MINUTES OF THE MEETING OF THE AUDIT AND RISK COMMITTEE HELD ON 12 MAY 2026 AT 3.02PM, TOTARA, COUNCIL CHAMBERS, 96 WEST END, KAIKOURA

PRESENT: Deputy Mayor V Gulleford (Chair), Mayor C Mackle, Councillor M Redwood, Councillor J Diver, D Brandish (Independent)

IN ATTENDANCE: W Doughty (Chief Executive Officer), P Kearney (Senior Manager Corporate Services), C Kaa (Finance and Business Partnering Manager), B Makin (Executive Officer - minutes).

1. OPENING WITH A KARAKIA

2. APOLOGIES Nil

3. DECLARATIONS OF INTEREST Nil

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4. CONFIRMATION OF MINUTES

RESOLUTION
THAT the Committee confirms as a true and correct record, the circulated minutes of the meeting held on 10 February 2026.

Moved: Mayor Mackle
Seconded: Councillor M Redwood

CARRIED UNANIMOUSLY

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5. REVIEW OF ACTION LIST
The action list was reviewed and it was noted that action items 2 and 4 were part of today's discussion.

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6. MATTERS OF IMPORTANCE TO BE RAISED AS URGENT BUSINESS Nil

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7. AUDIT AND RISK AGENDA REPORTS

Treasury Report
Mike Shirley, Treasury and Debt Advisor from PwC, attended the meeting in relation to the Treasury Report and the noted policy breach under item 13. Mr Shirley spoke to his presentation on PwC's treasury management update.

An overview was provided of the treasury policy framework, noting this includes counterparty exposures, operational risk management, investments, delegations, liquidity and debt funding, and interest rate risk management. He advised that PwC utilises a treasury risk management platform and noted that Council is currently non-compliant in relation to funding risk. It was explained that the debt forecast underpins the treasury policy settings.

In outlining the treasury management strategy, Mr Shirley discussed the approach to managing liquidity and funding positions within LGFA covenants and policy limits. This includes spreading and smoothing debt

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maturities to reduce refinancing risk, pre-funding upcoming debt maturities, evaluating stand-by and working capital facilities, and maintaining a permanent liquidity buffer of at least 10%.

In relation to the funding maturity profile, it was noted that the policy is designed to enforce a spreading of risk. However, the inclusion of the $2 million BNZ facility maturing in 2028 is creating a distortion due to repricing risk. Mr Shirley explained that, without this facility, Council would be compliant. He commented that overall, Council's debt profile is well smoothed, well spread, and balanced.

A query was raised regarding debt that matured in April 2026 and where this had been allocated. Council Officers confirmed that this had been refinanced out to 2030 and 2031. It was also clarified that Council can typically borrow for periods of up to ten years.

Mr Shirley also provided a financial markets update, noting increases in fuel prices, particularly in refined products. It was noted that this is expected to have an impact on capital programme delivery, including roading.

Annual Plan – Fuel Risk (Section 5.1)
It was noted that while a small number of items have changed since the February report, the majority remain the same. The Committee was asked to provide feedback on specific aspects of the report, including the Annual Plan and budget risk actions relating to the fuel situation.

Discussion focussed on the proposed approach to managing fuel price risk. It was noted that fuel pressures are expected to result in an increase of approximately 5–10% in roading costs. Staff outlined a proposal to utilise approximately $115,000 within the existing roading budget as a contingency. By way of context, it was noted that an amount of $115,000 would equate to approximately 3,110 square metres of seal for an unsealed road (equivalent to 420 lineal metres for a 7.5m wide carriageway). It was noted that this funding is already provided for within the Annual Plan and therefore would not impact rates, however it would reduce the additional provision available for emergency works in 2027.

A query was raised as to why the budget would not be reduced if it was unlikely to be fully delivered. Council Officers advised that roading delivery is currently strong and is significantly influenced by IAF funding. It was noted that without this funding, delivery would likely reduce substantially.

Members also discussed what would occur if another emergency event were to arise. It was acknowledged that there remains uncertainty in this space and that additional borrowing may be required. It was noted that, through the Long Term Plan, there is likely to be a need for increased investment to improve the condition of assets such as footpaths.

A further query was raised regarding the reference in section 5.1 to increasing costs, including water charges, and whether this sat outside the first year of the Long Term Plan. It was clarified that these increases are in line with legislative requirements, including the need to fund depreciation.

The Committee discussed what a potential reduction in scope might look like if the contingency was insufficient. Members sought clarity on what a 10% reduction in scope would mean in practice. Council Officers advised that the contingency would only be utilised if required, and any further impact would need to be managed through reprioritisation of the roading programme. While it would be possible to identify reductions across areas such as footpaths or resealing, specific impacts had not yet been worked through. It was noted that further detail would be required if scope adjustments were needed.

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It was also noted that the roading contract provides for a monthly review of inflation, with this approach agreed with NZTA.

Further discussion was held on whether an option should be included for Council to consider an additional rates increase of approximately 1%. Members acknowledged the uncertainty of increasing rates for a risk that may not eventuate. It was noted that the current proposed rates increase is 3.8%, and there was discussion around the relatively small impact of a further increase and the importance of considering what value would be delivered. It was suggested that any increase should also be considered alongside what it is offset against.

The Committee agreed to proceed with the option of funding jointly from emergency works and scope reduction for the draft plan. However, discussion was required when the the draft annual plan is presented to Council as to whether there should be an additional rates rise to cover this instead.

Proposed PwC Internal Audit Scope of Work

It was noted that staff had followed up with PwC regarding the internal audit scope and that a revised scope had been provided.

Staff advised that Option 1 was not feasible from a pricing perspective. The Committee considered the proposed scope and agreed that it is appropriately pitched for Council's size and current risk environment.

Fraud Policy

The Committee discussed the proposed updates to the Fraud Policy. It was noted that the changes are intended to align the policy with other Council policies and strengthen the overall framework.

A query was raised in relation to section 3.4 (Council Officers), specifically why former employees are included. It was clarified that this ensures any actions taken during a person's employment can still be investigated if they have since left the organisation.

The Committee discussed at what stage Council should be informed of any suspected fraud or wrongdoing. It was noted that best practice is to ensure appropriate internal controls are in place, including that no single person can initiate, approve, and process the same transaction from start to finish. It was further noted that audit reviews typically assess the level of risk and make recommendations based on the effectiveness of those controls.

Further discussion occurred regarding whether the policy should include provision for elected members to be notified. This included consideration of scenarios where the alleged fraud could involve a councillor.

Following discussion, the Committee agreed to a minor amendment to the policy wording to strengthen governance oversight. It was agreed that:

"The Chief Executive will notify the Mayor and Elected Members of any reported allegations and inform them throughout the investigation on any findings, as appropriate."

Other items discussed

The Committee discussed the key risks currently facing Council and noted that the three most significant risks are people capacity, legislative change, and fuel price impacts.

The Chief Executive advised that, from a management perspective, the most critical risk remains having sufficient resource to deliver the workload. It was noted that Council will be recruiting for a fixed-term Senior Manager Operations to support delivery of the Long Term Plan.

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It was further noted that a workshop scheduled for the following day would include discussion on the Government's HeadStart process. The Committee acknowledged that if this work progresses, there may be a need to reprioritise other workstreams due to limited capacity.

The Chief Executive advised that a report on water performance monitoring has been prepared by the Operations Delivery Manager. It was noted that the report is complex and is not intended to come to Council, however it could be circulated to members for information. It was further noted that this work will sit within the new water entities framework.

RESOLUTION

It is recommended that:

a) the Committee receives this report and attachments for information
b) approves the amended Fraud Policy subject to any minor amendments
c) provides staff direction on any inclusion/deletion for future agenda topics
d) provides feedback on Annual Plan/budget risk actions within section 5.1 as a result of the fuel situation
e) notes the proposed PwC internal audit scope of work and provides feedback for staff
f) notes the change for underground Water Asset insurance from 1 July 2026
g) notes the Treasury Report in section 13
h) notes the Debtors Report in section 14

Moved: Mayor C Mackle
Seconded: Councillor M Redwood

CARRIED UNANIMOUSLY

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8. RISK MANAGEMENT REPORT

The Committee noted that the reforms continue to represent the highest risk to Council. It was noted that a briefing with Council is scheduled for the following day, as referenced earlier in the meeting.
It was confirmed that no new risks have been identified since the previous report.

A query was raised as to whether the proposed changes to the Fraud Policy would have an impact on Risk 20 relating to the lack of appropriate fraud controls. It was clarified that there is no immediate impact, and that Council Officers will await the outcomes of the internal audit work before considering any changes in this area. It was noted, however, that sensitive expenditure controls are now being put in place, which will strengthen the existing control environment.

RESOLUTION

That the Committee:

a) Receives this report
b) Notes the contents of the Risk Management Report (including Risk Register)
c) Provides any feedback for staff consideration.

Moved: Councillor M Redwood
Seconded: Mayor C Mackle

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9. RECOMMENDATION TO COUNCIL

The Committee recommends that the Council:

Fuel reserve / Annual Plan risk (Section 5.1):

a) Supports the proposed approach to managing fuel price volatility through the provision of a 5–7% contingency (approximately $115,000) within the roading programme, to be funded from the roading reserve;
b) Notes that this approach provides a prudent balance between managing financial risk and avoiding unnecessary impact on rates, given the uncertainty of fuel price movements;
c) Notes that any impacts above this contingency would require further Council consideration, including options such as deferment or rephasing of works, adjustment of scope, or the use of debt;
d) Considers whether any additional rates impact (approximately 1%) should be included as part of the final Annual Plan deliberations.

Fraud Policy:

a) Adopts the amended Fraud Policy, subject to the agreed amendment that:
"The Chief Executive will notify the Mayor and Elected Members of any reported allegations and inform them throughout the investigation on any findings, as appropriate."
b) Notes that the updated policy aligns with best practice and strengthens Council's internal control framework, including governance oversight and reporting.

10. PUBLIC EXCLUDED SESSION

Moved, Seconded that the public be excluded from the following parts of the proceedings of this meeting, namely:

a) Public Excluded Minutes from 10 February 2026
b) Harbour Financial Matters – verbal update
c) Commercially sensitive and legally privileged risk items – verbal update

The general subject matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1), 6 and 7 of the Local Government Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each to be considered	Reason for excluding the public	Grounds of the Act under which this resolution is made
Public Excluded Minutes from 10 February 2026	To approve minutes of the last meeting, the content contains commercially sensitive information and risk items that are commercially sensitive and legally privileged.	Section (7)(2)(b)(ii) would be likely unreasonable to prejudice the commercial position of the person who supplied or who is subject of the information Section (7)(2)(h) enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities Section (7)(2)(i) enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) Section (7)(2)(g) maintain legal professional privilege
Harbour Financial Matters – Verbal Update	Verbal update on subject previously brought to Council around negotiations which are commercially sensitive.	Section (7)(2)(b)(ii) would be likely unreasonable to prejudice the commercial position of the person who supplied or who is subject of the information Section (7)(2)(h) enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities Section (7)(2)(i) enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)

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Commercially sensitive and legally privileged risk items – verbal update	To protect information that is commercially sensitive and subject to legal professional privilege, and because the verbal update will discuss risk matters that could unreasonably prejudice the organisation if made publicly available	Section (7)(2)(b)(ii) would be likely unreasonable to prejudice the commercial position of the person who supplied or who is subject of the information Section (7)(2)(h) enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities Section (7)(2)(i) enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) Section (7)(2)(g) maintain legal professional privilege

*This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows:

- Disclosure would likely prejudice the Council by weakening its commercial position, compromising legally privileged advice, and exposing sensitive risk information that could be misused or misunderstood. This may lead to financial loss, reduced bargaining power, reputational harm, or increased operational risk.

Moved: Deputy Mayor V Gulleford
Seconded: Mayor C Mackle

CARRIED UNANIMOUSLY

The meeting moved into the public excluded session at 4.55pm.

11. RE-OPENING OF MEETING

The meeting moved out of Public Excluded at 5.19pm.

12. CLOSE MEETING

There being no further business, the meeting was declared closed at 5.19pm.

CONFIRMED _____ Chairperson
Date

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AUDIT AND RISK COMMITEE
ACTION LIST AS AT 17 MAY 2026

OPEN ITEMS

	ACTION ITEM	ASSIGNED TO	DUE	STATUS
1	Reserves: Seek advice from PWC on mid-range rate on internal borrowing	P Kearney	Ongoing	Start mid-March 2026
2	Arrange a separate session between the Auditors and Committee Members only	P Kearney / B Makin	May 2026	Discussions with audit underway.
3	Arrange a cyber security session for Councillors with IT	P Kearney / B Makin	May 2026	Discussions underway with IT Manager.

CLOSED ITEMS

	ACTION ITEM	ASSIGNED TO	DUE	STATUS
	Staff would provide updates on progress with internal audit work and a proposed programme	P Kearney	May 2026	High level audit timings are included in May report.
	Amendment to the Risk Register: • Risk 8 (Catastrophic Events): Treatment changed from *Accept* to *Mitigate*.	P Kearney / B Makin	May 2026	Completed

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