

## **DIRECTORS' RESPONSIBILITIES**

The directors are responsible for the preparation and fair presentation of the financial statements, comprising the Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Capital fund, Statement of Cash Flows and Notes to the financial statements. The notes 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 in 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 have 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 2017

ASSETS	NOTES	30 June 2017 K'000	30 June 2016 K'000
<b>Non Current Assets</b>			
Property Plant and Equipment	1	4,131,100	4,230,972
<b>Current Assets</b>			
Inventories	2	-	1,558
Trade Receivables	3	4,647,356	3,800,169
Other Receivables	4	65,039	54,302
Bank	5	8,656	107,199
		4,721,052	3,963,228
<b>TOTAL ASSETS</b>		<b>8,852,152</b>	<b>8,194,200</b>
<b>EQUITY AND LIABILITIES</b>			
Capital Fund		4,647,921	4,326,459
Retained Rate Fund Revenue account		2,672,697	2,089,019
		7,320,618	6,415,478
<b>Non Current Liabilities</b>			
Longterm Loans	6	199,124	241,552
<b>Current Liabilities</b>			
Trade Payables and Accruals	7	191,320	68,969
Other Payables	8	916,462	777,023
Bank Overdraft	5	224,627	691,178
<b>Total Current Liabilities</b>		1,332,409	1,537,170
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8,852,152</b>	<b>8,194,200</b>

## BLANTYRE CITY COUNCIL

### STATEMENT OF CHANGES IN CAPITAL FUND FOR 2017

	Capital Fund	General Rate Fund	Total
Balance as at 1 July 2015	6,150,621	1,757,397	7,908,018
Surplus for the period	-	333,667	333,667
Capital Adjustment	1,824,162	-	1,824,162
<b>Balance as at 30 June 2016</b>	<b>4,326,459</b>	<b>2,091,064</b>	<b>6,417,523</b>
Balance as at 1 July 2016	4,326,459	2,091,064	6,417,523
Surplus for the period	-	581,634	581,634
Movement in Equity	321,462	-	321,462
<b>Balance as at 30 June 2017</b>	<b>4,647,921</b>	<b>2,672,697</b>	<b>7,320,618</b>

# BLANTYRE CITY COUNCIL

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDING 30TH JUNE 2017

	Notes	Estimates 2016/2017 MWK	Actuals to date 2016/17	Actuals to date 2015/16	
<b>REVENUE</b>					
<b>1.0 Government Transfers</b>					
<b>1.1 Assembly voted transfers</b>					
60	General resource fund	93,648,648	78,040,540	1,862,472,118	
61	Sector funds	263,874,452	177,614,347	198,127,513	
64	Constituency Development Fund	144,000,000	144,000,000	75,400,000	
65	Infrastructure Development Fund	165,375,000	114,974,825	141,021,128	
<b>Sub total</b>		<b>666,898,100</b>	<b>514,629,712</b>	<b>2,277,020,759</b>	
<b>2.0 Locally Generated Revenue</b>					
67	Central Government Property Rates	9	40,018,860	432,358,098	-
68	Other Property Rates	10	2,173,042,573	1,885,177,629	2,529,544,872
69	Income from Market Establishments		266,502,950	293,219,002	253,205,457
71	Fees and Service Charges	11	800,402,949	1,050,551,101	448,205,885
72	Licences and Permits		401,258,001	400,113,214	322,502,659
<b>Total Locally Generated Revenues</b>		<b>3,681,225,333</b>	<b>4,061,419,043</b>	<b>3,553,458,873</b>	
<b>TOTAL REVENUE</b>		<b>4,348,123,433</b>	<b>4,576,048,755</b>	<b>5,830,479,632</b>	
<b>EXPENDITURE</b>					
<b>1.0 Personal Emoluments</b>					
10	Government Paid Staff				
11	Leave grants	12	-	-	40,954,179
46	Direct Staff (other departments)	13	1,912,942,237	1,302,994,709	1,293,712,845
<b>Sub total</b>		<b>1,912,942,237</b>	<b>1,302,994,709</b>	<b>1,334,667,024</b>	
<b>2.0 Other Recurrent Transactions</b>					
21	Internal travel		186,835,958	268,885,315	184,926,964
22	External travel		20,000,000	76,301,358	42,511,252
23	Public utilities		255,133,300	247,191,540	203,120,121
24	Office supplies & Services		208,055,841	110,207,296	261,430,776
25	Medical supplies		28,933,475	17,565,928	7,539,943

26	Rent expenses		8,400,000	12,390,690	13,089,509
27	Education supplies		37,284,268	30,543,445	150,000
28	Training expenses		42,470,825	34,717,590	19,413,653
29	Acquisition of Technical Services		125,415,000	203,521,640	43,072,614
30	Insurance expenses		936,000	1,129,512	16,368,876
31	Agriculture inputs		9,493,017	37,420	6,375,698
32	Food and rations		13,505,300	11,252,133	12,151,334
33	Other goods and services	<b>14</b>	57,582,571	263,384,440	93,191,115
34	Motor Vehicle Running Expenses		284,950,312	401,969,517	276,102,125
35	Maintenance of Assets		231,160,207	196,664,249	134,840,033
39	Subscription		344,000	2,944,200	2,053,422
40	Grants & Subvention		86,504,419	88,624,419	88,208,737
41	Formation and maintenance of capital assets		129,133,146	454,167,296	541,657,347
49	Council & functions		94,011,640	135,224,739	117,347,020
50	HIV/AIDS Intervention		5,440,794	899,219	1,965,262
51	Debt Servicing	<b>15</b>	96,000,000	57,572,097	57,160,620
<b>Sub total</b>			<b>1,921,590,073</b>	<b>2,615,194,043</b>	<b>2,122,676,422</b>
<b>3.0 Capital Outlay</b>					
54	Own capital contribution		322,551,486	117,197,807	30,955,076
55	Constituency Development Fund		144,000,000	116,602,317	106,885,150
56	Infrastructure Development Fund		165,375,000	69,697,213	1,677,558,120
<b>Subtotal</b>			<b>631,926,486</b>	<b>303,497,337</b>	<b>1,815,398,346</b>
<b>TOTAL EXPENDITURE</b>			<b>4,466,458,796</b>	<b>4,221,686,090</b>	<b>5,272,741,791</b>
<b>Surplus/Deficit</b>			<b>(118,335,363)</b>	<b>354,362,665</b>	<b>557,737,841</b>
<b>4.0 Commercial Undertakings</b>					
70	Income from Commercial Undertakings		165,000,000	80,976,030	37,577,025
<b>Commercial undertakings Total</b>					<b>37,577,025</b>
<b>Operating Surplus</b>			<b>46,664,637</b>	<b>435,338,695</b>	<b>595,314,866</b>
33	Increase in provision for doubtful debts		-	133,554,778	88,749,991
<b>5.0 Donor Funds</b>					
73	Opening balance		-	299,664,503	-
73	Donor Receipts		425,686,125	552,539,746	247,718,478
57	Less: Donor Expenditure		425,686,125	864,944,609	(511,411,075)
<b>Donor Surplus</b>			<b>-</b>	<b>12,740,360</b>	<b>(263,692,597)</b>
<b>Surplus/Deficit for the year</b>			<b>46,664,637</b>	<b>581,633,834</b>	<b>331,622,351</b>

## BLANTYRE CITY COUNCIL

### STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2017

	2017 K'000	2016 K'000
<b>Cashflow from operating activities</b>		
Surplus for the year	581,634	333,667
Interest received	15,828	-
Interest paid	(57,622)	32,000
Depreciation	287,305	305,938
Inventory written off	1,558	-
Provision for doubtful debts	(133,555)	(88,750)
	<b>695,148</b>	<b>582,855</b>
<b>Movement in Working Capital</b>		
Increase/decrease in Inventories	-	-
Increase/decrease in receivables	(857,925)	(88,239)
Increase/Decrease in payables	261,790	303,651
<b>Cashflow from operating activities</b>	<b>(596,135)</b>	<b>798,267</b>
Interest paid	57,622	(32,000)
<b>Net Cashflow from operating activities</b>	<b>156,635</b>	<b>766,267</b>
<b>Cashflow from Investing activities</b>		
Payment to acquire assets	(187,433)	271,649
Interest received	15,828	-
<b>Net Cashflow from Investing activities</b>	<b>(171,605)</b>	<b>271,649</b>
<b>Cashflows from financing activities</b>		
Capital Fund	393,605	1,649,702
Loan repayment	(42,428)	33,153
<b>Net Cashflow from financing activities</b>	<b>351,177</b>	<b>1,682,855</b>
Increase in cash and cash equivalents	372,269	(945,227)
Opening Cash and Cash equivalents	(583,978)	289,204
<b>Closing cash and cash equivalents</b>	<b>(211,709)</b>	<b>(583,978)</b>

## **SIGNIFICANT ACCOUNTING POLICIES**

### **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 as 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.

City rates which is the Councils main source of revenue 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 property plant and equipment is recognized when its cost exceeds K2, 000,000 and has an economic useful life of more 12 months. An asset is derecognized upon disposal or when no future economic benefits from the asset are expected to flow to the Council.

**viii. Inventory (IPSAS 12)**

Inventory is measured at the lower of cost and net realizable value. Costs include 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. These financial instruments include cash, trade receivables and trade payables. The Council is exposed to a number of risks namely;

**Credit Risk**

This is when one party to the contract causes 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, controls and monitors this credit risk by putting in place internal controls.

**Interest Rate Risks**

This is when interest rates fluctuate unfavorably resulting in financial loss to the Council. The Council mitigates against interest rate risk through hedging.

**Market Risks**

Market risk is the risk that changes in market prices, such as interest rate affect the Council's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

During the year there were no significant market price changes that affected the Council's operations.

**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 Plan 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.

**xiii. Events after the reporting period IPSAS 14**

These are events after the reporting period that provide further evidence of conditions and are indicative of condition that existed at the end of the reporting period.

There were no significant events after the reporting period.

**xiv. Provisions, contingent liabilities and contingent assets IPSA 19**

These are provisions that are recognized when there is a present obligation resulting from a past event which will result in an outflow of economic benefit.

The Council did not make any provisions during the year as there were no indications of such events.

## NOTES TO THE FINANCIAL STATEMENT

### 1. Property Plant and Equipment

	2016/17				
	Land and Building	Motor Vehicle	Plant	Office Equip	Total
Cost at 1 July 2016	4,932,170,207	319,600,000	74,919,857	129,445,164	5,456,135,228
Additions	-	104,314,376	2,800,000	16,871,050	123,985,426
Disposals	-	-	-	-	-
<b>Cost at 30 June 2017</b>	<b>4,932,170,207</b>	<b>423,914,376</b>	<b>77,719,857</b>	<b>146,316,214</b>	<b>5,580,120,655</b>
Depreciation charge at 30 June 2016	719,874,000	261,215,739	43,858,286	136,767,431	1,161,715,456
Charge for the year 2016/17	179,968,500	86,899,186	9,032,980	11,404,035	287,304,701
Disposals	-	-	-	-	-
Accumulated depn at 30 June 2017	899,842,500	348,114,925	52,891,265	148,171,467	1,449,020,157
<b>Carrying Amount at 30 June 2017</b>	<b>4,032,327,707</b>	<b>180,113,827</b>	<b>27,628,592</b>	<b>15,015,798</b>	<b>4,131,100,497</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 buildings 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

During inventory count for June 2016/17, it was observed that fuel that was being kept to prevent the tank from corrosion turned into water. Management decided to write off the fuel as it has no economic value. The total figure written off amounted to K1, 558,000.

### 3. Trade Receivables

During the year the council made 7% provision for doubtful debts on Sundry receivables, 100% on Commercial receivables and 10% on rates receivables.

	2016/2017			NET MOVEMENT	2015/2016		
	GROSS	PROVISION	NET		GROSS	PROVISION	NET
<b>SUNDRY</b>	119,505,717	8,365,400	111,140,317	49,941,138	64,420,188	3,221,009	61,199,179
<b>COMMERCIAL</b>	38,589,072	38,589,072	-	(21,176,825)	22,291,395	1,114,570	21,176,825
<b>RATES</b>	5,040,239,992	504,023,999	4,536,215,993	818,422,971	4,130,881,136	413,088,114	3,717,793,022
	<b>5,198,334,781</b>	<b>550,978,471</b>	<b>4,647,356,310</b>	<b>847,187,284</b>	<b>4,217,592,719</b>	<b>417,423,693</b>	<b>3,800,169,026</b>

### 4. Other receivables

These are salary related receivables.

	2016/17	Net Movement	2015/16
Car loan	7,555,538	327,955	7,227,583
House scheme	3,416,478	(3,938,523)	7,355,001
Education loan	1,387,778	(132,795)	1,520,573
Senior staff loans	31,562,715	6,826,724	24,735,990
Junior staff loans	21,116,944	7,654,211	13,462,733
<b>TOTAL</b>	<b>65,039,452</b>	<b>10,737,572</b>	<b>54,301,880</b>

## 5. Bank

<b>2016/17</b>						<b>2015/16</b>		
<b>No</b>	<b>CODE</b>	<b>BANK NAME</b>	<b>Amount</b>	<b>Negative Balances</b>	<b>Positive Balances</b>		<b>Negative Balances</b>	<b>Positive Balances</b>
1	8702	National Bank -Chilobwe Vocation	375,888	-	375,888	673,938	-	673,938
2	8708	National Bank-HIV/AIDS	(1,189,258)	(1,189,258)	-	65,193	-	65,193
3	8709	National Bank-Home Ownership	1,567,550	-	1,567,550	479,766	-	479,766
4	8710	Standard Bank -Markets	(12,921,457)	(12,921,457)	-	(9,347,353)	(9,347,353)	-
5	8711	Nation Bank -Operations	1,598,956	-	1,598,956	98,763	-	98,763
6	8712	NED Bank- Pensions	2,740,291	-	2,740,291	(32,125)	(32,125)	-
7	8713	National Bank - Projects	(11,380,180)	(11,380,180)	-	(6,309,919)	(6,309,919)	-
8	8714	Standard Bank -Operations	(36,584,746)	(36,584,746)	-	29,884,507	-	29,884,507
9	8715	National Bank - Staff Loans	(553,441)	(553,441)	-	(2,652,957)	(2,652,957)	-
10	8718	FDH Bank - Zingwangwa Health Market	1,387,491	-	1,387,491	3,009,989	-	3,009,989
11	8719	Standard Bank - LDF	(12,202,403)	(12,202,403)	-	(11,947,040)	(11,947,040)	-
12	8720	NBS Bank- Rates Holding Account	986,039	-	986,039	942,446	-	942,446
13	8726	FMB - Operations	(27,602,176)	(27,602,176)	-	(153,052,801)	(153,052,801)	-
14	8727	Standard Bank - ORT	(122,193,571)	(122,193,571)	-	(507,835,512)	(507,835,512)	-
15	8729	WASH	6,550	-	6,550	-	-	-
16	8730	FDH	4,255,379	-	4,255,379	72,044,519	-	72,044,519
		<b>TOTALS</b>	<b>(211,709,090)</b>	<b>(224,627,234)</b>	<b>12,918,144</b>	<b>(583,978,586)</b>	<b>(691,177,707)</b>	<b>107,199,121</b>

## 6. Long term liability

Long term liabilities comprise of DFLA loan as shown below.

2016/17	Net movement	2015/16
199,124,000	(42,428,000.00)	241,552,000

The balance of K199, 124,189 has been amortized for the subsequent years as shown in the table below at an interest rate of 17% per annum.

	AMOUNT	YEARS
< 1 year	120,000,000	2017/18
> 1 year	115,610,302	2018/19
> 3 years	-	

## 7. Trade payables and accruals

2016/17	Net movement	2015/16
(191,320,104)	(122,351,696)	(68,968,407)

## 8. Other Payables

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

	2016/17	Net Movement	2015/16
NICO PENSIONS	367,176,679	(110,201,618)	477,378,298
NICO PREMIUMS	55,949	(136,275)	192,224
OLD MUTUAL	8,468	948	7,520
VANGUARD	4,850	(6,790)	11,640
PAYE	461,757,324	184,065,262	277,692,062
MASM	10,534,200	(10,733,300)	21,267,500
UNION FEES	158,800	(314,950)	473,750
<b>TOTAL</b>	<b>839,696,270</b>	<b>62,673,277</b>	<b>777,022,993</b>

## 9. Rates

All properties are charged at full rate except for government properties that are charged at 50% remission. Worshipping premises, government hospitals and schools 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 and fire fighting training fees. The figure includes Car park fees for Blantyre and Limbe zones that are reported separately under Commercial undertakings. The figures also include Interest received.

#### **11. Government paid staff**

This represent leave grant paid to District Education Manager (DEM) staff. In 2016/17 government directly paid the leave grant through salaries hence no expenditure reported.

#### **12. Direct staff (other departments)**

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

#### **13. Other goods and services**

During the year the Council made a 100% specific provision on commercial rental receivables and a general provision of 7% and 10% on sundry and rates receivables respectively amounting to K550,978,471.

Other goods and services also include Inventory write down of K1, 558,000.

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

The figure includes provision for depreciation

#### **15. Debt service**

This is interest payment for loan which the Council obtained from Development Fund for Local Authorities (DFLA) which was used to construct Limbe bus depot and Chilomoni market.