David Law
Chair of the Audit Committee

Committee members
- David Law (Chair)
- Jeremy Anderson (from January 2020)
- Howard Davies
- Philip Remnant
- Alice Schroeder

Regular attendees
- Chairman of the Board
- Group Chief Executive
- Group Chief Financial Officer and Chief Operating Officer
- Group Chief Risk and Compliance Officer
- Director of Group Finance
- Director of Group Financial Accounting and Reporting
- Company Secretary
- Director of Group Compliance (until January 2020)
- Group Chief Internal Auditor
- External Audit Partner

Number of meetings in 2019:
Twelve. (Nine regular meetings were held, including four shorter meetings to discuss full-year and half-year reporting matters, and three additional meetings to consider demerger related activities. A joint meeting was also held with the Risk Committee.)

Audit Committee report

Dear shareholder

As Chair of the Audit Committee, I am pleased to present this report on the Committee's activities during 2019. The Committee provides the Board with assurance as to the integrity of the Group's financial reporting and, together with the Risk Committee, monitors the effectiveness of the second and third lines of defence, which are an integral part of our internal control environment.

With regard to the Group's financial reporting, the Committee's work is focused on ensuring appropriate financial accounting policies are adopted and implemented, and on assessing key judgements and disclosures. We also have throughout the year received updates on the programme to implement IFRS 17 given the significant system and accounting changes it entails.

The Committee held additional meetings during the year to focus on matters relating to the demerger of M&G plc. The Committee supported the Board's review of the shareholder Circular and reviewed the various supporting processes and assurances received. When considering matters relating to the demerger, the Committee was conscious of the need to balance potential conflicts of interests between Prudential and M&G. The Committee also discussed the appropriate governance arrangements for the Group's subsidiary audit committees post-demerger, together with associated transitional arrangements. I worked closely with the chair of the M&G plc audit committee to ensure a smooth transition of the oversight of the M&G business between the two committees.

External auditor

An important part of the Committee's work consists of overseeing the Group's relationship with KPMG LLP (KPMG), including safeguarding independence, approving non-audit fees and satisfying ourselves that it is in the best interests of shareholders to recommend the re-appointment of KPMG. During the year, we enhanced the review of their effectiveness by adding an interview process conducted by a senior KPMG partner, independent of the audit team, with senior management across the Group and with Committee members. The results were discussed directly with the Committee. Overall feedback was positive and the KPMG audit team is following up on areas where potential enhancements were highlighted.

The Committee also requested earlier an enhanced review of the M&G half year key judgements, particularly longevity, in advance of the half year results announcement.

Under the relevant audit tender rules the Group is required to change audit firm no later than the 2023 financial year end. The Committee has previously agreed that in light of the significant change to the Group being undertaken, with the demerger of M&G plc, and the introduction of a new insurance accounting standard (IFRS 17) in the near term, that a new auditor should be engaged for the 2023 year end but that a competitive tender for the 2023 audit should commence in the first half of 2020. Planning for the tender has commenced and meetings with audit firms (not restricted to the 'Big-Four') have been held to assess their ability to tender in relation to the complexity of Prudential's geographically diverse business and their barriers to becoming independent. A formal tender process to identify KPMG's successor will be undertaken in the first half of 2020 and a Board decision is expected in July.

Internal audit

Throughout 2019, the Committee continued to receive regular briefings from the Group Chief Internal Auditor. During the year, Group-wide Internal Audit (GwIA) undertook a programme of risk-based audits covering matters across the business units in addition to assurance work on the demerger and significant change programmes. The work undertaken by GwIA during the year was important in supporting the demerger, the Group maintaining a stable control environment through a period of significant change and the creation of two appropriately-sized, resourced and experienced independent internal audit functions.

The effectiveness of GwIA was assessed in 2019, together with a review of progress against suggested enhancements identified by the external review undertaken by Deloitte in 2017. I have met regularly with the Group Chief Internal Auditor and the Group-wide Quality Assurance Audit Director to discuss internal audit work and matters arising. The Committee has also asked that management responsible for rectifying some of the issues identified attend the Committee to ensure that appropriate action was being taken. The Committee also approved the 2019 and 2020 internal audit plans, which have taken account of the business and organisational changes arising from the demerger.

Compliance

The Committee received updates on matters arising from the annual Compliance Plan throughout 2019. The plan focused on a number of areas to help strengthen the compliance framework, which is intended to aid the Group in meeting regulatory obligations, including monitoring compliance with key elements of the compliance framework such as conflicts of interest, anti-money laundering and anti-bribery and corruption policies. Following a change in management responsibility, Howard Davies and I agreed that, the Risk Committee should take on responsibility for all aspects of overseeing the compliance function with effect from 1 January 2020.

Committee governance

The Committee works closely with the Risk Committee to make sure both Committees are updated and aligned on matters of common interest. Where responsibilities are perceived to overlap between the two Committees, Howard Davies and I agree the most appropriate Committee to consider the matter. During 2019, there was one joint session which, similar to the prior year, focused on cyber and information security, more details of which are set out in the Risk Committee report on page 127.

In advance of each of the main Committee meetings, I speak to the chairs of our main subsidiary audit committees and update the Committee on important points raised. I also report to the full Board after each Committee meeting on the main matters discussed.

In April we held a private session as a Committee to discuss our evaluation and key objectives for the year. We assessed our performance against these objectives and I am pleased with the feedback received. The demerger, IFRS 17 and key accounting judgements were particular areas of focus. One area we will monitor for the future is how we are kept abreast of Asian market developments. One of my key focuses over the past two years has been the Group's whistleblowing procedures. I regularly meet privately with the Group Resilience Director to discuss whistleblowing cases and their resolution. These are also discussed in private sessions with the Committee or the relevant local audit committee. The Committee also meets privately with GwIA and KPMG.

The effectiveness of the Committee was reviewed as part of the annual Board evaluation, which confirmed that the Committee continued to operate effectively during the year and no major areas requiring improvement were highlighted.

How the Committee spent its time during 2019

	Feb[1]	Mar[1]	Apr	May	Jun	Jul	Aug	Sep	Oct	Dec
Financial reporting and external auditor										
Periodic financial reporting including: — Full and half-yearly report and accounts — Key accounting judgements and disclosures, including tax — Solvency II results and governance processes (up to the demerger) — Associated audit reports	●	●	●	●	●	●	●	●	●	●
Audit planning, fees, independence, effectiveness and reappointment	●	○	●	○	○	●	○	●	●	●
Environmental, social and governance reporting	○	○	●	○	○	○	○	○	○	○
Internal control framework										
Internal control framework including effectiveness	●	○	○	●	○	●	○	○	○	●
Internal audit										
Status updates and effectiveness	●	○	●	○	○	●	○	○	●	●
Internal audit plan	○	○	○	○	○	●	○	○	○	●
Compliance										
Status updates	●	○	○	○	○	●	○	○	●	●
Compliance plan	○	○	○	○	○	●	○	○	○	○
Financial crime and whistleblowing										
Financial crime prevention and whistleblowing – regular updates	●	○	●	○	○	●	○	○	●	●
Governance and reporting										
Updates from main subsidiary level audit committees	●	○	●	○	○	●	●	○	●	●
Internal governance framework including effectiveness	●	○	●	○	○	●	○	●	●	●
Business unit audit committee effectiveness and terms of reference	●	○	○	○	○	○	○	○	●	○
Committee terms of reference and effectiveness	●	○	○	○	○	○	○	○	●	○

Note

1 Two meetings were held in each of February and March 2019.

Key matters considered during the year

Matter considered	*How the Committee addressed the matter*
Financial reporting	
Overview	One of the Committee's key responsibilities is to monitor the integrity of the financial statements and any other periodic financial reporting. This has primarily focused on the Annual Report and Accounts but also covers the Group's environmental, social and governance report and Tax Strategy Report. The Committee also reviewed the 2018 Solvency and Financial Condition Report and associated Pillar 3 returns submitted to the Prudential Regulation Authority as required under the Solvency II regime. Post-demerger, this regime is no longer applicable. In reviewing these and other items, the Committee received reports from management and, as appropriate, reports from internal and external assurance providers, which in some cases were provided at the explicit request of the Committee. When considering financial reporting, the Committee assesses compliance with relevant accounting standards, regulations and governance codes. During 2019, the Group adopted IFRS 16 *'Leases'* and, as described in note A3, this resulted in a recognition of $895 million right-of-use asset and an equivalent amount of lease liabilities on the balance sheet on day one. The Committee continued to receive updates on the Group's plans to implement IFRS 9 'Financial Instruments' and IFRS 17 'Insurance Contracts', which are not expected to be effective before 2022. The approach to adopting these standards is further discussed in note A3. The following sections set out the key assumptions, judgements and other matters considered as part of their review of the 2019 Annual Report and Accounts.
Key assumptions and judgements	The Committee reviewed the key assumptions and judgements supporting the Group's IFRS results, including those made in valuing the Group's investments, insurance liabilities and deferred acquisition costs under IFRS, together with reports on the operation of internal controls to derive these amounts. It also reviewed the assumptions underpinning the Group's European Embedded Value (EEV) metrics. **Assumption setting** The measurement of insurance liabilities are based on estimates of future cash flows, including those to and from policyholders, over a long period of time. These estimates can, depending on the type of business, be highly judgemental. The Committee considered changes to assumptions and other estimates used to derive IFRS insurance liabilities and EEV reporting. Peer benchmarking was considered where available. The key assumptions reviewed were: — Persistency, mortality, morbidity (including in relation to medical inflation) and expense assumptions within the Asia life businesses; — Policyholder behaviour (eg guaranteed benefit utilisation and persistency) and mortality assumptions affecting the measurement of Jackson guaranteed liabilities (see note C4.2(b) of the IFRS financial statements); — Economic assumptions, including investment return and associated discount rates; and — Changes to the allowance within EEV for future hedge costs in connection to the Jackson variable annuity business. This is discussed further in note 7 of the EEV basis results. The Committee was satisfied that the assumptions adopted by management were appropriate. Further information on the effects of material changes to insurance assets and liabilities is included in note B3 to the IFRS financial statements and in the EEV basis results. **Valuation of investments** The Committee received information on the carrying value of investments in the Group's balance sheet including information on how those values were calculated for those investments which require more judgement (for example private placement loans). Further information on the valuation of assets is contained in note C3 of the IFRS financial statements. The Committee satisfied itself that overall investments were valued appropriately. **Intangible assets including deferred acquisition costs (DAC)** The Committee received information to enable it to review the more material intangible asset balances. This included the assumptions that supported the amortisation profile of the DAC balance in the US, as described in note A4.1 'Other items requiring application of critical estimates or judgements' and whether there had been any indication of impairment of the Group's distribution rights assets. The Committee was satisfied that there was no impairment of the Group's intangibles at 31 December 2019. Further information is contained in note C5 of the IFRS financial statements.

Key matters considered during the year continued

Matter considered	*How the Committee addressed the matter*
Other financial reporting matters	**Demerger of M&G plc** The Committee reviewed the Class 1 Shareholder Circular prepared by management in accordance with the UK's Listing Rules for the demerger of M&G plc in October 2019. Assurance was sought from external parties including the Group's reporting accountant and financial advisers. The Committee reviewed the procedures undertaken to support the verification of material statements made in the Circular. The Committee reviewed drafts of documents throughout 2019 and so were able to comment on the approach and content throughout the process. **Change in presentation currency of the Group financial statements** Following the demerger of M&G plc, the Audit Committee approved management's proposal to change the Group's presentation currency in these financial statements from pounds sterling to US dollars. Given that a significant majority of the Group's earnings post demerger are denominated in US dollars, the Group believes that the presentation currency change will give investors and other stakeholders a clearer understanding of Prudential's performance over time. The Committee reviewed the methodology and process for the currency conversion as explained in note A1 of the IFRS financial statements. It also reviewed and agreed that, from 31 December 2019, the functional currency of the parent company had changed to US dollars from pounds sterling given the change to loans and dividend payments arising at that date. **Taxation** The Committee regularly receives updates on the Group's tax matters and provisions for certain open tax items including tax matters in litigation. The Committee was satisfied that the level of provisioning adopted by management was appropriate. See note B4 of the IFRS financial statements. **Going concern and viability statements** The Committee considered various analyses from management regarding Group and subsidiary capital and liquidity prior to recommending to the Board that it could conclude that the financial statements should continue to be prepared on the going-concern basis and that the disclosures on the Group's longer-term viability were both reasonable and appropriate. The Committee considered information on the risks to the Group's liquidity and capital position when making this assessment. **Fair, balanced and understandable requirement** The Committee carried out a formal review of whether the Annual Report and Accounts were 'fair, balanced and understandable' as required by the UK Corporate Governance Code. In particular, they considered whether the report gave a full picture of the Group's performance in the year with important messages appropriately highlighted, the level of consistency between financial statements and narrative sections and whether performance measures were clearly explained. They also considered the prominence of alternative performance measures. After completion of its detailed review, the Committee was satisfied that, taken as a whole, the Group's Annual Report and Accounts were fair, balanced and understandable. **Parent company financial statements** The Committee reviewed the parent company profit and loss account and balance sheet, which included the recoverability of the parent company's investment in subsidiaries by assessing whether the net assets of the relevant subsidiaries, being an approximation of their minimum recoverable amount, were in excess of their carrying value at the balance sheet date and whether those subsidiaries have historically been profit making.

Key matters considered during the year continued

Matter considered	*How the Committee addressed the matter*
External audit ***Review of effectiveness, non-audit services and auditor reappointment***	
External audit effectiveness	The Group's external auditor is KPMG LLP (KPMG) and oversight of the relationship with them is one of the Committee's key responsibilities. The Committee reviews the effectiveness of the audit throughout the year taking into account: — The detailed audit strategy for the year and coverage of the highlighted risks; — Group materiality and how that is applied to the individual business units; — Insight around the key accounting judgements, including benchmarking, and the way KPMG applied constructive challenge and professional scepticism in dealing with management; — The outcome of management's internal evaluation of the auditor as discussed below; and — Other external evaluations of KPMG, with a focus on the Financial Reporting Council's Annual Quality Review. There is an open dialogue on emerging risks and issues between the Group Lead Partner and Committee members via a regular schedule of meetings aligned to key reporting milestones. The Committee formally meets with the Group Lead Partner without management present. Internal evaluation of KPMG was conducted using a questionnaire that was circulated to the Committee members, Material Subsidiary audit committee members, the Group Chief Financial Officer and the Group's senior financial leadership for completion. A key component of the evaluation is the degree of challenge and robustness of approach to the audit. The survey asked 27 questions over four categories (audit quality and execution, team performance, process and communication) in relation to the 2018 audit. As noted above the Committee enhanced the 2019 effectiveness review by arranging for a series of interviews to be conducted by a senior partner independent from the engagement team. KPMG were given the opportunity to respond to the findings in the reports. As a result of the reports, KPMG proposed enhancements to the audit and team.

Key matters considered during the year continued

Matter considered	*How the Committee addressed the matter*
Auditor independence and objectivity	The Committee has responsibility for monitoring auditor independence and objectivity and is supported in doing so by the Group's Auditor Independence Policy (the Policy). The Policy is updated annually and approved by the Committee. It sets out the circumstances in which the external auditor may be permitted to undertake non-audit services and is based on four key principles which specify that the auditor should not: — Audit its own firm's work; — Act as management or employees for the Group; — Have a mutual or conflicting interest with the Group; or — Be put in a position of being an advocate for the Group. The Policy has two permissible service types: those that require specific approval by the Committee on an engagement basis and those that are pre-approved by the Committee with an annual monetary limit capped at no more than 5 per cent of the Group audit fee in the proposed year and capped at $65,000 (£50,000) individually. In accordance with the Policy, the Committee approved these permissible services, classified as either audit or non-audit services, and monitored the usage of the annual limits on a quarterly basis. Non-audit services undertaken by KPMG were agreed prior to the commencement of work and were confirmed as permissible for the external auditor to undertake in accordance with the Policy which complies with the rules and regulations of the UK Financial Reporting Councils' Ethical Standard (2016), the US Securities and Exchange Commission (SEC) and the standards of the Public Company Accounting Oversight Board (PCAOB). The Committee considered potential impacts on independence that could have arisen from the increase in non-audit services during the year, with the non-audit fee ratio increasing to 43 per cent (2018: 12 per cent). The increase was driven by non-audit services completed by KPMG in their role as reporting accountant for the demerger of M&G plc. The Committee concluded that as the Group's auditor it was appropriate for KPMG to act as reporting accountant and this did not impair their independence. The audit partner was not involved in the delivery of services as the reporting accountant for the demerger and neither he nor members of the audit team are incentivised on, or rewarded in respect of, the provision of non-audit services to Prudential plc. In keeping with professional ethical standards, KPMG also confirmed their independence to the Committee and set out the supporting evidence for their conclusion in a report that was considered by the Committee prior to publication of the financial results. During the year, the Committee considered the proposals put forward by the Financial Reporting Council in December 2019 in a revision to its Ethical Standard and Auditing Standards on the Policy. The Committee agreed to implement their proposals for the 2020 year end. The key change is to establish a specific 'white-list' of non-audit services that the external auditor will be permitted to perform. The Committee will continue to monitor developments to ensure the Group's policies and processes around audit effectiveness and independence evolve in line with market practice.
Fees paid to the auditor	The fees paid to KPMG for the year ended 31 December 2019 amounted to $30.4 million (2018: $24.4 million) of which $13.0 million (2018: $3.0 million) was payable in respect of non-audit services. Non-audit services accounted for 43 per cent (2018:12 per cent) of total fees payable. A breakdown of the fees payable to KPMG can be found in note B2.4 to the IFRS financial statements. Of the $13.0 million (2018: $3.0 million) non-audit services fees, $11.7 million (2018: $1.0 million) was for one-off services associated with the demerger of M&G plc. Excluding these one-off fees associated with the demerger, non-audit services accounted for 7 per cent (2018: 9 per cent) of total fees payable. The remaining $1.3 million (2018: $1.5 million out of the remaining $2.0 million) of non-audit services fees was in respect of other assurance services. These services covered assurance over the Group's assurance reports on internal controls of certain Group companies that are made available for third parties, comfort letter procedures to support debt raising in the year and Solvency II external disclosures up to the demerger. In all these cases, the audit firm was considered the most appropriate to carry out the work, given its knowledge of the Group and the synergies that arise from running these engagements alongside its main audit. All non-audit services were pre-approved by the Committee and were in line with the Policy discussed above.

Key matters considered during the year continued

Matter considered	*How the Committee addressed the matter*
Reappointment	Based on the outcome of the effectiveness evaluation and all other considerations, the Committee concluded that there was nothing in the performance of the auditor which would require a change. The Committee therefore recommended that KPMG be reappointed as the auditor. A resolution to this effect will be proposed to shareholders at the 2020 Annual General Meeting.
Audit tender	The Committee acknowledges the provisions contained in the UK Code in respect of audit tendering, along with European rules on mandatory audit rotation and audit tendering. In conformance with these requirements, the Company will be required to change audit firm no later than for the 2023 financial year end. The external audit was last put out to competitive retender in 1999 when the present auditor, KPMG, was appointed. Since 2005, the Committee has annually considered the need to retender the external audit service. The Audit Committee assessed in February 2019 that in light of the significant change to the Group being undertaken, with the demerger of M&G plc, and the introduction of a new insurance accounting standard (IFRS 17) in the near term, that a new auditor should be engaged in time for the 2023 year end. In conducting this review, the Committee concluded that it would be appropriate to commence a competitive tender for the 2023 audit in the first half of 2020. The planning for this tender process has commenced with the Committee Chair meeting with a number of firms, including firms outside of the 'Big Four', to assess interest and ability to tender for the audit, with focus on capability and resource to service the key Asian business units. This was supplemented by a formal request for information to those firms who indicated they would be interested in tendering. A formal invitation to tender will be issued to those firms that confirmed they are able to undertake the audit in March 2020, with the Committee's recommendation of which firm to appoint to be considered for approval by the Board in July 2020. The tender process is being led by the Audit Committee with the support of Internal Audit and while the selection criteria are yet to be formally set, audit quality will be at the core of the decision. The auditor tender timeline takes into account the complexity of the Group and the expected timing of the introduction of IFRS 17 and allows the appointee time to ensure they meet the audit independence requirements to which the Group is subject. The timing remains subject to the Committee's normal annual review of auditor performance and recommendation to shareholders. The Company has complied throughout the 2019 financial year with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 issued by the Competition and Markets Authority. In line with the Financial Reporting Council's Ethical Standard, the rules and regulations of the SEC and the standards of the PCAOB, a new Group Lead Partner, Philip Smart, was appointed in respect of the 2017 financial year. Mr Smart is expected to be in place for a five-year term until the completion of the 2021 reporting cycle. A new Group Lead Partner will be required for the 2022 audit and an appropriate transition plan developed.
Second line oversight ***Compliance, financial crime prevention, whistleblowing***	
Compliance oversight	The Group Compliance Director provided the Committee with regular reports that included updates on: the progress against the 2019 Compliance Plan; key Compliance activities; the effectiveness of the Compliance function; results of Compliance monitoring reviews; material regulatory issues; and the impact of any regulatory change and the establishment of the Hong Kong IA as the Group-wide supervisor. From 1 January 2020, the Risk Committee assumed responsibility for Compliance oversight from the Committee in order to align governance with changes to management's reporting responsibilities.
Financial crime prevention	The Committee received the Annual Financial Crime Report that assessed the effectiveness of the Group's systems and controls to manage financial crime risks. In addition the Committee received regular updates on anti-bribery and corruption, anti-money laundering and sanctions screening.

Key matters considered during the year continued

Matter considered	*How the Committee addressed the matter*
Whistleblowing	The Group continues to operate a Group-wide whistleblowing programme ('Speak Out'), hosted by an independent third party (Navex). The Speak Out programme received ad hoc reports from a wide variety of channels, including a web portal, hotline, email and letters. Reports are captured, confidentially recorded by Navex, and flagged for investigation by the appropriate team. The Committee is responsible for oversight of the effectiveness of the Group's whistleblowing arrangements. The Committee received regular reports on the most serious cases and other significant matters raised through the programme and the actions taken to address them. The Committee was also briefed on emerging Speak Out trends and themes. The Committee may, and has, requested further reviews of particular areas of interest. The Committee reviews the Group's Speak Out programme annually, satisfying itself that it continues to comply with regulatory and governance requirements. The Committee also considered the consistency of approach adopted across subsidiary audit committees. The Speak Out programme has been further strengthened during the year by enhanced training for managers and staff; improved mechanisms for reporters to feed back on their experience and case management workflow improvements that focus on tracking (post-investigation) management action and, where relevant, the Committee requested information on the sharing of lessons learnt. The Chair and Committee spent time privately with the Group Resilience Director to understand outcomes of investigations, ensure that investigations were adequately resourced and appropriately managed, that there had been no retaliation against anyone making a report and that investigations were not improperly influenced. A review of the Speak Out programme and its oversight is being undertaken in 2020.
Third line oversight ***Internal audit***	
Regular reporting	The Committee received regular updates from GwIA on audits conducted and management's progress in addressing audit findings within agreed timelines. Any delays in implementing remediation actions were escalated to the Committee and given particular scrutiny. The independent assurance provided by GwIA formed a key part of the Committee's deliberations on the Group's overall control environment. During 2019, the areas reviewed included: change management and transformation (in particular relating to the demerger), financial controls, outsourcing and third-party supply, customer outcomes, cyber risk, compliance and regulatory and second line of defence. In addition, GwIA performed more business monitoring during 2019 to obtain a broader view of the business and enable more regular assessments of emerging risks and changes in the control environment. This has been achieved through a variety of methods including stakeholder discussions and an increasing use of data analytics. The Group Chief Internal Auditor reports functionally to the Committee Chair and for management purposes to the Group Chief Executive, and also has direct access to the Chair of the Board. In addition to formal Committee meetings, the Committee meets with the Group Chief Internal Auditor in private to discuss matters relating to, for example, the effectiveness of the internal audit function, significant audit findings and the risk and control culture of the organisation. The Committee Chair also meets with GwIA's Quality Assurance Director to discuss the outcome of the quality reviews of GwIA's work and actions arising.
Annual internal audit plan and focus for 2020	GwIA now operates a rolling six-month approach to audit planning. The Committee approved the plan for the second half of 2019. It also considered and approved the Internal Audit Plan, resource and budget for the first half of 2020. The 2020 Internal Audit Plan was formulated based on a bottom-up risk assessment of audit needs mapped against various metrics combined with top-down challenge. The plan was then mapped against a series of risk and control parameters, including the top risks identified by the Risk Committee, to verify that it is appropriately balanced between financial, business change, regulatory and operational risk drivers and provides appropriate coverage of key risk areas and audit themes within a risk-based cycle of coverage. Key areas of focus for 2020 include: strategic change initiatives, customer outcomes, cyber security, financial risk and financial controls, culture, outsourcing and digitisation.

Key matters considered during the year continued

Matter considered	***How the Committee addressed the matter***
Effectiveness of Internal Audit	The Committee is responsible for approval of the GwIA charter, audit plan, resources, and for monitoring the effectiveness of the function. In addition, the Committee approved the new, post-demerger target operating model for internal audit in Prudential plc. The Committee also assesses the effectiveness of GwIA through a combination of External Quality Assessment reviews, required every five years, and an annual internal effectiveness review. A 2019 Internal Effectiveness review, performed by the GwIA Quality Assurance Director, was conducted in accordance with the professional practice standards of the Chartered Institute of Internal Auditors (CIIA) and assessed continued conformance with the CIIA guidance for Effective Internal Audit in the Financial Services (the CIIA Code). The review concluded that GwIA continued to comply with the requirements of internal audit policies, procedures and practices, and standards in all material respects relating to audit planning and execution, and continued to be aligned with its mandated objectives and maintained general conformance with the CIIA Code. During 2019, GwIA also continued to develop its practices with enhancements to methodology, approaches to audits and the use of data analytics. In preparation for the demerger, the function successfully completed the creation of two appropriately skilled and sized, independent internal audit functions, where previously there had been a single function.
Internal control	
Internal control and risk management systems	The Committee is responsible for reporting and making recommendations to the Board on the effectiveness of Group-wide internal control and risk management systems. The Committee considered the outcome of the annual review of the systems of internal control and risk management. This considered M&G plc to the extent it was relevant to the amounts disclosed within the Group 2019 financial statements. The review identified a number of areas for improvement and the necessary actions that have been, or are being, taken. The audit committees at Group and subsidiary level collectively monitor outstanding actions regularly and ensure sufficient resource and focus is in place to resolve them within a reasonable time frame.
Governance	
Group governance framework	The Group Governance Manual sets out the policies and procedures by which the Group operates within its framework of internal governance, taking into account relevant statutory and regulatory matters. It is a platform for mandating specific ways of working across the Group and each business unit attests annually to compliance with: — Mandatory requirements set out in Group-wide policies, including matters which must be reported to the Group functions; and — Matters requiring prior approval from those parties with delegated authority. The Committee reviewed the results of the Group Governance Manual annual content review and the results of the year end certification of compliance with Group Governance Manual requirements for the year ended 31 December 2019.
Competence and experience	In relation to the provisions of the UK Code and HK Listing Rules, the Board is satisfied that David Law has recent and relevant financial experience and that the Committee as a whole has competence relevant to the sectors in which the business operates. Full biographies of the Committee members including experience and professional qualifications, are set out on pages 94 to 96. The Board has determined that David Law qualifies as the Audit Committee financial expert under the requirements of Form 20-F.