Minutes
Scottish Rail Holdings Limited (SRH)
Audit & Risk Committee (ARC) Meeting
Monday 16 February 2026 – 10.00 to 13.00
Location: Teams

Agenda

Present: Brian Baverstock – Chair
Mike Bagshaw – Non-Executive Director

In attendance: Hannah Ross – Chief Executive
Campbell Davidson – Finance Director
Fiona Owens – Senior Audit Manager, Audit Scotland
[Redacted] – Audit and Risk Manager
Rachael Weir - Azets, Internal Audit Director
Paul Kelly – Azets, Head of Cyber Services
[Redacted] – Financial Controller
[Redacted] – Board Secretary

Apologies: Roz Foyer – Non-Executive Director
Neil Amner – General Counsel
Rachel Browne – Audit Director, Audit Scotland
Sanya Ahmed – Senior Auditor, 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 5 November 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 noted that CSL had commenced the Best Value self-assessment exercise, the actions from which will be included in the 2026/27 business plan. While ScotRail will undertake the self-assessment during 2026/27 to inform future business plans, continuous improvement is a main theme throughout the ScotRail 2026/27 business plan. SRH undertook a self-assessment in September 2025, the actions from which will be incorporated in the 2026/27 business plan and considered by the Board as part of the annual planning cycle. The Chair asked for the SRH self-assessment outcomes to be submitted to the Board. *(Post meeting note: the SRH self-assessment was submitted to the SRH Board at its 13 November and 11 December meetings).*

7. In relation to action two, the Committee noted that the Scottish Statutory Instrument bringing ScotRail and CSL under the remit of the Auditor General for Scotland came into force on 23 January 2026. The Committee agreed to close this action.

8. In relation to action 24/2025, the Committee agreed to close this action and the Chair asked for the terms of reference for forthcoming internal audit reviews to be included in the progress report. Any outstanding ToRs should be circulated to ARC Members.

9. The Committee agreed to close actions 03/2025, 018/2025, 19/2025, 21 to 23/2025, 25/2025, and 27/2025 as these actions had been completed or were tabled separately on the agenda.

Agenda Item 5 – Management Response to Audit Scotland Letter 27 October 2025

10. The Committee considered the management response to the recommendations in the Audit Scotland letter of 27 October 2025 regarding cyber security. The Committee noted that the actions to address recommendation one had been completed, work is in progress on recommendations two and three and within the required timescales for the work to be completed, and the deadline for recommendation four had not been met but work is in progress. Audit Scotland will assess the actions taken in response to the recommendations as part of its audit of 2025/26 Annual Report and Accounts.

11. The Committee noted SRH's reliance on ScotRail in relation to cyber security matters and agreed that the lines of assurance should be mapped out.

Agenda Item 6: Audit Scotland Recommendations Progress Update

12. The Committee considered the progress update and noted the following:

- The performance and oversight plan to address recommendation number eight 2023/24 was submitted to the SRH Board at its meeting on 5 February 2026 but due to time constraints this has been carried over to the Board meeting on 5 March 2026. The RAG status on this should be changed to red and confirmation was given that the action will be completed before the next meeting of the Committee;

- Performance reporting to the SRH Board should cover high level KPI reporting with assurance that negative trends are being actioned;

- The various requirements in relation to performance reporting were discussed. The performance report for the annual report and accounts, and reporting required in relation to the strategic and business plans, should contain key priority areas for reporting. A lot of the current performance reporting could be classified as compliance reporting rather than information that should be reported in the annual performance reporting requirements;

- SRH Executive is setting the business planning cycle to ensure timeframes are set for informed medium term financial planning discussion with the subsidiary companies and to ensure that core budget assumptions are aligned. SRH Board should first discuss the strategic approach for overall planning;

- A longer-term vision for the railway in Scotland is needed and discussion on the longer-term financial planning/framework is being taken forward by the Transport Scotland Director Rail Delivery, the SRH Chief Executive and the Managing Directors of ScotRail, CSL and Network Rail; and

- Transport Scotland approval of additional SRH staff posts is awaited.

Agenda Item 7: Internal Audit Update

13. The Committee considered the internal audit progress report. The Azets Internal Audit Director confirmed that the annual internal audit plan was on track for completion. The Chair asked for the draft terms of reference for the risk management audit to be sent to him for review.

14. The Committee considered three internal audit reports:

Budget Setting and Monitoring

15. The Committee noted that the recommendations from the audit related to minor improvement opportunities and no significant weaknesses had been found. The Committee agreed that the management responses to the audit

recommendations were reasonable. The Chief Executive noted her appreciation of the work undertaken by the finance team over the past year to get to this stage where the audit recommendations related only to minor improvements.

16. The Committee discussed the capacity of the finance team and the opportunity to look at this from a group perspective. The Committee also discussed the need for a clear monitoring role to be undertaken rather than just ensuring compliance and defining the role of each finance team across the group will help to align expectations and provide better outcomes.

People Strategy

17. The Committee noted that the recommendations from the audit related to moderate/minor improvement opportunities and no significant weaknesses had been found. The Committee agreed that the management responses to the audit recommendations were reasonable.

18. The Committee noted that the addition of the People and Culture Director to the SRH Executive Team had driven the people strategy forward with positive effect. The Committee discussed workforce capacity and skills development and the need for this to be considered across the group.

Cyber Security

19. The Committee noted that an advisory review had been undertaken [Redacted]. The Committee noted that the management responses to the report recommendations require input from across the SRH Group and wider stakeholders and the response will be formulated into an action plan and submitted to the next meeting of the Committee.

20. The Committee noted SRH's reliance on ScotRail, through the service level agreement (SLA), in relation to cyber security and that the Board needs to be informed of any additional actions to ensure best practice over and above the SLA. The Azets Head of Cyber Services said that the current audit review of ScotRail's cyber security will look at governance and risk and the reporting requirements to SRH Board to provide assurance.

Agenda Item 8: Quarterly Risk Management Report

21. The Committee considered the quarterly risk management report and the strategic risk register and noted the following:

- The risk register will be updated to reflect the risk to achievement of 2026/31 strategic plan and the 2026/27 business plan objectives once these are approved by the Board;
- The impact of the 2026/27 budget discussions will be reflected in the risk register;
- Mitigating actions need to have timelines;
- The risk relating to health and safety needs to reflect that this risk relates to the Board obtaining adequate assurance that health and safety matters are being managed effectively rather than relating to operational safety matters. SRH needs to define how assurance is obtained on health and safety for the Board;
- The risk relating to train driver rest day working (not including Sundays) had decreased due to ScotRail being ahead in the delivery of its driver training programme; and
- The risk relating to [Redacted] should be listed separately on the risk register.

Agenda Item 9: Cyber Security

22. At the meeting of the Committee on 5 November 2025, the Chair had asked for a short update on cyber matters highlighting significant points/events across the Group to be submitted to each meeting of the Committee. A note detailing this information had been provided for and noted by the Committee.

Agenda Item 10: SRH Limited Tax Register

23. The Finance Director informed the Committee that:

- SRH had developed a tax risk register in line with requirements, and this will be submitted to the Committee annually;
- Each of the three SRH group companies need to do an annual certification that reasonable controls are in place relating to tax; and
- The group tax strategy has to be published annually, and the 2026/27 strategy will be submitted to the Committee earlier in the financial year than previously done.

Agenda Item 11: Reporting Instances of Fraud and Whistleblowing

24. No instances of whistleblowing were reported to the Committee.

25. The Chief Executive reported an allegation of fraud in ScotRail relating to the use of suppliers which was the subject of a press article in January. She said that she had discussed this with Audit Scotland [Redacted]. She said that he would update the Committee once the investigation had concluded.

Agenda Item 12: SRH Counter Fraud Policy

26. The updated counter fraud policy had been considered by the SRH Board at its meeting on 21 August 2025 where it was noted that a Board Member would submit comments on the policy and these would be circulated to the Board for approval by correspondence. The comments were received and the revised updated policy was issued by email to the Board on 15 January 2026 requesting approval, by unanimous decision, by 30 January 2026. Only four of the nine Board Members responded giving approval to the policy. Further proposals for the policy were received on 30 January and General Counsel requested these to be considered by the Committee.

27. In relation to the further proposals, the Committee agreed the following:

- The policy is clear that it is for SRH Limited and not SRH Group as the title of the policy is "Scottish Rail Holdings Limited Counter Fraud Policy";
- Notification to the police will be a judgement call made by the Chief Executive in consultation with the Board and Audit Committee Chairs and should not be prescribed in policy;
- If the police are involved, SRH's handling of the case will comply with the instruction of the police authority and cannot be prescribed in policy; and
- Governance on the reporting of allegations of fraud to the Board will be through the Audit and Risk Committee and/or the Chief Executive's report to the Board and is a matter of judgement that should not be prescribed in policy.

28. The Committee agreed that the policy, as is, should be submitted to the Board with the Committee's recommendation for approval.

Agenda Item 13: Summary Governance Routes

29. At the meeting of the Committee on 11 August 2025, the Chair suggested that a governance framework document which sets out a simplified summary of governance routes in place should be considered.

30. While noting the complexity of the various governance routes in place for SRH, a draft summary of governance routes by organisation, by key documents, for Directors' appointments, for Committee governance for policies and procedures, and for financial governance at Board level was submitted to the Committee for consideration. The Chair said that he expected a visual representation of governance routes and this paper should be deferred to the next meeting of the Committee as General Counsel was not in attendance due to the Committee meeting date having been changed.

Agenda Item 14: Policy and Procedures Tracker

31. The Committee requested that the tracker should be RAG coded and submitted to the next meeting of the Committee and thereafter did not require to be submitted to every meeting of the Committee.

Agenda Item 15: Gifts and Hospitality

32. The Committee noted that the requirements relating to gifts and hospitality were detailed in the model codes of conduct for staff and Board Members, but agreed that these requirements should also be detailed in the gifts and hospitality policy. The Chair said that consideration should be given to whether the policy should also consider interests.

33. At the meeting of the Committee on 11 August 2025 the Committee, taking account of discussions at the Board meeting on 23 June 2025, discussed and agreed that a policy on registering non-hospitality stakeholder engagement matters should be prepared. The Committee noted that provision for this was included in the draft gifts and hospitality policy under consideration. The Chair's view was that non-hospitality stakeholder engagement should not be prescribed in policy.

34. After discussion, the Committee agreed that the draft gifts and hospitality policy should be revised and submitted to the next meeting of the Committee.

Agenda Item 16: Equality, Diversity and Inclusion Policy Revised

35. The Committee considered the revised policy and noted it was narrowly focussed on employment matters and questioned why it didn't address wider Equality, Diversity and Inclusion requirements, including the need for equality impact assessments. As it relates to employment matters, the Committee was content to recommend approval to the Board, but requested assurance that wider EDI are adequately addressed under separate policy.

Agenda Item 17: Any Other Business

36. General Counsel had asked the Committee to consider the request by Audit Scotland to have access to all Board papers at the point where these are issued to the Board. General Counsel's view is that he is uncomfortable releasing papers prior to the Board's consideration of the papers and had suggested that the agenda and approved minutes are issued to Audit Scotland and papers can then be sent to Audit Scotland after the Board has considered them. The Chair said that Audit Scotland should receive all papers when these are issued to the Board.

37. The Board Secretary said that if Audit Scotland was able to accept access to the SRH Admincontrol system this would be the best use of resources to ensure that Audit Scotland has access to all Board papers at the point of issuing these to the Board.

38. At the SRH Board meeting on 8 January 2026, some Board Members had raised the matter of the minutes of Board and Committee meetings being too detailed. General Counsel had asked for this to be considered by the Committee. The Chair said that the minutes should be less detailed and the action logs will capture decisions of the Board and Committees.

Agenda Item 18: Date of Next Meeting

39. The next scheduled date for the Committee is 18 May 2026. The Chair noted during the meeting that the next meeting will be a meeting of the Group Committee, arrangements for this will need to be put in place.