



UK Corporate Governance Code

Provision 29

Summary of Roundtable discussions

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Introduction

In January 2025 we held two roundtable discussions for members of the Audit Committee Network (ACN). The roundtables participants were largely Audit Committee Chairs from FTSE 350 companies ranging from a wide variety of industries, including financial services, manufacturing, media and entertainment, technology, power and utilities and many others. The roundtables were focused on the 2024 revisions to the UK Corporate Governance Code (the Code) that require boards to make a declaration on the effectiveness of their internal controls for reporting periods beginning from 1 January 2026 (Provision 29). The roundtables were an opportunity for participants to discuss with their peers some of the challenges and opportunities that the revised Code presents and to explore the practical steps that others are taking in response. We also provided our point of view and our experiences of what we are seeing working well in practice. One of the key areas of discussion was around the identification of 'material controls', particularly in relation to operational and compliance risks.

Outlined below is a summary of the points raised in the discussions. It is divided into the five elements that, in our view, are the most important considerations when approaching the declaration. As a reminder, we also have our [Restoring Trust Guide](#) on Risk Management and Internal Control, which provides more details about our view of what a robust process could look like for the Board's monitoring and review of internal controls, under current Code requirements and in support of the new declaration. We will also be using the insights we gained in these and similar discussions to inform and update our guidance.



Scope of the assessment and identification of material risks and material controls

01 There was general agreement that, for non-financial controls at least, **principal risks are a good starting place** for identifying material controls and this is an approach commonly being used by the participants. As a variation on this, some participants were using KRIs/ KPIs as a way to identify material controls.

02 A view held by many participants was that **identification of the material controls should be proportionate and precisely focus on those controls that mitigate risks that could do the most harm to the business**. There was no expectation that the material controls should mitigate a risk down to zero – there will always be some risk in business.

03 There was also a popular view that, in determining what might be material, the Board should consider what they think would be so important, it **would be necessary to disclose in the annual report**.

04 There was some concern that management could resort to a “bottom-up” approach when identifying material controls, so **the Board’s view of the risks that would be most damaging to the business and its reputation (what “keeps them awake at night”; “what should the Board have known about”) will be essential** in ensuring a proportionate and risk-focused process. In doing so, establishing the Board’s risk tolerance will be important. Some entities are also doing anonymous surveys, either of the Board or the wider business, to identify top risks and inform the discussion.

05 **Conduct and compliance risk emerged as an area of focus** for a number of participants. There was discussion over, for example, the importance of determining risk tolerance in areas such as safeguarding and health and safety.

06 There was discussion around REITs and other investment trust-type entities that outsource operations and control activities to third parties and how material risks and material controls would be identified. In this scenario, participants expressed the **importance of understanding third party risk management processes and engaging early with third party managers** to understand how they approach material risk and control identification and what assurance they might provide.

07 There was also discussion of how **some material risks (and therefore material controls) would only exist at the Board level**, for example, succession planning for a CEO, or establishment of company charters.

08 There was general agreement that the **types of material control are likely to be a mix of critical transaction-level controls and higher entity-level controls that act as an aggregation of other lower-level controls**. There was discussion over what would be needed to support these entity level controls and agreed that the Board would need to get comfortable about what feeds into the control and how reliable that is. For example, underlying management reviews or, self certifications. Also that any material entity level control/ aggregation control would need to be well designed and implemented in terms of precision, frequency and evidence of operation, etc.

09 Participants did see a **number of benefits in the Provision 29 exercise**, including that it could prompt re-prioritisation and rationalisation within businesses.

10 There was **no consensus on the ideal number of material controls and there was agreement that this would vary by entity**. Participants also touched on what “at the balance sheet date” means, but as yet, there was also no consensus. That said, **ensuring that all material controls could be evidenced as operating within a reasonable timeframe of the year end** (for example, within 90 days of the year end enquiries; updated before management self certification) to get the Board comfortable nothing had changed in the period up to year end could be a sensible approach.

Assurance - How boards gain the confidence to make their declaration

01

The participants largely agreed that any 'assurance' will mainly be internal, but in the future, there may be demand for external assurance over aspects of the declaration. It was also agreed that not all controls need to be independently assured (i.e. by someone other than the control owner, e.g. Internal Audit or compliance functions), but this could be a valuable part of the support for the declaration. Either way, a structured approach to whatever assurance is deemed necessary will be important to provide the Board with the comfort and evidence it needs to make the declaration.

02

For many participants Internal Audit is playing an increasingly active role in planning for the declaration and in planning to test the controls (often on a cyclical/sample basis) to support the declaration, but in some cases upskilling of Internal Audit may be required in relation to the broader control environment.

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Overall, it was felt that this could be an opportunity to strengthen the lines of defence within the company and would allow for upskilling and increased resilience.

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Also, boards need to be able to demonstrate the basis of their conclusions and the assurance or confidence they have obtained in support of the declaration.



Programme structure and controls culture

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There was quite a variation in the “departments” leading on the work to support the declaration, with finance or other risk functions often taking a leading role. All agreed that **there needs to be buy-in across the business and that it shouldn't just be one department's responsibility to support the declaration.**

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At this stage, a number of participants had **seen project plans and timelines relating to the identification and assurance of material controls**, but for many, the actual process was still to get underway.

03

It was also felt at this stage that, although this is high on Board agendas, their involvement in the process is still limited. Involvement is likely to increase over the next 12 months. There was consensus that **the full Board needs to be engaged, not just audit committees, because the declaration goes beyond financial risks and controls** (although there was acknowledgement that the Audit Committee is likely to take a leading role).

04

It was agreed that setting a **“controls culture” at both the Board level and throughout the business will be an essential activity of the Board** in order to get the buy-in of others and make the process a success. In fact, it was felt there should be accountability for Board members outside of finance to drive down the controls culture throughout the business.



Disclosure and reporting



01 Some participants held the view that this is not a change in process around internal controls but just a change in how it is reported. This was debated and acknowledged that this may be the case for some companies but **for many, it is evident that they are taking a refreshed look at their controls and processes around material risks and are doing more to prepare for the new declaration.**

02 There is no consensus on whether there should be **disclosure of the actual material controls**, but it could be inferred to be the case from the FRC's 2024 [Review of Corporate Governance Reporting](#).

03 Participants debated when a material control failure would be considered reportable as part of the declaration. Some felt that it could be incredibly rare, especially if the material controls are determined to be those that are protected against "catastrophic risk". Others felt there could be more frequent disclosures, but **all agreed disclosure of a failure of a material control was likely to be linked to an event or occurrence that the Board would normally have chosen to disclose in the annual report in any case.**

04 There was clarification that where a Board is **satisfied that a failure has been remediated by the year end, then there is no requirement to disclose the failure**, but they may wish to, for transparency.

05 It was discussed how the "comply or explain" approach could be used for elements of the declaration, for example, if a particular control was commercially sensitive, but that it was **unlikely there would be wholesale "explaining" rather than "complying" with the entire provision.**

06 It was also discussed at which point it would be appropriate to engage with the investor base and other interested stakeholders around the Board's process and what will be disclosed. There was an awareness that different Boards will have different approaches to the declaration so **thinking about what investors and other stakeholders are interested in, and whether what has been disclosed is thoughtful and purposeful, will be a strong basis for why decisions have been taken.**

Audit linkage

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The participants debated whether they would expect the auditor to do more work over the declaration. It was agreed that the auditor's responsibilities over disclosures outside the financial statements have not changed. However, **as the declaration could be considered a significant piece of 'Other Information', it is reasonable that the auditor may want to do more work** to understand and see evidence of the process the Board has undergone to make and support the declaration in order to conclude on whether the statement being made by the directors is consistent with the auditor's findings and knowledge from the audit.

02

It was also acknowledged that there are likely to be somewhat **deeper conversations between the auditor and the Board or management** on whether, for example, control issues or audit adjustments identified in the audit, would impact the declaration.



If any ACN member would like to explore the areas above further, don't hesitate to get in touch. In addition, let us know if you have any requests for topics that could be part of future roundtables.





Thank you

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