

### **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 Comparison of Budgeted and Actual Amounts for the year 2012/13, 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 2013**

<b>ASSETS</b>	<b>NOTES</b>	<b>30 June 2013 K'000</b>	<b>30 June 2012 K'000</b>
<b>Non Current Assets</b>			
Property Plant and Equipment	1	5,127,226	5,913,039
<b>Current Assets</b>			
Inventories	2	1,558	1,558
Trade Receivables	3	1,947,242	2,127,405
Other Receivables	4	34,344	-
Cash and Cash Equivalents	5	16,835	63,996
Total Current Assets		<u>1,999,979</u>	<u>2,192,959</u>
<b>TOTAL ASSETS</b>		<b><u>7,127,205</u></b>	<b><u>8,105,998</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Capital Funds Unapplied		-	828,847
Capital Funds		5,616,273	5,192,890
Retained Rate Fund Revenue account		826,379	1,190,635
		<u>6,442,652</u>	<u>7,212,372</u>
<b>Non Current Liabilities</b>			
Long term Loans	6	233,668	112,918
<b>Current Liabilities</b>			
Trade Payables and Accruals	7	78,821	701,433
Other Payables	8	239,792	-
Bank Overdraft	5	132,272	79,275
Total Current Liabilities		<u>450,885</u>	<u>780,708</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>7,127,205</u></b>	<b><u>8,105,998</u></b>

## BLANTYRE CITY COUNCIL

### STATEMENT OF CHANGES IN CAPITAL FUND FOR THE PERIOD ENDED 30 JUNE 2013

	Capital Fund Unapplied K'000	Capital Fund K'000	General Rate Fund K'000	Total K'000
Balance as at 1 July 2011	632,722	362,553	1,228,697	2,223,972
Surplus for the period	196,125	4,674,769		4,870,894
Capital Adjustment	-	-	108,614	108,614
Capital fund unapplied	-	-	8,892	8,892
<b>Balance as at 30 June 2012</b>	<b>828,847</b>	<b>5,037,322</b>	<b>1,346,203</b>	<b>7,212,372</b>
<b>Balance as at 1 July 2012</b>	828,847	5,037,322	1,346,203	7,212,372
Deficit for the period	-		(364,256)	(364,256)
Capital Adjustment	-	(405,464)	-	(405,464)
Capital fund unapplied	(828,847)	828,847	-	-
<b>Balance as at 30 June 2013</b>	<b>-</b>	<b>5,460,705</b>	<b>981,947</b>	<b>6,442,652</b>

## BLANTYRE CITY COUNCIL

### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

Code	Revenue /Expenditure Detail	Notes	Estimates 2012/2013 MWK	Actuals to date 2012-13	Actuals to date 2011-12 MWK
<b>REVENUE</b>					
<b>1.0</b>	<b>Government Transfers</b>				
<b>1.1</b>	<b>Assembly voted transfers</b>				
60	General resource fund		47,602,858	37,337,292	52,446,136
61	Sector funds		156,322,731	142,051,995	99,682,629
64	Constituency Development Fund		56,000,000	56,000,000	32,000,000
65	Infrastructure Development Fund		98,181,818	98,181,818	98,181,819
	<b>Total Government Transfers</b>		<b>358,107,407</b>	<b>333,571,105</b>	<b>282,310,584</b>
<b>2.0</b>	<b>Locally Generated Revenue</b>				
67	Central Government Property Rates	9	23,312,791	157,166,238	26,299,654
68	Other Property Rates	9	1,248,000,000	1,234,708,369	1,155,845,128
69	Income from Market Establishments		190,501,372	113,179,136	119,080,266
71	Fees and Service Charges	10	609,442,195	154,641,669	298,015,547
72	Licences and Permits		331,323,526	130,510,906	69,202,662
	<b>Total Locally Generated Revenues</b>		<b>2,402,579,884</b>	<b>1,790,206,318</b>	<b>1,668,443,257</b>
	<b>TOTAL REVENUE</b>		<b>2,760,687,291</b>	<b>2,123,777,423</b>	<b>1,950,753,841</b>
<b>EXPENDITURE</b>					
<b>1.0</b>	<b>Personal Emoluments</b>				
10	Government Paid Staff		17,428,500	20,163,848	24,834,400
46	Direct Staff (other departments)	11	852,833,165	533,731,190	655,925,172
	<b>Sub total</b>		<b>870,261,665</b>	<b>553,895,038</b>	<b>680,759,572</b>
<b>2.0</b>	<b>Other Recurrent Transactions</b>				
21	Internal travel		59,736,346	56,443,270	71,604,243
22	External travel		10,485,645	13,391,088	28,979,512
23	Public utilities		87,375,728	96,150,762	89,821,552
24	Office supplies & Services		154,732,675	158,843,615	124,717,181
25	Medical supplies		41,733,209	10,917,172	14,860,281
26	Rent expenses		3,720,000	8,997,201	4,093,292
27	Education supplies		44,344,437	39,642,439	963,733
28	Training expenses		22,453,600	1,204,058	6,471,614
29	Acquisition of Technical Services		242,068,000	16,778,864	11,479,176

30	Insurance expenses		25,199,500	19,249,442	37,199,064
31	Agriculture inputs		13,613,450	706,285	1,980,692
32	Food and rations		7,398,478	4,157,270	4,675,389
33	Other goods and services	12	82,268,670	527,419,403	259,590,988
34	Motor Vehicle Running Expenses		214,704,908	173,501,385	125,598,586
35	Maintenance of Assets		191,981,177	120,038,344	113,479,817
39	Subscription		-	218,592	39,191
40	Grants & Subvention		45,646,000	36,977,703	8,355,720
41	Formation and maintenance of capital assets	13	116,840,059	409,246,675	23,033,596
49	Council & functions		15,055,525	3,020,249	2,352,348
50	HIV/AIDS Intervention		6,186,400	12,492,945	3,822,372
51	Debt Servicing	14	36,000,000	40,984,194	-
<b>Sub total</b>			<b>1,421,543,807</b>	<b>1,750,380,956</b>	<b>933,118,347</b>
<b>3.0 Capital Outlay</b>					
54	Own capital contribution		356,700,000	107,419,002	95,972,605
55	Constituency Development Fund		56,000,000	39,484,087	32,050,204
56	Infrastructure Development Fund		98,181,818	52,610,781	71,102,306
<b>Subtotal</b>			<b>510,881,818</b>	<b>199,513,870</b>	<b>199,125,115</b>
<b>TOTAL EXPENDITURE</b>			<b>2,802,687,290</b>	<b>2,503,789,864</b>	<b>1,813,003,034</b>
<b>Surplus/Deficit</b>			<b>(41,999,999)</b>	<b>(380,012,441)</b>	<b>137,750,807</b>
<b>4.0 Commercial Undertakings</b>					
70	Income from Commercial Undertakings		42,000,000	12,539,970	-
<b>Commercial undertakings Total</b>			<b>42,000,000</b>	<b>12,539,970</b>	<b>-</b>
<b>5.0 Donor Funds</b>					
73	Donor Receipts		-	12,376,240	18,435,286
57	Less: Donor Expenditure		-	(9,160,201)	(849,026)
<b>Donor Surplus/Deficit</b>			<b>-</b>	<b>3,216,039</b>	<b>17,586,260</b>
<b>Surplus/Deficit For the year</b>			<b>1</b>	<b>(364,256,432)</b>	<b>155,337,067</b>

**BLANTYRE CITY COUNCIL**  
**STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2013**

	<b>2013</b>	<b>2012</b>
	<b>K'000</b>	<b>K'000</b>
<b>Cashflow from operating activities</b>		
Surplus/ Deficit for the year	(364,256)	165,572
Surplus for the period adjusted		8,845
Interest received	-	(372)
Interest paid	30,435	-
Depreciation	334,797	-
Provision for doubtful debts (Decrease)	475,766	-
	<b>476,742</b>	<b>174,045</b>
<b>Movement in Working Capital</b>		
(Increase)/decrease in Inventories	-	-
(Increase)/decrease in receivables	145,819	(440,611)
Increase/(Decrease) in payables	(382,821)	182,038
Cashflow from operating activities	239,740	(84,528)
Interest paid	(30,435)	-
<b>Net Cashflow from operating activities</b>	<b>209,305</b>	<b>(84,528)</b>
<b>Cashflow from Investing activities</b>		
Payment to acquire assets	785,813	(4,800,556)
Interest received	-	372
<b>Net Cashflow from Investing activities</b>	<b>785,813</b>	<b>(4,800,184)</b>
<b>Cashflows from financing activities</b>		
Capital Fund	405,464	4,870,895
Loan repayments	120,750	8,400
<b>Net Cashflow from financing activities</b>	<b>526,214</b>	<b>4,879,295</b>
Increase/Decrease in cash and cash equivalents	(144,174)	(5,446)
Opening Cash and Cash equivalents	28,737	34,183
<b>Closing cash and cash equivalents</b>	<b>(115,437)</b>	<b>28,737</b>

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. BASIS OF PREPARATION**

The financial statements have been prepared in accordance with International Public Sector Accounting Standards.

### **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 statement.

#### **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.

#### **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 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 are 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 Council 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	ACCUMULATED DEPRECIATION	NET BOOK VALUE
LAND & BUILDINGS	4,932,170,207			4,932,170,207	246,608,510		4,685,561,697
PLANT & EQUIPMENT	90,030,000	-	-	90,030,000	11,575,286		69,451,714
MOTOR VEHICLES	305,120,000	-		305,120,000	54,921,600		250,198,400
OFFICE EQUIPMENT	142,031,255	1,674,556		143,705,810	21,691,516		122,014,294
<b>TOTAL</b>	<b>5,469,351,462</b>	<b>1,674,556</b>		<b>5,471,026,017</b>	<b>334,796,912</b>		<b>5,127,226,105</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, proper adjustments will be made.

## 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 20% on trade receivables.

Item	Total	Provisions	Net Values
Sundry	21,858,329	1,092,916	20,765,413
Commercial	37,046,374	1,852,319	35,194,055
Rates	2,364,103,611	472,820,722	1,891,282,889
	<b>2,423,008,314</b>	<b>475,765,957</b>	<b>1,947,242,357</b>

## 4 OTHER RECEIVABLES

These are salary related receivables as shown below.

Car Loan	53,541.63
Education Loan	34,999.99
Business Finance Solution	387,154.17
Senior Staff Cash Loan	2,982,757.57
Junior Staff Car Loan	1,720,699.99
House scheme	29,165,342.64
<b>TOTAL</b>	<b>34,344,495.99</b>

## 5 BANK

Bank balance as at 30 June 2013 comprise of the following balances

No	CODE	BANK NAME	2012/13		
				Negative Balances	Positive Balances
1	8702	National Bank - Chilobwe Vocation	509,072.64	-	509,072.64
2	8708	National Bank-HIV/AIDS	437,168.00	-	437,168.00
3	8709	National Bank-Home Ownership	(44,548.71)	(44,548.71)	-
4	8710	Standard Bank -Markets	6,969,148.46	-	6,969,148.46
5	8711	Nation Bank -Operations	(3,546,476.16)	(3,546,476.16)	-
6	8712	NED Bank- Pensions	(3,997,707.70)	(3,997,707.70)	-
7	8713	National Bank - Projects	860,862.22	-	860,862.22
8	8714	Standard Bank -Operations	5,845,197.98	-	5,845,197.98
9	8715	National Bank - Staff Loans	(363,804.58)	(363,804.58)	-
10	8718	FDH Bank - Zingwangwa Health Market	956,768.81	-	956,768.81
11	8720	NBS Bank- Rates Holding Account	1,236,955.89	-	1,236,955.89
12	8723	Standard Bank-Aware and Fair	19,926.96	-	19,926.96
13	8726	FMB - Operations	(94,925,909.57)	(94,925,909.57)	-
14	8727	Standard Bank - ORT	(29,393,878.47)	(29,393,878.47)	-
		<b>TOTALS</b>	<b>(115,437,224.23)</b>	<b>(132,272,325.19)</b>	<b>16,835,100.96</b>

## 6 LONG TERM LIABILITY

Longterm liabilities comprise of DFLA and Leasing and Finance loan as follows;

DFLA	191,392,742.00
Leasing and Finance	42,276,000.00
<b>Total</b>	<b>233,668,742.00</b>

**7 TRADE PAYABLES**

The schedule for trade payables is available

**8 OTHER PAYABLES**

Other payables comprise of the following;

Old Mutual Premiums	8,203.59
Vanguard Premiums	118,697.62
NICO Premiums	488,181.72
PAYE Junior	13,010,515.24
PAYE Senior	76,874,400.07
NICO Pension	149,292,124.38
<b>TOTAL</b>	<b>239,792,122.62</b>

**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 include 5% provision for doubtful debts on sundry, commercial rental debtors and 20% on trade receivables amounting to K475,765,957 as provided in Note 12.

#### **14 FORMATION AND MAINTENANCE OF CAPITAL ASSETS**

The figure includes provision for depreciation amounting to K334, 163,312 as provided on Property plant and equipment in Note 8.

#### **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.