

Minutes
Scottish Rail Holdings Limited (SRH)
Audit & Risk Committee (ARC) Meeting
Monday 11 August 2025 – 14:00 – 16:40
Location: St Vincent Plaza, Room 11

Agenda

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

In attendance: Neil Amner – General Counsel
Campbell Davidson – Finance Director
Sanya Ahmed – Senior Auditor, Audit Scotland
Fiona Owens – Senior Audit Manager, Audit Scotland
[Redacted] – Audit and Risk Manager
Rachael Weir, Azets, Internal Audit Director
[Redacted] – Project Accountant
[Redacted] – Finance Manager
[Redacted] – Board Secretary

Apologies: Hannah Ross – Chief Executive
Rachel Browne – Audit Director, Audit Scotland

Agenda Item 1 – Notice, Quorum and Apologies

1. The Chair welcomed everyone to the meeting.
2. Two Committee Members were present. The Meeting was quorate. Apologies were noted.

Agenda Item 2 – Declarations of Interest

3. There were no declarations of interest.

Agenda Item 3 – Minutes of Previous Meeting

4. The Committee approved the minutes of the meeting held on 7 May 2025.

Agenda Item 4 – Matters Arising and Actions

5. The Committee considered the actions from previous meetings.
6. In relation to action one, develop a best value framework, the Committee agreed to keep the schedule of dates on the action tracker until the action plans have been agreed.
7. In relation to action two, determining the process to bring SRH subsidiary companies under the remit of the Auditor General for Scotland, the Finance Director said that Transport Scotland had considered this matter, and it had been reviewed by relevant Scottish Government departments and the statutory instrument to bring this into effect was being drafted. He said that Transport Scotland will keep SRH appraised on the timelines and it is hoped that the statutory instrument will be in place in time for the 2025/26 external audit.
8. The Audit Scotland Senior Audit Manager said that Audit Scotland had undertaken a review of the requirements for the work in respect of resource implications, skills required, risk profile, etc [Redacted].

9. In relation to action 03/2025, risk register to align with strategic objectives and include detail of mitigating actions, the Audit and Risk Manager said that this is not yet fully reflected in the risk register which will be discussed under item eight of the agenda. The Committee agreed to keep this action open.

10. In relation to action 11/2025, implement consistent risk scoring across the SRH Group of companies, the Committee noted that this work was in progress, and an update would be provided under item eight of the agenda. The Committee agreed to keep this action open.

11. In relation to action 13/2025, the Committee agreed to close this action as cyber security is a standing item on the Committee agenda.

12. The Committee agreed to close actions 16, 02/2025, 04/2025, 05/2025, 06/2025, 08/2025, 09/2025, 10/2025, and 12/2025 as these actions had been completed or were tabled separately on the agenda.

Agenda Item 5 – 2024/25 External Audit: Audit Scotland Management Letter: Controls Review

13. The Audit Scotland Senior Auditor referred to the letter sent to SRH management on 16 July 2025 containing a summary of the issues identified during the interim audit work carried out at SRH which identified four control improvements that could strengthen key controls in operations, particularly relating to journal controls.

14. The Committee discussed the four issues raised, Audit Scotland's recommendations and SRH management response to the issues. The Committee noted that:

- a leavers checklist was being put in place for the full business, not just in relation to finance
- various processes and policies need to be formally documented
- actions have been implemented which will show additional control measures in place from July onwards, which Audit Scotland will see during the audit process in September

Agenda Item 6: Update on 2024/25 Accounts Programme and Audit Scotland recommendations 2023/24 progress update

2024/25 Accounts Programme

15. The Committee considered the paper setting out the progress update on SRH Group annual report and accounts workplan for the year ended 31 March 2025 and on the 2023/24 Audit Scotland recommendations.

16. The Project Accountant said that the Government Financial Reporting Manual (FReM) assurance work was started by ScotRail in July and is expected to conclude soon with ScotRail confirming that no significant issues have been raised to date. The FReM assurance work for CSL is due to commence on 25 August which may impact the SRH Group timeline for the Group annual report and accounts, as the FReM assurance work should have been completed by 25 August. She said that while CSL work in this area is delayed, it is anticipated that there will not be any issues of concern as CSL accounts are similar to that of ScotRail and the FReM assurance requirements will be the same.

17. The Project Accountant said that the pension disclosure information for the accounts will be available by 31 August but there has been some difficulty in obtaining the required information for a member of the SRH Executive Team who was on secondment to SRH. She said that she would discuss this with Audit Scotland to determine how to progress matter.

18. In relation to the safety narrative required for the annual report and accounts, the Project Accountant said that CSL has provided a draft, but ScotRail may not be able to meet the deadline of 25 August for submitting the draft as this has to be reviewed by ScotRail Executive Team before progressing to Non-Executive Director review. The Committee noted that the Finance Director would keep the Committee Chair up to date on this matter and advise on whether the matter would need to be referred to the ScotRail Audit and Risk Committee for consideration in relation to timescales for the Group annual report and accounts.

19. The Committee noted the information set out in the Committee paper on the new Companies House requirement for all annual accounts to be filed electronically from 1 April 2027, which means that suitable software would need to

be in place for the preparation of the 2026/27 SRH Group accounts. Companies House list various compatible software providers and this will be taken forward by the SRH Financial Controller once in post from 18 August 2025.

Audit Scotland 2023/24 Recommendations

20. The Committee noted the good progress that has been made on addressing the recommendations from the 2023/24 Audit Scotland report. On the two recommendations where action delivery is overdue the Committee noted that the action in relation to compliance with FReM was discussed earlier in the meeting. In relation to the recommendation for SRH to have in place by 30 April 2025, a suite of KPIs for its monitoring of ScotRail and CSL performance, the Committee noted that a draft document was considered by the SRH Board on 23 June and a revised version of that document was to be submitted to the SRH Board at its meeting on 21 August but this had now been moved to the meeting on 18 September.

Agenda Item 7 – Proposed 2025/26 Internal Audit Plan

21. The Committee noted that Azets had been contracted as the SRH Group internal auditors from July 2025. The Committee considered the document setting out the internal audit plan for SRH for 2025 to 2028, including the Internal Audit Charter.

22. The Internal Audit Director said that while a three-year plan had been provided, the Committee was being asked to approve only the first year, 2025/26, at this stage due to the accelerated timescale to get a plan in place. The Committee noted that the first-year plan covered internal audit activity in four main areas:

- budget setting and monitoring
- people strategy
- performance management
- cyber security

23. The Committee also noted that the first-year plan would include an audit needs assessment to inform the development of the internal audit plan for years two and three.

24. The Chair said that the internal audit function had been procured for the SRH Group and noted that the plan submitted related only to SRH and asked why a group plan had not been submitted to the Committee. The Audit and Risk Manager said that this was due to timescales, that work was underway to prepare plans for both SRT and CSL and that the audit plans would be submitted for consideration by the respective audit committees. He said that the plan for ScotRail will be considered at its meeting on 13 August and the plan for CSL may have to be submitted to the CSL Audit and Risk Committee by correspondence as its next meeting is scheduled for 24 September.

25. The Chair said that he would like a high-level review of risk management across the SRH Group to be undertaken as part of the 2025/26 internal audit plan. The Committee agreed that this should be added to the plan for 2025/26 and agreed to recommend the plan for 2025/26 only to the Board for approval. The Committee noted that the plans for the forward years would be prepared and submitted to the Committee for consideration in due course.

26. The Committee considered the Internal Audit Charter. The Chair questioned the role of the Chief Audit Executive (the Audit and Risk Manager) in the follow up of engagement findings and the implementation of recommendations as he would expect that such responsibilities would lie with the internal auditor. The Audit and Risk Manager said that this relates more to the annual opinion on audit activity which would predominantly be based on the internal audit work but could also include information and assurances from other internal and external sources.

27. The Committee approved the Internal Audit Charter. The Committee noted that a copy of the Audit Charter and the audit plan, once approved by the Board, should be submitted to Transport Scotland as required under section 33c) of the Framework Agreement.

Agenda item 8 – Quarterly Risk Management Report

28. The Committee considered the quarterly risk management report and the strategic risk register.

29. The Committee noted the changes to risks from the last meeting of the Committee and the need for a new risk to be added in relation to rail reform. The Audit and Risk Manager said that the wording of the risks associated with rail reform is being developed. He also asked the Committee for clarification on the level of detail to be included in the Committee reports and suggested that the Committee would want to see the risks with a residual score above that of the target risk score suggested by the approved Risk Appetite Statement.

30. The Chair said that the focus for the Committee should be on whether mitigating actions are outstanding and whether or not they are being effective in managing and/or reducing the risk. He said that visibility on the actions and timescales is needed for the Committee. Roz Foyer suggested adding an additional column to the risk register to address this. The Committee asked for this to be done for the next meeting of the Committee and include a RAG system as suggested by General Counsel.

31. The Chair noted the differences in risk scoring between SRH, ScotRail and CSL risk registers. General Counsel said that further discussion is needed between SRH and the subsidiary companies on a consolidated scoring system and this reinforces the need to move to a single Audit and Risk Committee for the SRH Group. The Audit and Risk Manager said that CSL has committed to rescoring its risks in line with the scoring matrices contained within the SRH Risk Management Strategy and this should be submitted to the next meeting of the CSL Audit and Risk Committee on 24 September. He said that ScotRail had moved to a 5x5 matrix system and a deep dive review on risk will be considered by the ScotRail Board at its meeting on 14 August.

Agenda Item 9 – Board Risk Management Workshop

32. The Committee noted that the risk management briefing session for the Board will take place on 27 August. The Audit and Risk Manager gave the Committee an overview of the proposed content to be covered at the briefing session and agreed to send his presentation to the Chair for discussion.

Agenda Item 10 – Cyber Security

33. General Counsel gave the Committee an update in relation to cyber security including the following:

- a mandatory password change system has been implemented to access SRH IT systems
- online essential training on phishing has been rolled out to staff and non-executive directors
- once everyone has undertaken the above mentioned training, testing exercises will be conducted to ensure that everyone is complying with requirements and understand the dangers of phishing and how to spot phishing emails
- policies on data protection have been finalised and published and training held for staff
- SRH has obtained Cyber Essentials accreditation
- Finalising the contract for IT support between SRH and ScotRail is outstanding but should be completed soon
- [Redacted] contingency plans and cyber security plans in place, [Redacted]
- [Redacted]
- [Redacted]
- Cyber security has been covered in supply chain terms and conditions of contract for new contracts, [Redacted]

34. [Redacted] He noted that cyber security is an area for internal audit review in 2025/26 and said that it will be helpful to get an external view of the measures in place and being put in place. The Chair said that the SRH Group position in relation to cyber security should be considered by internal audit.

35. The Chair thanked General Counsel for the amount of work that he has progressed and implemented on cyber security.

Agenda item 11 – Legal Horizon Scanning

36. The Committee considered the paper setting out emerging legal issues with commentary from General Counsel.
37. General Counsel gave a brief overview of the emerging legal issues to the Committee and said that in relation to the Supreme Court gender definition decision there may be issues to address across the SRH Group once the updated guidance from the Equality and Human Rights Commission, and the Scottish Government’s position on this, is issued.
38. General Counsel said that in relation to the duty to prevent sexual harassment, SRH is compliant with obligations and has put a policy in place, has held staff training sessions, has arranged training sessions for non-executive directors, has completed a risk assessment and put an action plan in place. He said that the subsidiary companies have also put policies in place and completed risk assessments.
39. General Counsel said that he will provide the Committee with updates on the emerging legal issues as and when required. He said that has shared the legal horizon scanning paper with CSL and ScotRail Managing Directors and legal executives and has ongoing conversations with the legal executives in this regard.

Agenda Item 12 – Shared Services Strategy

40. General Counsel said that various projects are ongoing in relation to shared services across the group including SRH utilising ScotRail’s IT services, CSL to provide SRH with HR services, ScotRail and CSL contracts for certain services etc. He said that from these different projects he has informed his own thinking on the requirements of what is needed to develop a shared services strategy for the Group. He said that over the next few weeks he will document a plan and a roadmap setting out what needs to be done to develop a shared services strategy. He said that he will send this to the Committee by correspondence for review.

Agenda Item 13 – Code of Governance

41. The Committee considered the paper on the SRH Code of Governance and Code of Conduct for Board Members. After discussion, the Committee agreed to recommend the following to the Board:
- (a) Transport Scotland approval should be obtained to dispense with the Code of Governance and treat each governance document currently therein as connected but standalone governance documents;
 - (b) Approval to replace the current Code of Conduct for Board Members (contained in the Code of Governance) and adopt the Model Code of Conduct for Members of Public Bodies approved and issued by Scottish Ministers on 7 December 2021 under the Ethical Standards in Public Life etc (Scotland) Act 2000 as the basis of a new standalone Code for SRH.
 - (c) Approval to assign the responsibilities of a Standards Officer (required under the Ethical Standards in Public Life etc (Scotland) Act 2000) to the General Counsel and the Legal Directorate.
 - (d) Review and retain the current Scheme of Delegation;
 - (e) Review and retain the current Terms of Reference for the Board; and
 - (f) Review the Terms of Reference for the Remuneration Committee

42. The Chair suggested that consideration should be given to having a governance framework document which sets out a simplified summary of governance routes in place.

Agenda Item 14 – [Redacted] Report – CSL Grievance

43. General Counsel informed the Committee that the report from the external legal review of the handling of the CSL staff grievance matter had been received and he would share this with the Board and SHEC. He said that recommendations had been made in relation to CSL’s first stage handling of the grievance and actions were required to address these recommendations. He said that there were no recommendations in relation to SRH’s handling of the complaint it received.

Agenda Item 15 – Audit and Risk Committee Terms of Reference

44. The Committee noted that the revised terms of reference for the Audit and Risk Committee had been approved by the Board at its meeting on 23 June 2025 subject to clarification of the policies and procedures that should be reserved to the Board, and also to clarify that the internal audit plans would be recommended by the Committee to the Board for approval.

45. The Committee noted that the list of policies and procedures to be reserved to the Board included some items that would not fall within the category of policy or procedure and these should be deleted. The Committee noted that the external audit plans are submitted by Audit Scotland to the Committee for noting, not for review or approval. The Committee agreed that the review of the effectiveness of the external auditor is a matter for the Committee and should be retained within the revised terms of reference.

46. The Committee agreed to recommend the amendments to the terms of reference to the Board and also to recommend to the Board the re-appointment of the current members of the Committee and ask the Board to appoint a third non-executive member to the Committee.

Agenda Item 16 – Compliance – Gifts and Hospitality Policy

47. General Counsel said that SRH has the register of directors' interests in place, has a process in place for declaring any conflicts of interest at the start of Board and Committee meetings, and has in place a gifts and hospitality register that is published on the SRH website, all in line with the ethical standards in public life legislation and guidance issued by the Standards Commission for Scotland. He said that, as discussed at the meeting of the SRH Board on 23 June 2025, the Chair has had various discussions with parties/stakeholders that would not be classed under hospitality and have not created any potential conflict of interest in relation to SRH Business but nevertheless and to ensure complete transparency, the Chair had asked if these should be recorded.

48. [Redacted]

49. The Committee agreed that a policy should be prepared on this matter for the Committee's approval. The Chair said that the policy should include provision for the log to be reviewed by General Counsel and the Chief Executive at regular intervals.

Agenda Item 17 – Draft Governance Statement

50. The Committee considered the draft Governance Statement in respect of the 2024/25 Annual Report and Accounts. The Project Accountant highlighted three items in the governance statement that remain to be clarified:

- Whether the instruction on the removal of peak fares constitutes a written authority
- Clarification on the number of CSL whistleblowing cases
- Resolution of outstanding queries to enable approval of the risk appetite statement by SRH Board

51. General Counsel said that he would speak to CSL General Counsel to obtain the information on the whistleblowing cases.

52. The Committee noted that the list of key risks was documented in another section of the annual report. The Project Accountant said that she would cross reference this in the governance statement.

53. The Chair said that it was helpful to have early sight of the draft governance statement.

Agenda Item 18 – Policy and Procedures Tracker

54. General Counsel provided the Committee with a copy of the SRH policy tracker document. He informed the Committee that most of the policies and procedures required for statutory, corporate and risk matters were in place. He said that the next areas which require work are business continuity, records management, environmental, the employee handbook, and health and safety.

55. Roz Foyer said that health and safety policies should include a flexible working and homeworking policy, and risk assessment should be undertaken on home working environments.

56. General Counsel said that he would submit updated versions of the policy tracker to the Committee to keep the Committee up to date with progress.

Agenda Item 19 – Finance Policies and Procedures

57. The Committee noted that a suite of finance related policies and procedures had been approved by General Counsel and would be emailed to the Committee members with a one week notice period for comment prior to the policies and procedures being rolled out to staff and published on the SRH website.

Agenda Item 20 – FOI Publication Policy and Publication Scheme

58. The Committee considered and approved the Freedom of Information and Publication Policy.

59. The Committee agreed to recommend to the Board that SRH should adopt the Model Publication Scheme approved by the Scottish Information Commissioner.

60. In expectation of the Board's agreement to adopt the Model Publication Scheme, the Committee considered and approved the Publication Scheme and Guide to Information.

Agenda Item 21 – Update Counter Fraud Strategies in line with Scottish Public Finance Manual (SPFM)

61. The Committee considered the updated Counter Fraud Policy and agreed to recommend approval of the policy to the Board. The Committee noted that Transport Scotland should be notified of any changes to SRH Fraud Policy as required at section 32d) of the Framework Agreement.

Agenda Item 22 – Any other business

62. The Committee had no other business to discuss.

Agenda Item 23 – Date of next meeting

63. The next meeting of the Committee will be held on 5 November 2025.