

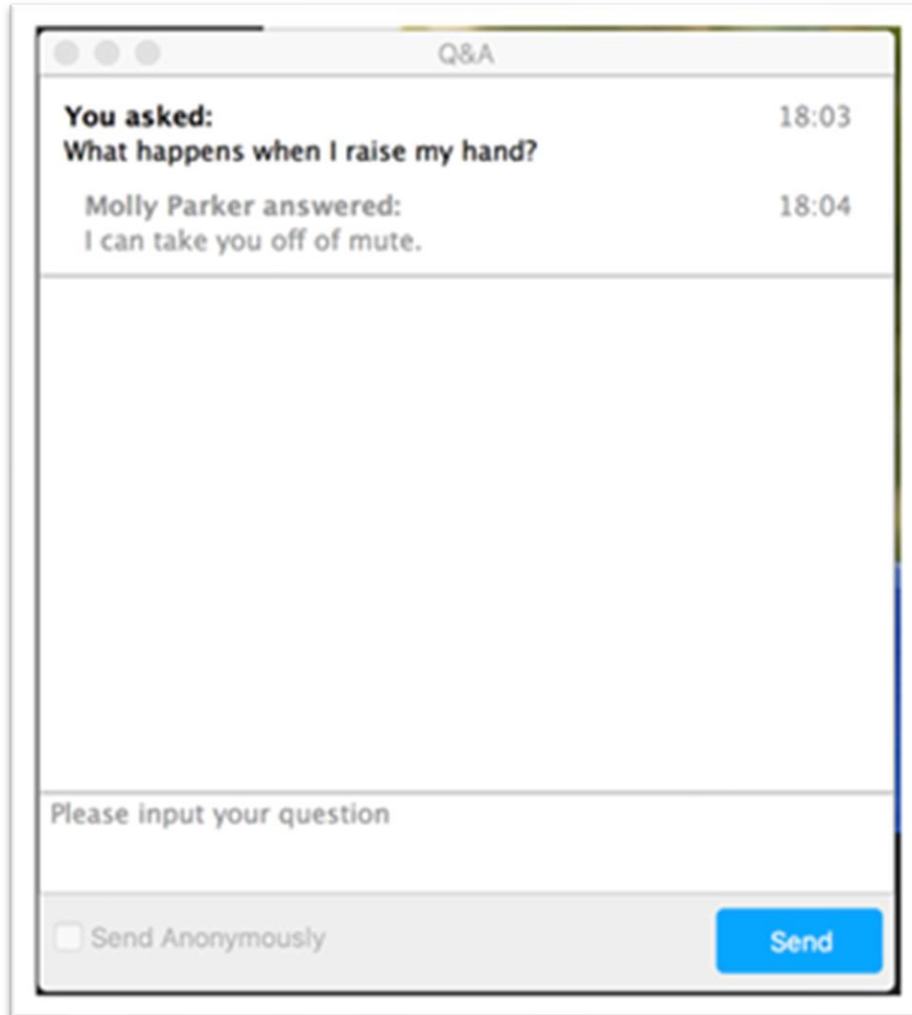


# ***Corporate Governance Code: Provision 29 (Material Controls)***

**Date: 24 April 2026**

**Presenters: Jessica Dahlstrom, Financial Reporting Council  
Louis Macmillan, Deloitte  
Emma Clayton, Deloitte  
Tracy Gordon, Deloitte  
David Wood, Yorkshire Building Society**

# Ask a question



The screenshot shows a window titled "Q&A" with a history of questions and answers. The first entry shows a question asked at 18:03 and an answer by Molly Parker at 18:04. Below the history is a large text input area with the placeholder text "Please input your question". At the bottom left, there is a checkbox labeled "Send Anonymously" which is currently unchecked. At the bottom right, there is a blue "Send" button.

Click on the Q&A button in the bottom toolbar to open the submit question prompt.

Type in your question and click send.

Note. If you wish to ask anonymously tick the send anonymously box shown on the illustration to the left.

# *Today's presenters*



**Jessica Dahlstrom**  
FRC



**Louis Macmillan**  
Deloitte



**Emma Clayton**  
Deloitte



**Tracy Gordon**  
Deloitte



**David Wood**  
YBS

# Why we amended Provision 29

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- The FRC was invited by the Government, in the White Paper: 'Restoring trust in audit and corporate governance', to make amendments to the Code which strengthen board accountability and reporting in relation to internal controls.
- Provision 29 of the Code was updated to **strengthen board accountability** and **improve transparency** around internal controls and risk management.
- The changes aim to provide a stronger basis for reporting on, and evidencing the effectiveness of, the framework during the period.
- Provision 29 will apply to financial years beginning on or after 1 January 2026.

# Changes to Provision 29

- The changes to Provision 29 on risk management and internal controls build on the same Provision in the 2018 Code.
- The scope of the new Provision will remain the same, but a declaration is now required.

## Provision 29 – 2018 Code

The board should monitor the company's risk management and internal control **systems** and, at least annually, carry out a review of their effectiveness **and report on that review in the annual report**. The monitoring and review should cover all material controls, including financial, operational and compliance controls.

## Provision 29 – 2024 Code

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; and
- 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.

# Companies' preparation for Provision 29

Companies' approaches to Provision 29 vary significantly. For some, it has prompted major changes, while for others, the impact has been minimal.

## Approach taken

- Some companies are grouping controls.
- We have seen a top down, bottom up and combined approaches used.
- Companies are involving different committees, most commonly audit and/or risk committees.
- Determining which are material controls varies by company and by industry – which is appropriate.
- Ranges of 30-70 material controls typically seen.

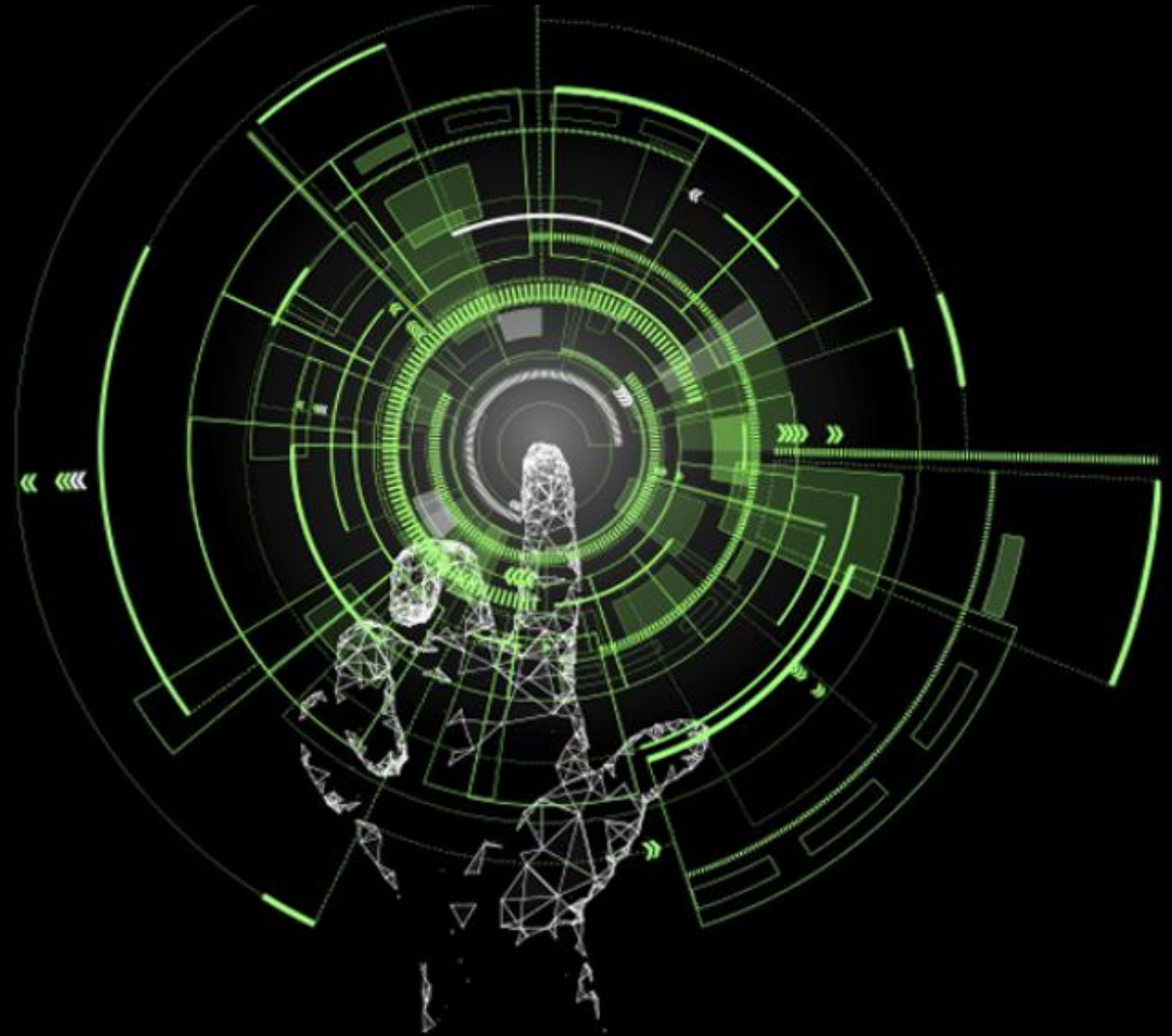
## Reminders on declaration

- No reporting on declaration required this year.
- FRC will not provide wording for declaration.
- Extensive reporting not required.
- List of material controls not required.
- FRC will not comment on whether the right controls have been selected.
- Governance is key – be clear on role of board and committees.

**Deloitte.**

**Provision 29 webinar**

**Financial Services  
Industry**



24 April 2026

# Welcome

## Our Speakers Today



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# Agenda

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1. Latest on Provision 29 across the FS Industry      Louis Macmillan
  2. Approach to Assurance      Emma Clayton
  3. Declaration – Emerging Practices      Tracy Gordon
  4. Industry Perspectives from YBS      David Wood
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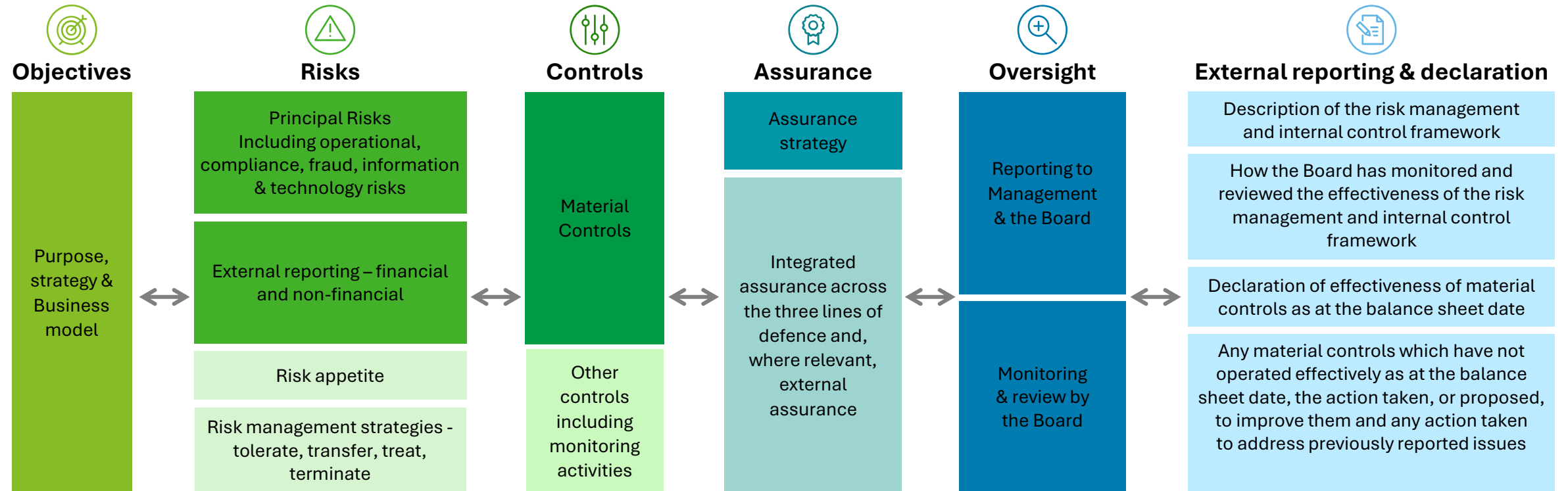
# Latest on Provision 29 across the FS Industry

# Integrated Risk Management & Control Framework

## Line of sight through risk, control and assurance

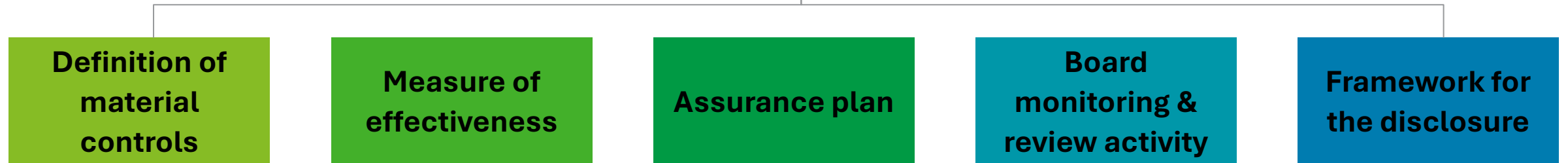
### Key questions for the Board

1. What are the risks to the business model, future performance, solvency and reputation?
2. What level of risk is acceptable?
3. What are the material controls to maintain risks within risk appetite?
4. How do we know that material controls are effective?
5. How is visibility provided to management and the Board?
6. What should we disclose in the Annual Report to meet the expectations of Provision 29 of the 2024 Corporate Governance Code?



# Key themes materialising from Dry Runs

## THE BUILDING BLOCKS



*Recent dry run has helped confirm or identify issues with:*

- Material control definition or population
- Measure of effectiveness as it relates to material controls operating effectively (taking into consideration the performance of a network of potentially supporting controls)
- Sufficiency of evidence/assurance for the board to be comfortable to make the declaration subject to their responsibilities
- Articulation of proposed disclosure explains the board involvement, approach and conclusion



# Approach to Assurance

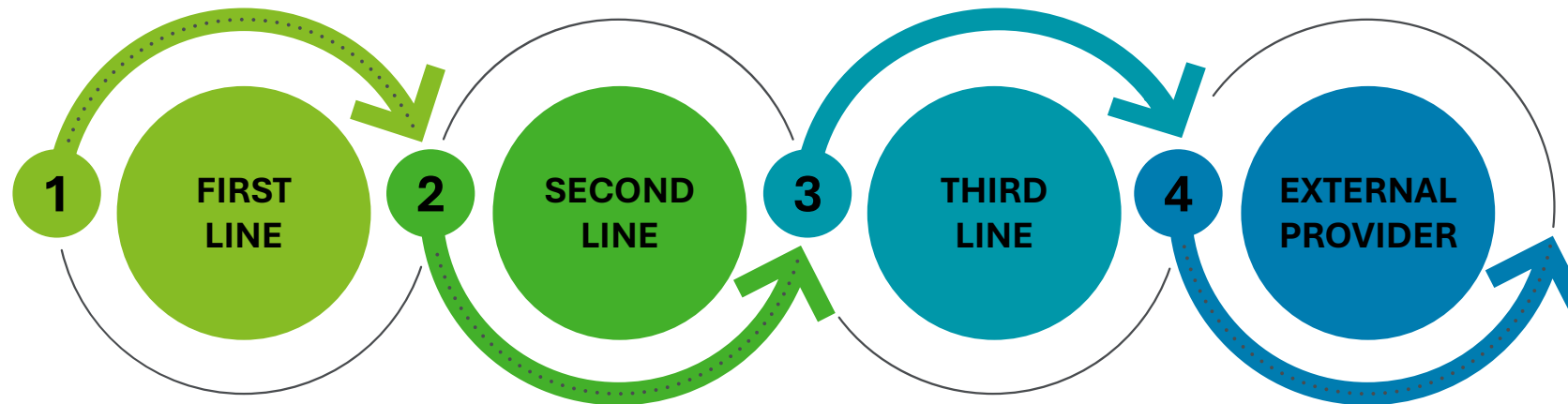


# Assurance

## Considering an Assurance Plan?

It is important that Boards consider the definition of effectiveness – the FRC have been clear, that it does not mean that the risk has been eliminated, but rather than it keeps the risk within their risk appetite. There are several options as regards to Assurance and it is important to emphasise that there is no requirement for external assurance.

### Who is providing Assurance?



### Key considerations from Deloitte

- Do you understand the current sources of assurance against your key risks, the current level of assurance as well as assurance providers across all lines?
- Have you performed analysis to understand the desired assurance needs of your stakeholders?
- Determine the current and desired level of assurance over the areas identified
- Role of the external auditor



# Declaration – Emerging Practices

# Key messages from the FRC on the Provision 29 declaration



**Do we need to state our material controls and the testing carried out in our annual report?**

We do not expect companies to list their material controls, nor state the specific testing that has been carried out. The reporting should set out the governance that led to the decision on the material controls and the oversight that the board has undertaken. The FRC will not give opinions on what material controls you should have, whether those you have chosen are the right ones, or whether you have the right number – this is very much a company decision based on internal discussions.



- Information on who carried out the review
- The units and individuals consulted and what information was provided
- Which material controls were considered and from where the information on these controls was sourced
- Where relevant, the recognised framework, standard or guidelines the board used to assess effectiveness
- Any internal or external assurance received

**How should the declaration be worded?**

The FRC will not be providing any wording for declarations, as companies will choose to approach this in different ways. As long as the declaration is clearly signposted in your annual report and the board demonstrates oversight and confidence in the material controls, this would constitute compliance with the second bullet of the Provision.



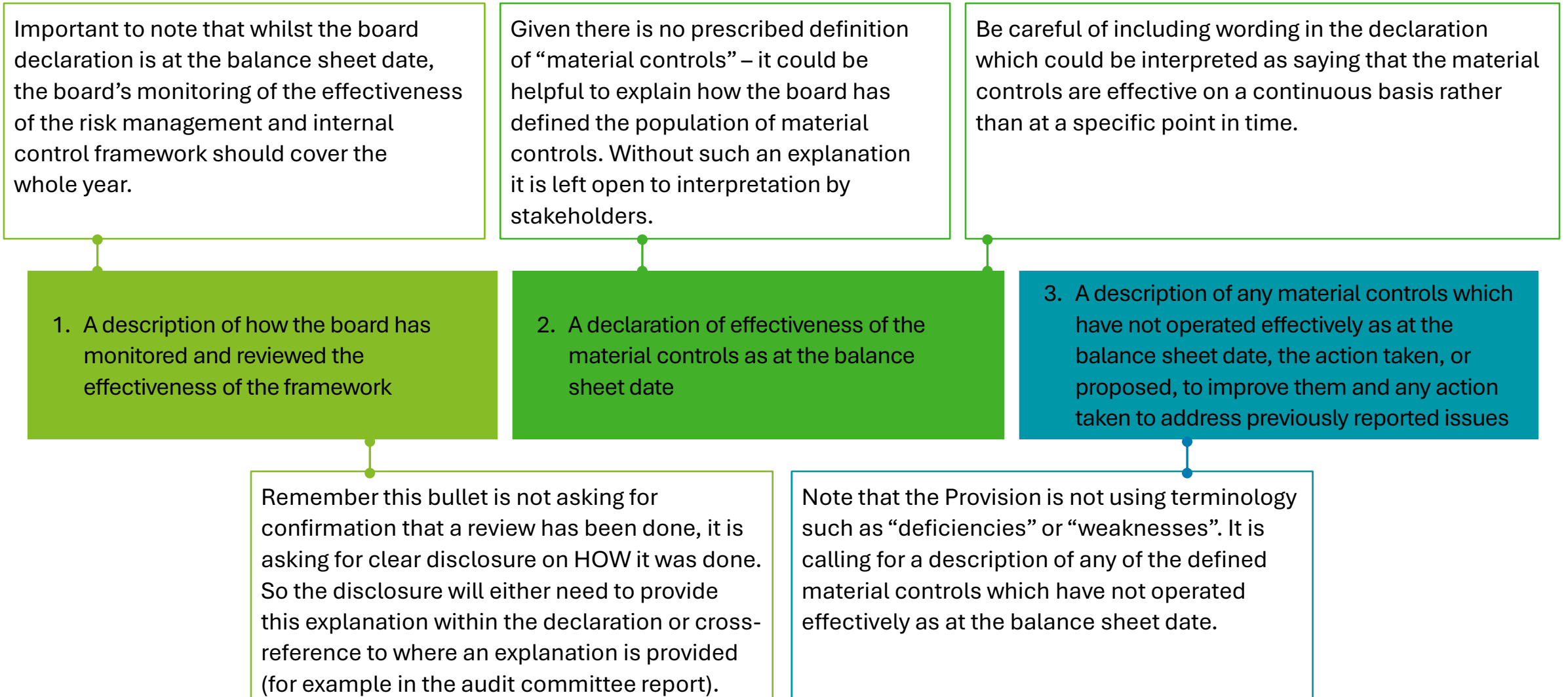
**How long should reporting under Provision 29 be?**

The declaration is only one element of the reporting, and so the report should also include commentary on the monitoring and review process, as well as an explanation of how the board reached its decision. In most cases, we expect the report to be no longer than two pages. It is essential that the reporting remains proportionate and concise.





# Suggested structure for the Provision 29 declaration



# Insights from the 2025 ARAs on the implementation process

## Spotlight

### UKCG Code Provision 29 preparations

The GAC and Group BRC reviewed progress towards meeting the new internal control declaration requirements under the UK Corporate Governance Code which will be applicable for 2026 reporting.

The approach seeks to utilise the output of existing internal risk and control assessment processes such as testing carried out as part of the Sarbanes-Oxley management assessment, risk and control performance assessments, and existing assurance processes.

A definition of material control was agreed for the purposes of meeting the Code's requirements, and a dry run of the assessment and reporting process was undertaken to ensure readiness ahead of implementation in 2026. The committees will oversee the completion of a number of actions to enhance the approach throughout 2026.

**NatWest Group plc** 2025 Annual Report and Accounts p130

The Committee considered the changes introduced by provision 29 of the Code and reviewed management's proposals as to how to define and monitor 'material controls' for this purpose, taking into account Financial Reporting Council (FRC) feedback. The Committee provided feedback to management and oversaw the results of a 'dry run' of the process to be followed to facilitate compliance with provision 29. The Committee Chair updated the Board on the changes introduced by provision 29.

**Barclays PLC** Annual Report 2025 p138

Rio Tinto is on schedule to meet the updated governance requirements introduced by Provision 29 of the 2024 UK Corporate Governance Code.

#### Identification of material controls

We have developed and implemented the Material Controls Assurance Program (MCAP) to identify and assess Rio Tinto's material financial reporting, operational, compliance, and non-financial reporting controls.

The MCAP adopts a top-down, risk-led methodology. The risk taxonomy for MCAP begins with the Group's principal risks and the financial reporting risk, followed by the most significant underlying risks (including price sensitive disclosure and reporting risks) that underpin them. The material controls were identified to align and mitigate the significant underlying risks. The existing Sarbanes-Oxley Act program is the basis for addressing financial reporting risk while our broader Three Lines of Defence model provides bottom-up risk-based assurance coverage for operational, compliance and non-financial reporting controls. All MCAP controls have been identified through collaboration between management, the risk owners and the control operators. These controls have been documented, along with their associated design and operating effectiveness attributes. We have established a methodology for assessing the severity of any deficiency identified. A monitoring process is in place to ensure the control population remains accurate and complete as the organisation's operations and risk profile evolve. The MCAP is appropriately resourced and the implementation process was governed through a dedicated Steering Committee.

#### Assurance and testing

A formal assurance plan has been developed to support internal evaluation of control effectiveness. Dry run design and operating effectiveness testing of material controls was performed during 2025. This assurance plan was completed using cross-function inputs into control design, assurance scope and the articulation of risk appetite. Testing outcomes performed by the accountable control owners and the second line testing team were documented. Where enhancement opportunities were identified, these have been implemented. No external assurance has been sought over material controls.

#### Governance

Regular updates on the methodology, timeline and controls are provided to the Board's Audit & Risk Committee, with the Board maintaining visibility and support throughout the process.

#### Looking ahead

The 2025 program has been treated as a "dry run" year. In 2026, the MCAP activities will transition into business-as-usual, with continuous testing and monitoring.

**Rio Tinto plc** Annual Report 2025 p119

#### UK Corporate Governance Code 2024: Provision 29 readiness

During the year, the Committee has continued to oversee the implementation of the 'Provision 29' internal programme established to prepare for enhanced reporting on the effectiveness of material controls in alignment with Provision 29 of the 2024 Code for the 2026 financial year. This programme includes a robust assessment of the definition of the Group's material controls and approach to testing with appropriate assurance.

**BAT plc** Annual Report 2025 p211

## Industry Perspective – YBS



## CONTEXT

- FS Industry has a strong risk & control culture with processes like Risk & Control Self Assessments (RCSAs) embedded across sector.
- At YBS also in fortunate position that Provision 29 came along at the same time as we were investing in a Risk Transformation Programme including an updated enterprise risk management framework, consolidation of processes and data onto an industry standard risk platform, and a refresh of our risk and control library.
- Able to focus on integrating Provision 29 requirements into wider risk management activities rather than a standalone deliverable.
- However, does not mean Provision 29 preparations have not raised any challenges for us.

## KEY CHALLENGES / DECISION POINTS

A Goldilocks theme runs throughout:

- **Identifying Material Controls** - Not too many, but not too few. What is the right number of material controls. Something of a myth as unless you go for a very long list there will be a degree of aggregation / consolidation.
- **How to test Policy / Framework type controls or control clusters** – Again, what is the right balance between testing every underlying control that aggregates up vs. a degree of pragmatism.
- **Timing of Testing** – Not too close to year-end, so it doesn't leave time for remediation, but not so far away that value is diminished.
- **Test Outcomes** – Current approach is binary ineffective or effective, but what counts as effective enough for Provision 29?
- **What should we disclose** – Dry run prompted useful discussions, but generally aligned to bar for disclosure being relatively high.

## Future Considerations

- **AI** – Use cases across the whole process including identifying material controls, ensuring consistency of documentation, testing controls, scanning related data for trigger events, compiling data, and generating reporting.
- **Continuous Monitoring** – Shifting balance from one-off annual tests to continuous monitoring addresses timing of testing issue
- **Industry Consolidation of Disclosure best practice** – May take a couple of years to coalesce on where the bar is set.





# Q&A Panel



# Appendix

## Code Provision 29 – a reminder of what has changed

### 2018 Code

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### 2024 Code

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# Zeroing In on Material Controls

Considerations for scoping material controls across the business, interpreting the FRC guidance into a tailored approach to your business.

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## Materiality Considerations

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If a material control failed, the impact could meet one or more of the below criteria:

- ✓ Have the potential to cause a substantial negative impact on the interests of the company, shareholders, and other stakeholders.
- ✓ Result in an outage for a certain amount of time of one or more critical business services.
- ✓ Control failure could potentially be related to fraud, including management override of controls.
- ✓ Breach a Board Risk Appetite Measure
- ✓ Result in an inability to meet a Strategic or Business Model objective
- ✓ Are controls for risks with recent material events: controls linked to risks that have materialized in the recent past, indicating a higher likelihood of recurrence.
- ✓ Very high inherent risk: (e.g., 8 on a scale of 1-10)



# Some new resources available

A series of five articles from the ICAEW exploring how members of the Audit Committee Chairs' Independent Forum (ACCIF) and their organisations are approaching Provision 29

## **Will Provision 29 prove valuable?**

Article 05 Feb 2026

The first in a five-part Corporate Governance Community series looking at Provision 29, this article considers how it can be a source of business value when approached by boards in the right way.

## **Provision 29 dry runs: a way to engage the board?**

Article 05 Feb 2026

As part of the Corporate Governance Community's Provision 29 series, this article examines the merits of conducting a dry run ahead of next year's declaration and considers the role of audit committee chairs in engaging the full board.

## **How to define material controls for Provision 29**

Article 05 Feb 2026

In the second Corporate Governance Community article on Provision 29, experienced audit committee chairs share the three key questions boards are asking about defining and matching principal risks and material controls.

## **What do boards expect to declare under Provision 29?**

Article 05 Feb 2026

The final article in the Corporate Governance Community's Provision 29 series explores what audit committee chairs believe will be included in the annual report declaration itself.

## **How are boards thinking about assurance for Provision 29?**

Article 05 Feb 2026

After boards approve the framework for matching principal risks to material controls for Provision 29, their next step is defining the assurance structures to give them confidence that those controls are working effectively.



**“My sense is that detailed conversations with boards are yet to happen in the main”**

**“We’ve used the process to challenge whether we’d identified the right principal risks in the first place”**

**“There's an awful lot of weeding that needs to be done in the garden of controls”**

**“You've got to drive that culture that says, we're going to test it, we're going to audit it, and you're responsible”**

**“The proof is only when you put it on paper, read it cold and ask, ‘have we done enough to make that declaration’? Unless you write it down, it’s very hard to answer”**

**“I asked the head of audit to spend time with each non-executive, to talk through the logic of what we’re doing, making sure they understood and agreed, and giving them the chance to feed back”**

You can access the articles here [Provision 29 | ICAEW](#)



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