)	(115,437)

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS)

2. SIGNIFICANT ACCOUNTING POLICIES (IPSAS 3)

The following are the accounting policies adopted by the Council which are in agreement with Municipal accounting practice and used consistently in the preparation of the financial statements.

i. Functional and presentation currency

Items included in the financial statements are measured and presented in Malawi Kwacha, the functional currency of the primary economic environment in which the council operates. Transactions in foreign currencies are translated at spot rate and closing balances at year end are translated at closing rate.

ii. Critical Accounting Judgments and Key Sources of Estimation (IPSAS 23)

In the application of the accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis.

Changes in accounting policies are recognized retrospectively and revisions to accounting errors and estimates are recognized prospectively in the financial statements.

iii. Critical judgments in applying accounting policies IPSAS 19

There were no critical judgments, apart from those involving estimation on the provision for doubtful debts that management has made in accordance with IPSAS 19 as highlighted below.

iv. Revenue (IPSAS 23)

Revenue is gross inflow of economic benefits during the period arising in the course of the ordinary activities of the council.

Revenue city rates, which is the main revenue source is recognised on accrual basis

v. Accounting For Government Grants (IPSAS 20)

The Council receives assistance from Government in form of transfer of resources relating to the operating activities of the Council. The Council recognizes government grants as income over the relevant periods to match them with related costs which they have been received to compensate in accordance with IPSAS 20.

vi. Borrowing costs IPSAS 5

Borrowing costs are interest and other expenses incurred by the council in connection with borrowing of funds and are expensed in the Statement of Financial Performance as they are incurred. Borrowing Costs include Interest on bank overdrafts and short term borrowings and long term borrowings

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalized as part of the cost of that asset.

vii. Property plant and equipment (IPSAS 17)

Property plant and equipment are shown at fair value less accumulated depreciation as permitted by (IPSAS 17) Property Plant and Equipment.

Property, plant and equipment are depreciated on the straight line basis as follows;

Motor Vehicle	5 years
Motor cycles	5 years
Plant	7 years
Land and Buildings	20 years
Computers	4 years
Office Equipment	4 years
Fixtures	4 years
Furniture	4 years

Residual value is determined at 10% of cost or revalued amount as per council's policy.

An item of plant and equipment is derecognized upon disposal or when no future economic benefits are expected to flow to the entity.

Subsequent expenditure is capitalized only if it is probable that future economic benefit associated with the expenditure will flow to entity

viii. Inventory (IPSAS 12)

Inventory is measured at the lower of cost and net realizable value. Cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated Cost of completion and selling expenses.

ix. Financial Instruments IPSAS 30

Financial instruments are recognized in the statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The council presents its financial assets and financial liabilities in the statement of financial position in accordance with IPSAS 28. These financial instruments include cash, trade receivables and trade payables

The Council is exposed to credit risk when one party to the contract causes a financial loss to another party by failing to discharge an obligation under the contract.

To mitigate against credit risk, the council ensures that it identifies, measures, control and monitor this credit risk by putting in place internal controls.

x. Cash and cash equivalents (IPSAS 2)

Cash is actual money and on demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdraft is normally regarded as a cash equivalent and for the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

xi. Employee Benefits IPSAS 39

The Council provides for a Defined Contribution Plans to its employees where it pays a fixed amount (The employer contributes 19.5% and the employee contributes 5% of basic salaries) into funds administered by National Insurance Company (NICO), the Council has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

xii. Leases IPSAS 13

Finance lease is a lease where the entire risks and rewards incidental to ownership of an asset are substantially transferred to the Council. IPSAS 17 requires that a finance lease should be recorded in the statement of financial position of lessee as an asset and as an obligation to pay future lease payments.

1. Property Plant and Equipment

ITEM	OPENING BALANCE	ADDITIONS	DISPOSALS	CLOSING BALANCE	DEPRECIATION	ACCUMULATIVE DEPRECIATION	NET BOOK VALUE
LAND & BUILDINGS	4,685,561,697	-	-	4,685,561,697	246,608,510	493,217,021	4,438,953,186
PLANT & EQUIPMENT	69,451,714	-	128,000	69,323,714	11,575,286	23,150,572	57,748,428
MOTOR VEHICLES	250,198,400	50,000,000	4,880,000	295,318,400	61,515,000	116,436,600	233,803,400
OFFICE EQUIPMENT	122,014,294	-	-	122,014,294	32,318,410	54,009,926	89,695,884
TOTAL	5,127,226,105	50,000,000	5,008,000	5,172,218,105	352,017,206	686,814,119	4,820,200,899

Land and Buildings

The council carried out a revaluation of its fixed assets in 2012.

The valuation did not separate elements of land and building hence depreciation was charged on the total figure.

The impact of not charging depreciation is much higher than the impact of charging depreciation on the total figure as the value of buildings is much greater than the value of land.

Upon separation of land and buildings the error will be corrected.

2. Inventory

This represents fuel that is kept to preserve the fuel tank from corrosion.

3. Trade Receivables

During the year the council made 5% provision for doubtful debts on Sundry and Commercial debtors and 15% on rates debtors.

	2013/14			2012/13		
	Total	Provision	Net	Total	Provision	Net
Sundry	26,666,925	1,333,346	25,333,579	21,858,329	1,092,916	20,765,413
Commercial	38,990,652	1,949,533	37,041,119	37,046,374	1,852,319	35,194,055
Rates	2,963,363,214	444,504,482	2,518,858,732	2,364,103,611	472,820,722	1,891,282,889
	3,029,020,791	447,787,361	2,581,233,430	2,423,008,314	475,765,957	1,947,242,357

4. Other receivables

These are salary related receivables as shown below.

	2013/14	2012/13
Car Loan	7,548,201.53	53,541.63
House scheme	13,337,861.93	29,165,342.64
Education Loan	201,388.92	34,999.99
Business Finance Solution	-	387,154.17
Senior Staff Cash Loan	13,204,277.00	2,982,757.57
Junior Staff Cash Loan	2,127,246.82	1,720,699.99
TOTAL	36,418,976.20	34,344,495.99

5. Bank

Bank balance as at 30 June 2014 comprise of the following balances;

No	CODE	BANK NAME	2013/2014			2012/13		
			Balances	Negative Balances	Positive Balances		Negative Balances	Positive Balances
1	8702	National Bank - Chilobwe Vocation	247,691		247,691	509,073		509,073
2	8708	National Bank - HIV/AIDS	2,107,253		2,107,253	437,168		437,168
3	8709	National Bank - Home Ownership	337,887		337,887	(44,549)	(44,549)	
4	8710	Standard Bank - Markets	(882,520)	(882,520)		6,969,148		6,969,148
5	8711	Nation Bank - Operations	103,458,477		103,548,477	(3,546,476)	(3,546,476)	
6	8712	NED Bank - Pensions	(3,183,348)	(3,183,348)		(3,997,708)	(3,997,708)	
7	8713	National Bank - Projects	4,770,097		4,770,097	860,862		860,862
8	8714	Standard Bank - Operations	5,248,348		5,248,348	5,845,198		5,845,198
9	8715	National Bank - Staff Loans	(2,073,107)	(2,073,107)		(363,805)	(363,805)	
10	8718	FDH Bank - Zingwangwa Health Market	1,748,634		1,748,634	956,769		956,769
11	8719	Standard Bank - LDF						
12	8720	NBS Bank - Rates Holding Account	277,163		277,163	1,236,956		1,236,956
13	8723	Standard Bank - Aware and Fair				19,927		19,927
13	8726	FMB - Operations	(121,354,571)	(121,354,571)		(94,925,910)	(94,925,910)	
14	8727	Standard Bank - ORT	(25,691,641)	(25,691,641)		(29,393,878)	(29,393,878)	
		TOTALS	(34,989,637)	(153,185,187)	118,285,550	(115,437,224)	(132,272,325)	16,835,101

6. Long term liability

Longterm liabilities comprise of DFLA as shown below.

	2013/14	2012/13
DFLA	206,576,000.00	191,392,742.00

7. Trade Payables

The schedule for trade payables is available

8. Other Payables

Other payables comprise of the following;

	2013/14	2012/13
NICO Pension	193,133,128.81	149,292,124.38
Nico Premiums	34,046.18	488,181.72
Old Mutual Premiums	5,995.75	8,203.59
Vanguard Premiums	39,285.00	118,697.62
PAYE Senior	109,512,059.18	76,874,400.07
PAYE Junior	34,211,037.13	13,010,515.24
MASM	8,926,300.00	-
TOTAL	345,861,852.05	239,792,122.62

9. Rates

All properties are charged in full except for government properties that are charged at 50% remission, and worshipping premises, government hospitals and school are exempted.

10. Fees and services charges

The main sources of fees and service charges include car park fees, refuse collection, development fees, planning fees, fire fighting training fees and business licences. This excludes figures for Blantyre and Limbe car park fees that are reported separately under Commercial undertakings.

11. Government paid staff

This present leave grant paid to District Education Manager (DEM) staff

12. Direct staff (other departments)

The amount is emoluments paid to the Council employees during the year.

13. Other goods and services

The figure includes 5% provision for doubtful debts on sundry, commercial rental debtors and 20% on trade receivables amounting to K447, 787,361.

14. Formation and maintenance of capital assets

The figure includes provision for depreciation amounting to K426, 219,098 as provided on Property plant and equipment note.

15. Debt service

This is a repayment of loan which the Council obtained from Development Fund for Local Authorities (DFLA) which was used to construct Limbe bus depot and Chiromoni market.