

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 2015

ASSETS	NOTES	30-Jun-15 K'000	30-Jun-14 K'000
Non Current Assets			
Property Plant and Equipment	1	4,502,621	4,820,201
Current Assets			
Inventories	2	1,558	1,558
Trade Receivables	3	3,753,157	2,581,233
Other Receivables	4	41,149	52,246
Bank	5	425,889	118,196
Total Current Assets		4,221,753	2,753,233
TOTAL ASSETS		8,724,374	7,573,434
TOTAL EQUITY AND LIABILITIES			
EQUITY			
Capital Fund		6,150,621	5,567,437
Retained Rate Fund Revenue account		1,757,397	1,252,036
		7,908,018	6,819,473
Non Current Liabilities			
Longterm Loans	6	208,399	206,576
Current Liabilities			
Trade Payables and Accruals	7	86,220	47,890
Other Payables	8	456,121	346,310
Bank Overdraft	5	65,616	153,185
Total Current Liabilities		607,957	547,385
TOTAL EQUITY AND LIABILITIES		8,724,374	7,573,434

BLANTYRE CITY COUNCIL

STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30 JUNE 2015

Code	Revenue /Expenditure Detail	Notes	Estimates 2014/2015 MWK	Actuals to date 2014/15	Actuals to date 2013/14
REVENUE					
1.0	Government Transfers				
1.1	Assembly voted transfers				
60	General resource fund		81,477,178	72,009,470	28,248,914
61	Sector funds		189,203,328	247,736,707	178,650,923
64	Constituency Development Fund		72,000,000	72,857,400	56,000,000
65	Infrastructure Development Fund		150,000,000	139,801,875	95,737,500
	Sub total		492,680,506	532,405,452	358,637,337
2.0	Locally Generated Revenue				
67	Central Government Property Rates	9	40,000,000	291,132,836	203,537,936
68	Other Property Rates	9	1,768,767,230	1,948,626,441	1,639,377,994
69	Income from Market Establishments		212,049,600	152,826,302	123,106,397
71	Fees and Service Charges	10	804,872,897	317,392,307	347,101,198
72	Licences and Permits		372,009,119	248,745,429	178,481,468
	Total Locally Generated Revenues		3,197,698,846	2,958,723,315	2,491,604,993
	TOTAL REVENUE		3,690,379,352	3,491,128,767	2,850,242,330
EXPENDITURE					
1.0	Personal Emoluments				
10	Government Paid Staff		-		35,127,400
11	Leave grants	12	16,766,500	47,883,500	
46	Direct Staff (other departments)		1,237,512,856	931,802,455	742,653,996
	Sub total		1,254,279,356	979,685,955	777,781,396
2.0	Other Recurrent Transactions				
21	Internal travel		88,579,147	168,219,672	62,420,592
22	External travel		15,000,000	19,556,074	28,076,415
23	Public utilities		173,873,648	177,138,893	186,291,124
24	Office supplies & Services		254,364,530	186,120,045	151,357,971
25	Medical supplies		35,537,245	19,604,398	6,608,306
26	Rent expenses		15,600,000	8,576,674	8,604,407
27	Education supplies		300,000	3,959,581	22,150,849
28	Training expenses		25,894,050	23,504,647	11,337,179
29	Acquisition of Technical Services		299,893,145	32,049,423	51,497,947
30	Insurance expenses		28,712,568	13,881,546	18,708,812
31	Agriculture inputs		10,092,800	761,950	450,675
32	Food and rations		12,271,986	6,196,758	5,380,406
33	Other goods and services	13	88,064,157	130,367,671	46,813,647
34	Motor Vehicle Running Expenses		227,301,231	153,617,170	214,314,789
35	Maintenance of Assets		175,738,712	87,247,274	153,375,858

39	Subscription		850,109	6,152,875	-
40	Grants & Subvention		90,149,864	95,723,754	59,631,461
41	Formation and maintenance of capital assets	14	221,234,245	456,702,366	415,425,268
47	Chiefs emoluments				
48	Chiefs expenses				
49	Council & functions		72,212,560	69,880,385	1,825,796
50	HIV/AIDS Intervention		1,760,000	2,294,010	8,262,983
51	Debt Servicing	15	60,000,000	48,052,708	57,052,931
Sub total			1,897,429,997	1,709,607,874	1,509,587,416
3.0 Capital Outlay					
54	Own capital contribution		374,850,000	116,941,062.61	39,991,368
55	Constituency Development Fund		72,000,000	97,521,412	49,201,161
56	Infrastructure Development Fund		150,000,000	19,625,915	89,745,755
Subtotal			596,850,000	234,088,390	178,938,284
TOTAL EXPENDITURE			3,748,559,353	2,923,382,218	2,466,307,095
Surplus/Deficit			(58,180,001)	567,746,549	383,935,235
4.0 Commercial Undertakings					
70	Income from Commercial Undertakings		58,180,000	18,081,750	20,406,000
Commercial undertakings Total			58,180,000	18,081,750	20,406,000
33	Decrease in provision for doubtful debts				27,978,596
Operating Surplus			-	585,828,299	432,319,831
5.0 Donor Funds					
73	Donor Receipts			247,588,672	10,238,000
57	Less: Donor Expenditure			(328,056,049)	(5,225,632)
Donor Surplus/Deficit				(80,467,377)	5,012,368
Loss on sale of fixed assets				-	(11,674,999)
Surplus/Deficit for the year			-	505,360,922	425,657,200

BLANTYRE CITY COUNCIL

STATEMENT OF CHANGES IN CAPITAL FUND FOR 2015

	Capital Fund K'000	General Rate Fund K'000	Total K'000
Balance as at 1 July 2013	5,616,273	826,379	6,442,652
			-
Loss for the period		425,657	425,657
			-
Capital Adjustment	6,569		6,569
			-
Balance as at 30 June 2014	5,622,842	1,252,036	6,874,878
Balance as at 1 July 2014	5,622,842	1,252,036	6,874,878
Surplus for the period		505,361	505,361
Capital Adjustment	527,779		527,779
Balance as at 30 June 2015	6,150,621	1,757,397	7,908,018

BLANTYRE CITY COUNCIL

STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2015

	2015 K'000	2014 K'000
Cashflow from operating activities		
Surplus for the year	505,361	425,657
Interest received	-	-
Interest paid	48,823	57,053
Depreciation	363,491	352,017
Provision for doubtful debts	70,400	(27,979)
Loss on sale of fixed assets	-	11,675
	988,075	818,423
Movement in Working Capital		
(Increase)/decrease in Inventories	-	-
(Increase)/decrease in receivables	(1,160,827)	651,893
Increase/(Decrease) in payables	148,141	75,587
Cashflow from operating activities	(24,611)	1,545,903
Interest paid	(47,824)	(57,053)
	(72,435)	1,488,850
Cashflow from Investing activities		
Payment to acquire assets	317,580	307,025
Interest received	-	-
Net Cashflow from Investing activities	317,580	307,025
Cashflows from financing activities		
Capital Fund	583,184	48,836
Loan receipt	1,823	(27,092)
Net Cashflow from financing activities	585,007	21,744
Increase in cash and cash equivalents	324,193	80,448
Opening Cash and Cash equivalents	(34,989)	(115,437)
Closing cash and cash equivalents	289,204	(34,989)

NOTES TO THE FINANCIAL STATEMENTS

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 Councils main 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	CHARGE FOR THE YEAR	ACCUMULATIVE DEPRECIATION	NET BOOK VALUE
LAND & BUILDINGS	4,438,953,186			4,438,953,186	246,608,510	739,825,531	4,192,344,676
				-			
PLANT & EQUIPMENT	57,748,428			57,748,428	10,353,857	31,061,571	47,394,571
				-			
MOTOR VEHICLES	233,803,400	45,916,868		279,720,268	70,500,036	185,970,036	209,220,232
				-			
OFFICE EQUIPMENT	89,695,884			89,695,884	36,028,548	100,493,670	53,667,336
				-			
TOTAL	4,820,200,899	45,916,868		4,866,117,767	363,490,951	1,057,350,809	4,502,626,815

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 12% on rates debtors.

	2014/15			2013/14		
	AMOUNT	PROVISION	NET VALUE	AMOUNT	PROVISION	NET VALUE
SUNDRY	38,454,828	1,922,741	36,532,087	26,666,925	1,333,346	25,333,579
COMMERCIAL	33,202,966	1,660,148	31,542,818	38,990,652	1,949,533	37,041,119
RATES	4,188,673,297	502,640,796	3,686,032,501	2,963,363,214	444,504,482	2,518,858,732
TOTAL	4,260,331,091	506,223,685	3,754,107,406	3,029,020,791	447,787,361	2,581,233,430

4. Other receivables

These are salary related receivables.

	2014/15	2013/14
Car Loan	7,530,183.96	7,548,201.53
House scheme	8,479,661.36	13,337,861.93
Education Loan	1,897,053.86	201,388.92
Business Finance Solution	-	-
Senior Staff Cash Loan	16,297,301.73	13,204,277.00
Junior Staff Cah Loan	6,944,843.46	2,127,246.82
TOTAL	41,149,044.37	36,418,976.20

5. Bank

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

No	CODE	BANK NAME	2014/2015		2013-14			
				Negative Balances	Positive Balances	Balances	Negative Balances	Positive Balances
1	8702	National Bank - Chilobwe Vocation	65,940.55		65,940.55	247,691		247,691
2	8708	National Bank- HIV/AIDS	81,892.76		81,892.76	2,107,253		2,107,253
3	8709	National Bank-Home Ownership	663,665.23		663,665.23	337,887		337,887
4	8710	Standard Bank - Markets	(882,519.61)	(882,519.61)		(882,520)	(882,520)	
5	8711	Nation Bank - Operations	93,216,241.84			103,458,477		103,548,477
6	8712	NED Bank- Pensions	(5,173,353.30)	(5,173,353.30)		(3,183,348)	(3,183,348)	
7	8713	National Bank - Projects	(38,414,748.67)	(38,414,748.67)		4,770,097		4,770,097
8	8714	Standard Bank - Operations	(11,844,400.85)	(11,844,400.85)		5,248,348		5,248,348
9	8715	National Bank - Staff Loans	(9,300,541.31)	(9,300,541.31)		(2,073,107)	(2,073,107)	
10	8718	FDH Bank - Zingwangwa Health Market	1,935,800.23		1,935,800.23	1,748,634		1,748,634
11	8719	Standard Bank - LDF	(3,306,438.77)					
						277,163		277,163
12	8720	NBS Bank- Rates Holding Account	37,396.83		37,396.83			
13	8726	FMB - Operations	(160,979,375.79)			(121,354,571)	(121,354,571)	
14	8727	Standard Bank - ORT	423,104,181.81		423,104,181.81	(25,691,641)	(25,691,641)	
		TOTALS	289,203,740.95	(65,615,563.74)	425,888,877.41	(34,989,637)	(153,185,187)	118,285,550

6. Trade Creditors

The schedule for trade payables is available

7. Other Payables

The liability arose due to accumulated outstanding balance not remitted in prior years.

	2014/15	2013/14
NICO Pension	292,771,802.65	193,133,128.81
NICO Premiums	161,328.68	34,046.18
Old Mutual Premiums	8,295.44	5,995.75
Vanguard Premiums	6,790.00	39,285.00
PAYE Senior	90,439,031.69	109,512,059.18
PAYE Junior	72,272,686.95	34,211,037.13
MASM	-	8,926,300.00
Union Fees	461,450.00	-
TOTAL	456,121,385.41	345,861,852.05

8. Long term liability

Longterm liabilities comprise of DFLA as shown below.

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

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 12% on trade receivables amounting to K506, 173,685.

14. Formation and maintenance of capital assets

The figure includes provision for depreciation amounting to K 317,525,278 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 Chilomoni market.