

Minutes
Scottish Rail Holdings Limited (SRH)
Audit & Risk Committee (ARC) Meeting
Wednesday 7 May 2025 – 14:00 – 16:20
Location: St Vincent Plaza, Room 1/Teams*

Agenda

Present: Brian Baverstock – Chair*
Roz Foyer – Non-Executive Director

In attendance: Hannah Ross – Chief Executive
Neil Amner – General Counsel
Graeme Cook – Chief Operating Officer
Campbell Davidson – Finance Director
Rachel Browne – Audit Director, Audit Scotland
Sanya Ahmed – Senior Auditor, Audit Scotland*
[Redacted] – Audit and Risk Manager
[Redacted] – Project Accountant
[Redacted] – Finance Manager
[Redacted] – Board Secretary

Apologies:

Agenda Item 1 – Notice and Quorum

1. Two Committee Members were present. The Meeting was quorate.

Agenda Item 2 – Declarations of Interest

2. There were no declarations of interest.

Agenda Item 3 – Minutes of Previous Meeting

3. The Committee approved the minutes of the meeting held on 12 February 2025.

Agenda Item 4 – Matters Arising

4. The Committee considered the actions from previous meetings.
5. In relation to action one, develop a best value framework, the Committee noted that a separate paper on this was tabled on the agenda for discussion. The Committee asked for the schedule of dates from the paper to be added to the action tracker.
6. In relation to action two, determining the process to bring [Redacted] General Counsel said that various discussions had been had on this matter with Transport Scotland and Audit Scotland. He said that SRH had prepared a paper which will be submitted to Transport Scotland who will then liaise with the [Redacted] He said that SRH would need to submit the paper to Transport Scotland within the next few days for this to [Redacted] The Committee agreed that all that can be done should be done to progress this to ensure that [Redacted]
7. The Audit Director, Audit Scotland said that once the [Redacted]
8. In relation to action eight, develop a plan for [Redacted] and said that he would discuss the requirements with the Chief Executive and General Counsel to take this forward.

9. In relation to action ten, documented process for reporting to the Board on capital spend, the Committee noted that this action was being tracked through the SRH Board and agreed to close this action from the Committee's action tracker.

10. In relation to action sixteen, prepare a publication policy for SRH, General Counsel said that the draft publication policy and publication scheme are linked with the suite of data protection policies. He said that the data protection policies should go live next week, and under the previous agreement of the Board which gave him authority to get required policies in place urgently, he will approve the publication policy and publication scheme to go live and bring all of the policies back to the Committee for review. The Chair noted that currently, there is no written instruction to delegate approval of policies to the Committee. He asked for the terms of reference for the Committee to be amended for the Committee to approve compliance policies on behalf of the Board and the proposed amendments submitted to the Board for approval. He said that in the interim, policies should be submitted to the Committee by correspondence with a five day period for comment, noting that if no comments are provided this will be taken as consent to proceed, prior to them going live on the SRH website. He said that this will provide some non-executive oversight, and deeper review can be undertaken at a later date, if necessary. Roz Foyer said that she agreed with this approach.

11. In relation to action 02/2025, set up a session for the Board on risk management, the Chair said that the session could be focused on the SRH strategic plan and the management of the risks to the delivery of the plan under the SRH risk appetite. The Chief Executive said that she would discuss this with the Audit and Risk Manager and develop a proposal for the session.

12. In relation to action 03/2025, risk register to align with strategic objectives and include detail of mitigating actions, the Committee noted that this was tabled for discussion under item 11 of the agenda.

13. In relation to action 04/2025, update code of governance with current terms of reference for the Committee. General Counsel said that this is work in progress and will be actioned in due course. The Chief Operating Officer referred to discussions by the Board in relation to the governance review, and the desire to combine the audit and risk committees for all three SRH Group companies into the one committee, the same approach to be considered for the remuneration committees and suggested that executive discussion should be undertaken to take this forward. The Committee agreed with this suggestion and noted that, in relation to the terms of reference for committees, there are three elements to take forward to the Board, the requirement for the Board to review committee terms of reference annually, the proposed amendment to the audit and risk committee terms of reference to approve compliance policies as noted at paragraph 10 above, and the development of terms of reference for SRH Group audit and risk, and remuneration committees. The Committee noted that the Chief Executive and Chief Operating Officer would take these matters forward.

14. The Committee agreed to close action 01/2025 as this action had been completed.

Agenda Item 5 – 2024/25 External Audit Plan

15. The Audit Scotland Audit Director presented the audit plan for 2024/25 to the Committee and highlighted the following:

- the Audit Director and her team are fully independent of SRH
- the scope of the audit is set out at paragraph five of the plan
- paragraph nine of the plan relates to communication with the auditor in relation to fraud or suspected fraud and the Committee members should inform the auditor now if they have any concerns. The Committee confirmed they had no such concerns at this time. General Counsel said that revised SRH counter fraud policies had been reviewed and published, and he would send these to the Audit Director
- the materiality thresholds as set out at exhibit one of the plan
- the significant risks of material mis-statement to the financial statements and the planned audit response as set out at exhibit two of the plan

- the outcome of the risk assessment procedures on the SRH Group audit are set out in exhibit three of the plan detailing that Audit Scotland will obtain assurance from the external auditors of SRH subsidiary companies under the auditing standards as detailed in the plan
- exhibit four of the plan sets out the wider scope and best value risks that have been identified and will be audited, the procedures for which are set out in the plan
- the audit timetable as set out at exhibit five of the plan and the fees for the audit
- the audit will include a review of SRH's progress in establishing an internal audit provision

16. The Audit Scotland Audit Director said that the forthcoming audit would be SRH's third audit and significant progress on key issues was expected as an outcome from the audit to reduce the risk of the Auditor General requiring a deeper review of any matters. The Chief Executive said that the team that she had assembled, and work streams she had put in place since her appointment would help to address prior concerns and show good progress.

Agenda Item 6: SRH Internal Timetable and Tracking for Annual Report and Accounts Audit

17. The Committee considered the progress update on the 2024/25 audit workplan.

18. The Committee noted the new approach for the SRH Group Performance Report for the annual report, where SRH's annual assessment of overall performance against KPIs for ScotRail and CSL will form the basis of the majority of the SRH Group performance report narrative. The Finance Director said that the Rail Business Directorate will prepare the annual assessment, and this will be shared with ScotRail and CSL who will have to feed SRH's views on performance into their annual reports to ensure consistency. The Chair said that it was important to ensure that ScotRail and CSL are aware of the requirements for the content of the performance report for the annual report and accounts. The Finance Director said that he would discuss this with the Chief Executive and the Chief Operating Officer to ensure that there is effective early communication with ScotRail and CSL on the requirements for the performance report.

19. The Committee noted that, as discussed at the recent ScotRail Audit Committee meeting, procedures are being finalised with Grant Thornton to gain independent assurance on compliance with FReM for the front end of the 2024/25 annual report and accounts for ScotRail and CSL.

20. The Chair said that the review by the Committee of the draft governance statement should be added to the timetable under the governance section as a separate item. He said that this should be scheduled prior to the briefing session on 16 September 2025 to enable the draft to be sent to him and for him to provide feedback prior to the briefing session. He said that the briefing session should be for the Committee and the SRH Board.

Agenda Item 7 – Audit Scotland recommendations 2023/24 progress update

21. The Committee considered the action tracker for the Audit Scotland 2023/24 recommendations and noted the progress under each recommendation.

22. The Finance Director said that in relation to recommendation eight, performance monitoring of rail operators, the deadline of 30 April 2025 has been missed, and a paper is being submitted to the SRH Board at the meeting on 29 May.

23. The Chair thanked the Finance Director and the Project Account for the excellent work undertaken in preparing the timetable for the accounts audit and the progress report on the Audit Scotland recommendations.

Agenda item 8 – Internal Audit Update

24. The Audit and Risk Manager said that the procurement of the internal audit service is almost finalised, and he would obtain a contract start date and inform the Committee. He said that as soon as the internal audit service was in place an internal audit plan for 2025/26 would be developed and submitted to the Committee. The Chair said that the 2025/26 plan should be a full plan and not compressed on the basis that the appointment of the internal auditors will commence after the start of the financial year.

Agenda Item 9 – Best Value Framework

25. The Committee considered the paper setting out the plan and timeline to prepare and then implement a framework for SRH to deliver against the duty of Best Value.

26. The Chair said that the plan was comprehensive and would involve a heavy workstream. He asked whether consideration should be given to a less work intensive plan with a view to having the Best Value framework in place more quickly given that SRH is in its third year of operation.

27. The Chief Executive said that the framework will be for the SRH Group as it is her duty as Accountable Officer to ensure the duty of Best Value is being met for the Group. She said that while the framework is not formally in place, the self-assessment under the Best Value characteristics will show that there is a lot already in place across the group where the duty of Best Value is being met.

28. The Committee noted that the action plans will be submitted to the Boards in November 2025. The Chair thanked the Audit and Risk Manager for the excellent work undertaken.

Agenda Item 10 – Shared Services Strategy

29. The discussion of this agenda item was recorded earlier in the meeting at paragraph eight above.

Agenda item 11 – Strategic risk register

30. The Committee considered the updated strategic risk register.

31. The Audit and Risk Manager said that work is on-going to document current risk control and mitigating actions, and this will be submitted to the next meeting of the Committee. The Chair said that the Committee needs to have the information on controls in place and mitigating actions, and this should be documented as a matter of priority.

32. The Audit and Risk Manager gave an overview of the main areas of on-going high risk for the SRH Group. He said that the risk to 2025/26 revenue will need to be reassessed given the First Minister's announcement to abolish peak fares from September 2025.

33. The Chair said that there should be clear cross referencing between the SRH risk register and the subsidiary company risk registers. He said that the Committee needs a clear line of sight on the assurances from the subsidiary companies for the Committee to provide comment on these.

34. The Chair said that some of the risks need to be reworded to include detail of the cause and impact. He referred to paragraph 3.6 of the Committee paper and said that risks should be grouped under the categories listed in that paragraph eg where SRH has no direct control.

35. The Committee discussed the risk scoring methods adopted by SRH, ScotRail and CSL and agreed that it was imperative for a consistent scoring method to be used by all three companies. The Chair said that he would discuss this further with the Audit and Risk Manager as a consistent risk scoring method needs to be implemented with urgency.

Agenda Item 12 – Any other business

36. General Counsel said that he is preparing a legal and regulatory horizon scanning paper to bring to the next meeting of the Committee for discussion of work required to ensure compliance across the SRH Group companies. The Chair welcomed this and asked for the paper to include details of how the subsidiary companies undertake legal and regulatory horizon scanning.

37. In relation to cyber security, General Counsel gave an overview of current work streams on this and said that this will be listed as standing items on the agendas for all three SRH Group Boards and audit committees. The Committee noted that General Counsel had completed a cyber security self-assessment of the three SRH Group companies and this would be an initial area for the internal audit provider to look at. The Committee noted that training will be

required for non-executive directors to assist them in the scrutiny of developing workstreams. The Chair asked General Counsel to prepare a briefing note covering all of the matters that he had mentioned and plans going forward for the next meeting of the Committee.

Agenda Item 13 – Date of next meeting

38. The next meeting of the Committee will be held on 11 August 2025.