

Recommendations from the Advisory Council on the Systems of Accounting and Auditing

【Objective】

【Measures】

【Descriptions of Measures】

Reinforcing Management of Audit Firms

Audit Firm Governance Code

Development of Principles for Organizational Operation of Audit Firms (ex. Leadership to Ensure Exercising Professional Skepticism, Operation and Supervision, Education, Personnel Allocation, Evaluation)

Disclosures of Compliance Status of Audit Firm Governance Code

Improving Environment for Increasing Number of Audit Firms Conducting Audits of Large Listed Companies

Enhancement of Audit Quality of Major/Second-tier Audit Firms by Introducing Governance Code

Continuous Dialogue between Regulatory Authorities and Major/Second-tier Audit Firms (Establishment of Consultative Body)

Enhancing Disclosures Regarding Audit by Companies

Enhancement of Disclosure Contents Regarding Audit in Annual Securities Reports

Enhancing Provision of Information Regarding Audit to Shareholders and Others

Enhancing Provision of Information Regarding Contents of Audit

Enhancement of Provision of Information by Audit Firms (ex. Provision of Information Regarding Governance Structure, Operational Status)

Increase in Transparency of Auditor's Report (Description of Risks of Material Misstatement focused in Audit)

Development of Indicators Evaluating Audit Quality (Audit Quality Indicators: AQI)

Enhancement of Provision of Information Regarding Reasons for Replacement of Auditors

Enhancement of Provision of Information Regarding Monitoring by Certified Public Accountants and Auditing Oversight Board (CPA AOB) (Preparation and Disclosure of Monitoring Reports)

Strengthening Ability to Detect Corporate Fraud

Strengthening Individual CPAs' Ability and Exercising Professional Skepticism as an Organization

Enhancement of Educational Training for Addressing Fraud, Encouraging Acquisition of Fraud-related Qualifications or Temporary Transfer to Business Companies, and Strengthening of On-the-Job Training through Communications within Audit Team

Conducting Audits Focusing on Risks of Fraud

Thorough Implementation of Auditing Standards, Standards to Address Risks of Fraud in an Audit, and Quality Control Standards for Audits

Ensuring Independence of Audit Firms

Conducting Investigation on Audit Firm Rotation System

Assessing Audit Quality from Viewpoints of Third Parties

Enhancing Inspection/Oversight by Regulatory Authorities

Improvement of Timeliness and Effectiveness of Inspection by CPA AOB

Consideration of Appropriate Division of Roles between Inspection by CPA AOB and Quality Control Review by JICPA

Verification of Oversight Framework of Audit Firms

Enhancing Self-regulatory Function of Japanese Institute of Certified Public Accountants(JICPA)

Re-examination of Effectiveness of Quality Control Review

Enhancement of Self-regulatory Function

Re-examination of Way of Educational Training

Improving Environment for High-Quality Audit

Strengthening Corporate Governance of Companies Regarding Audit

Development of Standards for Appointment and Evaluation of Auditors by Companies under Japan's Corporate Governance Code

Efforts by Companies to Ensure Adequate Audit (ex. Ensuring of Independence and Effectiveness of *Kansayaku* board/Audit Committee Members, Strengthening of Cooperation with Auditors, Ensuring of Adequate Time for Audit, Way of Deciding Audit Fees)

Ensuring Effective Internal Controls in Companies

Verification of Operations and Effectiveness of Internal Control Report System

Utilizing IT in Audit

Continue to Consider by JICPA

Others

Consideration of Examination System, Professional Accountancy Education Program, etc.