



Provision 29, “material controls declaration”: Practical insights from Audit Committee Chairs

On 15 January 2026, we convened a roundtable with Audit Committee Chairs from FTSE 350 companies to share views on how they are approaching the revised Provision 29 of the 2024 UK Corporate Governance Code. To recap, revised Provision 29 mandates that boards must declare the effectiveness of their material controls as of the balance sheet date (the "material controls declaration"). They must also outline the basis for this declaration and disclose any ineffective material controls that have not yet been remediated. This session was part of our [ongoing series of discussions](#) with representatives (both board level and management) from over 100 different companies across all major industry sectors. The insights gained are outlined below.

Discussion centred around the following five themes



Cyber security and material controls

- It was recognised by the participants that most companies face significant cyber risk, making it a principal - and likely material – risk. But breaking down that cyber risk and identifying the appropriate controls is challenging.
- Participants acknowledged that cyber threats are evolving and cannot be entirely removed, highlighting the need for boards to define clear risk tolerance.
- Contingency and response plans, especially outlining minimum viable business operations for the company to continue operating after an attack, were widely recognised as material controls.



Effectiveness assessment and assurance

- In this, the first year the material controls declaration will be required, much discussion centred on how companies would determine whether a control was effective or had failed, particularly in cases involving aggregated controls or higher-level framework or system controls.
- The discussion examined potential approaches to determining effectiveness "as at the balance sheet date", the consensus being that that this did not mean all control operations and testing had to occur on that specific date; rather, sufficient procedures must have been completed beforehand to enable the board to be assured of effectiveness at that point in time.
- It was also noted that important yearly controls, such as those for annual reporting, are likely to occur after the balance sheet date but would still be included within the scope of the declaration where material.
- The group recognised the importance of conducting early testing to identify issues, which allows ample time for remediation. They also highlighted the need to perform some testing nearer to the year-end whenever feasible, so boards can have up to date comfort of effectiveness.
- When a review by a committee is identified as a material control, there was agreement that effectiveness should be judged not just based the presence of the committee or terms of reference, but also on the quality of review and actions taken, emphasising the need for the control to be both designed and operating effectively. In the same way, if a policy serves as a material control, it's important to establish how well that policy is designed, implemented, and evidenced.
- Risk owners' self-assessments were acknowledged as an important element in providing boards with assurance regarding control effectiveness. Nonetheless, the view from many was that these assessments generally do not constitute the sole source of assurance; internal audit typically conducts additional testing.

There may also be a possibility of external assurance, although current demand for such services remains uncertain.

- Participants were clear that cultural adjustments may be necessary and, in particular, there should be clear communication that control failures are acceptable if they are promptly reported.
- For devolved businesses where individual companies retain their own autonomy within the group, increased reporting may also involve a culture-shift. Contracting up front, where parameters are set for when and how to report back to the parent is likely to be helpful in establishing a 'deal' between parent and subsidiary.



Use of dry runs

- For December reporters, there was an awareness that this is now the year of effectiveness of revised Provision 29 – later reporters may still be performing dry-run testing.
- That said, it was agreed that dry runs of annual controls relating to December 2025 would be important and allow for the possibility of remediation.
- Some participants said they are also conducting 'dry runs' by reviewing previous years' issues or control failures, evaluating them under the new requirements, considering if they pertain to a material control, and reflecting on whether such failures would have required disclosure.
- Some are also thinking about other industry "risk events" and considering how they would react if similar situations happened to them.



Disclosure of ineffective material controls

- It was generally felt that the primary goal of disclosure should be to explain the decision-making journey, including actions and decisions taken.
- There were concerns about the implications of admitting sensitive control weaknesses publicly. This was particularly apparent in cyber risk areas, as it was felt this could result in increased risk exposure.
- At the same time, if control failures are described too vaguely, that could lead to even more unanswered questions.
- Some felt that setting a threshold up front for reportable failures could be helpful, whereas others were looking to deal with events as they arise. A useful approach might be to consider the information that would be essential to convey if presenting before a regulator.
- It was agreed that ongoing communication with auditors is essential, especially regarding the situation when the auditor has said they are not undertaking a controls-based audit. Additionally, audit findings - such as control deficiencies or material errors - would be discussed to assess their possible impact on the material controls declaration.
- There was debate about the location of disclosures, and that this is likely to be an area where practice will develop over time. However, there was a clear desire not to make disclosure longer than necessary by utilising linkages through the rest of the annual report.
- There was an awareness that investors may increasingly look to this disclosure for information about the company. It was felt that US and larger PE houses were already alert to the power of controls reporting due to US SOX requirements, and that it would be likely that UK-based investors would become more engaged as reporting evolves.



Engaging with the board and the rest of the company

- Although the governance of this process varied across organisations, most have implemented it through the Audit and Risk Committee. There was recognition of the need for continued education and increased awareness among the broader board regarding the implications of the new declaration and their responsibility in approving it.
- Many are engaging the full board early to understand what is considered material, define failure, clarify desired assurance, determine required information, and set timelines.
- It was felt that the declaration affects the entire company – from management to the board. Companies are seeking continuing dialogue about how to embed these changes throughout the organisation, ensuring that executive management and the board are aligned in their understanding and approach.