

Minutes
Scottish Rail Holdings (SRH) Group Audit & Risk Committee (ARC) Meeting
Wednesday 10 June 2026 – 13.30 to 17.05
Location: St Vincent Plaza, Glasgow / Teams*

Agenda

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

In attendance: Hannah Ross – SRH Chief Executive and Chair ScotRail and CSL
Neil Amner – SRH General Counsel and Non-Executive Director ScotRail and CSL
Campbell Davidson – SRH Finance Director
Joanne Maguire – ScotRail Managing Director
Derek Marchant – ScotRail Chief Financial Officer
Graham Kelly – CSL Managing Director
Hugh Anderson – CSL Finance Director*
Sam Price – CSL General Counsel
Rachel Browne – Audit Director, Audit Scotland*
[Redacted] – SRH Audit and Risk Manager
[Redacted] – SRH Group Corporate Risk Officer
Paul Kelly – Azets, Head of Cyber Services
David Eardley – Azets, Partner Risk Assurance
[Redacted] – Board Secretary

Apologies: Rachael Weir - Azets, Internal Audit Director
Fiona Owens – Senior Audit Manager, Audit Scotland
Sanya Ahmed – Senior Auditor, Audit Scotland

Agenda Item 1 – Notice, Quorum and Apologies

1. The Chair welcomed everyone to the first meeting of the SRH Group Audit and Risk Committee.
2. 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 of the SRH Audit and Risk Committee meeting held on 16 February 2026
 - The minutes of the meeting of the ScotRail Audit and Risk Committee meeting held on 23 February 2026
 - The minutes of the meeting of the CSL Audit and Risk Committee meeting held on 23 February 2026

Agenda Item 4 – Matters Arising and Actions

5. The Chair said that the action trackers from the three single entity Audit and Risk Committees had been reviewed and relevant open actions moved to the SRH Group Audit and Risk Committee action tracker. The Board Secretary had liaised with the ScotRail Chief Financial Officer and CSL General Counsel in this regard.
6. The Committee considered the actions from previous meetings.
7. In relation to action 01/2026, ScotRail risk regarding fleet availability to be disaggregated, the Committee noted that this had been completed and agreed to close this action.
8. In relation to action 02/2026, assurance mapping to be undertaken at group level, the SRH Audit and Risk Manager said that preliminary work had been undertaken and this would be submitted to the next meeting of the Committee on 20 August 2026.
9. In relation to action 03/2026, annual procurement report, the Chair said that public bodies in England and Wales who undertake procurement over a certain threshold are required to publish an annual procurement report and ScotRail would likely fall within that category. The Chief Financial Officer said that the Head of Procurement had advised that there are different rules for Scotland, but ScotRail would support doing this. The Chair said that CSL and SRH will likely be below the threshold but should also do this in the spirit of good practice and thought should be given to this for next year.
10. In relation to action 04/2026, the outcome of the [Redacted] investigation, the Committee noted that this will be submitted to the next meeting of the Committee on 20 August 2026.
11. In relation to action 05/2026, Group Audit and Risk Committee terms of reference to be submitted to the ScotRail and CSL Boards. The Committee noted that the terms of reference would be submitted to the ScotRail Board meeting on 18 June and the CSL Board meeting on 19 June.
12. In relation to action 06/2026, publishing Audit and Risk Committee papers, the Committee agreed to discuss this at the next meeting of the Committee on 20 August 2026. The Chief Executive said that Transport Scotland had asked for access to Audit and Risk Committee papers as part of their assurance work. The Committee agreed that Transport Scotland could have access to the papers through the Admincontrol system and noted that the terms of the information sharing need to be made clear. SRH General Counsel said that he would speak to the Transport Scotland freedom of information team.
13. In relation to action 07/2026, review of ScotRail contracts register, the Committee noted that this will be discussed by the Chair and SRH General Counsel.
14. In relation to action 08/2026, RAG code the policy tracker, the Committee noted that was being done and will be emailed to the Committee prior to the next meeting.
15. In relation to action 09/2026, action trackers for implementation of internal audit recommendations, the Audit and Risk Manager said that these would be submitted to the next meeting of the Committee, and he would check if any legacy actions needed to be included from the previous internal audit reports. The Chair said that updates on all substantive recommendations should be submitted to the next meeting of the Committee.

Agenda Item 5: Audit Scotland External Audit

16. The Committee considered the audit plans for SRH, CSL and ScotRail for financial year 2025/26.
17. The Audit Scotland Audit Director said that the draft plans had been submitted to give the Committee visibility before these were finalised with management. She said that Audit Scotland had to recruit staff to resource the three public body audits and this has caused a delay, but Audit Scotland is still working to the November dates for sign off.
18. The Audit Scotland Audit Director gave the Committee an overview of the key points from the audit plans including:
- The Audit Director and her team are fully independent of each of the three public bodies;
 - The scope of the audits are set out at paragraph five of each plan;

- The audits are not just audits of the financial statements, they will cover the wider scope areas and Best Value; and
- The materiality thresholds are set out in exhibit one of the plans.

19. The Audit Scotland Audit Director said that the fee for SRH is based on the prior year baseline. She said that the proposed fees for ScotRail and CSL have no baseline and are higher as there is the year one element and these will decrease next year. She said that she had discussed the proposed fees with the Committee Chair [Redacted] but she reserves the right to charge more if additional work is required.

20. [Redacted]. The Audit Scotland Audit Director agreed to reconsider the fees proposals. [Redacted].

21. The SRH Finance Director said that the timescales in the plans are consistent with prior years, and these will be closely monitored as the work progresses and workstreams will be aligned to fit in with the timescales.

22. The ScotRail Chief Financial Officer said that ScotRail will do all that it can to meet time timescales and temporary staff have been recruited to provide additional resource. He said that there would be no saving for ScotRail on the proposed fee even with the reduction and it was hoped that there would have been. He said that he had asked Audit Scotland if work can still be accommodated during July to avoid a back ended rush. The Audit Scotland Audit Director confirmed that this would be possible. The ScotRail CFO said he was concerned about the implications of the delayed audit work on the timing of the work required for the new budget process.

23. The Audit Scotland Audit Director said that Audit Scotland will be able to undertake work in July and agreed to investigate why this had not been previously communicated.

24. The Chair said that minor amendment was needed in the plans to record that the letter from the Transport Scotland Chief Executive dated 27 March 2026 confirms that the budget required for 2026/27 to deliver ScotRail and CSL services, including the estimated [Redacted], will be funded with the expectation that the SRH group will continue with the ongoing need to find savings and efficiencies.

Agenda Item 6: 2026/26 Accounts Timetable

25. The Committee considered the timetable for the 2025/26 annual report and accounts.

26. The SRH Finance Director said that the three finance teams have worked collaboratively to agree the timetable and will all do that is possible to meet the accounts sign off date of 19 November. He said that the assurance checklists are in place and that SRH had drafted the SRH Ltd governance statement. The ScotRail Chief Financial Officer noted that ScotRail could not sign off the timetable for ScotRail until the external audit fieldwork dates were agreed but noted the earlier commitment from Audit Scotland to confirm this.

27. The Chair said that this was excellent work and the timetable had good descriptive steps, he thanked the three finance teams for working together on the timetable. He said that as the work progresses, the Committee should be informed of any change to the timetable.

Agenda Item 7: Implementation of Audit Scotland Recommendations for SRH

28. The Committee considered the update on progress with prior year audit recommendations for SRH.

29. The SRH Finance Director said that good progress had been made, and four actions raised in the management letter had been closed. He said that the one recommendation that was flagging red was the SRH staff resources and the authorisations from Transport Scotland and this was being discussed through SRH Board. SRH General Counsel said that good progress had been made on the cyber security recommendations and the support agreement with ScotRail was in place and the policy pack had been completed.

30. The Chair asked if there were recommendations from ScotRail and CSL prior year audits that should be tracked through the Committee. The ScotRail Chief Financial Officer and the CSL Finance Director said that no recommendations were outstanding from the prior year audits.

The Committee agreed to take items out of line with the agenda.

Agenda Item 10: Internal Audit Reports

31. The Committee considered the internal audit reports.

Risk Management SRH, ScotRail and CSL

32. The Internal Auditor gave an overview of the risk management audits undertaken for SRH, ScotRail and CSL including:

SRH

- There is a clear and comprehensive risk management framework with underpinning documents that are kept up to date;
- The governance and roles and responsibilities are clearly documented;
- The risk management strategy covers all areas of effective risk management; and
- Areas for development include: access to and communication of risk management documentation for staff, monitoring of operational risks should be enhanced, the process for escalation and de-escalation should be formalised, and arrangements for mitigating actions should be strengthened.

33. The SRH Chief Executive said that she was pleased to see the report and the amount of progress that has been made on risk management across the group and continuing to embed risk management is part of the SRH business plan.

ScotRail

- There is a clear and structured approach to risk management and roles and responsibilities are clearly defined;
- Strategic risks are appropriately linked to underlying directorate risks;
- Senior governance forums provide good oversight, scrutiny and challenge; and
- Areas for improvement include: core documentation needs to be reviewed and updated, risk register data is inconsistent particularly in relation to mitigating actions, assurance is limited due to the ongoing review of risks and mitigating actions not being clearly documented, and operational level challenge and follow-up occurs in practice but is not consistently documented.

34. The ScotRail Chief Financial Officer said that the audit report presented a fair and balanced view. The ScotRail Managing Director said that reflecting on assurance, ScotRail is an operational business, and the audit review was a paper based exercise and, although helpful, it should be noted that it is difficult to document risk management from an operational aspect. She said that documenting operational aspects of risk management is evolving and there needs to be more automation to assist with this.

35. The SRH Audit and Risk Manager said that the need for a risk management tool has been identified which will allow for more automation.

36. The Chair said that the ScotRail Managing Director had made a valid point about the operationalisation of risk management and how risk assessment can be undertaken of on the ground operations. He said that consideration should be given to how to look at risk management being applied from an operational level and reach a view on the level of assurance that can be taken from this. He said that the internal auditors should form a view on this and how the operations teams can help internal audit to do this.

CSL

- There is a clear structure for risk management that is consistent with SRH risk management principles;
- There is proactive management of strategic and high impact risks through the targeted deep dives;
- Positive assurance can be taken from the risk management arrangements; and

- Areas for development include: standardised documentation should be introduced for risk review meetings, arrangements for escalation and de-escalation should be documented, ALARP requirements should be more clearly embedded and evidenced within the risk management and reporting framework, and governance reporting to SHEC should be strengthened.

37. CSL General Counsel said that the report was fair and actionable. He said that there are recommendations which are SRH group wide and there is scope for more automation on risk management. The CSL Managing Director said that there is a lot of good work ongoing in CSL on risk management and this needs to be better evidenced and continue to be embedded. He said that an automated reporting tool would help with this.

38. The Chair welcomed the opportunity, through the internal audit reports, to look at risk management across the SRH Group. He said that there are shared issues and the Audit and Risk Committee group approach is in place to achieve positive outcomes across the group.

ScotRail Project Management

39. The Internal Auditor gave an overview of the ScotRail project management audit including:

- There is an established reporting framework for in-flight projects with roles and responsibilities clearly defined;
- A comprehensive business case template is in place;
- Project control logs are in place to support the effective management of risks and issues; and
- Areas for development include: the framework for the control of major capital projects and the PMO handbook need to be aligned, the risk matrix should be updated to align with the risk management strategy and PMO handbook, requirements of the business case template should be communicated to relevant staff, approval of the various groups should be documented, and formal documented feedback from the Capital Investment Panel (CIP) should be requested.

40. The Chair said that the title of this audit work should be clear that the framework was audited and not project delivery.

41. The SRH Finance Director said that the documented assurance from CIP was necessary, and this was an action for SRH rather than ScotRail.

ScotRail Health and Safety

42. The Internal Auditor gave an overview of the ScotRail Health and Safety audit including:

- A comprehensive and well structured health and safety policy and procedural framework are in place;
- An accessible and embedded health and safety management system (SMS) is in place that supports organisation awareness and compliance;
- There is a structured approach to safety risk identification, assessment and escalation;
- There is a formal, clearly documented and consistently applied process for reporting, investigating and managing safety incidents and near misses;
- Overall, there is an established health and safety management framework, with appropriate governance, risk management and control arrangements in place to support the management of health and safety risks across the organisation; and
- Areas for development include: further embedding, consistency and maturity relating to the risk based review of health and safety procedures, the implementation and integration of the disaggregated safety risk register, and governance processes including supporting documentation and terms of reference.

43. The ScotRail Managing Director said that the internal auditors are not safety professionals and the rail regulator, the Office of Rail and Road, has not raised any areas of concern, from a technical viewpoint, in their audits of ScotRail.

She said that the new Safety and Sustainability Director has already picked up on areas that have been identified for improvement, and the internal audit report was considered at the SHEC meeting on 8 June 2026.

44. The Committee noted that the SHEC terms of reference need to be reviewed. The Chair said that the scope for the audit did not include reporting to SRH and SRH oversight and it would have been good to get the internal auditors' perspective on this. The SRH Audit and Risk Manager said that the SRH Rail Business Directorate oversight role will provide reporting to the SRH Board.

CSL Cyber Security

45. The Internal Auditor gave an overview of the CSL cyber security audit including:

- All staff are required to complete mandatory training on phishing and data protection;
- There is an ongoing phishing simulation campaign;
- Policies are stored and made available to staff; and
- Areas for development include: cyber security training plan, training evaluation and refresh, escalation for non-compliance with training, policy review and policies missing but listed in the information security policy.

46. CSL General Counsel said that the scope of the audit was centered around training as CSL was working towards the cyber essentials accreditation and it was agreed that the audit should not test things that will already be tested through the accreditation process. He said that the biggest risk to cyber security is people rather than systems. He said that the recommendations in the report were fair and actionable and would be actioned during the course of the year.

47. The ScotRail Managing Director said that ScotRail will have similar issues with policy validation that people have read and understood them and the recommendations in the CSL audit report will be good to implement for ScotRail across the whole policy landscape.

ScotRail Business Continuity Report

48. The Committee considered the paper providing an update on recent ScotRail business continuity activity and providing the outlook for the coming year.

49. The Committee noted that over the next 12 months activity will focus on continuing to strengthen and embed ScotRail's existing business continuity arrangements. The ScotRail Audit and Business Continuity Manager confirmed that Transport Scotland business continuity plans include ScotRail and vice versa. She said that resilience working groups are in place, including Transport Scotland, that looks at horizon scanning and review of Rail Delivery Group expectations.

50. CSL General Counsel said that he would be grateful for some time with the ScotRail Audit and Business Continuity Manager for CSL to learn from her experience.

51. The Chair welcomed the paper and said it highlights the importance of business continuity planning to prepare and recover. He said this is a specific line of assurance which needs more work across certain parts of the group. The SRH Audit and Risk Manager said that this is high on the SRH risk register and the SRH Rail Business Directorate is liaising with the teams in ScotRail and CSL for assurance on business continuity and resilience.

Agenda Item 8: Internal Audit 2025/26 Annual Report and 2026/27 Internal Audit Plan

52. The Committee considered the 2025/26 internal audit annual reports for SRH, CSL and ScotRail which provided a summary of internal audit work undertaken. The SRH Audit and Risk Manager said that the reports provide reasonable assurance and will inform the annual governance statements.

53. The Committee considered the 2026/27 internal audit plans for SRH, CSL and ScotRail. The Committee noted that management from the three entities were content with the plans and these can be re-visited as the year progresses if necessary, and resourcing needs had been considered.

54. The Chair referred to the SRH Audit and Risk Manager having sole responsibility to determine the content of internal audit plans and said that this should be a more collaborative approach.

55. The Committee noted that all sources of assurance, including the many external validations that the train operating companies are subject to, should be mapped to areas that require assurance. The Chair said that assurance mapping was discussed by the Committee around 12 months ago and efforts should be made to take this forward. He asked for at least an outline of the assurance map for the group to be submitted to the next meeting of the Committee in August. The Committee noted that the SRH Audit and risk Manager was working on this.

56. The Chair asked for the terms of reference for all audits to be issued to the Committee by email for information. The Committee noted that there have been no changes to ScotRail and CSL's in-house internal audit plans which have been discussed with Azets and these will be reported to the Committee.

57. The Committee noted that the timetables for SRH and ScotRail audits was not included in the 2026/27 plans and these should be submitted to the next meeting of the Committee in August.

Agenda Item 9: Internal Audit Recommendations Implementation

58. This was discussed earlier in the meeting and is noted at paragraph 15 above.

Agenda Item 11: Risk Management Update and Change to the SRH Risk Appetite Statement

59. The Committee considered the risk management update for the group and welcomed the new consolidated format of the update report.

60. The Committee noted that the group risk profile remains broadly unchanged from the previous period and where risks are above the indicative risk appetite management continue to progress additional mitigations to drive residual risk scores to an acceptable level. Key challenges remain around short and longer-term financial sustainability.

61. The Committee considered the risk registers and discussed the following:

- The financial pressure risk is the same across the group but the scoring is different;
- The scoring of the same risk does not have to be the same across all three entities as there can be different perspectives of the same risk, although a cautious approach should be taken as all risks are group risks and there needs to be an understanding of why the same risk is scored differently between entities;
- Work is ongoing to bring alignment with the SRH Group risks and Transport Scotland and the SRH Group risk management information is being used to inform Transport Scotland's risk management information;
- The risk appetite statement should be used in earnest when scoring risks; and
- Future risk management reports for the Committee should be focused on risk above risk appetite.

62. [Redacted]

63. [Redacted]

64. The Committee thanked the SRH Audit and Risk Manager for the detailed and informative report.

Roz Foyer left the meeting at 16.00

SRH Risk Appetite Statement

65. The Committee considered the change to the SRH Risk Appetite Statement requested at the ScotRail Board, to note the requirement for safety risks to be at ALARP (as low as reasonably practicable) status. The Committee noted that this was a wording change rather than a change to the risk appetite.

66. The Committee approved the change and noted that this would also require to be approved by the SRH Board and, subject to SRH Board approval, the ScotRail and CSL risk appetite statements would require to be amended and the Committee agreed that these could be submitted direct to the subsidiary Boards.

Agenda Item 12: Cyber Update

67. The Committee considered the cyber security quarterly update.

68. The Committee noted that the cyber security services agreement between SRH and ScotRail was now in place and the recommendations from Audit Scotland which related to various policies being required had now all been addressed. Testing of systems and policies would be undertaken by ScotRail for SRH.

69. The ScotRail Managing Director referred to recent cyber attacks on two public bodies and suggested that a director from one of them should be invited to speak to the SRH Group Boards to gain insight of that experience and lessons learned. The Committee agreed that SEPA should be contacted and invited to speak to the Boards and arrangements to be made for this. The SRH Audit and Risk Manager said that he had a contact at SEPA that he would approach.

70. The Committee discussed the use of AI and the risks associated with this and noted the following:

- Scottish Government guidance is that only co-pilot can be used;
- CSL guidance is that only CSL approved AI can be used;
- SRH guidance is aligned with Scottish Government guidance; and
- ScotRail has a draft policy in the pipeline as there are numerous implications of using AI.

71. The Committee agreed that overarching guidance on the use of AI was needed for the group and the ScotRail draft policy, once available, should be used to inform group wide discussion.

Agenda Item 13: Report of any instances of fraud or whistleblowing

72. The CSL Managing Director said that there had been one recent case of whistleblowing which was being dealt with through appropriate channels and the Committee would be kept informed of this.

Agenda Item 14: Terms of Reference for the SRH Group Audit and Risk Committee

73. The Committee considered the terms of reference.

74. The Chair said that there was a difference of view between two SRH Non-Executive Directors relating to paragraph 2.7 where it had been suggested that two non-executive directors of the subsidiary companies should be present where committee discussions related to the affairs of the subsidiary company. He said that as there are only two non-executive directors of the subsidiary companies who are attendees of the ARC and it would be impracticable for the two to always be present. He said that the terms of reference provide adequate mitigation for having only one subsidiary company non-executive director present as the subsidiary Boards can revisit any area considered by the Committees if it so wishes. Also, the Managing Directors and Finance Directors of subsidiary Boards are expected to attend the committee meetings, which provides for senior representation from the subsidiaries at the meetings.

75. The Committee and attendees were supportive of the terms of reference, and it was noted that these would be submitted to the SRH Board on 11 June, the ScotRail Board on 18 June and the CSL Board on 19 June with the Committee's recommendation for approval.

76. The ScotRail Managing Director asked for a minor amendment at paragraph 3.2 to make clear that policies and procedures reserved for the Board should be the relevant company Board. The Committee agreed to this amendment.

Agenda Item 15: Suburban Project, erroneous release of information lessons learned

77. The Committee considered the report on the findings of an independent review that was commissioned following an incident in which a procurement document was issued containing hidden embedded information from an earlier stage of work. SRH General Counsel said this was an unintentional disclosure of information and there may be a need

for licensed software to avoid this happening in the future. He said that in the short-term training and awareness is needed.

78. The Chair said that this is an operational matter but important for the Committee to be made aware and thanked SRH General Counsel for bringing this to the Committee's attention.

Agenda Item 16: ScotRail Policy and Procedure Governance

79. The Committee considered the paper from the ScotRail Managing Director seeking approval to streamline policies and procedures and their associated governance.

80. After discussion the Committee agreed the following:

- The proposed approach to the development of six overarching policy statements;
- The template to be used as the draft employee policy statement;
- The committees and timescales proposed to approve the overarching policy statements; and
- As each overarching policy statement comes forward for approval a decision will be made as to which policies, procedures, and manuals within each are reserved for committee approval or delegated to the executive.

81. The Committee noted that, under the terms of the Articles of Association, delegation of power to any committee has to be approved by the SRH Board and the paper would first be presented to the ScotRail Board. The Committee recommended approval of the recommendations in the paper to the ScotRail and SRH Boards.

82. The Committee noted that the above agreements could be used as a template across the group.

Agenda Item 17: 2025/26 Accounting Policies and Estimates and proposed change to capitalisation thresholds

83. The Committee considered and approved the proposed accounting policies, estimates and judgements for 2025/26.

84. The Committee considered and approved the proposed change to the SRH Group's capitalisation threshold for 2026/27 and onwards.

Agenda Item 18: Group Tax Strategy 2026/27

85. The Committee considered the Group Tax Strategy for 2026/27 and recommended approval of this to the SRH Board.

Agenda Item 19: Legal Horizon Scanning

86. The Committee considered the legal and regulatory horizon scanning paper.

87. SRH General Counsel said that going forward the legal horizon scanning will be taken forward as business as usual and be reviewed quarterly by the three entity legal directorates. He said that any risks will be addressed through the risk registers.

Agenda Item 20: Any Other Business

88. The ScotRail Chief Financial Officer reiterated his point regarding his concern that the delayed Audit Scotland audit work could have implications on the timing of the work being undertaken on the new budget process.

Agenda Item 21: Date of Next Meeting

89. The next meeting of the Committee will be held on 20 August 2026.