IFRS 17 auditor engagement

Getting ready for the first IFRS 17 audit

Most larger insurance companies are well advanced on their IFRS 17 journey, having dedicated a significant amount of resources to developing and implementing the new reporting requirements. With the deferral of the effective date of IFRS 17 by two years, to annual reporting periods beginning on or after 1 January 2023, the audit of the first set of IFRS 17 compliant financial statements feels a long way off. If you however consider the amount of effort insurance companies have invested in their IFRS 17 projects already and the period of time over which this investment has been required, engaging with your auditor too late could have detrimental consequences. So what are the benefits of engaging with your auditor early, what work can be done and when is the right time to engage?

Benefits of early auditor engagement

IFRS 17 is one of the most significant, pervasive and challenging reporting issues to have faced insurance companies. Therefore we expect that most companies in the industry will spend a significant amount of time on implementation. That means that the audit of the first IFRS 17 compliant financial statements will equally require the auditor to complete a significant amount of work before being able to issue their opinion. So here are just some of the benefits we see to engaging with the auditor early:

- It will ensure that potential issues are identified and resolved early on, giving you the time and flexibility to change direction if needed which minimises the chances of surprises later on.
- It will ensure that you received feedback in real time, giving you confidence over the key decisions that are critical to the project and ensuring that the outcome will be compliant with the requirements of IFRS 17.
- It will allow the audit testing to be completed before 2023, thus minimising the chances of last minute surprises and reducing pressure on teams in the year of transition.
- It will provide the opportunity to benchmark your progress and approach against yours peers, helping to ensure a high quality implementation.

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What work can the auditor do in advance

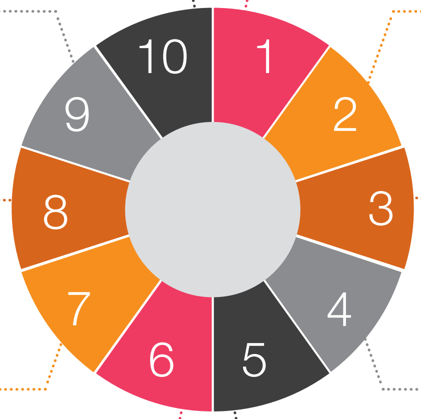
Programme assurance – Ongoing support to the project, deep dive reviews and health checks.

Training – Building your team's IFRS 17 knowledge across the business.

Opening balance sheet and transition – Assurance on the impact on opening equity and tax.

Balance sheet assurance: Assets (including IFRS 9) – Assess the IFRS 9 classification assessment and expected loss model.

Balance sheet assurance: Insurance contract liabilities – Assessment of actuarial methodologies (e.g. BEL, discounting and risk adjustment).



Assurance on impact assessments – Assurance on the initial impact assessments on the business, both financial and beyond.

Accounting policy judgements – Review, challenge and recommend policy judgements.

Presentation and disclosure – Test presentation of pro-forma financial statements including disclosures.

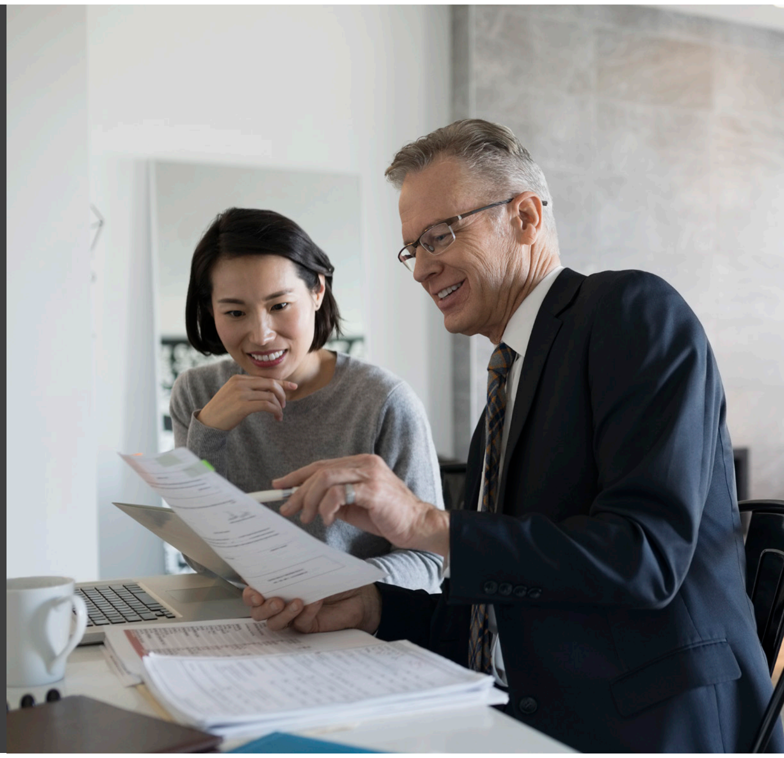
Data – Review IFRS 17 data dictionary and assess completeness of gap analysis.

Controls – Review and recommend on the design of changes to controls.

When is the right time to engage with the auditor

Every insurer is different and the pace of their IFRS 17 implementation is different, but we believe that the ideal time to engage with your auditor, to ensure you get some of the benefits mentioned above, would be to align with when decisions are made and approaches are determined. This will typically mean that the audit work would be phased over and run in parallel to your implementation plan, but it can be tailored to your specific needs.

As an auditor and trusted business advisor to many of the world's largest insurers, we're intimately familiar with the issues that matter most around IFRS 17. We are prepared and committed to working together – better, sooner, smarter – to ensure a seamless transition to IFRS 17.



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