

II. Monitoring by the CPAAOB

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A. Overview of System and Situation with Implementation

1. Legal Position of the CPAAOB

The CPAAOB is an administrative body¹³⁶ serving as a council that was established in April 2004 in accordance with Article 35-1 of the CPA Act and Article 6-2 of the Act for Establishment of the Financial Services Agency. It comprises a chairperson and a maximum of nine members (who serve three-year terms). Although the members are part time, one full-time member can be appointed.

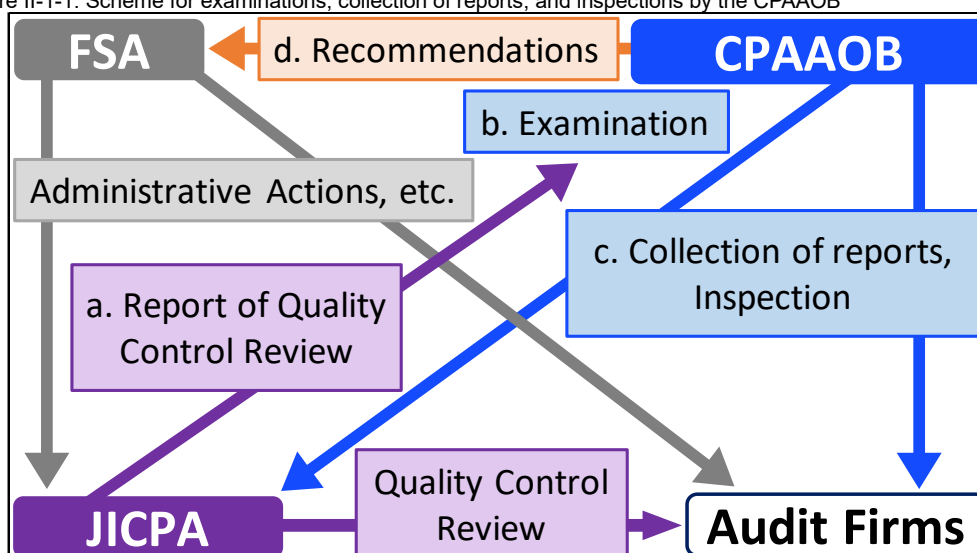
The CPAAOB receives and examines reports concerning Quality Control Reviews by the JICPA, collects reports from and conducts inspections of the JICPA and audit firms etc. Based on the results of inspections etc., the CPAAOB recommends administrative actions or other measures to the FSA Commissioner when necessary.

2. Overview of Examinations, Collection of Reports, and Inspections by the CPAAOB

Figure II-1-1 shows the relationship between examinations, collection of reports, and inspections by the CPAAOB on the one hand, and the JICPA Quality Control Reviews, the FSA's administrative actions, etc. on the other.

Based on the JICPA Quality Control Review reports (a), the CPAAOB assesses whether the JICPA has carried out the Quality Control Reviews properly and whether the audit firms have properly performed its audit services (b), and collects reports from the JICPA, audit firms, etc. and conducts inspections when deemed necessary (c). If it finds it to be necessary as results of inspections, the CPAAOB recommends administrative actions or other measures to the FSA Commissioner (d).

Figure II-1-1: Scheme for examinations, collection of reports, and inspections by the CPAAOB



⁶ Appointed by the Prime Minister with the consent of both houses of the Diet from persons with an understanding of and insight concerning matters relating to CPAs

3. Report of JICPA Quality Control Review

The JICPA is an organization of CPAs in Japan established in accordance with Article 43 of the CPA Act. To maintain the integrity of its member CPAs and audit firms and improve/promote audit and attestation services, the JICPA provides guidance to, liaises with, supervises its members. The JICPA also registers CPAs and specified partners, and operates the registration system for listed company auditors (i.e., reviews whether or not to permit registration and cancellation of registration, registration on the list of listed company auditors, etc.).

The Quality Control Reviews are conducted by the JICPA to maintain/improve suitable qualitative standards for audit services and to ensure public trust in audits. More specifically, the JICPA reviews the administration of audit engagements conducted by audit firms, reports results to the audit firms and, when necessary, recommends improvements and monitors the status of improvements⁷.

Quality Control Reviews were introduced by the JICPA in FY1999 as self-regulations, and in 2003 a revision to the CPA Act made it mandatory for the JICPA to conduct reviews of the administration of audit and attestation services by audit firms and report its findings of these reviews to the CPAAOB.

The JICPA regularly submits to the CPAAOB monthly and annual reports and updates the status of Quality Control Review as needed. The specific information reported is as follows:

- a. Plan of Quality Control Review
- b. Details on any deficiencies observed during the Quality Control Review and the audit firms' perspectives
- c. "Quality Control Review Reports" and "Recommendation for Improvement Reports" provided by the JICPA to audit firms based on review findings
- d. Specific measures based on review findings of the Quality Control Review (warnings, severe warnings, recommendation to withdraw from audit engagements)
- e. "Remediation plan on Quality Control Review" prepared by the audit firm and submitted to the JICPA

Quality Control Reviews evaluate the audit firms' systems of quality management by means of the extent to which the systems have made progress as well as how effective the systems have been in place. Specifically, they confirm whether their systems of quality management (all policies and procedures for quality management pertaining to audit, including quality management procedures relevant to audit engagements) have been suitably and sufficiently developed in compliance with quality management standards⁸, and whether the system of quality management is operating effectively.

Domestic Quality Control Standards and Quality Control Standards Statements were revised in response to the revision of international quality management standards, and the JICPA is now responsible for confirming the design and operation of audit quality systems, including risk assessment

⁷ For details concerning quality control reviews, see the JICPA website and the annual report from the Quality Control Committee.

⁸ The provisions of the CPA Act and other laws and regulations, auditing criteria, correspondence criteria for addressing fraud risks in auditing, quality management criteria related to auditing, the JICPA's rules and regulations, which are related to audit quality management.

systems implemented by audit firms, such as setting audit quality objectives, recognition, evaluation, and handling of quality risks.

In addition, Quality Control Reviews comprise regular reviews, which are conducted on the overall quality management of an audit firm, special reviews on quality management related to the audit firm's specific sector or audit service, and "Review for the examination of registration" conducted for applicants for the auditors of listed companies under the Registration System of Auditors of Listed Companies (Introduced as a legal registration system due to the revision of the CPA Act in May 2022 (effective from April 2023)).

With the introduction of the Registration System for Auditors of Listed Companies, the JICPA is responsible for "confirmation of the eligibility" of auditors of listed companies and the applicants during the Quality Control Review. In the process of conducting Quality Control Reviews, the JICPA checks whether auditors of listed companies fulfill their obligations for system development set forth in the Ordinance for Enforcement of the CPA Act. With regard to the system for publishing the evaluation results of the status of quality management of services, if such publication has not been conducted, or if the published matters are significantly different from the actual situation, the JICPA will consider revoking or rejecting the registration. And if an extremely significant deficiency or a significant deficiency is found as a result of a Quality Control Review, and a recommendation to decline is made, the auditor is subject to examination for revocation of registration.

In addition, to improve its Quality Control Review system, the JICPA plans to increase reviewers over three years from FY2023, and to enhance reviewers' qualities and knowledge, which are necessary for examining audit firms' operation management system including information disclosure system, through educational program for reviewers. It will also take effort to recruit and cultivate sufficient reviewers through formulating reviewers' career plan.

In FY2024, there was a total of 43 reviewers (as of June 1, 2024) who conducted regular reviews of 56 audit firms and "the review for the examination of registration" for 21 audit firms.

4. Examination

a. Overview

The CPAAOB receives Quality Control Review reports from the JICPA, and then reviews the reports to examine the appropriateness of these Quality Control Reviews and audit services performed by the audit firms. More specifically, the CPAAOB confirms the context of Quality Control Reviews and the instruction to audit firms on necessary remediation measures, and analyses the findings of Quality Control Reviews as well as the details of remediation plans submitted to the JICPA. In addition to considering the need for inspection and collecting reports in light of the outcomes of the analysis, the CPAAOB engages in exchanges of opinions with the JICPA concerning matters such as the effectiveness of Quality Control Reviews. Still, the CPAAOB also utilizes information from the relevant FSA departments, relevant organizations, etc. on the occasion of the examination.

b. State of implementation of examinations and results

In PY 2024, the CPAAOB examined the results of the Quality Control Reviews that the JICPA conducted in FY 2024 and that were submitted to the CPAAOB by the end of May. The summary of the review results is as follows:

i. FY2024 Quality Control Reviews

Regarding the regular reviews, no significant deficiencies were confirmed at 45 audit firms, while significant deficiencies were observed at six audit firms, and extremely significant deficiencies were observed at one audit firms. (Figure II-1-2).

Figure II-1-2: FY2023 Quality Control Reviews (unit: audit firms)

Classification	Reviewed parties	Conclusions			Recommendations for improvement	
		Conclusion finding no significant deficiencies	Conclusion finding significant deficiencies	Conclusion finding extremely significant deficiencies	Yes	No
Audit firms	41	37	4	0	39	2
Partnerships	1	1	0	0	1	0
Solo practitioners	10	7	2	1	11	0
Total	52	45	6	1	50	2

(Note1) Conclusion finding significant deficiencies is declared when there is significant concern about serious compliance violations of standards as well as laws and regulations applicable to an audit firm as a professional expert in the development and management of its quality control system.

(Note2) Conclusion finding extremely significant deficiencies is declared when there is significant concern about extremely serious compliance violations of standards as well as laws and regulations applicable to an audit firm as a professional expert in the development and management of its quality control system.

(Note3) Even if declaration finding no significant deficiencies is declared to an audit office, a recommendation for improvement is issued where an issue worthy of a recommendation for improvement is observed.

(Source) Prepared by the CPAAOB based on data from the JICPA.

In FY 2024, Quality Control Reviews (reviews for the examination of registration) were conducted 18 audit firms with no significant deficiencies and 2 audit firms with very significant deficiencies.

ii. Examination of FY2024 Quality Control Reviews

The following examinations and analysis were conducted on Quality Control Review reports from the JICPA to verify the appropriateness of its reviews.

- Confirmation of policies for Quality Control Reviews in FY2024 and efforts toward improvements, as well as verification of the status of implementation of audit engagements subject to review
- Identification of significant deficiencies or extremely significant deficiencies identified as a result of Quality Control Reviews of audit firms and analysis of items and contents of specific deficiencies identified during Quality Control Reviews

- Analysis of specific deficiencies identified in Quality Control Review reports and instruction for improvements to examine whether the JICPA has effectively prompted audit firms for fulfillment

As a result of the above-mentioned examinations, the following were identified in Quality Control Reviews in FY2024.

- When drafting the Quality Control Review plan, the number of site visit days and reviewers were increased in order to conduct the confirmation of eligibility in accordance with the introduction of the registration system for auditors of listed companies. In addition, even after the Quality Control Review started, the Quality Control Review plan was flexibly changed in response to changes in circumstances.
- In regular reviews, the "Guidelines for Confirmation of Eligibility of Audit Firms Conducting Audits of Listed Companies, etc." has progressed, and the average number of issues and findings identified per audit firm conducting audits of listed companies has decreased significantly, compared to FY2023. In addition, the average number of findings per audit engagement at small and medium-sized audit firms has also decreased. Both figures have come to around the same level as FY 2022.

With the introduction of a statutory registration system for audits of listed companies, the JICPA has sought to strengthen its supervisory function of Quality Control Review as part of its efforts to provide high level of discipline to audit firms conducting audits of listed companies, etc.

In the FY 2024 Quality Control Reviews, the "Guidelines for Confirmation of Eligibility of Audit Firms Conducting Audits of Listed Companies, etc." has progressed, and the number of quality control-related issues has decreased significantly. The CPAAOB will continue to confirm the effectiveness of Quality Control Reviews.

As for the quality management area of the Quality Control Review, many findings were related to fostering a culture that emphasizes audit quality, setting additional quality objectives, requirements for the responsible person of quality management, length of time to conduct quality management activities, information security, wrap-up of audit files and management and retention of audit work papers, and formulation of policies and procedures regarding consultation on difficult or contentious matters, etc. In the area of audit engagements, there tend to be many deficiencies related to the audit of accounting estimates, and identifying, assessing and addressing the risk of material misstatements including fraud risk.

5. Collection of Reports

a. Overview

The CPAAOB may collect reports from the JICPA or audit firms when necessary. To ensure and enhance audit quality at all audit firms in Japan with limited inspection resources at its disposal, it is necessary that the CPAAOB continually understands challenges that audit firms are facing

with effective use of collection of reports. In this view and the perspective of promoting audit firms to develop proper operation management system and quality control system (hereafter “operation management system etc.,” the CPAAOB wields collection reports regarding the status of development and implementation of operation management system etc. (including the status of implementing measures of improvement) in audit firms considering their scale and characteristics, the results of the CPAAOB inspections and JICPA's Quality Control Reviews.

i. Collection reports for large-sized and mid-tier audit firms

In the case of large-sized audit firms and mid-tier audit firms, the CPAAOB periodically analyzes quantitative and qualitative information concerning their operation management system etc. so as to contribute to further effective inspection. Particularly, it collects information related to the status of development and implementation of operation management system etc. under effective governance and efficiently functioning management (including the efforts to optimize operations such as developing audit methods utilizing digital technology and the efforts to develop and secure human resources). It also understands the actual status of measures regarding cybersecurity.

Further, it utilizes the information through the collection reports to perform comparative analysis of audit firms and to identify sector-wide issues, etc.

With regard to large-sized audit firms, the CPAAOB basically conducted inspections (regular inspections) once every two years, and in the following program year, follow up on these inspections (verifying the status of improvements in issues pointed out in inspections conducted in the previous program year. For details, see [“II. CPAAOB Monitoring, 6. Inspections, b. State of implementation of inspections, i. Recent conduct of inspections”](#)). In principle, follow-up shall be conducted through collection of reports but may be conducted through inspections based on the results, etc. of regular inspections conducted in the previous program year.

ii. Collection of reports from small and medium-sized audit firm, partnership and solo practitioner

In the case of small and medium-sized audit firm, partnership and solo practitioner, the CPAAOB selects firms partly based on the results of Quality Control Reviews. It then gathers and analyzes information about measures taken to address issues pointed out amid Quality Control Reviews, their operations management system, their quality control system, and so on. Furthermore, in many cases, as small and medium-sized audit firms are especially influenced by the CEO, it understands CEO's awareness towards the current status of audit quality and efforts for improvement. And it conducts hearings as necessary.

iii. Collection reports for small and medium-sized audit firm, partnership and solo practitioner (follow-up after notification of inspection results)

With regard to problems notified as results of inspections to small and medium-sized audit firm, partnership and solo practitioner, the CPAAOB understands the progress of improvement through collecting reports and facilitates audit firms' voluntary improvements after a set period

of time. It also conducts hearings as needed.

iv. Collection reports for audit firms in need of particularly immediate remediation

As a result of inspection, where the overall rating of the firm's business administration is "Unsatisfactory and in need of immediate remediation in operations management system, etc. (Overall rating 4)," the CPAAOB wields collection reports at the time of the notification of the inspection results and prompt the firms to make improvements (for information about overall ratings, see "[7. Notification of Inspection Results](#)").

b. Implementation

i. Collection of reports from large-sized audit firms and mid-tier audit firms

In PY2024, the CPAAOB collected reports from all large-sized and mid-tier audit firms in order to review their operations management system including items such as the status of response to the revised quality control standards, their process of acceptance and termination of audit engagements, the status of audit tools utilizing digital technology, assurance related to non-financial information including sustainability information, measures towards abolition of quarterly disclosure system, and the status of providing audit services to IPO preparing companies.

In PY 2024, the CPAAOB conducted follow up on one of the large-sized audit firms by collecting reports, and confirmed their measurements to make improvements in response to deficiencies pointed out during regular inspections.

ii. Collection of reports from small and medium-sized audit firms, partnership and solo practitioner

In PY2024, reports were collected from 52 small and medium-sized audit firms, selected mainly based on the results of Quality Control Reviews in PY2023. The reports contained items related to improvement recommendations issued by Quality Control Review, matters related to operations management system, matters concerning the quality control environment, matters concerning audit engagement, design and operation of a quality control system in compliance with the Revised Standards, the status of compliance with the revised code of ethics, matters related to audit methods using digital technology, the status of practical measures and responses for the abolition of the quarterly report system, the status of assurance service related to non-financial information, and the status of providing audit services to IPO preparation companies, etc.

Of the 52 firms, 8 firms (those with a relatively large number of items requiring improvement, a large number of new audit engagements with listed companies, and audit risks of audited companies that require attention) were interviewed individually, either in person or remotely, from the perspective of encouraging them to voluntarily ensure and improve audit quality. In order to hold in-depth discussions, inspectors also participated in the hearings.

During the interviews, in light of the circumstances surrounding small and medium-sized audit

firms, the CPAAOB sought to encourage them to establish quality control practices that ensure appropriate audits. While conveying the CPAAOB's awareness of these issues, the CPAAOB focused on asking questions about audit firms' quality control systems, including their responses to the results of Quality Control Reviews, the management policy of the CEO, the development and operation of the governance environment, recruitment and training policies, and responses to revisions to audit standards, and so forth.

The results of interview will be used as important reference for such as the future inspection.

iii. Collection of reports from small and medium-sized audit firms etc. (follow-up after notification of inspection results)

In PY2024, among small and medium-sized audit firms etc. that had been notified of inspection results by the CPAAOB in past program years, no audit firms were required to monitor the status of their response to the notified problems, and therefore, the CPAAOB did not collect reports after a certain period of time has passed since the notification of inspection results. However, if the overall rating of an audit firm's operations management system is "Unsatisfactory due to presence of significant deficiencies that need to be fixed" as a result of the inspection in PY2024, the CPAAOB plans to follow up with the audit firm after notifying the inspection results.

iv. Collection of reports from audit firms in need of particularly urgent remediation

In PY2024, six firms assessed as "unsatisfactory and in need of immediate remediation" as results of inspections conducted in PY2020 and PY2022 continually reported the status of their improvements. Also, two firms assessed as "unsatisfactory and in need of immediate remediation" as results of inspections conducted in PY2023⁹ and PY2024 submitted their reports simultaneously with the notification of inspection results. These firms include those that were found to have the following issues:

- The firm lacks awareness of the need to improve audit quality, and has not demonstrated leadership in establishing an effective and systematic operational control management to ensure appropriate audit quality.
- The firm has relies on the competence and responsibility of each executive partner to ensure audit quality in each individual audit engagement, and a leadership has not been demonstrated in maintaining and improving audit quality throughout the firm.
- The firm lacks awareness to foster a culture that emphasizes audit quality and to establish an effective and systematic operations management including quality control, such as insufficient awareness to comply with professional ethics and internal rules.
- The firm lacks awareness of sincere efforts to maintain and improve audit quality, and does not exercise leadership in ensuring an appropriate level of audit quality throughout the firm.

⁹ Refers to inspections conducted in PY 2023 for which inspection results were notified in PY 2024.

- The firm does not understand that, in order to maintain audit quality at an appropriate level, it is necessary to conduct rigorous operational control in accordance with internal rules and to strictly comply with audit standards, including quality control standards.

6. Inspections

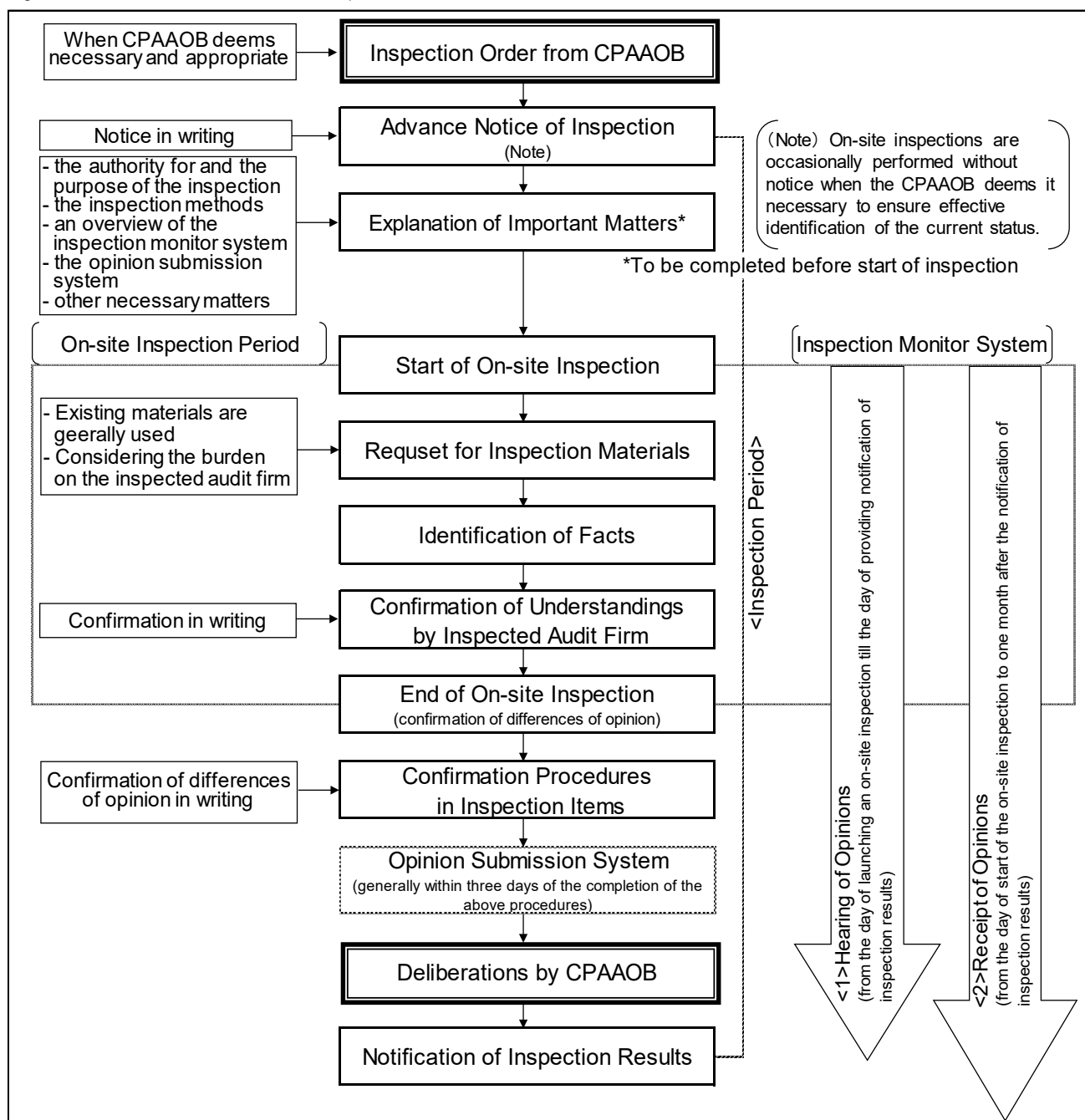
a. Overview

When deemed necessary and appropriate for the public interest or the protection of investors as the result of 4. or 5. above, the CPAAOB inspects audit firms (Article 49-3-2 of the CPA Act). Furthermore, when deemed necessary for ensuring the proper administration of the JICPA, the CPAAOB also inspects the JICPA (Article 46-12-1 of the CPA Act).

Basic matters concerning the CPAAOB's inspections, procedures for inspections, the handling of inspection results, etc. are prescribed in the "Basic Guidelines on Inspections Conducted by the Certified Public Accountants and Auditing Oversight Board" (lately revised in June 2024).

The standard workflow on inspections for audit firms in accordance with the Basic Guidelines is depicted below (Figure II-1-3).

Figure II-1-3: The standard workflow for inspections



The following is an explanation of the main components of the standard workflow:

i. Inspection order from the CPAAOB

The CPAAOB issues an order to inspectors to inspect an audit firm.

ii. Explanation of important matters

Before the on-site inspection, the inspectors explain to the responsible person at the audit firm the authority for and the purpose of the inspection, the inspection methods, an overview of the inspection monitor system and the opinion submission system, and other necessary matters.

iii. On-site inspection¹⁰

Generally, the inspectors visit the audit firm and inspect its operations management system, system of quality management, and audit engagements. The audit engagements inspected are selected based on the size of the audit firm, the key points of the basic plan on monitoring, and the audited company's audit risks.

Inspectors examine whether the audit firm's procedures on quality management comply with regulations, auditing standards and quality control policies established by the audit firm through the inspection of books, records and other materials and interviews of the audit firm's executives and staff.

Furthermore, inspectors obtain confirmation of facts and background information (findings) identified during the inspection in writing from the responsible person at the audit firm.

Since FY2020, the CPAAOB has used remote inspections, such as reviewing audit reports, etc., using a laptop borrowed from the audit firm and conducting interviews via a web conferencing system, in addition to the traditional in-person interviews. The CPAAOB will continue to conduct inspections utilizing both inspection methods.

iv. Confirmation procedures on inspection items

After the on-site inspection, the CPAAOB communicates to the audit firm any problems discovered during the inspection, solicits the views of the audit firm on these problems, and confirms with the audit firm matters whether there are any discrepancies of opinion between the CPAAOB and the audit firm.

v. Opinion submission system

If there is a chasm of opinion, the audit firm may submit its opinion to Secretary-General of Executive Bureau in writing, usually within a three-day period (excluding weekends and public holidays) from the day on which the procedures for confirmation of inspection items were completed. Furthermore, if it receives a request from the audit firm to extend the submission period, the CPAAOB considers extending the submission period by up to two days.

If an opinion is submitted by an audit firm, a person designated by the head of the Planning, Management and CPA Examination Division (hereinafter "the CPA Examination Division"), of the CPAAOB Executive Bureau or the head of the CPA Examination Division, review the opinion and facts concerned, compile the results of the review and submit them to the Board of the CPAAOB.

The results, if approved by the Board of the CPAAOB, is conveyed to the audit firm through the head of the CPA Examination Division.

¹⁰ The CPAAOB conducts the following types of inspections: "regular inspections," "ad-hoc inspections," which focus on inspection items and are conducted in a flexible and simple manner, and "follow-up inspections," which are targeted at large-sized audit firms.

vi. Inspection monitor system

The CPAAOB accepts opinions from audit firms about inspectors' inspection methods and so forth to grasp the CPAAOB's inspections and help ensure that they are conducted properly and efficiently.

Inspection monitoring is conducted by "asking for opinions" and "receiving opinions," and the head of the CPA Examination Division takes action, when necessary, such as giving instructions to inspectors.

b. State of implementation of inspections

i. Recent conduct of inspections

The frequency of inspections differs depending on the size of the audit firm. For large-sized audit firms, the CPAAOB will conduct inspections (regular inspections) once every two years in principle, and will follow up on these inspections in the following program year (verifying improvements in deficiencies pointed out in inspections conducted in the previous program year). In principle, follow-up shall be conducted through collection of reports, but may be conducted through inspections based on the results, etc. of regular inspections conducted in the previous program year. From PY 2016 to PY 2021, the CPAAOB conducted follow-up inspections to verify improvements in the program year following the program year in which it conducted regular inspections.

Mid-tier audit firms will be inspected once every two years from PY2025. For PY2025 inspection plan, see ["C. CPAAOB Perspectives and Objectives of Monitoring, etc., 2. Basic Plan for Monitoring Audit Firms for Program Year 2024."](#)

Inspections of small and medium-sized audit firms are conducted as necessary, in light of deficiencies pointed out in Quality Control Reviews.

Details of the inspections during the past five years are as below (Figures II-1-4 and II-1-5).

Figure II-1-4: Status of implementation of inspections in the past five years (based on commencement of inspections)
(unit: audit firms)

Fiscal/PY	2020 (Note 1)	2021 (Note 1)	2022	2023	2024
Large-sized audit firms	4(2)	4(2)	2	2	2
Mid-tier audit firms	2	1	2	2	2
Small and medium-sized audit firms, partnerships and solo practitioners	4	4	5	5	3
Foreign audit firms, etc. (Note 2)	0	0	1	0	0
Total	10(2)	9(2)	10	9	7

(Note1) Figures in parentheses are the number of follow-up inspections.

(Note2) See ["B. Foreign Audit Firms"](#) for information on foreign audit firms etc.

(Source) Prepared by the CPAAOB based on results of inspections by the CPAAOB

Figure II-1-5: Number of inspections, inspectors, inspection periods and number of audit engagements

	Large-sized audit firms	Mid-tier audit firms	Small and medium-sized audit firms
Number of inspections(case)	9	7	11
Average number of inspectors(headcount)	8.7	8.0	5.1
Average inspection period(calendar days)	243.1	182.4	137.9
Average number of inspected audit engagements (companies)	6.1	5.0	2.9

(Note1) Inspections conducted and completed in the five years from PY2020 through PY2024 are covered. Inspections of foreign audit firms and others, follow-up inspections, cases involving the submission of opinions and cases recommended to the Commissioner of the FSA were excluded because they involved procedures different from those of normal inspections.

(Note2) Inspection period means the period (calendar day basis) between the date on which notice of the inspection was made (in the case of inspections with no advance notice; the date on which the on-site inspection started) and the date on which notification of the inspection results was issued.

(Source) Prepared by the CPAAOB based on the results of inspections

ii. Deficiencies

(i) Characteristics of deficiencies identified through inspections of the system of quality management

Characteristics of the deficiencies identified through the CPAAOB inspections in and after PY2021 were as follows:

Large-sized audit firms tended to shift primal responsibility for quality management from the quality management section at their headquarters to the audit services section, which was closer to the audit teams. The results of recent inspections presented outstanding issues; for example, although cooperation between the quality management section and audit services sections has been progressed, there still need for penetration of improvement measures into audit teams (where auditing services are actually performed) and for verification of effectiveness of such improvement measures, etc. (For information on the organization of large-sized audit firms, see "[III. Operation of Audit Firms, A. Operations Management System, 1. Organizational Structure of Audit Firms](#)").

Although mid-tier audit firms have made structural improvements to take systematic approaches, they are still facing problems such as the limitation of the number of personnel responsible for quality management and the awareness of the CEO about the need to ensure and enhance quality management and to cooperate with the quality management section.

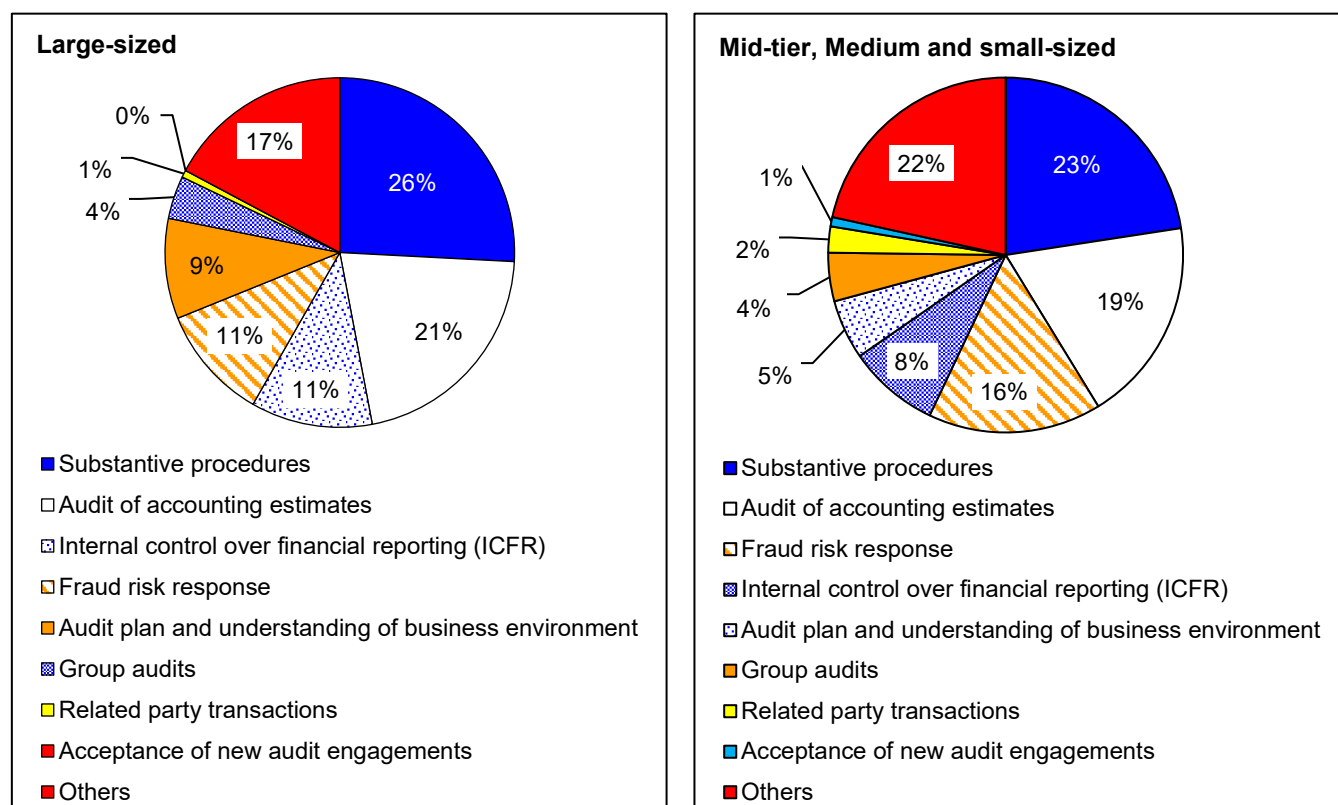
At small and medium-sized audit firms, in addition to the fact that the CEO had insufficient awareness of quality management, there was a lack of understanding of the level of quality management and audit procedures required by the existing auditing standards. In addition, root cause analysis, which is necessary to prevent the occurrence of similar deficiencies, was not sufficiently performed for issues pointed out in Quality Control Reviews, etc. Moreover, there were cases in which a sense of ethics as a professional expert was lacking, and a culture of disregarding the maintenance of integrity and credibility was formed and promoted (systematic falsification of audit documentation).

(ii) Characteristics of deficiencies identified through inspections of audit engagements

Deficiencies identified through inspections of audit engagements from PY2022 to PY2024 can be classified in line with the ASCS structure as follows (Figure II-1-6).

Regardless of the size of audit firms, deficiencies in substantive procedures (audit procedures, such as analytical verification procedures and detailed tests that were conducted with regard to transaction types, account balances, and footnotes to address the risk of material misstatements) were the most common, followed by deficiencies related to the audit of accounting estimates. In addition, deficiencies concerning dealing with fraud risk and internal control over financial reporting were continually found. The CPAAOB therefore performed inspections with a focus on such deficiencies.

The CPAAOB encourages inspected audit firms to take their initiatives in improving their operation, by analyzing the causes of the deficiencies identified in the inspections and sharing them through dialogue with the inspected audit firms. The Case Report from Audit Firm Inspection Results is available for detailed information about examples of deficiencies identified during the inspections and their causes. (For the overview of the Case Report, see ["C. The CPAAOB Monitoring Perspectives, Objectives etc., 5. Communication of Monitoring Information".](#))



(Note) Classifications of deficiencies noted at seven (total number of inspections) large-sized audit firms, five mid-tier audit firms (total number of inspections), and 11 small and medium-sized audit firms
 (Source) Prepared by the CPAAOB based on the results of inspections by the CPAAOB

7. Notification of Inspection Results

a. Inspection results notification

The responsible person at the audit firm is notified of the inspection results in writing. The current inspection results notification contains the information shown in Figure II-1-7¹¹.

Figure II-1-7: Items included in inspection results notification

1. Key points
2. Inspection viewpoints
3. Measures against deficiencies developed by the inspected audit firm to ensure the proper execution of services with the aim of maintaining and improving quality control (quality control environment)
4. Conduct of audit services (audit engagements)

b. "Key points" section

Among the sections in an inspection results notification, the "Key points" section elaborates deficiencies identified during the CPAAOB inspections that are regarded as significant. It comprises three subsections (operations management system, quality control system and audit engagements) and confers an overall rating according to the status of these subsections.

The overall rating of the operation of services at the inspected audit firm is presented at the beginning of the "Key points" section of the inspection results notification, as shown in Figure II-1-8.

Figure II-1-8: Example of key points

1. Key points
As a result of our inspection of your audit firm and within the scope of our inspection, we discovered the operation of your firm is ... (one of five overall rating grades).
 - (1) Operations management system
... (presents problems with its governance and operation of services)
 - (2) Quality control system
...(presents deficiencies in the system of quality control)
 - (3) Audit engagements
...(presents deficiencies in audit services)

The CPAAOB has included overall ratings of audit firms' operation of services in the inspection results notification since the inspections commenced in PY2016. The aims are to accurately convey the CPAAOB's assessment of audit firms and to ensure proper understanding of their level of quality control among audit and supervisory board members etc. of audited companies, to whom the inspection results notification is provided. It is expected that this will contribute to further enhancing two-way communication based on the results of inspections.

c. Overall rating grades

The overall rating takes the form of one of the following five grades and is based on the assessment results of audit firms' operations management system, quality control system and

¹¹ As Overall ratings will not be given for ad-hoc inspections or follow-up inspections of large-sized audit firms, the inspection results notifications in those cases differ from the ones of regular inspections

audit engagements. Each grade is assessed with the following descriptions.

"Satisfactory" (Overall rating: 1)

The description is used when the operation of services is deemed satisfactory, e.g., there are almost no deficiencies in the operations management system, quality control management and audit engagements.

"Generally Satisfactory with minor deficiencies" (Overall rating: 2)

The description is used when the operation of services is deemed satisfactory on the whole though there are problems that need to be fixed, e.g., there are no significant deficiencies despite the presence of some deficiencies in the operations management system, quality control management or audit engagements.

"Unsatisfactory due to presence of significant deficiencies that need to be fixed" (Overall rating: 3)

The description is used when the operation of services is deemed unsatisfactory, e.g., there are significant deficiencies in the operations management system, quality control management or audit engagements that need to be fixed.

"Unsatisfactory and in need of immediate remediation in operations management system, etc." (Overall rating: 4)

The description is used when the operation of services is deemed unsatisfactory and in need of immediate remediation.

"Extremely unsatisfactory" (Overall rating: 5)

The description is used when significant deficiencies are identified in the quality control system and audit engagements, and voluntary remediation by the audit firm cannot be expected.

In the case of an audit firm rated as "unsatisfactory and in need of immediate remediation (overall rating 4)," the CPAAOB collects a report at the time of the notification of inspection results and encourages the firm to promptly make improvements (for more details, see ["5. Collection of Reports, b. Implementation, iv Collection of reports from audit firms in need of particularly urgent remediation"](#)). In the case of an audit firm rated as "extremely unsatisfactory (overall rating: 5)," the CPAAOB make recommendations concerning administrative actions and other measures to the Commissioner of the FSA.

d. Distribution of overall ratings

The distribution of overall ratings in the last five years of inspections (regular inspections launched and completed between PY2020 and PY2024) is shown below (Figure II-1-9).

No audit firms were qualified as "Satisfactory (overall rating: 1)," the highest grade in the overall rating scheme. All audit firms, therefore, were rated as "Generally satisfactory with minor

deficiencies (overall rating: 2)" or lower based on the assessment of their operations management system, quality control and audit engagements.

Many small and medium-sized audit firms, partnerships and solo practitioners had overall ratings lower than those of large-sized and medium-tier audit firms. This may be due in part to the fact that when inspecting small and medium-sized audit firms, the CPAAOB mainly selects audit firms whose quality control system needs to be confirmed immediately based on recommendations in the Quality Control Reviews, etc.

At small and medium-sized audit firms with low overall ratings, there was insufficient awareness of quality control among the CEO. In addition, partners and staff members lacked an awareness of recent environmental changes pertaining to accounting and auditing and did not understand adequate levels required by the current audit standards.

Figure II-1-9: Overall ratings for inspections in the last five years (based on commencement of inspections) (unit: audit firms)

Overall rating	Large-sized audit firms	Mid-tier audit firms	Small and medium-sized audit firms, partnerships and solo practitioners
Satisfactory" (Overall rating: 1)	-	-	-
Generally satisfactory with minor deficiencies" (Overall rating: 2)	4	-	-
Unsatisfactory due to presence of significant deficiencies that need to be fixed" (Overall rating: 3)	-	2	2
Unsatisfactory and in need of immediate remediation in operations management system, etc." (Overall rating: 4)	-	3	8
Extremely unsatisfactory" (Overall rating: 5)	-	-	10

(Note1) Totals for audit firms subject to regular inspections that were commenced and completed between PY2019 and PY2023

(Note2) For audit firms underwent multiple regular inspections in the period under review, overall ratings in the latest inspection are tallied.

(Source) Prepared by the CPAAOB based on information obtained through the CPAAOB inspections

- e. Communication of "key points" to audit and supervisory board members etc. of all audited companies

Audit firms are required to communicate the "key points" in their inspection results notifications and the action they are taking in response to them to audit and supervisory board members etc. of all audited companies¹².

In addition, audit firms are required to communicate the details of the deficiencies and the action to them to the audit and supervisory board members etc. of audited companies where their audit engagements were selected for the inspections.

It is expected that the audit and supervisory board members etc. of audited companies, will use the communicated information not partially but comprehensively to better understand the status of the establishment and implementation of the audit firm's quality control system and to

¹² The ASCS requires audit firms to convey in writing to the audit and supervisory board members etc. the details of inspection results notifications and the measures for improvements (ASCS 260, No. 16, A31-2).

communicate with the audit firm in a fulfilling manner.

f. Handling of inspection results

An inspected audit firm is required to obtain prior consent from the CPAAOB to disclose¹³ inspection results to a third party. In recent years, CPAAOB has received a large number of requests from audit firms for prior consent to disclose inspection results and other information as requested by potential audited companies (e.g., companies considering which auditors to appoint) etc.

However, an inspected audit firm is not required to obtain the CPAAOB's prior consent if it conveys inspection results to auditors and others at audited companies, mentioned above in d., and presents them to the JICPA based on rules of the JICPA Quality Control Committee's detailed operational rules for handling of notification documents for inspection results.

This approach is expected to facilitate communication between auditors and others of audited companies and audit firms through the utilization of inspection results and improve the effectiveness of the JICPA's Quality Control Reviews.

It is desirable that not only audit members etc. of audited companies but also potential audited companies make use of the CPAAOB inspection results etc. in order to confirm the status of the establishment and implementation of quality control systems by accounting auditors.

8. Recommendation

The CPAAOB recommends that the Commissioner of the FSA take administrative disciplinary actions or other measures based on Article 41-2 of the CPA Act, if deemed necessary as a result of the inspection. In the PY 2024, the CPAAOB made recommendations to the Commissioner of the FSA against two audit firms and two CPAs whose operations were deemed to be extremely inappropriate. For more details on the recommendations, please refer to the CPAAOB website.

<https://www.fsa.go.jp/cpaaob/shinsakensa/kankoku/index.html>

¹³ Details on disclosing inspection results to third parties are posted on the CPAAOB website (Revised in June 2024).

B. Foreign Audit firms

1. System for Foreign Audit Firms

Financial statements which shall be submitted under the FIEA by domestic listed companies must generally require an audit attestation by Japanese CPAs or audit firms. However, in the case of foreign company, financial statements to be submitted pursuant to the FIEA generally require audit attestation by CPAs or audit firms in the home country of the foreign company. Therefore, to avoid duplicate audits, an exception is granted in cases where the issuer company has taken an audit attestation deemed to be equivalent to that prescribed under the FIEA.

With the aim of further enhancing the soundness of Japan's capital markets, the CPA Act was amended in 2007 to require foreign CPAs and audit firms auditing the financial statements of foreign companies, etc. subject to the FIEA disclosure rules to submit the notification to the FSA Commissioner.

Having submitted the notification to the FSA, the audit firms are regarded as foreign audit firms (Article 1-3(7), Article 34-35 (1) of the CPA Act) and are subject to inspection and supervision by the CPAAOB and the FSA.

Based on the "Approach to Inspections and Supervision of Foreign Audit Firms"¹⁴ (published on September 14, 2009), the CPAAOB generally collects reports from foreign audit firms once every three years, most recently having collected from 35 foreign audit firms in 14 countries/regions in PY2021. Based on the results of analysis of the information provided by this collection, the CPAAOB also conducted an inspection of one foreign audit firm each in PY2022.

2. Foreign Audit Firms

Regarding the locations of foreign audit firms that have registered with the FSA, the largest number are based in Europe, with the second largest number being headquartered in the Asia-Pacific region (Figure II-2-1).

The top countries/regions are France and Cayman Islands with eight firms, the U.S. and Hong Kong with seven firms. Foreign audit firm registrations are published and updated as "Registered Foreign Audit Firms" on the FSA website.

Figure II-2-1: Number of registered foreign audit firms, etc. (as of March 31, 2025)

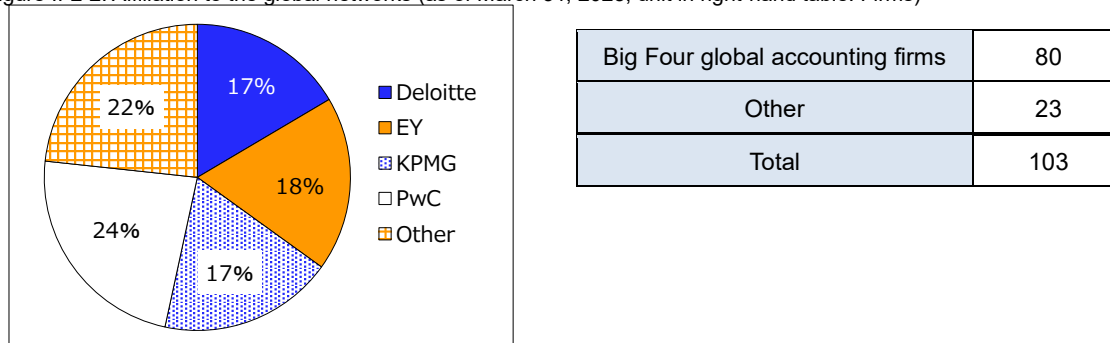
	Number of countries/regions	Number of foreign audit firms, etc.
Europe	16	60
Asia-Pacific	10	30
North America	2	10
Central/South America	1	1
Middle East	1	2
Total	30	103

(Source) Prepared by the CPAAOB based on information from the FSA website

¹⁴ Set out specific implementation procedures and points to be noted regarding policies for the supervision / inspection of foreign audit firms (published in September 2009)

Out of the foreign audit firms, around 80% is affiliated with one of the Big Four global accounting firms (Figure II-2-2).

Figure II-2-2: Affiliation to the global networks (as of March 31, 2025; unit in right-hand table: Firms)



(Note) Compiled the foreign audit firms that are registered with the FSA and whose audit firm names include the names of the Big Four global networks.

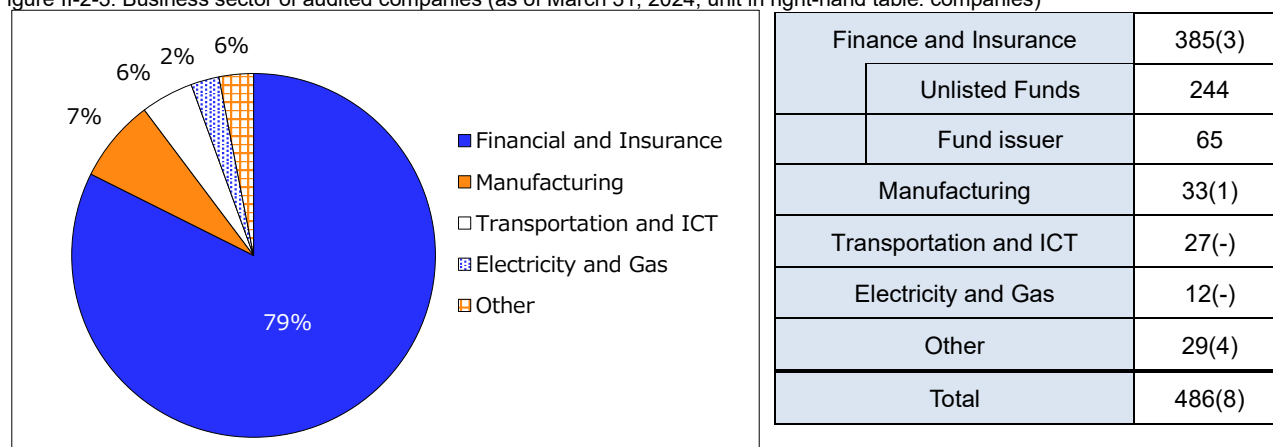
(Source) Prepared by the CPAAOB based on information from the FSA website

3. Audited Companies

Securities issued by foreign companies that are subject to the FIEA disclosure regulations include not only shares issued by a foreign company that are offered for public offering or secondary distribution, or listed on an exchange in Japan, but also bonds issued by foreign companies, beneficiary certificates issued by foreign investment trusts, and foreign investment securities. Among foreign companies currently subject to disclosure rules, most are unlisted funds (foreign investment trusts and foreign investment securities).

Regarding the business sectors of companies audited by foreign audit firms, 81% are classified as finance and insurance, and around 75% of these are unlisted funds (Figure II-2-3).

Figure II-2-3: Business sector of audited companies (as of March 31, 2024; unit in right-hand table: companies)



(Note) Figures in parentheses are the number of companies (including funds) listed in the exchange markets in Japan

(Source) Prepared by the CPAAOB based on information on the FSA website

C. The CPAAOB monitoring Perspectives, Objectives etc.

Since its establishment in April 2004, the CPAAOB has endeavored to reinforce trust that investors place in the capital markets based on its mission to enhance the fairness and transparency of Japanese capital markets by raising the quality and ensuring the reliability of audits by CPAs.

As part of these efforts, the CPAAOB formulates a Basic Policy for Monitoring Audit Firms each term (three years) and a Basic Plan for Monitoring Audit Firms, which is based on the Basic Policy, each program year. In this way, the CPAAOB articulates the objectives and approach for monitoring, priorities for each program year, and so on.

1. Basic Policy for Monitoring Audit Firms

The entire text of the Basic Policy for Monitoring Audit Firms for the CPAAOB's 8th Term (April 2025 - March 2028, published on May 28, 2025) is presented on CPAAOB's website, but monitoring perspectives, objectives, etc. are summarized below:

[Principal Points in the Basic Policy]

In the 8th Term, the CPAAOB will encourage audit firms on a continuous basis to voluntarily ensure and improve the quality of audits and achieve the appropriate management of operations, including the quality control of audits, through effective and efficient monitoring, taking into account rapid changes around audit firms, such as introduction of registration system for auditors of listed companies, etc. and progress in discussions on disclosure and assurance of sustainability information. In particular, the following points will be emphasized in monitoring.

- Confirmation and validation of preparedness for smooth introduction of quality control system and responses to it at audit firms

As the standard on quality control for audits has been revised, audit firms will be required to introduce a quality control system based on the following risk approaches (*):

- (1) To set quality objectives
- (2) To identify and assess quality risks that will block the achievement of quality objectives
- (3) To determine and implement a policy or process of addressing assessed quality risks, and
- (4) To make improvements, if any, based on root causes

The 8th Term of monitoring by the CPAAOB will place emphasis on post-introduction improvement and operation of the quality control system.

(*) The revised quality control standards will become applicable, starting with the auditing of financial statements in the business year or fiscal period that will begin after July 1, 2023 (In the case of audit firms other than large-sized audit firms as defined by the CPA Act, the application will take effect in the business year or fiscal period that will begin after July 1, 2024).

- Securement and improvement of service quality at audit firms that audit listed companies

In the audit of listed companies, the replacement of large-sized audit firms with mid-tier or small and medium-sized audit firms has been declining since peaking at June 2022. However, the trend of

switching to mid-tier or small and medium-sized audit firms continues, and the range of such firms undertaking audit of listed companies continues to expand.

As a result, in the 8th Term, the CPAAOB will continue to put greater emphasis on the inspection of small and medium-sized audit firms considered in need of immediately ensuring and improving the quality of audits.

2. Basic Plan for Monitoring Audit Firms for Program Year 2025

The full text of the Basic Plan for Monitoring Audit Firms for Program Year 2025 (July 2024 - June 2025, published in July 18, 2025) can be found on the CPAAOB website. Monitoring priorities are described below.

[Basic Plan for Monitoring (for Activities Other than Inspections)]

a. Examination of JICPA Quality Control Reviews and cooperation with the JICPA

The CPAAOB will hold in-depth discussions with the JICPA to strengthen its system for implementing Quality Control Reviews and will also confirm the implementation status of reviews. Regarding the results of the verification of the effectiveness of Quality Control Reviews, the CPAAOB will share relevant information on a timely basis to encourage the JICPA to further enhance the effectiveness of its reviews. Additionally, the CPAAOB will also continue discussing the JICPA's enhancement of instruction and supervision of small and medium-sized audit firms.

b. Collection of reports

To efficiently inspect large-sized and mid-tier audit firms, the CPAAOB will regularly collect and analyze quantitative and qualitative information concerning their operational management systems, etc.

From small and medium-sized audit firms, the CPAAOB will collect and analyze information in a timely manner according to their size and characteristics, considering the results of the JICPA's Quality Control Reviews and audit risks regarding audited listed companies. When encouraging small and medium-sized audit firms to spontaneously ensure and improve their audit quality, the CPAAOB will hold interviews on their reports, as necessary, to secure effects similar to those through inspections.

In collecting reports, priority items shall be effectiveness of operational management systems (for audit firms adopting the revised Governance Code, systems developed based thereon) (including top managers' policies, revenue and financial structure, and a function to supervise and assess the effectiveness of the management function from a standpoint independent of the audit firms' management), development and operation of quality control systems in compliance with the revised Quality Control Standards, etc., introduction of audit tools leveraging digital technologies (including the implementation of cybersecurity measures), practical efforts and responses to challenges in connection with the abolition of the quarterly securities report system, and practical efforts and responses to challenges in audits of audited companies that disclose

annual securities reports before ordinary general shareholders' meetings, etc.

c. Collection and analysis of information regarding audit firms

The CPAAOB will continue periodic dialogue with senior and other managers of large-sized and mid-tier audit firms in order to collect information about the latest operational management systems at the firms, ascertain the problems that audit firms and the audit industry are facing and share problem awareness with them. In addition, the CPAAOB will also continuously hold dialogue with managers at relatively larger firms among the small and medium-sized audit firms that audit listed companies.

[Basic Inspection Plan]

a. Inspection frequency

The CPAAOB inspects large-sized audit firms once every two years, in principle, and conducts follow-up inspections the next program year (verification of the implementation status of remedial measures for findings identified in inspections in the preceding program year). Follow-up inspections are basically conducted by way of collecting reports, but the CPAAOB may carry out inspections based on the results of the inspections in the preceding program year.

For mid-tier audit firms, the CPAAOB conducts inspections once every two years, in principle.

For small and medium-sized audit firms, the CPAAOB conducts inspections as necessary in view of the results of the JICPA's Quality Control Reviews as well as audit firms' operational management systems, etc., and the degree of risks underlying audited listed companies. Considering the importance of their roles as auditors of listed companies, the CPAAOB continues performing monitoring with a focus on inspections for small and medium-sized audit firms.

In addition to the above, if there is a need to confirm the quality control system at an audit firm immediately, such as where a serious accounting problem is found with an audited company, the CPAAOB conducts inspections on an ad hoc basis.

b. Focus points regarding operational management systems

The CPAAOB will conduct inspections this program year by focusing on the followings.

- Effectiveness of operational management systems
- Audit firm management's commitment to ensuring and improving audit quality etc.

c. Focus points regarding quality control systems

The CPAAOB will conduct inspections this program year by focusing on the followings. The CPAAOB will endeavor to ensure the effectiveness and efficiency of inspections in accordance with audit firms' size and operational management systems and the degree of risks underlying audited companies, etc.

- Effectiveness of quality control systems
- Development and operation of quality control systems in compliance with the revised

Quality Control Standards, etc.

- Diffusion and adoption of quality control measures (including remedial measures for findings through Quality Control Reviews and the CPAAOB's inspections) at the audit frontline
- Securement, fostering and distribution of audit resources (including the status of implementation of monitoring of audit resources)
- Background to new client acceptance and cancellation of audit contracts (including the adequacy of risk assessment for concluding new contracts, the development of audit performance systems and the implementation of takeover procedures)
- Initiatives to develop an organizational culture emphasizing compliance with laws and professional ethics etc.

d. Focus points regarding individual audit engagements

The CPAAOB will conduct inspections this program year by focusing on the followings.

- Implementation of audits regarding fraud risks
- Implementation of audits regarding revenue recognition
- Implementation of audits regarding accounting estimates
- Implementation of group audits etc.

e. Inspection of foreign audit firms

When selecting foreign audit firms, etc. to be inspected, consideration should be given to the results of reports collected in PY2024 and the audit risks, etc. of foreign companies audited by the relevant foreign audit firms, etc. The CPAAOB will conduct inspections of foreign audit firms, etc. appropriately based on the "Framework for Inspection/Supervision of Foreign Audit Firms, etc.," and the "Basic Policy for Report Collection and Inspection of Foreign Audit Firms, etc. by the CPAAOB."

3. Strengthening Monitoring

a. Monitoring other than inspections

In order to conduct efficient and effective monitoring, the CPAAOB holds periodic dialogues with the management of large-sized and mid-tier audit firms, including their top management, and gathers information on the latest quality control systems at each audit firm. The information collected is used effectively, for example, as a reference for understanding industry trends and identifying points of focus in conducting inspections. In addition, since PY2022, the CPAAOB has been holding dialogues with the management of relatively larger firms among small and medium-sized audit firms that conduct audits of listed companies.

b. Enhancing the capacity to conduct monitoring

In order for the CPAAOB's monitoring to appropriately respond to issues surrounding audit firms and the internationalization of accounting practices, it is important to enhance the monitoring framework such as by developing human resources and strengthening information collection

and analysis. In PY2024, the CPAAOB continued to promote human resource development through active participation of its staff in international conferences and other events and also conducted training courses aimed at acquiring expertise necessary for monitoring.

4. Cooperation with Related Organizations

In order to ensure and improve audit quality, it is important not only to monitor audit firms, but also to cooperate with organizations related to auditing and to share awareness of issues and problems surrounding audit firms. To this end, the CPAAOB has been working with relevant bureaus within the FSA, as well as with the JICPA and other relevant organizations.

a. Cooperation with relevant bureaus within the FSA

With regard to issues related to audits of individual audit engagements, more effective and efficient inspections can be conducted by cooperating with the FSA's relevant bureaus that conduct supervision and inspections of the disclosure of audited companies. To this end, the CPAAOB will share information and exchange opinions with the relevant bureaus of the FSA and the SESC on issues related to disclosure and audit of listed companies and utilize the obtained information in its monitoring. In addition, the CPAAOB also shares information with relevant bureaus of the FSA on inspection results of audit firms.

b. Cooperation with JICPA

The CPAAOB encourages further improvement of the effectiveness of the Quality Control Reviews conducted by the JICPA, by reviewing the effectiveness of the JICPA's Quality Control Reviews through inspections of audit firms and by sharing with the JICPA problems identified during the inspection.

Since PY 2015, the CPAAOB and the JICPA have held working-level meetings to discuss issues related to Quality Control Reviews. Further discussions are being held to ensure that the CPAAOB inspections and the JICPA Quality Control Reviews are as effective as possible overall.

In PY2024, the measures to improve the effectiveness of Quality Control Reviews and to improve audit quality in small and medium-sized audit firms continued to be discussed.

In addition to the above, the CPAAOB shares awareness of issues at the top level through such as training seminars for Quality Control Reviewers hosted by the CPAAOB and exchanges of opinions between senior officials of the CPAAOB and the JICPA.

c. Cooperation with other related organizations

In order to conduct efficient and effective monitoring, the CPAAOB shares its awareness of issues by exchanging views with Stock exchange on the status of communication between auditors and audited companies and the status of changes in auditors, and also uses the information obtained in its monitoring.

In addition, as the roles and responsibilities of audit and supervisory board members etc. have become increasingly important in recent years, the CPAAOB regularly exchanges views with the

Japan Audit & Supervisory Board Members Association on the status of communication between audit and supervisory board members etc. and auditors.

5. Communication of Monitoring Information

From the viewpoint that it is important to provide information on the results of monitoring audit firms to the general public and to increase interest in and awareness of audits, the CPAAOB has published this report, the Case Report from Audit Firm Inspection Results, and the Basic Plan for Monitoring Audit Firms (“various monitoring information”).

a. Development and publication of the Case Studies of Audit Firm Inspection Results

The CPAAOB annually revises and publishes a compilation of examples of deficiencies identified during its inspections of audit firms as "Case Report from Audit Firm Inspection Results" (Case Report for PY2025 was published on July 7, 2025). The purpose of the Case Report is to present the level of audit quality expected by the CPAAOB, encourage audit firms to make voluntary efforts to ensure and improve audit quality, and to provide reference information to the directors and audit and supervisory board members, etc. of listed companies as well as investors and other market participants.

b. Communication of various monitoring information

The CPAAOB actively shares various monitoring information by holding briefings for stakeholders in various fields and contributing articles to relevant magazines. In particular, the CPAAOB Chairperson and inspectors explain about the Case Report from Audit Firms Inspection Results at training sessions run by the JICPA. In PY2024, with the aim of encouraging audit firms to make voluntary efforts to ensure and improve audit quality, the CPAAOB gave lectures at the JICPA headquarters and seven regional associations across Japan. It also gave lectures at the Institute of Internal Auditors Japan and other relevant organizations.