

In the Chair: Mr Bruce Pritchard, Chair of Court

<p>Present:</p> <p>Dr Richard Armour, Lay Member Professor Scott Arthur, Dean Professor Lynne Baillie, Trade Union Member Professor Mark Biggs, Vice-Principal and Provost Mr Graeme Dickson, Lay Member Dr Brian Henderson, Alumni Member Dr Fadi Ghaith, Senate Member Mr Steve Heathcote, Lay Member</p> <p>Mr Sanjit Krishnakumar, Student Union President Mr Paul Lewis, Lay Member</p>	<p>Ms Morag McNeill, Deputy Chair of Court Mr Cameron Millar, Lay Member Mr Jürgen Munz, Trade Union Member Ms Marta Phillips, Lay Member</p> <p>Mr Chris Pirie, Staff Member Mr Alan Robertson, Lay Member Mr Mike Tumilty, Lay Member Professor Richard Williams, Principal and Vice-Chancellor Ms Dorothy Wright, Lay Member</p>
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In attendance: Ms Ruth Moir, University Secretary
 Professor Mushtak Al-Atabi, Vice-Principal and Provost (Malaysia)
 Mr Richard Cloughton, Global Director of HR
 Ms Sue Collier, Global Director of Governance and Legal Services (GALS)
 Ms Lucy Everest, Global Chief Operating Officer (GCOO)
 Mr Andrew Jefferson, Global Chief Financial Officer (GCFO)
 Professor Mercedes Maroto-Valer, Deputy Principal (Global Sustainability) (*until 10.30am*)
 Professor Dame Heather McGregor, Vice-Principal and Provost (Dubai)
 Professor Steve McLaughlin, Deputy Principal (Research and Impact)
 Professor Gill Murray, Deputy Principal (Enterprise and Business)
 Ms Lisa Herlihy, Clerk to the Court

Apologies: Professor Malcolm Chrisp, Deputy Principal (Education and Student Life)
 Professor Marc Desmulliez, Staff Member
 Mr Gary Kildare, Lay Member
 Ms Molly Knight, Student Union Vice-President (Education)
 Dr Bill MacPherson, Senate Member
 Mr Graham Watson, Lay Member

**MINUTE
REF
M23/13**

WELCOME, APOLOGIES AND DECLARATIONS OF INTEREST

The Chair welcomed all present to the meeting and reported the apologies for absence. No declarations of interest were reported.

M23/14

REPORT FROM THE JOINT MEETING OF THE AUDIT AND RISK AND FINANCE COMMITTEES: MEETING HELD ON 30 JANUARY 2023 (Ct2/23/08)

The Court received and noted the report from the Joint Meeting held on 30 January 2023, presented by the Chair of the Audit and Risk Committee.

The Court noted its thanks to all of those who had been involved in the production and audit of the Annual Accounts and Financial Statements, including senior Court members, the External Auditor and members of the Executive. It had been a challenging audit, particularly due to the pervasive nature of the issues around the Enterprise Resource Planning (ERP) implementation and a successful implementation was fundamental to ensuring that future audits went smoothly.

The Chair of the Audit and Risk Committee reported that the Joint Meeting had carefully tested the Annual Accounts, including matters around going concern and the delta on the Q1 reforecast, prior to their presentation to the Court. The Chair of

the Finance Committee had emphasised that the Court needed better line of sight on changes to budget forecasts, via the Finance Committee, and work would be progressed in this area. In terms of going concern, there were no issues for 2022-23 and 2023-24, but there were some concerns relating to the outer years.

The Joint Meeting had requested that the University Executive progress the Q2 reforecast to identify methods of improving the future situation. There were no concerns about the solvency of the University but there was a need for a robust plan to ensure ongoing sustainability.

The Chair of the Audit and Risk Committee confirmed that the University had received an unqualified audit opinion. On this basis, and after full scrutiny, the Joint Meeting had endorsed the Annual Accounts and Financial Statements and related documents which were now presented to the Court.

The Court queried whether the External Auditor was comfortable with the disclosures included within the Accounts. The GCFO confirmed that the disclosures were considered appropriate according to the risk and the University's ability to mitigate it in future years. The External Auditor had not felt the need for any emphasis of matter. Amendments had been made to the ERP disclosures based on challenge from the External Auditor and had now been agreed.

The Court noted that the External Auditor was continuing to finalise their Audit Results Report and that this would be circulated to Court members in a redlined format once received.

M23/15 GOING CONCERN (Ct2/23/09)

The Court received, considered and noted the report on going concern, presented by the GCFO.

The Principal provided a brief introduction to the current environment.

XXX Reserved Section – Ref. FOI(S)A, s.33

M23/16 HERIOT-WATT UNIVERSITY GROUP ANNUAL ACCOUNTS AND FINANCIAL STATEMENTS (Ct2/23/10)

The Court received and approved the Group Annual Accounts and Financial Statements, presented by the GCFO, subject to any minor amendments arising from the discussion below.

The GCFO reported that the format of the Accounts was consistent with previous years, with some additions in relation to environmental sustainability which would need to be developed in future years to demonstrate progress around the University's sustainability goals. The GCFO provided an overview of each section of the Accounts, including:

- that the Accounts covered the period up to their signing, February 2023, not just to 31 July 2022;
- that the External Auditor and the Joint Meeting had provided feedback on the tone and level of disclosures in relation to challenges faced and these areas had now adjusted;
- that the section on risk management within the Corporate Governance Statement had been carefully considered to ensure an appropriate level of disclosure, particularly around the ERP implementation; and
- that there was significant movement in the pension provision around the Universities Superannuation Scheme (USS). The March 2023 valuation would affect the 2023-24 Accounts and the deficit was likely to be written back at that point.

The Court queried whether the University's stakeholders would have any concerns about the disclosures made. The GCFO clarified that he had been in contact with each of the key stakeholders (the SFC, the bondholders and the Office of the Scottish Charity Regulator) and had updated each on the challenges faced. There had been no concerns raised. The University Executive had previously provided a high-level view to the staff community, but presentation of final numbers would take place at a future all-staff briefing.

The Court agreed that the GCFO would investigate whether more recent carbon emissions statistics were available, as those included were for 2020-21.

The Court queried whether the External Auditor's concerns regarding the lack of visibility through financial systems had been sufficiently reflected in the Accounts. The GCFO agreed to consider this area again to determine if anything further was needed. The Court noted that the Internal Auditor would be undertaking a lessons learned exercise around the ERP implementation so that the University could identify improvements for future projects.

M23/17 DRAFT EY GROUP AUDIT RESULTS REPORT INCLUDING DRAFT MANAGEMENT RESPONSES (Ct2/23/11)

The Court received, considered and noted the draft Audit Results Report for the Group, including the management responses, presented by the GCFO.

The Court noted that the Audit Results Report indicated how the External Auditor had satisfied themselves that the University's finances were operating effectively. This was not a fraud audit but nothing within the testing had indicated the existence of fraud. The University had discussed with the External Auditor the adjustments required and had posted these, and there were no unadjusted differences at this time.

The Report provided an assessment of the control environment, highlighting areas of concern and making recommendations for improvement. The majority of these focused on implementing ERP fully. Management had provided responses and indicated the action owner, with the University Executive having oversight of all actions.

The GCFO reported on the External Audit fees, noting that these reflected the significant work done by the External Auditor and the commitment that had allowed the University to finalise its Accounts. The fees were considered to be fair in light of these factors.

The Court discussed the audit for 2022-23, which was also likely to be challenging because of the ERP implementation and other factors. The Court queried whether the delivery dates for the 2021-22 recommendations were realistic if another challenging audit was expected. The GCFO agreed to complete a further review of the timescales to confirm they were deliverable.

The Court noted that the Chair of the Audit and Risk Committee and the GCFO had agreed that the Committee would receive a plan setting out a realistic approach to completing business as usual in the Finance team, supporting the ERP remediation work, and developing the Annual Accounts and Financial Statements for 2022-23.

The GCFO reported that discussions were underway with the External Auditor regarding an interim audit that would allow the University to prepare for the full audit later in the year. There were also discussions ongoing with the accounting firm who had assisted with developing the Financial Statements on this occasion, to see what help they could provide.

**DRAFT GROUP MANAGEMENT REPRESENTATION LETTER (Ct2/23/11:
Appendix D)**

The Court received and approved the draft Group Management Representation Letter, presented by the GCFO, for signature by the Chair of Court.

The Court noted that this was a standard letter of representation, with the exception of a section regarding investment property valuation assessment, which related to an external valuation of the Research Park. Paper Ct2/23/13 provided comfort from the University Executive that each section of the Letter had been completed. On this basis, the Court were content that the Chair of Court signed the Letter on its behalf.

HWU IMPACT OF AUDIT ADJUSTMENTS ON ACCOUNTS (Ct2/23/16)

The Court received, considered and noted the impact of audit adjustments on the Group Annual Reports and Financial Statements, presented by the GCFO.

This item was considered as part of M23/15 above.

UNIVERSITY STRATEGIC RISK REGISTER (Ct2/23/12)

The Court received and approved the University Strategic Risk Register, presented by the University Secretary.

XXX Reserved Section – Ref. FOI(S)A, s.33

The Court queried whether the outstanding mitigating actions relating to sustainability would be prioritised. The University Secretary clarified that the position in this area was much improved since November 2022 and the next Register would reflect the current position.

**LETTER OF ASSURANCE (BASED ON THE GROUP MANAGEMENT
REPRESENTATION LETTER) (Ct2/23/13)**

The Court received and noted the Letter of Assurance, presented by the GCFO.

This item was considered as part of M23/17 above.

ANNUAL REPORT FROM THE AUDIT AND RISK COMMITTEE (Ct2/23/14)

The Court received and noted the Annual Report from the Audit and Risk Committee for 2021-22, presented by the Chair of the Audit and Risk Committee.

The Chair of the Audit and Risk Committee provided a brief overview of the Committee's key concerns during 2021-22, including discussions with the Internal Auditor around the ERP implementation and their final opinion. The Internal Auditor had based their opinion on the University's full control environment and judged that this was adequate and effective, notwithstanding issues with the ERP implementation. There would continue to be scrutiny of the ERP system's impact on the control environment in 2022-23.

The Court noted that both the Internal and External Audit contracts had been extended within 2022 and that the Committee would now consider longer term arrangements. Both firms were considered to provide good value, with the University Executive working closely with the Internal Auditor on the sequencing of their reporting.

The Court noted that the Committee would be considering how to fulfil its remit regarding sustainability in the remainder of 2023, in order to satisfy itself that progress was being made against relevant targets.

**MINUTE
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The Court observed that it was important to ensure scrutiny of key issues without creating a considerable burden on the executive and the auditors to produce lengthy reports. Further consideration should be given to streamlining papers within the bounds of statutory reporting.

The Chair of the Audit and Risk Committee thanked University colleagues and Committee members for their commitment during 2021-22, noting that engagement had been excellent.

M23/23 DUBAI CAMPUS BRANCH ACCOUNTS (Ct2/23/15)

The Court received and noted the Dubai Campus Branch Accounts, presented by the GCFO.

The GCFO reported that Dubai Campus Branch Accounts had been required for the first time because of the introduction of Corporation Tax in Dubai and the need to have baseline data for the tax assessment. Tax legislation in relation to the Free Zone was currently awaited. An audit had been completed by EY Dubai and the issues raised had now been discussed with them by the Head of Finance (Dubai), with actions now in place to address these. The majority of adjustments had been minor, with the most significant arising from the decision to align the Dubai Campus financial year with the Group financial year. This had led to an extra month of fee income being included.

The Court noted that the Vice-Principal and Provost (Dubai) had signed the Branch Accounts prior to lodging, on the basis of her Power of Attorney.

M23/24 DATE OF NEXT MEETING

23 March 2023, 8.30am (UK time), 12.30pm (Dubai time), 4.30pm (Malaysia time).