

### **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 2016

ASSETS	NOTES	30 June 2016 K'000	30 June 2015 K'000
<b>Non Current Assets</b>			
Property Plant and Equipment	1	4,230,972	4,502,621
<b>Current Assets</b>			
Inventories	2	1,558	1,558
Trade Receivables	3	3,800,169	3,753,157
Other Receivables	4	54,302	41,149
Bank	5	35,056	425,889
		<u>3,891,085</u>	<u>4,221,753</u>
<b>TOTAL ASSETS</b>		<b><u>8,122,057</u></b>	<b><u>8,724,374</u></b>
<b>EQUITY AND LIABILITIES</b>			
Capital Fund		4,254,316	6,150,621
Retained Rate Fund Revenue account		2,089,019	1,757,397
		<u>6,343,335</u>	<u>7,908,018</u>
<b>Non Current Liabilities</b>			
Longterm Loans	7	241,552	208,399
<b>Current Liabilities</b>			
Trade Payables and Accruals	8	68,969	86,220
Other Payables	9	777,023	456,121
Bank Overdraft	5	691,178	65,616
<b>Total Current Liabilities</b>		<u>1,537,170</u>	<u>607,957</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>8,122,057</u></b>	<b><u>8,724,374</u></b>

# BLANTYRE CITY COUNCIL

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDING 30TH JUNE 2016

	Notes	<b>Estimates 2015/2016 MWK</b>	<b>Actuals to date 2015/16</b>	<b>Actuals to date 2014/15</b>
<b>REVENUE</b>				
<b>1.0 Government Transfers</b>				
<b>1.1 Assembly voted transfers</b>				
60	General resource fund	1,883,193,890	1,862,472,118	72,009,470
61	Sector funds	221,121,744	198,127,513	247,736,707
64	Constituency Development Fund	96,000,000	75,400,000	72,857,400
65	Infrastructure Development Fund	141,021,127	141,021,128	139,801,875
	<b>Sub total</b>	<b>2,341,336,761</b>	<b>2,277,020,759</b>	<b>532,405,452</b>
<b>2.0 Locally Generated Revenue</b>				
67	Central Government Property Rates	40,000,000		291,132,836
68	Other Property Rates	2,299,397,399	2,529,544,872	1,948,626,441
69	Income from Market Establishments	244,240,956	253,205,457	152,826,302
71	Fees and Service Charges	979,738,228	448,205,885	317,392,307
72	Licences and Permits	493,541,326	322,502,659	248,745,429
	<b>Total Locally Generated Revenues</b>	<b>4,056,917,909</b>	<b>3,553,458,873</b>	<b>2,958,723,315</b>
	<b>TOTAL REVENUE</b>	<b>6,398,254,670</b>	<b>5,830,479,632</b>	<b>3,491,128,767</b>
<b>EXPENDITURE</b>				
<b>1.0 Personal Emoluments</b>				
10	Government Paid Staff			
11	Leave grants	45,828,682	40,954,179	47,883,500
46	Direct Staff (other departments)	1,704,359,534	1,293,712,845	931,802,455
	<b>Sub total</b>	<b>1,750,188,216</b>	<b>1,334,667,024</b>	<b>979,685,955</b>
<b>2.0 Other Recurrent Transactions</b>				
21	Internal travel	128,908,817	184,926,964	168,219,672
22	External travel	25,000,000	42,511,252	19,556,074
23	Public utilities	234,415,103	203,120,121	177,138,893
24	Office supplies & Services	431,502,139	261,430,776	186,120,045
25	Medical supplies	30,685,984	7,539,943	19,604,398
26	Rent expenses	10,200,000	13,089,509	8,576,674
27	Education supplies	2,701,436	150,000	3,959,581
28	Training expenses	48,196,267	19,413,653	23,504,647
29	Acquisition of Technical Services	200,052,200	43,072,614	32,049,423
30	Insurance expenses	35,000,000	16,368,876	13,881,546

31	Agriculture inputs		6,289,250	6,375,698	761,950
32	Food and rations		14,914,990	12,151,334	6,196,758
33	Other goods and services	13	97,795,373	93,191,115	130,367,671
34	Motor Vehicle Running Expenses		262,262,971	276,102,125	153,617,170
35	Maintenance of Assets		301,767,682	134,840,033	87,247,274
39	Subscription		344,000	2,053,422	6,152,875
40	Grants & Subvention		83,220,208	88,208,737	95,723,754
41	Formation and maintenance of capital assets	14	262,406,605	541,657,347	456,702,366
49	Council & functions		95,402,018	117,347,020	69,880,385
50	HIV/AIDS Intervention		1,487,500	1,965,262	2,294,010
51	Debt Servicing	15	120,000,000	57,160,620	48,052,708
<b>Sub total</b>			<b>2,392,552,543</b>	<b>2,122,676,422</b>	<b>1,709,607,874</b>
<b>3.0 Capital Outlay</b>					
54	Own capital contribution		287,200,000	30,955,076	116,941,062.61
55	Constituency Development Fund		96,000,000	106,885,150	97,521,412
56	Infrastructure Development Fund		1,941,021,127	1,677,558,120	19,625,915
<b>Subtotal</b>			<b>2,324,221,127</b>	<b>1,815,398,346</b>	<b>234,088,390</b>
<b>TOTAL EXPENDITURE</b>			<b>6,466,961,886</b>	<b>5,272,741,791</b>	<b>2,923,382,218</b>
<b>Surplus/Deficit</b>			<b>(68,707,216)</b>	<b>557,737,841</b>	<b>567,746,549</b>
<b>4.0 Commercial Undertakings</b>					
70	Income from Commercial Undertakings		61,080,000	37,577,025	18,081,750
<b>Commercial undertakings Total</b>			<b>61,080,000</b>	<b>37,577,025</b>	<b>18,081,750</b>
<b>Operating Surplus</b>			<b>(7,627,216)</b>	<b>595,314,866</b>	<b>585,828,299</b>
33	Decrease in provision for doubtful debts		-	88,749,991	-
<b>5.0 Donor Funds</b>					
73	Donor Receipts		-	247,718,478	247,588,672
57	Less: Donor Expenditure		-	(511,411,075)	(328,056,049)
<b>Donor Surplus/Deficit</b>				<b>(263,692,597)</b>	<b>(80,467,377)</b>
<b>Surplus/Deficit for the year</b>			<b>-</b>	<b>331,622,351</b>	<b>505,360,922</b>

## BLANTYRE CITY COUNCIL

### STATEMENT OF CHANGES IN CAPITAL FUND FOR 2015

	Capital Fund	General Rate Fund	Total
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
<b>Balance as at 30 June 2015</b>	<b>6,150,621</b>	<b>1,757,397</b>	<b>7,908,018</b>
Balance as at 1 July 2015	6,150,621	1,757,397	7,908,018
Surplus for the period		331,622	331,622
Capital Adjustment	1,896,305		
<b>Balance as at 30 June 2016</b>	<b>4,254,316</b>	<b>2,089,019</b>	<b>8,239,640</b>

## BLANTYRE CITY COUNCIL

### STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2016

	2016 K'000	2015 K'000
<b>Cashflow from operating activities</b>		
Surplus for the year	331,622	505,361
Interest received	-	-
Interest paid	32,000	48,823
Depreciation	305,938	363,491
Provision for doubtful debts	(88,750)	70,400
	<b>580,810</b>	<b>988,075</b>
 <b>Movement in Working Capital</b>		
Increase/decrease in Inventories	-	-
Increase/decrease in receivables	(60,165)	(1,160,827)
Increase/Decrease in payables	303,651	148,141
	<b>824,296</b>	<b>(24,611)</b>
 <b>Cashflow from operating activities</b>		
Interest paid	(32,000)	(47,824)
<b>Net Cashflow from operating activities</b>	<b>792,296</b>	<b>(72,435)</b>
 <b>Cashflow from Investing activities</b>		
Payment to acquire assets	271,649	317,580
Interest received	-	-
<b>Net Cashflow from Investing activities</b>	<b>271,649</b>	<b>317,580</b>
 <b>Cashflows from financing activities</b>		
Capital Fund	1,649,702	583,184
Loan receipt	33,153	1,823
<b>Net Cashflow from financing activities</b>	<b>1,682,855</b>	<b>585,007</b>
 Increase in cash and cash equivalents	(945,227)	324,193
Opening Cash and Cash equivalents	289,204	(34,989)
<b>Closing cash and cash equivalents</b>	<b>(656,023)</b>	<b>289,204</b>

## **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		ACCUMULATIVE DEPRECIATION	NET BOOK VALUE
LAND & BUILDINGS	4,192,344,676			4,192,344,676	246,608,510	986,434,041	3,945,736,166
							-
PLANT & EQUIPMENT	47,394,571			47,394,571	5,916,490	5,916,490	41,478,081
							-
MOTOR VEHICLES	209,220,232	34,283,438		243,503,670	42,009,054	42,009,054	201,494,616
							-
OFFICE EQUIPMENT	53,667,336			53,667,336	11,404,035	11,404,035	42,263,301
							-
<b>TOTAL</b>	<b>4,502,626,815</b>	<b>34,283,438</b>	<b>-</b>	<b>4,536,910,253</b>	<b>305,938,090</b>	<b>1,045,763,621</b>	<b>4,230,972,164</b>

### 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.

	2015/16			2014/15		
	Total	Provision	Net	Total	Provision	Net
Sundry	64,420,188	3,221,009	61,199,178	38,454,828	1,922,741	36,532,087
Commercial	22,291,395	1,114,570	21,176,825	33,202,966	1,660,148	31,542,818
Rates	4,130,881,136	413,088,114	3,717,793,022	4,188,673,297	502,640,796	3,686,032,501
	<b>4,217,592,719</b>	<b>417,423,693</b>	<b>3,800,169,026</b>	<b>4,260,331,091</b>	<b>506,223,685</b>	<b>3,754,107,406</b>

#### 4. Other receivables

These are salary related receivables.

	2015/16	2014/15
Car Loan	7,227,583.04	7,530,183.96
House scheme	7,355,001.43	8,479,661.36
Education Loan	1,520,573.02	1,897,053.86
Business Finance Solution	-	-
Senior Staff Cash Loan	24,735,990.09	16,297,301.73
Junior Staff Cash Loan	13,462,732.76	6,944,843.46
<b>TOTAL</b>	<b>54,301,880.34</b>	<b>41,149,044.37</b>

#### 5. Bank

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

No	CODE	BANK NAME	2015/16		2014/15			
				Negative Balances	Positive Balances	Negative Balances	Positive Balances	
1	8702	National Bank -Chilobwe Vocation	673,938		673,938	65,941	65,941	
2	8708	National Bank-HIV/AIDS	65,193		65,193	81,893	81,893	
3	8709	National Bank-Home Ownership	479,766		479,766	663,665	663,665	
4	8710	Standard Bank -Markets	(9,347,353)	(9,347,353)		(882,520)	(882,520)	
5	8711	Nation Bank -Operations	98,763			93,216,242		
6	8712	NED Bank- Pensions	(32,125)	(32,125)		(5,173,353)	(5,173,353)	
7	8713	National Bank - Projects	(6,309,919)	(6,309,919)		(38,414,749)	(38,414,749)	
8	8714	Standard Bank - Operations	29,884,507		29,884,507	(11,844,401)	(11,844,401)	
9	8715	National Bank - Staff Loans	(2,652,957)	(2,652,957)		(9,300,541)	(9,300,541)	
10	8718	FDH Bank - Zingwangwa Health Market	3,009,989		3,009,989	1,935,800	1,935,800	
11	8719	Standard Bank - LDF	(11,947,040)	(11,947,040)		(3,306,439)		
12	8720	NBS Bank- Rates Holding Account	942,446		942,446	37,397	37,397	
13	8726	FMB - Operations	(153,052,801)	(153,052,801)		(160,979,376)		
14	8727	Standard Bank - ORT	(507,835,512)	(507,835,512)		423,104,182	423,104,182	
		<b>TOTALS</b>	<b>(656,023,105)</b>	<b>(691,177,707)</b>	<b>35,055,839</b>	<b>289,203,741</b>	<b>(65,615,564)</b>	<b>425,888,877</b>

## 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.

	2015/16	2014/15
NICO Pension	477,378,297.73	292,771,802.65
NICO Premiums	192,223.68	161,328.68
Old Mutual Premiums	7,520.32	8,295.44
Vanguard Premiums	11,640.00	6,790.00
PAYE Senior	160,897,906.81	90,439,031.69
PAYE Junior	116,794,154.89	72,272,686.95
MASM	21,267,500.00	-
Union Fees	473,750.00	461,450.00
<b>TOTAL</b>	<b>777,022,993.43</b>	<b>456,121,385.41</b>

## 8. Long term liability

Longterm liabilities comprise of DFLA as shown below.

	2015/16	2014/15
	K'000	K'000
Longterm Loans	241,552	208,399

#### **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, 223,685

#### **14. Formation and maintenance of capital assets**

The figure includes provision for depreciation amounting to K305, 938,090 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.