

Corporate Governance: Provision 29

Provision 29 of the UK Corporate Governance Code is one of the most consequential changes in the 2024 Code, strengthening expectations around board responsibility for internal controls.

Background

Provision 29 is a reporting requirement under the UK Corporate Governance Code (2024). It relates primarily to the responsibility of the board regarding internal controls surrounding risk management. It strengthens accountability for the board who are explicitly responsible for ensuring the effectiveness of internal controls as well as disclosing and addressing material weaknesses.

Why is this a change?

Previously companies could report their monitoring of risks and controls in a loose descriptive statement. Provision 29 requires a confident outcome statement with sufficient supporting evidence that will withstand under scrutiny from investors.

Disclosures compliant with provision 29 must avoid using generic or vague language. Statements must be company specific and show a high level of research and consideration.

Different roles and the level of assurance that they provide should be considered, including the board and audit committee, management and internal audit.

Provision 29 requires a board to:

- Monitor the company's risk management and internal control framework.
- Carry out a review of its effectiveness.
- Make a clear declaration in the annual report concerning the effectiveness of material controls at the balance sheet date.

This is a movement from 'we reviewed controls', to 'we conclude they were effective (or explain deficiencies'. From assumption to demonstration. As such, it increases board level accountability.

Provision 29 applies to material controls

This includes:

- Financial controls
- Operational controls
- Compliance controls
- Reporting controls

This is broader than purely financial reporting, covering controls that address:

- Principal risks
- Emerging risks
- Strategic risks
- Cyber and technology risk
- ESG-related risks (where material)

The board must determine what qualifies as 'material'.

Provision 29 is vitally important because:

1. It strengthens board accountability – directors cannot delegate effectiveness entirely to management.
2. It improves risk visibility – encouraging formal documentation and mapping of controls to risks.
3. It enhances investor confidence – with investors receiving explicit confirmation of control effectiveness.
4. It reduces latent failure risk – historically, corporate collapses often involved untested internal controls. Examples include Carillion and Patisserie Valerie.

Provision 29 requirements include:

- Ongoing monitoring.
- Annual review of effectiveness.
- Description of how the review was conducted.
- Declaration of the effectiveness at the balance sheet date.
- Disclosure of material weaknesses and remediation plans.

Provision 29 does **not** require external auditor attestation, or a prescribed testing methodology. It follows a 'comply or explain' model.

Conclusion

We would normally expect governance provisions that introduce board declarations to become more structured over time.

Provision 29 is business critical because it moves governance from descriptive oversight to evidenced assurance, embedding risk management and control evaluation into the core responsibilities of the board.

Its impact is both structural and cultural.

Companies must formalise control frameworks, enhance testing and assurance processes, and improve the quality of board-level reporting. While this increases discipline and may raise compliance costs, it also reduces the likelihood of control failures, financial misstatements, and strategic myopia.

Ultimately, Provision 29 exists to enhance investor confidence, strengthen organisational resilience, and support sustainable long-term value creation by ensuring that risk management and internal control are demonstrably effective, rather than being merely assumed.



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