

## IFRS 17

### IFRS 17 implementation plan – is it fit for purpose?



#### Why is it important that IFRS 17 implementation plans are effective?

IFRS 17 **Insurance Contracts**, effective 1 January 2022, has been described as the most significant change to insurance accounting for a generation, and implementation projects are similar in scale and complexity to the implementation of Solvency II in 2016. With this in mind, it is clear that an effective implementation plan that is well understood by its users is critical to the project running successfully. The implementation of the standard is proving complex for many insurers, and a key part of ensuring readiness is detailed implementation planning. Internal audit can help to provide rigorous challenge to these plans, in turn making sure that programmes remain on schedule and that projects are run in a cost-effective manner.



#### What should internal audit consider when reviewing IFRS 17 implementation plans?

Governance	Phasing	Testing and Dry Runs	Suppliers	Resourcing
<p>Technical accounting or architecture decisions made early in the project will have knock-on impacts on the later stages. IA should:</p> <ul style="list-style-type: none"> <li>Scrutinise the <b>composition and skills</b> of those sitting on governance bodies to ensure appropriate expertise and <b>opportunity to challenge</b> project teams</li> <li>Given the broad impact of IFRS 17, ensure <b>all affected parts of the business are informed</b> of developments and educated on their impacts</li> <li>Confirm that any <b>meeting actions are resolved timely</b> and with rigour</li> </ul>	<p>IFRS 17 impacts many areas of insurers' operations, and as a result implementation will involve multiple workstreams that are dependent on each other. Strong implementation plans should:</p> <ul style="list-style-type: none"> <li><b>Find interdependencies and associated risks</b>, and manage the sequencing of activities, mitigating the risk of delays to delivery</li> <li><b>Consider contingencies or mitigating actions</b> should a workstream start to experience delays</li> <li>Be designed in sufficient detail to <b>enable accountability</b></li> </ul>	<p>Such a wholesale change to insurers' financial reporting processes will require testing (of data transformation, technology solutions, etc.) and dry runs. This is a phase that is sometimes cut back on in order to save time or money. However, investment during implementation can prevent excessive cost at a later stage. IA should:</p> <ul style="list-style-type: none"> <li>Review the organisation's implementation plans, <b>validating the rationale for the time allocated to testing</b> and dry runs</li> <li>Investigate how the business will <b>protect time and resource committed to testing</b> and dry runs in the case of delays elsewhere in the project</li> <li>Check that the scope of <b>planned testing and dry runs accommodates emerging information</b> discovered during the implementation to date</li> </ul>	<p>IFRS 17 implementation will be heavily dependent on external suppliers providing software, actuarial and accounting advice. Implementation plans should look to involve third parties at an early stage to manage execution risk, including:</p> <ul style="list-style-type: none"> <li><b>Availability and capability</b> of service providers and their personnel</li> <li><b>Ensuring sufficient oversight</b> by the business to direct third parties</li> <li><b>Linking to "Phasing"</b> and ensuring a shift in project timing can be absorbed by third parties if needed</li> <li><b>Expected costs</b> and the mechanism for tracking these</li> </ul>	<p>IFRS 17 will demand significant internal resource to ensure a successful implementation, however BAU reporting will continue until 2022. Risks for insurers include:</p> <ul style="list-style-type: none"> <li><b>Resourcing plans</b> which fail to meet both project and BAU needs in a competitive market for talent.</li> <li><b>Inappropriate resource mix</b> – internal and external, skills and experience, location, familiarity with the organisation, etc.</li> </ul>



#### What should IA teams be doing now?

Action	Description
Information gathering	Ensure IA understands the organisation's implementation plan in detail from methodology, Proof of Concept, build, dry runs, and up to final go-live. This should include information on the use of regional rollouts or dependencies if applicable. Although there will have been iterations, most organisations' implementations plans will now be final.
Resourcing	IA should ensure there are resources available with experience in governance, change management and IFRS 17.
Audit timing	When scheduling an audit of implementation plans, do so early to allow time for remedial actions to be embedded.



#### Contacts



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