

NIKKEI Global Accounting and Audit Forum The Value of Audit & Assurance ~Facing Up to the Challenges~

Overview of the Forum

In Osaka, on April 15, 2024, the Japanese Institute of Certified Public Accountants (JICPA) in collaboration with the Global Accounting Alliance co-sponsored an exclusive by-invitation-only forum (the “Forum”), organized by Nikkei and supported by the following organizations: the Japan Financial Service Agency (FSA); the Japan Audit & Supervisory Board Members Association; the Japan Association of Corporate Directors; the Japan Exchange Group; the Institute of Internal Auditors Japan; the ASEAN Federation of Accountants(AFA); and the Confederation of Asian and Pacific Accountants(CAPA).



Opening remark (Mr. Tetsuya Mogi, Chairman & President, JICPA)

The audience totaled around 150 people from a wide range of industries, including accounting firms, academia, investors, regulators and corporate executives.

This well-attended Forum invited Takashi Nagaoka, the Chair of International Forum of Independent Audit Regulators (IFIAR), as the keynote speaker, followed by two panel discussions.

Keynote speech by Takashi Nagaoka, the Chair of IFIAR

Not only as the Chair of IFIAR but also as a Secretary General of Certified Public Accountants and Auditing Oversight Board and Deputy Commissioner for International Affairs at the Japan FSA, Mr. Nagaoka plays a leading role in both Japanese and international regulatory fields. After reiterating the importance of audit to create a healthy capital market globally, the regulator shared his view on top four challenges faced by the audit/assurance industry, namely audit firm governance, the use of technology in audit, sustainability reporting and assurance, and the attractiveness of audit and audit profession.



“I hope all the auditors will face up to the challenges with strong pride in the noble and significant role they play, and live up to the expectations from all the players in the capital markets.”

Panel Discussion I

Panel I titled *The value of audit and assurance in a changing world* was moderated by Makoto Sonoda, Director of the Office of Japanese Delegation for IFIAR, and invited five speakers from the stakeholders in the audit ecosystem, who shared their views on how audit/assurance will be able to adapt to the challenges of technology, talent, and marketplace expectations and to contribute to the enhancement of corporate value.



【Questions to the panelists included the following】

- ① How can audit/assurance provide value not only for financial information disclosures, but also in non-financial, intangible areas, such as sustainability disclosure information?
- ② How do investors and preparers think auditors can contribute to corporate value creation activities, including corporate governance?
- ③ What are the challenges in audit firm governance to maintain high quality audit?

Mr. Hiromi Yamaji, Group CEO, Japan Exchange Group, Inc. (JPX)

Mr. Yamaji emphasized the importance of corporate governance reforms in Japan as the foundation of attracting investment from around the globe. JPX together with the Japan FSA is encouraging meaningful discussions at the board meetings and constructive dialogues between companies and investors as part of the reform. Auditors play an important role in ensuring the reliability of both financial and non-financial information disclosed by companies, on which investors rely when making investment decisions.



“Auditors are now expected to fully understand management’s mindset and incentives toward changes.”

Mr. Hiromi Yamaji, Group CEO, JPX

Mr. Toichi Maeda, Director and Chairman, EBARA Corporation

Through EBARA’s experience on changing auditors last year, Mr. Maeda shared his view on expectation towards auditors. One is the auditors’ communication skill with the audit committee and the company’s top management. The other is the auditors’ capability to respond swiftly and adequately to changes surrounding the company’s business. As EBARA is dedicated to restlessly contribute to solving social matters through its businesses, Mr. Maeda expects auditors, who are independent accounting professions, to identify inconsistencies between financial information and the company’s ESG story by having thorough communication.



“We appreciate our auditor’s valuable advice with fresh eyes on the company’s evolving business process transformation.”

Mr. Toichi Maeda, Director and Chairman, EBARA Corporation

Mr. Kerrie Waring, CEO, International Corporate Governance Network (ICGN)

ICGN has been engaged in Japan for over two decades and welcomes the country's successful corporate governance reform. Ms. Waring shared her view that investors should engage more with audit professions, given that shareholders are the ultimate client of auditors. In the sustainability reporting area, she highly values Japan's functionally-aligned sustainability disclosure standards with the International Sustainability Standards Board (ISSB), but further requests simultaneous publication of financial statements and sustainability reporting going forward.



“Rarely do we (investors) focus so much on audit. Now is the time we engage much more on this important subject.”

Mr. Kerrie Waring, CEO, ICGN

Mr. Larry Bradley, Global Head of Audit, KPMG

Audit profession has proven its remarkable ability to adapt to constant changes due to public interest responsibility. In order to adapt to a massive change that will come in the next two to three years, including the rise of AI, the audit industry has to invest heavily in quality, technology and its people. Technology will completely transform companies' business operation and audit procedures. The audit industry has to seize this opportunity to attract young talent. ESG reporting, such as diversity and climate change, shall also contribute to the attractiveness of the audit profession.



“Future is incredibly bright for auditors. And the future is now. Audit is back in its relevance and importance.”

Mr. Larry Bradley, Global Head of Audit, KPMG

Mr. Koichiro Kimura, Chairman and Senior Partner, PwC Japan Group

Delivery of quality audit is warranted by a robust audit firm governance system, in which PwC puts high value and invests heavily. At the same time, the firm will continue embracing the Multi Discipline Model (MDM) to attract and retain young talents, cherish the right firm culture and keep pace with technological innovation. Regarding capacity building in emerging areas, including sustainability assurance, investing in the firm's quality management system, regarding independence and skepticism, will be the key for success.

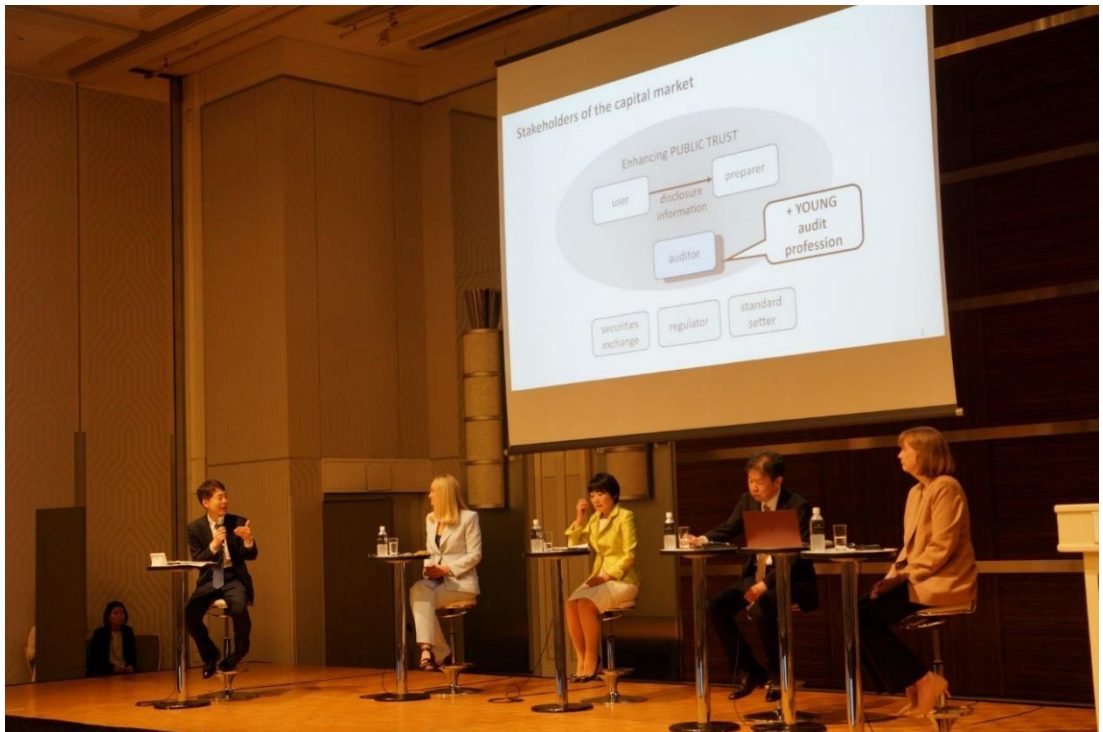


“The quality of public interest is defined by our stakeholders. Auditors are to deliver the defined quality.”

Mr. Koichiro Kimura, Chairman and Senior Partner, PwC Japan Group

Panel Discussion II

Panel Discussion II titled *The challenge of attracting young talent to audit and assurance* was moderated by Tomoyuki Furusawa, a PIOB member, and invited four speakers from major accounting firms, a professional accounting organization (“PAO”) and academia to discuss about one of the top challenges in the audit world, which is the attractiveness of the profession. Insights from young professions on challenges and opportunities working in audit and assurance were shared through survey results conducted by JICPA, targeting young certified accountants in Japan. Based on the results, panelists discussed what more could be done to attract young qualified talents.



【Questions to the panelists included the following:】

- ① Considering that auditor’s ultimate clients are investors, how can we transform the firm culture to help young professionals find purpose and enhance commitment to earn investors’ trust?
- ② How can we incorporate the needs of the capital market into education and training so that audit and assurance stay relevant?
- ③ Given that required skills in audit might drastically change in the future due to AI and other technology, how can audit firms embrace the firm culture and communicate the attractiveness of audit profession to younger generation?

- ④ How can PAOs support young professions and audit firms in delivering high-quality audit education that will support the professional development of auditors and aim to retain them within the audit sector?

Ms. Masami Katakura, Chairwoman and CEO, Ernst & Young ShinNihon LLC

Audit firms need to continue communicating to young professions that compliance-based work could be creative, issue-solving type of work. Given that required skills in audit might drastically change due to evolving technology, it is important for firms to create an environment where young professions are motivated to build their careers within the firm, such as through MDM, or even outside the firm, such as working as a regulator or preparer, and come back to audit with rich experience.



“Embrace firm culture, support capacity building, and save time for value creation are the key to attract and retain young professions.”

Ms. Masami Katakura, Chairwoman and CEO, EY ShinNihon

Ms. Ainslie van Onselen, CEO, Chartered Accountants Australia and New Zealand (CA ANZ)

Ms. Onselen recognizes retaining talents as a global issue. CAANZ as a PAO together with audit firms is seeking solutions such as by increasing flexibility, automation and transparency at work and enhancing global mobility. Alongside audit firms, PAO's role is to advocate in the public good, keep asking effective questions to various stakeholders, such as the consequence of a proposed legislation or standard, correct misinformation, and enhance trust in the profession.



“Rather than that traditional career ladder, we are encouraging young auditors to start being the CEO of their own career, look at lateral move inside or outside the firm to supplement their skills.”

Ms. Ainslie van Onselen, CEO, CA ANZ

Mr. Yoshinori Kawamura, Professor of Accounting Faculty of Commerce Waseda University

Professor Kawamura is overall satisfied with the survey result, showing more than half of young professions think their academic learning adequately prepared them to work in the audit industry. However, he acknowledges some challenges that need to be tackled in the education system. For example, sustainability is a very popular topic among young people but those who can teach the subject are not sufficient enough in the education field. Key audit matters (KAM) should also be utilized more effectively to improve communication between auditors and investors.



“Conduct quality audit and provide an effective KAM can be a powerful tool for auditors to differentiate themselves from other competitors in the capital market.”

Mr. Yoshinori Kawamura, Professor of Accounting Faculty of Commerce Waseda University

Ms. Jen Haskell, Deloitte Global Audit and Assurance Quality Excellence Leader

Audit firms are working collectively to find the best way to educate, train and communicate important messages to young people. That said, Ms. Haskell emphasizes that the diversity of competencies and skillsets under MDM is the foundation of an audit firm’s business, given the growing market need for the future of audit and assurance around many subject matters. It is important to convey to young people that there are various career opportunities while working in the same firm.



“Firms are the training ground for financial reporting departments, so giving them a solid diverse knowledge while they are with the firm is very important for the ecosystem as a whole.”

Ms. Jen Haskell, Deloitte Global Audit and Assurance Quality Excellence Leader