

## **Introduction**

The Certified Public Accountants and Auditing Oversight Board (CPAAOB) conducts examinations and inspections etc. (monitoring) of audit firms from the viewpoint of safeguarding the public interest and protecting investors, in order to improve the quality and ensure the reliability of audits performed by certified public accountants (CPAs).

This report is aimed not only at audit and accounting specialists, but also market participants as well as ordinary readers such as students and working people. We have published it for the purpose of promoting understanding across our society of the importance of audits by providing easy-to-understand and relevant information that is centered on the circumstances and results of the CPAAOB's monitoring activities but also encompasses the current state and changes in the environment surrounding the audit sector.

Since the CPAAOB launched publishing this type of report under the title "Monitoring Report" in July 2016, we have updated the data on audit firms and audited companies, and also made revisions, such as adding the latest information obtained through the CPAAOB's monitoring activities.

The CPAAOB releases the "2024 Monitoring Report" compiled incorporating achievements and so forth of monitoring in the program year 2024 (from July 2023 through June 2024).

The CPAAOB has recently reviewed the content of the "Activities of the Certified Public Accountants and Auditing Oversight Board" from the perspective of facilitating and streamlining the acquisition of information by readers. Accordingly, information related to examination and inspection of audit firms, which had been included only in the "Activities of the Certified Public Accountants and Auditing Oversight Board", is now included in the Monitoring Report.

(Composition of the Monitoring Report and major revisions for the 2024 version)

### I. Overview of the Audit Sector

This part presents the overview of CPAs, audit firms, and audited companies. We have added the status of audit firms' responses to the revised Standard on Quality Control of Audits.

### II. Monitoring by the CPAAOB

This part presents a whole picture of CPAAOB's monitoring including inspection. In addition to updating information related to monitoring, we have elaborated the Basic Plan for Monitoring Audit Firms and so forth in the program year 2024.

### III. Operation of Audit Firms

This part presents the structure of audit firms and their operation, including the status of digitalization of audit and group audit. This part also presents the status of changes of accounting auditors and variations of audit fee.

### IV. Responses to Changes in the Global Environment Surrounding Audits

This part presents the changes of regulations and institutions caused by recent movement of audit environment. We have described the changes related to small and mid-sized audit firms whose responsibility as auditors of domestic listed companies became more significant recently. We have also described the movement of the disclosure and assurance of sustainability.

To improve the audit quality, the CPAAOB considers it important to spur interest and raise awareness of

accounting auditing among not only market participants, such as auditors or investors but also people on a broader basis. We welcome your comments and requests to further improve the content of our monitoring report.

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