

# Material Controls declaration under Provision 29 of the UK Corporate Governance Code

Disclosure points to consider  
October 2025



## Introduction

The points below outline a perspective on how the board can report on the effectiveness of material controls in a comprehensive, transparent, and tailored manner, specific to company risks and controls. It focuses only on reporting under Provision 29 of section 4 ('Audit, risk and internal control') of the FRC Corporate Governance Code (the Code), not other reporting aspects of the Code. **As a reminder, the revised Provision 29 part of the Code is effective for periods beginning on or after 1 January 2026.**

## Provision 29 states:

The board should monitor the company's risk management and internal control framework and, at least annually, carry out a review of its effectiveness. The monitoring and review should cover all material controls, including financial, operational, reporting and compliance controls. The board should provide in the annual report:

- A description of how the board has monitored and reviewed the effectiveness of the framework.
- A declaration of effectiveness of the material controls as at the balance sheet date.
- A description of any material controls which have not operated effectively as at the balance sheet date, the action taken, or proposed, to improve them and any action taken to address previously reported issues.

Below we outline what could helpfully be included in the declaration in each of the above areas, along with some more general points about the disclosure and where it might be situated. Apart from the sections on the declaration itself, much of what is recommended here is already incorporated in the existing Code and [FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting](#), but this is an opportunity for organisations to consider refreshing and enhancing their reporting.

This paper should be read in conjunction with our publication '[Spotlight on material controls](#)', which outlines our view and perspectives on how companies are approaching the identification of material controls.

## A description of how the board has monitored and reviewed the effectiveness of the framework

01

Reporting could begin with describing the organisation's overall approach to its risk management and internal control framework, including: the governance structures in place; the board's role in the ongoing monitoring of the framework to ensure it is designed and operating effectively; and the audit committee's involvement. This could also include a description of whether an externally recognised framework has been used.

02

It would be beneficial to then describe how the board has defined the scope of their material controls, which could include:

- A description of their methods for identifying, and potentially disaggregating, material risks, including the materiality criteria used, and how the material controls in response to those risks have then been determined. This could include a description of the possible impact on the company, its shareholders, and other stakeholders (where the impact on other stakeholders is addressed by the reporting framework), should there be a deficiency in the material controls.
- A description of where qualitative or judgmental aspects of materiality have been considered alongside numerical criteria.
- Information about the types of control identified as material. For example, if they are 'entity-level controls' such as management or board reviews, frameworks, or more transactional-type controls, or a combination of both.

03

Where feasible, boards might consider disclosing the material controls, perhaps in the context of the principal risk disclosures where the controls are linked to principal risks.

04

Key factors in the board's determination of the effectiveness of the material controls could then be outlined. This could include:

- The utilisation of various lines of defence, whether internal or external; including selfcertification, frequency of testing and reporting, specific areas of focus, and type of evidence received.
- The relevance of their effectiveness review 'as at the balance sheet date', including any procedures to keep the assessment current as at the year end, along with any subsequent work performed to maintain the declaration's accuracy when year-end material control activities impacting the declaration occur after the balance sheet date.
- How design and implementation effectiveness has been considered, in addition to determining operating effectiveness.

## A declaration of effectiveness of the material controls as at the balance sheet date

05

The board should determine its own declaration wording, but an example might be: 'Based on the work carried out and evidence obtained as part of our review of the risk management and internal control framework [described above], the board has concluded that the material controls operating within that framework were effective as of [balance sheet date].'

**A description of any material controls which have not operated effectively as at the balance sheet date, the action taken, or proposed, to improve them and any action taken to address previously reported issues.**

06

Following this, a description of any material control deficiencies as at the balance sheet date would be provided, along with the actions taken or proposed to enhance the effectiveness of these controls. While not mandatory, it may be beneficial to disclose instances where failed material controls have been remediated by the end of the year.

07

Lastly, an overview of the board's actions regarding previously reported issues would be included.

**General points**

08

Boards should refrain from using generic language that lacks depth, instead offering detailed and specific information pertinent to the company's unique situation. The nature of reviews and material controls must be tailored to each company, considering the principal risks that could jeopardize the company's business model, future performance, solvency, liquidity, or reputation.

09

The Audit Committee is expected under the Code to take the lead in reviewing an organisation's risk management and internal control framework, so much of the disclosure of how this has been done is likely to sit in the Audit Committee section of the annual report. However, as many organisations are expected to use their principal risks as a starting point for determining their material controls under the declaration, there could also be crossreferencing to the principal risks and risk management systems descriptions in the Strategic Report. Also, because the declaration on the effectiveness of the material controls is the responsibility of the board as a whole, the declaration itself might be part of the directors' responsibilities statement (as is often the case with the fair, balanced and understandable confirmation) or it could also be part of the Audit Committee report. There are, so far, no specific requirements in relation to where the information should be presented.

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The board is not required to include disclosures that might contain confidential information, commercially sensitive data, or details that could inadvertently impact the company's interests.