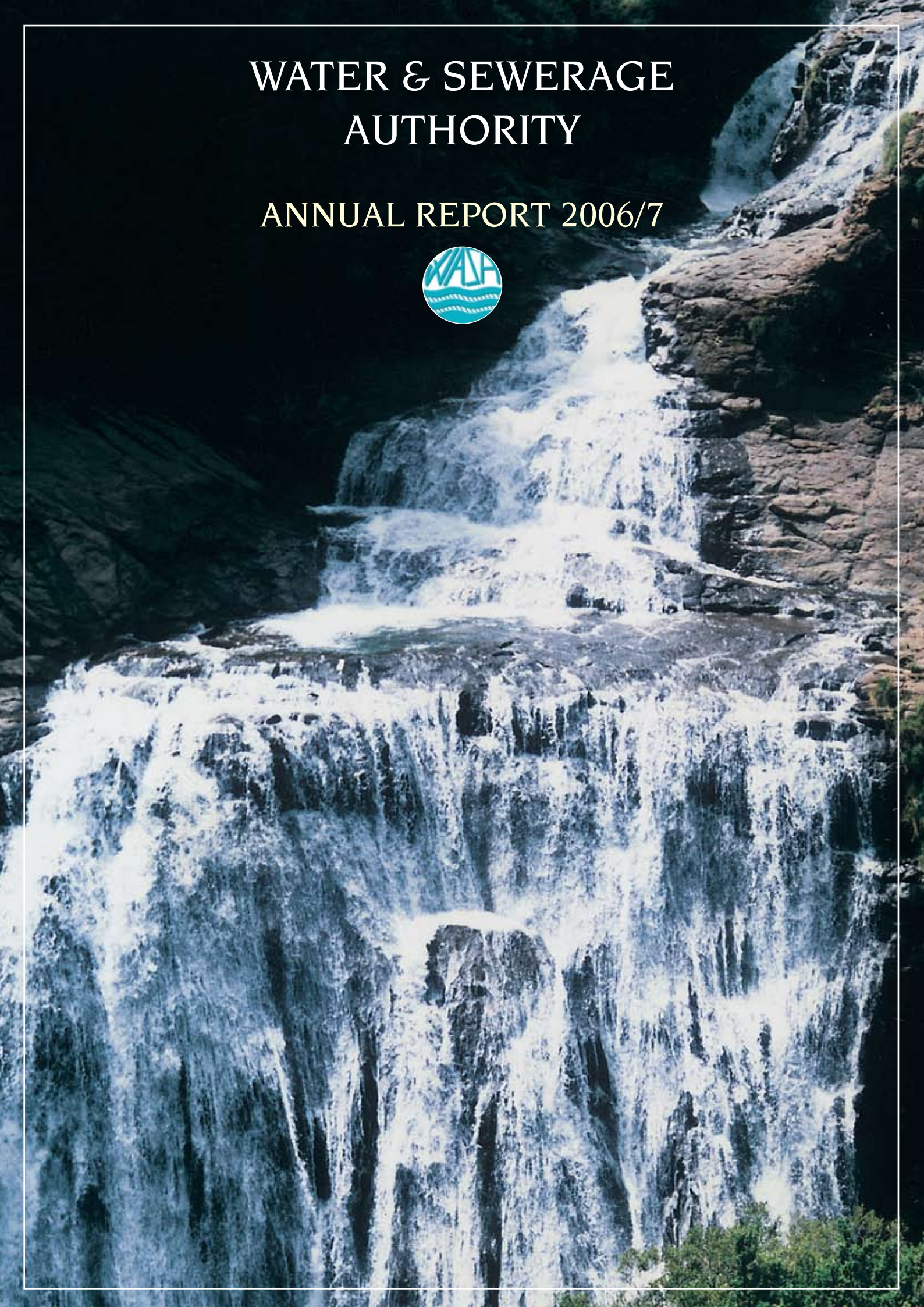


# WATER & SEWERAGE AUTHORITY

ANNUAL REPORT 2006/7



# Board of Directors



Chairman - Mr. Bataung Leleka



Dr. Percy Mangoaela



Mrs. Mamonaheng Ramonaheng



Mr. Lebohang Mofammere



Mrs. Mammako Molapo



Mr. Ntali Matete



Chief Executive  
Mrs. Refiloe Tlali

## *Vision*

In all designated areas, we provide potable water and safely dispose of treated wastewater in the environment.

## *Mission Statement*

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

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**WASA in Lesotho**

## Senior and Middle Management

### SENIOR MANAGEMENT

Mrs. Refiloe Tlali  
Chief Executive  
B.A. Accounting, CA (Lesotho)

Mrs. 'Mamosebi Pholo  
Director of Corporate Services  
BA (law), LLB

Mrs. Nomvula Bohloa  
Director of Finance  
B.Com. Accounting, CA (Lesotho)

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

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



### MIDDLE MANAGEMENT

Mr Brey Goolam  
Manager Contracts Administration  
BSc. Civil Eng. Msc. Water Res. Tech

Mr. Khotso Letsatsi  
Public Relations Manager  
MA Mass Comm.

Mr. Pheello Masoabi  
Legal Affairs Manager  
BA (Law), LLB

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

Mrs. 'Malethole Masenyetse  
Manager Water Production  
BEng. Civil Eng (Hons.)

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

Mr. Moeti Makoa  
Project Manager (WSIP)  
BSc & MSc Water Eng.

Mr. Letlama Jobo  
Manager Sewerage  
BSc. Civil Eng.

Mrs. Lerato Mokuoane  
Financial Model Manager  
B.Com. Accounting, CA (Lesotho)

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

Mr. Joseph Obiahu  
Chief Internal Auditor  
BSc (Hons.), CA, CIA

Mr. Sekhonyana Sekhonyana  
Corporate Planner  
MSc. Economics

Mr. Makhakhe Maliehe  
Marketing Manager  
MCom (Marketing)

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

Ms. 'Mapaseka Makhaba  
Laboratory Manager  
BSc.

## Senior and Middle Management

Ms. Meriam Ratšiu  
Credit Controller  
BCom. (Accounting)

Mr. Motsamai Sootho  
Ass. Corporate Planner  
BA Econ. & Stats, MBA

Mr. Ithuteng Pefole  
Ass. Corporate Planner  
BA. Economics

Mr. Khutlang Mabusela  
Ass. Manager Contracts  
B Tech (Civil Water)

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. Mohapeloane Mohapelo  
Hydrobiologist  
BSc

Mrs. Refiloe Rantsane  
Financial Accounting Manager  
MBA



# Corporate Profile

In Lesotho, Water and Sewerage Authority (WASA) provides safe drinking water to over 45,000 connections plus approximately 400 standpipes serving over 200,000 people out of a total population of around 2 million. 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, off-channel raw water storage, Maqalika.

## 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 wells 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 150 liters per capita per day (l/c/d). Where the supply is to an outside tap, the average consumption is about 50l/c/d and this reduces further the supply from the house. On average people obtaining water from standpipes consume 20l/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 behaviors by its management and staff, the following corporate values has 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.



Sewerage Tanker at the discharge point at Ha Thetsane.



Thetsane industrial area Maseru Lesotho.

## Chairman's Statement



Chairman  
Mr Bataung Leleka

This reporting year 2006/07 has once more proved to be another challenging and eventful one for Water and Sewerage Authority (WASA). I am pleased to report that the Authority has continued to perform exceptionally well, in its endeavours of fulfilling its mandate of providing potable water to all Basotho in the designated areas. This was in spite of the countless problems arising from unpredictable drought conditions that occurred.

In the 2005/2006 report, I stated that Lesotho experienced a terrible drought that immensely affected our operations. Even this reporting year, the country was once more hit by a very terrible drought that has affected our day-to-day work in all fifteen WASA centres across Lesotho.

This situation has resulted in a higher urban influx due to migration from the rural areas to the urban centres in search of jobs. This situation is further aggravated by our diminishing water sources. However, we are grateful that the long-awaited construction of Metolong Dam now seems to be imminent. It is our hope that the dam will quench the water-thirst areas of Maseru City, as well as other centres that the project is intended to cover namely; Roma, Morija, Mazenod and probably Teyateyaneng.

Substantial progress has been made in the implementation of the Maseru Peri-Urban Project and Community Water Supply Project. Both these projects are addressing the increasing populations in the outskirts of Maseru.

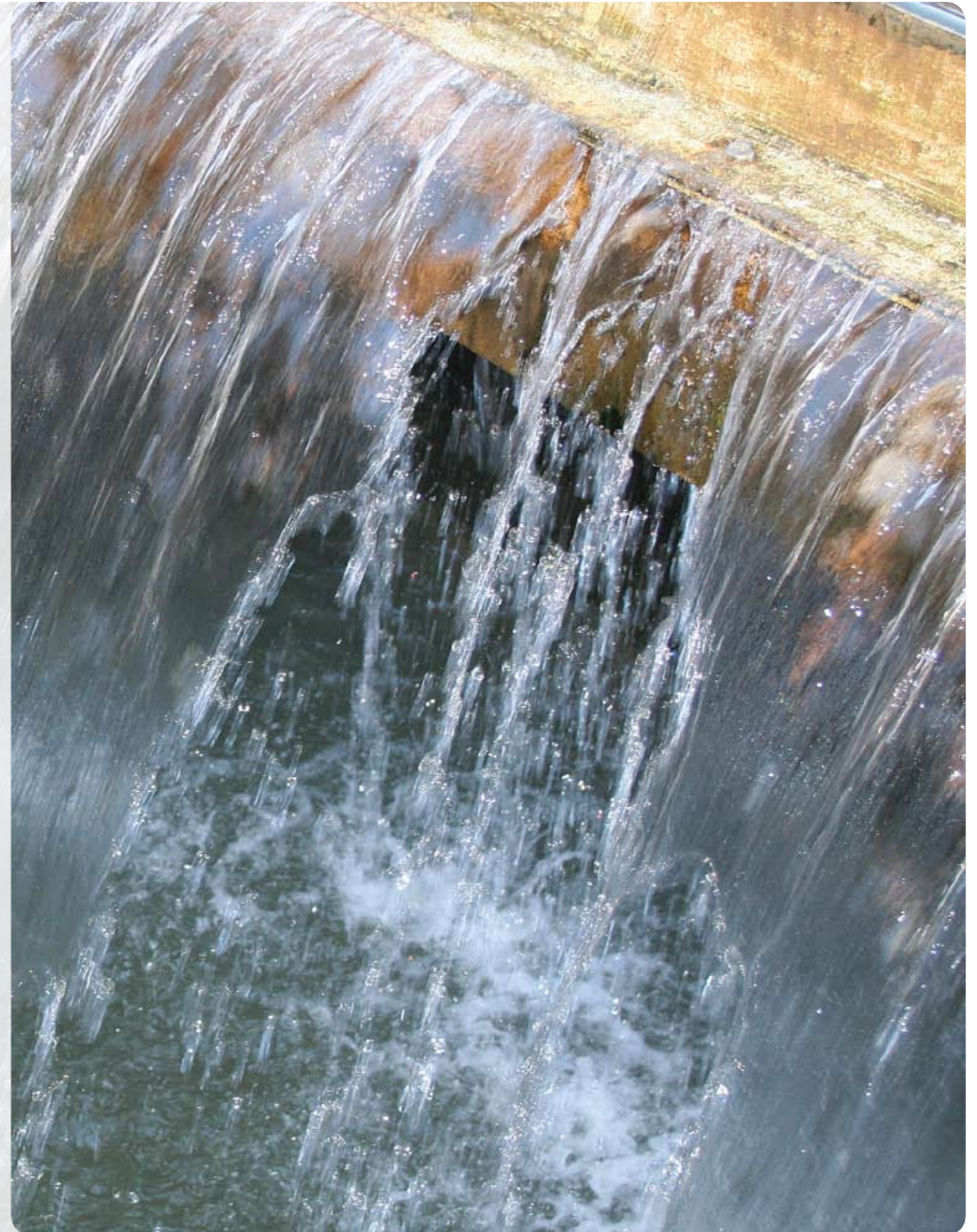
One of the Authority's targets in the Performance Agreement, that is in its third year of operation, is to provide more and better services to the poor which is in line with the government's plan of eradicating poverty, as clearly spelled out in the Government Poverty

Reduction Strategy. In order to tackle that, communal pre-paid standpipes were installed in the densely populated villages of Ha Tsolo and Ha Lesia, the two areas forming part of the Peri-urban areas of Maseru.

The main aim of the project (communal pre-paid standpipes project) was to assist those who can not afford an individual house connection and those living in some rented houses to draw water inexpensively. In that matter, it is our hope that once the concept is seen to be working well, connections to other areas without water will be broadened.

May I conclude my statement by further mentioning that, without exception, all the members of the Board, Management and Staff at WASA have made some crucial and fundamental contributions to the overall achievements within the Authority. Their wise and well-considered inputs, along with their expertise have had the effect of ensuring that the Board operates at an optimum and strategic level. Board members contributions together with Committee members have served at their very best in an effort of keeping the Corporation well focused on its legislative mandate and commercial objective.

I finally extend my absolute gratitude to the members of the Board and encourage them to continue to be active participants in the future of the Authority, bearing in mind that water is a valuable resource, therefore, let's try by all means to conserve it and keep the conservation message wherever we are.



# Chief Executive's Report



Chief Executive  
Mrs. Refiloe Tlali

It is with great honour to once again present our 2006/07 Annual Report which stipulates an overview of the performance of the Authority. This report clearly indicates that WASA is steadily progressing in terms of financial status and viability, as this can be seen with the profits that the Authority is achieving, when compared with the previous years where the graph was always taking a downward trend.

During the year under review, we have seen our Authority's progression in terms of Performance Agreement since its inception with the Government of Lesotho in 2005. I am also happy to report that in aggregate, results have met the expectations of our stakeholders. It is our hope then that the third year, which is the last year of implementation, will improve even further.

## The Performance Agreement

In this edition of the Annual Report we would like to continue in our exposé on the Performance Agreement which is in its final year of implementation. The Agreement signatories are the Water and Sewerage Authority (WASA) and the Government of Lesotho and its main objectives are:

- a) 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.
- b) The identification and registration of all WASA assets and their state of condition.
- c) Establishment of the water and waste-water levels of service that WASA is obliged to provide together
- d) Establishment of a mechanism for the periodic review of tariffs necessary for WASA's long-term sustainability.

This Agreement has been hailed in various forums as an important tool for improving service delivery in public institutions. As is usually the case with the performance Agreement, every year the Agreement is assessed for performance by an independent

Technical Auditor. In May 2007 this assessment was carried out and a report produced which highlighted commendable results and hence endorsed the performance henceforth mentioned.

The Authority has performed very well in the areas of financial management and revenue generation, water quality, level of service improvement (i.e. reducing the number of people who are more than 150 metres away from the main supply) and unaccounted for water. WASA exceeded the set targets in these areas. Specifically, WASA had reached an annual UfW figure of 27 % as opposed to a 30% set target. The target of reducing the number of people more than 150 metres away from the main water supply and also that of reducing the number of people who receive water for less than 18 hours per day, were exceeded by 15%. The Water quality targets, specifically relating to microbiology and chlorine were exceeded.

There are those targets, among others, the Customer billing and collection system, the district metering Scheme, The Geographic Information System (GIS), which needed the engagement of a number of consultancies to address their achievement. The process of procuring those consultancies had varying degrees of success mainly due to stringent procurement procedures set by the World Bank. Furthermore, the procurement of these systems had to await the finalisation of the Customer Billing and Collection System to which they will be linked. There are also targets that still posed as challenges for WASA to achieve. These included the Energy saving target, the emergency procedures and the drought mitigation targets.

WASA maintained a category one performance for the following targets for the first and second year of the Performance Agreement.:

- Level of Service improvement: Number of people served with water for less than 18 hours per day.
- Poverty Relief Services: Number of people more than 150 meters away from a main water supply.
- Capital investment Programme
- Leakage Control: unaccounted for water.
- Business Planning Process
- Human Resources Plan
- Cash Collection
- Financial Performance



The table below summarises the performance of each criterion and presents the overall score for the Authority. On the overall WASA gained a cumulative score of 1.85 for the second year of the performance agreement. This is a slight drop from the first year's performance of 1.58. It can be deduced from the table that the drop in the overall performance is mainly attributed to the drop in performance for the Customer Service system, which dropped from category one to category three. Since this performance criterion carried the greatest weight its drop in performance had the greatest effect on the cumulative score. The factors contributing to the drop in the performance of the Customer Billing and Collection System were largely beyond the control of WASA.

The scoring process is based on a scale of 1 to 5, where 1 indicates excellent performance and 5 indicates very poor performance. The overall score of 1.85 by WASA therefore indicates very good performance.

As it has been previously mentioned, The Performance Agreement is now into its third year and is to come to an end at the end of the financial year 2007/08. There have been great strides in most of the targets and there have been challenges in some. There is a need to take stock of those targets that have posed challenges for WASA to achieve and find modalities of ensuring that they are achieved. For those targets that have been met and those that have been exceeded, there is need to maintain or even improve on the performance hence achieved. Furthermore, the Authority would like to continue this agreement into a new phase of another three years based on lessons learnt from the current one. Other factors that further cement this conviction include the implementation of the Millennium Challenge Corporation supported project as well as other projects supported by the European Investment Bank (EIB), the Arab Bank for International Development (BADEA) and others. These international organizations gain confidence in the Authority on the basis of this measured Performance that is independently assessed.

In this regard the need for new baseline data is very paramount. This would confirm the strides made in the past years and to give impetus for the next years. Based on this, new benchmarks are being developed together with the review of the Agreement in its entirety. The new Agreement would include benchmarks from projects supported by the above mentioned cooperating partners and will have a time frame of three years.



# Chief Executive's Report

Service area	Performance criterion	Indicator	Year One		Year Two		
			Compliance	Weighting	Compliance	Weighting	
1.1	<b>Customer service</b>	Customer service system	Procure customer service system	1	0.15	3	0.45
1.2		Service improvement	Domestic customers supplied for less than 18 hours per day	1	0.05	1	0.05
1.3		Poverty relief strategy	Number of customers more than 150 metres from public supply	1	0.05	1	0.05
2.1	<b>Water resource planning</b>	Capital investment programming	Capital investment procedure	1	0.05	1	0.05
2.2		Leakage control-district	Implementation of district metering scheme	1	0.05	3	0.15
2.3		Leakage control	Unaccounted for water	1	0.1	1	0.1
3.1	<b>Corporate strategy</b>	Business plan process	Business plan	1	0.05	1	0.05
3.2		Human resources plan	Incentive scheme	1	0.1	1	0.1
3.3		Drought strategy	Drought management scheme	1	0.05	1	0.05
4.1	<b>Operations minimisation</b>	Registration of assets & PPM	PPM databases	5	0.25	2	0.1
4.2		GIS	GIS database	1	0.05	2	0.1
4.3		Quality control	% Biological samples failing	3	0.03	1	0.01
4.4		Quality control	% Chlorine samples outside tolerance	5	0.05	1	0.01
4.5		Quality control	% Effluent samples failing	5	0.05	1	0.01
4.6		Emergency planning	Emergency operations plan	5	0.15	4	0.12
4.7		Energy planning	% reduction in energy per m3 water supplied	5	0.1	5	0.1
4.8		Energy planning	% reduction in energy per m3 effluent treated	5	0.1	5	0.1
5.1	<b>Finance</b>	Financial management	Cash collection	1	0.05	1	0.05
5.2		Financial management	Financial performance	1	0.05	1	0.05
5.3		Financial management	Asset register	1	0.05	3	0.15
<b>Cumulative Score</b>				<b>1.58</b>		<b>1.85</b>	

# Chief Executive's Report



Maseru Water Supply purification plant.



WASA Aids Day.





WASA Technical Block.

## Human Resource Management

WASA recognizes the importance of its greatest assets, the Human Resources. It is for this reason that the Corporate Plan and the PA targets recognize the importance of improving the HR function to up-lift it to strategic level. In this regard with the assistance of the World Bank, a Canadian Firm, Global Development Group (GDG) was commissioned to assist with the following;

- The review of the HR Functional Structure
- Review and development of Job Description to enable job evaluation and Grading as well as performance assessments
- Review of HR policies and development of other essential policies
- Review/Develop and recommend Performance Management System
- Review and Revise the current Remuneration and Benefits Structure.

*The list is not exhaustive.*

Consultancy work was done and completed in this project, and a lot of work has begun to implement all recommendations of the consultants. To mention a few, parts of the recommendations on remuneration reviews have been implemented already, and the training plan is already being implemented through the use of the consultant's recommended model. It is expected that the new HR structure will be implemented in the next financial year.

## Staff Welfare

WASA has continued to pursue its agenda as a responsible Organisation in management of HIV/AIDS at workplace through various initiatives. A specialized function was set up to specifically deal with the management of this initiative across the organization. Preparations are underway review the HIV/AIDS policy for the organization.

## Reorganisation for Better Service Delivery

The year 2006/2007 was marked by a very extensive recruitment process due to the restructuring of Urban Administration positions which resulted in review of jobs to align them with the corporate plan. In order to improve WASA's services to its customers, there has been a significant degree of rationalization and consolidation of functions such as Customer Care, Finance and Engineering. As a result of this initial reorganization, a total of 44 new jobs were created to improve WASA's efficiency and delivery.

## Tariff Policy Review

WASA has participated in the review of the Tariff Policy which has been fully approved by the relevant authorities. Subsequently, the new tariffs have been revised and approved by the WASA Board and the Commissioner of Water. It is expected that the new Tariffs will be well published and implemented in the Financial Year 2008/09.

## Customer Access to WASA Head Office

In order to make WASA offices better accessible to customers, WASA has rehabilitated the road from the industrial main road to the headquarters. Preparations are underway for the rehabilitation of the parking area for the customers.

## Legal Services

In order to ensure implementation of the WASA Act, and protection of public interests, WASA continues to devise legal means to strengthen all its initiatives. Prevention of illegal connection of WASA services continues to be given highest priority. WASA therefore continues to take legal steps against illegal connections and there is a significant degree of success in this regard.

In order to maximize revenue collection, negotiations and other strategies which include legal measures have also been successfully taken to ensure improvement in service delivery capacity, and financial sustainability.

## Public Relations

In the year under review, the public relations section entrusted with the overall communication between WASA, stakeholders and customers has initiated a number of communication strategies in order to promote the public profile of the Authority. The Authority has participated in various educational, environmental and public awareness campaigns. Moreover, a number of institutions have benefited

immensely under our Corporate Social Responsibility Programme.

The communication strategies employed under this section are geared towards addressing and promoting the image and identity of the organization, managing our corporate social responsibility programme as well as improving customer relations issues.

## Information Dissemination and Public Education

In an effort to improve the image of the company, to ensure that customer problems and issues affecting them are resolved timeously, various means of communication between WASA, the customers and stakeholders were utilized as to educate, disseminate information, and create awareness on WASA's services and operations in general. These were all done through electronic and print media. A weekly Radio programme as well as ad hoc phone-in programme in various radio stations within the country was used.

A "water treatment video" that depicts water treatment processes from the extraction point till distribution point for consumption to the customers was developed. This video is intended to dispel the misconception among our consumers, who perceive water in the country as their right, as it is naturally abundant, without taking into consideration the costs of developing and maintaining the necessary infrastructure as well as costs of treating the water.



The outgoing Director of Corporate Services Mrs. 'Mamosebi Pholo (center with red jacket).



There is also an external quarterly newsletter produced with helpful tips and articles from various departments within WASA.

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

The website also provides further support to our existing customers; it is also a source of information to our prospective customers.

### Corporate Social Investment Programme

WASA operates within a certain socio-economic environment. The services provided are utilized by individuals, industries, public and private companies and this interaction in the long run provides WASA with commercial sustainability, viability and economic growth. Thus, WASA established a Corporate Social Responsibility Programme in 2006 in an effort to plough back into communities in our supply area. In this regard, donations and sponsorships are provided to schools with special dire needs, non-governmental organizations, community based organizations and other relevant stakeholders. In the year under review a number of organizations benefited from this initiative.

Amongst those who benefited are:

*The National University of Lesotho (N.U.L) and Lerotholi Polytechnic (L.P)*

Since 2006 WASA award students with outstanding performance at L.P. and N.U.L in Civil Engineering and Chemistry respectively as the above mentioned courses are part of WASA's core business needs.

### Students In Free Enterprise (SIFE)

This is a non-profit making organization that gives students of higher learning in Lesotho, the tools to learn the free enterprise system in a real life situation. WASA supported this organization during a competition between the following institutions; (L.P, N.U.L, Centre for Accounting Studies (C.A.S), Lesotho Agricultural College (L.A.C) and Lesotho College of Education (L.C.E) in order to select an institution with a winning outreach programme to represent Lesotho in international competitions.

### Environmental Fair

The fair is run under the ministry of Tourism, Environment and Culture for High School students. It is intended to change student's mindset, and to encourage them to take action for environmental change. Moreover, it promotes various environment-related and eco-friendly products/environmental aspects, through demonstrations and exhibitions. In the year under review WASA awarded Mafeteng High School student for writing best essay on environment entitled "Environment my Home".

### Lesotho Save the Children's Home Village

Lesotho Save the Children Home Village is a registered, independent local non-governmental organization which provides a temporary home for abused, neglected, abandoned, and orphaned children who are identified through the help of the Department of Social Welfare and the police. WASA assisted this children's home village by donating an amount of M7,000.00 to cover the organizations water bill. Clothes collected from staff member were also donated to this Organization.

### Customer Satisfaction

The Authority endeavored to ensure that our customers are satisfied in terms of service delivery. To ensure this, a national customer satisfaction survey was conducted in September 2006 in our service centres to find out the extent to which customers are satisfied with WASA' service delivery. That survey indicated that WASA is a good performer. The highest urban centres Customer Survey Indexes (CSI's) in 2006 were for Thaba-Tseka, Mokhotlong and Roma at 78.42, 73.44 and 70.92 respectively. This is an improvement over the 2005 survey where WASA was rated as an average performer. However, more effort is required to meet the set targets.

### Marketing

The financial year 2006/07 has seen the Marketing Section ardently putting efforts into initiatives that were in line with the strategic outlook and intent of the organization. We worked towards improving the revenue of the Authority by promoting the services of the organization, such as, new water and sanitation connections. We embarked in educational campaigns to promote WASA as a brand and to inform people about the requirements for accessing the services of the Authority.

Our strategies also focused on giving attention to the customer by providing them with an easier route when they access our services, for example, making the process of making a new water or sanitation connection as short and hassle free as possible.

### Promotional Activities

We have ensured that information about our services is disseminated properly and this was achieved through a structured and integrated use of the following marketing and communication vehicles:

*Radio and newspaper advertising - a number of adverts have been developed that cover a wide variety of marketing intents:*

- Promotion of new water and sanitation connections;
- Campaigns to encourage people to pay their water bills;



Mafeteng High School student singing during price giving to the

best student won the essay competition on environmental issues.



# Chief Executive's Report

- Campaigns to discourage illegal connections;
- Campaigns to promote WASA as a brand; and
- Campaigns to promote the purchase of Pre-paid tokens.

### Point of service information dissemination:

- Pop-up Banners in the Customer contact center to explain application procedures and processes
- Flyers and brochures placed on the counter for customers to access;
- Posters in the customer service centers.
- Verbal explanation of procedures by customer care staff at every opportunity.

### Below the line information dissemination.

- Distribution of brochures, flyers and placement of posters in high traffic areas such as robots, grocery stores, hospitals, and schools.
- Placement of Pop-up banners at high traffic points such as Shoprite and the Post office.

### Encouraging buy-in into customer service internally

We have been able to enlighten the employees of the Authority about the requirements of the customers, for example, the importance of maintaining service levels that have been promised to the customer. The time it takes to respond to queries has improved dramatically in recent times. Some service paths have been shortened considerably, for example, it now takes only three days for an application to connect on credit to be fully approved and sent for actual effecting, where previously it would take as long as three weeks.

### Customer service area management

We have ensured, through management of the customer service area, that customers have a place where they can be guided through the service paths when they request services. Through the introduction of service level management systems we are able to track adherence to service levels and raise concerns with relevant sections if levels are compromised.

To conclude, I would like to once again extend my thanks and commend WASA's Board of Directors, Management Team and the entire Staff and also urge them to put more and extra effort to their work in order to achieve the terms and conditions set out in the next year's Performance Agreement as it will be our last and final year, therefore, lets also aim to close that year with a bang.

The Board of Directors and Management Team anticipate a further year of solid progress as success is the product of coordinated teamwork. I am therefore indebted to all of our stakeholders for their unwavering support in ensuring the future of the Authority. We are therefore beholden to our loyal customers and will continue to work to deserve their business.

D.



Rehabilitation of the filters at Butha Buthe Treatment Plant.

# Engineering, Planning & Development



Maseru Peri-Urban Water Supply Project Phase II in the north west of Maseru City.



Mr Lira Mohosho  
Director of Engineering

The annual report for 2006/07 covers the projects that 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 either financed by the Government of Lesotho, external donors or are internally financed.

(L.H.L.D.C) Estate of MASOWE I, II, II and IV.

The project is expected to supply 2,400 cubic metres of water to the above mentioned sites per day. The project has been commissioned, handed over to WASA and the residents are already enjoying water from this project, except for the Industrial Area which has not yet been developed.

Water Supply to Lesotho Housing and Land Development Corporation in Quthing

The project was completed after the repair of the pipe bridge that was washed away by heavy rains in the previous year.

The project is intended to supply water to the proposed Lesotho Housing Estate, estimated to accommodate about 300 plots for the low income group. This extension of water supply is also expected to serve the villages' en-route and those neighbouring the estate.

### Completed Projects

#### Tikoe I – Water Supply to the Proposed Industrial Area at Ha Tikoe

The project is supplying water to the proposed Tikoe Industrial Area and neighbouring villages of Ha-Tsollo, Ha Tikoe, Semphetenyane, Ha Shelile and the Lesotho Housing and Land Development Corporation



# Engineering, Planning & Development

## Water Reticulation Extensions

### Water Reticulation to some infills in Maseru

The infills are pockets of several households which are enclosed by the main pipelines. The households in each infill are as many as 300, depending on the growth since the main pipeline was laid. In Maseru alone, there are several of these areas which were supplied with water during the reporting period. They include:

*Mahlasela – Ntakatsane Area*  
*Ntširele*  
*Wine House I and II*  
*Borokhoaneng*  
*Tšosane*  
*Bakubung I and II*

The total length for these areas amounted to 7.5 kilometres of pipeline which extended access to water for nearly 6,000 people, taking into consideration that each household has nearly 5 people.

### Reticulation Extension in the Urban Centres

Qacha's Nek was the only district town where the reticulation was carried out and completed during this reporting period. Other towns such as Butha-Buthe, Mafeteng and Thaba-Tseka had similar programmes, which are expected to be completed during this coming reporting year.

## Maseru Water Supply Production

### Rehabilitation of Flow Rapid Sand Filters

Our filters at Maseru Water Supply were refurbished in order to improve the quality of water and the reduction of migration of sand from those filters. The work was completed and the quality and quantity were restored to the acceptable standards and designed capacity. The rehabilitation also addressed the unaccounted for water (plant losses) by reduction of frequencies for back-washing.

### Lime Dosing Plant

The quality of water sources for Maseru Water Supply i.e. Caledon River and Maqalika Reservoir, warranted the installation of the lime dosing plant, to correct the pH of the incoming raw water so that it could be treated using less chemical doses. The optimization of lime dosing does not only control the quality of the incoming raw water but also corrects the pH of finally treated water.

The plant is currently operational and the quality had successfully improved.

### New Sewer Connections

The new sewer connections works were carried out in the following areas:

- a) *Leribe Hotel and Shoprite Hlotse*
- b) *Thaba-Tseka Secondary School*
- c) *Maseru Central Correctional Services*

These sewer lines were meant to reduce pollution by disposing off wastewater in a friendly and environmentally acceptable manner for improved health in the aforementioned areas.

### On-going Projects

#### Maseru Peri-Urban Water Supply Phase I – Contract II

The project started in October 2004, with the sole purpose of supplying water to Peri-Urban Areas of Lepereng, Lithabaneng, Ha Leqele, HaMakhoathi, Bosofo, Ha Khobatha, Makhoakhoeng, Phakalasang, Ha Seleso and Ha Tikoe. Among the above mentioned Peri-Urban Areas, the following are already enjoying the supply of water; Ha Leqele, Part of Matala, Ha Bosofo, Ha 'Nelese, and also part of Lithabaneng.

#### Conversion of Post-Paid Meters into Pre-paid

The project was initiated to convert the ordinary conventional post paid meters into pre-paid ones. The targeted areas were Matsoatlareng, which encompasses Fokothi and IDM institutions, Maseru West, Hooхло, Florida, New Europa, Hillsvie and Police Europa. The project started in 2006 and will be completed in the next financial year. On completion 2,000 pre-paid meters would be installed. The customers who have been connected are very enthusiastic with this new system, as it is easy to operate.

#### Construction of Offices and Stores in Other Urban Centres

Apart from the normal extension of water reticulation systems and sewer network, Water and Sewerage Authority also has the responsibility to provide its staff with office accommodation in their respective centres. The following offices were constructed this reporting year:

- a) Hlotse Office
- b) Teyateyaneng Office

Together with our Regional Store in Mohale's Hoek proposed to serve the rest of the Urban Centres in the South i.e. Mafeteng, Mohale's Hoek, Quthing and to a large extent Qacha's Nek.

# Engineering, Planning & Development



WASA employees at Hlotse in front of the newly built office

### Extension of Water Reticulation Systems in the Urban Centres:

The water reticulation system works commenced in the following districts:

- a) Phomolong and Pontšeng in Thaba-Tseka
- b) Thabaneng in Mafeteng

*However, the work has not been completed.*

### 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 to be further evaluated by WASA and BADEA.

#### Maseru Wastewater Project

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

- a) Technical Assistance to WASA Operations and Maintenance Division.
- b) Immediate Works
- c) Medium Term works

#### Technical Assistance

The inputs of Technical Assistant have already start-

ed. These inputs are 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.

The Technical Assistant will also have some inputs in the design and implementation of Maseru Wastewater and Six Towns Water Supply and Sanitation Projects.

#### Immediate Works

The Immediate Works component comprises the purchasing of eight vacuum tankers for both septic tanks and VIP's (ventilated improved pits), and replacement and/or refurbishment of electro-mechanical equipment in Ratjomose Waste Water Treatment Plant and the existing pumping stations.

#### 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 capital of Lesotho. The project will consist of rehabilitation and extension measures for the improvement of the wastewater collection, treatment and disposal systems in town areas where a piped sewerage system exists or proves justified.



## Engineering, Planning & Development

The project components will comprise the following:

### i.) Consulting Services

Consulting services will be required for the following:

- Environmental and Social Impact Assessment
- Technical Assistance to the Project Implementation Unit
- Detailed design and Construction Supervision
- Development of the National Sanitation Master plan
- External Mid-Term and End Term Review

### ii.) Works

The works will be implemented in two catchment areas namely Ratjomose and Agric College. It is envisaged that there will be three works contracts for the envisaged project which will comprise the following components:

- Rehabilitation, extension together with the upgrading of the Ratjomose Wastewater Treatment Plant (WWTP) through an additional 2nd line and modification of facultative pond to an aerated one with a capacity of 15,000 m<sup>3</sup>/d; 6,300 kg BOD (measures as proposed by GKW).
- Ratjomose catchment area sewerage rehabilitation, infilling & extension including the re-equipment of 12 existing pumping stations and the construction of some 1,000 new house connections to increase the coverage of the sewerage system (measures as proposed by GKW).
- Construction of a new Agric-College Wastewater Treatment Plant (stabilisation ponds) including facilities for treatment of screenings, grit and sludge of anaerobic ponds: 3,900 m<sup>3</sup>/d; 1,720 kg BOD/d.
- Construction of a new sewerage system for Agric-College catchment area (high density areas including parts of the catchment area Lepereng) including the construction of 3 new pumping stations for raw sewage and the collection of sewage effluent from a number of institutions within the currently unsewered adjacent Lepereng area: transfer of up to 250 m<sup>3</sup>/day raw sewage by bulk pumping sewer to the proposed Agric-College WWTP. Currently these institutions' small WTTW are completely non-functional and raw sewage is released to the environment.
- A further 5,000 new house connections in the Agric-College catchment area. The sewerage system will allow further households to be connected by WASA



Pipe laying at Ha Tsoane under Maseru Peri-Urban Water Supply Project.

## Engineering, Planning & Development

after the project, up to the above WWTW capacity and depending on take up rates by households. This could serve an additional 10,000 to 20,000 people.

- Construction of on-site sanitation facilities (VIPs) for households without water closets or in-house connections will be implemented.

The project comprises three works contracts with the following scopes: W1 - Refurbishment and upgrading of the Ratjomose Waste Water Treatment Works and construction of a new Agric-College Waste Water Treatment Works; W2 - Rehabilitation, infilling and extension of the sewerage systems in the Ratjomose catchment area and installation of new sewerage systems in the Agric-College catchment area; and W3 - Construction of on-site disposal systems (VIPs).

In the initial stage three consultancies will be awarded, for an environmental and social impact assessment, for technical assistance to the PIU and for detailed design, tender documentation & construction supervision. Later during project implementation a fourth consultancy for the preparation of a national sanitation master plan will follow. The project duration is expected to be five years.

The cost of the project is estimated at EUR 28.6 million and WASA has been able to obtain funding from the European Investment Bank (EUR 14.3 million loan), the ACP-EU Water Facility (EUR 10 million grant) and the GoL (EUR 4.3 million grant).

### Maseru Peri-Urban Phase II

The project is intended to cover North East and South West areas of Maseru. This includes the following areas:

*Khubetsoana*  
*Koalabata*  
*Tšenola*  
*Lancer's Gap*  
*Majoe-a-Litšoenne*  
*Ha Ratjomose*  
*Ha Thetsane*  
*Ha Tsolo*  
*Ha Tikoe*

On completion, the project would have about 4,500 house connections.

### Mazenod Water Supply

The Consultant was appointed for the design and

supervision. On completion Mazenod and other neighbouring villages, including the Moshoeshe International Airport, would be connected from Maseru High South Reservoir.

### Maqalika Raw Water

The project comprises the intake and pumping station which will abstract at about 1.5 cubic metres per second into Maqalika reservoir, during the high flow in the Caledon River. The water from this intake will also supply the proposed 10 Megalitre – treatment plant near Maqalika reservoir. The plant will serve two new reservoirs at Mabote and Naleli, located on the North-East of Maseru.

### Metolong Advanced Infrastructure

The whole project includes:

- a) Access road to Metolong Dam
- b) Supply of Electricity for Metolong for both the Camp and post infrastructural.
- b) And also water supply to the camp and neighboring villages including the sanitation facilities.

WASA is only concerned with Water Supply and Sanitation. The Consultant to carry out the designs for all the components of water supply and sanitation has already been appointed and the designs would be completed in 2007/2008.



# Operations and Maintenance



Mr. Pali Phafa at the mini water treatment plant Makhalaneng Roma.



Mr Falla Seboko  
Director of Operation  
& Maintenance

The operations and maintenance division's predominant function is to supply adequate potable water at affordable costs to all WASA customers and to collect and treat wastewater before disposal, in all designated urban centres.

It is only through the operations and maintenance division that we manage to utilize our limited resources when delivering affordable services to our stakeholders and most importantly our valued customers, not neglecting the well-being of our society (environment) and employees at WASA. Through employees and staff well-being, it is only then that the Authority can sustain itself financially and comply with the current global trends and standards.

This division is also concerned with the delivery of an immediate and timing response, giving attention to concerns and complaints from customers and stakeholders that are always handled within 24 hours of the day at our customer incidence care desk.

### Broad objectives of the division

- Improve level of service and WASA's image.
- Improve quality of service.
- Reduce unaccounted for water/non revenue water (Ufw).
- Increase potable water coverage.
- Improve operational efficiency.
- Develop staff.

### Water Quality

All in all, our water treatment plants water quality met the required standards of World Health Organisation's (WHO) guidelines with the exception of some very few days when the division was encountering operational problems.

### Water Sources

Among the main raw water supply sources for our centres, we have the following:

- Phuthi (formerly Caledon) river supplying Maseru city and peri-urban areas
- Phuthiatsana river supplying Teyateyaneng
- Makhaleng river supplying Mohales'hoek

# Operations and Maintenance

- Mokhotlong river supplying Mokhotlong
- Sejabatho river supplying Qachas'nek and
- Qoqomong river for Quthing

Potable raw water supply is supplemented by well points (maximum of 2m depth from the river bed), boreholes and springs for Mapoteng and Mokhotlong. Water production and demand for 2006/07 met our consumers demand. However, there had been a severe drought impact on our water sources, with the month of February 2007 said to be the driest in ten years. As a result, flows in rivers were diminishing at a fast rate, and yields from boreholes/well-points/springs dropped significantly.

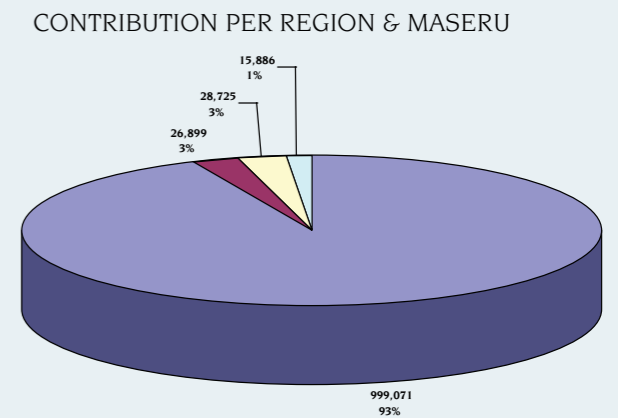
The designated urban centres' sources severely hit by drought were the following:

- Mapoteng which is solely served by 'Makaliso spring situated two kilometers from our centre in Mapoteng. The yield from that spring dropped significantly; as such, water had to be tankered from TY to supply the local hospital in Mapoteng and sporadically those areas which the spring water supply could not reach for three months prior to the October rains.
- Maseru raw water is abstracted from Phuthi River and also has a back up of Maqalika Dam storage, which can last us for three months during dry seasons. Phuthi River flow diminished to low levels that were below Maseru Treatment Plant abstraction capacity, hence water had to be released from 'Muela

Hydropower Dam on the following periods.

- 22nd to 27th March 2007 (5 days)
- 1st to 4th June 2007 (3 days)
- 30th September to 3rd October 2007 (3 days)

The rest of other urban centres were also affected by the drought, however, water supply was still available although "rationed."

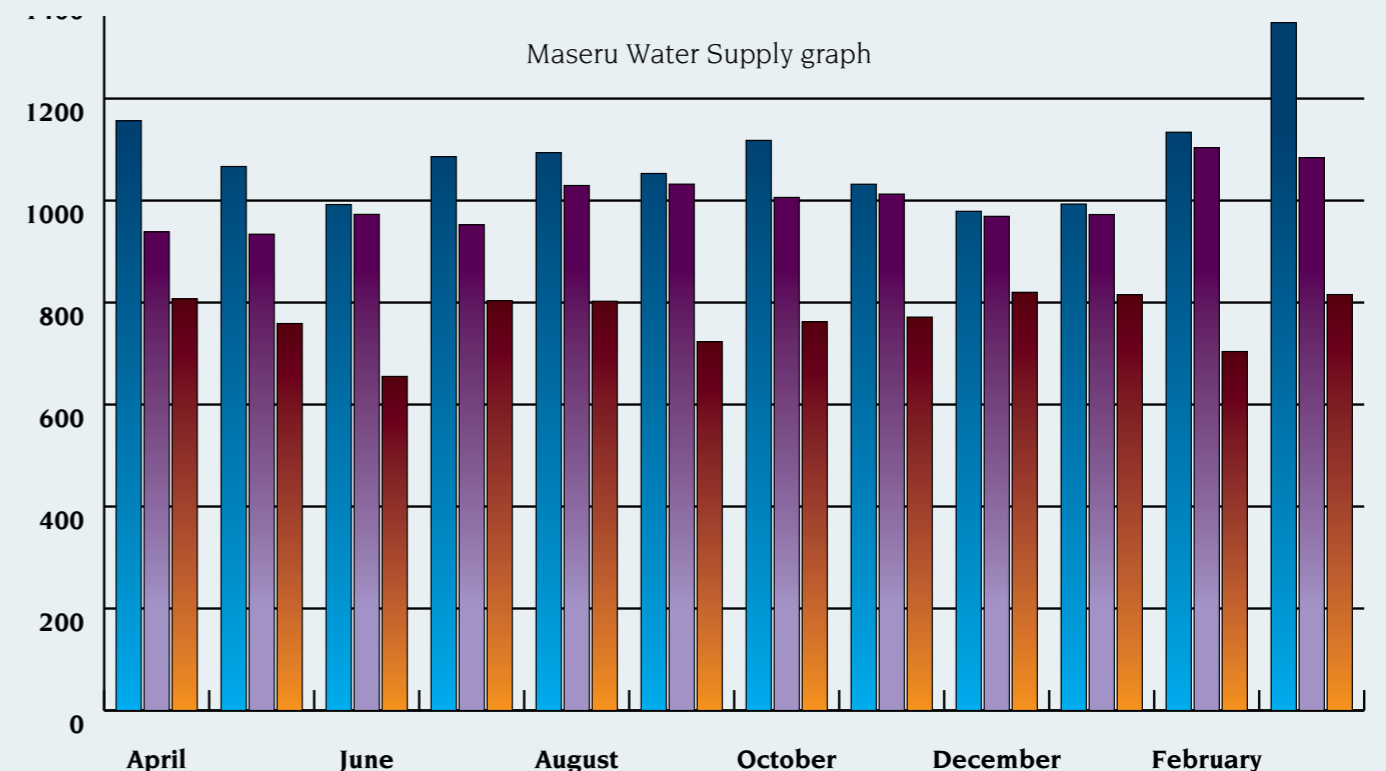


Maseru Water Supply graph

- Potable water produced was 46.262 Mega liters per day (ML/d) in all WASA systems (the annual target was 45 ML/d). Maseru produced an average of 35.283 ML/d.

### Rehabilitation and Maintenance

Repair and upgrading of our worn-out reticulation system was carried out in a number of centres to improve the quality of our product.



## Operations and Maintenance

### Treatment Plants

In order to improve the quality of potable water served in Maseru, the Government funded the rehabilitation of Maseru Treatment Plant to a tune of M2 million.

The Moroeroe Treatment Plant in Butha- Buthe was also rehabilitated (M350, 000) funded by WASA to augment and improve the quality of potable water supply.

### Maintenance of potable water pipelines

Maintenance activities, both planned preventative and unplanned reactive maintenance methods, were carried out in all the centres. The activities are carried out on a daily, weekly, monthly, as well as annually, to inspect and service our existing equipment.

### Unplanned maintenance

The work involved repair of pipelines due to pipe bursts and some deteriorations.

### Planned Preventive Maintenance

This was done to replace uneconomic to repair pipelines in the following areas;

- A 1.5 km pipeline at Moshoeshoe II
- 0.9 km from Lekhaloaneng to Borokhoaneng line
- 3.5 km White city line to Thetsane
- 0.5 km Mookoli-Motimposo
- A 5 Km gravity pipeline from Mosaqane spring in Qacha's Nek was rehabilitated to the value of M5 00, 000 funded by WASA.

The above mentioned works were both meant to improve the reliability of potable water supplied, and to reduce unaccounted for water.

### Achievements of the division

a) Number of customers supplied with water for more than 18 hours has been reduced from 90, 000 (2005) to 18,700 (2007). A further 10,000 is targeted to be reduced in 2008.

b) Residual Chlorine samples failing continues to drop from 5% (2005), 2% (2006) to 1% (2007). All the disinfection systems have been automated by use of gas chlorine moving away from manual use of chloride of lime powder. **2007 target is 4% samples failing.**

c) Biological samples failing also continue to drop from 6% (2005), 2% (2006) to 1% (2007). **2007 target is 4% samples failing.**

d) A contract had been signed to urgently rehabilitate

sewerage reticulation system in Maseru (Immediate works project – funded by EU); hence effluent quality shall be improved in that regard.

e) Unaccounted for water / non revenue water (Ufw) had been reduced to 28% annual average in 2006/07 from 31% in 2005/06. **2007's target was 27.5%.**

f) Overflow devise systems had been installed; namely, telemetry system installation in Maseru and ball valves installed in Butha Buthe, Outhing, Peka, Leribe, and also in Mapoteng service reservoirs. Such installations assist in curbing overflows thereby enhancing operational efficiency.

g) In maintenance works the division had achieved a target of 2 hours reaction time, maximum of 8 hours for repairs of the mains and a maximum of 2 days for repairs of small house connections, which are mainly leakages.

h) Training Plan (funded by EU) had been developed to train operatives; that is, technical supervisors, operators, pipe fitters, labourers and others.

### Technological challenges for operations optimisation

- Implementation of the Drought Management Plan.
- Develop energy plan.
- Implement Emergency Preparedness Plan.
- Develop a Planned Preventive Maintenance (including the computerized system).
- Develop the network model for Maseru.
- Complete the District Metering Areas (DMA) construction.

## Finance Division

### Financial Performance



Mrs. Nomvula Bohloa  
Director of Finance

The increase in turnover from a figure of M65.71m in 2005/06 to a figure of M73.83m for the year under review is one significant indication of a robust financial performance which WASA has sustained over the last 4 years. This represents a growth rate of 12.36% from the previous year. As in the past, the mainstay of revenue

earnings had been the income generated through the provision of water and sewerage services, which amounted to M64.28m, registering a notable growth rate of 14.13% when compared to M56.32m relating to the previous year. Earnings from new service connections grew by 12.2%, with an income figure of M7.45m for 2006/07 compared against M6.64m from the previous year.

The textile industry has continued to contribute significantly to the realization of the reported income levels, with 39.76% of the sales revenue accruing from this customer category. Their consumption had increased when compared to the previous period by 12.93%. Other recognizable contributors to revenue are domestic sectors and the Government of Lesotho, which respectively accounted for 27.09% and 14.59% of the total sales during the year ended March 2007. It is therefore 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 a rate of 21.21% up to the end of March 2007, with this source bringing in an amount of M6.04m when compared to the previous years M4.99m. This growth rate had 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. The on-going Maseru Peri-Urban Project has added impetus to the drive to connect new domestic customers, as the project has been assessed to have the potential for 4,000 domestic customer connections.

Income from new sewerage connections decreased from

M1.65m to M1.4m figures of 2005/06. Some extra efforts will carry on in order to educate potential customers about the benefits 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 2007 stood at M71.71m, making it possible for a small operating profit of M2.12m to be realized. Power, Chemicals, Reticulation & Plant Maintenance constitute a major portion of the operating expenses, as could be expected in this type of business.

Pricing for the year under review was adjusted by an application of 6% inflation factor to WASA's tariffs commencing in April 2006. A complete review of tariffs will be worked out 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.

WASA posted a net profit of M4.53m at the end of the financial year under review, a substantial part of which was derived from the interest income on investments and late debtors' payment.

### Financial Position

#### Fixed Assets

There has been an increase of M38m in the fixed assets during the year ended March 2007. The additions are attributable largely to the completion of the Roma Water Supply Augmentation Project, which has been wholly financed by the Government of Lesotho, to the value of M9.29m. The increase has also arisen from acquisition of additional plant and machinery, costing M2.07m, as well as replacement of vehicles and equipment.

There are on-going projects which have increased the Work-In-Progress (WIP) figure to M63.59m. The bulk of the WIP figure in respect of four projects can be summarized as follows:

- Maseru Peri-Urban Project Contract II (28.55m), financed by BADEA and GOL
- Water Sector Improvement Project (M7.74m), financed by World Bank and GOL
- Tikoe I (M13m) financed by GOL
- Pre-paid Meters Project (M2.4m) financed by the Standard Lesotho Bank Ltd.



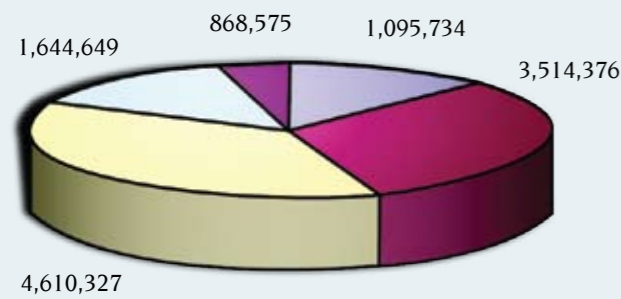
## Net Current Assets

The Net Current Asset position of the Authority has positively moved to a figure of M70.02m at the end of the reporting period, with the current asset figure standing at M93.17m against the current liabilities of M23.15m. 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 96% 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 of the debtors do not repay their debts and do not subsequently officially arrange for the services to be reinstated. Concerted efforts were

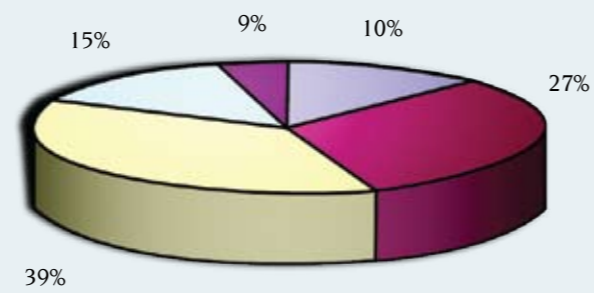
made to follow up on the disconnected customers and to encourage them to pay the outstanding debts. A limited conversion of post-paid to pre-paid meters has also somehow positively contributed to the improved collection.

The domestic pre-paid meters have impacted positively in enabling WASA's customers to monitor their consumption of water and also to identify leakages and any other problems relating to metering. There have been three pilot pre-paid public standpipes which are functioning quite well and have yielded encouraging results. There is a plan to convert all the public standpipes in Maseru to pre-paid ones, during 2007/08, as an attempt to minimize the incidence of non-payment of debts. The conversion of standpipes 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.



Business Domestic Industries Government Other



Business Domestic Industries Government Other

## 2006 / 2007 Milestones in ICT

1. The number of network points was increased such that the offices in the new Customer Care building, the Polo Ground office and the Maseru Water Supply offices were connected to the Internet and Email Services and as a result flow of information between head office and these offices was improved. Connectivity of the Polo Ground offices and the Maseru Water Production offices was done with the funding from the World Bank through the Lesotho Water Sector Improvement Project (LWSIP). This project also funded IT equipment.

curement of the Billing and Collection System and the Enhancement of the current accounting system - Pegasus Opera II. These two systems are the core of an Integrated Financial Management system which is expected to be fully functional before the closure of the LWSIP in June 2008.

Contracts for the development of the functional specifications of the following systems; Planned Preventive Maintenance System, Hydraulic Network Modeling System and Geographic Information System were given a blessing by the WASA management. Consul-

2. The World Bank also assisted with the pro-

tants of the respective systems have commenced discussions with relevant users to identify user needs which are the core of the functional specifications. Functional specifications of a system form a fundamental component of the bidding document.



Ms. Engelina Motabo drawing a sample at the primary sedimentation tank for testing.



Two communal pre-paid standpipes at Ha Thetsane in Maseru City..







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 2007**

Moores Rowland Chartered Accountants, under Section 15 (1) of the Audit Act 1973, have audited the annual financial statements of Water and Sewerage Authority set out on pages 32 to 47 for the year ended 31 March 2007. These financial statements are the responsibility of the Authority's Directors. My responsibility is to express an opinion on these financial statements based on the audit.

**Scope**

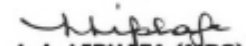
The audit was conducted in accordance with International Standards on Auditing. Those standards require auditors to plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes:

- ❖ Examining on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- ❖ Assessing the accounting principles used and significant estimates made by management, and
- ❖ Evaluating the overall financial statements presentation.

I believe that the audit provides a reasonable basis for my opinion.

**Audit Opinion**

In my opinion, the financial statements fairly present, in all material respects, the financial position of the Authority at 31 March 2007, the results of its operations and cash flows for the year then ended in accordance with Generally Accepted Accounting Practice, and in the manner required by the Lesotho Water and Sewerage Order, 1991 as amended.

  
L. L. LIPHAFI (MRS)  
AUDITOR GENERAL

Page 2



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## Statement Board of Directors

### FINANCIAL STATEMENTS

For the year ended 31 March 2007

#### 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 39-47 were approved by the Board, and signed on its behalf by:-

Chairman



Date: 14.09.2007

Chief Executive



Date: 14.09.2007

## Income & Expenditure Statement

### INCOME AND EXPENDITURE STATEMENT

For the year ended 31 March 2007

	Notes	2007 M'000	2006 M'000
<b>INCOME</b>			
Operating Profit	16	2.116	997
Net interest received/ (charged)		2.409	13.960
Interest received		9.010	8.450
Interest- Debt forgiveness		-	11.932
Provision for impaired debts		(4.064)	(4.306)
Interest charged		(2.537)	(2.116)
Net profit before taxation		4.525	14.957
Taxation	2,3	-	-
		4.525	14.957
Prior year adjustment	15	(688)	(114)
<b>Profit/(Loss) at end of year</b>		<b>3.837</b>	<b>14.843</b>

## Balance Sheet

BALANCE SHEET  
As at 31 March 2007

	Notes	2007 M'000	2006 M'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	352.448	332.681
<b>Current assets</b>			
Inventory	4	4.174	3.838
Accounts receivable	5	44.968	37.838
Short-term investments	6	22.299	18.465
Bank and cash	7	21.727	17.231
<b>TOTAL ASSETS</b>		<b>445.616</b>	<b>410.053</b>
<b>CAPITAL AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
		413.938	381.567
GOL funding	8	336.103	319.967
GOL grant	9	118.130	105.732
Accumulated funds	10	(40.424)	(44.261)
Reserves	11	129	129
<b>Non-current liabilities</b>			
		8.530	8.614
Provisions for severance pay	12	6.121	5.582
Lon-term loans	13	2.409	3.032
<b>Current Liabilities</b>			
		23.148	19.872
Bank		3.203	2.499
Accounts payable	14	19.945	17.373
<b>TOTAL CAPITAL AND LIABILITIES</b>		<b>445.616</b>	<b>410.053</b>

## Statement of Changes in Capital & Reserves

STATEMENT OF CHANGES IN CAPITAL AND RESERVES  
For the year ended 31 March 2007

	GOL Funding M	GOL Grant	Reserves	Accumulated excess expenditure over income M	Total M
<b>Balance at 1 April 2006</b>	319.967	105.732	129	(44.261)	381.567
Net profit for the year	-	-	-	3.837	3.837
GOL funding	16.136	12.835	-	-	28.971
Grant amortised	-	(437)	-	-	(437)
<b>Balance at 31 March 2007</b>	<b>336.103</b>	<b>118.130</b>	<b>129</b>	<b>(40.424)</b>	<b>413.938</b>

## Cashflow Statement

### CASH FLOW STATEMENT

For the year ended 31 March 2007

	2007 M'000	2006 M'000
<b>CASH GENERATED FROM OPERATING ACTIVITIES</b>		
Net Profit before interest charges	7.062	5.141
<b>Adjustment for:</b>		
Depreciation/provision for reticulation assets maintenance	10.678	9.225
(Profit)/Loss on fixed assets disposal	(234)	(447)
Provision for severance pay	539	157
Prior year adjustment	(688)	(114)
Interest income	(9.010)	(8.450)
	<u>8.347</u>	<u>5.512</u>
<b>Changes in working capital:</b>		
Decrease/(Increase) in inventory	(336)	185
Decrease/(Increase) in receivables	(7.130)	(1.676)
(Decrease)/Increase in Treasury Trading	-	(442)
(Decrease)/Increase in payables	2.572	2.629
Cash generated from operations	3.453	6.208
Interest paid	(2.537)	(2.116)
	<u>916</u>	<u>4.092</u>
<b>CASH UTILISED IN INVESTING ACTIVITIES</b>		
Purchase of tangible fixed assets	(30.520)	(40.400)
Reticulation fixed assets provision and other adjustments	74	38
Proceeds from sale of fixed assets	234	447
Interest received	9.010	8.450
	<u>(21.202)</u>	<u>(31.465)</u>
<b>CASH FROM FINANCING ACTIVITIES</b>		
Repayment of medium term liabilities	-	-
Increase in GOL contribution/grant	28.534	21.185
Increase/(Decrease) in long term liabilities	(623)	3.032
	<u>27.911</u>	<u>24.217</u>
<b>NET MOVEMENT FOR THE YEAR</b>	7.625	(3.156)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	33.197	36.353
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>40.822</u>	<u>33.197</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 reticulation networks, structures and other assets were revalued by KPMG Peat Marwick during 1996/97 under an IDA -assisted programme. 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.

##### 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



# Notes to the Financial Statements

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.

## 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	2007			2006		
	Cost	Accu- mulated Depreci- ation	Carrying Amount	Cost	Accu- mulated Depreci- ation	Carrying Amount
	M ,000	M ,000	M ,000	M ,000	M ,000	M ,000
<i>Owned assets</i>						
Land & Buildings	43.572	23.120	20.452	43.354	22.239	21.115
Specialised Operational structures	160.820	44.947	115.873	151.216	41.724	109.492
Reticulation	201.719	63.111	138.608	201.422	60.005	141.417
Plant & Machinery	31.058	23.513	7.545	29.066	21.837	7.229
Motor vehicles	10.503	6.033	4.470	9.418	5.316	4.102
Office equipment & furniture	5.332	3.423	1.909	4.190	3.026	1.164
Assets in construction	63.591	-	63.591	48.162	-	48.162
	<b>516.595</b>	<b>164.147</b>	<b>352.448</b>	<b>486.828</b>	<b>154.147</b>	<b>332.681</b>

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

FOR THE PERI- OD ENDED 31 MARCH 2005	Car- rying Amount at begin- ning of period	Adjust- ments Cost	Transfer to com- pleted Projects	Addi- tions	Depre- ciation	Adjust- ment Depre- ciation	Car- rying Amount at end of peri- od
	M ,000	M ,000	M'000	M ,000	M ,000		M ,000
<i>Owned assets</i>							
Land & Buildings	21.115	-	-	218	881		20.452
Specialised Operational structures	109.492	-	-	9.604	3.223		115.873
Reticulation	141.417	-	-	297	3.106		138.608
Plant & Machinery	7.229	(75)	-	2.067	1.676		7.545
Motor vehicles	4.102	-	-	1.764	1.396	-	4.470
Office equipment & furniture	1.164	-	-	1.142	397		1.909
Assets in const- ruction	48.162	1	(7.574)	23.002	-		63.591
	<b>332.681</b>	<b>(74)</b>	<b>(7.574)</b>	<b>38.094</b>	<b>10.679</b>		<b>352.448</b>

## Notes to the Financial Statements

<b>4. INVENTORY</b>	<b>2007</b>	<b>2006</b>
	<b>M'000</b>	<b>M'000</b>
Cost	4.560	4.224
Provision for obsolete stock	(386)	(386)
	<u>4.174</u>	<u>3.838</u>
<b>5. ACCOUNTS RECEIVABLE</b>		
Trade debtors	45.814	49.676
Miscellaneous debtors	4.877	3.841
Postal Services	248	173
Cairomatic - Advance	2.749	1.000
Sanitations Unit	455	329
Shoprite Services	431	316
Roma drought emergency	298	261
CEC Advance	964	-
Staff debtors	58	234
Staff housing loan	1.080	1.308
Other debtors	105	61
	<u>57.079</u>	<u>57.199</u>
Less: Provision for doubtful debts	(12.111)	(19.361)
	<u>44.968</u>	<u>37.838</u>
<b>6. SHORT-TERM INVESTMENTS</b>		
Treasury bills (Central Bank)	8.154	7.753
Standard Bank Money Markets	14.145	10.712
	<u>22.299</u>	<u>18.465</u>
<b>7. BANK AND CASH</b>		
Lesotho Bank Call Accounts	21.713	17.216
Cashiers	14	15
Sub-total	<u>21.727</u>	<u>17.231</u>
Lesotho Bank Current Account (note.)	(3.203)	(2.499)
	<u>18.524</u>	<u>14.732</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

### 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.

	<b>2007</b>	<b>2006</b>
	<b>M'000</b>	<b>M'000</b>
Balance brought forward (Re-stated)	319.967	307.530
Additions during the year	16.136	12.437
	<u>336.103</u>	<u>319.967</u>

### 9. GOVERNMENT OF LESOTHO GRANT

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

Balance at 1st April	105.732	108.916
Adjustment of March 2006 closing Balance	3.032	
Adjusted Balance 1st April 2006	108.764	
W-I-P	87.346	87.061
	-	-
Completed projects	21.418	21.855
Additions during the year	9.803	9.185
Amortisation: Completed projects	(437)	(437)
Interest forgiveness (note)	-	(11.932)
	<u>118.130</u>	<u>105.732</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	(44.261)	(59.104)
Net profit/(loss) for the year	4.525	14.957
Prior year adjustment (Note 16.)	(688)	(114)
	<u>(40.424)</u>	<u>(44.261)</u>

### 11. RESERVES

Revaluation reserve	(78)	(78)
General reserve	207	207
	<u>129</u>	<u>129</u>



## Notes to the Financial Statements

<b>12. PROVISION FOR SEVERANCE PAY</b>	<b>2007 M'000</b>	<b>2006 M'000</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.	6.121	5.582
	6.121	5.582
<b>13. LONG TERM LIABILITIES</b>		
13.1 IDA Loan A loan advanced by the government of Lesotho for infrastructure development in Maseru and Maseru areas and for implementation of Performance Agreement.	-	3.032
13.2 Lesotho Bank Loan 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.	2.409	-
Balance	<b>2.409</b>	<b>3.032</b>

## Notes to the Financial Statements

<b>14. ACCOUNTS PAYABLE AND ACCRUALS</b>	<b>2007 M'000</b>	<b>2006 M'000</b>
Accrued expenses	2.321	4.240
Customers' deposits	3.707	3.441
Due to contractors	3.808	3.347
Interest payable to the government	6.183	4.744
Other Creditors	-	1
Payment received in advance	17	292
Provision for severance pay	680	620
Salaries and wages	-	61
Trade creditors	246	106
Vat control	122	50
Gratuity Provision	2.858	-
Income Tax Deducted	3	25
Suspense	-	446
	<b>19.945</b>	<b>17.373</b>
<b>15. PRIOR YEAR ADJUSTMENTS</b>		
Interest payable	-	(114)
Provision for gratuity - 2005/06	(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	-
	<b>(688)</b>	<b>(114)</b>

# Notes to the Financial Statements

## DETAILED INCOME STATEMENT

<b>16. INCOME</b>	<b>2007</b>	<b>2006</b>
	<b>M ,000</b>	<b>M ,000</b>
Water and Sewage charges	64.282	56.318
New service connection	7.448	6.636
Gain on disposal	234	447
Other income	1.866	2.305
	<u>73.830</u>	<u>65.706</u>
<b>EXPENDITURE</b>		
Manpower costs	29.875	25.903
Electricity	7.223	7.881
Reticulation & plant maintenance	4.424	4.822
Chemicals	3.849	2.860
Transport	2.234	2.093
New connections	2.627	2.371
Telephone, stationery, postage	1.911	1.737
Rents, Security & Insurance	2.606	2.283
Training & travel expenses	1.406	1.116
Directors fees	160	69
Audit fees	108	90
Office equipment	766	733
Other expenses (including write-offs)	3.582	2.836
Rates	256	279
Stock adjustment account	9	400
Provision for doubtful debts	-	11
Depreciation	10.678	9.225
	<u>71.714</u>	<u>64.709</u>
<b>Operating Profit for the year</b>	<b><u>2.116</u></b>	<b><u>997</u></b>

# Summary of WASA's Performance for 8 years to 2006/7

	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
<b>INCOME STATEMENT</b>									
Turnover	38,678	37,445	33,652	39,977	43,970	50,852	61,673	65,706	73,830
Less: Operating Expenses	39,341	37,331	40,515	38,789	38,921	49,248	60,240	64,709	71,714
<b>Operating profit/(loss)</b>	<b>-663</b>	<b>114</b>	<b>-6,863</b>	<b>1,188</b>	<b>5,049</b>	<b>1,604</b>	<b>1,433</b>	<b>997</b>	<b>2,116</b>
Add: Interest Received	924	500	304	455	1,159	5,370	5,517	8,450	9,010
Interest - Debt forgiveness								11,932	-
Less: Interest on loans	-3,865	-4,640	-3,572	-5,734	-4,747	-4,167	-1,561	-2,116	-2,537
Provision for impaired debts								-4,306	-4,064
	-3,604	-4,026	-10,131	-4,091	1,461	2,807	5,389	14,957	4,525
Less: Exceptional Items:									
Provision for underground assets	-3,455	-5,927	-3,667	-3,884	-3,872	-	-	-	-
<b>Net Profit/ (loss)</b>	<b>-7,059</b>	<b>-9,953</b>	<b>-13,798</b>	<b>-7,975</b>	<b>-2,411</b>	<b>2,807</b>	<b>5,389</b>	<b>14,957</b>	<b>4,525</b>
<b>Prior Year Adjustment</b>	<b>-38,817</b>	<b>1,122</b>	<b>-76</b>	<b>-894</b>	<b>-5,241</b>	<b>-1,305</b>	<b>515</b>	<b>-114</b>	<b>-688</b>
<b>Profit/(Loss) at end of year</b>	<b>-45,876</b>	<b>-8,831</b>	<b>-13,874</b>	<b>-8,869</b>	<b>-7,652</b>	<b>1,502</b>	<b>5,904</b>	<b>14,843</b>	<b>3,837</b>
<b>BALANCE SHEET</b>									
	<b>M'000</b>	<b>M'000</b>	<b>M'000</b>	<b>M'000</b>	<b>M'000</b>	<b>M'000</b>	<b>M'000</b>	<b>M'000</b>	<b>M'000</b>
<b>ASSETS</b>									
<b>Non-current assets</b>	240,336	236,473	240,102	257,523	272,524	292,552	301,544	332,681	352,448
<b>Current assets</b>									
Inventory	2,767	2,894	3,045	3,401	3,014	3,312	4,023	3,838	4,174
Accounts Receivable	26,183	28,300	27,720	27,791	29,298	29,362	36,162	37,838	44,968
Cash and Bank balances	9,534	6,801	3,089	11,418	13,651	14,671	38,333	35,696	44,026
	38,484	37,995	33,854	42,610	45,963	47,345	78,518	77,372	93,168
<b>TOTAL ASSETS</b>	<b>278,820</b>	<b>274,468</b>	<b>273,956</b>	<b>300,133</b>	<b>318,487</b>	<b>339,897</b>	<b>380,062</b>	<b>410,053</b>	<b>445,616</b>
<b>CAPITAL AND LIABILITIES</b>									
<b>Capital and Reserves</b>									
GOL Funding	282,139	287,753	298,316	299,880	300,849	305,673	307,530	319,967	336,103
GOL Grant	533	731	731	731	731	79,355	108,916	105,732	118,130
Accumulated funds	-65,924	-74,759	-88,633	-58,859	-66,511	-65,008	-59,104	-44,261	-40,424
Reserves	38,772	38,772	38,772	129	129	129	129	129	129
	255,520	252,497	249,186	241,881	235,198	320,149	357,471	381,567	413,938
<b>Non-current liabilities</b>									
Provision for severance pay	-	-	-	3,983	4,406	4,891	5,425	5,582	6,121
Medium term liabilities	-	-	-	13,593	6,593	-	-	-	-
Long term loans	-	-	-	25,973	48,618	-	-	3,032	2,409
	-	-	-	43,549	59,617	4,891	5,425	8,614	8,530
<b>Current Liabilities</b>									
Bank					2,232	1,327	1,980	2,499	3,203
Creditors and accruals	22,858	21,529	24,328	14,261	20,998	13,088	14,744	17,373	19,945
Treasury trading	442	442	442	442	442	442	442	-	-
	23,300	21,971	24,770	14,703	23,672	14,857	17,166	19,872	23,148
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>278,820</b>	<b>274,468</b>	<b>273,956</b>	<b>300,133</b>	<b>318,487</b>	<b>339,897</b>	<b>380,062</b>	<b>410,053</b>	<b>445,616</b>





# WATER & SEWERAGE AUTHORITY



## ANNUAL REPORT 2006/7

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