

**Minutes**  
**Scottish Rail Holdings Limited (SRH)**  
**Audit & Risk Committee (ARC) Meeting**  
**Wednesday 5 November 2025 – 13.00 to 15.15**  
**Location: St Vincent Plaza, Room 11/Teams\***

**Agenda**

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

**In attendance:** Neil Amner – General Counsel  
Campbell Davidson – Finance Director  
Rachel Browne – Audit Director, Audit Scotland  
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] – Financial Controller  
[Redacted] – Project Accountant  
[Redacted] – Board Secretary

**Apologies:** Hannah Ross – Chief Executive  
Mike Bagshaw – Non-Executive Director

**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 11 August 2025. The Finance Director said that he had not had time to review the minutes.

**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 noted that the action plans would be submitted to the SRH Board on 13 November 2025 and thereafter discussed at the subsidiary Boards at their end November meetings. The Committee agreed to keep the action open.
7. In relation to action two, determining the process to bring SRH subsidiary companies under the remit of the Auditor General for Scotland, the Committee noted that the Scottish Statutory Instrument would be laid in the Scottish Parliament on 14 November 2025 and enacted thereafter.
8. In relation to action eight, plan to get a shared services strategy in place, this was listed on the agenda for discussion and the Committee agreed to close this action.

9. In relation to action 03/2025, risk register to align with strategic objectives and include detail of mitigating actions, the Committee discussed this under item nine of the agenda.

10. The Committee agreed to close actions 07/2025, 011/2025, 14/2025, 15/2025, 16/2025, and 17/2025 as these actions had been completed or were tabled separately on the agenda.

## **Agenda Item 5 – 2024/25 External Audit**

### **Audit Scotland Letter to Management 27 October 2025**

11. The Committee considered the Audit Scotland Management Letter relating to cyber security. General Counsel said that all of the findings and recommendations were accepted and he gave an overview of actions that had been taken or were work in progress. The Audit Scotland Senior Auditor said a management response to the letter would be expected giving deadlines for actions to be concluded. The Chair asked for the management response to be sent to the Committee by email.

12. The Chair asked the Board Secretary to note an action to discuss publishing Audit Committee papers on the website.

### **Covering Letter and Proposed Independent Auditors Report**

13. The Audit Scotland Audit Director referred to the draft covering letter to the audit report and said that she plans to issue a clean audit opinion on the financial statements and reports. She said that there was one misstatement which has not been corrected by SRH which she is content with, but it is for the Committee to decide if this should be adjusted or not. The Committee noted that this related to CSL and they will make the correction in the coming year. The Committee agreed that it was content with the accounting treatment for this in 2024/25.

14. The Audit Scotland Audit Director asked if the Committee was aware of any instances of actual, suspected or alleged fraud and if there were any matters that should be brought to her attention. The Committee confirmed that it was not aware of any instances of fraud and there were no matters to bring to the Auditor's attention.

15. The Audit Scotland Audit Director said that there were two outstanding matters that would need to be completed relating to contingent liabilities and receiving the audited accounts for the SRH subsidiary companies. The Committee noted that the subsidiary Boards were meeting on 10 November to consider their respective annual reports and accounts for approval and sign-off. Audit Scotland will receive the signed subsidiary accounts before issuing its final audit opinion.

### **Annual Audit Report**

16. The Audit Scotland Audit Director said that the annual report and accounts were free from material misstatement. She said that no additional audit work had to be undertaken and there was no additional fee. She said that the work to receive the assurances for the subsidiary companies from PwC had gone smoothly and PwC had responded well to requests. She said that she would take this opportunity to thank everyone involved in the audit work and acknowledged the helpful and constructive continued engagement with SRH staff.

17. The Audit Scotland Audit Director said she had seen progress in SRH on the wider scope audit matters and gave the Committee an overview under each of the categories listed in the audit report. She highlighted that the Best Value framework had been approved and this now needed to be implemented across the SRH Group of companies. She said that she was aware of the work in progress relating to [Redacted] and while this had not been part of the audit, this would remain an area of interest for future audit work.

18. The Chair said that the audit report was comprehensive and in the spirit of continuous improvement which he welcomed. He said that the Committee has noted the issues that have to be addressed as set out in the recommendations and said that the audit report will help SRH to prioritise. He acknowledged the huge effort that has been made by SRH and the subsidiary companies over the past year which has resulted in this positive audit report. Roz Foyer said that she agreed with the Chair's views and was pleased to see the progress that had been made.

19. The Chair referred to recommendation three for a medium-term financial plan to be produced and noted that the suggested date for completion was end September 2026. He asked why this date could not be earlier. The Finance Director said that he did not want to over commit on this recommendation. He said that the outer years scenario planning was under development, but not yet fully developed and further engagement was needed with the subsidiary companies on this. The Chair said that given the priority needed on financial planning, the deadline for this action to be addressed should be changed to early Spring 2026.

20. The Chair referred to recommendation four regarding SRH staff capacity and noted that the deadline for the recruitments was end September 2026. He said that recruitment to these roles was portrayed as a key priority and should not take 11 months to complete. The Finance Director said that he would discuss this with the SRH Executive Team with a view to reconsidering the timescales for each post.

#### **Agenda Item 6: Annual Report and Accounts 2024/25**

21. The Committee considered the draft 2025/25 Annual Report and Accounts.

22. The Finance Director said that the process for the preparation of the Annual Report and Accounts was much smoother this year as lessons had been learned from last year and the work undertaken by the Project Accountant to ensure the timetable was adhered to was instrumental in the accounts being presented to the Committee for approval one month earlier than in previous years.

23. The Project Accountant said that a note had been provided to the Committee of the differences to the Annual Report and Accounts from the briefing session held on 16 September 2025. The Chair said that he commended the briefing session process as that had been beneficial in giving Non-Executive Directors early opportunity to provide comments.

24. The Chair said that other public sector organisations have structured systems of annual performance reporting in place the detail of which then does not need to be replicated in the Annual Report and Accounts and SRH should give thought to this for future years to reduce the length of the front end of the Annual Report and Accounts.

25. The Committee agreed that the 2024/25 Annual Report and Accounts should be recommended to the SRH Board for approval at its meeting on 13 November 2025.

26. The Committee acknowledged and thanked the excellent work undertaken by all staff in the preparation of the 2024/25 Annual Report and Accounts.

#### **Agenda Item 7: Audit Scotland 2023/24 recommendations progress update and 2024/25 actions**

27. The Committee considered the progress report.

28. The Finance Director said that the new recommendations from the 2024/25 audit report have been added to the action tracker as has the recommendations from the 16 July 2025 Management Letter. The Financial Controller said that the actions from the 27 October 2025 Management Letter will be added once the management response has been issued.

29. The Audit Scotland Senior Auditor said that the action tracker was in line with recommendations that have been made. The Committee noted the good progress that had been made in addressing the Audit Scotland recommendations.

The Financial Controller and the Project Accountant left the meeting at 14.05.

#### **Agenda Item 8: Internal Audit Update**

30. The Committee considered the Internal Audit update report.

31. Rachael Weir said that fieldwork had started on the people strategy audit and she has had good engagement with relevant SRH staff. She said that the scope and timings of the audits of budget setting and monitoring, and cyber

security had been agreed with management. She informed the Committee that one of the Azets partners, [Redacted], was leaving the company and [Redacted] would be taking over in relation to SRH work.

32. The Chair said that the terms of reference for each internal audit review should be sent to the Committee and asked for the terms of reference for the audits on people strategy, budget setting and monitoring, and cyber security to be sent to the Committee. He said that when the SRH Group Audit and Risk Committee is established, internal audit work will move to a Group plan.

33. The Chair commended the effort undertaken to establish the internal audit programme of work for 2025/26 and the excellent progress that has been made.

#### **Agenda Item 9: Quarterly Risk Management Report**

34. The Committee considered the strategic risk register update.

35. The Audit and Risk Manager gave an overview of the changes in residual risk scores and new and closed risks since the last meeting of the Committee. He said that there are six risks where the residual risk score assessed by management currently exceeds the target residual risk score suggested by the risk appetite statement. He said that these are being actively managed by senior management with additional planned mitigating actions progressing.

36. The Chair said that the risk register and report was developing very well. He said that more information was needed on mitigating actions. He said that the Committee is only seeing the residual score, but it needs to scrutinise progress on mitigating risks and needs to see the inherent risk score to assess progress. The Audit and Risk Manager said that that level of detail is available and contained in the deep dive reports that sit behind the risk register, and he can discuss with the Chair the amount of detail required in the reports for the Committee.

37. The Chair said that there are a lot of likelihood and impact scores at a score of 5 which could indicate that the mitigating actions being taken are not effective or maybe this is over cautious scoring, he said that this is why the Committee needs to see the detail of the mitigating actions. General Counsel said that while the executive is developing in relation to risk management it may not be unhelpful for a cautious approach to be taken. The Audit and Risk Manager said he would reflect on this at the next management review of risks.

38. The Chair asked for the analysis of Group risks to be clearly set out at the start of the risk report for the Committee.

39. The Chair referred to the new risk relating to rail reform and said that the wording should be amended to reflect the opportunity that the reform will enable. He also referred to the governance risks in relation to health and safety and said that it should be clear that the risk is not about how health and safety is managed in the train operating companies, the risk should reflect on the oversight and visibility that SRH Board has in relation to health and safety. The Audit and Risk Manager confirmed that the health and safety governance risk relates to the lack of executive level health and safety resource in SRH and the only assurance routes currently available to SRH Board are through the SHEC Chair. The Chair said that this relates back to the fact that there is no complete performance management framework to provide assurance that all aspects of work are being properly managed.

#### **Agenda Item 10: Cyber Security**

40. General Counsel informed the Committee of recent actions that had been taken to strengthen controls including introducing two factor authentication for the IT system and putting stronger password controls in place. He said that non-executive directors had been informed of the mandatory training and were taking this forward, and Mike Bagshaw would be attending a cyber resilience course which all non-executive directors could attend if they wished.

41. The Chair asked for a one page update on cyber matters, highlighting any significant points/events across the group, to be submitted to each Committee meeting.

#### **Agenda Item 11: Plan for Shared Services Strategy**

42. The Committee considered the paper setting out the work that had been undertaken to date in relation to shared services areas and setting out proposals for the Committee's discussion and views.

43. General Counsel said that there are four key areas on which the Committee's views are being sought, namely:

- [Redacted]

44. General Counsel said that consideration would also have to be given to current capacity and competing priorities when considering next steps.

45. Roz Foyer said that shared services had been discussed at a recent meeting with the Trade Unions and the First Minister, [Redacted]. She said that priority should be given to reviewing contracts that are currently out-sourced for opportunities to look at in-sourcing these.

46. The Chair said that the paper provided a useful analysis and strategic reflection would be needed at Board level on the key points raised in the paper, in particular in relation to the Alliance once there is more information available on the effects of strengthening the Alliance. He said that a starting point could be for a matrix to be prepared setting out the corporate functions across each of the companies within Scotland's railway highlighting which are out-sourced, scale, gaps, opportunities etc. *(Post meeting note, this matter was discussed at the SRH Board on 13 November and the Committee Chair said that his expectation from the committee meeting was for the ScotRail contracts register to be reviewed for shared services opportunities).*

#### **Agenda Item 12: Committee Self-Assessment**

47. The Committee considered the performance of the Committee's work over the past year and noted that the Committee should ensure that it has what it needs to be able to ask the right questions in relation to cyber security and any other subject matter.

48. The Finance Director said that the risk register, review of the deep dive information that sits behind each risk, and the internal audit work may identify the need for third party assurance. The Chair said that when considering the deep dives of specific risks, risk owners need to be present as they should be providing assurance to the Committee. Roz Foyer agreed with this. She said that the Committee and SRH also benefits from the wealth of experience that the Chair has in the public sector, particularly in relation to risk management and audit.

#### **Agenda Item 13: Policy and Procedures Tracker**

49. General Counsel said that he has a legal secondee in place to assist with the policy updating work and this will start to show progress on the policy tracker outstanding tasks.

#### **Agenda Item 14: Any Other Business**

50. The Committee had no other business to discuss.

#### **Agenda Item 15: Date of Next Meeting**

51. The next meeting of the Committee is scheduled for 11 February 2026.