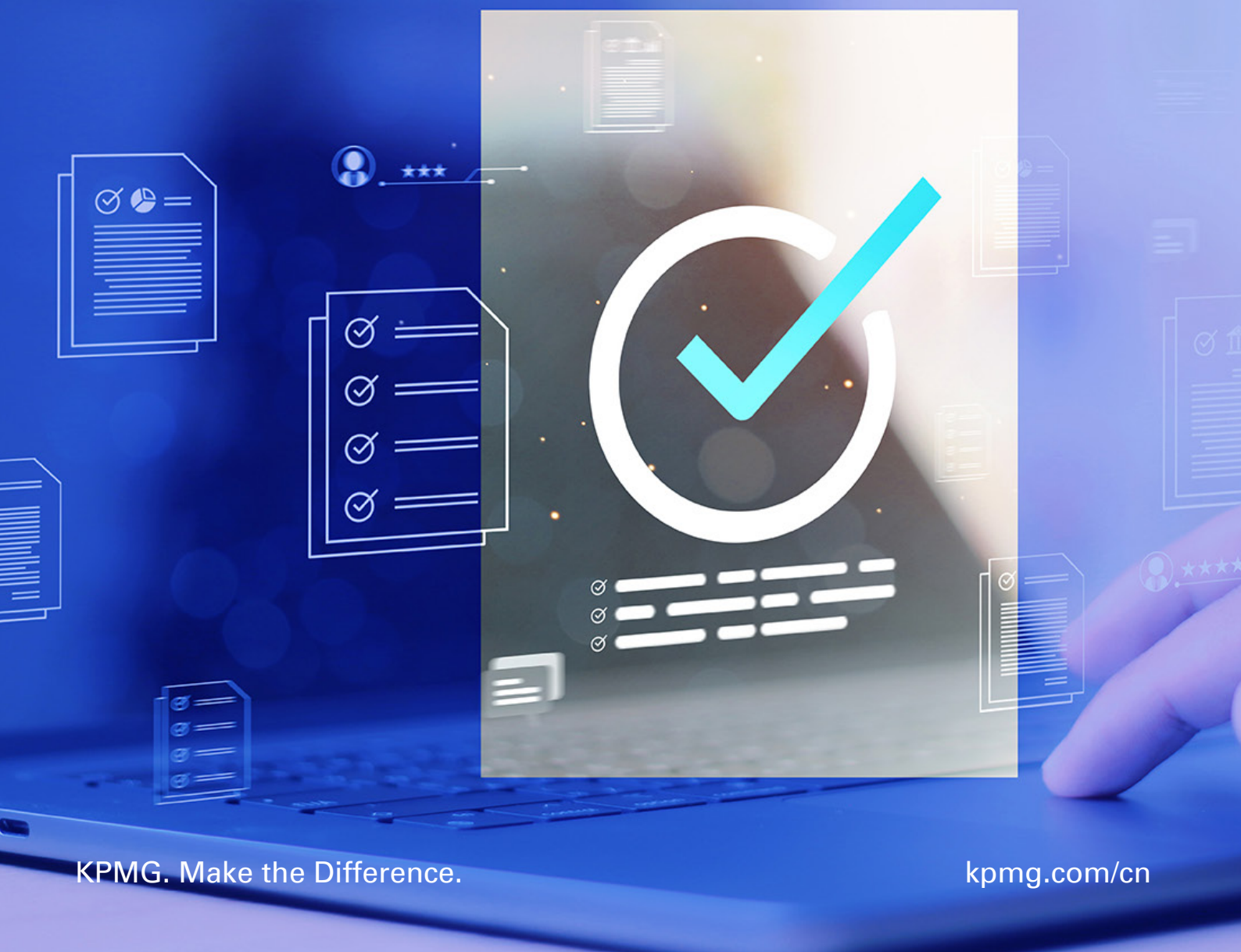


# Enhancing Accountability

Revised Corporate Governance Code On Risk Management  
and Internal Control Systems:  
Four Essential Questions For Directors To Ask & Answer



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# Prelude

The Stock Exchange of Hong Kong Limited (the “Exchange” or “HKEX”) published the conclusions of its consultation on the Review of the Corporate Governance Code (the “CG Code”) and the related listing rules in December 2024. The proposed amendments came into effect on 1 July 2025 and place an increased emphasis on the Board’s responsibilities over Risk Management and Internal Control (“RMIC”) through enhanced Mandatory Disclosure Requirements (“MDRs”). These enhancements to the MDRs include:

- The Board’s confirmation of the appropriateness and effectiveness of the RMIC systems
- Information supporting the Board’s conclusion, and the responsibilities of internal departments and external providers
- Scope of the review
- Details of review findings, including any significant control failings or weaknesses

HKEX, in their Enforcement Bulletin issued in February 2022<sup>1</sup>, shone a spotlight on internal controls to provide guidance and common misunderstandings encountered by directors. Boards and management should give due consideration to this guidance and examples of common misunderstandings when designing processes for compliance with the enhanced MDRs.

KPMG and The Hong Kong Chartered Governance Institute (“HKCGI”) collaborated to conduct a joint survey in April 2025 to understand how listed companies are interpreting and responding to the RMIC-related changes in the CG Code. The findings are clear from over 600 listed companies<sup>2</sup>: over 90% of companies anticipate that these changes will impact the board’s efforts in reviewing RMIC systems, with around 25% forecasting substantial influence.

As the survey also highlights, a significant majority of companies foresee an increased burden on the board in reviewing RMIC systems, with a quarter expecting a substantial impact. This reinforces the practical need for robust board support. Governance professionals can play a pivotal role by coordinating structured reviews, facilitating communication across lines of defence, and ensuring that appropriate documentation and assurance processes are in place.

In addition to strong internal capabilities, boards should also consider allocating resources for training and, where needed, engaging external expertise. These steps are essential to help boards discharge their expanded duties with the diligence and accountability now expected.

<sup>1</sup> HKEX, Enforcement Bulletin February 2022, source: [newsletter202202.pdf](#)

<sup>2</sup> Of the responses from listed companies, 375 (60%) are governance professionals (including company secretaries); 115 (18%) are senior management; 10 (1.6%) are Independent Non-executive Directors (“INEDs”); and 23 (3.7%) are Executive Directors/ Non-executive Directors (“NEDs”).



# Foreword



**Alva Lee**

Partner  
Head of Governance, Risk and  
Compliance Services/ ESG  
Governance Services Lead  
Hong Kong, KPMG China



**David Simmonds** FCG HKFCG  
President  
HKCGI

The updated CG Code places a greater emphasis on boards to exercise diligent oversight of RMIC systems. The fundamental responsibility of boards to oversee management in the design, implementation, and monitoring of RMIC systems remains unchanged; however, the enhanced MDRs now require more comprehensive information disclosure about the effectiveness of these systems.

Through a comparative analysis of disclosure requirements in other prominent markets, HKEX disclosure requirements in RMIC are among the most comprehensive globally. This sets a benchmark for corporate governance globally, consistent with Hong Kong SAR's ("Hong Kong") position as a leading international financial centre. These enhanced requirements mean directors and the governance professionals advising them, must consider four essential questions:

1. Is a repository in place that **records controls**, including material controls and control owners across **functions, processes, and business units**, encompassing operational, financial, and compliance areas, both completely and accurately?
2. Are **material controls clearly defined and identified** within the organisation?
3. Are there **adequate assurance activities** conducted **annually for each material control**?
4. If assurance activities are sufficient, have any **significant control failings or weaknesses** been identified? If so, what **remediation steps** have been taken, and were they fully remediated?

It is imperative for management and boards to revisit their approach and scope for evaluating RMIC systems, emphasising the need for a structured and robust process. This evaluation should encompass a comprehensive review of all material aspects, such as financial, operational, and compliance controls and involve the issuer and its subsidiaries. Such an approach necessitates the coordinated efforts of the first, second, and third lines of defence. Boards and management may refer to the February Enforcement Bulletin issued by HKEX in February 2022, which sheds light on HKEX's views and expectations on internal controls.

This report discusses the essential elements that contribute to an effective review of RMIC systems. A well-defined and structured approach should be established for the review, enhancing the board's ability to confidently confirm the appropriateness and effectiveness of RMIC systems and providing clear evidence and a sound basis for assessment and decision-making. This process ensures consistency, accountability, and transparency in risk management and internal controls at all organisational levels, ultimately strengthening stakeholder confidence in the company's corporate governance framework.

We extend our gratitude to all survey respondents for their valuable participation and contribution to this initiative, helping us pave the way for stronger governance practices.

# Message from the Head of Listing, HKEX



**Katherine Ng,**  
Head of Listing, HKEX

“

*In today's fast-changing and increasingly complex business environment, strong governance, risk management and internal controls go beyond compliance - they add strategic value and drive sustainable growth. HKEX's enhanced requirements aim to strengthen board accountability and help listed companies build resilience. Together with our stakeholders, we remain committed to promoting high standards of corporate governance through ongoing market education and advocacy.*

”

## Section 1

# Executive Summary



In light of the conclusions from HKEX's consultation on the Review of the CG Code and the related Listing Rules, the enhanced MDRs place increased emphasis on the Board's responsibilities, demanding more comprehensive information about the effectiveness of RMIC systems.

A comparative analysis of disclosure requirements across prominent markets reveals that, while HKEX requirements share commonalities with those of the United Kingdom (the "UK"), they are more comprehensive than those found in the UK, the United States (the "US"), Singapore, and Australia. This demonstrates Hong Kong's commitment to advancing good corporate governance practices, including RMIC systems review, further solidifying its status as an international financial centre. For details of the analysis, please refer to section 2. This underscores the importance for directors and governance professionals of ensuring accurate disclosures.

The scope of the annual review of RMIC systems is expected to be comprehensive and broad, covering all material aspects, including financial, operational, and compliance controls – and encompassing subsidiaries. Establishing a structured and robust process for evaluating RMIC systems across the company is crucial, requiring coordinated efforts from the first, second, and third lines of defence.

There is no "one-size-fits-all" method for assessing the effectiveness of RMIC systems. Boards and management must collaboratively plan, determine, and agree on an approach tailored to the organisation's specific context. This process involves strategically distributing work among management, internal departments, and external providers, while evaluating the long-term costs and benefits and considering the board's desired assurance level. Additionally, ensuring the review process is adequately resourced is vital for a thorough and effective assessment.

To ensure compliance with the enhanced requirements, directors and governance professionals should consider the following questions:

- 1** Is a repository in place that **records controls**, including material controls and control owners across **functions, processes, and business units**, encompassing operational, financial, and compliance areas, both completely and accurately?
- 2** Are **material controls clearly defined and identified** within the organisation?
- 3** Are there **adequate assurance activities** conducted **annually for each material control**?
- 4** If assurance activities are sufficient, have any **significant control failings or weaknesses** been identified? If so, what **remediation steps** have been taken, and were they fully remediated?

These efforts should address certain misunderstandings related to internal control, highlighted by HKEX's Enforcement Bulletin from February 2022, which may hinder the ongoing effectiveness review of RMIC systems:

Misunderstanding	The Truth
✗ External auditors were engaged every year, so they will have checked the internal controls.	✓ External auditors may flag up any deficiencies that were identified during audit work, but this does not replace the need for a dedicated and focused internal control review.
✗ Reviews of internal controls were conducted annually, but only some controls were checked on a rotation basis.	✓ The annual review needs to cover all material controls across the organisation.
✗ The internal controls can be assumed to be sound if no major issues and/or red flags have emerged since the last review.	✓ A passive approach to internal controls is inadequate for fulfilling board responsibilities.

## Suggestions for a Structured RMIC System Review Process:

A structured review process should include the following elements, helping the company maintain a detailed record of steps taken and the outcome of the RMIC systems' effectiveness review:

### (i) Risk Management

- ✓ **Review the current risk management framework, process, and reporting**
- ✓ **Evaluate key elements of the risk management framework<sup>3</sup>**

### (ii) Internal Control

- ✓ **Maintain a control repository**
- ✓ **Verify the effectiveness of the internal control system**
- ✓ **Common monitoring procedures** include:
  - Control self-assessment ("CSA") process
  - Testing of material controls
  - Internal Audit Review
  - Confirmation from management to the Board

Please refer to section 3 for details of review areas and approach.

<sup>3</sup> ISO 31000 and the COSO enterprise risk management framework are the widely used guidelines for risk management.



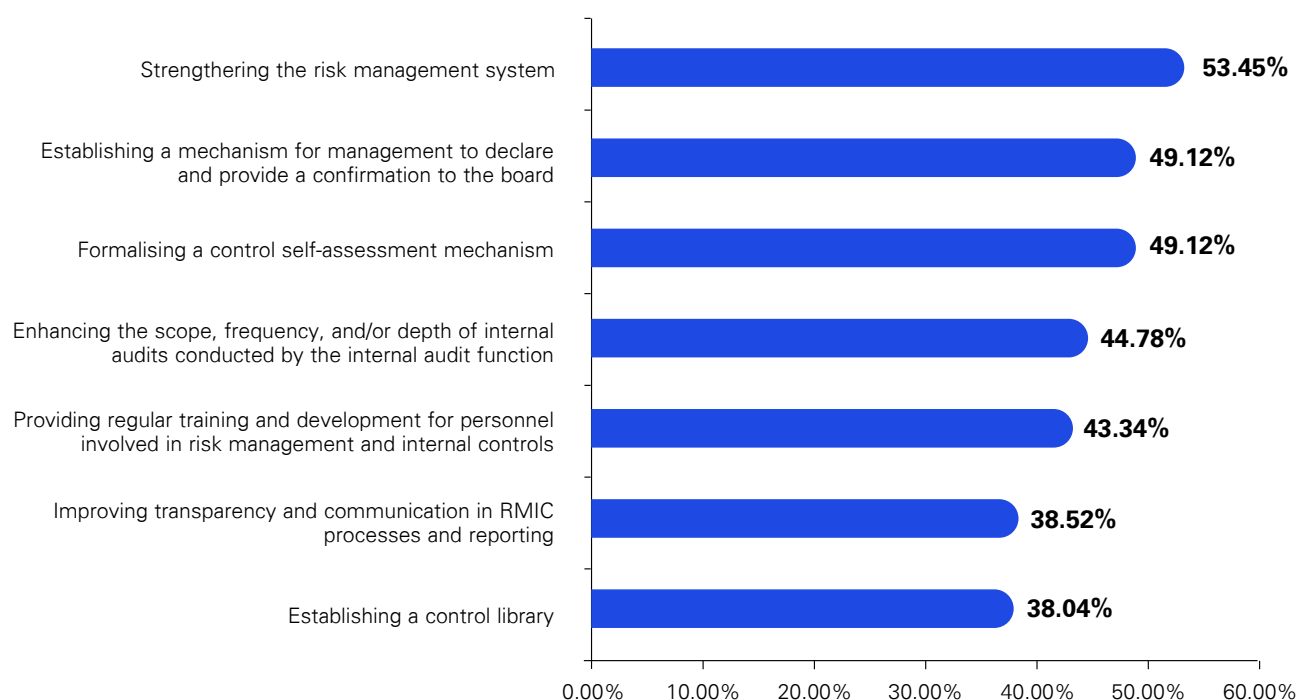
## Assurance Mapping:

Organisations can utilise an assurance map to establish a clear understanding of key areas, risks, material controls, and relevant assurance measures. This tool helps evaluate assurance activities undertaken by each line of defence, and by independent third parties such as external auditors or consultants. Mapping covers key functions, processes, and business units related to material controls, including financial, operational, and compliance controls, extending to subsidiaries.

Such mapping identifies potential gaps in assurance coverage and highlights areas requiring additional monitoring, supporting informed decision-making for refining the review approach. Addressing gaps enables the creation of detailed action plans with defined tasks and timelines to enhance assurance activities for the RMIC systems review. Completion of these steps should occur before issuing the first annual report after the revised CG Code's effective date.

From our survey, **“strengthening the risk management system”** emerged as the top action companies should undertake to support the board's review conclusions, chosen by approximately 53% of respondents. Close behind were **establishing a mechanism for management to declare and provide confirmation** to the board, and formalising a **CSA mechanism**, supported by 49% of respondents. **Enhancing the scope, frequency, and depth of internal audits** was also recommended, with 45% supporting this action.

### Top Actions to Enhance the Board's Review of the RMIC Systems





## Section 2

# Analysis of Disclosure Requirements relating to RMIC in Other Jurisdictions



We conducted a comparative analysis of disclosure requirements in Hong Kong alongside other prominent markets, including the UK, Singapore, Australia, and the US. We observed that HKEX's enhanced MDRs on RMIC are among the most comprehensive and broad, setting high expectations for listed companies. These requirements mandate the disclosure of the scope of RMIC systems reviews and specify the responsibilities of internal departments and external providers. In contrast, jurisdictions like the UK, Singapore and Australia vary in their disclosure requirements: some do not explicitly require such disclosures, while others may lack several key components.

While the enhanced MDRs for RMIC in Hong Kong share commonalities with the UK, Hong Kong is more stringent regarding the disclosure of significant control failings or weaknesses. Hong Kong requires reporting any significant control failings or weaknesses identified within the reporting period, whereas the UK focuses on material controls not operating effectively as of the balance sheet date. This implies a higher transparency standard in Hong Kong, as it requires disclosure of significant control issues even if they are resolved during the period, along with the remedial steps taken.

Regarding internal controls over financial reporting ("ICOFR"), the US is particularly stringent under the Sarbanes-Oxley Act ("SOX") requirements. Management is required to assess the effectiveness of ICOFR annually. Moreover, the principal executive officer(s) and principal financial officer(s) must certify the effectiveness of their internal controls following evaluation and conclusion. Attestation from external auditors on management's assessment of the ICOFR is also required, as applicable. However, the US requirements surrounding risk management systems are comparatively limited. Similarly, Australia does not mandate disclosure of all features of the risk management system. In contrast, Hong Kong requires companies to disclose the main features of their risk management system, including the process used to identify, evaluate and manage significant risks, as well as any significant changes during the reporting period in RMIC systems.

In summary, Hong Kong represents a rigorous and detailed approach to RMIC systems disclosure, emphasising transparency and continuous improvement. This reflects a strong commitment to leading corporate governance practices, particularly by blending comprehensive requirements with a focus on enhancing board accountability.

## Section 3

# How to Contribute to an Effective Review of RMIC Systems



Risk management and internal controls are vital safeguards that enable a company to achieve its business objectives, including strategic, operational, compliance, and reporting aspects. It is imperative that these business objectives are clearly defined and regularly reviewed by the board to ensure proper communication with management and relevant employees across the organisation. Given the importance of RMIC systems, HKEX mandates that their effectiveness be reviewed at least annually, with a detailed disclosure of the review included in the Corporate Governance report.

In this section, we offer insights into key considerations and review approaches for conducting an effective review of RMIC systems.

## Section 3.1: Review of Risk Management System

A robust risk management system is crucial for navigating the complex landscape of risks, achieving business objectives, and enhancing shareholder value. Risk management requirements, introduced in the CG Code in 2016, mandate that listed companies establish a risk management framework to manage their risks.

The Internal Audit function, as the third line of defence, can provide an independent appraisal of the risk management systems by evaluating the effectiveness of these systems and processes. In addition to internal assessments, many organisations benefit from engaging external parties to periodically benchmark the effectiveness and maturity of their Enterprise Risk Management systems. Such reviews ensure the system remains fit for purpose

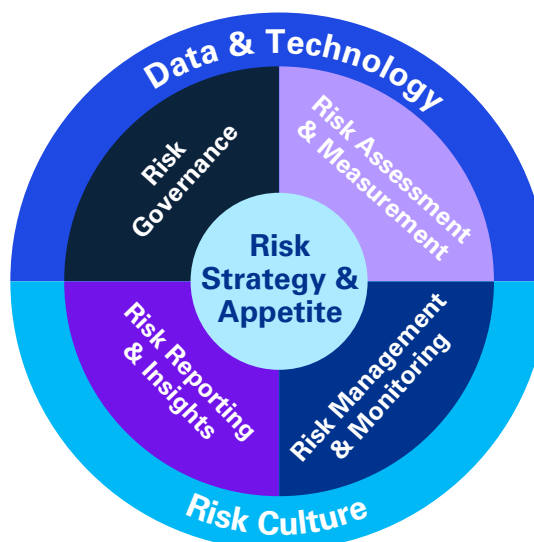
and highlight areas for enhancement, fostering continuous improvement and adaptability within the risk management framework.

Our survey revealed that more than half of the respondents are considering ways to strengthen their risk management systems. Initiatives include implementing key risk indicators and refining risk appetite to better support the board's review process.

When reviewing a risk management system, it is crucial to cover various aspects to ensure its effectiveness in identifying, responding to, and adapting to key risks (including new, emerging, and ESG risks) that the company faces in achieving its business objectives. These objectives encompass strategic, operational, compliance and reporting aspects. Here are some important questions to consider:

- **Risk Strategy & Appetite:** Are clear risk appetite and limits established to guide decision-making in alignment with business objectives? Are risks integrated into strategic planning?
- **Risk Governance:** Are roles and responsibilities clearly defined to direct and manage risk management activities across the organisation, including group and subsidiary levels where applicable?
- **Risk Culture:** Is a strong risk-aware culture embedded at all levels within the organisation?
- **Risk Assessment & Measurement:** Are activities structured to continuously identify, assess, and measure risks impacting business objectives? Is there a consistent methodology and approach applied, including risk aggregation and consolidation?
- **Risk Management and Monitoring:** Are adequate responses in place to manage, mitigate, or accept risks while enhancing business performance? Is the monitoring mechanism proactive enough to enable early detection and intervention through key risk indicators?
- **Risk Reporting and Insights:** Does reporting provide timely insights into the strengths and weaknesses of risk management activities, aiding decision-making?
- **Data & Technology:** Are the tools, software, databases, and systems adequate to support risk management activities, translating risk data into actionable information?

### KPMG Enterprise Risk Management Framework



## Section 3.2: Review of Internal Control System

An effective internal control system is fundamental to the success and longevity of an organisation across all industries. It encompasses policies, processes, tasks, behaviours, and other elements - collectively known as “controls” - that facilitate effective and efficient operation, safeguard assets from inappropriate use, loss, and fraud, ensure the quality of internal and external reporting, and maintain compliance with applicable laws and regulations.

There are common misconceptions about internal control, such as the belief that it falls solely within the domain of internal auditors or pertains only to finance-related functions. In reality, management holds the responsibility for designing and implementing an effective internal control system, and controls should be integrated into every aspect of business processes.

Internal controls represent every action, process, and system that safeguards an organisation’s integrity, protect its assets, and drive its success. While they provide reasonable assurance rather than absolute certainty, internal controls are crucial for achieving the organisation’s objectives.

### Section 3.2.1 Extensive Scope for Annual Internal Control Review

The annual review of the internal control system should be comprehensive and broad in scope, covering all material aspects, including financial, operational, and compliance controls, throughout the organisation from group level to subsidiary level.

According to the Corporate Governance Guide for Boards and Directors issued by HKEX<sup>4</sup>, the review should cover both **entity-level controls** – such as corporate culture/ control environment, risk assessment, information, and communication – and **process-level controls**. The Technical Bulletin issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”)<sup>5</sup> identified **11 typical processes** critical to a company’s operations, including sales, procurement, human resources, cash and treasury, financial reporting, IT controls, etc.

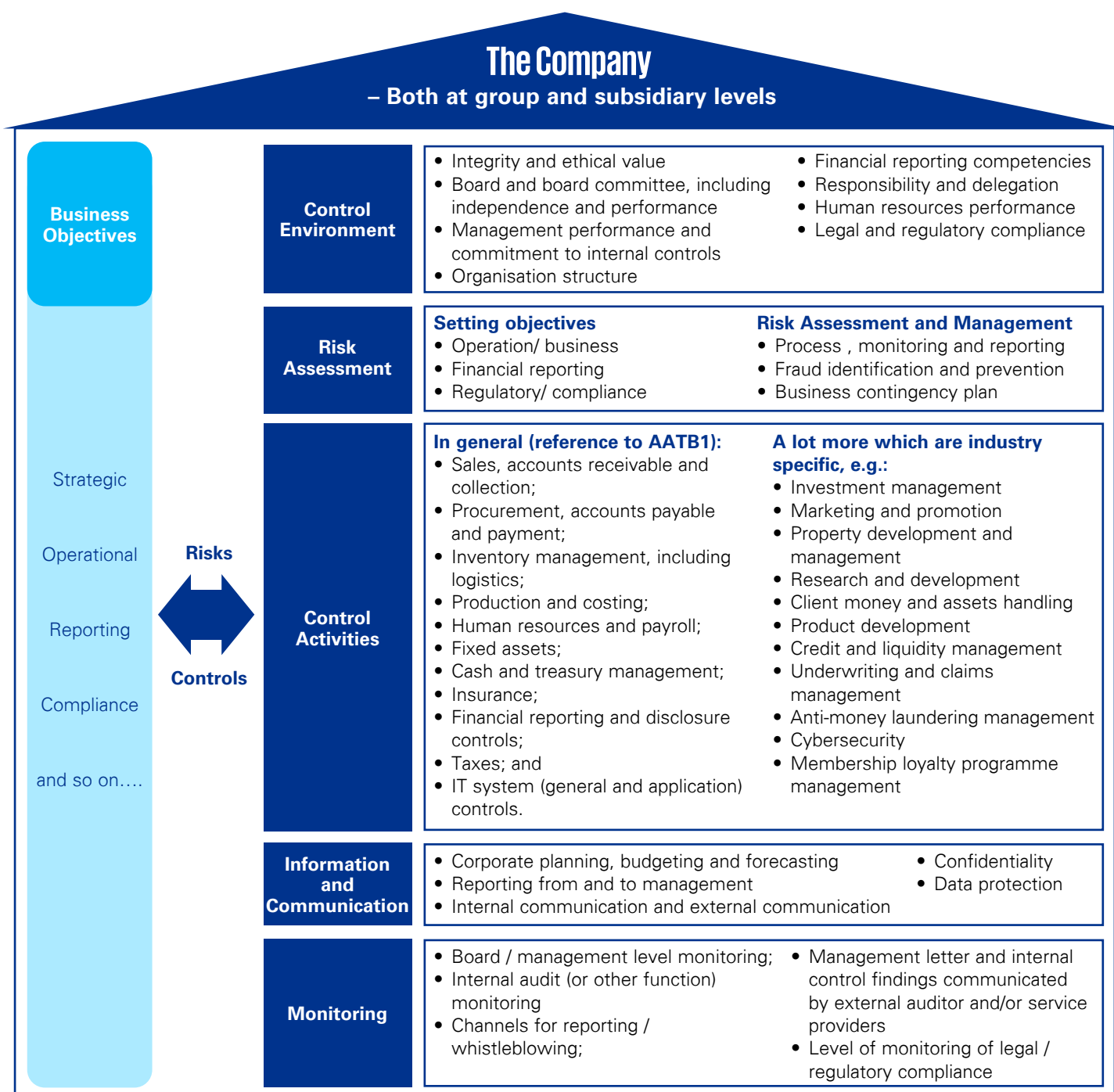
Each organisation is unique, and so is the scope of its RMIC systems review. Industry-specific processes should also be included in the annual review – for example, investment management for investment holding companies, marketing and promotion for retail companies, property development and management for real estate companies, research and development for technology or healthcare companies, client money handling, and product development processes for financial institutions, underwriting, and claims management process for insurance companies, **among many others**.

<sup>4</sup> Corporate Governance Guide for Boards and Directors issued by HKEX in May 2025, <[https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Corporate-Governance-Practices/Updated\\_CG\\_Guide\\_2025.pdf](https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Corporate-Governance-Practices/Updated_CG_Guide_2025.pdf)>

<sup>5</sup> The HKICPA, Technical Bulletin, Assistance Options to New Applicants and Sponsors in connection with Due Diligence Obligations, including Internal Controls over Financial Reporting.



The graphic below illustrates the indicative scope of the annual review:



Given the extensive scope required for the annual review of RMIC systems, establishing clear roles and responsibilities for management, internal departments, and external consultants is crucial. This clarity ensures that all material aspects of controls—spanning financial, operational, and compliance areas—are comprehensively addressed.

### Section 3.2.2 Control Repository that contains material controls

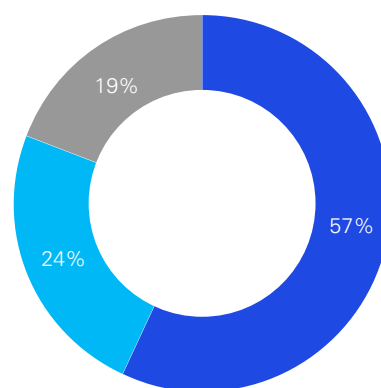
A well-maintained control repository is essential for facilitating a comprehensive review of an internal control system. This repository acts as a library of controls, including material controls. Each organisation should define material controls to establish a consistent basis for identifying and managing these material controls.

The control repository supports consistent monitoring, assessment, and reporting across the organisation by providing:

- **Visibility:** It records information about current controls in response to specific risks and objectives pertinent to various functions, processes, and business units.
- **Consistency:** Controls are categorised — whether they are material, preventive or detective, automated or manual — to reduce ambiguity and ensure uniformity across control activities.
- **Accountability:** It specifies control owners, thus establishing clear responsibility and oversight for each control within the system.
- **Efficiency in Monitoring, Audit and Compliance:** The repository serves as a comprehensive inventory, facilitating ongoing monitoring and efficiently preparing for audits and compliance checks.
- **Continuous Improvement:** The repository acts as a reference point to identify control gaps, redundancies, or inefficiencies. This enables enhancements and improvements in the organisation's control environment.

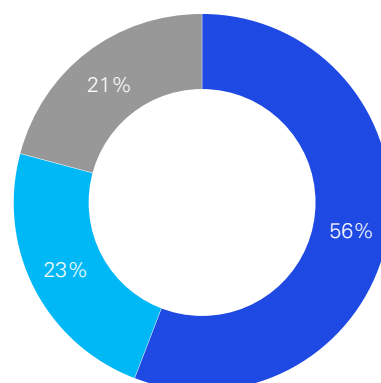
Our survey revealed that approximately 40% of respondents lack both a record and a clear definition of material controls. Without a well-maintained repository, boards face challenges in ensuring that material controls are properly reviewed and in drawing informed conclusions based on the review results.

### Clarity on Material Control Definition among Companies



- Yes, a clear definition of "material controls" is in place
- No, but there is a plan to define "material controls" for the company
- No, there is no plan to define "material controls"

## Does the company record and maintain a record of material controls?



- Yes
- In progress - the company is in the process of establishing a list of material controls
- No, the company has not established a list of material controls

### Section 3.2.3 Common internal control monitoring procedures

The effectiveness of the internal control system, including the performance of material controls, should be assessed through ongoing monitoring activities. Common monitoring procedures adopted in the market include the following:

#### Control self-assessment

CSA is an efficient and systematic approach that enables departments, functions, and business units on the first and second lines across an organisation to periodically self-assess their adoption of and compliance with control frameworks. These confirmations provide management and the board with a level of comfort that the control environment and activities are effective. CSA is also utilised by organisations to confidently manage their profiles of material controls and support management in making timely, informed, risk-based decisions through:

- **Enhancing Control Consciousness:** Encouraging individuals within the organisation to proactively take ownership of their responsible controls.
- **Early Identification of Failings or Weaknesses:** Detecting specific deficiencies in material control effectiveness that could undermine control performance and improvement efforts.
- **Supporting Additional Controls:** Facilitating the implementation and monitoring of additional risk mitigation controls.

A structured CSA process is an efficient tool that provides broad coverage performed by the first and second lines of defence. To ensure the CSA process is conducted properly, steps should be taken to verify its effectiveness through internal audit or by an independent party. The internal audit function can also leverage CSA results to refine audit priorities and focus, ensuring that audits are aligned with risk areas and informed by management insights.

Our survey highlighted that “formalising a CSA mechanism” ranks among the top three additional actions companies should undertake to strengthen the board’s review conclusions, with approximately 49% of respondents favouring this action.

## Testing of material controls

A robust evaluation of an internal control system involves comprehensive validation of material controls throughout the organisation, conducted at least annually. This is essential for ensuring that material controls function as intended, effectively manage associated risks, and support the achievement of business objectives.

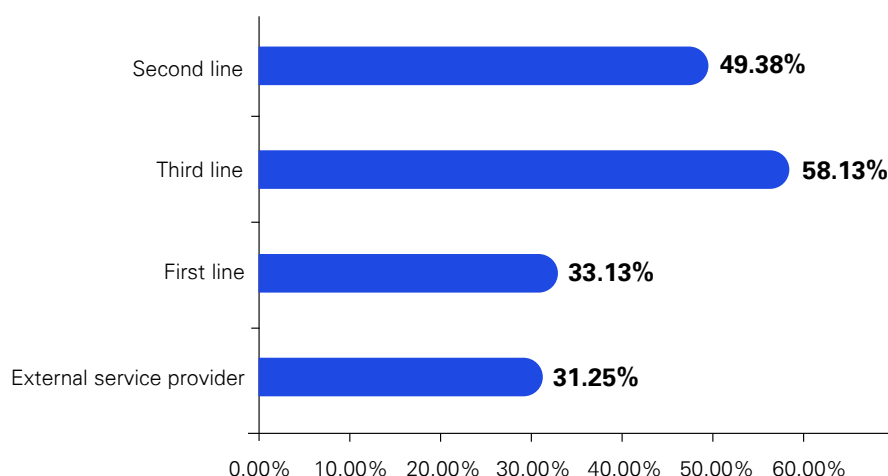
There is a common misconception that testing all material controls is equivalent to the review conducted by the internal audit function. While testing is a component of the internal audit review, in practice, the internal audit function prepares a risk-based, rolling internal audit plan to specify key areas and processes to be covered each year. Consequently, typical annual internal audit work may not comprehensively cover material controls across the organisation.

According to the survey conducted, approximately 45% of the listed companies reported that their internal audit function takes more than one year to complete a review cycle covering all material operations and processes. Additionally, 10% of these companies require more than three years to complete such a cycle. More than half of the respondents indicated that no additional tests were conducted on the identified material controls to validate their effectiveness beyond the internal audit review.

Given this situation, it is crucial to also evaluate material controls beyond those included in the internal audit review each year. Validation can be executed by various parties, such as business control teams, which possess detailed knowledge of operational processes; compliance function, risk management team, or external consultants, who can provide objective validation of controls.

The selection of validation parties should consider resource availability and cost-effectiveness, enabling a flexible and comprehensive approach to cover material controls throughout the organisation. According to the survey, the third line (internal audit) is most often designated to conduct additional testing (58%), followed by the second line, such as compliance and risk management teams (50%).

### Line of defence responsible for conducting additional tests to validate the effectiveness of material controls





## Internal audit review

The internal audit function is a vital pillar in supporting effective RMIC systems. According to the Global Internal Audit Standards issued by the Institute of Internal Auditors<sup>6</sup>, internal auditing strengthens the organisation's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit plan should be based on an assessment of the organisation's strategies, objectives, and risks, informed by input from the board, senior management, and the chief audit executive's understanding of the organisation's governance, risk management, and control processes. The plan must be dynamic with timely updates in response to changes in the organisation's business, risk operations, programmes, systems, controls, and organisational culture.

It is also crucial for the chief audit executive to evaluate whether internal audit resources are sufficient to fulfil the internal audit mandate and achieve the internal audit plan. Any resource limitations impacting internal audit coverage must be communicated promptly to the board and senior management.

Our survey highlighted that "enhancing the scope, frequency, and depth of internal audits" ranks as the fourth action companies should undertake to strengthen the board's review of the RMIC system, with approximately 45% of respondents favouring this initiative.

While expanding internal audit practices can enhance oversight and provide broader coverage of the organisation's RMIC systems, it is equally important to ensure these practices are adequately resourced to maintain their effectiveness and integrity.

## Confirmation from management to the Board

Since management is responsible for designing and implementing an effective internal control system, transparent communication with the board through annual confirmation strengthens accountability and reinforces management's commitment to ensuring RMIC systems are effective and appropriate. This process empowers the board to exercise informed oversight. Typically, this confirmation is provided by the Chief Executive Officer and/or Chief Financial Officer, and it is based on the CSA results across various functions, departments, and business units.

## Section 3.2.4 Disclosure of significant control deficiencies

During the review process, if any significant control failings or weaknesses are identified within the reporting period, such details, along with the remedial steps taken or proposed to address them, must be disclosed in the Corporate Governance Report. Implementing the structured review process for RMIC systems outlined above empowers the board to confidently affirm the appropriateness and effectiveness of these systems, supported by clear steps, proven evidence, and a solid basis. This enables detailed disclosures of the RMIC systems in the Corporate Governance Report for the financial year starting on or after 1 July 2025, which is the effective date of the revised CG Code.

<sup>6</sup> The Global Internal Audit Standards issued by the Institute of Internal Auditors, [globalinternalauditstandards\\_2024january9\\_editable.pdf](#)

## Section 4

# Next Step – Through Assurance Mapping



To ensure adequate assurance coverage in the annual review of RMIC systems' effectiveness, organisations should consider several key questions:

- Do the three lines of defence in your organisation, along with those performed by independent third parties, including external auditors and consultants, operate together to assure all key risks and material controls?
- Are you aware of any gaps or duplications in your assurance activities concerning key risks and material controls?
- Do you trust your assurance activities are managed and reported in a timely manner?
- What are your long-term plans for enhancing your assurance strategy?

To establish a clear understanding of key areas, risks, material controls and relevant assurance measures, organisations can utilise an **assurance map** as an effective tool. An assurance map is a **visual and easy-to-read** document that offers an integrated snapshot of the assurance landscape across the organisation in response to key risks and material controls. It highlights instances where assurance gaps or duplications exist in certain areas, enabling the organisation to optimise its assurance structure and activities.

A prerequisite for performing assurance mapping is having a solid understanding of the material controls throughout the organisation. Below is an illustrative example of an assurance map that captures key functions, processes, and business units related to key risks, material controls, and the current assurance activities undertaken by each line of defence and independent third parties:

Key function/ process/ business unit	No. of Material Controls	Linkage to key risks	Control Self- Assessment?	First Line of Defense Business Operations "management controls"	Second Line of Defense Oversight Functions		Third Line of Defense Internal Audit	Independent Third Parties	
				Business risk and control team	Risk management team	Legal and compliance team	Internal audit	External auditors	External consultants
Sales	[10]	• [Change in customer behaviour]	Yes	Nil	L	L	H	L	Nil
Procurement	[14]	• [Supply chain risk]	Yes	H	L	L	H	L	Nil
IT	[8]	• [Cybersecurity]	Yes	Nil	Nil	Nil	Nil	Nil	Nil
Finance	[12]	• [Credit risk] • [Liquidity risk]	Yes	Nil	Nil	Nil	Nil	H	Nil
...	...	...	...	...	...	...	...	...	...
...	...	...	...	...	...	...	...	...	...
...	...	...	...	...	...	...	...	...	...

Legend:

**H**

High level of assurance coverage

**L**

Low level of assurance coverage

**Nil**

No assurance coverage

Through the assurance mapping exercise, the organisation can identify areas that may require additional monitoring, thereby supporting management and the board in making informed decisions to refine the review approach of the RMIC systems. This proactive assessment helps ensure comprehensive risk coverage and strengthens the overall control environment.

It is imperative that these steps are completed prior to the issuance of the first annual report after the effective date of the revised CG Code. This timeline ensures that necessary adjustments and enhancements to the RMIC systems are in place, allowing for accurate and transparent disclosures about their effectiveness in the Corporate Governance Report. By aligning assurance mapping with the strategic timelines for reporting, organisations can better demonstrate their commitment to robust governance practices and effective risk management.

# About KPMG

KPMG in China has offices located in 31 cities with over 14,000 partners and staff, in Beijing, Changchun, Changsha, Chengdu, Chongqing, Dalian, Dongguan, Foshan, Fuzhou, Guangzhou, Haikou, Hangzhou, Hefei, Jinan, Nanjing, Nantong, Ningbo, Qingdao, Shanghai, Shenyang, Shenzhen, Suzhou, Taiyuan, Tianjin, Wuhan, Wuxi, Xiamen, Xi'an, Zhengzhou, Hong Kong SAR and Macau SAR. It started operations in Hong Kong in 1945. In 1992, KPMG became the first international accounting network to be granted a joint venture licence in the Chinese Mainland. In 2012, KPMG became the first among the "Big Four" in the Chinese Mainland to convert from a joint venture to a special general partnership.

KPMG is a global organisation of independent professional services firms providing Audit, Tax and Advisory services. KPMG is the brand under which the member firms of KPMG International Limited ("KPMG International") operate and provide professional services. "KPMG" is used to refer to individual member firms within the KPMG organisation or to one or more member firms collectively.

KPMG firms operate in 142 countries and territories with more than 275,000 partners and employees working in member firms around the world. Each KPMG firm is a legally distinct and separate entity and describes itself as such. Each KPMG member firm is responsible for its own obligations and liabilities.

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## Celebrating 80 years in Hong Kong



In 2025, KPMG marks "80 Years of Trust" in Hong Kong. Established in 1945, we were the first international accounting organisation to set up operations in the city. Over the past eight decades, we've woven ourselves into the fabric of Hong Kong, working closely with the government, regulators, and the business community to help establish Hong Kong as one of the world's leading business and financial centres. This close collaboration has enabled us to build lasting trust with our clients and the local community – a core value celebrated in our anniversary theme: "80 Years of Trust".

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# About HKCGI

## **The Hong Kong Chartered Governance Institute 香港公司治理公會 (Incorporated in Hong Kong with limited liability by guarantee)**

The Hong Kong Chartered Governance Institute (HKCGI) is the sole accrediting body in Hong Kong and the Chinese mainland for the globally recognised Chartered Secretary and Chartered Governance Professional qualifications. Formerly known as The Hong Kong Institute of Chartered Secretaries (HKICS), HKCGI is the Hong Kong/China Division of The Chartered Governance Institute (CGI).

With a legacy of over 75 years, HKCGI has established itself as a trusted and reputable professional body in the region. Its influence extends to CGI's global network of around 40,000 members and students, making it one of its fastest-growing divisions. HKCGI's community comprises about 10,000 members, graduates, and students, with significant representation in listed companies and diverse governance roles across various industries.

Guided by the belief that governance leads to better decision-making and a better world, HKCGI is committed to advancing governance in commerce, industry, and public affairs. It achieves this through education, thought leadership, advocacy, and active engagement with its members and the broader community. As a recognised thought leader, HKCGI promotes the highest standards of governance while advocating for an inclusive approach that considers the interests of all stakeholders, and ensures that every voice is heard and valued.

### **Better Governance. Better Future.**

For more information, please visit [www.hkcg.org.hk](http://www.hkcg.org.hk).

# Contact us

## KPMG

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### **Alva Lee**

Partner, Head of Governance,  
Risk and Compliance Services  
KPMG Hong Kong  
T: +852 2143 8764  
E: [alva.lee@kpmg.com](mailto:alva.lee@kpmg.com)



### **David Lonergan**

Partner, Governance, Risk and  
Compliance Services  
KPMG Hong Kong  
T: +852 3927 5521  
E: [david.lonergan@kpmg.com](mailto:david.lonergan@kpmg.com)



### **Longhui Loo**

Director, Governance, Risk and  
Compliance Services  
KPMG Hong Kong  
T: +852 3927 4674  
E: [longhui.loo@kpmg.com](mailto:longhui.loo@kpmg.com)



### **Candy Wan**

Associate Director, Governance,  
Risk and Compliance Services  
KPMG Hong Kong  
T: +852 2978 8179  
E: [candy.wan@kpmg.com](mailto:candy.wan@kpmg.com)

## HKCGI

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### **Ellie Pang** *FCG HKFCG(PE)*

Chief Executive  
HKCGI  
T: +852 2830 6029  
E: [ellie.pang@hkcgj.org.hk](mailto:ellie.pang@hkcgj.org.hk)

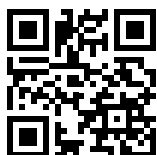


### **Mohan Datwani** *FCG HKFCG(PE)*

Deputy Chief Executive  
HKCGI  
T: +852 2830 6012  
E: [mohan.datwani@hkcgj.org.hk](mailto:mohan.datwani@hkcgj.org.hk)



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