

COURT**Minutes**

In the Chair:	Ms Morag McNeill	Date of Meeting: 23 February 2022
Present also:	Dr Richard Armour Professor Scott Arthur Professor Lynne Baillie Professor Mark Biggs Ms Hannah Copeland Mr Graeme Dickson Dr Fadi Ghaith Mr Steve Heathcote Mr Brian Henderson	Ms Emily Lucy King Mr Paul Lewis Dr Bill MacPherson Mr Cameron Millar Mr Jürgen Munz Mr Chris Pirie Mr Mike Tumilty Professor Richard Williams Ms Dorothy Wright
Persons in attendance:	Ms Ruth Moir, University Secretary Professor Mushtak Al-Atabi Vice-Principal and Provost (Malaysia) Mr Richard Claughton, Global Director of Human Resources Ms Sue Collier, Global Director of Governance and Legal Services Ms Lucy Everest, Global Chief Operating Officer Mr Andrew Jefferson, Global Chief Financial Officer Professor Ammar Kaka, Vice-Principal and Provost (Dubai) Dr Gillian Murray, Deputy Principal (Enterprise and Business) Professor John Sawkins, Deputy Principal (Education and Student Life) Mr John McDermott (Clerk)	
Apologies for absence:	Professor Marc Desmulliez Mr Gary Kildare Ms Marta Phillips Mr Alan Robertson	Mr Graham Watson Professor Steve McLaughlin Professor Mercedes Maroto-Valer Lord Vallance

M22/14 WELCOME AND ANNOUNCEMENTS

The Chair welcomed all participants to the additional meeting, which had been called to consider and, if content, to approve the Annual Accounts and Statements and related matters.

The apologies for absence were noted. The Chair reported that those members who could not attend had indicated that having been participants in the joint meeting of the Audit and Risk Committee and the Finance Committee (and related discussions), that they were content to approve the signing of the annual accounts for 2020/21 and ancillary documentation.

M22/15 DECLARATION OF INTERESTS

The Chair of Court invited declarations of interest. Ms Wright declared an interest in relation to the Lothian Pension Fund. It was noted that this declaration would not impact on the ability of Ms Wright to participate in the discussion and decision-making on the Accounts.

M22/16 GOING CONCERN SCENARIO PLANNING AND REVERSE STRESS TESTING FOR THE 2020-21 STATUTORY ACCOUNTS AND ANNUAL AUDIT (Paper Ct2/22/07)

The Court received and considered the report, augmented by a presentation, from the Global Chief Financial Officer to explain the University's going concern scenario planning and reverse stress testing for the 2020-21 statutory accounts and annual audit. It was emphasised that it was a necessity for the Court to be content that the University could meet its liabilities in the next twelve-month period. The assessment had gone further so as to provide reassurance that the University would continue to be a going concern as well as demonstrating significant headroom on the Bond covenants up to the end of January 2024.

XXX(..)XXX Reserved section (Ref section 33, FOI(S)A).

M22/17 REPORT OF THE JOINT MEETING OF THE AUDIT AND RISK AND FINANCE COMMITTEES HELD ON 16 FEBRUARY 2022 (Paper Ct2/22/08)

The Court received and discussed a report introduced by the Chair of the Audit and Risk Committee which provided the outcome of the joint meeting of Finance Committee and the Audit and Risk Committee that had considered the Annual Report and Financial Statements 2020/21. After detailed consideration and challenge, the Committees at their joint meeting had been content to recommend to the Court the Accounts and associated papers, subject to some amendments which had now been actioned. The Court thanked the members of both Committees and the Finance and EY teams for their work in preparing the Accounts in the continuing challenging circumstances of the Covid-19 pandemic and ERP implementation. The Court noted its responsibility to be satisfied that the Accounts give a true and fair view.

The Court noted that the audit process had been much smoother this year and the outcomes were a significant improvement on the previous year. It was anticipated, however, that the audit for 2021/22 would again provide challenges due to ongoing matters regarding the ERP system implementation and transition from the current system (R12). For 2020/21, however, the joint Committees had greatly appreciated the way in which the external audit had been undertaken, noting that that it had been extremely thorough and robust. The Committees had welcomed the outcomes reported by the auditor, as well as the management responses to the auditor's report.

M22/17a Group Annual Report and Financial Statements 2020/21 (Paper Ct2/22/08a)

The Court considered the detail of the paper, noting the content of each section, including the introduction from the Principal and Vice-Chancellor, the Strategic Report, the Corporate Governance Statement, the Financial Review, the independent auditor's report, and the financial statements as expressed in the Consolidated and Institution Statement of Income and Expenditure, the Consolidated and Institution Balance Sheet, and the Consolidated Statement of Cash Flows. The Statement of accounting policies was also noted, as were the extensive notes to the accounts.

After discussion, the Court agreed that the submission represented a fair picture and reflected true and fair accounts of the University. The Court was content to approve the Accounts and agreed that the Accounts could be signed and submitted to the SFC. The Court thanked the Committees for their diligence in scrutinising the draft Accounts and recommending them to this meeting.

M22/17b Audit Results Report 2020/21 (Paper Ct2/22/08b)

The Court discussed and noted the Audit Results Report as prepared by the external auditor (EY) and presented to the meeting by the GCFO. The Court noted that the Audit Report was unqualified and that EY had confirmed their independence. The auditor had recommended some audit adjustments, which would be acted upon. It was noted that whilst in the previous year there had been twenty-one such recommendations and several had been 'red', this year there were four – three of which were amber and one green. The Court noted the background to these, and the view was expressed that whilst it would be preferable to have no such recommendations, the greatly improved position was to be welcomed.

The Court noted that the actions regarding the recommendations from the previous year had largely been completed, however some were still in progress and there had been some slippage with others. The Finance Committee and the ARC would continue to be kept informed of progress by the Executive. The Court would also continue to receive the 'Finance Assurance' update at meetings for the foreseeable future.

The Court noted that the audit fees were yet to be confirmed and that although they would be less than the previous year, they were still high. It was anticipated that they would be particularly high next year also, for the reasons previously stated regarding systems and other matters.

The Court again thanked the Finance team and the external auditors for the diligent work and noted the External Audit Results Report.

M22/18 MANAGEMENT RESPONSE TO AUDIT RESULTS REPORT (Paper Ct2/22/09)

The Court considered and noted the Management response to the external audit report presented by the GCFO. The Court welcomed the Letter of Assurance (Paper Ct2/22/09.1), which was provided for the comfort of Court. The letter had been prepared by the Principal and Vice-Chancellor, the GCFO and the University Secretary, as the management of the Heriot-Watt Group principally involved in the preparation and audit of the Accounts. A signed copy would be submitted to the Chair of Court after the meeting.

M22/18a Group Management Representation Letter (appendix of Paper Ct2/22/08b)

Following consideration of the Management Responses, including the Letter of Assurance, the Court considered the Group Management Representation Letter and approved it for signing by the Chair of Court, the Principal and Vice-Chancellor, and the GCFO. The Court thanked the GCFO, the Principal and the University Executive as a whole for the report and for their efforts in this regard during the period under audit and for the ongoing activities.

M22/19 ANNUAL REPORT FROM THE AUDIT AND RISK COMMITTEE (Paper Ct2/22/10)

The Court considered and noted the Annual Report from the Audit and Risk Committee (ARC) for financial year 2020/21 as introduced by the Chair of ARC. The Report included the internal and external audit reports for 2020/21. It was noted that the Annual Report had been approved by the ARC at its meeting the previous week and would be submitted to the Scottish Funding Council as part of the set of documents accompanying the Annual Accounts and Financial Statements.

The Chair of ARC commended the ongoing work of the GCFO, the Secretary and the management team as a whole for the significant progress made in 2020/21 in spite of the continuing pandemic. There remained progress to be made however and the ARC would continue to offer constructive challenge to the management team. The ARC would also continue its scrutiny of other matters, including an upcoming meeting focused on cyber-security.

The Court noted that the internal auditors, RSM, had continued to offer rigorous challenge and that the rating provided by RSM had improved on the previous year. The improvement in terms of Internal Audit reports was particularly marked. The relationship with the external auditors, EY, also continued to be constructive.

After discussion the Court was content to note the Annual Report and expressed its gratitude for the diligent work of the Committee in 2020/21 – and subsequently – with particular recognition of Ms Stevenson, whose term of office as Chair had concluded at the end of July 2021.

M22/20 UNIVERSITY STRATEGIC RISK REGISTER (Paper Ct2/22/11)

The Court considered and approved the Strategic Risk Overview as presented by the University Secretary. It was noted that the Court received this on an annual basis to accompany the Annual Accounts and Financial Statements and that the ARC maintained an overview of the Risk Register on a regular basis, with consideration next due at a meeting the following week. It was noted that further work was underway to continue to assess and modify the identified risks, as well as to be aware of developments that might require the addition of new risks to the Register. The University Executive had considered the matters presented in the paper and regularly assessed the individual risks and overall Risk Register.

XXX(..)XXX Reserved section (Ref section 33, FOI(S)A).

With regard to the overall assessment of risk, it was noted that the ARC would consider the overall picture as well as the specific risks and that the outcomes of these discussions would be reported to Court in the normal fashion. Discussion would also be scheduled for the Court to consider the overall risk appetite on an annual basis at a Strategy Day or Court meeting.

After discussion and noting that the ARC was yet to give consideration to the detail in the paper, the Court was content to approve the Strategic Risk Overview. The Court expressed its appreciation of the Head of Assurance Services and others who had prepared the information.

M22/21 DATE OF THE NEXT MEETING

It was noted that the next meeting of the Court would take place on Thursday 24 March 2022.

M22/22 CLOSING REMARKS

In closing the meeting, the Chair of Court recorded her appreciation and that of the Court of the efforts and resilience of the Global Chief Financial Officer and his team in preparing the Accounts for Audit under such difficult circumstances. Thanks in this regard were also due to the University Secretary, the external and internal auditors, and the Chairs, members, clerks and other participants of the Audit and Risk and Finance Committees.

Date

Signature