

## **Introduction**

The Certified Public Accountants and Auditing Oversight Board (hereafter “CPAFOB”) 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 CPAFOB’s monitoring activities but also encompasses the current state and changes in the environment surrounding the audit sector.

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

The CPAFOB releases the "2023 Monitoring Report" compiled incorporating achievements and so forth of monitoring in the program year 2022 (from July 2022 through June 2023).

(Composition of the Monitoring Report and major revisions for the 2023 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 CPAFOB**

This part presents a whole picture of CPAFOB’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 2023.

### **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 .In addition to updating data concerning the operation of audit firms, we have added the amendments to Audit Firm Governance Code.

### **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 CPAFOB 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.