

FREP Presidential Board

Berlin, 24 January 2019

**Activity Report 2018**

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## 1 Overview

- At 15%, the error rate for 2018 was in line with that of the last three years. The normalized error rate, reflecting adjustments for examinations confirming previously identified errors, amounted to 12% in 2018, less than the prior year rate of 14%. The error rate for index companies is especially noteworthy – it has increased significantly in 2018 compared to the last three years (16%).
- In 2018, the FREP completed a total of 84 examinations (prior year: 99), including 80 unlimited scope examinations, three indication-based examinations, and one examination performed at the request of the BaFin.
- The follow-up on 2017 shows that nearly all errors identified were once again corrected in the subsequent financial statements. As in prior years, the vast majority of FREP recommendations were implemented the following year as well.
- On 15 November, 2018, the FREP amended its selection principles for unlimited scope examinations in light of the reform of the Deutsche Börse AG stock indexes, which became effective on 24 September 2018.
- The FREP has further expanded its error prevention activities in 2018. Particular mention should be made of an event aimed at sharing experiences with the audit committee chairs of index companies held with the support of the Schmalenbach-Gesellschaft für Betriebswirtschaft.
- European cooperation has significantly expanded in 2018 since ESMA established additional working groups in the corporate reporting area, in addition to the “European Enforcers Coordination Sessions” (EECS), in which the FREP actively participates.
- The FREP’s expenses of EUR 5.37 million were higher than in prior year (EUR 5.08 million).

## 2 Examinations in 2018

### 2.1 Key results of examinations

The FREP completed a total of 84 examinations in 2018 (prior year: 99). 13 out of 84 examinations identified errors. This corresponds to an error rate of 15%, which is in line with prior years. The number of companies subject to the German enforcement regime (“population”) has remained almost unchanged from the prior year (see Figure 1).

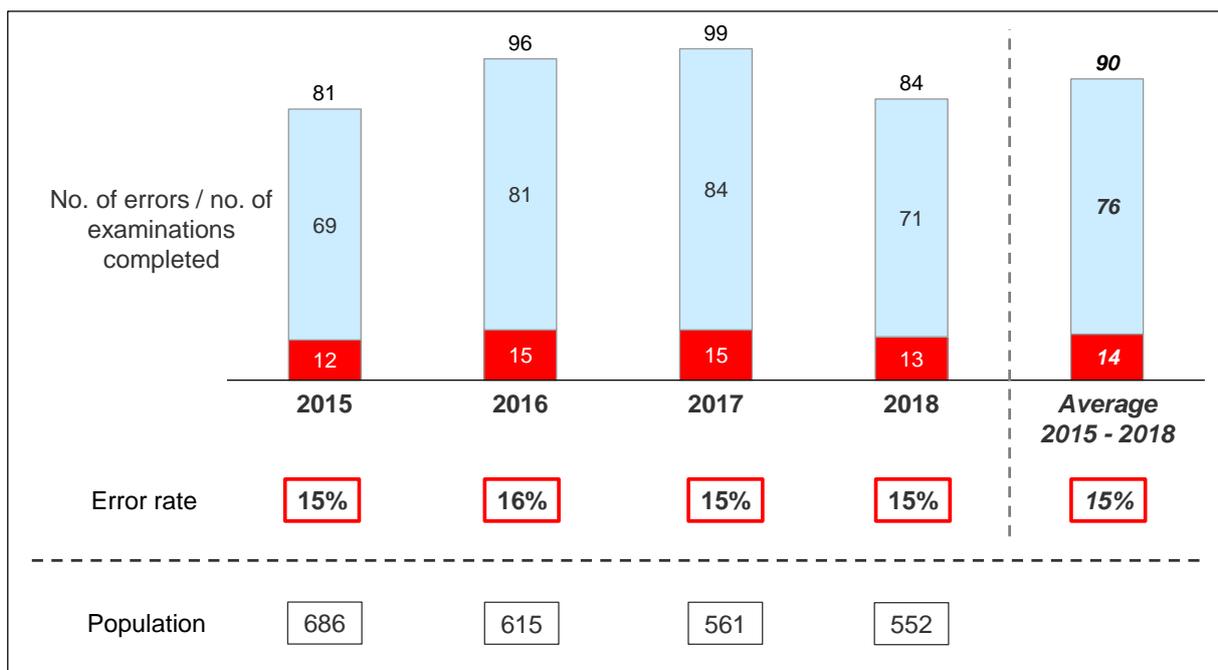


Figure 1: FREP examinations completed, error rate trend, and population

#### Error rate trend

The error rate for the year is the same as the average error rate for the years 2015 to 2018. As in prior years, a normalized error rate – which only required adjustments for examinations confirming previously identified errors in 2018 – was determined to facilitate a more refined presentation and evaluation.

At 12%, the normalized error rate for 2018 was below that of the prior year (14%) (see Figure 2).

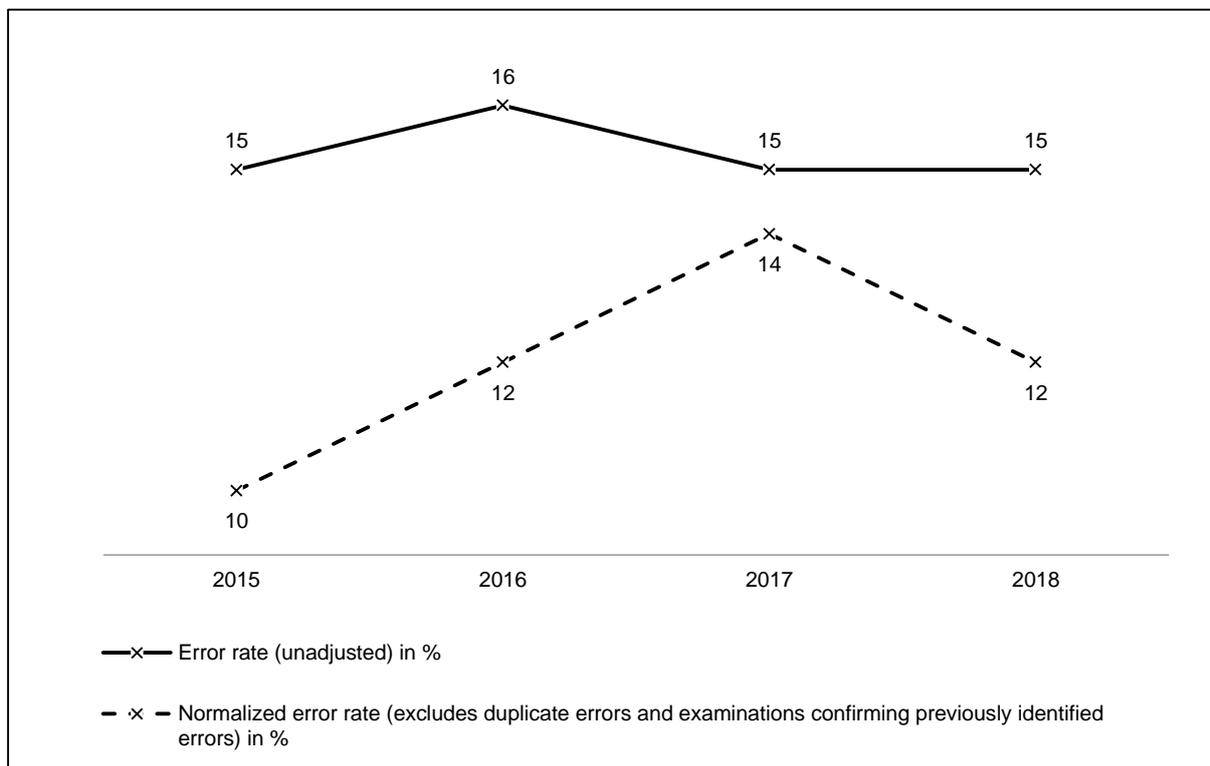


Figure 2: Error rate trend

**Number of examinations**

While the population still included 686 companies as at 1 July 2015, it had decreased to 552 companies as at 1 July 2018 (see Figure 1). The decrease largely relates to companies not included in an index. Of the 160 index companies, 148 (as at 1 July 2018) are subject to the German enforcement regime as a result of the home country principle introduced in 2016.

In order to adhere to the examination cycle specified in the FREP’s selection principles for unlimited scope examinations (index companies are examined every four to five years, non-index companies every eight to ten years), the FREP has to complete approximately 70-90 examinations per year based on the current population. Both the average number of examinations completed in the last four years and the number of examinations completed in 2018 fall within this interval (see Figure 1).

Analysis of examinations completed by type of examination

The examinations completed in 2018 consisted of the following: 80 out of 84 examinations completed were unlimited scope examinations. The FREP also completed three indication-based examinations, including one examination of a semi-annual financial report. One further examination was conducted at the request of the BaFin.

The 11% error rate for unlimited scope examinations was in line with that of the prior year. Since all financial statements subject to an indication- or request-based examination were found to be erroneous, the error rate for these types of examination was higher than in the prior year (see Figure 3).<sup>1</sup>

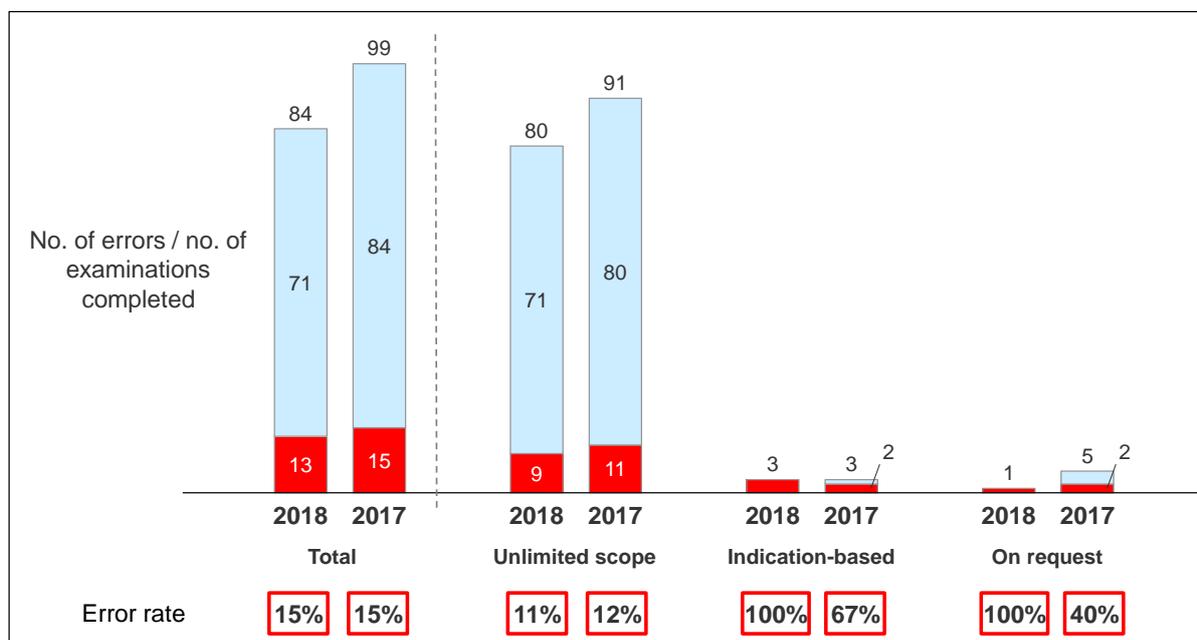


Figure 3: FREP examinations completed by type of examination and error rate

Analysis of indication- and request-based examinations initiated during the year

In 2018, the FREP’s Pre-Review Committee initiated four indication-based examinations of annual financial reports. In three cases, these indication-based examinations were initiated as a result of the work of the FREP’s Media Analysis Committee, which is primarily responsible for analyzing reports in the business press. In addition, during one examination,

<sup>1</sup> During the period from 2015 to 2018, the average error rate for unlimited scope examinations completed was 12%. For indication-based examinations, the average error rate amounted to 63%; for request-based examinations, it was 42%.

the FREP identified indications of a possible error in the annual financial report of a company related to the company being examined. In addition, four examinations were initiated at the request of the BaFin in 2018. One of these examinations was completed this year with a finding that the financial statements that were erroneous; another examination was terminated by the FREP due to a lack of cooperation and subsequently initiated by the BaFin.

Analysis of examinations completed by company size

An analysis of examinations completed by company size (i.e. inclusion in a stock index) indicates that the error rate for index companies of 16% for 2018 considerably exceeds the average of the years 2015 to 2018 (8%). In contrast, the 15% error rate for non-index companies was significantly lower than the average of the past four years (see Figure 4). The index companies whose financial statements were found to be erroneous in examinations completed during the year consisted of one DAX, three SDAX, and two TecDAX companies (before the reform of the stock indexes of Deutsche Börse AG effective 24 September 2018).

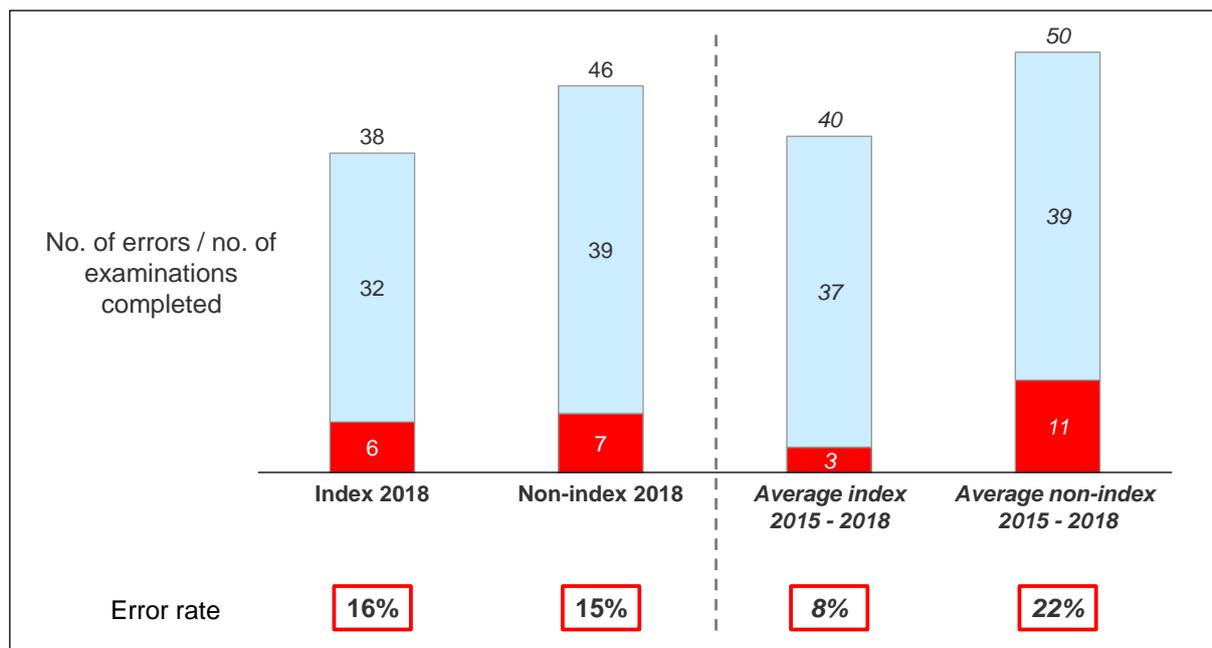


Figure 4: FREP examinations completed by index / non-index (incl. error rate)

**2.2 Types of errors and related analysis**

The errors found in 2018 were again attributable to the following factors:

- Comprehensiveness and application challenges of IFRS with respect to accounting for complex transactions
- Insufficient reporting in the notes and in the management report

First of all, it should be noted that the number of examinations completed in 2018 with errors relating to management reports has declined significantly from prior years. While an average of five infringements were found in the management report in the period 2015 to 2018, in 2018, the management report was found to be erroneous in only one examination (inappropriate discussion in the reports on the company’s economic position, forecasts, and risks). Since the enforcement priorities 2018 included specific aspects of management reports, this can be considered an indication that the FREP’s enforcement priorities help improve the quality of financial reporting.

Figure 5 shows the errors most frequently identified:

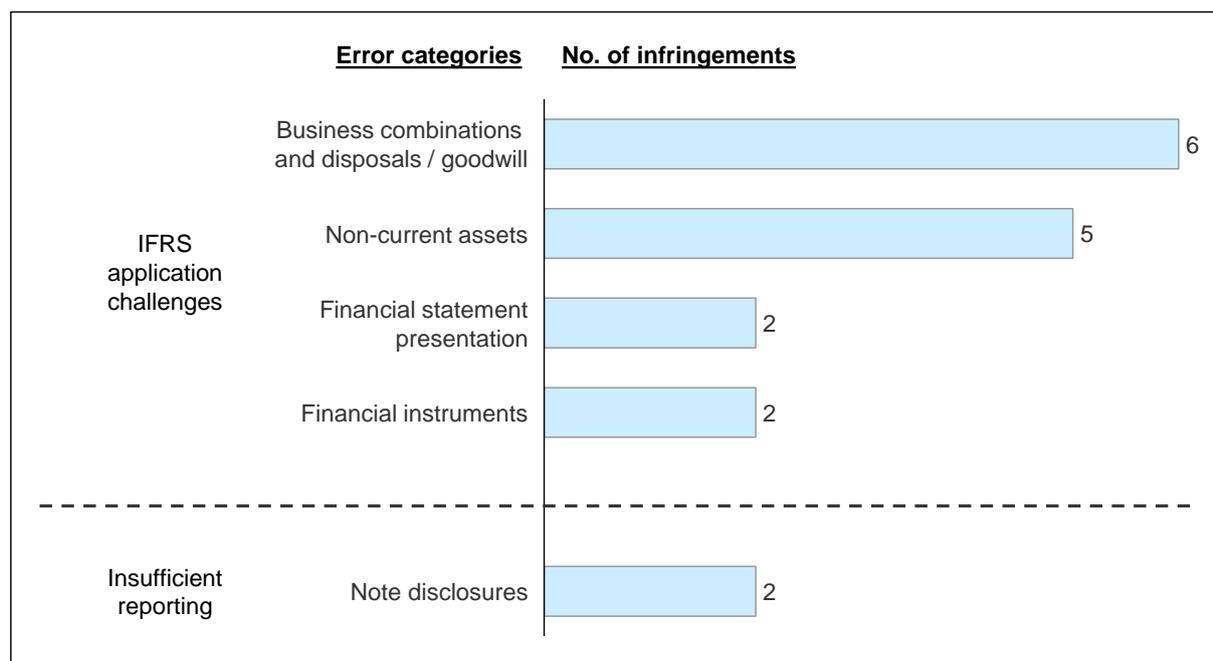


Figure 5: Most common types of errors

Application challenges of certain IFRS with respect to accounting for complex transactions related specifically to the issues of business combinations and disposals / goodwill, non-current assets, financial statement presentation, and financial instruments. Findings of an error in the business combinations and disposals / goodwill category related primarily to purchase price allocations performed inappropriately as well as omitted note disclosures regarding purchase price allocations and the goodwill impairment test. The five infringements relating to non-current assets were mainly due to an erroneous valuation of real estate and erroneous impairment testing of a brand. Findings regarding financial statement presentation included the erroneous presentation of a gain on a bargain purchase in a business combination. In addition, in the financial instruments category, one error was found in the accounting for changes in the amount of a liability for contingent consideration.

Insufficient note disclosures related to, for instance, insufficient disclosures about significant accounting policies.

**2.3 Acceptance rate**

When the FREP finds a financial report to be erroneous, it asks the company involved whether it accepts this finding. Before a decision regarding the finding of an error is made, the company is offered the opportunity to discuss the finding, and most companies accept that offer. The FREP believes that it is important to give companies and their auditors the opportunity to present their views and arguments and to enter into open discussions. The FREP’s representatives in turn explain their rationale for considering the accounting treatment or presentation in the notes/management report to be inappropriate.

In 2018, the acceptance rate was 81% (see Figure 6).

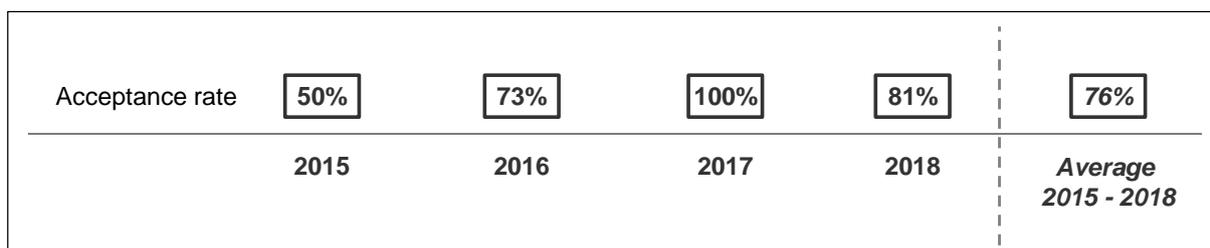


Figure 6: Trend in error acceptance rate

In 2018, the BaFin initiated three examinations because the companies had not accepted the FREP’s finding of an error (prior year: no examinations). The BaFin completed three examinations in this category that had originated in prior years (prior year: two examinations). In one examination (prior year: two examinations), the FREP’s result was confirmed and the error was made public.

Companies refusing to cooperate with the FREP in an examination are subjected to an examination by the BaFin. The BaFin initiated two such examinations and completed three examinations in this category during the year. The finding of an error was confirmed in all three cases completed by the BaFin.

## 2.4 Length of examinations

An analysis of the length of examinations for the years 2015 to 2018 shows that, on average, examinations were completed in 8.4 months (see Figure 7). 82% of examinations were completed within one year, 39% within six months. About 18% of examinations lasted longer than one year. These cases frequently resulted in a finding of an error (46%).

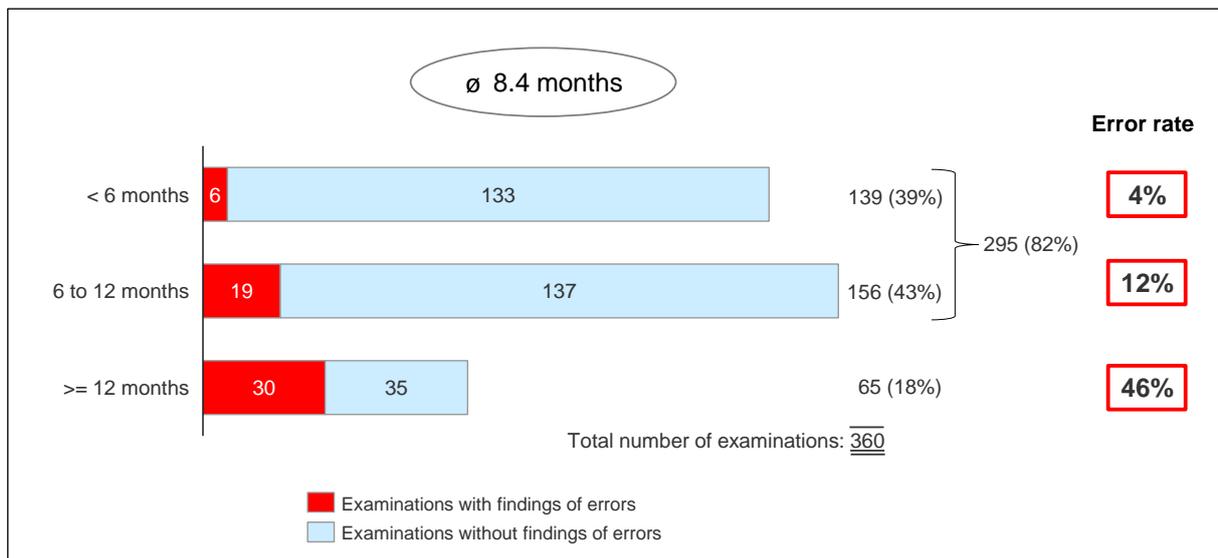


Figure 7: Length of examinations 2015 to 2018

In 2018, examinations lasted an average of 8 months (prior year: 7.5 months).

**2.5 Types of recommendations and related analysis**

As part of its error prevention function, the FREP frequently makes recommendations to companies for future financial reporting purposes during the examination in order to eliminate weaknesses in future financial statements and improve the quality of financial reporting (see chapter 3.1).

Figure 8 shows the most common categories of recommendations:

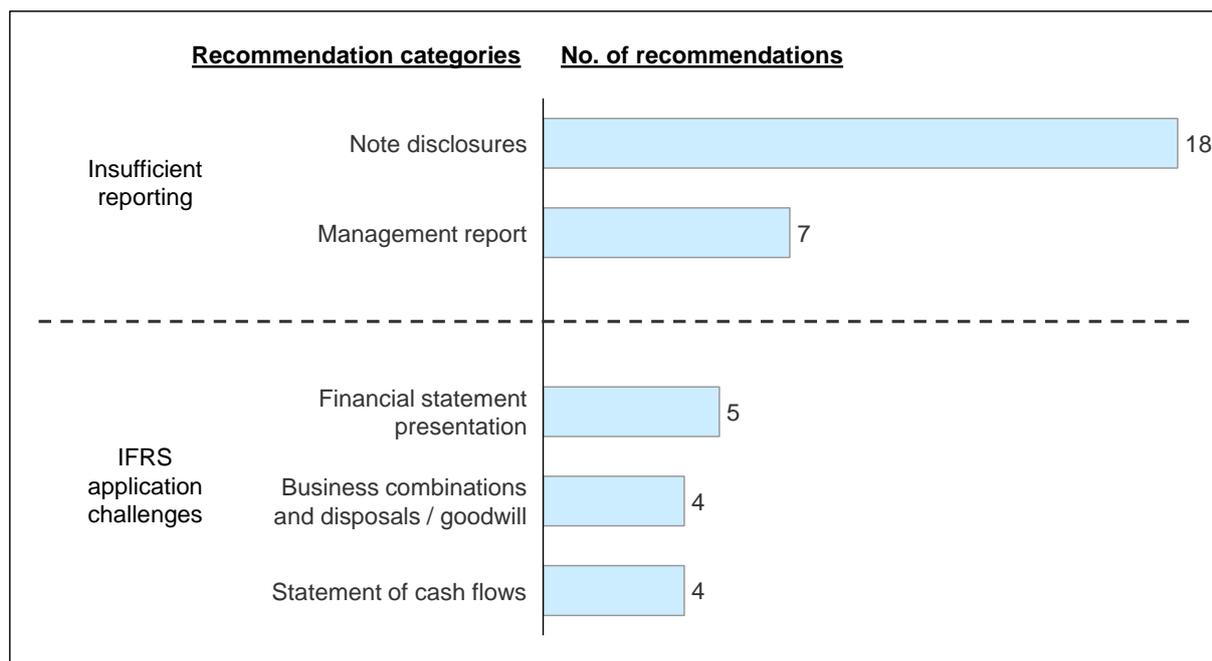


Figure 8: Most common types of recommendations

In 2018, recommendations were primarily attributable to insufficient reporting in the notes and management reports. Insufficient note disclosures were identified, among others, with respect to segment reporting (five recommendations), disclosures regarding the IAS 36 impairment test (four recommendations), and related party disclosures (two recommendations).

Recommendations made regarding management reports included mainly preventative recommendations related to the report on the company’s economic position (three recommendations) and the report on risks (two recommendations).

Finally, application challenges of IFRS were noted with respect to accounting for complex transactions especially in the categories financial statement presentation, business combinations and disposals / goodwill, and statement of cash flows. The financial statement

presentation category was primarily marked by three recommendations regarding the presentation of financial measures on the face of the financial statements. Two recommendations were made in the business combinations and disposals/goodwill category due to inappropriate assumptions used in the IAS 36 impairment test, which did not result in an error, however, due to significant headroom. In two cases, the presentation of cash flows from operating activities in the statement of cash flows gave rise to a recommendation.

## **2.6 Follow-up**

In 2018, the FREP has once more systematically followed up on the correction of errors found in the prior year as well as on the implementation of recommendations made in the prior year based on publicly available information. If a company is no longer subject to the enforcement regime at the time of the follow-up, the follow-up is omitted. Where the FREP was able to determine whether errors found in the prior year were corrected and recommendations made were implemented, it found that the correction or implementation had indeed been made.

The FREP will continue to follow up timely on whether errors are corrected and recommendations are implemented.

## **2.7 Selection principles for unlimited scope examinations**

Once the reform of the stock indexes of Deutsche Börse AG became effective on 24 September 2018, the FREP's selection principles were adjusted to remove the TecDAX from the list of index companies; as a result, the examination cycle of four to five years now only applies to the DAX, MDAX, and SDAX indexes. Firstly, the change is designed to reflect the fact that the relatively short sampling interval is inappropriate for TecDAX companies that are no longer also included in the SDAX due to their low significance to the capital markets. Secondly, it is intended to prevent the potential misunderstanding that TecDAX companies also included in one of the DAX, MDAX, or SDAX indexes (normally the case) are twice as likely to be selected. Following approval by the BMJV and the BMF, the new selection principles became effective on 15 November 2018.

The German-Chinese stock exchange platform CEINEX (China Europe International Exchange) that was started in 2015 led to a further change in the population in 2018. The CEINEX is a joint venture of the Shanghai Stock Exchange, Deutsche Börse, and the China Financial Futures Exchange. The market for D-shares ("D" for "Deutschland" – "*Germany*") is

designed for Chinese blue chips with a clear international stature. If these issuers' only EU listing is on the regulated market in Germany, they mandatorily fall into the enforcement population relevant to the FREP. The first equity issuer headquartered in China with a secondary listing (previously only listed in Shanghai) on the CEINEX became part of the FREP's population in October 2018, joining the 24<sup>2</sup> foreign companies – mainly from the US (eight), Switzerland (seven), and the Channel Islands (four) – that are already subject to enforcement in Germany.

## **2.8 Initial FREP enforcement of CSR reports**

The reporting requirements regarding nonfinancial information that were codified in the HGB to implement the European Corporate Social Responsibility Directive (2014/95/EU) were effective for years beginning after 31 December 2016. In their nonfinancial group declaration<sup>3</sup>, companies are required to provide extensive nonfinancial disclosures on issues including environmental matters, social and employee-related matters, respect for human rights, anti-corruption and bribery, as well as on nonfinancial key performance indicators.

Applying the FREP's "Group management report and group declarations" enforcement priority 2018 enabled the FREP to gain initial insight into the implementation of CSR reporting. The scope of the FREP's examinations of group management reports is generally the same as the auditors' scope.<sup>4</sup> Unlike in other EU member states, this scope solely includes determining whether the nonfinancial group declaration has either been included in the group management report or is available online (with a reference in the group management report) (section 317 (2) sentence (4) HGB).

The FREP's examinations performed in 2018 showed that the CSR reporting requirements apply to approximately half of the companies examined. All companies examined by the FREP in 2018 that were required to report on CSR have prepared and published their nonfinancial group report. All options for presenting the nonfinancial group report allowed by law were used in practice.

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<sup>2</sup> Based on: List of the companies that are subject to enforcement as at 1 July 2018 (source: BaFin).

<sup>3</sup> Per par. 289b HGB, the same reporting requirements apply to stand-alone financial statements. For ease of reading, the terms "nonfinancial group declaration" and "group management report" are used throughout this section.

<sup>4</sup> See BT-Drs 18/11450 (recommendation for a decision and report), pg 46.

### 3 Error prevention

#### 3.1 Overview

In 2018, the FREP once again undertook several error prevention activities to help avoid future errors (see Figure 9).

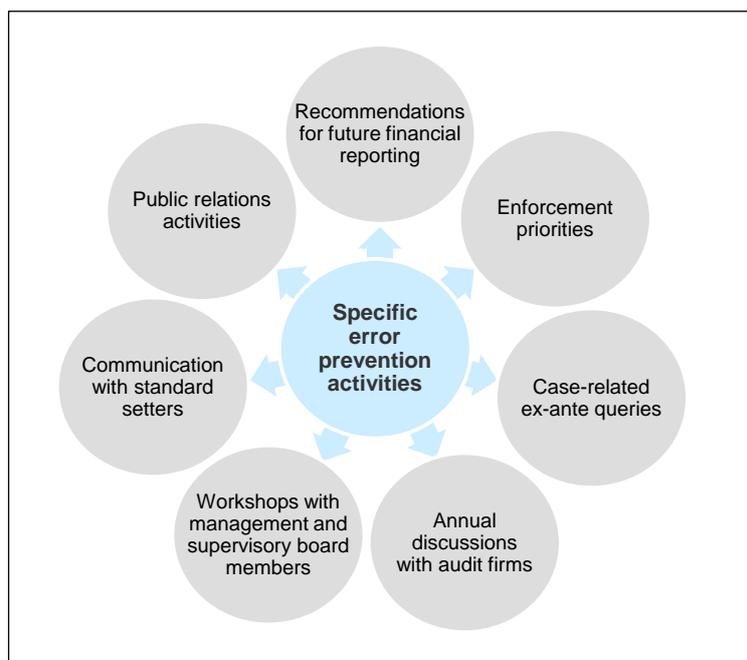


Figure 9: Error prevention activities of the FREP

For instance, the FREP made nearly 50 individual recommendations with respect to future financial statements to companies subject to examinations (see chapter 2.5 for categories of recommendations).

In addition, the FREP announced its enforcement priorities for 2019 in November 2018 in order to give companies and auditors an opportunity to critically review the corresponding accounting issues in depth during the preparation and audit of financial reports (see chapter 3.2 for further detail).

Case-related ex-ante queries represent another error prevention instrument aimed at avoiding errors and providing guidance to companies during financial statement preparation. The case-related ex-ante query, an instrument introduced in November 2009, was utilized

once in 2018; this case was completed during the year (20 cases completed in total since 2009).

Furthermore, the FREP's prevention activities once more included its annual discussions with audit firms in 2018 (see chapter 3.3 for further detail).

Additionally, the FREP met with supervisory board members to share experiences in 2018 (see chapter 3.4 for further detail).

To improve the quality of financial reporting standards, the FREP's preventative instruments include a regular exchange of information with standard setters as well. Under the heading "Current discussions at the IASB from the perspective of the German enforcer", the FREP commented on goodwill impairment testing and the IASB's primary financial statement project at a number of events. In its remarks, the FREP highlighted the financial statement risk posed by continually increasing carrying amounts of goodwill, which would be reduced considerably by amortizing goodwill. The FREP also pointed out that the line items presented on the face of the financial statements should conform to IFRS and should not be affected by management's personal judgement or estimates. In the FREP's view, presenting non-IFRS measures on the face of the financial statements poses a risk to the capital markets' trust in the (highest possible level of) neutrality, comparability, and verifiability of financial information.

Finally, the FREP's preventative measures again focused on general public relations activities (speeches and seminars as well as articles and commentaries) in 2018 (see chapter 3.5 for further detail).

### **3.2 Enforcement priorities for 2019**

As in prior years, the FREP published its enforcement priorities for the following calendar year in the fourth quarter of 2018. These are addressed by the FREP in unlimited scope examinations to the extent they are material.

The following enforcement priorities for 2019 were announced in November 2018:

1. Specific issues related to the application of IFRS 15 Revenue from Contracts with Customers
2. Specific issues related to the application of IFRS 9 Financial Instruments
3. Disclosure of the expected impact of implementation of IFRS 16 Leases

4. Group management report
5. Segment information

The first three enforcement priorities represent the “*European Common Enforcement Priorities*” identified by national enforcers in cooperation with ESMA.<sup>5</sup> Enforcement priorities were selected first with a focus on the new standards IFRS 15 and IFRS 9 that became effective during the previous calendar year and on the disclosure of the expected impact of the implementation of IFRS 16.

The two enforcement priorities “Group management report” and “Segment information” represent the FREP’s national enforcement priorities and were selected in part to complement the examination of IFRS 15. The rationale for this is that the information disclosed in the management report, segment information, and the note disclosures based on IFRS 15, in combination, are essential to gaining a full understanding of a company’s business model, sources of income, and results of operations. Furthermore, these two topics also cover issues that have proven particularly critical or susceptible to error in the past. The details of the FREP’s national enforcement priorities are as follows:

#### **Group management report**

Presentation and analysis of the group’s course of business and earnings appropriate to the size and complexity of its operations (section 315 (1) sentences 1 to 3 of the HGB).

#### **Segment information**

including the following specific issues, taking into account the company’s internal reporting structure:

- Identification of operating segments (IFRS 8.5) and aggregation into reportable segments (IFRS 8.11-8.19) with explanatory disclosures (IFRS 8.22)
- Presentation of segment results, particularly where alternative performance measures are used (IFRS 8.23, IFRS 8.25-8.27)

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<sup>5</sup> Additional issues that may be relevant to European enforcement institutions include disclosures on environmental and climate matters in the nonfinancial declaration, reporting on alternative performance measures, as well as the possible impact of various Brexit scenarios and of the classification of Argentina as a highly inflationary country. The common European enforcement priorities along with detailed explanations can be downloaded from the ESMA website.

- Distinction between information in the “all other segments” category and other reconciling items in the reconciliation (IFRS 8.16, IFRS 8.28)
- Information about geographical areas, separately for the country of domicile and foreign countries (IFRS 8.33), and about reliance on major customers (IFRS 8.34)

### **3.3 Discussions with audit firms**

Each year, the FREP holds discussions with the management boards or managing directors of the five largest German audit firms. In 2018, discussions were also held for the first time with the managing directors of two medium-sized audit firms. The aim of these talks is twofold: to provide insight on the FREP’s activities using specific cases as well as to give the audit firms an opportunity to report on observations and results of past examinations from their point of view. In 2018, discussion topics included errors identified in the most recent round of examinations, issues noted in the financial reports of companies audited by the relevant audit firm, regulatory issues, as well as current developments in the operational and organizational structure of the relevant audit firm.

Once a year, the FREP also holds a discussion with representatives of medium-sized audit firms auditing publicly listed companies via the platform of the IDW. This sharing of experiences is intended to make the FREP’s approach transparent to auditors in order to raise the auditors’ awareness of potential problem areas. In January 2018, the FREP gave a speech at this event discussing the enforcement priorities for 2018 in order to make auditors aware of the associated sources of errors.

**3.4 Sharing experiences with supervisory board members**

An event titled “The significance of the FREP to audit committees” aimed at sharing experiences with the audit committee chairs of index companies was held under the auspices of the Schmalenbach-Gesellschaft für Betriebswirtschaft in Düsseldorf on 12 January 2018. Approximately 25 audit committee chairs had accepted the invitation extended by Prof. Dr. Theo Siegert, chairman of the management board of the Schmalenbach-Stiftung, and Prof. Dr. Bernhard Pellens, vice president of the Schmalenbach-Gesellschaft. As many participants held appointments to multiple supervisory boards, a large number of companies subject to enforcement were represented at the event.

The session was aimed at providing a better understanding of the approach and work of the FREP, including raising the audit committee chairs’ awareness of errors the FREP considers avoidable and identifying areas for improving future enforcement procedures on both sides.

Direct interaction between the supervisory board and the FREP is not legally prescribed; however, the supervisory board represents a key pillar of enforcement along with the auditors and the FREP / BaFin (see Figure 10).

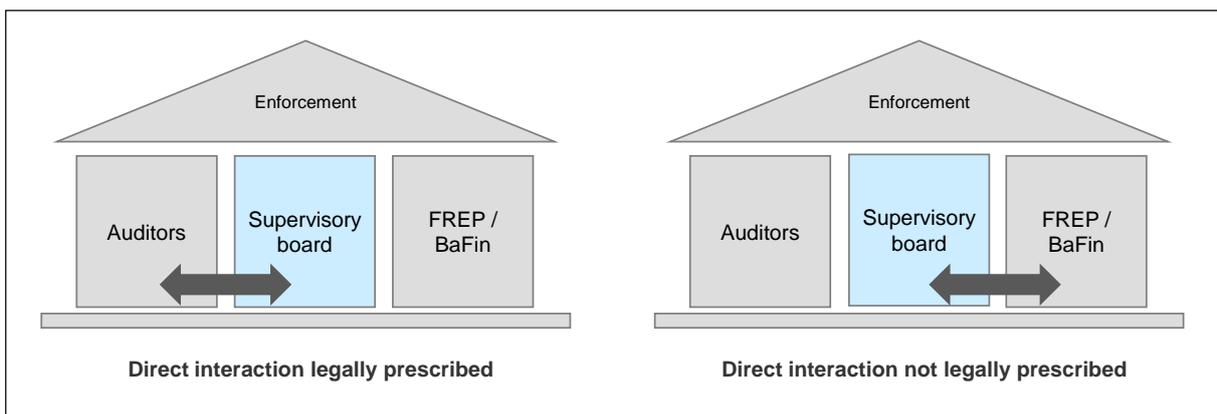


Figure 10: Interaction of the supervisory board in the context of financial reporting

The supervisory board and the FREP review financial reporting at different points in the process: While the supervisory board is required to review the financial information on a continual basis during the preparation process, the FREP performs its examinations selectively and not until after the financial statements have been issued. At the same time, the supervisory board bases its review on at least the same information as the FREP (financial and audit reports); hence, many questions the FREP poses to the company at the start of an examination due to implausibilities or inconsistencies in the consolidated financial

statements could also be posed to the CFO or the auditors by the supervisory board. Therefore, the supervisory board following and taking into account the approach and activities of the FREP in performing its supervisory function contributes to the quality of financial reporting. For that reason, the role of the supervisory board in enforcement was discussed in depth at the experience sharing session.

Regularly sharing information between the FREP and supervisory boards contributes significantly to preventing errors in financial reporting, thus increasing the quality and credibility of financial reports.

### **3.5 Public relations activities**

In 2018, the FREP once again fulfilled the general public relations aspect of its error prevention function by giving speeches and seminars. The Presidential Board, the managing director, and the FREP's members utilized various platforms and technical conferences to provide insight into the FREP's work and approach as well as into technical topics specific to financial reporting. The president, vice president, and managing director as well as the FREP's members gave presentations and participated in discussions at nearly 25 technical conferences, primarily to financial statement preparers, auditors, and supervisory board members.

The speeches dealt mainly with national and European developments in enforcement. Topics of speeches and discussions also included financial reporting issues prone to error, such as the IAS 36 impairment test. In addition, as in prior years, the panel's Presidential Board delivered a speech on the enforcement priorities issued for the following year at the annual "Financial Statement Oversight" conference of Deutsches Aktieninstitut in November 2018.

Furthermore, in 2018, publications and technical articles were published on topics such as the enforcement priorities for 2018, the IAS 36 impairment test, the FREP's selection principles for unlimited scope examinations, as well as the discussion regarding the ever-increasing length of annual reports.

## 4 Developments in Europe

### 4.1 ESMA Corporate Reporting Working Groups

In order to further harmonize enforcement in Europe, ESMA has various Working Groups on Corporate Reporting<sup>6</sup> in which FREP representatives were or became members in 2018 (see Figure 11).

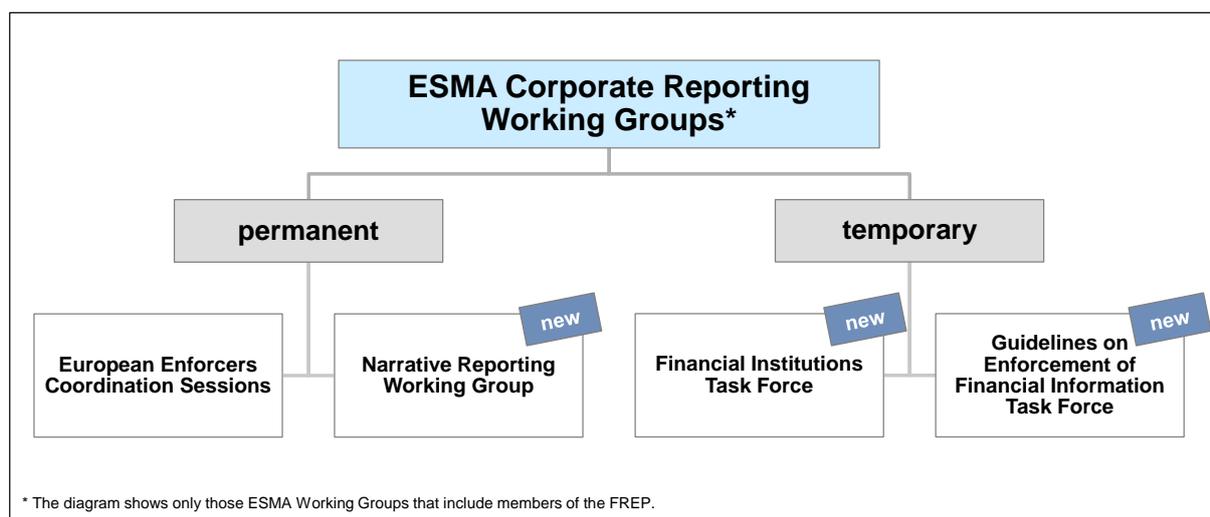


Figure 11: Overview of ESMA Working Groups

These memberships include the FREP’s active participation in the “European Enforcers Coordination Sessions” (EECS), which remained a key component of European cooperation in 2018. The EECS represents a permanent forum for national enforcers and ESMA to discuss IFRS application issues of transnational interest that meets approximately nine times per year. In 2018, the FREP presented, on an anonymous basis, issues in the EECS meetings arising either from ongoing examinations as emerging issues (i.e. before a decision was taken in the national enforcement procedure) or from decisions taken in actual examinations. ESMA makes extracts containing selected decisions of national enforcers discussed at the EECS meetings available to the public. A total of 245 decisions by national enforcers have been published in 22 extracts since 2007; for legal reasons, cases from Germany are not included. In addition to attending EECS meetings, representatives of the

<sup>6</sup> See ESMA: 2018 Work Programme, pg. 10 (issued on 29/09/2017); ESMA: Corporate Reporting Standing Committee (CRSC) – Terms of Reference, pg. 3 (issued on 15/03/2018).

FREP participate or participated in sub-groups of the EECS. These include the “Sub-group of EECS on US GAAP”, which is tasked with dealing with issues arising in connection with examinations of US GAAP financial statements, as well as the “Sub-group of EECS on IAS 12 Income Taxes” that is coordinated by a representative of the FREP. Additionally, one member of the FREP exchanges views on initial application issues regarding the new revenue recognition standard with representatives of other national enforcement institutions in the “IFRS 15 Revenue from Contracts with Customers” working group.

Further, the permanent “Narrative Reporting Working Group” was established in 2018 in order to create consistent, efficient, and effective enforcement practices for nonfinancial information and alternative performance measures, and a member of the FREP participates in this group. This year, initial experiences with the implementation of nonfinancial reporting in various member states were exchanged. Since both the public and politicians, particularly the European Commission, are concentrating on nonfinancial information, ESMA, too, now focuses on enforcing the CSR Directive.

In response to recent developments, two temporary task forces were established in 2018. The “Guidelines on Enforcement of Financial Information Task Force” is working on partially revising the ESMA Guidelines on Enforcement issued in 2014 in light of the results of the 2016 and 2017 ESMA Peer Reviews. Application issues relating to the newly effective financial reporting standard IFRS 9 Financial Instruments and to IFRS 17 Insurance Contracts, which is currently in the endorsement process, are the subject of the “Financial Institution Task Force”. Representatives of the FREP contribute their knowledge and experience to these two task forces as well.

## 4.2 Implementation of two-tier enforcement process in Sweden

Now that Germany and Austria have had a financial reporting enforcement regime consisting of a private organization as well as a government agency with sovereign powers since 2005 and 2013, respectively, Sweden has decided to introduce a two-tier enforcement system as well.

In June 2018, the Swedish parliament adopted the government's proposal to introduce a two-tier enforcement system.<sup>7</sup> The Swedish financial supervisor "Finansinspektionen" has delegated the regime for performing enforcement procedures to the private organization "Nämnden för svensk redovisningstillsyn" effective 9 January 2019.<sup>8</sup>

German legislators had introduced the two-tier system in order to combine the advantages of the purely private Anglo-Saxon enforcement model with the benefits of the purely governmental model common in Continental Europe. Given that the German enforcement model is highly regarded nationally and also received favorable feedback in the ESMA Peer Review, it remains to be seen whether it will be implemented in other countries in the future as well.

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<sup>7</sup> The draft law can be downloaded from the Swedish government's website.

<sup>8</sup> The corresponding press release dated 9 January 2019 can be downloaded from the website of "Finansinspektionen".

## **5 Acknowledgements and outlook**

The FREP was able to continue its work successfully in 2018 and would like to thank the companies examined and their auditors for their willingness to cooperate and for the extensive technical discussions. The FREP would also like to extend its particular gratitude to those who have generously supported it: The members of the FREP association, its Governing Board and Nomination Committee, as well as our advisory group, the responsible bodies at the BMJV, at the BMF, and in particular the BaFin, the ASCG, the audit firms, the IDW, the APAS and the WPK. Special thanks go to the vice president, managing director, panel members, and office staff for their consistently excellent work.

The FREP will continue to focus on prevention-related measures in 2019 in order to improve the quality of financial reporting for the long term.

In the European context, the FREP, together with the BaFin, will continue to work closely with the European enforcers in 2019. As part of these activities, representatives of the FREP will regularly attend the meetings of the various ESMA Working Groups.

Since I was re-elected president of the FREP in November 2018 for the term of office ending in mid-2023, I look forward to another several years in financial reporting enforcement.

Professor Dr. Edgar Ernst  
(President of the Enforcement Panel)

## List of abbreviations

APAS	German Audit Oversight Body ( <i>Abschlussprüferaufsichtsstelle</i> )
ASCG	Accounting Standards Committee of Germany ( <i>Deutsches Rechnungslegungs Standards Committee e. V.</i> )
BaFin	Federal Financial Supervisory Authority ( <i>Bundesanstalt für Finanzdienstleistungsaufsicht</i> )
BMF	Federal Ministry of Finance ( <i>Bundesministerium der Finanzen</i> )
BMJV	Federal Ministry for Justice and Consumer Protection ( <i>Bundesministerium der Justiz und für Verbraucherschutz</i> )
CEINEX	China Europe International Exchange
CFO	Chief Financial Officer
CSR	Corporate Social Responsibility
EECS	European Enforcers Coordination Sessions
ESMA	European Securities and Markets Authority
EU	European Union
FREP	Financial Reporting Enforcement Panel ( <i>Deutsche Prüfstelle für Rechnungslegung DPR e. V.</i> )
HGB	German Commercial Code ( <i>Handelsgesetzbuch</i> )
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IDW	Institute of Public Auditors in Germany ( <i>Institut der Wirtschaftsprüfer e. V.</i> )
IFRS	International Financial Reporting Standards
US GAAP	United States Generally Accepted Accounting Principles
WPK	German Chamber of Public Accountants ( <i>Wirtschaftsprüferkammer KöR</i> )