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Greater Tzaneen Municipality



Credit Control and Debt Collection Policy



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Greater Tzaneen Municipality Budget Policy

Every municipality must have a budget and treasury office comprising a Chief Financial Officer supported by appointed officials and contracted staff.

Section 81 Role of chief financial officer

The Chief Financial Officer is administratively in charge of the budget and treasury office and must, inter alia,

- assist the Municipal Manager in preparing and implementing the budget;
- perform such budgeting, financial reporting and financial management and review duties as are delegated by the Municipal Manager;
- account to the Municipal Manager for the performance of all the foregoing responsibilities.

Section 83 Competency levels of professional financial officials

The Municipal Manager, senior managers, the Chief Financial Officer and the other financial officials in a municipality must all meet prescribed financial management competency levels.

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PREAMBLE

The development of this Policy is sanctioned by section 96(b) of the Municipal Systems Act, 32 of 2000, as amended. The Act requires a municipality to adopt, maintain and implement a Credit Control and Debt Collection Policy which is consistent with its rates and tariff policies, and complies with the provisions of this Act and any other legislations which are applicable to local government.

1. DEFINITIONS

For the purpose of this Policy the following words and expressions shall have the corresponding meaning, unless the context clearly indicates otherwise:

"Acknowledgement of Debt" means a form to be completed by a customer when is in default with a municipal debt;

"Application for Extension of Time for Arrear Payment" means a form to be completed together with the Acknowledgement of debt form when a customer applies for payment extension of the municipal debt;

"Chief Financial Officer" means such municipal official appointed in terms of section 57 of the Municipal Systems Act, 2000 and administratively in charge of the budget and treasury office;

"Credit Control and Debt Collection Policy" means the Credit Control and Debt Collection Policy of a municipality as adopted by Council in terms of section 96(b) of the Municipal Systems Act, 2000 as amended;

"Council" means the municipal council of the Greater Tzaneen Municipality in terms of section 18 of the Municipal Structures Act, 1998 as amended;

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“Customer” means the owner or occupier of property or premises, liable to the Council for payment of a Municipal Account or part thereof;

“Delegated” means delegated in terms of section 59 of the Municipal Systems Act, 2000 as amended;

“Greater Tzaneen Municipality” means such municipality established in terms of section 12 of the Local Government Municipal Structures Act, 1998 (Act 117 of 1998);

“Illegal Connection” means any connection or reconnection of a Property or Premises to the water and/or electricity reticulation network of the municipality, in contravention of this By-Law, any other by-law of the municipality, Act or Regulation;

“indigent” means a household who cannot afford to make a full monetary contribution towards rates and service charges as determined by council;

“Municipal Account” means an account in terms of section 3 of this Policy;

“Municipal Systems Act” means the Local Government Municipal Systems Act, 2000 (Act 32 of 2000) as amended;

“Municipality” refers to the Greater Tzaneen Municipality;

“National Credit Act” refers to the National Credit Act, No 34 of 2005

“Notice of New Occupier” means a form to be completed by an owner of a property notifying the municipality about a new occupier of his/her property;

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"Notice of Termination of Services" means a form to be completed by a customer when closing his/her municipal account;

"Notice of Vacation of Occupation" means a form to be completed by a customer when vacating a property

"Occupier" means a person who occupies a property premises or any part thereof, whether such occupation is lawful or otherwise;

"Owner" means a person, being the registered owner of a Property in terms of the Deeds Registries Act, 1937 (Act 47 of 1937);

"Person" includes a natural person and a juristic person;

"Premises" means a portion of a property, for which a separate municipal account is rendered;

"Property" means a property registered under separate title in terms of the Deeds Registries Act, 1937 (Act 47 of 1937);

"Service Agreement" means the Service Agreement in terms of section 4 of the Policy.

2. PURPOSE OF THE POLICY

The purpose of this Policy is to:

2(1) Ensure that all monies due and payable to a Service Provider are collected;

2(2) Outline credit control and debt collection policy procedures and mechanisms;

- 2(4) Provide for conditions pertaining to the supply of services and the discontinuation thereof;
- 2(5) Provide for mechanisms whereby accounts or metered services are queried or verified and for written objections;
- 2(6) To make provision for indigent support;
- 2(7) To provide for mechanisms where irrecoverable debts are written off;
- 2(8) To provide for penalties for non-compliance with this Policy.

3. CUSTOMER CARE AND MANAGEMENT

- 3(1) The municipality shall conduct itself towards its customers in a manner that it is stipulated in section 95 of the Municipal Systems Act, 2000 which requires the municipality to, within its financial and administrative capacity;
 - (a) establish a sound customer management system that aims to create positive and reciprocal relationship between persons liable for the payments for municipal services and the municipality;
 - (b) establish mechanisms for users of services and ratepayers to give feedback to the municipality regarding the quality of the services and the performance of the municipality;
 - (c) take reasonable steps to ensure that users of services are informed of the costs involved in service provision. The reasons for the payment of service fees and the manner in which monies raised from the service are utilised;
 - (d) where the consumption of services has to be measured, take reasonable steps to ensure that the consumption by individual users of services is measured through accurate and verifiable metering systems;
 - (e) ensure that persons liable for payments receive regular and accurate accounts that indicate the basis for calculating the amounts due;

5(1) No municipal services shall be provided to any property unless a written agreement governing the supply and cost thereof has been entered into with the municipality subject to its administrative, logistical and financial capability.

5. SERVICE AGREEMENT

4(2) The Municipal Account shall reflect amounts due for the following:
(a) The rates and services charge for a specific period;
(b) The interest charges for any overdue amount;
(c) Any other charges, levies and taxes due to the municipality; and
(d) The number of units consumed in relation to electricity and/or water consumed for a specific period.

4(1) The municipality shall monthly cause a municipal account, as reflected in the financial account relating to a property or premise, to be delivered to the customer in the manner provided for in section 10.

4. MUNICIPAL ACCOUNT

(f) provide accessible mechanisms for those persons to query or verify accounts and metered consumption, and appeal procedures which allow such persons to receive prompt redress for inaccurate accounts;
(g) provide accessible mechanisms for dealing with complaints from such persons, together with prompt replies and corrective action by the municipality;
(h) provide mechanisms to monitor the response time and efficiency in complying with paragraph (g); and
(i) provide accessible pay points and other mechanisms for settling accounts or for making pre-payments for services.

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- 5(2) Such an agreement shall be entered into by both the owner and occupier, where applicable. The owner shall bind himself/herself as surety and co-principal debtor in favour of the municipality for the fulfilment of the obligations of the occupier towards the municipality;
- 5(3) The owner and occupier shall be jointly and severally liable for payment of all services charges. It is the duty of the owner to ensure that at all times that the occupier of the premises are not in arrears with payments, but the Municipality shall within its financial and human resource constraints, make an endeavour to inform the owner of the performance by the occupier in terms of the agreement.
- 5(4) In case of service agreement by business entities, including but not limited to trusts, companies, close corporations, partnerships, sole proprietors and voluntary associations the municipality may require the agreement to be accompanied by any one or more or all of the following:
- (a) A resolution whereby authority to enter into the agreement is delegated to the signatory;
 - (b) The business entity's registration number or ID number, if applicable;
 - (c) The names, addresses and all relevant contact particulars of all the businesses' directors or members or trustees or proprietors or partners or executive members;
 - (d) That any one or more or all partners/members/directors/trustees must sign as surety and co-principal debtor for the due fulfilment of all the obligations of the business entity;
 - (e) That the signatory to the agreement warrants that he/she is duly authorised to do so, that all information supplied is true and correct and shall further warrant that the business is not trading in insolvent circumstances.
- 5(5) The Owner must inform the municipality of the vacation of the property or premise by an occupier on or before the date of vacation or as soon

6(5) Such security deposit shall be paid either in cash or any other means of payment acceptable to the municipality.

6(4) Prior to the provision by the municipality of consumption services a security deposit shall be paid by the owner or occupier.

significant credit risk to the municipality.

(c) Bad Customers – Customers with a bad credit record and pose a

and pose a credit risk to the municipality; and

(b) Moderate Customers – Customers with a moderate credit record

no credit risk to the municipality;

(a) Good Customers – Customers with a good credit record and pose

into three groups;

6(3) The municipality shall classify customers in terms of their credit risk profile

assess the credit risk of the customer.

necessary enquiries with credit bureaus and similar institutions in order to

6(2) Apart from section 6(1) above the municipality may also make the

assess the credit risk of the customer;

and authority to the municipality to verify such information in order to

creditors and the consumer shall give in the service agreement permission

with banking details, previous municipal account, particulars of trade

6(1) The municipality shall require the service agreements to be accompanied

6. SCREENING, CREDIT RATING AND SECURITY DEPOSIT

5(6) Should the owner or occupier be represented by an agent or other representative, such agent or representative must submit a power of attorney authorizing such agency or representation in a form and contents to the satisfaction of the Chief Financial Officer.

thereafter as the owner may become aware of such vacation, by submitting to the Council a Notice of Vacation of Occupation.

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- 6(6) The security deposit may vary according to the credit rating of the customer as assessed by the municipality. The security deposits will be determined as follows depending on the grouping of the customer;
 - (a) The security deposit for a customer with a good credit rating shall be determined and set to cover one month consumption charges which shall include water and electricity consumption;
 - (b) The security deposit for a customer with moderate credit rating shall be determined and set to cover an aggregate of two months consumption charges which shall include water and electricity consumption; and
 - (c) For a customer with bad credit rating, the security deposit shall be determined and set to cover an aggregate of three months consumption charges which shall include water and electricity consumption.
- 6(7) The municipality shall review the security deposit on an annually basis in terms of the annual budget process. Any increase or decrease on security deposit shall be reflected on the municipal account of the customer.
- 6(8) Upon termination of the service agreement the amount of the deposit less any outstanding amounts due will be refunded to the customer.
- 6(9) No interest shall be payable to the customer on deposits held by the municipality.
- 6(10) Should the customer wish to appeal against a decision of the Chief Financial Officer in terms of subsections 6(3) and 6(6), the customer may submit an appeal and reasons in writing to the Municipal Manager, within twenty one (21) days from the date on which the customer is notified of the determination of the Chief Financial Officer meant on the above subsections.
- 6(11) The Municipal Manager shall consider the appeal within six weeks from the date of the appeal and shall notify the customer of his or her decision within a reasonable time thereafter.

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7. PAYMENT OF MUNICIPAL SERVICES

- 7(1) The customer shall be responsible for payment of municipal services when the municipal account become due.
- 7(2) The Chief Financial Officer may consolidate separate Municipal Accounts, or portions thereof, of persons liable for payments to the municipality.
- 7(3) The Occupier, who fails to enter into the service agreement, will despite such failure be liable for the payment of the municipal account.
- 7(4) Nothing contained in this Policy will prohibit the municipality to collect payment of any amount from the owner or any other person in terms of an applicable legislation.
- 7(2) An increase in a consumer deposit in terms of section 6(7), becomes payable within twenty one (21) days from the date on which the customer is informed thereof or should the customer appeal against such increase, then within twenty one (21) days from the date on which the Customer is informed of the decision of the Municipal Manager, if the appeal is not up held.

8. JURISTIC PERSON

- 8(1) Should the Occupier be a juristic person, the following will apply:
 - (a) If the Occupier is a company registered in terms of the Companies Act, No 61 of 1973, the Directors of such, Company shall agree to be jointly and severally liable for payment in terms of the Service Agreement, if the Company fails to make such payment.
 - (b) If the Occupier is a closed corporation registered in terms of the Closed Corporations Act 1984 (Act 69 of 1984), the members shall agree to be jointly and severally liable for payment in terms of the Service Agreement, if the Close Corporation fails to make such payment.

(c) If the Occupier is an Association with legal persona, the members of the, Association shall agree to be jointly and severally liable for payment in terms of the Service Agreement, if the Association fails to make such payment.

8(2) Any Service Agreement signed by a person on behalf of a legal person in section 8(1) above must be accompanied by a resolution authorizing such person to sign on behalf of the legal person.

9. INTEREST

9(1) The municipality shall levy interest on any amount due and in arrears, in terms of section 75A (1) (b) of the Municipal Systems Act.

9(2) The interest charged on a default amount shall not in aggregate, exceed the unpaid balance of the principal debt as at the time that the default occurs in terms of Section 103(5) of the National Credit Act, 2005.

9(3) The interest rate to be charged on overdue amount on property rates shall be set at prime rate plus one percent (1%) as stipulated on Government Gazette No. 28113 (Notice 1856 of 2005).

10. DISHONoured PAYMENTS

10(1) Should any payment made to the municipality by cheque or other negotiable instrument, be dishonored by the financial institution on which it is drawn, the municipality may levy such collection charge against the Municipal Account to which the payment relates, as determined by the Council in terms of section 75A (2) of the Municipal Systems Act.

10(2) Any dishonoured payment meant in section 10(1) due to insufficient funds with the financial institution on which it is drawn, will be sufficient grounds for a review of the credit rating of the Customer in terms of section 6(1).

10(3) The Chief Financial Officer may determine not to accept a cheque or other, negotiable instrument as payment from a Customer, other-than a

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cheque or negotiable instrument on which payment is guaranteed by the financial institution on which it is drawn, should a payment or previous payment by the Customer been dishonored as meant in section 10(1).

11. DELIVERY

11(1) Every document that is required to be delivered to a customer shall be delivered through one or more of the following mechanisms;

(a) in person at the residential or business premises of the customer, or at any other location designated by the customer but at the expense of the customer, or by ordinary mail;

(b) by fax;

(c) by cellphone short message service (SMS)

(d) by e-mail; and

(e) by printable web-page.

11(2) Delivery of document shall be in a manner chosen by the customer from the options made available on section 11(1)(a) to (e).

11(3) The municipality shall deliver municipal account to all customers one per month at no charge in a manner chosen by the customer for the options made available on Section 11(1)(a) to (e).

11(2) In the event that delivery cannot be effected in terms of section 11(1) (a) to (e) above, then by fixing it to or placing it in a conspicuous place, on the Property or Premises to which it relates.

12. SETTLEMENT OF ACCOUNT

- 12(1) An amount tendered as payment against a Municipal Account will, if not representative of the full balance of such account on date of payment, be deemed not to be accepted a full and final payment of the amount due and payable on that date or any future date, unless so authorized by the Chief Financial Officer in writing.
- 12(2) An amount tendered as payment against a Municipal Account will, if less than the outstanding balance, be credited pro rata to the longest outstanding debt items reflected on such account subject thereto that the Chief Financial Officer may direct otherwise.
- 12 (3) If an amount due and payable in terms of the Municipal Account is in arrears and the amount tendered is less than the balance reflected on such account, the payment will be credited against such items on the Municipal Account as the Chief Financial Officer may direct.

13. CERTIFICATION

A certificate issued under the signature of the Chief Financial Officer, will be prima facie evidence of the amount or amounts due and payable to the Council as reflected in such certificate, by the Customer indicated in the certificate, and will upon production thereof in a court of law, be accepted as prima fade evidence of the contents thereof. Council will not be obliged to prove the appointment and authority of the Chief Financial Officer.

14. COLLECTION COSTS

- 14(1) All legal cost incurred by the Council for the recovery of arrear amounts, due and. payable in terms of the Municipal Account, will be a debited against the Municipal Account, including any tracing cost and attorney's

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fees at the Attorney- and-own- client scale, subject to the discretion of the court regarding the awarding of cost.
14(2) The Council may levy and recover such collection charges determined in terms of section 75A(1)(b) of the Municipal Systems Act, not included in subsection 14(1).

15. REMINDER NOTICE

15(1) The Council may cause to be delivered to a Customer who fails to make timely payment in terms of a Municipal Account, a notice to remind such Customer to make the due payment on or before a date specified in such notice.

15(2) A notice in terms of subsection (1) may, notwithstanding section 10, be served on a Customer by electronic mail or by cellular phone short message service send to the electronic mail address or cellular phone number, respectively, provided by the Customer on the service Agreement; and such service shall have the effect as if served in terms of section 10.

15(3) Failure by the Council to cause the delivery of the notice in subsection (1), or the Customer not receiving such notice, for whatever reason, will not prevent the Council from instituting further process for the recovery of any arrear payment or constitute a defense against a claim instituted for the recovery of any arrear payment.

15(4) The Council may charge a tariff as payment for the delivery of a reminder in subsection (1), as determined by the Council in terms of section 75A (2) of the Municipal Systems Act.

16. LETTER OF DEMAND

16(1) The Council may cause to be delivered to a Customer who is in arrears with payment in terms of a Municipal Account, a letter demanding

payment of such arrear amount on or before a date specified in such letter of demand.

- 16(2) Failure by the Council to cause the delivery of the letter of demand in subsection (1), or the Customer not receiving such letter of demand, for whatever reason, will not prevent the Council from instituting further process for the recovery of any arrear debt or constitute a defense against a claim instituted for the recovery of any arrear payment.
- 16(3) The Council may charge a tariff for the delivery of a letter of demand in subsection (1), as determined by the Council in terms, of section 75A (2) of the Municipal Systems Act.

17. DEBT COLLECTORS

The Municipality may appoint a debt collector agent or agents to collect on its behalf, arrear payments from Customers, and to take such legal steps necessary to give effect to such debt collection.

18. ATTORNEYS

- 18(1) The Council may, at any time, appoint attorneys to institute or proceed with legal proceedings or appeal proceedings, against a Customer, to recover any amount due for payment by such customer, including the enforcement of the Acknowledgement of Debt.
- 18(2) The Municipal Manager or a member of staff delegated by him or her, may appoint and give any instruction to an attorney and if prudent, legal council, to give effect to subsection (1), and further to depose of or require any person to depose of an affidavit, to give evidence and to produce any document, for the purpose of such legal proceedings.

19. DISCONTINUATION OF SERVICES

The Municipal Manager or delegate may cause the supply of electricity and/or water to be discontinued to a Property or Premises, should the Municipal Account of the customer be in arrears, subject to the provision of the minimum water supply to a Property or Premises as the Council may determine from time to time.

20. EXTENSION FOR PAYMENT

20(1) A Customer may apply for extension of time for payment of arrears on the Municipal Account by submitting an Application for Extension of Time for Arrear Payment.

20(2) An application will only be considered if the Customer provides all the information as required on the Application For Extension Of Time For Arrear Payment.

20(3) The Chief Financial Officer will consider an application submitted in terms of subsection (1), having regard to all relevant facts pertaining to the application and in particular the following:

- (a) the amount in arrears;
- (b) the period over which the arrears accumulated;
- (c) the amount of payment made by the Customer over the period, in , if any;
- (d) any written or oral submissions or representations made by the Customer;
- (e) the financial income and expenditures Of the Customer;
- (f) the ability of the Customer to make payments on the arrear amount;
- (g) the credit rating of the Customer mentioned in section 6 (1); and
- (h) the current average cost over the prior six months of municipal services to the Customer.

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- 20(4) The application for payment extension shall be considered by the Credit Extension Committee to be chaired by an official delegated by the Chief Financial Officer, the Committee shall comprise of the representatives of the following departments;
- (a) Electrical Services Department;
 - (b) Community Services Department;
 - (c) Civil Engineering Department; and
 - (d) Financial Services Department.
- 20(5) The Chief Financial Officer shall consider the application within fourteen (14) days based on the recommendations of the Committee referred to in Section 20(4).
- 20(6) The decision regarding the period of extension, the amount or installment amounts to be paid and any other terms and conditions which are deemed necessary shall made in terms of Section 20(3).
- 20(7) The Chief Financial Officer shall, on request of the customer provide reasons for refusing payment extension.
- 20(8) Should the Customer wish to appeal against a decision of the Chief Financial Officer not to allow an extension applied for in terms of subsection (1) or any term or condition relating to an extension granted by the Chief Financial Officer, the Customer may submit an appeal and reasons in writing to the Municipal Manager, within twenty one (21) days from the date on which the Customer is notified of the decision of the Chief Financial Officer referred to in Section 20(5).
- 20(9) The Municipal Manager must consider the appeal within fourteen (14) days from the date of the appeal and must notify the Customer of the decision within a reasonable time thereafter.
- 20(10) An extension of time for payment granted in terms of this section, is subject to the Customer signing the Acknowledgment of Debt.

21. PROVISION FOR BAD DEBTS AND IRRECOVERABLE DEBTS

21(1) The provision for bad debts shall be determined based on the credit classification of customers.

21(2) The classification of customers in section 6(3) shall be applied to determine the provision for bad debts. The provision shall be determined as follows;

- (a) No provision for bad debts shall be made to outstanding debts of customers classified in section 6(3)(a) as good customers;
- (b) The provision for bad debts to outstanding debts of customers classified in section 6(3)(b) as moderate customers shall be made on the debts which are more than 120 days old; and
- (c) The provision for bad debts to outstanding debts of customers classified in section 6(3)(c) shall be made on the debts which are more than 30 days old.

21(3) The municipality, in the case of charges due or where it is the Service Provider, shall only abandon recovery of a debt owed to it in one or more of the following circumstances:

- (a) Insolvency or demise of the customer or debtor as the case may be, if proven that his or her estate has insufficient funds to make payment;
- (b) A balance being too small to recover for economic reasons considering the costs of recovery;
- (c) where the claim has become prescribed;
- (d) when the customer or debtor as the case may be relocate and tracing agents are unable to trace the current whereabouts of such person;
- (e) All reasonable notifications and cost-effective legal avenues to recover the outstanding amount have been exhausted.

- (f) The amount outstanding is the residue of the payment of a dividend from an insolvent estate or where there is a danger of contribution in proving a claim against the insolvent estate.
- (g) If the debt outstanding cannot be proved;
- (h) The outstanding amount is due to an administrative error by the municipality; and
- (i) by Council resolution on good cause shown or as per delegation system of the municipality

21(4) Notwithstanding the above the municipality shall be under no obligation to write off any particular debt.

22. OFFICIAL LANGUAGE AND ILLITERATE PERSONS

22(1) The municipality shall make an endeavor to provide any document that is referred to in this Policy in an official language that the customer can read or understand.

22(2) The municipality shall delegate a member or members of its staff to assist any person who is illiterate or for any other reason, requires assistance to complete any form prescribed or other document required in terms of this Policy, or to read or interpret any account, notice or document issued in this regard.

23. DISPUTES

23(1) A Customer who disputes a Municipal Account must submit such dispute in writing to the Chief Financial Officer, stating the reasons for such dispute and any relevant facts, information or representation which the Chief Financial Officer should consider to resolve such dispute.

23(2) A dispute submitted in terms of section 23(1), shall not stop or defer the continuation of any legal proceedings already instituted, for the recovery of

arrears payment relating to such dispute, unless the Chief Financial Officer

decides otherwise.

23(3) The Chief Financial Officer will consider a dispute submitted in terms of section 23(1) and will inform the Customer of the decision in writing within fourteen (14) days from the date on which such dispute is submitted, together with reasons for such decision.

23(4) Should the Customer wishes to appeal against a decision of the Chief Financial Officer, the Customer may submit an appeal and reasons in writing to the Municipal Manager, within twenty one (21) days from the date on which the Customer is informed of the decision of the Chief Financial Officer meant in subsection (3).

23(5) The Municipal Manager must consider the appeal within fourteen (14) days from the date of the appeal and must notify the Customer of the decision within a reasonable time thereafter.

24. ILLEGAL CONNECTIONS

24(1) Any person who undertakes or allow or causes any other person to undertake an illegal connection, will be guilty of an offence.

24(2) A customer who becomes aware of an illegal connection of the electricity supply or the water supply to a property or premise owned by or occupied by such customer, must immediately notify the municipality.

24(3) The Council will immediately disconnect any illegal connection and remove any wiring, piping or other equipment or installation relating to an illegal connection.

24(4) The municipality shall impose a penalty on the property or premise where the illegal connection was discovered.