Report of the auditor-general to the Limpopo Provincial Legislature and the council on the Bela-Bela Local Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Bela-Bela Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2025, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Bela Bela Local Municipality as at 30 June 2025 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 24 of 2024 (DoRA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.

4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Emphasis of matter

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

7. As disclosed in note 49 to the financial statements, the corresponding figures for 30 June 2024 were restated as a result of an error in the financial statements of the entity at, and for the year ended, 30 June 2025.

8. As disclosed in note 37 to the financial statements, material electricity losses of R21 887 595 were incurred which represent 19% of the total electricity purchased. Technical losses amounted to R11 343 155 and system failures, unbalanced loading, overloading, low voltage,

load shedding and deteriorating infrastructure. Non-technical losses amounted to R10 544 439 and were due to power theft, meter tampering, meter bypass, illegal connections, unpaid bills, consumer non-payment and faulty meters.

9. As disclosed in note 37 to the financial statements, material water losses of R20 586 047 were incurred, which represented 47% of the total water purchased. The technical losses amounted to R4 377 289 and were due to system failures, unbalance networks, high pressure, pipe bursts and deteriorating infrastructure. Non-technical losses amounted to R16 208 758 and were due to water theft, meter tampering, meter bypass, illegal connections, no billing, unpaid bills, consumer non-payment and faulty meters and the delay by operators to repair reported leakages.
10. As disclosed in note 63 to the financial statements, the entity incurred a material impairment for receivables of R135 101 540 (2024: R78 440 588) as a result of irrecoverable debts.

11. With reference to note 44 to the financial statements, the municipality is the defendant in various lawsuits. The municipality is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liability that may result was made in the financial statements.

Other matters

12. I draw attention to the matters below. My opinion is not modified in respect of these matters.

13. The supplementary schedule set out on pages xx to xx does not form part of the financial statement and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion thereon

14. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

15. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and DoRA and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

16. In preparing the financial statements, the accounting officer is responsible for assessing the municipality’s ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

17. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

18. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page xxx forms part of my auditor's report.

Report on the annual performance report

19. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof; I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicator presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

20. I selected the following material performance indicators related to Basic Service Delivery and Infrastructure Development presented in the annual performance report for the year ended 30 June 2025. I selected those indicators that measure the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

KPA1 - Basic Service Delivery and Infrastructure Development

- Percentage of the work completed as measured according to the PPII for the Upgrading of the Leseding Sewer Pump Station (Ward 6) by 30 June 2025.
- Percentage of the work completed as measured according to the PPII for the Upgrading of the Sewer Rising Main from the Leseding Pump Station to the WWTW (Ward 2 & 6) by 30 June 2025
- Percentage of the work completed as measured according to the PPII for the Upgrading of the Settlers Sewer Pump Station (Ward 2) by 30 June 2025.
- Percentage of the work completed as measured according to the PPII for the Upgrading of the Industrial outfall sewer line (Ward 2) by 30 June 2025.
- Percentage of the work completed as measured according to the PPII for the Augmentation of the water supply source and the construction of the water reticulation network in Tsakane (Ward 7) by 30 June 2025.
- Percentage of the work completed as measured according to the PPII for the Construction of Water Booster Pump Station and Upgrading of a Steel Elevated tank in Ext 8 (Ward 4) by 30 June 2025.

- Percentage of the work completed as measured according to the PPII for the Replacement of Bulk Raw Water AC Pipeline from Lapa pump station to Bela-Bela Water Treatment Works (Ward 1 & 9) by 30 June 2025.

- Percentage of the work completed as measured according to the PPII for the Construction of Road Paving and bulk Stormwater in Bela-Bela X8 - Phase 4 (Ward 4) by 30 June 2025.

- Percentage of the work completed as measured according to the PPII for the Construction of Road Paving and Stormwater in Bela-Bela X5 - Phase 1 (Ward 3) by 30 June 2025.

- Percentage of the work completed as measured according to the PPII for the Refurbishment of roads and stormwater in Limpopo Road and Mabunda Street (Ward 7&5) by 30 June 2025.

- Percentage of the work completed as measured according to the PPII for the Construction of Road Paving and Bulk Stormwater in Masakhane (Ward 9) - Phase 1 by 30 June 2025.

- Percentage of the work completed as measured according to the PPII for the Construction of Road Paving and Stormwater in Bela-Bela X5 - Phase 2 (Ward 3) by 30 June 2025.

- Percentage of the work completed as measured according to the PPII for the Construction of the Bela-Bela 132/11kVA 2 X 20MVA Sub-Station (Ward 2) by 30 June 2025.

- Number of Formal areas with weekly access to solid waste removal by 30 June 2025.

- Number of informal settlements with weekly access to solid waste removal by 30 June 2025.

- Number of Landfill Site Permit Audit report conducted by 30 June 2025.

- Percentage of the work completed as measured according to the PPII for the Construction of the Bela-Bela Municipal landfill site - Phase 1 (ward 2) by 30 June 2025.

- Percentage of the work completed as measured according to the PPII for the Development of sports facilities in Masakhane (Ward 9) by 30 June 2025.

21. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the municipality’s planning and delivery on its mandate and objectives.

22. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the municipality's performance against its primary mandated and prioritised functions and planned objectives are included
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and measures taken to improve performance

23. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

24. I did not identify any material findings on the reported performance information for KPA 1- Basic service delivery and infrastructure development.

25. I draw attention to the matter below.

Achievement of planned targets

26. The table that follows provides information on the achievement of planned targets and list the key service delivery indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets are included in the annual performance report on pages xx to xx.

KPA 1 - Basic service delivery and infrastructure development

Targets achieved: 89% *Budget spent100%*		
Key indicators not achieved	**Planned target**	**Reported achievement**
Percentage of the work completed as measured according to the PPII for the Upgrading of the Leseding Sewer Pump Station (Ward 6) by 30 June 2025	100% of the work to be completed as measured according to the PPII for the Upgrading of the Leseding Sewer Pump	95% (Practical completion of the works (Snag list)

Targets achieved: 89% Budget spent100%		
Key indicators not achieved	**Planned target**	**Reported achievement**
	Station (Ward 6) by 30 June 2025	
Percentage of the work completed as measured according to the PPII for the Construction of the Bela-Bela Municipal landfill site - Phase 1 (ward 2) by 30 June 2025.	100% (of the work to be completed as measured according to the PPII for the Construction of the Bela-Bela Municipal landfill site - Phase 1 (ward 2) by 30 June 2025	90% (Construction Stage 91 – 99%)

Report on compliance with legislation

27. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the municipality's compliance with legislation.

28. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

29. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipality, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

30. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements, performance and annual report

31. The financial statements submitted for auditing were not fully prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA.

32. Material misstatements of revenue, assets, cash flow statements and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

33. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R128 105 626, as disclosed in note 55 to the annual financial statements, in contravention of

section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by budgeted spent exceeding the approved budget within the municipality votes.

34. Reasonable steps were not taken to prevent irregular expenditure amounting to R6 851 521 as disclosed in note 54 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance supply chain management regulations including CIDB requirements.

Assets management

35. Capital assets were transferred without the municipal council having, in a meeting open to the public, decided on whether the assets were still needed to provide the minimum level of basic municipal services as required by section14(2)(a) the MFMA.
36. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.

Other information in the annual report

37. The accounting officer is responsible for the other information included in the annual report which includes the audit committee's report. The other information referred to does not include the financial statements, the auditor's report and those selected material indicators in the scoped-in development priority presented in the annual performance report that have been specifically reported on in this auditor's report.

38. My opinion on the financial statements and the reports on the audit of the annual performance report and compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

39. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

40. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

41. The matters reported below are limited to the significant internal control deficiencies that resulted in findings on the selected material indicators included in the annual performance report and the material findings on compliance with legislation included in this report.

42. The accounting officer did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls which resulted in material misstatements and non-compliance with legislations.

43. The accounting officer did not adequately review the annual financial statements with the assistance and support of the governance structures prior to their submission for audit, as a number of material misstatements were identified.

44. Senior management did not adequately review and monitor compliance with applicable legislation resulting in material non-compliances.

45. The municipality developed an action plan to address internal and external audit findings; however, monitoring of this action plan did not sufficiently and adequately mitigate the risk of misstatements in the annual financial statements and non-compliance with legislations. There is also lack of proper reviews of the valuation reports and the asset register to ensure that assets are properly valued and accounted for in accordance with financial reporting frameworks and applicable legislation for the municipality.

Material irregularities

46. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on the status of material irregularities as previously reported in the auditor's report.

Status of previously reported material irregularities

Ineffective management of the landfill site likely to cause harm to the general public

47. Section 28(1) of National Environmental Management Act, 1998 (Act No. 107 of 1998) (NEMA) states that "Every person who causes, has caused or may cause significant pollution or degradation to the environment must take reasonable steps to prevent such pollution or degradation for occurring, continuing or recurring, or, in so far as such harm to the environment is authorised by law or cannot be avoided or stopped to, minimise and rectify the pollution or degrading of the environment."

48. Section 16(1) of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008) (NEMWA) states the following requirements regarding the general duty of a holder of waste in respect of waste management:

- avoid the generation of waste and where such generation cannot be avoided to minimise the toxicity and amounts of waste that are generated
- reduce, re-use, recycle and recover waste
- where waste must be disposed of, ensure that the waste is treated and disposed of in an environmentally sound manner
- manage the waste in such a manner that it does not endanger health or the environment or cause a nuisance through noise, odour or visual impacts
- prevent any employee or any person under his or her supervision from contravening this Act; and
- prevent the waste from being used for an unauthorised purpose.

49. Section 19(1) of the National Water Act, 1998 (Act 36 of 1998) states that “An owner of land, a person in control of land or a person who occupies or uses the land on which - (a) any activity or process is or was performed or undertaken; or (b) any other situation exists, which causes, has caused or is likely to cause pollution of a water resource, must take all reasonable measures to prevent any such pollution from occurring, continuing or recurring.”

50. The municipality’s Warmbaths landfill site located on part of portion of the farm Het Bad 465KR located in Bela-Bela with landfill authorisation permit number B33/2/123/3 P184/P185 (class GMB) is operated in contravention of the National Environmental Management Act, 1998 (Act 107 of 1998) read with the National Environmental Management: Waste Act, 2008 (Act 59 of 2008), National Water Act, 1998 (Act 36 of 1998) and permit B33/2/123/3 P184/ P185. We observed the following issues on the landfill site contrary to the operating conditions stipulated in the landfill site’s authorisation permit:

    - Inadequate access controls. Some portions of the fence are damaged
    - The landfill site did not have a fully functional storm water control system or passive gas control system
    - No gas monitoring was performed. A fire was observed on the landfill site on more than one occasion. Management attributes the fires to methane gas emitted by the landfill site
    - The landfill site does not have a weighbridge
    - Surface water monitoring was not performed
    - Disposal of unpermitted waste
    - Presence of waste reclaimers contrary to the conditions of the permit.

51. Furthermore, mismanagement of the landfill site as a result of lack of monitoring of surface water may cause water pollution on water used by the communities and the farms that are located next to the landfill site.

52. The non-adherence to the conditions of the authorisation permit including the management of harmful gases emitted by the landfill site is likely to cause substantial harm to the environment and negatively impact the health of citizens of Bela-Bela.

53. The accounting officer was notified of the material irregularity (MI) on 9 April 2024 and invited to make a written submission on the actions taken and that will be taken to address the MI. The accounting officer responded on 17 May 2024, and the following actions have been taken to address the MI: An external audit was conducted on 14 March 2024 (report dated 10 May 2024) by a management expert to monitor compliance with legislation and the authorisation permit. Findings are consistent with those in the MI notification and management’s response i.e. the landfill site was not designed hence absence of amenities such as gas monitoring, storm water drainage, no weighbridge etc. The audit also noted presence of waste reclaimers on site contrary to the requirements of the permit. The report is accompanied by an Airspace determination report dated 26 April 2024 which shows that the landfill site is about to reach maximum capacity. In terms of the report no hazardous waste (unpermitted waste) was identified on site at the time of the audit. The sites visits have been conducted on the 30

September 2025 at the old and current landfill sites. On 17 September 2025, a follow up letter was submitted to the accounting officer to provide a formal response regarding progress on actions taken to address the material irregularity and the accounting officer responded on the progress made to date as follows

- The landfill was never designed into a proper landfill site at the time therefore closure will address the potential environmental harm the site poses. The site is nearing the end of its useful life and construction of a new site is already underway. It is vital for management to honour its commitment to properly rehabilitate the site in accordance with legislation.

- The fence was repaired, and it no longer has any openings. The main gate is now the only entry point. Inspected pictures submitted with the response. We also performed a site visit on 30 September 2025 and confirmed that indeed the fence was fixed.

- Construction of a new landfill site which is at 95% on the 27 November 2025 – The contractor as appointed on 2 October 2023 at a cost of R23 681 772 for the construction of a new landfill site for Bela Bela Local Municipality. The project is a multi-year project budgeted over two financial years i.e. 2023-24 and 2024-25.

- Key specifications of the new landfill site are as follows:
    - Construction of new landfill site (Cell no 1)
    - Construction of 1KM external access road and internal access roads
    - Construction of administration buildings
    - Recycling yard
    - Composting area
    - Weigh bridge and computer facility construction along site entrance
    - Security gates and guard facilities
    - Concrete palisade fencing
    - Stormwater drains
    - Leachate collection dam
    - Electrification of the site

    - The target completion date was 25 September 2025. It is expected that the project should be completed by end of 13 March 2026.

    - It is expected that the new contract will improve operations on the site especially because of lessons gained from the audit which were factored in the SLA. This will help minimise possible environmental harm while the closure process unfolds, and the new landfill site is commissioned

    - The municipality appointed a service provider to conduct an external landfill site audit in March 2024 to determine remaining airspace, landfill closure (including cost), rehabilitation and end-use with an intention to prepare for the closure and rehabilitation of the landfill site to remedy any negative environmental impact the current landfill is posing. Final closure report from the service provider for the old landfill sites and evidence of the several administrative processes (legislative) which were undertaken prior to the actual closure. External audit report for 2024-25 indicates that the landfill site is left with an air space of 2 years.

- In addition to the landfill audit, the service provider compiled a preliminary closure report and end use plan. The report includes current status of the landfill site, specifications for end use and closure. The report makes the following conclusions:
    - The recommended end use is the “No Use” option once the site has been fully remediated or rehabilitated
    - Further site investigations must be undertaken, and these must then become part and parcel of the closure plan and end use plan. Such investigations include Ecological risk assessment of the site and any other potentially hazardous waste that may have been dumped off at the site. This must by an Environmental Toxicologist and Pollution expert and analysis, and the Toxicity Characteristic Leaching Procedure (TCLP) must be done by a competent and accredited laboratory. This process must be similar to the procedure for delisting of hazardous waste as per the Minimum Requirements for Handling, Classification and Disposal of Hazardous Waste
    - The site must be surveyed, and cross-sections layouts must be developed and submitted to aid the design of the site
    - The final shaping and capping of the landfill should be carried out as per the closure design
    - Ongoing monitoring of the groundwater should continue according to the requirements and recommendations stipulated in this report
    - The site should be fenced off to prevent unauthorised access and further dumping
    - The site should be subject to ongoing inspection and maintenance as stipulated in this report
- The gaps at the landfill site fence have been repaired to improve access control. Vehicles are searched at the gate and details of the driver, and the vehicles are recorded prior to disposal of waste. This is done to avoid non-permitted waste disposal.
- Spotters are on site on a daily basis to monitor type of waste disposed. In unpermitted waste is spotted disposed from vehicles, a fine is imposed immediately.
- To ensure that own waste collection trucks don’t bring unpermitted waste to the landfill site (current site), general workers check and verify the type of waste in the bins prior to loading into the truck. An infringement notice (including a fine) is issued should unpermitted waste be found in the waste collection bin. Summary of notices issued provided including an example of an infringement notice.
- All vehicles entering the site are searched to ensure that they don’t bring any unpermitted waste. Vehicle details and drivers’ details are captured in access control register
- No individual was identified as responsible for the MI. The current landfill site was not designed and has been in existence for many years. No steps were taken against any employee.

- Management has appointed a Divisional Manager for waste management (1 September 2023), holds a B. Tech in Environmental Health with a view of improving operations and maintenance of the landfill site and to ensure compliance with permit/license conditions.

- The landfill site is subject to weekly monitoring by the Divisional Manager: Waste Management and Cleansing. The monitoring covers various aspects of the landfill such as access control, daily compaction, covering waste etc.

- A service provider was appointed on 30 April 2024 to operate the existing landfill site for a period of 36 months to which will assist to address most of the concerns raised during the audit including gas and water monitoring and storm water management.

- The service provider responsible for operating the landfill site uses spotters to identify and remove unpermitted waste that may have passed the gate from being compacted. They control waste disposal at the working area ensuring that one vehicle at a time dispose waste and immediately check for unpermitted was that might have been stacked in other piles. These duties are conducted in the presence of the vehicle drivers.

- Water monitoring and gas monitoring will be conducted in the first quarter of 2024-25 by the new service provider appointed to operate the landfill site for the 36 months for the period 2024 - 2027.

- The municipality plans to appoint an Environmental Assessment Practitioner to apply for the licensing, designs, basic assessment report which would be implemented in 2026/27. The draft scope of work has been compiled for further considerations by the accounting officer and municipal council.

54. The accounting officer is taking appropriate action to address the MI. The nature of the Material Irregularity is such that ample time is required from the commencement of the closure process till its finality. The landfill was never designed into a proper landfill site at the time therefore closure will address the potential environmental harm the site poses. The site is nearing the end of its useful life and construction of a new site is already underway.

55. I will continue monitoring the actions taken by the accounting officer to ensure that the implementations the actions in progress and planned actions appropriately during my next audit.

Ineffective Management of Wastewater Systems –Warmbaths Wastewater Treatment Works

56. Section 28(1) of National Environmental Management Act, 1998 (Act No. 107 of 1998) (NEMA) states that “Every person who causes, has caused or may cause significant pollution or degradation to the environment must take reasonable steps to prevent such pollution or degradation for occurring, continuing or recurring, or, in so far as such harm to the environment is authorised by law or cannot be avoided or stopped to, minimize and rectify the pollution or degrading of the environment.”

57. Section 19(1) of the National Water Act, 1998 (Act 36 of 1998) (NWA) states that “An owner of land, a person in control of land or a person who occupies or uses the land on which - (a) any

activity or process is or was performed or undertaken; or (b) any other situation exists, which causes, has caused or is likely to cause pollution of a water resource, must take all reasonable measures to prevent any such pollution from occurring, continuing or recurring."

58. The Warmbaths Wastewater Treatment Works (WWTW) is in a concerning state. The system is operated without authorisation by the Department of Water and Sanitation (DWS) as required by the National Water Act, 1998 (Act 36 of 1998). In terms of the green drop 2022 report, the facility attained a score of 34% (medium risk) against a certification score of at least 90%. The score was not far from the dysfunctional category (below 31%). The score represented more than a 10% decline as compared to the previous assessment. Major contributors included non-compliant effluent discharged by the system and lack of maintenance. Non-compliant effluent remained an issue during our audit for 2022-23. On our visit to the wastewater treatment plant on 26 October 2023, we noted that the area around the maturation ponds was not fenced, which could potentially harm people who come into contact with the facility. The facility is near Bela-Bela town and township. The maturation ponds are located not far from a major storm water channel that passes through the town of Bela-Bela. Any overflows on the facility (especially during heavy rain) are likely to reach the storm water channel (crossing R101), thus affecting the areas along the route of the channel including the Pienaar's river.

59. Our visit during October 2023 included a visit to the pump stations that form part of the WWTW network. We made the following observations on the 26th of October 2023 at Leseding pump station and Settlers Road pump station:

Leseding pump station

- Inadequate access control, there was an opening on the fence.
- The area around the station was untidy, there was a lot of solid waste such as tissues, plastics etc. There was no proper bin to dispose the solid waste.
- There was evidence of a significant blockage leading to overflowing of wastewater. The overflow was evident around the site.
- There were scores of cattle grazing and consuming the wastewater.
- On one of the visits (10 October 2023), a dead cow was observed. On this day there was a major blockage, the pump station was full to the rafters and overflowing.
- The pump station is in a residential area and is easily accessible by people and livestock.
- The facility is located adjacent to a storm water channel.
- Water was also observed in the channel.

Settlers pump station

- The area around the station was untidy, an open trench with refuse (foreign objects removed from the station).

- Evidence of a significant blockage leading to overflowing of wastewater.
- An overflow (wet area) was evident on the side with cattle tracks. The overflow was also evident on the road nearby residences adjacent to the station.
- The pump station is located in a residential area, and it is adjacent an industrial area.

60. Failure by the municipality to ensure that its WWTWs are conducted in accordance with applicable legislations (NEMA and NWA) threatens the environment and the wellbeing of the people of Bela-Bela and their livestock. The adverse impact of untreated/raw effluent or non-compliant effluent include contamination of ground and surface water resources causing irreversible damage to the ecosystem and humans (health and quality of life). This also applies to humans and animals coming into contact with the waste. The major economic drivers of the economy of Bela-Bela include tourism and agriculture. Bela-Bela town and township are surrounded by farmland. These sectors are reliant on water resources, especially ground water for farms. Runoff of storm water is likely to deposit non-compliant wastewater into these sectors and disrupt the economy of the area. Runoff of storm water (through storm water channels during heavy rains) along the Leseding and Settlers Road pump stations is likely to contaminate surface water such as the Pienaar's river with non-compliant effluent. Attractiveness of the town including that of being a tourist destination) is likely to be affected as well.

61. The extent of the harm could, however, not be determined with absolute certainty. The non-compliance is therefore likely to result in substantial harm to the general public if appropriate actions are not taken to address the cause of the pollution and prevent continued pollution of the water resources and/or minimise or rectify the impact of such pollution on the wider community and environment dependent on the affected water resources.

62. The accounting officer was notified of the material irregularity (MI) on 9 April 2024 and invited to make a written submission on the actions taken and that will be taken to address the MI. The accounting officer responded on 17 May 2024, and the following actions have been taken to address the MI. In the current financial year, we conducted the sites visit to the WWTW and respective pumps stations to verify and observe the progress made to date. Subsequently, management submitted additional documentation and progress report on 29 September 2025 for our consideration as follows

    - The municipality applied for a water use license and was granted the license on 31 December 2024 by the Department of Warter and Sanitation for Bela Bela Wastewater Treatment Plant.
    - A previous contractor is responsible for operating the plant (Warmbaths WWTW) using municipal personnel stationed at the plant. Primary task is to demonstrate the functionality of the equipment, ensuring that the on-site personnel gain a basic understanding of plant operations. The focus is on immediate operational support and knowledge transfer to mitigate the shortage of personnel and prevent potential damage and operational disruptions at the WWTW. The intervention is for a period of 3 months ending 19 July 2024. The intervention is done to improve the quality of the effluent. The support will serve as an interim measure till the recruitment process for controllers is finalised. Handover date was subsequently revised to 13 September 2024 to allow handover to the new Class V Operator who commenced employment on 2 September 2024.

- The Municipality did not make any new appointments of contractors for operations and maintenance following the departure of the previous contractor in May 2025. There are currently no plans to appoint new service providers in this regard. Instead, the Municipality is focusing on strengthening internal capacity to ensure efficient and sustainable process operations through its own technical teams. Only specialized services, such as pump repairs and replacements, are outsourced on a case-by-case basis where specific technical expertise is required.
- To date, there has been upgrades on the WWTW for pump's stations and effective digestors on sites to ensure smooth water treatment facilities as well as reduction of the high-volume sludge within the facilities.
- The primary driver of the non-compliant effluent is attributable to the persistent malfunctioning of the Primary Settlement Tanks, which was a significant issue in the past. These tanks were unable to perform crucial desludging process effectively. As a result, this failure severely disrupted the biological treatment phase. Consequently, partially treated sewage frequently bypassed the treatment plant, leading to non-compliant effluent being released into the ponds. The primary settlement tanks are now fully functional and an improvement in the quality of the treated effluent is expected to be realized overtime as treatment continues through the sewer ponds.
- Fencing the WWTWs maturation ponds is planned for the 2025-26 financial year and incorporated into the project for Upgrading of the Sewer Line Project due for completion in February 2026.
- The Leseding pump station is being upgraded, completed and in use. The project aims to reduce environmental risks and improve efficiency by increasing capacity, conveying sewerage from Extension 2, 4 and 5 to the Warmbaths WWTWs securely below ground level, and by automating the screening and pump systems to ensure that there is no solid waste build up, and that sewage is not exposed to the community. This will significantly improve the quality of life in the surrounding areas and mitigate the associated environmental and health risks
- The municipality appointed an Electro Mechanic Fitting and Turning in November 2023 which has led to an improvement in the turnaround time for troubleshooting on stuck pipes. Primary functions include the service, maintenance, overhauling machine components and repairing mechanical plant and equipment.
- Upgrade of the Settlers Road pump station is scheduled for the 2024-25 financial year which is planned to be completed by end of 30 November 2025. As per the technical report and the municipality spend almost R23 Million to date, site assessments and inspections were done on 29 September 2025. The objective of the project is to upgrade the capacity of the pump station to match the incoming sewage inflow rate and stormwater ingress so that spillages which may lead to pollution are avoided.
- A skip bin has been allocated to dispose of the debris/foreign objects retrieved from the sump and pumps.
- The municipality does not currently have a dedicated public education or awareness programme specifically focused on the Wastewater Treatment Works (WWTW) and its operations. However, awareness activities are done through pamphlet distribution and during the Mayoral Integrated Development Plan (IDP) roadshows. These sessions include

messages aimed at discouraging the flushing of foreign objects and improper disposal of fats and oils into the sewer system

- The municipality is performing regular repair and maintenance of sewer pipelines and Unblocking sewer blockages timeously supported by the maintenance log sheet.
- Investing in infrastructure upgrades to enhance the efficiency and reliability of the wastewater treatment processes through Water Service Infrastructure Grant (WSIG)– R55.75m (2023-24) and R74.147m (2024-25). The municipality is implementing the capital infrastructure project in the current financial year in line with the conditions of the grant and the grant has been fully utilised at year end.
- Investigate the possibility to review the organizational structure to comply with the Water Service Act (WSA), Regulation 3630 of 2023 on the compulsory national standards for Process Controllers and Water Services Works to ensure the recruitment of suitably qualified Process Controllers and to implement a full shift cycle on the works. This is also to ensure efficiency in the operations of the Water Services Works – 30 June 2024. An email enquiry was sent to CoGHSTA enquiring about amending the organizational structure. The department indicated that the structure cannot be reviewed until the end of the term for the current council unless specific triggers outlined in the Municipal Staff Regulations, Notice No 890 (Gazette No 45181 of 2021) occur. Such triggers include the redetermination of boundaries, the election of a new council, the adoption of a new 5-year IDP of the municipality or any material changes to the powers and functions of the municipality. At this stage none of these triggers are applicable and herewith are the developments from the corrective action plan
- The municipality does not have sufficient financial resources to improve the Organizational Structure to accommodate the required professionals. In the meantime, the Divisional Manager Water and Sanitation, oversee the operations of the Warmbath WWTW. Additionally, the PMU Division provides the necessary engineering support when required.
- The municipality does not have the water quality officer for 2024-25 financial year however oversight responsibilities are being supported through internal coordination between the Superintendent: Water, the Senior Process Controller and external service providers responsible for compliance sampling and laboratory testing.
- Appointment of Process Operator effective were made for the year under review.
- Appointment of term contractors (three contractors) for the repair and maintenance of pumps of motors for short circuiting SCM process and for prompt replacements in case of complete breakdowns of pumps and motors. Appointment letter is dated 15 February 2024. The contract also includes the supply, delivery and installation of new pumps, electrical motors and panels. The municipality are monitoring the performance of the service providers on regular basis.
- Notices have been issued to owners of livestock that constantly roam town and may possibly access the sewer facilities, particularly unfenced maturation ponds. Two notices (with acknowledgement of receipt) dated May 2024 provided. In terms of the notices Section 3(a) of the Animal Keeping By-Law Gazette 3416, no person may keep any livestock, other than poultry in any area defined by the Municipality as unsuitable livestock. Either a fine of R20 000 or imprisonment or both is applicable. In the current financial year, there were no incidents of livestock's consuming water from the maturity ponds, and the

municipality is conducting awareness session to the communities and enforcing security service to prevent any unauthorised usage of maturity ponds.

- The short team lease agreement has been concluded with the farmer responsible for extracting water from the maturation ponds to contribute towards the maintenance of the sewer ponds as well as effective management and utilisations of the treatment effluent from the Warmbaths WWTW. The farmer operates requires water for irrigating their animal feed crops.
- The municipality has not yet fully implemented a Supervisory Control and Data Acquisition (SCADA) system. However, the procurement process has been initiated for the installation of SCADA and associated monitoring equipment at the Wastewater Treatment Works (WWTW). Draft technical specifications have been prepared and submitted to the Bid Specification Committee (BSC) for consideration. Once approved, the tender advertisement will be issued in line with the Municipality's Supply Chain Management (SCM) Policy. The project is planned for implementation during the 2025/26 financial year
- A green drop action plan is in place. The action plan is a work in progress. The action plan was uploaded on DWS's IRIS system, and it is updated as an when the municipality uploads new information. DWS does not provide an assessment of the adequacy and correctness of the plan. DWS met with the municipality in April 2024 to prepare for the next green drop evaluation.
- The Green Drop Action Plan has been assessed in April 2025, and the report would be released by Minister in 2020. There has been significant progress on the Green Drop Action plan however, a stormwater ingression plan is required urgently to ensure sufficiency of the sewer system, this plan will be done in the 2025-26 financial year and the procurement process for the appointment of a professional service provider to develop the plan is currently underway.

63. I will continue monitoring the actions taken by the accounting officer to ensure that the implementations the actions in progress and planned actions appropriately during my next audit.

Auditor General

Polokwane

30 November 2025

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected material performance indicators and on the municipality's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease operating as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Sections: 1, 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 28(1), 29(1), 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), Sections: 32(2)(b), 32(6)(a), 32(7), 33(1)(c)(ii), 53(1)(c)(ii), 53(1)(c)(iii)(bb), 54(1)(c), 62(1)(d), 63(2)(a), 63(2)(c), 64(2)(b), 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 165(1), 165(2)(a), 165(2)(b)(ii), 165(2)(b)(iv), 165(2)(b)(v), 165(2)(b)(vii), 166(2)(b), 166(2)(a)(iv), 166(5), 170, 171(4)(a), 171(4)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations: 71(1)(a), 71(1)(a)(b), 71(2)(a), 71(2)(b), 71(2)(d), 72(a), 72(b), 72(c)
MFMA: Municipal Investment Regulations, 2005	Regulations: 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations: 5(4), 6(8)(a), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations: 5, 12(1)(c), 12(3), 13(b), 13(c), 16(a), 17(1)(a), 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), 28(1)(a)(i), 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(i), 32, 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f)
Municipal Systems Act 32 of 2000	Sections: 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 34(a), 34(b), 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 45(a), 54A(1)(a), 56(1)(a), 57(2)(a), 57(4B), 57(6)(a), 57A, 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 96(b)
MSA: Municipal Planning and performance Management Regulations, 2001	Regulations: 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 7(1), 8, 9(1)(a), 10(a), 12(1), 14(1)(b)(iii), 14(1)(c)(ii), 14(4)(a)(i), 14(4)(a)(iii), 15(1)(a)(i), 15(1)(a)(ii)
MSA: Municipal Performance Regulations for Municipal Managers and Managers directly Accountable to Municipal Managers, 2006	Regulations: 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3), 26(5), 27(4)(a)(i)

Legislation	Sections or regulations
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations: 17(2), 36(1)(a)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations: 5(2), 5(3), 5(6), 8(4)
MSA: Municipal Staff Regulations	Regulations: 7(1), 19, 31, 35(1)
Annual Division of Revenue Act	Sections: 11(6)(b), 12(5), 16(1); 16(3)
MSA: Municipal Systems Regulations, 2001	Regulation: 43
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations	Regulations 17, 25(7A)
Municipal Property Rates Act 6 of 2004	Section 3(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections: 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations: 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), 10(2),11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations: 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)