



LESOTHO ELECTRICITY AND WATER AUTHORITY (LEWA)

# **LEWA TECHNICAL ASSISTANCE (TA) FOR THE TECHNICAL DATA QUALITY AND AUDITING**

## 1. INTRODUCTION

Urban water and sewerage services regulation is regarded as one of the integral developmental tools in the implementation of the Lesotho Water and Sanitation Policy (2007) which entails, amongst others, establishing and operationalising an independent regulator to regulate tariffs and monitor levels of service for water supply and sewerage services.

The Lesotho Electricity Authority (LEA) was established in 2002 by an Act of Parliament to regulate the Electricity Supply Industry. Events over time have necessitated changes to expand the mandate of LEA to include water regulation in 2013. As a result, the LEA Act 2002 was amended to include regulation of urban water supply and sewerage services; as such, transforming LEA into Lesotho Electricity and Water Authority (LEWA). The LEA (Amendment) Act, 2011 gives LEWA the power, amongst others, to regulate fees and tariffs, develop and monitor technical standards for water supply and sewerage services, issue licenses and enforce conditions thereof. To facilitate the envisioned transformation, Water and Sewerage Company (Proprietary) Limited (Establishment and Vesting) Act 2010 was promulgated to provide for establishing Water and Sewerage Company (Proprietary) Limited (WASCO), vesting of the assets, liabilities, rights and obligations of Water and Sewerage Authority (WASA) to the newly established WASCO, registered in terms of Companies Act.

To facilitate a seamless transition into the new dispensation of water regulation by LEWA, a number of regulatory instruments were developed; namely,

- Composite License;
- Quality of Service and Supply Standards (QOSSS);
- Complaints Handling Rules and Procedures
- Water and Wastewater Plants Safety Guidelines;
- Performance Assessment Tools;
- Reporting Formats;
- Water and Sewerage Regulations.
- Contingency Fund for Emergencies.
- License Fees and Customer Levies Regulations.
- Water Price Review and Structure Regulations

Other regulatory instruments that have been applied to electricity and that equally applies to regulation of the water sector are:

- Charging Principles for Electricity and Water and Sewerage Services
- Licensees' Regulatory Accounting Guidelines
- Tariff Filing and Review Procedures for Electricity and Water and Sewerage Services

In addition to the above regulatory instruments LEWA developed the 10 (ten) Key Performance Indicators (KPIs) in 2016 under the three (3) main performance categories; namely, Quality of Service, Economic Efficiency and Operations Sustainability.

The Component 3 of the Lesotho Lowlands Water Development Project II (LLWDP II) is envisaged to support WASCO Performance Improvements through a mix of institutional strengthening complemented by output-based payments with disbursement dependent on verifiable achievement of targets set in three (3) Disbursement Linked Indicators (DLIs). The DLIs are to incentivize WASCO to:

- i) improve the quality of their data and improve management decision making and enhanced regulatory interface;
- ii) improve the quality of their statutory financial management for improved decision making and enhanced regulatory interface; and
- iii) deliver improved technical and financial performance against annual targets set by the regulator (LEWA)

Implementation of these instruments; particularly, the DLIs in iii) requires the development and strengthening of applicable skills within LEWA. As a result, LEWA is therefore intending to hire a consulting firm with relevant experience to assist LEWA in a number of regulatory tasks and in associated training and skills transfer.

## **2. OVERALL OBJECTIVES OF THE ASSIGNMENT**

The main objectives of the assignment are to assist LEWA:

- a) In developing DLIs Monitoring Framework for technical data audit by LEWA;
- b) In establishing the appropriate WASCO performance baseline data using the following regulatory instruments:
  - I. Quality of Service and Supply Standards (QOSSS);
  - II. Performance Assessment Tools and
  - III. Reporting Formats for WASCO;
- c) In developing and implementing performance audits and procedure manual
- d) Through the above, to develop the capacity of LEWA staff to independently undertake the WASCO's technical and financial performance monitoring.

## **3. METHODOLOGY**

The consulting firm will be directly responsible to the LEWA Chief Executive and also work closely with WASCO and other appropriate agencies within the water sector.

The consulting firm shall provide key expert(s) for each of the tasks being undertaken and work closely with LEWA staff for the essential purpose of skills transfer. Consultation with decision-makers and stakeholders will be important throughout the project to ensure that it meets its objectives in the way which is acceptable to all involved.

Reports (inclusive of recommendations) shall be compiled in five (5) files which will be in both hard and soft copies.

#### **4. SCOPE OF SERVICES**

##### **4.1 Development of the DLIs Monitoring Framework**

The consulting firm shall be required to develop the DLIs Monitoring Framework for WASCO in line with the regulatory legal instruments (license, Quality of Supply and Service Standards, regulations, rules, procedures and guidelines). The DLIs Monitoring Framework has to clearly reflect the technical and financial performance by WASCO against annual targets set by LEWA, and how the assessment and ratings will be carried out to verify those targets;

##### **4.2 Review of WASCO performance and existing performance assessment tools for the years since 2013/14**

The consulting firm will work with LEWA staff to assess the level of performance of WASCO since 2013/14 against the QOSSS and the ten (10) KPIs since 2016/17. As a result, a benchmark for the performance of WASCO under regulation by LEWA will be established. A benchmark for performance is mainly obtained by identifying the level of WASCO's performance against the set service levels and critical issues that must be addressed once DLIs Monitoring Framework is in place and implemented by LEWA commences.

Review Performance Assessment Tools by LEWA and the Reporting Formats that WASCO shall use in reporting to LEWA. The forms should be able to cater for all the critical information (monthly, quarterly and annually) that is required and be in line with the legal regulatory instruments.

##### **4.3 Assist LEWA with creating the audits and procedure manual.**

Based on the findings of 4.1 and 4.2 the consulting firm shall prepare updated performance assessment tools and reporting formats in line with the latest requirements. The consultant will codify this updated approach in a procedures (audit) manual.

Using the updated tools, formats and manual, the consultant will assist LEWA over the period of the assignment with:

- a) The implementation of the legal and regulatory instruments; and
- b) The annual performance assessment of WASCO.

##### **4.4 Capacity Building Support**

Throughout the execution of the scope of services (4.1 – 4.3), the consulting firm shall identify the capacity and institutional needs and constraints and provide a practical support and advice on actions/strategies. Specifically, the consultant will enhance the skills of LEWA staff on technical

and financial auditing of WASCO's performance. The Consultant will design and carry out a training on the audit manual and procedure. The training will be held in Lesotho over five (5) days while the Consultant's experts will be expected to work closely with LEWA allocated staff throughout the assignment.

## **5. QUALIFICATION AND EXPERIENCE OF KEY PERSONNEL**

The composition of the team working on the assignment is of critical importance and should include at a minimum of:

### **5.1 Water Utility Institutional Expert – Team Leader**

- A Masters degree in engineering, management or related field;
- 10 years in utility management with particular experience in water and sewerage services;
- Membership of a relevant professional body;
- Minimum of 5 years leading similar consulting teams;

### **5.2 Technical Infrastructural Expert**

- Hold a Masters Degree in Water or Civil Engineering
- Minimum of 10 years in operational experience in a water utility, 5 of which at least is in a management position
- Membership of a relevant professional body

### **5.3 Financial Management Expert**

- Hold a Masters Degree in Finance and Accounting
- Minimum of 10 years' accounting experience Experience working in a utility company would be desirable
- 10 years external financial and management auditing experience (particularly in water utility and/or municipal entities)
- Membership of a relevant professional body

## **6. LEWA'S OBLIGATIONS**

The Authority shall be responsible for providing the following:

- Qualified staff for the assignment;
- Computers and printing facilities; and
- Office space and transport to various sites.

In addition, the Authority shall establish a Project Management Team (PMT) comprising Manager Technical Regulation-Water, Manager Economic Regulation and Manager Human Resources, Finance and Administration. The PMT will be chaired by Manager-Technical Regulation-Water, who will then report project progress to the Commissioner of Water-Project Implementation Unit (PIU). The PMT will work on day-to-day basis with the Consultant, be the link between Consultant

and other stakeholders to facilitate the gathering of information and data for the project. It will also be responsible for the consolidation of the comments of stakeholders on the various reports issued by the Consultant, and submission of the same to the Consultant.

## 7. DELIVERABLES

All reports by the Consultant shall be submitted to LEWA, and, in the form and number of copies designated. LEWA, as the responsible party for the supervision of the implementation of the assignment, shall submit comments to the Consultant no later than two (2) weeks after the submission of a report to LEWA by the Consultant. The following are the specific deliverables:

- Performance Audit Manual and Procedure
- DLIs Monitoring Framework by LEWA;
- Appropriate WASCO performance baseline data; and
- Final Report

## 8. DURATION OF THE ASSIGNMENT and PAYMENT SCHEDULES

The assignment is expected to be delivered in **six (6) months** as per the indicated **percentage (%) payment** schedule,

8.1 Inception Report (commencement date) -----	3 <sup>rd</sup> week : <b>10%</b>
8.2 Development of DLIs Monitoring Framework	
8.3 WASCO performance baseline data -----	20 <sup>th</sup> week: <b>60%</b>
8.4 Draft Final Report -----	22 <sup>nd</sup> week
8.5 Final Report -----	24 <sup>th</sup> week: <b>30%</b>