

Beyond compliance: how Provision 29 raises the bar for UK boards



The 2024 update to the UK Corporate Governance Code introduced new Provision 29, a game changer in how companies report on the effectiveness of their risk management and internal controls. For boards, audit committees and executives, this is not just another compliance hurdle – it's a shift towards greater transparency, accountability and resilience.

Provision 29 focuses on board oversight of internal controls and risk management. It becomes mandatory to report on Provision 29 for premium-listed companies for financial years starting on or after 1 January 2026 so, under this Provision, companies must include in their first relevant annual report:

- a description of how the board monitors and reviews the company's risk management and internal control framework;
- a statement on the effectiveness of the company's material controls, which cover financial, operational, compliance, reporting and other key business risks; and
- an explanation of any weaknesses identified, and the actions taken or planned to address them.

What does it mean in practice?

Boards and committees must take direct responsibility for assessing and monitoring the effectiveness of the risk management and internal controls. Rather than a tick box exercise, Provision 29 mandates ongoing monitoring supported by documented processes and

verifiable evidence – simple end of year summaries will no longer provide the assurance that is required for premium-listed companies.

Although targeted at premium-listed PLCs, other listed and large private companies may also need to consider changes, driven by investor expectations and best practice adoption. The aim of Provision 29 is to move boards from passive compliance towards active, evidence-based oversight, ensuring that internal controls are effective, documented and continuously monitored.

Compliance with Provision 29

The first step to compliance is for boards to review their governance arrangements. Clear allocation of responsibilities between the board, audit committee and management is essential to ensure accountability for risk management and internal controls. Boards should receive regular, structured reports that enable them to assess how key risks are being identified, monitored and mitigated. Equally, directors must have the appropriate training and expertise to challenge management and make informed judgments about the company's control environment and therefore a review of board composition and resourcing may be appropriate.

A robust risk management framework underpins effective compliance. Companies should define their risk appetite and ensure that it aligns with strategic objectives. All internal controls must be documented, tested and regularly reviewed. Internal audit functions will play a critical role in providing assurance and identifying areas for improvement, while additional external assurance may be valuable for companies seeking to enhance transparency and investor confidence.

Provision 29 requires companies to formalise and evidence the effectiveness of their internal control environment so that boards can declare whether material controls were operating effectively at the balance-sheet date. To achieve this, companies must identify and document all controls that are material to their business across financial, operational, compliance and reporting activities. These controls should be captured in a central register, mapped to key risks and assigned to clear owners who are responsible for their operation and reporting.

Companies will also be expected to introduce assurance processes to test these controls regularly, typically through a 'three lines of defence' model. This includes routine control operation by management, oversight from risk or compliance functions and independent testing from internal audit or an equivalent provider. Control failures, incidents and remediation actions must be recorded and tracked, creating an evidence base that demonstrates how issues are managed throughout the year.

Boards will be required to monitor the internal control framework on an ongoing basis and undertake a formal annual review. In the annual report, companies must declare whether material controls were effective, explain how they reached that conclusion and disclose any weaknesses and related remediation plans. In practice, this could lead companies to strengthen governance processes, enhance documentation, improve testing



methodologies and ensure better coordination between risk, finance, compliance and audit teams.

Communication and disclosure are vital. Boards must be able to explain the basis for their declaration in the annual report, demonstrating that their assessment of controls and their effectiveness is rigorous, evidence based and supported by ongoing monitoring. Embedding a strong risk culture, underpinned by continuous improvement and open communication will not only achieve compliance with Provision 29 but, more importantly, also strengthen organisational resilience and trust in the company's governance.

Next steps

Compliance with Provision 29 is a year-round exercise, not a backwards looking reporting requirement. Accordingly boards should be setting up arrangements for the start of the financial year starting on/after 1 January 2026.

Our experienced and knowledgeable team can guide you through the reporting requirements for each point in Provision 29 and what steps your company should take in order to implement effective processes to ensure that ongoing compliance is achieved.

If you would like to discuss how Indigo can support you in ensuring compliance, or simply answer any questions you may have, contact one of our directors:

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