

WATER & SEWERAGE AUTHORITY



ANNUAL REPORT 2007/8

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

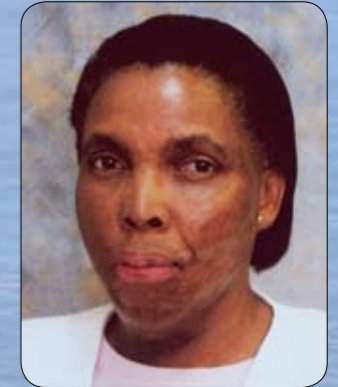
We provide our valued customers in all designated urban areas with high quality potable water and environmentally sensitive wastewater disposal services through efficient and innovative processes; and highly motivated, competent, and professional staff.

- Integrity;
- Loyalty;
- Customer satisfaction and professionalism;
- Safety and environmental protection;
- Respect for the person;
- Self-confidence and staff suitability;
- Teamwork and co-operation;

Board of Directors



Chairman - Mr. Bataung Leleka



Mrs. Mamonaheng Ramonaheng



Dr. Percy Mangoela



Mr. Lebohang Mofammere



Mr. Ntahli Matete



Mrs. Mammako Molapo



Chief Executive
Mrs. Refiloe Tlali



Senior and Middle Management

SENIOR MANAGEMENT

Mrs. Refiloe Tlali
Chief Executive
CA (Lesotho)

Mrs. Nomvula Bohloa
Director of Finance
CA (Lesotho)

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

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

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

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)

Mrs. 'Mamotšoane 'Musa
Project Accounting Manager
CA (Lesotho)

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
Metering Accountant
CA (Lesotho)

Ms. Palesa Monongoaha
Environmental Manager
MSc. Environmental Eng.

Mrs. 'Mamakula Foulo
Management Accountant
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 Design Eng.
BSc Civil Eng.

Mr. Lebohang 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
Purchasing Officer
MBA.

Mrs. Selloane Letsunyane
Financial Model Officer
BA Economics and Accounting

Mr. Tšukulu Phafoli
H R Development Officer
M.A. H R Management & Development Planning

Mr. Tankiso Nteso
Recruitment and Staffing Officer
M.A. H R Management & Development Planning

Ms. Pulane Pitso
Senior Internal Auditor
B.A. Economics & Accounting

Mrs. 'Malechesa Mahao
Purchasing Accountant
BCom. Accounting



Mr. Lawrence Ramokotjo receiving a certificate of appreciation for long service from WASA Chief Executive Mrs. Refiloe Tlali.

In Lesotho, Water and Sewerage Authority (WASA) provides safe drinking water to over 45, 000 connections plus approximately 400 standpipes serving over 265 000 people out of a total urban population of around 450 000. It also serves the many industries and commercial premises, especially in Maseru, the largest being Nien Hsing, C&Y Global Garment and Lesotho Brewery Company, which use about 36% of the water produced. In total 40% of the water produced is used in industries and commerce. WASA has about 3 682 customers who are connected to the sewerage system. Of this, a total of 114 are industrial, 556 commercial and 2 482 are domestic sewerage connections.

Over and above the said connections, WASA operates a tanker service which serves approximately 10 000 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 latrines.

On average, water production for the city of Maseru is 40 mega litres per day. In order to supplement the river flow, an off-channel raw water storage, the Maqalika dam is used during dry seasons.



Corporate Values

In cognisance of the fact that WASA's ability to meet the above mission and vision would require specific kinds of behaviors by its management and staff, the following corporate values have been adopted for the 2004/05 – 2008/09 plan period.

- Integrity;
- Loyalty;
- Commitment and dedication to customer service and professionalism;
- Commitment to safety and environmental protection;
- Respect for the person;
- 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.

Caledon (Phuthi River) is the source of water for Maseru City.





Chairman - Mr. Bataung Leleka

I am honoured and privileged to share with you some of the successes and challenges we experienced at the Lesotho Water and Sewerage Authority (WASA) during the Financial Year (FY), 2007/2008.

WASA's success is attributed to a concerted effort by the Board of Directors, Management and the Staff who worked very hard to take the Authority to new heights through the implementation of the Performance Agreement (PA). This would surely be wasted efforts, and would not be realised, if it was not for our valued customers.

The Authority signed a three year PA with the Government of Lesotho (GoL) in 2004 and it became effective in April 2005. The aim of the agreement is to improve WASA's delivery of services to the customers through developing new programmes and improving the existing ones. The agreement was set out to ensure that WASA improves on its delivery of services to its customers through strategic programmes and projects which ensure sustainable growth and continuous improvements.

Under this initiative a number of key performance targets were set for the Authority. These include among others; customer service, water resources management, corporate strategy formulation, operations optimisation, human resources and financial sustainability. I wish to point out that for the first three years into the Performance Agreement, WASA has performed considerably well and has met the required standards.

Among the obligations that the Authority was to fulfil in the PA was to extend its boundaries of water supply and services to the poor. In the year under review WASA and UNIK Construction Engineering signed a contract for the construction of a 267 km pipeline and two reservoirs to supply water to cover the Peri-urban areas in the North-East of Maseru City, namely Khubetsoana, Mabote, Bobojane, Ts'osane, Sekhutlong, Ha Ts'iu, Ts'enola, and in the South-West that includes Ratjomose, Ha Tsolo, part of Ha Ratso'ana, Ha Chala and Ha Seleso. These areas are all under the Maseru Peri-Urban Water Supply Project Phase II. Another milestone was reached when Lesotho Brewing Company (LBC) handed over seven prepaid public standpipes to WASA

to relieve more than 1,500 Tsolo residents of their plight of starving for potable water.

One also notes with satisfaction the cooperation and skills transfer between the Authority and other water utilities such as Bloem Water and Malawi. The Twinning Agreements

have brought significant improvements in all the three countries. Another milestone was reached in the year under review with the signing of the Memorandum of Understanding (MOU) between Swaziland Water Services Corporation (SWSC) and the Authority. The agreement encourages direct contact and cooperation to strengthen and consolidate ties of solidarity and friendship, and most importantly to establish strong relationship in areas of organisational development.

The Authority is also looking forward to the implementation of the Remuneration Strategy, as well as the Performance Management System in the FY 2008/2009. These initiatives are also preliminary steps in the enhancement of the Authority's transition into a commercial entity.

Another development is the implementation of a Medical Aid Scheme as part of the Authority's Wellness Programme, particularly in the face of loss of manpower, as a consequence of the spread of HIV/AIDS related diseases.

The Authority has also experienced a significant achievement with implementation of its new Customer Billing System. The system will work well to improve the service delivery and influence the manner in which the Authority is structured to serve its valued customers better.

Notwithstanding the bright outlook, WASA still faces real challenges in the path to sustainable growth and development. The demand for water for domestic and industrial consumption, particularly in the designated urban centres, has increased tremendously and currently the Authority can partly meet the actual demand. It is observed that the water shortages can have serious repercussions on both economic development and public health, hence a need to expand the availability of potable water.

Drought conditions continued to plague our country and this greatly compromised our ability to store enough water in our reservoirs. However, water releases downstream Mohokare River from 'Muela Dam

assisted us in partially meeting the daily demand of our customers. To address this problem, the Government of Lesotho has embarked on Metolong Dam Project expected to augment water supply in the Maseru city and the neighbouring town centres in the near future.

In the same token we recognise the need to improve and increase sanitation service levels that are presently limited to a small section of the urban and peri-urban population in our service areas. In this regard, the Government of Lesotho (GoL) has therefore awarded the implementation of the Maseru Wastewater Project (MWWP) the highest priority. The project will improve the sanitation service levels in Maseru particularly within the Maqalika catchment. This will protect the reservoir from pollution, improve on public health and subsequently contribute towards the attainment of the Millennium Development Goals (MDG's) by Lesotho. Wastewater will be treated using methods that meet the prescribed national and international quality standards. The finance contracts for the project have already been signed with the European Investment Bank, The European Union Water Facility and the Government of Lesotho.

WASA is currently challenged by skills shortage, particularly in areas of Engineering and Operations. A thorough strategy for addressing this challenge is to be developed and implemented in the on-coming financial year. WASA will tackle the challenge by critically assessing the available resources and by honing new talent or re-skilling the existing potential. Moreover, internal training programmes and recruitment practices such as the Graduate Development Programmes will be implemented, and we will focus on building and retaining the critical skills base at WASA.

I draw this statement to conclusion by once again acknowledging contributions by the WASA Board of Directors, Management and Staff for a job well done in the reporting period. My sincere thanks are also extended to our co-operating partners and stakeholders who have been instrumental in attaining the stated achievements. Together, we shall continue to preserve our valuable resource, Water.



Laying of pipes under Maseru Peri-Urban Water Supply Project Phase 11



Chief Executive
Mrs. Refiloe Tlali

The 2007/2008 Financial Year (FY) registered once again, commendable results both operationally and financially. This re-emerging pattern has been a result of concerted effort aimed at re-directing the Authority to achieve obligations under the Performance Agreement with the Government of Lesotho (GoL).

THE PERFORMANCE AGREEMENT

The Agreement, which was signed between the Government of Lesotho and Lesotho Water and Sewerage Authority (WASA) in 2004 had 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.
- The 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.
- Establishment of a mechanism for the periodic review of tariffs necessary for WASA's long-term sustainability.

Each year the Agreement is assessed for performance in 20 service areas by an independent Technical Auditor. In the year under review, the performance audit on the implementation of the PA was carried out, and the report outlines commendable performance and achievements.

The Authority's performance was very good in 15 out of 20 service areas in which it obtained a score of 1 namely;

- Customer service system
- Level of service improvement
- Poverty relief services (that is reducing the number of people who are more than 150 metres away from the main supply)
- Water resources management and leakage control
- Corporate strategy.
- Quality control;
- Emergency operations;
- Cash collections and financial performance.

Specifically, WASA attained the level of unaccounted for water of 28% against the set target of 29%. On water quality, the percentage of biological and chlorine samples failing were maintained within the targeted level of 4%, thus ensuring good clean water for the nation. The number of people who were beyond 150 meters from a water supply point was reduced by more than 20,000 people. This contributed towards poverty alleviation among vulnerable communities by reducing the time it takes to draw water, thus freeing more time for engaging in productive activities.

The table below summarises the performance on each service area and thus outlines the overall score for WASA over the past 3 years of implementing the PA. Overall, the Authority gained a cumulative score of 1.50 for the year under review, which was an encouraging improvement from last financial year's performance of 1.85. This improvement was primarily due to an improvement in performance for the customer service and water resources planning both of which improved from category 3 to category 1 performance. The performance on Emergency planning, namely the preparation of the Emergency Operations Plan, improved significantly from category 4 performance in the previous year to category 1 during the year under review.

Scoring on Performance Targets

1.1	Service Area	Performance Criterion	Indicator	Year One		Year Two		Year Three		
1.1	Customer Service system	Customer Service System	Procure customer service system	1	1	1	3	1	1	0.1
1.2		Service Improvement	Domestic customers supplied for less than 18 hours per day	1	1	1	1	1	1	0.05
1.3		Poverty Relief Strategy	Number of customers more than 150 metres from public supply	1	1	1	1	1	1	0.05
2.1	Water Resource Planning	Capital Investment	Capital Investment Procedure	1	1	1	1	1	1	0.05
2.2		Leakage Control- district	Implementation of district metering scheme	1	1	1	3	1	1	0.05
2.3		Leakage Control	Unaccounted for water	1	1	1	1	1	1	0.1
3.1	Corporate Strategy	Business Plan Process	Business Plan	1	1	1	1	1	1	0.1
3.2		Human Resources Plan	Incentive Scheme	1	1	1	1	1	1	0.04
3.3		Drought strategy	Drought Management scheme	1	1	1	1	1	1	0.04
4.1	Operations Optimisation	Registration of assets and PPM	PPM databases				2		5	0.04
4.2		GIS	GIS database	1	1	1	2		3	0.04
4.3		Quality control	% biological samples failing			1	1	1	1	0.02
4.4		Quality Control	% chlorine samples outside tolerance			1	1	1	1	0.02
4.5		Quality Control	% effluent samples failing			1	1	1	1	0.02
4.6		Emergency Planning	Emergency operations plan				4	1	1	0.03
4.7		Energy planning	%reduction in energy per m ³ water supplied				5		5	0.02
4.8		Energy planning	%reduction in energy per m ³ effluent treated				5		5	0.02
5.1	Finance	Financial Management	Cash collection	1	1	1	1	1	1	0.06
5.2		Financial Management	Financial Performance	1	1	1	1	1	1	0.1
5.3		Financial Management	Asset register	1	1	1	3		3	0.05
Cumulative Score				1.58		1.85		1.50		

The scoring process is based on a scale of 1 to 5, where 1 indicates excellent performance and 5 indicates very poor performance. For the year under review, the overall score of 1.50 by WASA from the previous year's score of 1.85 shows a commendable improvement and commitment to move ahead.

The area of weakness in performance is, as in Years 1 and 2, in the procurement process for information systems and the Energy Management Plans for water and sewerage systems electrical plant.

As in the previous years, procurement has been delayed by a series of administrative, funding and approval difficulties. Although the cause of the delays have been generally beyond the control of WASA, for the future, WASA commits itself to mitigate challenges by applying a stronger project management focus.

Public Relations

A concerted effort was applied throughout the 2007-2008 FY to build and maintain positive relations with targeted publics to support WASA's policies and goals thus, retaining the Authority's reputation, profitability and even its continued existence.

To this end, a number of programs were put in place to maintain cooperative relationships with the community, consumers, and other organisations.

- Intensive efforts were undertaken to ensure effective communication with all our stakeholders through weekly radio programmes, public gatherings, television interviews and a number of press releases. Stakeholders were also kept informed of the latest developments, operational plans and projects within the Authority through a quarterly newsletter and website. The Annual Report is also used to disseminate information highlighting the yearly achievements and strategic plans.

- We believe that WASA has a duty to play a key role within the community we serve. This role is diverse and it includes providing financial help and supporting those with special needs under the Corporate Social Investment Programme. In the year under review a number of schools, Institutes of Higher Learning, Government as well as Non-governmental Organisations benefited from this program.

- In order to improve our services and to discover the customers' views regarding our services rendered, we carried out independent surveys of customers in our service areas. In the year under review customers surveyed rated our service as average, indicating that WASA is an average performer. This assessment enables us to highlight any problems affecting our service, and deal with them accordingly. In the next year we will be addressing these problems.

- A concerted effort was also made to educate customers to appreciate the rationale and need to pay for services rendered, through a water treatment documentary. This educational video highlights the processes as well as the costs incurred for water to be distributed to customers.

Marketing

Every day, WASA competes for top-of-mind awareness in a volatile environment that is increasingly being challenged by the strain on our economy. The competition for the "spend" by customers is very stiff because people, now more than ever, hold onto every cent they have. The role being played by marketing is more important now than ever to ensure that billing statements are turned into cash faster.

- The Financial Year (FY) 2007-2008 continued to



Official hand-over of prepaid public stand-pipes to WASA by Lesotho Brewing Company (LBC).

witness a run of commercials on radio to encourage more customers to connect to our water network and we celebrated the pre-empted milestone of attracting 2000 customers to pay for the connections. The commercials were a success in that, currently, 90% of customers who apply for a new water connection do so through the credit plan. The greatest challenge however for the Authority is to ensure that these customers stick to the agreement of paying their instalments.

- Throughout last year we continued to educate our valued customers about our services and how they can access them. We developed brochures, posters, and flyers to present this information in a simplified manner. We also developed and distributed a booklet that outlines the steps and procedures required to access services of WASA. The booklet is a useful reference tool for customers who wish to know exactly what they need in order to access all our services.

- A sales plan was also developed. The intention is to implement it in the FY 2008-09 to attract connections to the sewer lines in areas that are reticulated. The areas that will be targeted are Moshoeshoe II, Katlehong, Maseru East, Hills View, Thetsane, Hoohlo, Stadium Area, and Sea-point. To this effect, aerial maps of these locations have been collected, and a number of plots that have the potential of being connected identified.

- The FY 2007-08 also saw the revamp of the customer service component of WASA where our service approach was further transformed by training the customer care staff on the latest customer-centric working methods. More effort was applied to fully understand the imperatives of the Billing and Customer system that is to be introduced in order to ease the

transition from the old way of doing things into the new electronic approach.

CORPORATE GOVERNANCE

The Water and Sewerage Authority Board of Directors is established under section 10 of the Water and Sewerage Authority Act. The Board supports the "Principle of Good Governance." The Board's responsibility is to ensure that the Authority has an appropriate Corporate Governance and Management Structure and that such structures operate efficiently and transparently. Fundamental to any Corporate Structure is establishing the roles of Directors and Managers. The Board of Directors emphasise that Directors and Managers should have a balance of skills and experience. There is a need for integrity among those that can influence on the Authority's strategy and financial performance, together with responsibility and ethical decision making. The Authority should meet the needs of a modern investment community which is paramount in order to attract capital. The Board of Directors provide effective oversight and internal control to avoid business decisions that have an element of uncertainty. The Board of Directors recognizes the diverse decisions of the Authority and also recognizes the legitimate interests of all stakeholders.

TERMS OF OFFICE OF THE BOARD OF DIRECTORS

Apart from the Chief Executive a member of the Board will hold office for a period not less than 3 years and will be eligible for re-appointment. Other than the Chief Executive and the Principal Secretary of the Ministry of Natural Resources 5 members positions are advertised and selected on the basis of qualifications, skills and expertise.



WASA Senior management and Board members. From left: Mr M. Monyamane, Mr P. Masoabi, Mr L. Mofammere, Mrs R. Tlali and Mr B. Leleka during the official tour of the newly pre-paid standpipe at Ha Thetsane.

STRUCTURE AND OPERATION OF THE BOARD

The Authority is governed by the Board of Directors which is comprised of 7 members. The members have the experience and have shown abilities relevant to the functions and purposes of the Authority. The Board has people with relevant skills and experience so that they can add value to the Authority.

BOARD COMMITTEES

To assist the Board in fulfilling its duties and responsibilities, the Board has established the following Committees;

- a) Finance Committee;
 - b) Performance Committee
 - c) Audit Committee
- Recommendations of the Committees are to be referred to the Board for approval.

BOARD MEETINGS ATTENDANCE

The Board holds seven (7) meetings within the Authority's financial year. Two of which are Special Meetings to deliberate on the Annual Business Plan and the Budget.



Visit by WASA Board of Directors in the Southern Region of the Country.



Mr Nelson Monyamane
Director of
Strategic Services and
Human Resources

In order to ensure better service delivery at all times, WASA continues to improve its operating structures in a better way that facilitates the smooth running of the organisation as a whole. During this period, the previously named Corporate Services Division was restructured and its name was changed into Strategic Services and

Human Resources. This was meant to improve strategic planning process, corporate performance analysis and monitoring, realignment of Human Resources function, and optimisation of shared services such as fleet management.

Further improvements were made through restructuring of Metering function, by grouping common functions together, and improving controls in this business process. This has yielded positive results of efficiency in meter reading, inspections and the standard of meter maintenance have also improved.

The Direct Labour Unit was also restructured to improve efficiency in connection to customers. The Unit is now in the process of outsourcing, and it has been turned into a Contracts Management Unit, where all connection contracts are administered. In this regard, we ensured that no retrenchments were made as a result of this and other reorganisation exercises.

Recruitment

The year 2007/08 saw a vigorous recruitment process to fill new and vacant positions. A total of 43 people were recruited and placed across all Divisions and all levels. While the Authority fills its vacancies, it endeavours to observe issues of gender equity.

Attraction and Retention Initiatives

During this period, the remuneration packages of WASA have been revised to improve competitiveness of the organisation within the local market. WASA has also developed and implemented an integrated Performance Management System which strives to work as an integral part of the entire corporate performance management system, and also functions well as a retention tool by linking it to remuneration and rewards to staff. To make this a possibility, a comprehensive remuneration strategy is in the making to ensure that excellent performance is recognised and rewarded so that staff morale can be improved.

Staff Insurances

WASA cares and caters for the present and future of its

employees. In this regard, the Employer's contribution to the Provident/Pension Scheme which started in 1998 was increased to 12.86 % whilst the Employees remained at 7.5%. This includes, amongst the many benefits, a wellness program which includes the management of HIV/AIDS in the workplace.

The good news in this reporting period has also been the outcome of the HR Remuneration Study which brought about salary increases between 10% and 30% which was a great achievement as the last salaries revision had been in 2006. The peak of this caring and catering responsibility over its human resources has been the inclusion of the budget for a Medical Aid Scheme into our budget for implementation in the FY 2008/09.

HIV / AIDS

Management of HIV / AIDS continues to be one of the top priority areas for WASA. In this regard, evaluation trips were taken around our centres in the districts, together with the ILO/USDOL HIV/AIDS Workplace Education Programme Team, to assess progress we have made in the management of this pandemic.

Commemoration of the Worlds AIDS Day was marked by the march of WASA staff from all over the country, led by the Chief Executive, with "menyakoe" and ululations, which started at our Maseru Water Supply, and ended at the headquarters with prayers, songs and speeches by well chosen speakers, which included a guest speaker living with HIV.



Manager Strategic Planning and Analyst Mr. Sekhonyana Sekhonyana giving a present to Mr. Peter Bhembe Chief Executive of Swaziland Water Services Corporation (SWSC) during the signing of the twinning arrangement.





Mr Lira Mohosho
Director of Engineering

The Annual Report for 2007/2008 covers projects which have been completed, on-going and those that have reached the first stage i.e. Feasibility, Design and Documentation. The Projects that are undertaken by the

Authority are financed by the Government of Lesotho, external donors, private developers or internally by Water and Sewerage Authority.

COMPLETED PROJECTS

Maseru Peri-Urban Phase I – Contract II

The project was completed in September, 2007 with the sole purpose of supplying water to the peri-urban areas of Lepereng, Lithabaneng, Ha Leqele, Ha Makhoathi, Ha Seleso, Ha Abia, Ha Mapetla, Bosofo, Ha Khobatha, Makhoakhoeng, Phakalasang and Ha Tikoe.

The total length of pipelines laid is about one hundred and eighty-five (185) kilometers and ranges from 32mm to 315mm diameters. The connections done up to the boundary of the premises were about 4000 and about 2000 households were actually connected to the system by the end of the reporting financial year.

Community Water Supply and Sanitation (Lot 1) for Lesia and Tsolo

The project was completed in August 2007 and it is now under defects liability period Under the project, thirty-three public pre-paid meters were installed i.e. seventeen (17) for Ha Lesia and sixteen (16) for Tsolo. The public pre-paid meters serve almost twenty-two thousand (22,000) people who are mainly factory workers living in the rented flats (malaene). There are also some individuals within these areas of supply who have actually applied for individual house connections.

Water supply from the pre-paid meters is cheaper compared to the supply which was carried out by the venders who charged almost 50 to 100 lisente for a twenty litre container. With stand-pipes 8 lisente is charged for the same quantity.

Installation of Pre-paid Meters for Residents at Thetsane Industrial Area

The project was initiated and partly funded by Lesotho Brewing Company with the sole purpose of supplying

potable water to the poor and needy communities who live near the Thetsane Industrial area and who are either drawing drinking water from unprotected springs or industries where they work i.e. they had to carry buckets of water from work place to their homes.

The project in total served about one hundred and fifty (150) households which may be translated to many people because of rented apartments.

Water Reticulation Extensions in Maseru and the Districts

Maseru infills

Several infills were completed in Maseru which included parts of the following areas:

Qoaling Semphetenyane Mabote and Tšenola

Water Reticulation Extensions in the Districts (Urban Centres)

Water reticulation systems that were completed in the other urban centres other than Maseru included the following as shown in the table below:

Area	Town	Population Covered
Baroeng	Butha-Buthe	1250
Motse-Mocha	Qacha's Nek	750
Thabaneng	Mafeteng	1500
Ntlhloohetsane	Mokhotlong	250
Masaleng	Peka	525
Sebothoane	Leribe/Hlotse	550
TSL	Hlotse	100
Makoroteng	Hlotse	250

The above number of people in addition to the people covered in other small projects that were carried out in Maseru made up a total of 27,475 of those who were given access to water in the reporting year. The main contributor to the reduction of people who walk more than 150 metres from their residences to water supply points was the Community Water Supply Project that supplied almost 22,000 people.

Construction of Offices and Stores in other Urban

Water and Sewerage Authority had undertaken to construct offices and stores in the urban centres in order to provide all necessary facilities that would serve the customers better at source.

The offices were constructed and completed for the same purpose for the reporting year at

- Hlotse - Roma - Butha-Buthe

Leribe Package Water Treatment Plant

Due to poor reported quality of water at Hlotse more especially during the rainy season, WASA procured Consultant to supply, install and commission a package water treatment plant which would produce 2,500 cubic metres of clean potable water per day.

The plant was erected and commissioned in March, 2008 and is capable of producing the designed quality and capacity of water. This plant replaced the well-point system which had been supplying the town for several decades.

Conversion of Post-paid meters into Pre-paid

The post-paid meters for residents of Matsoatlareng, Fokothi, IDM, Maseru West, Hoohlo, Florida, New Europa, Hills View and Police Europa were converted into pre-paid. The service was also extended to Lesotho Housing and Land Development Estates.

The residents of the affected areas are pleased to have these meters and the next phase of the project will target Moshoeshoe II, Mohalalitsoe and Maseru East. This service will also be extended to some of the districts in the following year.

The introduction of pre-paid meters has indeed increased the efficiency of collection and created sense of water demand management for the customers.

ON-GOING PROJECTS

Maseru Peri-Urban Phase II

The project covers North-East and South West areas of Maseru

This includes the following areas:

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

The project comprises about 280 kilometres of pipeline ranging from 32mm to 315mm diameters, two reservoirs at Lancer's Gap and Ha Thetsane Lekhalong and booster pumping stations at Naleli reservoir and at Ha Thetsane. When completed, the project will make available almost 5,000 house connections.

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 plant which abstracts water from the Caledon River upstream of the present Ratjomose waste water treatment plant, transmission main and 10 Megalitre reservoir at Ha Tsolo above the existing 13,5 Megalitre reservoir which serves the present Thetsane Industrial Area.

The project started in February, 2008 and would be completed in November, 2009

Note: 1 Megalitre = 1,000 cubic metres of water.



Trench digging for the laying of pipes at Naleli in Maseru City.

Three Towns Water Supply and Sewerage Project

The project was initially known as Six Towns Water Supply Project which included Maputsoe, Teyateyaneng, Mapoteng, Roma, Morija and Quthing. The project has started and is due for completion in 2010. The project covers generally drilling and equipping of boreholes, well-points system in Maputsoe, laying of pipelines, construction of reservoirs and construction of sewerage ponds and rehabilitation of the existing in the three towns.

Replacement of the Pumping Main from Litšoeneng Booster Station to the 1000 Cubic Metre Reservoir in Town

The project was initiated due to frequent breakages of the old asbestos pipeline that has been laid between the Litšoeneng booster pumping main and the main reservoir in town. The breakages did not only cause high water losses but also inconvenience to the residents in the urban centre. The project would be completed in the first quarter of the year.



Chief Executive of WASA Mrs. Refiloe Tlali during the signing of Maseru Water Supply Project supervision with the Managing Director of Consulting Engineering Center (CEC) Mr. Izzat Aziz Sajdi

Sewer Extensions in Butha-Buthe, Leribe and Mafeteng

The sewer extensions for the towns of Butha-Buthe, Leribe and Mafeteng were started this year and could only be completed in the following year. When completed, the extensions would increase the coverage in the urban centres which is only 6%. This would also reduce the visits of vacuum tankers which are driven from Maseru to these centres to empty septic tanks for WASA customers in these areas.

Projects under Design and Documentation Five Towns Water Supply and Sanitation Project

The Feasibility Study Consultant for Water Supply and Sanitation for the districts of Butha-Buthe, Leribe, Mafeteng, Mohale's Hoek and Qacha's Nek has submitted his final report which has been approved by both BADEA and WASA. Funding for this project still remains a major problem.

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 inputs of the Technical Assistant who is helping WASA in operations and maintenance of water and sewerage facilities with special emphasis on improvement of effluent from the existing ponds, and quality of treated water have already started. The second Technical Assistant will be concentrating on advising the Project Manager for Maseru Wastewater Project and her Project Management Unit. Arrangements for the recruitment are at an advanced stage and he would start work early in the next year.

Immediate Works

The Immediate Works Component Comprises the purchasing of eight vacuum tankers for both septic tanks and ventilated improved pits (VIP's) and replacement or refurbishment of electro-mechanical equipment at Ratjomose wastewater Treatment Plant and the existing twelve pumping stations. Contracts for implementation have been signed but the works will start early next year.

Medium Term Works

The project is aimed at developing the mid-term strategy for the provision of a modern, environmental friendly system of wastewater collection and treatment within the administrative boundaries of Maseru. The project will consist of rehabilitation and extension of measures for the improvement of wastewater collection, treatment and disposal systems in town areas where a piped sewerage system exists or proves justified. The project work comprises:

- Rehabilitation, extension together with upgrading of Ratjomose wastewater treatment plant through an additional second line and modification of the

- faculty pond to an aerated one with capacity of 15,000 cubic meters/day.
- Construction of a new Agric. College Wastewater Treatment Plant.
- A further 5,000 new house connections in Agric. College catchments area.
- Arrangements for recruitment of a Consultant for design and supervision of these works are at an advanced stage and the Contract would be signed early in the coming year.

Maseru Water Supply

The design for the pipeline reticulation system and reservoir is completed and has been approved by both the World Bank and Water and Sewerage Authority. The Contract documents for implementation of the works have also been completed and the contractor will be invited in early April, 2008.

Maqalika Raw Water Pumping Station

The Consultant for Design and Supervision is already in place. The designs of the raw water intake, pumping station and transmission main have been completed and approved. The Contract documents are being finalized and the Contractors for the implementation of the works would be invited during the first quarter of 2008/2009.

Maqalika 10 Megalitre Package Treatment Plant, Pumping Sanitation, Transmission Line and Two Reservoirs at Mabote and Naleli

The negotiations are underway for the design of the above mentioned works. When the construction is complete, treated water will be pumped from the treatment plant to supply the proposed reservoirs at Mabote and Naleli. These reservoirs are additional to augment the existing ones with the purpose of increasing the water supply to North-East of Maseru where the reticulation extension is being implemented under Maseru Peri-Urban Phase II.

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

Expressions of Interest for Design and Supervision of Water Supply and Sanitation to the above areas were advertised. During the end of this reporting period evaluation of the proposals from the Consultants was finalized.

Metolong Advance, Infrastructure (Water Supply and Sanitation)

The designs for water supply and sanitation were completed during this year. The water supply will cater for potable water to the proposed camp during the construction of Metolong Dam, to the neighbouring villages and proposed camp for supervision staff. The sanitation will cater for sewerage facilities at the camp after the Contractors have demobilized. It also includes facilities for VIP's in the neighbouring villages.

Proposed Projects for 2008/2009

Apart from the major projects that are either financed by the Government of Lesotho or External Agencies, Water and Sewerage Authority has the following project which will be undertaken to maintain the continuous water supply and sewerage service throughout the country. These projects include and limited to the following:

- a) Extension of water and sewerage reticulation system throughout all fifteen (15) Urban Centre.
- b) Replacement of some old distribution mains in order to reduce unaccounted for water (non-revenue water) more especially in Maseru.
- c) Installation of treatment water package in Quthing to improve water quality during the rainy season.
- d) Construction of the second spring intake at Mapoteng to enhance production during drought.
- e) Rehabilitation of sewerage ponds in order to improve quality of effluent that goes into the water sources.

Challenges Facing WASA (Technical)

1. Improvement of Raw Water Source in Urban Centres

All the water sources for raw water abstraction for treatment have been designed to cater for sufficient and adequate supply for a specified design horizon. Almost all the sources have exceeded the design horizon and there are signs of water shortages which are realized throughout the urban centres. These shortages become more critical during the dry season where urban centres like Quthing, Peka and Mokhotlong solely depend on surface water. There are long term programmes to counteract this challenge like the Lowland Water Supply Scheme which will supply bulk water to all the Lowland Centres e.g. Butha-Buthe, Hlotse, Maputsoe down to Quthing. There are however medium term measures which would be implemented before, such as the Three Towns Water Supply Project which would improve sources for Maputsoe, Teyateyaneng and Roma as well as

Metolong Dam which ultimately supplies treated water to Maseru, Roma Teyateyaneng, Mazenod and Morija.

2. Water Coverage

Water and Sewerage Authority is covering almost 62% of all population living in the urban centres. The 62% include customers who draw water from their own yard taps. There is a big challenge to cover all residents within the urban centres.

The implementation of Maseru Peri-Urban Phase I and Phase II projects and Community Water Supply and Sanitation would increase coverage in Maseru and almost 90% water coverage would be realized by 2010. Other urban centres would be addressed under Three Towns Water Supply and Sanitation Project and the Millennium Challenge Co-operation.

3. Sewage Coverage

The waterborne sewerage coverage in Maseru is about 15% while in the districts it is only 6%. These percentages are very low and they result in more expensive methods of sewerage discharge i.e. emptying septic tanks by fleets of vacuum tankers.

In Maseru this challenge would be addressed by the proposed Maseru Wastewater Project which has been explained in detail in previous chapters. In the other urban centres, the Three Towns Water Supply and Sanitation Project would address some of the towns under the project while others would be dealt with through internal financing.

4. Unplanned Growth of Urban Population

In almost all the urban centres there is unplanned settlement in the Peri-Urban Areas. This is obvious in Maputsoe and Maseru where people who work in the Industries finally acquire land in the Peri-Urban Areas.

The City Councillors are addressing this challenge which affects the delivery of required services to the urban centres.



Mr Falla Seboko
Director of Operations & Maintenance

The main task of the Operations and Maintenance Division is to produce adequate potable water and to safely dispose off wastewater to the environment; in all 15 designated urban centres.

systems comprise of old asbestos pipes; as such, they are gradually being replaced with UPVC pipes during repairs. The Authority is also planning projects for replacing the asbestos pipes. Implementation on projects is expected to commence in 2009.

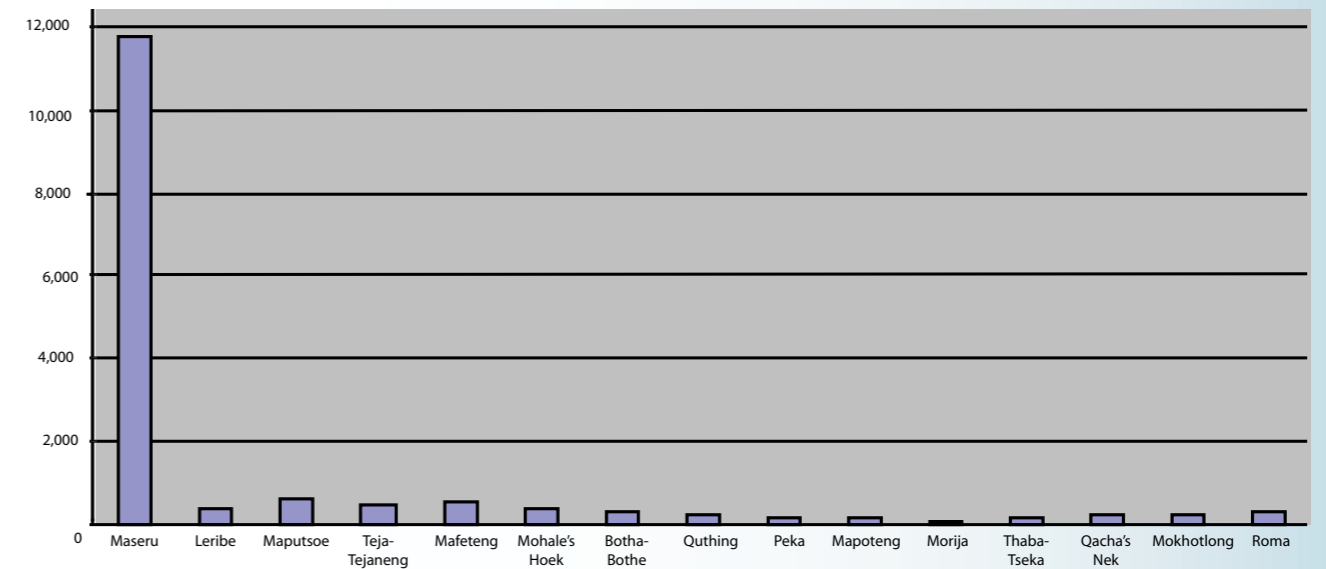
Water Supply

The level of service for supplying potable water to customers for 24 hours was improved by undertaking the following activities,

- Installation of devices that stop overflows and maintain supply levels of the service reservoirs (that is, ball valves).
- Automation of pumping systems (that is, installation of telemetry and pressure switches).
- Procurement and utilization of leak detection equipment.
- Improving response time to bursts and leakages; that is, average maximum of 6 hours was achieved in 2007-08.

Water Production

A total of 15,746,000 m3 potable water was produced in 2007-2008, ranging from 11,834,000 m3 (for Maseru) to 60,000 m3 (for Morija). Please refer to the graphs below.



Water Quality

On average, the quality of potable water produced met the required standards (WHO Guidelines, and WASA Standards); namely, percentage Biological samples failing was a 2% and percentage Chlorine sample failing was 1% whereas the target for 2007-2008 was 4% samples failing respectively.

It is worth noting that there are times when the quality became relatively poor (that is, turbidity of potable water within the distribution systems above 1 NTU maximum permissible standard). When water supply is resumed after pipeline repairs the scale layer, within old asbestos pipelines, gets washed/scraped off thereby adversely affecting the water quality for a limited time before clearing off. Some parts of the distribution

As a result, 28% Unaccounted for water (UfW) was achieved, which compared well with the 2007-08 targets of 27.5%.

Furthermore, a reduction of 9,135 customers getting water for less than 18 hours was achieved in Maseru compared to the 2007-08 targets of 9,000 reductions. Data-loggers were installed in the distribution system and later analyzed.

Operations Optimization

Under the Performance Agreement with GoL (funded by the World Bank) several consultancies are being procured in order to assist in improving the service delivery by utilizing latest technologies; namely,



Signing agreement with Matekane Plant Hire for the construction of Mazenod Water Supply Project.



Mrs. Nomvula Bohloa
Director of Finance

Financial Performance
The Financial performance for the financial year 2007/08, as regards profitability, has not been good. The Authority has ended up with a net loss of M2.97 million.

The increase in turnover has been minimal from a figure of M73.83m in 2006/07 to a figure of M77.7m for the year under review, and this is a growth of only 5.27%. As in the past, the mainstay of revenue earnings has been the income generated through the provision of water and sewage services, which amounted to M66.036m, registering a small growth rate of 3% when compared to M64.28m relating to the previous year. Earnings from new service connections grew by 3.6%, with an income figure of M7.72m for 2007/08 compared to M7.45m for the previous year.

The textile industry has continued to contribute significantly to the realization of the reported income levels, with 42% of the sales revenue accruing from this customer category. However the industry's consumption has not met expectations as it has only increased by 1.5% when compared to the previous period. Other recognizable contributors to revenue are the domestic sector and the Government of Lesotho which respectively accounted for 27.31% and 13.25% of the total sales during the year ended March 2008. It is noteworthy to mention that the turnover is below the targeted levels which had been based on the optimistic water demand view, which did not anticipate the scaling down of consumption by some industries in this sector.

New water connections grew by 24.39% up to the end of March 2008, with this source bringing in an amount of M7.52m compared to M6.04m relating to the previous year. This growth rate has been facilitated by WASA's major focus to widen the domestic sector revenue base through new connections to boost consumption by that category. Part of this strategy was to afford customers credit terms as a way of leveraging connections. Note must be made that the on-going Maseru Peri-Urban Project was expected to add 3,600 water connections upon completion, which was planned to have occurred at the beginning of the 2007/08 financial year. However the completion of the project became delayed and this had a negative impact on the financial performance, as only 1,400 connections ended up being made.

Income from new sewerage connections decreased to M0.25m from M1.4m relating to 2006/07. Efforts will continue to be made to educate potential customers about the benefit of connecting to the sewer line, where this infrastructure exists, as this may be more cost-effective than the conservative tank system.

The operating costs for the year ended March 2008 stood at M84.77m, resulting in an operating loss of M7.61m. Power, Chemicals, Reticulation & Plant Maintenance, connection costs, depreciation and manpower costs constitute a major portion of the operating expenses, as could be expected in this type of business. However generally there have been major increases in costs, much more than anticipated. The increase in costs has had a negative impact on WASA's financial performance.

Tariffs for the year under review were adjusted by an application of 6% inflation factor, commencing in April 2007. A complete review of tariffs was also carried out and approved for implementation in 2008/09. The revised tariffs are in line with a new tariff policy that is being developed by the office of the Commissioner of Water. This is necessary as the cost per unit continues to surpass the current average tariff levels.

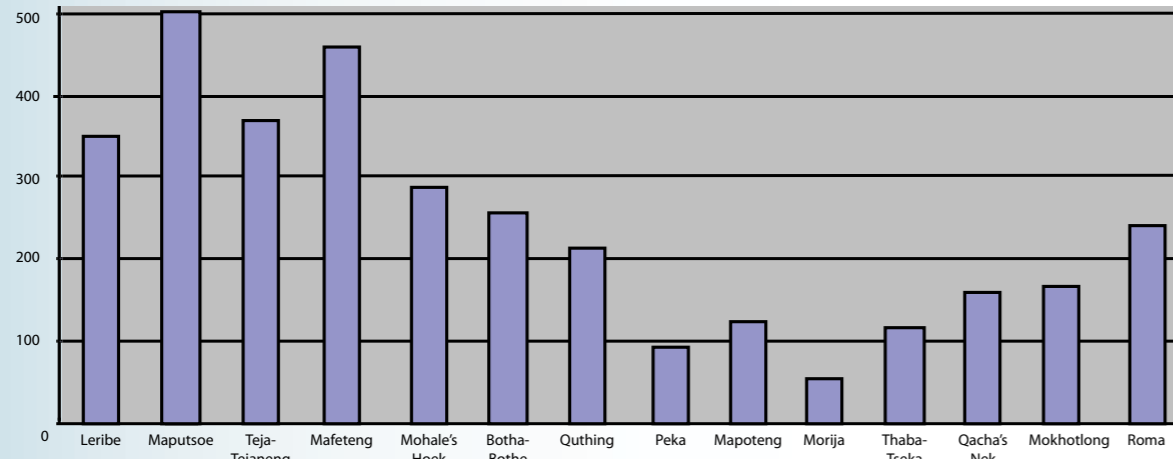
2. Financial Position

There are on-going projects which have increased the Work-In-Progress (WIP) figure by M34.51 to M98.1m. The bulk of the WIP figure in respect of seven projects can be summarized as follows:

- Maseru Peri-Urban Project Contract II (M34.26m), financed by BADEA and GOL
- Maseru Peri-Urban Project Phase II (M4.3m), financed by BADEA, OPEC and GOL.
- Three Towns Water Supply and Sanitation Project (M4.16m), financed by European Union.
- Five Towns Water Supply and Sanitation Project (M2.38m), financed by BADEA and GOL.
- Water Sector Improvement Project (M13.41m), financed by World Bank and GOL
- Tikoe I (M13m) financed by GOL
- Pre-paid Meters Project (M3.38m) 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 M61.211m at the end of the reporting period, with the current asset figure standing at M92.24m against the current liabilities of M31.029m. The net current asset figure has had the effect of both improving and placing the liquidity position of the Authority at comfortable levels. The implementation of strategies employed in the previous year significantly contributed to this situation, through an intensive and sustained effort of debt collection, underpinned by a combined strength of in-house resources and the private collecting firms. A set target has been agreed upon under the Performance Agreement signed with the GOL, that 97% of billing should be matched with the amounts collected each month. It is encouraging to note that the set target is being consistently achieved. However disconnected accounts still pose a problem as a major portion



- a) Installation of District Metering Areas (DMA's), two DMA's have been constructed and commissioned in two urban centers and two in Maseru as per the 2007-08 targets.
- b) Development of the Water Hydraulic Model for Maseru reticulation system, procurement of the consultant has been initiated.

- c) Development of Planned Preventive Maintenance (PPM), procurement of consultant to identify and install the software is underway.
- d) Development of Energy Management Plan, procurement of the consultant is in progress. The sources of raw water and water treatment processes are as follows:

URBAN CENTER	RAW WATER SOURCE	WATER TREATMENT PROCESS
Maseru	Phuthi River, Maqalika dam	Rapid sand filters water treatment plant and chlorination
Leribe	Wellpoints (abstraction from the river bed), boreholes	Chlorination
Maputsoe	Wellpoints, boreholes	Chlorination
Teya Teyaneng	Phuthiatsana River , Wellpoints, boreholes	Slow sand filters water treatment plant and chlorination.
Mafeteng	Rasebala dam	Slow sand water filters treatment plant and chlorination
Mohale's Hoek	Makhaleng River, boreholes Wellpoints, spring	Slow sand filters water treatment plant and chlorination
Butha Buthe	Moroeroe River, boreholes	Slow sand water filters treatment plant and chlorination
Quthing	Qomo Qomong River	Slow sand water filters treatment plant and chlorination
Peka	wellpoints	Chlorination
Mapoteng	Spring	Chlorination
Morija	Bophelo Dam, boreholes	Package Plant, Chlorination
Thaba Tseka	Molikaliiko River, boreholes	Slow sand filters water treatment plant and chlorination
Qacha's Nek	Sejabatho River, Springs,	Slow sand filters water treatment plant and chlorination
Mokhotlong	Mokhotlong River, spring	Slow sand filters water treatment plant and chlorination
Roma	Liphiring River, Makhalaneng River, boreholes,	Slow sand filters water treatment plant, Package Plant and chlorination

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. A limited conversion of post paid to prepaid meters has also somewhat positively contributed to the improved collection.

The domestic pre-paid meters have impacted positively in enabling WASA's 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. There was a plan to convert all the public standpipes in Maseru to pre-paid, during 2007/08, as an attempt to minimize the incidence of non – payment of debts by some selected committees which have been operating post-paid standpipes. At the end of the financial year that ended March 2008 public standpipes have been converted and the standpipes are functioning quite well. The conversion of the rest of Maseru standpipes and those of other areas outside Maseru will be implemented with effect from 2008/09.

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

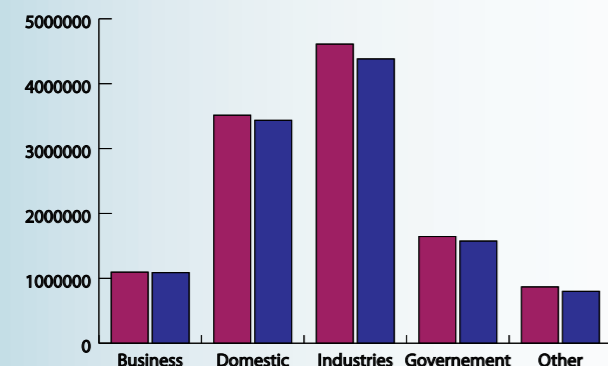
Analysis of Post paid water sales:

Volume of water billed in kilo liters in 2006/07 and 2007/08

	2006/07	2007/08
Business	1,095,734	1,088,146
Domestic	3,514,376	3,435,860
Industries	4,610,327	4,382,097
Government	1,644,649	1,574,907
Other	868,575	799,931
TOTAL	11,733,659	11,280,942

Amount of Water Sales for 2006/07 and 2007/08

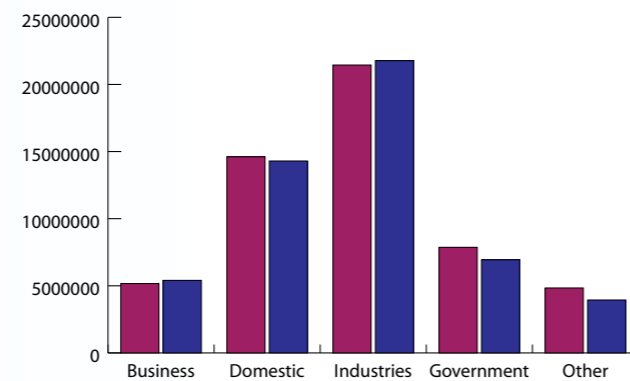
	2006/07	2007/08
Business	5,167,803	5,407,377
Domestic	14,610,086	14,298,557
Industries	21,446,206	21,770,113



Government	7,869,310	6,935,424
Other	4,840,448	3,945,406
TOTAL	53,933,852	52,356,877

AMOUNT OF WATER BILLED IN MALUTI 2007/2008

Business	5,407,377	10.33%
Domestic	14,298,557	27.31%
Industries	21,770,113	41.58%
Government	6,935,424	13.25%
Other	3,945,406	7.54%

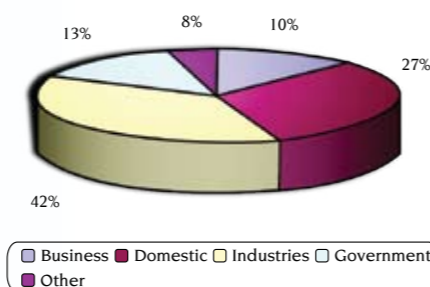


TOTAL	52,356,877	100%
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2007/08 Milestones in ICT

1. Billing and Collections System

- Thoroughbred billing and collection system was upgraded from a UNIX operating system to a LINUX operating system. This was done so that the legacy data can easily be converted into a format required by the new billing system



- EDAMS billing and collection system was procured and installed thereby replacing the Thoroughbred billing system. The new system was procured on the basis of the business functional requirements of WASA developed in the year 2006/2007

2. Accounting Systems

- Client Access Terminal System (CATS) was installed

3. Prepaid System

- The system was installed at 3 Pay points

4. Network and Communication

- An audit on the entire network was carried out
- Maseru Water Production and Polo Ground Offices local area networks were connected to the Head office local network to share the computer resource

Tel: 22323904
Cable: Audit, Maseru
Fax: 22310366



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 2008**

Moores Rowland 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 2008 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 3 to 14.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting 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 2008, 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.

Lucy L. Liphafa
LUCY L. LIPHABA (MRS)
AUDITOR GENERAL



STATEMENT OF RESPONSIBILITY OF THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

The Board of Directors is responsible for monitoring the preparation of and the integrity of the financial statements and the related information included in this report.

In order for the Board to discharge its responsibilities, management has developed and continues to maintain a system of internal control. The Board has ultimate responsibility for the system of internal control.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the organisation's policies and procedures. These controls are implemented by trained personnel with appropriate segregation of duties, are monitored by management and include a comprehensive budgeting and reporting system operating within strict deadlines and appropriate control framework.

The financial statements are prepared in accordance with statements of Lesotho Generally Accepted Accounting Practice and are based on appropriate accounting policies supported by reasonable and prudent judgment and estimates. There are no events that occurred after the balance sheet date that would have a material impact on these financial statements.

These Financial Statements set out on pages 29 to 40 were approved by the Board, and signed on its behalf by:-



 Chairman of the Board
 19/11/08

 Date



 Chief Executive Officer
 11th November 2008

 Date

INCOME	Notes	2008 M'000	2007 M'000
Operating Profit/(Loss)	16	(7.110)	2.116
Net interest received/(charged)		4.216	2.409
Interest received		10.802	9.010
Provision for impaired debts		(3.706)	(4.064)
Interest charged		(2.880)	(2.537)
Net profit before taxation		(2.894)	4.525
Taxation	2,3	-	-
		(2.894)	4.525
Prior year adjustment	15	(76)	(688)
Profit/(Loss) at end of year		(2.970)	3.837

Balance Sheet

ASSETS	Notes	2008 M'000	2007 M'000
Non-current assets			
Property, plant and equipment	3	369.770	352.448
Current assets			
		90.917	93.168
Inventory	4	4.887	4.174
Accounts receivable	5	46.348	44.968
Short-term investments	6	22.071	22.299
Bank and cash	7	17.611	21.727
TOTAL ASSETS		460.687	445.616
CAPITAL AND LIABILITIES			
Capital and Reserves			
		424.212	413.937
GOL funding	8	339.369	336.103
GOL grant	9	137.113	118.130
Accumulated funds	10	(43.394)	(40.424)
Reserves	11	(8.876)	129
Non-current liabilities			
		9.431	8.531
Provisions for severance pay	12	6.062	6.122
Long-term loans	13	3.369	2.409
Current Liabilities			
		27.043	23.148
Bank		3.351	3.203
Accounts payable	14	23.692	19.945
TOTAL CAPITAL AND LIABILITIES		460.687	445.616

Statement of Changes in Capital & Reserves

	GOL Funding M	GOL Grant	Reserves	Accumulated excess expenditure over income M	Total M
Balance at 1 April 2007	336.103	118.130	129	(40.424)	413.937
Net profit for the year	-	-	-	(2.970)	(2.970)
Corrections of deposits wrongly					
Deposited in GOL funding A/C	(1.731)	-	-	-	(1.731)
GOL funding	4.998	19.420	-	-	24.418
Grant amortised	-	(437)	-	-	(437)
Revaluation Reserve	-	-	(9.005)		(9.005)
Balance at 31 March 2008	339.369	137.113	(8.876)	(43.394)	424.212

Cashflow Statement

	2008 M'000	2007 M'000
CASH GENERATED FROM OPERATING ACTIVITIES		
Net Profit before interest charges	(14)	7.062
Adjustment for:		
Depreciation/provision for reticulation assets maintenance	9.771	10.678
(Profit)/Loss on fixed assets disposal	(225)	(234)
Provision for severance pay	59	539
Write offs & adjustments	17	-
Prior year adjustment	(76)	(688)
Interest income	(10.802)	(9.010)
	<u>(1.270)</u>	<u>8.347</u>
Changes in working capital:		
Decrease/(Increase) in inventory	(713)	(336)
Decrease/(Increase) in receivables	(1.380)	(7.130)
(Decrease)/Increase in payables	3.747	2.572
Cash generated from operations	385	3.453
Interest paid	(2.880)	(2.537)
	<u>(2.495)</u>	<u>916</u>
CASH UTILISED IN INVESTING ACTIVITIES		
Purchase of tangible fixed assets	(36.233)	(30.520)
Reticulation fixed assets provision and other adjustments	-	74
Proceeds from sale of fixed assets	225	234
Interest received	10.802	9.010
	<u>(25.206)</u>	<u>(21.202)</u>
CASH FROM FINANCING ACTIVITIES		
Repayment of medium term liabilities	-	-
Increase in GOL contribution/grant	22.250	28.534
Increase/(Decrease) in long term liabilities	960	(623)
	<u>23.210</u>	<u>27.911</u>
NET MOVEMENT FOR THE YEAR	(4.492)	7.625
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	40.822	33.197
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>36.330</u>	<u>40.822</u>

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 1st 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 Land 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

2.4.3 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	30-50 years
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

3. PROPERTY, PLANT AND EQUIPMENT

	2008			2007		
	Cost	Accumulated Depreciation	Carrying Amount	Cost	Accumulated Depreciation	Carrying Amount
	M '000	M '000	M '000	M '000	M '000	M '000
<u>Owned assets</u>						
Land & Buildings	26.676	560	26.116	43.572	23.120	20.452
Specialised Operational structures	120.894	20.407	100.487	160.820	44.947	115.873
Reticulation	203.248	66.494	136.754	201.719	63.111	138.608
Plant & Machinery	10.879	1.132	9.747	31.058	23.513	7.545
Motor vehicles	8.779	5.404	3.375	9.209	4.738	4.471
Office equipment & furniture	3.491	1.736	1.755	5.332	3.424	1.908
Assets in construction	91.537	-	91.537	63.591	-	63.591
	465.504	95.734	369.770	515.301	162.853	352.448

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

	FOR THE PERIOD ENDED 31 MARCH 2008	Carrying Amount at beginning of period	Cost Adjustments Revaluation	Transfer to completed Projects	Additions	Disposal	Depreciation	Depreciation Adjustment Revaluation	Carrying Amount at end of period
	M '000	M '000	M '000	M '000	M '000	M '000	M '000	M '000	M '000
<u>Owned assets</u>									
Land & Buildings	20.452	(17.851)	776	179	-	548	23.108	26.116	
Specialised Operational structures	115.873	(42.038)	2.112	-	-	2.893	27.433	100.487	
Reticulation	138.608	-	1.529	-	-	3.383	-	136.754	
Plant & Machinery	7.545	(22.915)	-	2.736	-	1.131	23.512	9.747	
Motor vehicles	4.471	-	-	560	(990)	666	-	3.375	
Office equipment & furniture	1.908	44	-	395	(2.280)	(1.688)	-	1.755	
Assets in construction	63.591	-	(4.417)	32.363	-	-	-	91.537	
	352.448	(82.760)	-	36.233	(3.270)	6.934	74.053	369.770	

Notes to the Financial Statements

4. Inventory	2008 M'000	2007 M'000
Cost	5.271	4.560
Provision for obsolete stock	(384)	(386)
	4.887	4.174
5. ACCOUNTS RECEIVABLE		
Trade debtors	49.754	45.814
Miscellaneous debtors	5.680	4.877
Postal Services	466	248
Cairomatic - Advance	1.161	2.749
Sanitations Unit	744	455
Shoprite Services	665	431
Roma drought emergency	317	298
CEC Advance	2.098	964
Staff debtors	55	58
Staff housing loan	989	1.080
Prepaid Interest - GOL	158	-
Withholding tax	78	-
Other debtors	-	105
	62.165	57.079
Less: Provision for doubtful debts	(15.817)	(12.111)
	46.348	44.968
6. SHORT-TERM INVESTMENTS		
Treasury bills (Central Bank)	8.627	8.154
Standard Bank Money Markets	13.444	14.145
	22.071	22.299
7. BANK AND CASH		
Lesotho Bank Call Accounts	17.598	21.713
Cashiers	13	14
Sub-total	17.611	21.727
Lesotho Bank Current Account (note.)	(3.351)	(3.203)
	14.260	18.524

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

8. GOVERNMENT OF LESOTHO FUNDING	2008 M'000	2007 M'000
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.		
	336.103	319.967
Balance brought forward (Re-stated)	3.267	16.136
Additions during the year	339.370	336.103
9. GOVERNMENT OF LESOTHO GRANT		
GOL grant represents debt forgiveness by the GOL analyzed as follows:		
Balance at 1st April	118.130	105.732
W-I-P	97.149	84.314
Completed projects	20.981	21.418
Additions during the year	19.420	9.803
Transfer from long-term loans (reallocation)	-	3.032
Amortisation: Completed projects	(437)	(437)
Interest forgiveness (note)	-	-
	137.113	118.130
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	(40.424)	(44.261)
Net profit/(loss) for the year	(2.894)	4.525
Prior year adjustment (Note 16.)	(76)	(688)
	(43.394)	(40.424)
11. RESERVES		
Revaluation reserve	(9.083)	(78)
General reserve	207	207
	(8.876)	129

Notes to the Financial Statements

12. PROVISION FOR SEVERANCE PAY	2008 M'000	2007 M'000
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.	6.062	6.121
	<u>6.062</u>	<u>6.121</u>
13. LONG TERM LIABILITIES		
13.1 Standard Lesotho Bank Loan	2.409	2.409
A loan advanced by the Standard Lesotho Bank to finance the Pre-paid system project. The loan is payable over a period of thirty six months at an interest rate of 2% per annum.		
Repayment of the loan will commence upon completion of the project.		
13.2 Standard Lesotho Bank Loan	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% les prime per annum.		
Balance	<u>3.369</u>	<u>2.409</u>
14. ACCOUNTS PAYABLE AND ACCRUALS		
	2008 M'000	2007 M'000
Accrued expenses	3.000	2.321
Customers' deposits	4.118	3.707
Due to contractors	2.680	3.808
Interest payable to the government	7.781	6.183
Payment received in advance	247	17
Provision for severance pay	674	680
Trade creditors	246	246
Vat control	197	122
Gratuity Provision	4.506	2.858
Unclaimed salaries	1	-
Income Tax Deducted	4	3
Other creditors (Bloem Water)	238	-
	<u>23.692</u>	<u>19.945</u>

Notes to the Financial Statements

15. PRIOR YEAR ADJUSTMENTS		
Interest payable	124	-
Provision for gratuity - 2006/07	(127)	(248)
Tax on gratuity - 2005/06	-	(80)
Mokhotlong Reh. Exp. Capitalised in error	-	(47)
Reversal of incorrect sewer charges	-	(421)
Write - off of sewer charges	-	(139)
Interest charged on debtors - March 2006	-	46
Write - off of unreconciled Accumulated P & L	-	149
VAT - March 2006	-	52
Reversal of partly paid receipts	(73)	-
	<u>(76)</u>	<u>(688)</u>

DETAILED INCOME STATEMENT

16. INCOME	2008 M '000	2007 M '000
Water and Sewage charges	66.036	64.282
New service connection	7.727	7.448
Gain on disposal	225	234
Other income	3.678	1.866
	<u>77.667</u>	<u>73.830</u>
EXPENDITURE		
Manpower costs	37.736	29.875
Electricity	7.766	7.223
Reticulation & plant maintenance	5.362	4.424
Chemicals	3.483	3.849
Transport	2.830	2.234
New connections	4.674	2.627
Telephone, stationery, postage	2.052	1.911
Rents, Security & Insurance	2.964	2.606
Training & travel expenses	1.696	1.406
Directors fees	279	160
Audit fees	112	108
Office equipment	1.211	766
Other expenses (including write-offs)	4.533	3.582
Rates	256	256
Stock adjustment account	52	9
Depreciation	9.771	10.678
	<u>84.777</u>	<u>71.714</u>
Operating Profit for the year	<u>(7.110)</u>	<u>2.116</u>

Summary of WASA's Performance for 8 years to 2007/8

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
INCOME STATEMENT								
Turnover	33.652	39.977	43.970	50.852	61.673	65.706	73.830	77.667
Less: Operating Expenses	40.515	38.789	38.921	49.248	60.240	64.709	71.714	84.777
Operating profit /(loss)	-6.863	1.188	5.049	1.604	1.433	997	2.116	-7.110
Add: Interest Received	304	455	1.159	5.370	5.517	8.450	9.010	10.802
Interest - Debt forgiveness						11.932	-	-
Less: Interest on loans	-3.572	-5.734	-4.747	-4.167	-1.561	-2.116	-2.537	-2.880
Provision for impaired debts						-4.306	-4.064	-3.706
	-10.131	-4.091	1.461	2.807	5.389	14.957	4.525	-2.894
Less: Exceptional Items:								
Provision for underground assets	-3.667	-3.884	-3.872	-	-	-	-	-
Net Profit/ (loss)	-13.798	-7.975	-2.411	2.807	5.389	14.957	4.525	-2.894
Prior Year Adjustment	-76	-894	-5.241	-1.305	515	-114	-688	-76
Profit/(Loss) at end of year	-13.874	-8.869	-7.652	1.502	5.904	14.843	3.837	-2.970
BALANCE SHEET								
	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
	M'000	M'000	M'000	M'000	M'000	M'000	M'000	M'000
ASSETS								
Non-current assets	240.102	257.523	272.524	292.552	301.544	332.681	352.448	369.770
Current assets								
Inventory	3.045	3.401	3.014	3.312	4.023	3.838	4.174	4.887
Accounts Receivable	27.720	27.791	29.298	29.362	36.162	37.838	44.968	46.348
Cash and Bank balances	3.089	11.418	13.651	14.671	38.333	35.696	44.026	39.681
	33.854	42.610	45.963	47.345	78.518	77.372	93.168	90.916
TOTAL ASSETS	273.956	300.133	318.487	339.897	380.062	410.053	445.616	460.686
CAPITAL AND LIABILITIES								
Capital and Reserves								
GOL Funding	298.316	299.880	300.849	305.673	307.530	319.967	336.103	339.369
GOL Grant	731	731	731	79.355	108.916	105.732	118.130	137.113
Accumulated funds	-88.633	-58.859	-66.511	-65.008	-59.104	-44.261	-40.424	-43.394
Reserves	38.772	129	129	129	129	129	129	-8.876
	249.186	241.881	235.198	320.149	357.471	381.567	413.938	424.212
Non-current liabilities								
Provision for severance pay	-	3.983	4.406	4.891	5.425	5.582	6.121	6.062
Medium term liabilities	-	13.593	6.593	-	-	-	-	-
Long term loans	-	25.973	48.618	-	-	3.032	2.409	3.369
	-	43.549	59.617	4.891	5.425	8.614	8.530	9.431
Current Liabilities								
Bank			2.232	1.327	1.980	2.499	3.203	3.351
Creditors and accruals	24.328	14.261	20.998	13.088	14.744	17.373	19.945	23.692
Treasury trading	442	442	442	442	442	-	-	
	24.770	14.703	23.672	14.857	17.166	19.872	23.148	27.043
TOTAL CAPITAL AND LIABILITIES	273.956	300.133	318.487	339.897	380.062	410.053	445.616	460.686





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Water & Sewerage Authority (WASA)
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: 0800 22 011
e-mail: pro@wasa.co.ls or info@wasa.co.ls
Website: www.wasa.co.ls

Photography: Khotso Letsatsi

Lay out and Design by: Thaba Productions (Pty Ltd)
Tel: +27 21 6839751 Cell 082 658 4567