

Annual Report 2008 / 9

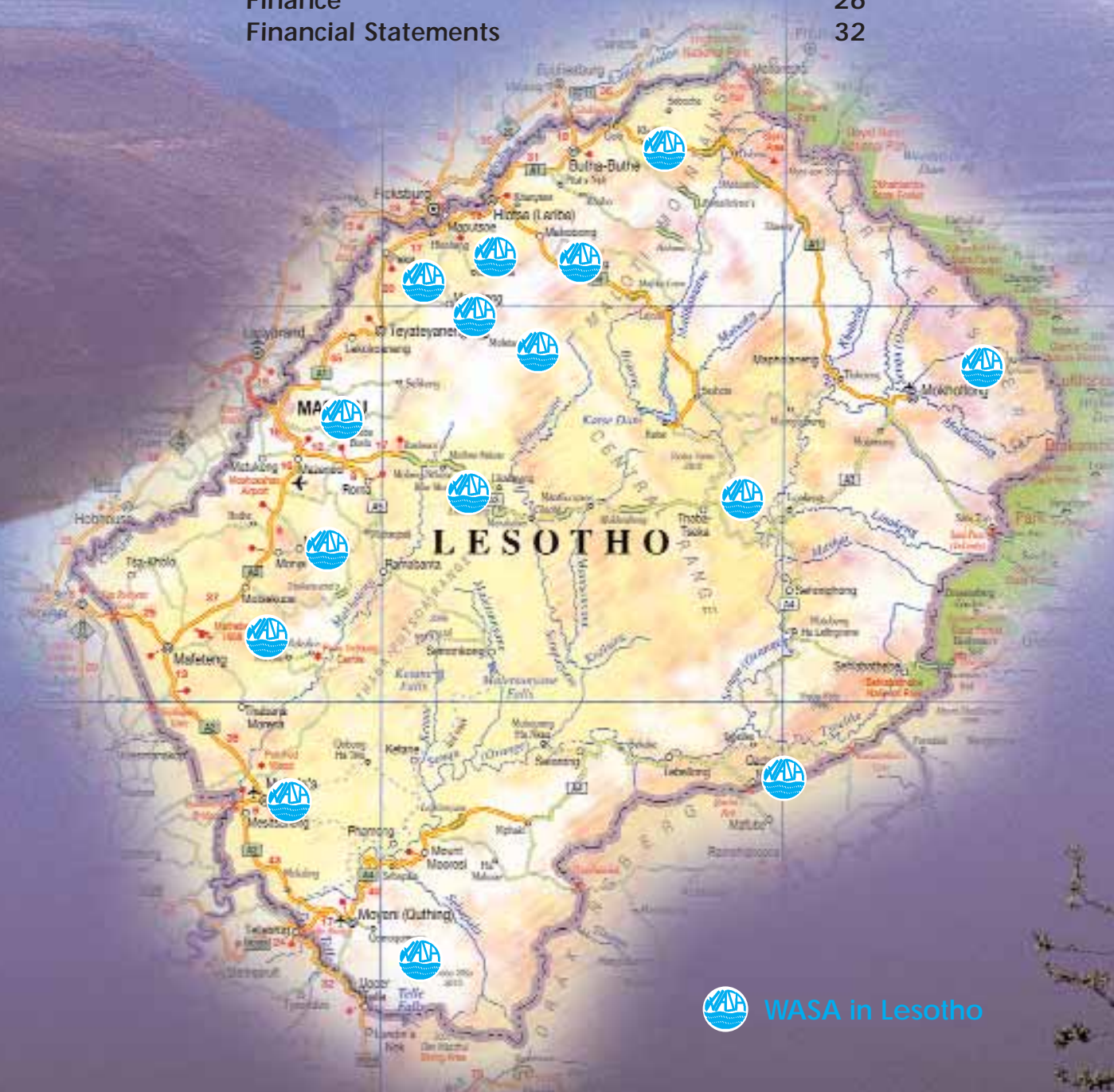


**Water & Sewerage Authority**



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# Vision

**We strive to be a world-class provider of adequate potable water and safe wastewater disposal services to all stakeholders in the urban centres of Lesotho.**

## Mission Statement

**We provide our valued customers in all designated urban areas with high quality potable water and environmentally sensitive wastewater disposal services through efficient and innovative processes; and highly motivated, competent, and professional staff.**

# Board of Directors



Mr. Bataung Leleka  
*Chairman*



Dr. Percy Mangoela



Mrs. Mammako Molapo



Mr. Ntali Matete



Mrs. Mamonaheng Ramonaheng



Mr. Lebohang Mofammere



Mrs. Refiloe Tlali  
*Chief Executive*



# Senior and Middle Management

## SENIOR MANAGEMENT

**Mrs. Refiloe Tlali**  
Chief Executive  
CA (Lesotho)

**Mrs. 'Mamotšoane 'Musa**  
Director of Finance a.i.  
CA (Lesotho)

**Mr. Falla Seboko**  
Director of Operations &  
Maintenance  
Civil Eng (Hons)

**Mr. Lira Mohosho**  
Director of Engineering  
BEng. Civil Eng.

**Mr. Morathane Monyamane**  
Director of Strategic Services and  
Human Resources  
MSc. Human Resource and  
Training

## MIDDLE MANAGEMENT

**Mr Brey Goolam**  
Manager Contracts  
Administration  
MSc. Water Res. Tech

**Mr. Khotso Letsatsi**  
Public Relations Manager  
MA Mass Comm. CPRP

**Mr. Pheelo Masoabi**  
Legal Affairs Manager  
LLB

**Ms. Puseletso Rangoako**  
Manager Human Resources  
BA. Public Admin.

**Mrs. 'Malethole Masenyetse**  
Manager Engineering Designs  
Civil Eng. (Hons)

**Ms. Tselane Mohapi**  
Stores Accounting Manager  
General Accountant (Lesotho)

**Mr. Letlama Jobo**  
Manager Sewerage  
BSc. Civil Eng.

**Mrs. Lerato Mokuoane**  
Financial Model Manager  
CA (Lesotho)

**Mrs. Pontšo Tau**  
Network Manager  
Civil Eng. (Hons.)

**Mr. Joseph Obiahu**  
Chief Internal Auditor  
CA, CIA

**Mr. Sekhonyana Sekhonyana**  
Manager Strategic Planning  
Analysis  
MSc. Economics

**Mr. Makhakhe Maliehe**  
Marketing Manager  
MCom (Marketing)

**Ms. 'Mapaseka Makhaba**  
Laboratory Manager  
BSc.

**Ms. Meriam Ratšiu**  
Credit Controller  
BCom. (Accounting)

**Mr. Motsamai Sootho**  
Strategic Planning and Change  
Management Consultant  
MBA

**Mr. Tšeliso Sibolla**  
Administration Stores Accountant  
BCom (Accounting)



**Mrs 'Makuena Nyabela**

Revenue Accountant  
General Accountant (Lesotho)

**Ms. Relebohile Poulo**

SSU Accountant  
BCom (Accounting)

**Mrs. Lineo Moqasa**

Public Relations Officer  
MA - CCMS

**Mr. Lefu Mokaoane**

Management Accountant  
CA (Lesotho)

**Ms. Palesa Monongoaha**

Project Manager - MWWP  
MSc. Environmental Eng.

**Mrs. 'Mamakula Foulo**

Financial Accounting Manager  
BCom (Hons.) Accounting

**Mr. Sehloho Sefeane**

Health and Safety Officer  
Degree Environmental Health

**Mrs. Mahali Lejaha**

Credit Control Accountant  
General Accountant (Lesotho)

**Mr. Mohapi Jessie**

Manager Water Production  
BSc. Civil Eng.

**Mr. Lebohlang Bulane**

ICT Manager  
BSc (Hons.)

**Mr. Thelejane Thelejane**

Manager Projects, Planning &  
Studies  
BSc (Hons.) Hydrogeology

**Mr. Chabeli Machake**

Metering Manager  
BCom (Hons.)

**Mrs. Matšepo Kotelo**

Credit Control Accountant  
BCom (Management)

**Mrs. Ntsoaki Mathaha**

Regional Accountant - South  
BCom (Accounting)

**Mr. Lehlohonolo Makhoali**

Project Manager (WSIP) a.i.  
MBA

**Mrs. Selloane Letsunyane**

Financial Model Officer  
BA Econ

**Mr. Tšukulu Phafoli**

Shared Services Manager  
M.A. HR Management &  
Development Planning

**Mr. Tankiso Nteso**

Recruitment and Staffing Officer  
M.A. Human Resources

**Ms. Pulane Pitso**

Senior Internal Auditor  
B.A. Economics & Accounting

**Mrs. 'Malechesa Mahao**

Procurement Officer  
BCom. Accounting

**Mr. Makalo Nts'asa**

Corporate Performance Analyst  
MSc. Economics

**Mr. Soai Soai**

Projects Accountant  
Registered Accountant

**Mrs. Mpho Mohlapiso**

ICT Programmer  
BSc. Computer Science & Statistics

**Mr. Majoro Raliengoane**

Internal Auditor  
Postgrad. Diploma in Finance,  
Banking & Investment  
Management

**Mrs. Kekeletso Sekhamane**

Senior Purchasing Officer  
BA.Ed, MDP

**Mr. Johnson Kolubah**

Credit Control Accountant  
BCom

**Mr. Ntsane Ramonate**

Towns Manager  
BTech Mechanical Engineering

**Mrs. 'Mamathe Makhaola**

Manager Water Distribution  
BEng. Civil Engineering

**Mrs. 'Masemela Elias**

Metering Accountant  
BCom Management

# Corporate Profile

Water and Sewerage Authority (WASA) serves over 300 000 people in the urban centres with potable water. The Authority provides safe drinking water to over 50 000 post paid connections, plus approximately 400 public standpipes. There are also more than 2 500 domestic prepaid connections, and more than 2 200 communal pre-paid card holders. The Authority also serves the many industries and commercial premises, particularly in Maseru which use about 40% of the water produced.

WASA has over 5 000 customers who are connected to the sewerage system. Over and above the said connections, the Authority operates a tanker service which serves more than 8 000 registered customers in all the urban centres of the country. The emptying service is provided to households and businesses in areas that have a reticulated water supply but do not have access to piped sewerage. The tankers are used to empty septic and conservancy tanks including VIP toilets.

On average, water production for the city of Maseru is 40 mega litres per day. Maseru residential and industrial customers obtain their water mainly from the Caledon (Mohokare) river, which is supplemented by water from the Maqalika dam when river levels are low and when there is high turbidity in the river.

## Districts

In the remaining 14 town centres (districts), raw water is abstracted from rivers, (surface water) and well points. Some of these towns obtain their supplies from springs and boreholes (ground water).

## Domestic Water Consumption

It is estimated that where there is internal plumbing and a sewer connection, the average consumption is about 120 litres per capita per day (l/c/d). Where the supply is to an outside tap, the average consumption is about 80l/c/d and this reduces further the supply from the house. On average people obtaining water from standpipes consume 40l/c/d. The minimum target set by Government is 30l/c/d.

## Corporate Values

In cognisance of the fact that WASA's ability to meet the above mission and vision would require specific kinds of behaviours by its management and staff, the following corporate values have been adopted.

- Integrity;
- Loyalty;
- Commitment and dedication to customer service and professionalism;
- Commitment to safety and environmental protection;
- Respect for other people;
- Self-confidence and staff suitability;
- Teamwork and co-operation;
- Commitment to a quality product and continuous improvement; and
- Financial sustainability.

To ensure consistency of understanding and interpretation, we have grouped the above corporate values into six broad categories, namely; ethics, customer service and professionalism, safety and environment, human resources, product, and sustainability. Under these six broad categories, this is how we understand and interpret the above corporate values.



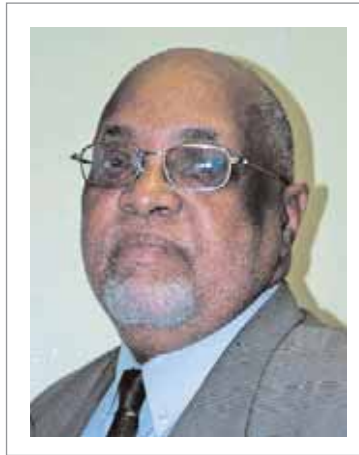


# Chairperson's Statement

It is my pleasure and honour as Water and Sewerage Authority (WASA) Chairman of the Board to present to you this report on behalf of the Board of Directors of the Authority. The report highlights a brief overview of the performance during the 2008/2009 Financial Year (FY) and the challenges experienced in the reporting period as well as those that lie ahead of us.

The Authority is in its second phase of the Performance Agreement (PA) signed with the Government of Lesotho since 2005. The main objective of the PA is to improve WASAs delivery of services to its customers through developing new programmes and projects, as well as improving the existing ones. To this end the Authority has managed to meet most of the targets set in the PA. This is a positive step in the Authority's transition into a commercial entity.

One notes with satisfaction the implementation of the



*Mr. Bataung Leleka*

Performance Management System. The initiative is intended to assist in the culture transformation into a high performance culture. It is to ensure that staff account for their performance and consequently the entire organisational performance is improved.

Pursuant to the Millennium Challenge Development Goals of halving the number of people without proper sanitation and access to potable water by 2015, the Authority is engaged in a number of projects. They include; the Maseru Wastewater Project (MWWP), the

Mazenod Water Supply Project and the Three Towns Water Supply and Sanitation Project that covers the towns of Teyateyaneng, Maputsoe and Roma. The purpose of the Three Towns Project is to enhance both the security of safe and reliable water supplies as well as to extend access to clean water and provide improved sanitation to new domestic and commercial users in the medium terms of the three towns.





Another major project currently underway is the Maseru Peri-urban Water Supply Project Phase II which will further increase the Authority's customer base in Maseru. It is our hope that customers in the North East and South West of Maseru City will be connected to water supply in the next financial year once the project has been completed.

Despite all these efforts to increase the water supply, the challenge that lies ahead of the Authority is an increasing demand for water for domestic and industrial consumption in designated urban centres. This challenge is envisaged to pose serious problems in economic development as well as public health.

One of the steps taken by the Government of Lesotho to address the problem is to fast track the construction of the long-awaited Metolong Dam Project aimed at augmenting water supply to Maseru City and the neighbouring towns of Roma, Teyateyaneng, Morija and Mazenod.

May I conclude this statement by extending my gratitude by acknowledging cooperation by the WASA Board of Directors, Management, Staff and



*A water tank supplied by WASA to Jeke Community*

Development Partners in keeping the Authority focused on its legislative mandate.

My appreciation is also extended to our customers, stakeholders and communities for their continued support. We will continue to show our commitment by meeting your needs through service excellence.



# Chief Executive's Review

It is with great pleasure to present the 2008/2009 Financial Year Report. The Authority is in its second phase of the Performance Agreement signed with the Government of Lesotho. I am pleased to point out that Independent Technical Auditors commended WASA on its performance after completing their audit on targets set by the Government of Lesotho as an initiative to transform the Authority into a commercial entity. It is worth noting that despite the global economic downturn, the Authority's financial profits have slightly improved.



*Mrs. Refiloe Tlali*

Other measures implemented to enhance the Authority's operation include the implementation of EDAMS Billing System and Customer Information System. As highlighted in the 2007/2008 FY report that the Authority is challenged by skills shortage in areas of Engineering and Operations, a Graduate Development Programme and a Technical Training programme were implemented to build and retain critical skills base. The Authority is also looking forward to the implementation of Management Development Programme (MDP) in the FY 2009/2010. The initiative is to assist managers to approach business in a world class fashion thereby building a business leadership and brand within the company.

## Public Relations

The section is entrusted with the overall communication of the Authority. However, results reflected in the 2006 and 2007 Customer Survey show that customers are concerned with inadequate information dissemination.

In view of the above the section has vigorously initiated the development of a Communication Plan. The strategy is therefore intended to be a road map for communication activities that are aimed at building and maintaining positive relations with targeted members of the public to

support WASA's policies and goals in an effort to retain its reputation, profitability and even its continued existence.

The Authority has made tremendous development in ensuring the company's brand succeeds through our Corporate Social Responsibility Programme, despite very limited resources.

We continue to educate and disseminate information to our customers and stakeholders through a number of channels such as a weekly Radio programme, an external quarterly newsletter, a website and through public gatherings.

## Marketing and Customer Service

The introduction of the new Billing and Customer System (EDAMS) brought with it a number of teething challenges. The challenges were predominantly caused by the following internal issues:

- Difficulty to quickly adopt new ways of doing tasks in line with system-aligned workflows or business processes.
- Unwritten policies to support quicker decision making.
- Data that was not fully cleansed when migrated from the old system.
- Lack of access to the system by all the sections involved in workflows. This has resulted in the system not being optimally used.

The Financial Year 2008-2009 saw Marketing and Customer Service devoting a large chunk of their time on activities geared towards optimising the benefits that could be gained from proper use of the new Billing and Customer system (EDAMS). We mainly focussed on:

- Supporting the customer-facing staff by providing close supervision to minimise mistakes.



- Organising a refresher training to improve the skills of customer-facing and other users.
- Providing feedback to management in relation to the system and advice on how to improve the system.
- Developing a structured effort to clean the data.

On the Marketing front we continued to pursue the objectives of WASA by promoting the services on offer through radio and print advertising. The channels of choice to publicise our services continue to be flyers, brochures and posters. Again in the Financial Year 2008-2009, through these efforts, we were able to generate enough demand for new water and sewer connections and surpassed the annual target of connecting three thousand (3000) new customers by generating more than five thousand connections (5 000).

The rate of new sewer connections is still very low and promotional efforts to generate demand have not produced significant results. This has forced WASA to explore the possibility of creating a rotating fund to assist prospects in reticulated areas by financing the installation of internal plumbing, which is the major obstacle for most people who wish to connect to the sewer lines.



*Chief Executive Mrs. Refiloe Tlali with Khabele Molefe, a student Chief Executive*



*Mr. Morathane Monyamane DSSHR presents a cheque to Ms. Limakatso Khonthu of Lesedi Community School*



*The Right Honourable Prime Minister Mr. Pakalitha Mosisili with Honourable ministers Mr. Semano Sekatle and Dr. Matumelo Sekatle during Public Service Day celebrations*





*WASA staff celebrating African Child's Day*

## Strategic Planning and Human Resources Division

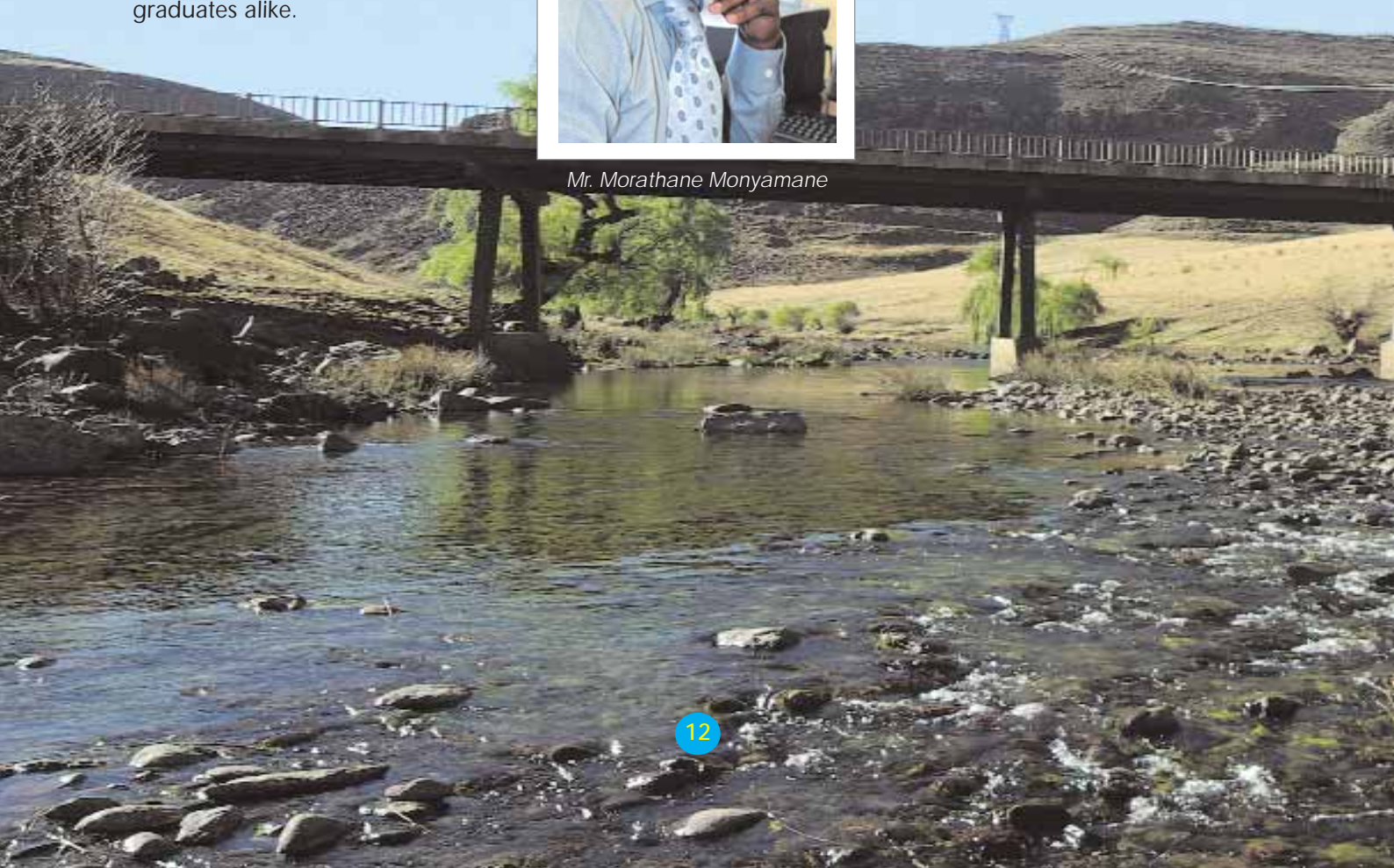
### Graduate development programme and student attachments

WASA has established its training initiatives as a way of fulfilling its mandate on social responsibility, where a helping hand is extended to Basotho tertiary students and graduates alike.



*Mr. Morathane Monyamane*

The year 2008 was the first time ever that the Programme was introduced at WASA. The Programme went so well that out of 5 graduates who participated in the Programme, 3 of them were ultimately employed in the areas of Information Communications and Technology, Human Resources and Legal Affairs.





Ten diploma and degree students were attached to the Authority in different disciplines. In its first year, the programme has been a success and all the attaches' have successfully completed their academic programmes.

### **Performance management system**

The implementation of the Performance Management System went ahead as planned and rollouts were done throughout the organisation, after which performance contracts were signed by all staff. Performance reviews were completed on schedule and for the first time, bonuses were paid based on performance in December 2008.

### **European Union funded training**

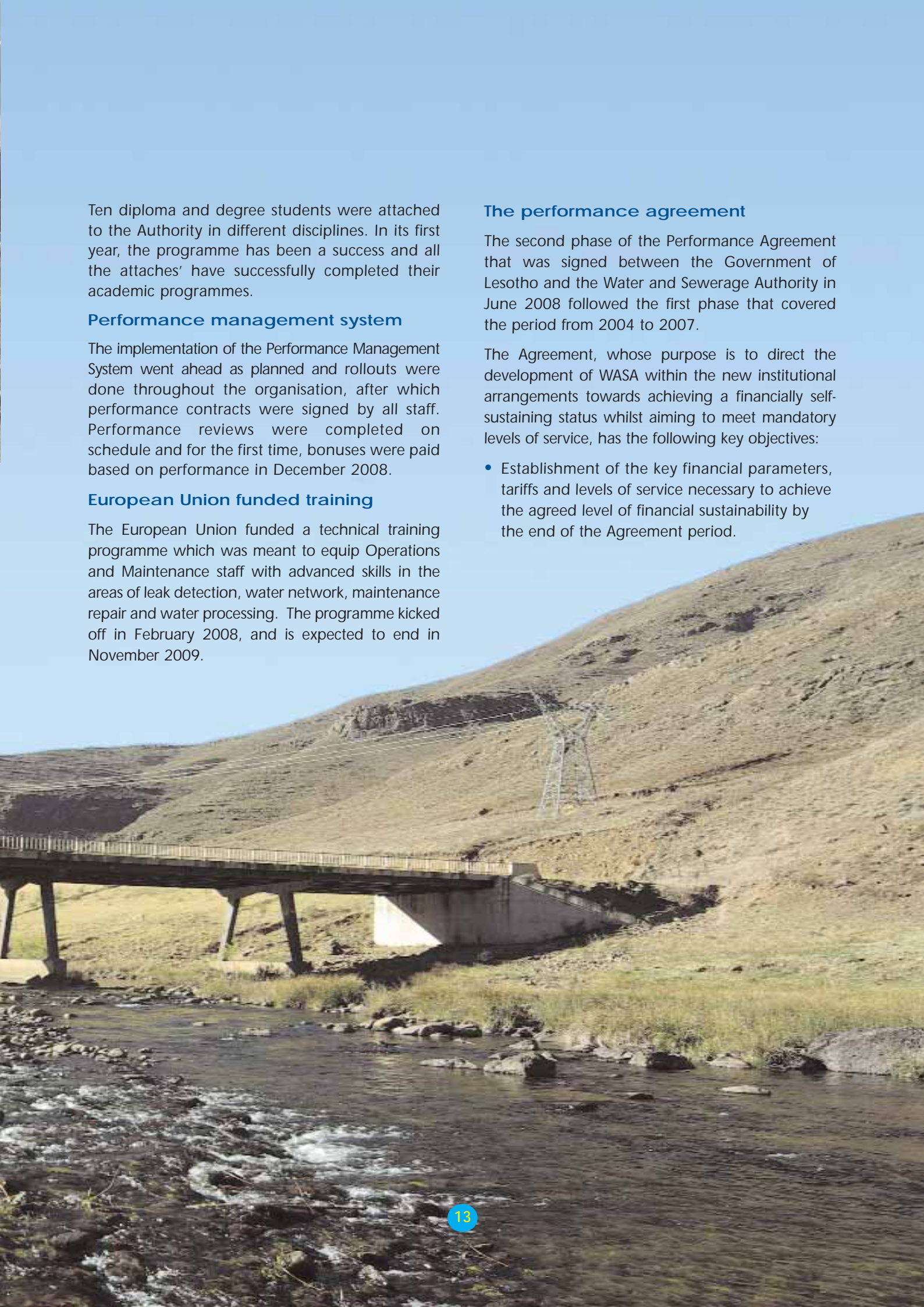
The European Union funded a technical training programme which was meant to equip Operations and Maintenance staff with advanced skills in the areas of leak detection, water network, maintenance repair and water processing. The programme kicked off in February 2008, and is expected to end in November 2009.

### **The performance agreement**

The second phase of the Performance Agreement that was signed between the Government of Lesotho and the Water and Sewerage Authority in June 2008 followed the first phase that covered the period from 2004 to 2007.

The Agreement, whose purpose is to direct the development of WASA within the new institutional arrangements towards achieving a financially self-sustaining status whilst aiming to meet mandatory levels of service, has the following key objectives:

- Establishment of the key financial parameters, tariffs and levels of service necessary to achieve the agreed level of financial sustainability by the end of the Agreement period.





# Strategic Planning and Human Resources Division

- Identification and registration of all WASA assets and their state of condition.
- Establishment of the water and wastewater levels of service that WASA is obliged to provide together with systems and procedures for their measurement.
- Improvement of a mechanism for the periodic review of tariffs necessary for WASAs long-term sustainability.

This year, the Agreement was assessed for performance on 26 service areas by an independent Technical Auditor. The report highlights commendable achievements on 22 out of 26 service areas. Specifically, (on a scale of 1 to 5 where 1 denotes excellent performance and 5 very poor performance) WASA scored a 1 in all categories under the Human Resources Management and Operations Optimisation. On Financial Management, the Authority obtained a score of 1 in all areas except in the category of Operating Margin, where the score was a 5. This low score came about as a result of a change that was made in the interpretation of the ratio.

Under the Water Resources Management, categories of Capital Investment Programming and Financial modelling, and Leakage Control received scores of 5 and 3 respectively. Customer Service did comparatively well with most of performance criterion receiving scores of 1 except for Customer Perception and Customer Strategy which received scores of 4 and 5 respectively.

Daily water service levels were achieved by reducing 5 150 customers who are served for less than 18 hours per day compared to the set target at 5 000 customers. This important milestone was achieved by extending services to densely populated localities within Maseru

Improvement of service delivery and efficiency was through engagement of private contractors who were engaged to install new water connections, and this resulted in over 5 300 connections, which surpassed the annual target of 3 000 connections, leading to an increase in the number of people with access to potable water.



*Mrs. 'Mamots'oane 'Musa (Finance Director a.i.) presents a certificate of appreciation to the retiring Mrs. 'Mathuso Fobo*



*WASA staff celebrate World AIDS Day*



*Tertiary students of Industrial Training*



*Strategic Services and Human Resources staff with Resolve Work Place consultants during Management Development Programme*



Performance criterion	Performance score gained	Weighting	Weighted performance score
<b>1.0 Customer Service</b>			
1.1 Customer Service System: Customers service-billing and collection system	Category 1	0.05	0.05
1.2 Levels of Service Improvement Plan: Domestic customers supplied for less than 18 hours per day	Category 1	0.04	0.04
1.3 Levels of Service Improvement Plan: Service coverage – Water	Category 1	0.02	0.02
Service coverage – Sewerage	Category 1	0.02	0.02
1.4 Customer Perception – % Improvement in customer satisfaction	Category 4	0.04	0.16
1.5 Customer Strategy – Number of sewerage connections	Category 5	0.04	0.2
1.6 Customer Strategy – Number of water connections	Category 1	0.04	0.04
<b>2.0 Water Resources Management</b>			
2.1 Capital investment programming (CIP) and financial modelling	Category 5	0.05	0.25
2.2 Leakage Control: District metering scheme	Category 3	0.05	0.15
2.3 Leakage Control: Unaccounted for water	Category 1	0.05	0.05
<b>3.0 Human Resources Management</b>			
3.1 Manpower Plan	Category 1	0.05	0.05
3.2 System Performance Management	Category 1	0.05	0.05
<b>4.0 Operations Optimisation</b>			
4.1 Planned Preventative Maintenance System (PPM)	Category 1	0.02	0.02
4.2 Geographical Information System (GIS)	Category 1	0.02	0.02
4.3 Quality Control: % Biological samples failing	Category 1	0.03	0.03
4.4 Quality Control: % Chlorine samples outside tolerance	Category 1	0.03	0.03
4.5 Quality Control: % Effluent samples failing	Category 1	0.05	0.05
4.6 Energy Plan: % Reduction in energy per m <sup>3</sup> supplied	Category 1	0.05	0.05
4.7 Energy Plan: % Reduction in energy per m <sup>3</sup> effluent treated	Category 1	0.05	0.05
<b>5.0 Financial Management</b>			
5.1 Cash Collection: % Current collection	Category 1	0.06	0.06
% Debt collection	Category 1	0.03	0.03
5.2 Debt Management: Reduction in debt age	Category 1	0.03	0.03
5.3 Financial Performance: % Debts covered	Category 1	0.05	0.05
5.4 Financial Performance: Operating margin	Category 2	0.02	0.04

# Engineering, Planning and Development Division

Water and Sewerage Authority is faced with many challenges of water supply and sewerage collection and disposal. These challenges include development of water sources, water coverage, improvement of service level and increase of sewerage coverage. Engineering, Planning and Development Division develops Capital Investment Programme which addresses the challenges mentioned above. The Annual Report for 2008/2009 covers the projects that were at different levels of implementation by the end of the year.



*Mr. Lira Mohosho*

## Completed Projects

### **Replacement of the Pumping Main from Litšoeneng Booster Station to the 1000 cubic metre Reservoir in Town.**

The project was completed during this reporting period and the reliability of water supply to the township was improved. The reduction of water losses due to this intervention is still under review.

*Works for the construction of a reservoir at Maputsoe, Three Towns Water Supply and Sanitation Project*





### **Sewer Extension in Butha-Buthe, Leribe and Mafeteng.**

The sewer extensions for the towns of Butha-Buthe, Leribe and Mafeteng were completed during the second quarter of 2008/2009.

The response due to this intervention was realised in Mafeteng while in Leribe and Butha-Buthe no connections were made.

### **Construction of Office Building in Roma**

The construction of office building together with guard house and fencing of the whole site were completed this financial which really contributed to the improvement of the image of the Authority.

### **On-going Projects**

#### **Maseru Peri-Urban Water Supply Phase II**

The project covers the North-East and South-West of Maseru.

*This includes the following areas:*

Khubetsoana	Koalabata
Tšenola	Lancer's Gap
Majoe-a-Litšoene	Sekamaneng
Mabote	Ha Thetsane
Ha Tsolo	Ha Tikoe

The project is at a very advanced stage. It comprises a total length of 280 kilometres of pipeline ranging from 32mm to 315mm diameters. About 90% of these pipelines have been laid and pressure tested.



# Engineering, Planning and Development Division



About 60% of value chambers have been constructed. One 3.6 Megalitre reservoir at Lancers Gap is 50% complete while the 250 cubic metre reservoir at Ha Thetsane is 100% complete. The booster stations pumping water to these reservoirs are almost 60% complete.

When completed, almost 5 000 households will have access to potable water supply.

## **Tikoe Thetsane Industrial Water Supply**

The project is intended to serve potable water to the proposed Tikoe Industrial area near South Phuthiatsana River.

The project comprises an Intake in the Caledon River, a treatment plant, rising and distribution mains and a 10 Megalitre reservoir located at Ha Tsolo. The components of the project are at different levels of implementation with the pipelines almost 80% complete while the river intake has not yet started.

## **Three Towns Water Supply and Sanitation Project:** (Maputsoe, Teyateyaneng and Roma)

The project covers generally drilling and equipping of boreholes, laying of pipelines, construction of reservoirs and rehabilitation of the existing sewage ponds in the three towns and construction of maturation ponds in Maputsoe.

Drilling of boreholes is about 80% complete and pipe laying is 40% complete. The construction of reservoirs in the three towns has not yet started.

Rehabilitation of sewage ponds in Roma has been completed while the work in Maputsoe and Teyateyaneng has just started.

The project will be completed in August, 2010 and water coverage in all three towns will increase to about 80%.

## **Mazenod Water Supply**

The project comprises a gravity main from Lithabaneng reservoir (High South reservoir) to the one Megalitre reservoir at Mazenod and distribution pipelines. All the components of the project are almost 60% complete. The project is to supply water to Mazenod and all its peri-urban areas including the Moshoeshoe I International Airport when completed before the end of 2009.

*Trench digging for pipe laying at Ha Maqele in Maputsoe under Three Towns Water Supply and Sanitation Project*



### Maqalika Raw Water Pumping Station

The project comprises the Intake at the Caledon River, the 900mm diameter ductile pumping main and the discharge structure near Maqalika reservoir.

The pumps at river intake will deliver 1.5 cubic metres per second into Maqalika during high flows in rainy seasons and during drought when water is released from the Lesotho Highland Water Project.

When completed in November, 2009, the project will reduce the duration of water releases from Lesotho Highland Water Project which will then reduce the cost because more water will be pumped to fill Maqalika in a shorter time than it is possible now.

### Maseru Wastewater Project

The project has been divided into three components i.e.

- a) Technical Assistance
- b) Immediate Works
- c) Medium Term Works

#### Technical Assistance

The Technical Assistant who is advising the Project Manager for Maseru Wastewater Project and her Project Management Unit is already in place and the project implementation is going at a faster rate than any other in WASA.

#### Immediate Works

The Immediate Works Component comprises purchase of eight vacuum tankers for both septic and ventilated improved pits (VIP), and replacement of electro-mechanical equipment at Ratjomose Wastewater Treatment Plant and existing twelve sewage pumping station within Maseru.

The project also comprises the rehabilitation of Maseru West Industrial ponds and repair of facultative pond at Ratjomose.

Procurement of vacuum tankers has been completed, refurbishment of existing pump station has also been completed and rehabilitation of the ponds is about 80% complete.



*Construction of a reservoir at Ha Ratjomose – Maseru Peri-Urban Phase II Project*



*Construction of Maqalika Raw Water Pump Station*



*An office, reservoir and chlorination house – Maseru Water Supply Project*

#### Medium Term Works

The Medium Term Works comprise Environment and Social Impact Assessment, Design and Supervision Consultancy and Construction Works.

# Engineering, Planning and Development Division

## i) Environment and Social Impact Assessment

The study has already been completed and approved by National Environmental Secretariat

## ii) Design and Supervision Consultancy

The consultant for design and supervision is already in place. The designs for sewer network and Wastewater Treatment Plant have already been completed and all contract documents compiled and approved by European Investment Bank and Water and Sewerage Authority.

## iii) Construction Works

Short listing of interested companies has already been completed and submission of tenders will be in the next financial year.

When completed, the project will extend the sewer network to Maqalika, Khubetsoana, Mabote, Tsenola, Motimposo and to the proposed Referral Hospital at Lepereng. All the institutions around the area including Makoanyane Barracks will benefit from this project.

## Community Water Supply and Sanitation Project (Lot II) for Shelile, Pena-Pena, Khubelu and Likotsi.

The consultant for this project has already finalised all the contract documents. The documents have already been approved by both the World Bank and WASA. Construction will start in the next financial year.

When completed, the project will install pre-paid meters to the above villages and the community will buy water at cheaper rates than the rates from the present water vendors.

## Water Supply and Sewerage Treatment Facilities to Metolong Dam and Associated Infrastructure

The project comprises a package water treatment plant and all its components, the construction of VIPs to nine villages within the catchment of Metolong Dam and the improvement of their water supply. The package water treatment plant with all its necessities is about 40% complete while the construction of VIPs in the 9 villages is only 30% complete. The water supply is 20% complete.

The water from the package treatment plant will supply the proposed camp during construction of Metolong Dam and supervision staff.



Tour of Three Towns Water Supply and Sanitation Project in TY by EU delegation, NAO, WASA and Community representatives





*Construction of a pump house at TY, Three Towns Water Supply and Sanitation Project*

### **Package Treatment for Quthing**

The package treatment plant for Quthing which produces about 1 500 cubic meters per day is about 90% complete and when completed it will improve the quality of water for Quthing and the supply will be more reliable.

### **Millennium Challenge Co-operation**

The project comprises:

- a) Rehabilitation of the existing water supply infrastructure for Qacha's Nek, Quthing, Mafeteng, Maseru, Leribe, Butha-Buthe, Mokhotlong and Mhale's Hoek.
- b) Extension of Reticulation Network for Mazenod
- c) New water supply system for Semonkong.

The Project Implementation Unit for this project is already in place and the Terms of Reference for Design and Supervisions have already been drafted for approval by both Millennium Challenge Account-Lesotho and Millennium Challenge Co-operation in Washington.

### **Geographical Information System (GIS)**

The software has been procured but the program cannot be fully utilised this financial year because there is a need for training, purchase of additional desktops and servers. In addition the system has integrated the Hydraulic Model and the process for obtaining services of a Consultant for design and supervision are under review by the World Bank.

### **Installation of Pre-paid Meters**

Water and Sewerage Authority continues to install pre-paid meters in Maseru. Pre-paid meters were installed at Maseru East and the next areas are Mhale's Hoek, Lower Thetsane and Thetsane West. Meters for all government houses and public standpipes in Leribe have been purchased and installation will be completed in the next year.

### **Proposed Projects for 2010/2011**

- a) Installation of pre-paid meters for residents of Qoaling
- b) Construction of transmission main from the Maseru Treatment Plant to Medium North Reservoir at Naleli
- c) Upgrading of Feasibility Study for Mapoteng
- c) Conceptual Design for Semonkong.



*Tour of Three Towns Water Supply and Sanitation Project in TY by Community representatives*





*Maseru Water Treatment Plant*

## Operations and Maintenance Division



*Mr. Falla Seboko*

**Operations and Maintenance Division** comprises of the following sections.

- Maseru Water Production – (Production & transmission of potable water)
- Maseru Water Distribution – (Reticulation maintenance management)
- 14 Towns – (Management of designated urban centres)
- Network – (Leakage control management)
- Central Laboratory – (Water quality management)
- Maseru Sewerage – (Wastewater management)
- Central Workshop – (Electromechanical repairs management)

The mandate of Operations and Maintenance Division is to produce and distribute potable water and to safely dispose of wastewater to the environment; in 15 designated urban centres of Lesotho.





# Operations and Maintenance Division

## WATER PRODUCTION

This year, we managed to produce 15 million m<sup>2</sup> of potable water against the target of 18 million m<sup>2</sup>. The short fall of 3 million m<sup>2</sup> was as a result of the following reasons:-

- Closing down of some textile industries in Maseru & Maputsoe.
- Scaling down of some textile industries due to the economic recession (melt down).
- Recycling of waste water by other industries. However on average the demand for all the urban centres was successfully met.

## WATER SUPPLY

In order to improve our service delivery level, the 2008/2009 financial year has been a remarkable one indeed.

- We managed to implement a Computerised maintenance system (PPM) which enables us to respond quickly to reported bursts and leakages.
- A call centre facility operating for 24 hours was also commissioned so as to enable an effective and efficient use of the Computerised maintenance system (PPM). Asbestos cement pipes were replaced by UPVC pipes in some areas within the Maseru City.



*Water treatment display during Public Service Day celebrations*



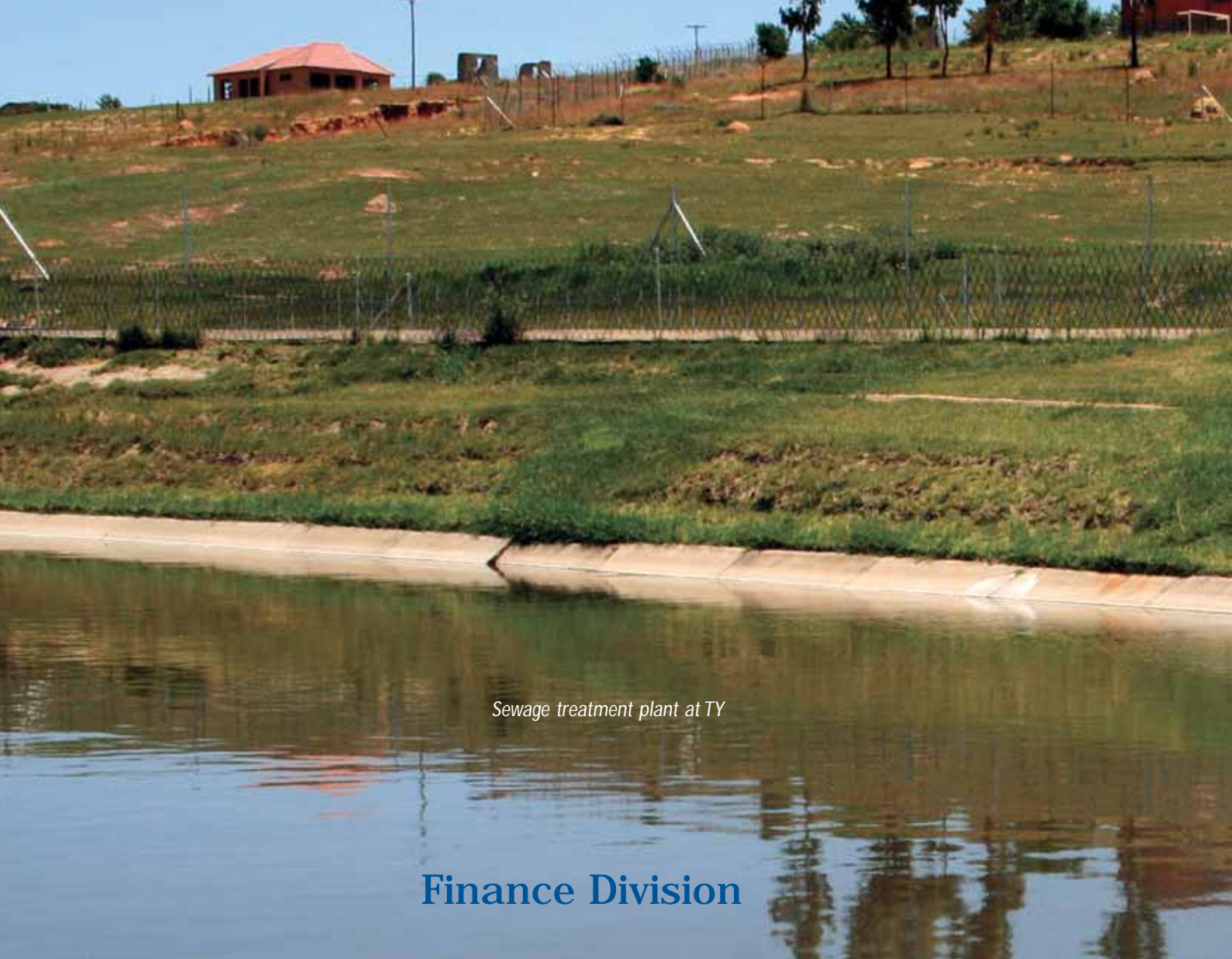
*Handover of sewage treatment plant at TY by UNIK Construction and Engineering*



- We also managed to install stand-by generators to ensure continuous water supply in order to address power outages which result in water supply disruptions.
- Non-revenue water for this year was 29%. There were initiatives that were kick started so as to lower this figure. They include:
  - Leak detection programmes under the supervision of network management and
  - Installation of District Metering Areas (DMA) which is still in progress

## WATER QUALITY & WASTEWATER QUALITY

The target set for the 2008/09 Financial Year for potable water quality was a failure of 4% for both microbiological quality and available chlorine. The water samples met the microbiological quality and 99% of the samples met the prescribed chlorine criteria. In order to improve on our waste water effluent quality 2 wastewater pump stations were rehabilitated. Furthermore Ratjomose wastewater treatment plant was also rehabilitated and stabilisation ponds at Roma, Mohale's Hoek, TY, Maputsoe and Mapoteng were de-sludged.



*Sewage treatment plant at TY*

## Finance Division

### Financial Performance

The Financial performance for the financial year 2008/09, as regards profitability, has slightly improved. The Authority has ended up with a surplus on ordinary activities amounting to M3.13m compared to deficit amounting to M2.89m in the last financial year. The overall net profit after taxation and prior year adjustment amounted to M0.711m as compared to net loss amounting to M2.97m in the last financial year 2007/08.

The overall turnover has increased from a figure of M77.67m in 2007/08 to a figure of M108.25m in the year 2008/2009 and there is a growth of 39.4%. This growth is across all designated urban centres. The major portion of income is from Water and Sewerage services as these services are at the core of the business.

Factors which contributed to this growth include among others the tariff review on water and



*Mrs. 'Mamots'oane 'Musa*

sewerage services, which was effective in April 2008. Income generated from water and sewerage increased by 48% to M97.77m in 2008/2009 compared with M66.04m in 2007/2008. As far as new service connections are concerned, there was a growth of 3.6% with an income figure of M8m for 2008/2009 as compared to the figure of M7.73m for the previous year. This growth rate has been facilitated by the completion of Maseru Peri-Urban Phase I Project. The project was expected to add 3000 new water connections during the financial year 2008/09, and the actual number of connections ended up

being 5120.

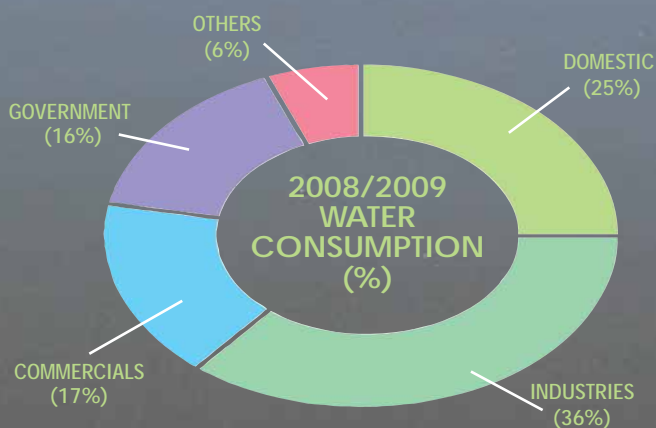
The Textile Industries contributed around 36% of Maseru Water Billing. Due to global economic downturn, the Industries demonstrated negative consumption pattern since September 2008. The consumption has not met expectations as it has slightly decreased by around 8000 kiloliters when compared to the previous period. The major





impact was also due to recycling of waste water that is being put in place by some of the wet industries. Other recognisable contributors to revenue are the Domestic Sector, the Government of Lesotho and Businesses/Commercials which respectively accounted for 25%, 16% and 17% of the total sales during the year ended March 2009. 6% is for other categories such as Schools and Religious Institutions.

**CONSUMPTION AS PER CATEGORY**



As far as operating profit is concerned, there was a notable increase when compared to the previous year. The operating costs for the year ended March 2009 stood at M107.19m, resulting in an operating profit of M1.07m compared to operating loss of M7.11m in the previous year. Operating expenses were slightly under control particularly during this recession period whereby overall costs have been increasing at an alarming rate and operating income has been decreasing. The major portion of the operating expenses relate to Power, Chemicals, Reticulation & Plant Maintenance, New Connections costs, depreciation and manpower costs, as could be expected in this type of business.

Finance expense for the year was M3.54m compared with M2.88m in 2007/2008. The increase is primarily related to the execution of Maseru Peri-Urban Phase II Project financed by loans from BADEA and OPEC.

# Finance Division

## Financial Position

### Fixed Assets

There has been a transfer of completed projects amounting to M2.895m to fixed assets during the year ended March 2009. The additions are largely attributable to assets in construction throughout all designated urban centres. There are also some additions on Plant and Machinery, Vehicles, and office Furniture and Equipment

There are on-going projects which have increased the Work-In-Progress (WIP) figure to M270.53m. The bulk of the WIP figure is in respect of five projects, and can be summarised as follows:

- Maseru Peri-Urban Project Phase II (M48.35m), financed by BADEA, OPEC and GOL.
- Three Towns Water Supply and Sanitation Project (M73.99m), financed by European Union.
- Water Sector Improvement Project (M24.02m), financed by World Bank and GOL
- Tikoe-Thetsane Industrialisation Project II (M35.84m) financed by GOL
- Pre-paid Meters Project (M4.14m) financed by the Standard Lesotho Bank Ltd.

### Net Current Assets

The Net Current Asset position of the Authority has positively moved to a figure of M71.31m at the end of the reporting period, with the current asset figure of M116.83m against the current liabilities of M45.51m. Current Liabilities increased at a higher rate than Current Assets when compared to the last financial year 2007/2008. This increase pattern resulted in decrease on Current Ratio from 3.36 times for 2007/2008 to 2.57 times for 2008/2009. However, the reported net current asset of the Authority is still in a comfortable liquidity position. There were a number of challenges facing the Authority in terms of income generated as mentioned above which affected cash collection as well. The Authority is putting in place control measures to overcome these challenges, such as, empowering legal office for debt collection as well as disconnection of overdue accounts. However

disconnected accounts still pose a problem as a major portion of the debtors do not repay their debts and do not subsequently officially arrange for the services to be reinstated. Concerted efforts were made to follow up on the disconnected customers and to encourage them to pay the outstanding debts. Conversion of post paid stand pipes to prepaid stand pipes as well as installation of prepaid meters to some parts of Maseru domestic consumers has also somewhat positively contributed to the improved collection because consumers pay for their consumption in advance instead of the Authority awaiting for a month or even more to collect cash for the service already provided.

### Cash Flow

Cash generated from continuing operating activities increased to M4.923m in 2008/2009 compared to M0.384m in 2007/2008. The major portion is cash collected from water and sewerage services. Overall collection rate stood at 99% of water and sewerage billed and the target was 95% as per Performance Agreement. Net cash has been increased to M1.382m after taking into consideration interest charged on loans.

Net cash utilised in investing activities increased to M174.24m in 2008/2009 compared to M25.21m in 2007/2008. This amount consists of completed projects transferred to fixed assets of M2.895m and additions such as plant and machinery, office furniture and equipment, vehicles as well as assets in construction of M189.936m.

Net cash from financing activities increased to M182.87m in 2008/2009 compared to M23.21m in 2007/2008. Government of Lesotho contributions and grants contributed more towards the increase. The funding was from Government counterpart financing projects such as Maseru Peri-Urban Water Supply, Lesotho Water Sector Improvement Project Phase I, Three Towns Water Supply and Sanitation, Maseru Waste Water Project and others.

Overall net movement for the year increased to M10.014m from adverse movement of M4.49m in 2007/2008.



## Investments

The Authority continues to invest in short term investments such as Money Markets and Treasury bills, which yield higher returns than other investment instruments available in the local financial markets. This is part of a strategy to build reserves that will become available for capital expenditure programme.

## Customer Service

### Customers, billing and debt collection

The Authority places great importance on customer relations. It manages the sales, billing, cash collection and debt management activities and systems for approximately 50 000 domestic and business customers in Lesotho and has responsibility for improving the quality of service and the range of services provided to these customers. The Authority's aim is to continually improve the existing level of customer satisfaction, and to create value from its customer relationships. At present, the Authority bills are around 11.54 million kiloliters of water per year of which 32% is from domestic customers while 38% is from Industries. Its activities include treatment of water and wastewater and advice on controlling leakages as well as advising customers' about monitoring of leakages at their premises. It also has responsibility for managing ongoing relationships with these customers and for growing the customer base.

### Pre-paid Metering System

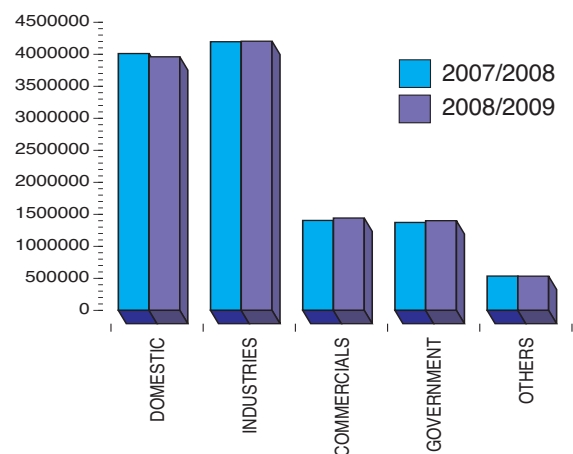
The domestic pre-paid meters have impacted positively in enabling WASAs customers to monitor their consumption of water and also to identify leakages as the system has the features to detect usage of water throughout on a 24 hour basis. All stand pipes in Maseru have been converted from post paid to pre-paid metering system. Customers can purchase water from WASA head office Maseru. There are also two additional pay-points for prepaid system in Maseru, these are, Engine Filling Station at Lake Side and Engine Filling Station near Shoprite LNDC Centre. The initial preparation to convert all the public standpipes in Hlotse to pre-paid started during 2008/2009, as an attempt to minimise the incidence of non-payment of debts by some selected communities which have been operating post-paid standpipes and for Government Houses at Hlotse. The actual installation will be carried out during financial year 2009/2010.

## Financial Accounting System

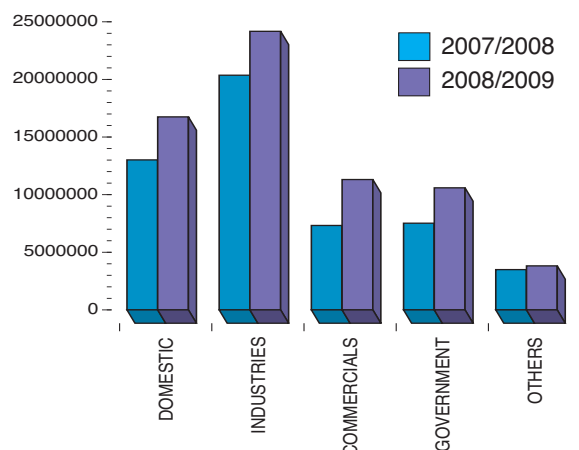
Another improvement worth to mention is upgrading of Financial Accounting system. The upgrading was done to facilitate interface with other information systems such as Computerised Maintenance Management system, Billing and collection system and Geographical Information system; in order to ease flow of information as well as accuracy.

### Analysis of Water Sales

Volume of water billed in kiloliters in 2007/08 and 2008/09



Amount of Water Sales in Maloti for 2007/08 and 2008/09





Office of the Auditor General  
P.O. Box 502, Maseru 100, Lesotho

## REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF WATER AND SEWERAGE AUTHORITY FOR THE YEAR ENDED 31 MARCH 2009

Moteane, Quashie and Associates Chartered Accountants, under Section 15(1) of the Audit Act 1973, have audited the accompanying financial statements of Water and Sewerage Authority which comprise the balance sheet as at 31 March 2009 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 32 to 44.

### Director's Responsibility for the Financial Statements

Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. The audit has been conducted in accordance with International Standards on Auditing. Those standards require auditors to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments; the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

### Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the authority at 31 March 2009 and of its financial performance and its cash flow for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Lesotho Water and Sewerage Order, 1991 as amended.

### Emphasis of Matter

Without qualifying my opinion, I draw attention to the non-inclusion of the financial affairs of Sanitation Services Unit in the financial statements of the authority even though the Sanitation Services Unit is under the management of Water and Sewerage Authority:

Lucy. L. Liphafa (Mrs)  
Auditor General  
20 January 2010



4th Floor \* Finance House \* High Court Road \* Maseru \* Lesotho  
Telephone (+266) 22323904/2231427 \* Fax (+266) 22310366  
E-mail : lessai@auditgen.gov.ls



# Statement of Board of Directors

## DIRECTORS STATEMENT OF RESPONSIBILITY AND APPROVAL

The Board of Directors is required to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is its responsibility to ensure that the financial statements fairly present the state of affairs of the organisation at the end of the financial year and the results of its operations and cash flows for the year ended, and in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Board of Directors acknowledges that it is ultimately responsible for the system of internal financial control established by Water and Sewerage Authority (WASA) and places considerable importance on maintaining a strong control environment. To enable it to meet these responsibilities, the Board of Directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout WASA and all employees are required to maintain the highest ethical standards in ensuring WASA's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in WASA is on identifying, assessing, managing and monitoring all known forms of risk across WASA. While operating risk cannot be fully eliminated, WASA endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

The Board of Directors is of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied on for the presentation of the financial statements. However, any system of internal financial control can provide only reasonable assurance and not absolute assurance against material misstatement or loss.

The Board of Directors has reviewed WASA's cash flow forecast and budgets for the year to 31 March 2009, and is satisfied that WASA has, or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on WASA's financial statements. The financial statements have been examined by WASA's external auditors and their report is given on page 30.

These Financial Statements set out on pages 32 to 44 were approved by the Board, and signed on its behalf by:-



Chairman of the Board



Date



Chief Executive Officer



Date

# Income and Expenditure Statement

For the year ended 31 March 2009

<b>INCOME</b>		<b>2009</b>	<b>2008</b>
	<b>Notes</b>	<b>M'000</b>	<b>M'000</b>
Operating Profit/(Loss)	16	1 065	(7 110)
Net interest received/(charged)		2 061	4 216
Interest received		15 162	10 802
Provision for impaired debts		(9 560)	(3 706)
Interest charged		(3 541)	(2 880)
Net profit before taxation		3 126	(2 894)
Taxation	2.3	-	-
		<hr/>	<hr/>
		3 126	(2 894)
Prior year adjustment	15	(2 415)	(76)
<b>Profit/(Loss) at end of year</b>		<hr/>	<hr/>
		711	(2 970)



# Balance Sheet

For the year ended 31 March 2009

	Notes	2009 M'000	2008 M'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	548 521	369 770
<b>Current assets</b>			
Inventories	4	6 946	4 887
Accounts receivable	5	59 072	46 348
Short-term investments	6	32 595	22 071
Bank and cash	7	18 212	17 611
<b>TOTAL ASSETS</b>		<b>665 347</b>	<b>460 687</b>
<b>CAPITAL AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
GOL funding	8	349 054	339 369
GOL grant	9	309 221	137 113
Accumulated funds	10	(42 683)	(43 394)
Reserves	11	(8 876)	(8 876)
<b>Non-current liabilities</b>		<b>13 118</b>	<b>9 431</b>
Provisions for severance pay	12	8 671	6 062
Long-term loans	13	4 447	3 369
<b>Current Liabilities</b>		<b>45 513</b>	<b>27 043</b>
Bank		4 463	3 351
Accounts payable	14	41 050	23 692
<b>TOTAL CAPITAL AND LIABILITIES</b>		<b>665 347</b>	<b>460 687</b>

# Statement of Changes in Capital and Reserves

For the year ended 31 March 2009

	GOL	GOL	Reserves	Accumulated excess expenditure over income	Total
	M			M	M
<b>Balance at 1 April 2008</b>	339 369	137 113	(8 876)	(43 394)	424 212
Net profit for the year	-	-	-	711	711
Corrections of deposits wrongly Deposited in GOL funding A/C					-
GOL funding	9 685	173 373	-	-	183 058
Grant amortised	-	(1 265)	-	-	(1 265)
Revaluation Reserve	-	-			-
<b>Balance at 31 March 2009</b>	<b>349 054</b>	<b>309 221</b>	<b>(8 876)</b>	<b>(42 683)</b>	<b>606 716</b>



# Cash Flow Statement

For the year ended 31 March 2009

	2009 M'000	2008 M'000
<b>CASH GENERATED FROM OPERATING ACTIVITIES</b>		
Net Profit before interest charges	6 667	(14)
<b>Adjustment for:</b>		
Depreciation/provision for reticulation assets maintenance	10 311	9 771
Depreciation of disposed asset	330	-
(Profit)/Loss on fixed assets disposal	6	(225)
Provision for severance pay	2 609	59
Write offs & adjustments	(0)	17
Prior year adjustment	(2 415)	(76)
Interest income	(15 162)	(10 802)
	<u>2 347</u>	<u>(1 270)</u>
<b>Changes in working capital:</b>		
Decrease/(Increase) in inventory	(2 059)	(713)
Decrease/(Increase) in receivables	(12 724)	(1 380)
Decrease)/Increase in payables	17 358	3 747
	<u>4 922</u>	<u>384</u>
Cash generated from operations	(3 541)	(2 880)
Interest paid	<u>1 380</u>	<u>(2 496)</u>
<b>CASH UTILISED IN INVESTING ACTIVITIES</b>		
Purchase of tangible fixed assets	(189 937)	(36 233)
Disposal of Asset	542	-
Proceeds from sale of fixed assets	(6)	225
Interest received	15 162	10 802
	<u>(174 239)</u>	<u>(25 206)</u>
<b>CASH FROM FINANCING ACTIVITIES</b>		
Increase in GOL contribution/grant	181 793	22 250
Increase/(Decrease) in long term liabilities	1 078	960
	<u>182 871</u>	<u>23 210</u>
<b>NET MOVEMENT FOR THE YEAR</b>	<b>10 014</b>	<b>(4 492)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>36 330</b>	<b>40 822</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>46 344</b>	<b>36 330</b>

# Statement of accounting Policies

## 1. BACKGROUND

The Lesotho Water Sewerage and Authority (WASA) was established under the Lesotho Water and Sewerage Authority Order No.29 of 1991(as amended). Under this Order WASA acquired all fixed assets and functions operated by the former Water and Sewerage Branch of the Ministry of Water, Energy and Mining, with effect from 1 April 1992.

## 2. STATEMENT OF ACCOUNTING POLICIES

### 2.1 Basis of Accounting

The financial statements have been prepared on the historic cost basis with the exception of fixed assets acquired prior to September 1991.

### 2.2 Turnover

Turnover represents amounts invoiced to customers for services provided.

### 2.3 Taxation

The Water and Sewerage was granted autonomous status on 1 April 1992 and as such is liable for Corporation Tax at the applicable rate, on its assessed taxable profit.

It is expected that no liability to taxation will arise for the year based on the reported results of the previous years.

### 2.4 Depreciation and valuation of assets

#### 2.4.1 Revaluation of fixed assets

The fixed assets comprising of Land and Buildings, Structures Plant and Machinery other assets were revalued by Lesotho Lands and Property Consultants towards the financial year ended March 2008. The revaluations have been incorporated into the Authority's accounts.

#### 2.4.2 Reticulation

- The underground network of water supply mains and sewers are treated as specialised structures for accounting purposes.
- Expenditure on reticulation assets which relate to increases in capacity or enhancements of the network are shown as additions and entered at cost.
- Expenditure on maintaining the operating capacity of the network is charged as an operating cost.
- The transfer value for reticulation assets shown in the fixed assets statement is the valuation determined on the basis of depreciation replacement cost by Quantum Consultants (Lesotho) (Pty) in August 1991.
- Depreciation is provided on a straight line basis over the estimated useful/economic life of the reticulation assets, which has been estimated at 50 years.



# Statement of accounting Policies

## 2.4 Depreciation and valuation of assets (continued)

### 2.4.3 Other assets

- Other assets, which include buildings, operational structures, plant and equipment are shown at either the valuation determined on the basis of depreciated replacement cost by Quantum Consultants in August 1991, or at cost if acquired after August 1991.
- Freehold land is not depreciated.
- For other assets depreciation is provided on a straight line basis over the estimated useful/ economic life for each group of assets, which are principally as follows:-

#### **Buildings, offices houses**

Specialised operational structures	15 - 40 years
Plant and Machinery	8 - 15 years
Vehicles	5 - 7 years
Office equipment, including computers	3 - 6 years

- Depreciation normally commences in the financial year following commissioning, although vehicles and other assets with a short useful life are depreciated from the date of acquisition.

### 2.4.4 Minimum Capitalisation

Expenditure on capital projects or acquisitions up to M10,000 is charged to the Profit and Loss Account as operating costs with exception of printers.

### 2.4.5 Capital work-in-progress

Expenditure values shown for works in the course of construction comprise materials, labour, transport and attributable overheads. On commissioning the total cost is capitalised and depreciated over the appropriate useful life.

## 2.5 Provision

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

## 2.6 Inventory

Inventory is stated at either cost, or market value if lower, less any provision necessary to recognise damage or obsolescence.

## 2.7 Grants

Grants are accounted for and recognised in the income and expenditure account in line with IAS 20.

## 2.8 Rounding

All items are shown to the nearest one thousand Maloti, therefore a - in the column indicates either no transaction or totals of less than five hundred Maloti.

# Notes to the Financial Statements

For the year ended 31 March 2009

## 3. PROPERTY, PLANT AND EQUIPMENT

### *Owned assets*

Land and buildings	27 245	1 182	26 063	26 676	561	26 115
Specialised operational structures	121 855	23 425	98 430	120 894	20 407	100 487
Reticulation	204 826	69 905	134 921	203 248	66 494	136 754
Plant and machinery	13 637	2 275	11 363	10 879	1 132	9 747
Motor vehicles	11 468	7 220	4 248	8 779	5 404	3 375
Office equipment and furniture	5 340	2 369	2 971	3 491	1 736	1 755
Assets in construction	270 526	-	270 526	91 537	-	91 537
	<b>654 898</b>	<b>106 377</b>	<b>548 521</b>	<b>465 504</b>	<b>95 734</b>	<b>369 770</b>

The carrying amounts of property, plant and equipment can be reconciled as follows:

FOR THE PERIOD ENDED 31 MARCH 2009	Carrying amount at beginning of period	Cost adjustments revaluation	Transfer to completed projects	Additions	Disposal	Depreciation	Accumulated depreciation Adjustment	Carrying amount at end of period
<i>Owned assets</i>								
Land and buildings	26 115	-	356	213	-	621	-	26 063
Specialised operational structures	100 487	-	961	-	-	3 018	-	98 430
Reticulation	136 754	-	1 578	-	-	3 411	-	134 921
Plant and machinery	9 747	-	-	2 758	-	1 143	-	11 363
Motor vehicles	3 375	-	-	3 232	(542)	1 484	332	4 248
Office equipment and furniture	1 755	-	-	1 849	-	633	-	2 971
Assets in construction	91 537	-	(2 895)	181 884	-	-	-	270 526
	<b>369 770</b>	<b>-</b>	<b>0</b>	<b>189 936</b>	<b>(542)</b>	<b>10 311</b>	<b>332</b>	<b>548 521</b>



# Notes to the Financial Statements

For the year ended 31 March 2009

	2009 M'000	2008 M'000
<b>4. INVENTORY</b>		
Cost	7 285	5 271
Provision for obsolete stock	(339)	(384)
	<u>6 946</u>	<u>4 887</u>
<b>5. ACCOUNTS RECEIVABLE</b>		
Trade debtors	71 586	49 754
Miscellaneous debtors	4 789	5 680
Postal Services	244	466
Cairomatic - Advance	1 161	1 161
Sanitations Unit	1 807	744
Shoprite Services	709	665
Roma drought emergency	317	317
CEC Advance	2 125	2 098
Staff debtors	181	55
Staff housing loan	612	989
Prepaid Interest - GOL	158	158
Withholding tax	58	78
Other debtors	703	-
	<u>84 449</u>	<u>62 165</u>
Less: Provision for doubtful debts	(25 377)	(15 817)
	<u>59 072</u>	<u>46 348</u>
<b>6. SHORT-TERM INVESTMENTS</b>		
Treasury bills (Central Bank)	6 664	8 627
Standard Bank Money Markets	25 931	13 444
	<u>32 595</u>	<u>22 071</u>
<b>7. BANK AND CASH</b>		
Lesotho Bank Call Accounts	18 204	17 598
Cashiers	8	13
	<u>18 212</u>	<u>17 611</u>
Sub-total	18 212	17 611
Lesotho Bank Current Account (note.)	(4 463)	(3 351)
	<u>13 749</u>	<u>14 260</u>

Note: A sweeping facility has been put in place to ensure that short-term current accounts cash deficits are immediately corrected.

# Notes to the Financial Statements

For the year ended 31 March 2009

## 8. GOVERNMENT OF LESOTHO FUNDING

Government contribution to WASA representing the valuation of net assets of the former Water and Sewerage Branch (as specified in the Second Schedule of the Lesotho Water and Sewerage Authority Order of 1991) at 1st April 1992, plus projects under construction, funded by the Government of Lesotho on behalf of WASA.

	2009 M'000	2008 M'000
Balance brought forward (Re-stated)	(10 213)	(13 480)
Additions during the year	9 685	3 267
	<u>(528)</u>	<u>(10 213)</u>

## 9. GOVERNMENT OF LESOTHO GRANT

GOL grant represents debt forgiveness by the GOL analyzed as follows:

Balance at 1st April	137 113	118 130
Industrialisation loan	-	
W-I-P	39 492	97 149
Completed projects	97 621	20 981
Additions during the year	173 373	19 420
Transfer from long-term loans (reallocation)	-	-
Amortisation: Completed projects	(1 265)	(437)
Interest forgiveness (note)	-	-
	<u>309 221</u>	<u>137 113</u>

Note:

The interest on Long-term loans cancelled by Government of Lesotho, was capitalised at the time of cancellation with the intention of amortising it according to the useful life of the financed assets. Due to the difficulty of apportioning the accumulated interest to the various projects which the loans financed, the interest was charged to the Income Statement in total at the end of March 2007.

## 10. ACCUMULATED DEFICIT

Balance at 1st April	(43 394)	(40 424)
Net profit/(loss) for the year	3 126	(2 894)
Prior year adjustment (Note 16.)	(2 415)	(76)
	<u>(42 683)</u>	<u>(43 394)</u>

## 11. RESERVES

Revaluation reserve	(9 005)	(9 083)
General reserve	129	207
	<u>(8 876)</u>	<u>(8 876)</u>



# Notes to the Financial Statements

For the year ended 31 March 2009

	2009 M'000	2008 M'000
<b>12. PROVISION FOR SEVERANCE PAY</b>		
An amount equal to 90% of the provision for severance pay has been classified as long - term liabilities. The basis used is the annual staff turnover.	8 671	6 062
	<u>8 671</u>	<u>6 062</u>
<b>13. LONG TERM LIABILITIES</b>		
<b>13.1 Standard Lesotho Bank Loan</b>	3 487	2 409
A loan advanced by the Standard Lesotho Bank to finance the Pre-paid system project. The loan is payable over a period thirty six months at an interest rate of 2% per annum. Repayment of the loan will commence upon completion of the project.		
<b>13.2 Standard Lesotho Bank Loan</b>	960	960
A loan advanced by the Standard Lesotho Bank to finance the Purchase of two excavators. The loan is payable over a period of sixty months at an interest rate of 2% per annum.		
Balance	<u>4 447</u>	<u>3 369</u>
<b>14. ACCOUNTS PAYABLE AND ACCRUALS</b>		
Accrued expenses	2 360	3 000
Customers' deposits	4 543	4 118
Due to contractors	14 686	2 680
Interest payable to the government	10 828	7 781
Payment received in advance	247	247
Provision for severance pay	964	674
Trade creditors	246	246
Vat control	138	197
Gratuity Provision	6 545	4 506
Unclaimed salaries	1	1
Income Tax Deducted	85	4
Audit fees	-	-
Other creditors	408	238
	<u>41 050</u>	<u>23 692</u>

# Notes to the Financial Statements

For the year ended 31 March 2009

	2009 M'000	2008 M'000
<b>15. PRIOR YEAR ADJUSTMENTS</b>		
Interest payable	(124)	124
Provision for gratuity - 2006/07	127	(127)
Accumulated depreciation on vehicles from Prjocets (773)	-	
Provision for Severance Pay - 2007/2008	(1 645)	-
Mokhotlong Reh. Exp. Capitalised in error	-	-
Reversal of incorrect sewer charges	-	-
Write - off of sewer charges	-	-
Interest charged on debtors - March 2006	-	-
Write - off of unreconciled Accumulated P & L	-	-
VAT - March 2006	-	-
Reversal of partly paid receipts	-	(73)
	<u>(2 415)</u>	<u>(76)</u>
<b>16. INCOME</b>		
Water and Sewage charges	97 765	66 036
New service connection	8 003	7 727
Gain on disposal	(6)	225
Other income	2 490	3 678
	<u>108 251</u>	<u>77 667</u>
<b>EXPENDITURE</b>		
Manpower costs	49 094	37 736
Electricity	9 320	7 766
Reticulation & plant maintenance	7 280	5 362
Chemicals	4 044	3 483
Transport	3 618	2 830
New connections	7 352	4 674
Telephone, stationery, postage	2 505	2 052
Rents, Security & Insurance	3 294	2 964
Training & travel expenses	2 802	1 696
Directors fees	262	279
Audit fees	119	112
Office equipment	1 694	1 211
Other expenses (including write-offs)	5 206	4 533
Rates	256	256
Stock adjustment account	30	52
Depreciation	10 311	9 771
	<u>107 186</u>	<u>84 777</u>
<b>Operating profit for the year</b>	<u>1 065</u>	<u>(7 110)</u>



# Summary of WASA's performance

for 7 years to 2008/2009

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>WASA INCOME STATEMENT</b>							
Turnover	44 196	50 852	61 672	65 706	73 830	77 667	108 252
Less: Operating expenses	43 020	49 247	60 240	64 709	71 714	84 777	107 187
<b>Operatng profit/loss</b>	<b>1 176</b>	<b>1 605</b>	<b>1 433</b>	<b>997</b>	<b>2 116</b>	<b>(7 110)</b>	<b>1 065</b>
<b>Other Income/expense</b>							
Add: Interest received	1 159	5 370	5 517	4 144	9 010	10 802	15 162
Interest - Debt forgiveness	-			11 932			
Provision for doubtfull debt	-				4 064	3 706	9 560
<b>Net profit before financing costs</b>	<b>2 335</b>	<b>6 975</b>	<b>6 950</b>	<b>17 073</b>	<b>7 062</b>	<b>(14)</b>	<b>6 667</b>
<b>Financing costs</b>	<b>4 747</b>	<b>4 167</b>	<b>1 561</b>	<b>2 116</b>	<b>2 537</b>	<b>2 880</b>	<b>3 541</b>
<b>Net profit/loss for the year</b>	<b>(2 412)</b>	<b>2 809</b>	<b>5 389</b>	<b>14 957</b>	<b>4 525</b>	<b>(2 894)</b>	<b>3 126</b>
Prior year adjustments	(5 241)	(1 305)	514	(114)	(688)	(76)	(2 415)
<b>Net profit/(loss) at end of year</b>	<b>(7 653)</b>	<b>1 503</b>	<b>5 904</b>	<b>14 843</b>	<b>3 837</b>	<b>(2 970)</b>	<b>711</b>
<b>BALANCE SHEET</b>							
<b>ASSETS</b>							
<b>Non-current assets</b>							
Property, plant and equipment	272 524	292 552	301 544	332 681	352 448	369 770	548 521
<b>Current assets</b>	<b>45 963</b>	<b>47 345</b>	<b>78 518</b>	<b>77 372</b>	<b>93 168</b>	<b>90 917</b>	<b>116 826</b>
Inventory	3 014	3 312	4 023	3 838	4 174	4 887	6 946
Accounts receivable	29 298	29 362	36 162	37 838	44 968	46 348	59 073
Short-term investments	5 466	7 446	15 356	18 465	22 299	22 071	32 595
Bank and cash	8 185	7 225	22 977	17 231	21 727	17 611	18 212
<b>TOTAL ASSETS</b>	<b>318 487</b>	<b>339 897</b>	<b>380 062</b>	<b>410 053</b>	<b>445 616</b>	<b>460 687</b>	<b>665 347</b>
<b>CAPITAL AND LIABILITIES</b>							
<b>Capital and reserves</b>							
Capital and reserves	235 198	320 149	357 471	381 567	413 938	424 212	606 716
GOL funding	301 580	305 673	307 530	319 967	336 103	339 369	349 055
GOL grant	-	79 355	108 916	105 732	118 130	137 113	309 221
Accumulated funds	(66 511)	(65 008)	(59 104)	(44 261)	(40 424)	(43 394)	(42 683)
Reserves	129	129	129	129	129	(8 876)	(8 876)
<b>Non-current liabilities</b>	<b>59 617</b>	<b>4 891</b>	<b>5 425</b>	<b>8 614</b>	<b>8 530</b>	<b>9 431</b>	<b>13 118</b>
Provision for severence pay	4 406	4 891	5 425	5 582	6 121	6 062	8 671
Medium term liabilities (GOL)	6 593	-	-	-	-	-	-
Long term loans	48 618	-	-	3 032	2 409	3 369	4 447
<b>Current liabilities</b>	<b>23 672</b>	<b>14 857</b>	<b>17 166</b>	<b>19 872</b>	<b>23 148</b>	<b>27 044</b>	<b>45 513</b>
Bank	2 232	1 327	1 980	2 499	3 203	3 351	4 463
Accounts payable	20 998	13 088	14 744	17 373	19 945	23 693	41 050
Treasury trading account	442	442	442	-	-	-	-
<b>TOTAL CAPITAL &amp; LIABILITIES</b>	<b>318 487</b>	<b>339 897</b>	<b>380 062</b>	<b>410 052</b>	<b>445 616</b>	<b>460 687</b>	<b>665 347</b>

# Summary of WASA's performance

for 7 years to 2008/2009

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>CASH FLOW STATEMENT</b>							
<b>CASH GENERATED FROM OPERATING ACTIVITIES</b>							
Net profit before interest charges		6 976	6 950	5 141	7 062	(14)	6 668
Adjustment for:							
Depreciation	-	8 531	10 084	9 225	10 678	9 771	10 311
Understated depreciation							330
Amortization of the grant							
(Profit)/Loss on fixed assets disposal		(185)	-	(447)	(234)	(225)	6
Accumulated loss diff.		-	-	-			
Write-offs & adjustments						17	-
Provision for severance pay	-	485	534	157	539	59	2 610
Prior year adjustment	-	(1 305)	515	(114)	(688)	(76)	(2 415)
Interest Income		(5 370)	(5 517)	(4 144)	(9 010)	(10 802)	(15 162)
		9 131	12 566	9 818	8 347	(1 270)	2 348
<b>Changes in working capital:</b>							
Decrease/(increase) in inventory		(298)	(711)	185	(336)	(713)	(2 059)
Decrease/(increase) in receivables		(63)	(6 798)	(1 676)	(7 130)	(1 380)	(12 724)
			(442)				
(Decrease)/increase in payables		(7 910)	1 656	2 629	2 572	3 747	17 358
<b>Cash generated from operations</b>		<b>859</b>	<b>6 711</b>	<b>10 514</b>	<b>3 453</b>	<b>385</b>	<b>4 923</b>
Interest paid		(4 167)	(1 561)	(2 116)	(2 537)	(2 880)	(3 541)
		(3 308)	5 150	8 398	916	(2 495)	1 382
<b>CASH UTILISED IN INVESTING ACTIVITIES</b>							
<i>Purchase of tangible fixed assets</i>		(30 595)	(19 076)	(40 400)	(30 520)	(36 233)	(189 937)
<i>Reticulation assets provision</i>		2 036	-	38	74	-	542
<i>Proceeds from sale of fixed assets</i>		185	-	447	234	225	(6)
<i>Increase in short term investments</i>		(1 980)					
<i>Interest Received</i>		5 370	5 517	4 144	9 010	10 802	15 162
<b>CASH UTILISED IN INVESTING ACTIVITIES</b>		<b>(24 984)</b>	<b>(13 559)</b>	<b>(35 771)</b>	<b>(21 202)</b>	<b>(25 206)</b>	<b>(174 239)</b>
<b>CASH FROM FINANCING ACTIVITIES</b>							
Repayment of medium term liabilities		(6 593)	-	-	-	-	-
Increase in GOL contribution/grant		83 448	31 418	21 185	28 534	22 250	181 793
Increase/(Decrease) in long term liabilities		(48 618)	-	3 032	(623)	960	1 078
<b>CASH FROM FINANCING ACTIVITIES</b>		<b>28 237</b>	<b>31 418</b>	<b>24 217</b>	<b>27 911</b>	<b>23 210</b>	<b>182 871</b>
<b>NET MOVEMENT FOR THE YEAR</b>		<b>(55)</b>	<b>23 009</b>	<b>(3 156)</b>	<b>7 625</b>	<b>(4 492)</b>	<b>10 014</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING</b>		<b>5 953</b>	<b>13 344</b>	<b>36 353</b>	<b>33 198</b>	<b>40 822</b>	<b>36 330</b>
<b>CASH AND CASH EQUIVALENTS AT END</b>		<b>5 898</b>	<b>36 353</b>	<b>33 197</b>	<b>40 822</b>	<b>36 330</b>	<b>46 344</b>



Produced by the Public Relations Office

## **Water & Sewerage Authority**

P O Box 426, Maseru, 100 Lesotho

Tel: +266 22 312 449

Fax: +266 22 310 006

24 Hours: +266 22 313 943

Tollfree No: 800 22 011

e-mail: [pro@wasa.co.ls](mailto:pro@wasa.co.ls) or [info@wasa.co.ls](mailto:info@wasa.co.ls)

Website: [www.wasa.co.ls](http://www.wasa.co.ls)

Photography: Khotso Letsatsi, Lineo Moqasa and Brian Radford