

The Present Condition and the Problems of Effectiveness Auditing

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1. Introduction

Because audits conducted by the Board of Audit of Japan (the Board) are, in effect, audits conducted by an external organization, they are different from internal audits carried out by national administrative bodies, etc.; or self-evaluations such as performance evaluations carried out under the policy evaluation system. In view of the fact that the need for effectiveness auditing by the Board has been discussed recently, this thesis is intended to analyze the position and definition as well as the current status of effectiveness auditing and discuss future tasks concerning effectiveness auditing. (This thesis embodies our personal opinion and does not express the Board's official opinion.)

2. Trend toward Effectiveness Auditing

(1) Origin of effectiveness auditing

Effectiveness auditing is expressly specified as auditing conducted from the viewpoint of effectiveness in Article 20.3 of the Board of Audit Law amended in December 1997. Conventionally, however, audits conducted by the Board covered audits from the viewpoint of not only accuracy and regularity but also economy, efficiency, and effectiveness. Such audits are based on an interpretation of Article 36 and other articles of the Board of Audit Law to the effect that the Board is authorized to conduct audits from a broad range of viewpoints.

The number of cases of effectiveness auditing commented in the Audit Reports has gradually increased since around 1955. For example, in "Opinion presented to improve the action program for the state-operated agricultural water utilization project and incidental state-aided projects operated by prefectural governments and other organizations" in FY 1961 Audit Report, some of the problems with coordinating government-controlled projects and government-aided projects in agricultural water utilization projects overall were discussed. After some time, this problem with coordination was discussed again in "Opinion presented to expedite earlier achievement of the intended effects in relation to the execution of the state-operated irrigation and drainage project and incidental projects operated by prefectural governments and other organizations" in FY 1983 Audit Report and "Improvement order to correctly understand the schedules for the projects incidental to the state-operated irrigation and drainage project and reflect them in project evaluations, in order to facilitate efficient implementation of the overall irrigation and drainage project" in FY 1997 Audit Report.

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(2) Introduction of “Special descriptions” in FY 1975 Audit Report

It was decided that “Special descriptions” would be stated in the Audit Reports for fiscal 1975 and subsequent years (refer to table 1 attached). “Special descriptions” refer to cases that cannot be considered appropriate in terms of accounting audits, including, for example, situations in which the intended effect of budgeting was not achieved. Because such cases are often related to some fundamental problem in governmental policies or other reasons, it was decided to actively review improprieties as well as other problems that cannot be treated as “Presented opinions” or “Demanded measures” and treat them as “Special descriptions” so they can be recognized as kinds of problems.

Stating “Special descriptions” plays a significant role in advancing effectiveness auditing. Audit comments classified into respective viewpoints are described in Section 1 of the Audit Reports for fiscal 1989 and subsequent years. There were 15 cases of “Special descriptions” cases since fiscal 1989, 11 cases (73%) of which are classified under the category of effectiveness auditing, which constitutes a large portion of all audit comments.

(3) Introduction of “Special reports” in FY 1990 Audit Report

Since around 1985, the scope to be audited has expanded, and auditing from more diversified viewpoints has been conducted extensively in response to the rapid aging of society, globalization, and “informatization.” Therefore, it was decided to begin reporting on “Special reports” in fiscal 1990 (refer to table 1 attached). With transparency being required in public administration activities, this decision was made because it is considered necessary to report audit activities and findings regarding issues that are of particularly high interest to the public, even in cases where it is difficult for the Board to give critical comment.

From fiscal 1990 to fiscal 2002, there were 105 “Special reports” cases. The ratio of effectiveness auditing found in those special reports was relatively lower than that in the special descriptions.

(4) Final report by the Administrative Reform Council in December 1997 and proposal for the enhancement of evaluation functions

The Administrative Reform Council submitted its final report on December 3, 1997. The report advocated the enrichment and strengthening of the government’s evaluation functions as a main pillar. This report was based on the recognition that Japan’s public administration traditionally emphasized legislation and budget acquisition and that the effects of such emphasis as well as the government’s evaluation function of actively reviewing policies in response to subsequent changes in social and economic circumstances tended to be considered less serious. Therefore, the report mentions the need to strengthen such evaluation function by stating, “it is important to review the effects of respective policies at all times during their implementation stage and constantly update or improve those policies, for which purpose it is necessary to enrich and strengthen the mechanism for the impartial and objective evaluation of the effects of respective policies, both before and after their implementation, and to incorporate their feedback into policymaking by the sections responsible.” In addition, the report includes descriptions about the strengthening of the evaluation function of each ministry or agency, disclosures of results of such evaluations, and so on. Based on this report, it was decided that a policy evaluation system will be developed in each ministry or agency.

At the end of this report, the importance of the evaluation function of the Board is expressed as follows:

Evaluations by the Board of Audit

It is important that evaluations be made internally by each organization in the government as well as by an external organization. It is natural that the evaluation function of the Diet is expected, but at the same time, the Board of Audit also is highly expected to take a role in the evaluations. From this standpoint, the Board of Audit's functions need to focus on the viewpoints of effectiveness, efficiency, and the rationalization of the government's programs, administrative services, and projects in the future in addition to the Board's traditional functions primarily from the viewpoints of the monitoring of the government's revenues and expenses and the realization of proper public accounting. For this purpose, the Board's functions must be enriched and strengthened.

(5) Amendment to the Board of Audit Law and the viewpoint of effectiveness put into statutory form

Around the time the above final report was submitted, the Law on Partial Amendment to the Diet Law, etc., was enacted in December 1997, and the Board of Audit Law was partially amended based thereon.

There are two issues in this amendment to the Board of Audit Law, and one of them is to incorporate the provisions as to the scheme of audit requests from the Diet. Because the Diet Law was amended to stipulate an audit request from the Diet to the Board, the Board of Audit Law was also amended to stipulate that the Board may audit and report relevant matters upon a specific audit request from the Diet.

The other issue is to incorporate the provisions as to auditing from the viewpoint of effectiveness in the law in addition to other viewpoints already stipulated, given that a real goal of the scheme of audit requests was to enrich and strengthen the auditing of the effects of projects, etc. Under the former Board of Audit Law, there was no specific provision as to the viewpoints from which accounting audits must be conducted, but auditing from a broad range of viewpoints was considered to be permissible by an interpretation insofar as they would meet the purposes of accounting audits. As described before, audits from the viewpoint of effectiveness started around 1955. Therefore, the 1997 amendment meant that practice accumulated for many years was acknowledged by law. It is expected that the Board will continue its efforts to further enrich and strengthen effectiveness auditing.

3. Effectiveness Auditing in Viewpoint-Specific Audit Findings

(1) Viewpoints for accounting audits under Basic Policy on Auditing Activities

The prevailing Board of Audit Law stipulates that the Board shall conduct audits from the viewpoints of accuracy, regularity, economy, efficiency and effectiveness and any other viewpoints necessary in light of accounting audits and may audit any matters specifically requested by the Diet and report the findings thereof to the Diet. In the Audit Reports, the foregoing viewpoints for auditing are described as follows:

(Accuracy)

Whether or not the statements of accounts accurately reflect the execution of the budgets

(Regularity)

Whether or not projects and programs are administered in conformity with the budgets, laws and regulations

(Economy/Efficiency)

Whether or not the projects and programs were administered economically and efficiently

(Effectiveness)

Whether or not the project achieved the planned goals and the produced intended effects

(2) Accountability, the administrative management cycle and audit viewpoints

The relationship between accountability, the administrative management cycle and audit viewpoints is being studied, based on the case studies of advanced Western countries, etc.

The relationship between the advancement of the concept of accountability and audit viewpoints is exemplified in chart 1 attached. According to this example, as accountability advances from financial accountability to management accountability and then advances to program accountability, audit viewpoints advance from regularity to economy/efficiency and further advance to effectiveness. While the concept of accountability does not necessarily meet Japan's present condition in all respects, the audit method is defined as performance auditing, which contains both economy/efficiency auditing and effectiveness auditing.

The relationship between the administrative management cycle and audit viewpoints is exemplified in chart 2 attached. The administrative management cycle is composed of the respective phases of resource, input, activity, output and outcome, and each audit viewpoint is considered to have a mutual relationship between or among the respective phases constituting this cycle. For instance, auditing from the viewpoints of economy, efficiency and effectiveness are considered as follows:

Economy: Auditing whether or not the inputting of resources is minimized to provide some specified output with an eye to the relationship between resource and input

Efficiency: Auditing whether or not the provision of output is maximized under the specific volume of resources inputted with an eye to the relationship between input and output

Effectiveness: Auditing whether or not the output brings about the intended effects with an eye to the relationship between output and outcome

(3) Trend in viewpoint-specific audit findings

Since fiscal 1989, auditing findings for each viewpoint have been described in Section 1 of the respective Audit Reports. While some audit comments are based on auditing from multiple viewpoints, such as regularity and effectiveness, economy/efficiency and effectiveness, or the like, each audit comment is classified, in principle, according to its major viewpoint. Such classification is not made for all comments raised in the Audit Reports, and some typical comments only are mentioned in their respective categories of viewpoints.¹⁾

1) In "Viewpoint-specific audit findings" in the Audit Reports, audit comments are explained according to the respective categories classified into accuracy, regularity, economy, efficiency, and effectiveness. This classification is unique to the Board of Audit of Japan, and the boards of audit in

There was a change in audit viewpoints in the 12 years from fiscal 1989 to fiscal 2000 and the 2 years from fiscal 2001 to fiscal 2002. In fiscal 2001, the viewpoint of accuracy was added. In fact, auditing from the viewpoint of accuracy had been conducted before that time. For example, the following audit comments for the Defense Agency can be found: “Erroneous omissions, etc., in the Reports on the fluctuation, current amount and value of commodities” in fiscal 1979 and “Demand for measures to be taken for correction to the book values registered in the National Property Ledger for vessels (warships) of the Maritime Self Defense Force” in fiscal 1987. Because more than one comment based on the viewpoint of accuracy were raised in each fiscal year, a section for accuracy was added as a separate category of viewpoints in 2001 to describe viewpoint-specific audit findings.

(4) Viewpoint-specific audit findings

As for viewpoint-specific audit findings, how to classify audit comments in the Audit Reports into the respective categories of viewpoints, such as accuracy, regularity, economy, efficiency, or effectiveness, is illustrated in “Major classifications” for individual comments and “Typical cases” for each category of viewpoints selected from the audit comments for the fiscal year concerned. Looking at the ratio of each category of viewpoints appearing in the Audit Reports, the respective categories are listed in ascending order, according to the number of comments, as follows: regularity, economy/efficiency and effectiveness. Accuracy was not listed because it had a very small number of comments.

Because each matter commented was audited from multiple viewpoints, some matters may, as a result, be commented from multiple viewpoints. For example, “Opinion presented for improvement to ensure proper project operations by contributees and facilitate the effective utilization of contributions or other funds with respect to the funds disbursed to international organizations, etc.” mentioned in FY 2001 Audit Report is classified under effectiveness. This classification is based on the recognition that funds contributed to international organizations, etc., were not used effectively. This comment requires also that any new or additional disbursement of funds be in the amount that is suitable for the execution of the intended project, and if this point is considered, the foregoing comment can be classified under economy/efficiency.

4. Current Status and Types of Effectiveness Auditing

(1) Definition of effectiveness auditing

The contents of effectiveness auditing and performance auditing are being discussed by researchers, the Diet, and others from their respective standpoints. Since the establishment of the government’s policy evaluation system, the definition of policy evaluation has become clearer by the legislation of the Government Policy Evaluation Act. How policy evaluations are going to take root in the context of the self-evaluation system of each ministry or agency will depend on the results of policy evaluations in the future. With respect to effectiveness auditing, the Board of Audit Law was amended in December 1997 to expressly stipulate the viewpoint of effectiveness auditing, but its definition was not described. Performance auditing was not defined either. According to the viewpoint-specific audit findings in the Audit Reports, effectiveness auditing is defined as follows:

Whether or not the planned goals or intended effects are achieved as a result of the implementation of the program or project and the execution of its budgets by auditees

major advanced Western countries do not necessarily adopt similar methods of classification. In general, the auditing of the compliance and accuracy of financial statements is called “financial auditing,” and the auditing of economy, efficiency, effectiveness, etc., of public administrative services is called “performance auditing” or “VFM auditing.” Unlike in Japan, the classification of performance audit reports or VFM reports according to the types of audit viewpoints is not adopted in major advanced Western countries.

(2) Coverage of effectiveness auditing

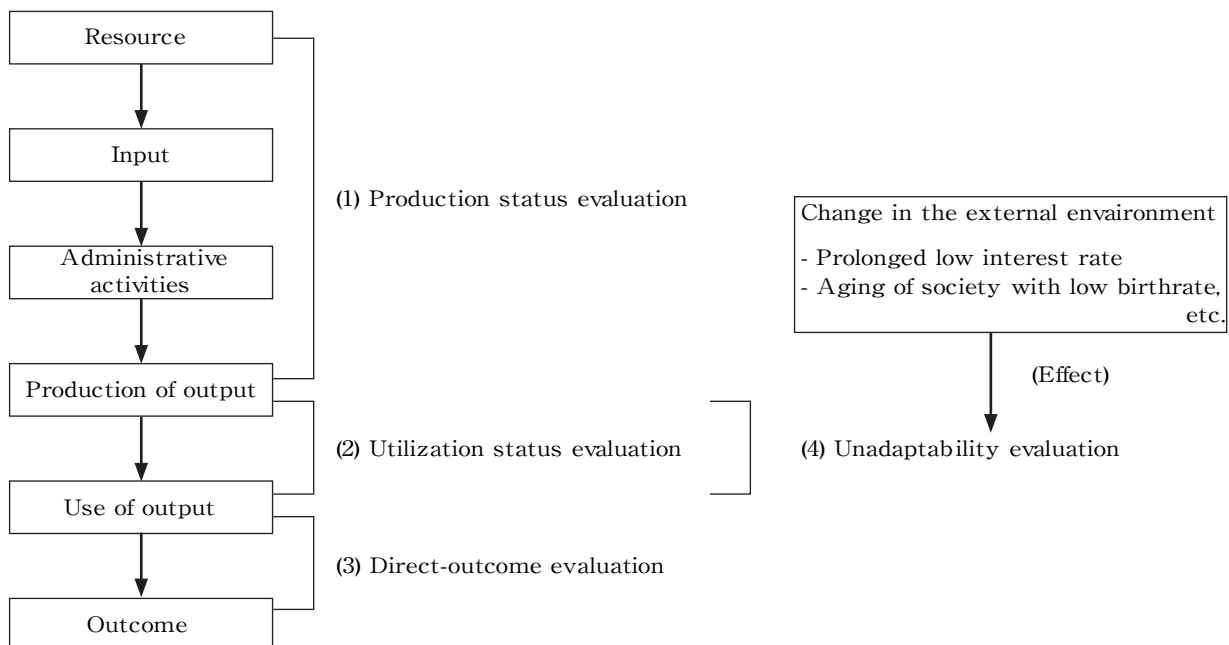
For the purpose of analyzing the current status of effectiveness auditing in this thesis, if an audit comment is mentioned in the description of “whether or not the project achieved the planned goals and produced the intended effects” in the “Viewpoint-specific audit findings” section in the Audit Reports, such audit comment is regarded as being classified under effectiveness auditing. From fiscal 1989, when the description of “viewpoint-specific audit findings” in the Audit Report started, to fiscal 2002, 81 cases were classified under effectiveness auditing. Among them, 3 cases relating to the calculation of tax revenues or subsidies were excluded from the objects to be analyzed in this thesis due to the difficulty in understanding their outcome because outcome data are necessary to analyze the cases of effectiveness auditing in this thesis. Therefore, 78 cases are analyzed in this thesis. Because special reports have been stated since fiscal 1990, there are 105 cases of “Special reports” for the period from fiscal 1990 to fiscal 2002, and 3 of them are included in the aforementioned 78 cases of “viewpoint-specific audit findings.” Apart from the 3 cases, 10 cases were selected based on the following criteria; therefore, 88 cases in total were adopted for analysis in this thesis.

A case making reference to a program or project for which (i) some numerical targets, schedules, etc., are specified; (ii) the figures actually achieved corresponding to such targets, schedules, etc., are stated; and (iii) some problems are pointed out or some improvement measures are described based on the actual figures in (ii)

(3) Types of effectiveness auditing

In this thesis, effectiveness auditing is classified into the four types mentioned in chart 1, i.e., according to their phases intended in the administrative management cycle.

Chart 1



With respect to each phase, from resource to outcome, the explanation and definition of each phase of effectiveness auditing for the respective types are as summarized in table 1.

Table 1

Type of evaluation	Phase of effectiveness auditing	Definition
Production status evaluation	This is a phase where funds, manpower, and other resources are inputted in administrative activities; systematic administrative activities are conducted; and output is produced.	Auditing to identify a program or project for which the intended output is not produced because the resources or administrative activities have not been inputted or implemented as scheduled.
Utilization status evaluation	This is a phase where produced output is used.	Auditing to identify a program or project for which the intended output was produced but remains unused.
Direct-outcome evaluation	This is a phase where outcome arises from used output and is brought to people's lives or the social economy.	Auditing to identify a program or project for which the intended output is used but the intended outcome is not achieved.
Unadaptability evaluation	This is a phase following a change in the environment where produced outcome is used on the assumption that the originally intended outcome was achieved.	Auditing to identify a program or project for which the intended output was used and the intended outcome was achieved originally but such output remains unused because of a subsequent change in socioeconomic circumstances.

5. Characteristics of Effectiveness Auditing

(1) Characteristics of audit comments for the respective 4 evaluation types

Looking into the audit comments of each evaluation type for effectiveness auditing, 56 cases are classified under utilization status evaluation, which is nearly two-thirds of the total, and the remaining one-third is composed of 10 production status evaluation cases, 11 direct-outcome evaluation cases, and 11 unadaptability evaluation cases, with almost the same respective ratios (refer to table 2 attached as tabulated by us; similarly, all other results of the tabulation of the 88 cases referred to in this thesis are based on our tabulation). Audit comments classified under utilization status evaluation appear each and every year, and one of the recent characteristics is that there are 2 or 3 cases classified under unadaptability evaluation each in fiscal 2000 and subsequent years due to a decline in interest rates.

Looking into audit comments by ministry/agency, there are 34 cases for the Ministry of Agriculture, Forestry and Fisheries; 15 cases for the Ministry of Land, Infrastructure and Transport; and 10 cases for the Ministry of Education, Culture, Sports, Science and Technology. The sum of the audit comments for these three ministries is 59, or approximately 70% of the total (refer to table 3 attached). With respect to audit comments by field of projects/programs, there are 27 cases of nonpublic agricultural projects for structural reform or other projects relating to agriculture, forestry, or fisheries; 25 cases of public works (including those relating to the Ministry of Agriculture, Forestry and Fisheries), and 11 cases of education and scientific technologies. The sum of the audit comments for these three fields is 63, the ratio of which is similar to that of the foregoing three ministries (refer to table 4 attached).

With respect to classification according to the categories of comments, there are 36 cases classified under "Measures taken" and 27 cases under "Demanded measures/Presented opinions." The sum of these comments is 63, or 70% of the total (refer to table 5 attached). There is one comment classified under "Impropriety," which is a case where the goals intended by subsidies are not achieved.

(2) Overall status of effectiveness auditing

(a) Production status evaluation

Most audit comments classified under production status evaluation are related to such government-controlled projects as the construction of multipurpose dams and the implementation of river

improvement projects. There are fewer comments relating to government-aided projects in the case of audit comments classified under production status evaluation than those classified under other types. As examples of input-related problems where the intended output is not provided, there are fishery compensation problems, objection from local residents, and problems relating to the coordination between the national government's projects and local governments' projects. As examples of problems relating to public administration activities, there are issues on the circumstances of the U.S. government, which is a counterparty of the Japanese government in certain contracts. (For specific audit comments, refer to case 1.)

(b) Utilization status evaluation

Utilization status evaluation is such that it has been appearing in the Audit Reports for a long time and constitutes a major part of effectiveness auditing. Out of 56 audit comments, 35 cases, or more than half of the total, are related to subsidies. The audit comments classified under utilization status evaluation can be further classified under three types: comments for the utilization status of foundations, etc.; comments for the utilization status of facilities; and comments for the recommendation of diversion. In each of these three types, there are many audit comments relating to government-aided projects administrated by the Ministry of Agriculture, Forestry and Fisheries (refer to table 2). (For specific audit comments, refer to case 2.)

Table 2

Type	Number of cases	Ministry or agency to which a large number of audit comments are raised	
Utilization status of foundations, etc.	25	Ministry of Agriculture, Forestry and Fisheries	11
		Ministry of Education, Culture, Sports, Science and Technology	4
		Ministry of Land, Infrastructure and Transport	4
Utilization status of facilities	26	Ministry of Agriculture, Forestry and Fisheries	9
		Ministry of Education, Culture, Sports, Science and Technology	5
		Ministry of Land, Infrastructure and Transport	4
Recommendation of diversion	5	Ministry of Agriculture, Forestry and Fisheries	2
		Ministry of Health, Labour and Welfare	1
		Urban Renaissance Agency	1

Looking into audit comments for the utilization status of foundations, etc., each of them indicates nonconformance with relevant subsidy objectives or equivalent. It leads that each of them is considered to be a project which is capable of achieving the planned goals and intended effects as a consequence of the appropriate subsidy guidelines etc. and of the proper implementation of the project. Basically, audit comments of this type are cases where their subsidy guidelines or subsidy requirements are deemed correct but are not properly followed.

Regarding the utilization status of facilities, "the project suspended," "heavy red balance," or other comments are pointed out. Such descriptions as "the project suspended" or "red balance" are interpreted as some important criteria for judgment as to "whether or not the continuation of the project is feasible" or "whether or not the project is economically and efficiently implemented."

One of the audit comments for the recommendation of diversion is related to the recommendation of the diversion of some state-owned agricultural land located within urbanization areas. The comments for the recommendation of diversion are different from those for the unadaptability evaluation in that it is recommended to promptly dispose of the project area, etc., because it is no longer feasible to use such project area, etc., for the originally intended purposes.

Table 3

Fiscal year, Name of ministry/agency, Name of program/project	Criterion for identifying the usage rate as being improper	Rate of impropriety
Fiscal 1995: Ministry of Education Improvement order to optimize the effects of the projects for the development of clubhouses for elementary and junior high schools	A clubhouse for which the annual utilization days are 50 days or less	109 clubhouses out of 560 in total (19.4%)
Fiscal 1995: Ministry of Transport Improvement order to properly manage and operate public marinas, etc., and facilitate the utilization thereof	A public marina for which the rate of unused storage space for pleasure boats is 50% or more	About 1,141,070,000 yen out of approximately 13,363,660,000 yen in governmental subsidies (8.5%)
Fiscal 1996: Ministry of Education Improvement order to properly develop switchboards for campus information networks and facilitate the effective utilization of the networks	A facility for which the usage rate of terminals of ATM switchboards is less than 40%	118 ATM switchboards (26.4%), for which the total purchase price is approximately 529,720,000 yen (15.8%), out of 446 ATM switchboards, for which the total purchase price is approximately 3,337,550,000 yen
Fiscal 2000: Ministry of Health and Welfare Improvement order to review the criteria for eligibility for governmental subsidies or take other appropriate measures in the care house improvement project in order to achieve efficient project implementation	A care house for which the occupancy rate is less than 70%	26 care houses (3.2%), for which the total value is approximately 5,215 million yen (3.6%), out of the 814 care houses to which approximately 145.8 billion yen in governmental subsidies are granted
Fiscal 2002: Ministry of Agriculture, Forestry and Fisheries Improvement order to efficiently and effectively implement facility development in the wholesale market improvement project	A market for which the trading volume is 60% of the target volume or reference volume determined by the Ministry of Agriculture, Forestry and Fisheries	29 markets out of 147 in total (19.7%)

For utilization status evaluations, the respective program or project is evaluated based on the utilization status, etc., of its relevant output. The criterion for identifying impropriety²⁾ in evaluating the usage rate is determined on a case-by-case basis, according to the respective audit comments. Table 3 shows examples of the criteria for identifying the usage rate as being improper and the rates of impropriety³⁾, relating such audit comments for which the criterion for identifying the output usage rate as being improper is described in such details in the main body of the relevant Audit Report that can be clearly recognized.

2) The criterion for identifying impropriety means the standard of the actual number of users, the actual figure for use, the actual number of days of use, or the like at which the usage status is identified as being improper in the light of the capacity of the facility, the planned figure for use, the number of days available for use, or the like. The criterion for identifying impropriety ranges from 40% to 70% in the case of the audit comments shown in table 3. In general, if the level of the usage rate to be identified as being improper is higher, the range of impropriety is wider accordingly. (If the occupancy rate of a care house is 69%, it is identified as being improper, but if the usage rate of a public marina is 69% (the unused space is 31%), it is not identified as being improper.)

3) The rate of impropriety means the rate of improper cases or improper amounts to the cases or amounts selected from some audit comments and audited by the Board (as far as possible, it is indicated in the form of an amount instead of the number of cases). A high rate of impropriety does not always mean a serious level of impropriety. Instead, it shows that improper matters are found in a broad range in the concerned project.

Regarding the usage rate, for example, the Ministry of Agriculture, Forestry and Fisheries established criteria for judging the level of achievement for its performance evaluations, such as Rank A (90% achieved; generally effective), Rank B (50% or more achieved, but less than 90%; effectiveness must be enhanced) and Rank C (less than 50% achieved; there is a problem in effectiveness). While the criterion for identifying the usage rate as being improper is an important part of the comments for utilization status evaluations in the Audit Reports, the figures of such criteria must be judged separately according to the circumstances of the respective projects. Looking into the actual audit comments, the criterion for identifying the usage rate of a care house as being improper is less than 70%, which is relatively high, but the rate of for improperness for care houses is only 3.6% because they are social welfare facilities in great need, the supply of which does not catch up with demand. On the other hand, in the case of public marinas operating in the scheme of public works, the criterion for identifying the usage rate of a marina as being improper is less than 50%, which is set at the level lower than that of care houses in order to narrow the range of improperness, but the rate of improperness for public marinas is as much as 8.5%.

(c) Direct-outcome evaluation

For direct-outcome evaluations, it is found that there are few audit comments in the Audit Reports and that there are few cases where actual results are grasped quantitatively by using outcome performance indicators. With respect to the state-operated Kisomisaki reclamation project or the state-operated Isahaya Bay reclamation project implemented by the Ministry of Agriculture, Forestry and Fisheries, the verification of the effects or the measurement of cost-effectiveness are carried out, but reclamation projects are no longer major programs in the Ministry of Agriculture, Forestry and Fisheries at present. (For specific audit comments, refer to case 3.)

Outcome performance indicators in the audit comments for direct-outcome evaluations include fish catches adopted in case 3; the effect on crop production adopted in reclamation projects, etc.; as well as the number of insured people who have been employed on a year-round basis, the number of people whose period of continued employment has expired, and others adopted in employment measures implemented by the Ministry of Health, Labour and Welfare.

Let's look at the "Special report" in FY 2000 Audit Report entitled "Status of barrier-free at railway companies' stations and their vicinities." The Board examined the status of the achievement of the outcome based on an outcome performance indicator named "the ratio of stations without difference in level to stations with daily passengers of 5,000 or more" adopted in the performance evaluation by the Ministry of Land, Infrastructure and Transport. The Board then set up its unique outcome performance indicator: "whether or not wheelchair users, etc., are able to come and go smoothly when they use the respective JR companies' railway service as a result of improvement in elevators or other facilities at and around the stations." Based on this indicator, the Board examined again the achievement of the outcome. In this evaluation of the outcome of the program/project, the Board concluded that the environment to encourage handicapped people, etc., to organize their self-supported social life was not established because the difference in levels on the station's premises was eliminated but stairways on the pathway from the station square to the ticket gates precluded wheelchair users, etc., from smoothly coming and going or because the elevators that are available for public and business use were always locked due to the convenience of facility management and, thus, they were not available for free use by wheelchair users, etc.

(d) Unadaptability evaluation

For unadaptability evaluations, 7 out of the 11 cases are related to government-aided projects. The other 4 cases are related to public works implemented by Housing and Urban Development Corporation or other special public corporations. These 4 cases were identified by the Board as being improper because their projects were not operated in such a way as to promptly respond to changes in socioeconomic circumstances. In addition, the size of funds was identified as being improper since

fiscal 2000 in some cases due to the effects caused by recent low interest rates or a downturn in demand for lending. (For specific audit comments, refer to case 4.)

In the unadaptability evaluation cases, the production of output is continued even though the beneficiaries' need for output is decreasing or no longer exists due to environmental changes, such as the aging of a society with a low birthrate, prolonged low interest rates, and a declining demand for finance. To be more specific, it is no longer necessary to retain land for classrooms or educational facilities due to the low birthrate or the originally intended foundation is no longer necessary due to a change in project environments, as shown in case 4. For unadaptability evaluations, the rate of improperness is of a high level due to a decreasing necessity of the projects.

(3) Amounts indicated in the Audit Reports

Indications of amounts in the Audit Reports are classified into three types, i.e., "improper amount," "background amount⁴⁾," and "no amount indicated," and each type is basically treated in the following manner.

- (1) An impropriety is indicated in the form of an improper amount.
- (2) With respect to Demanded measures/Presented opinions, Measures taken and Special descriptions in the Audit Reports for fiscal 1994 and subsequent years, whether it is an improper amount or a background amount is stated in Section 2, "Outline of Audit Findings." With respect to each audit comment accompanied by the background amount in the Audit Report for fiscal 1995 and subsequent years, the nature of such amount (e.g., the amount corresponding to the governmental subsidy for the foundation to which the improvement order for effective utilization was issued) is also described.
- (3) No amount is indicated for a special report.

Regarding the 88 cases audited in effectiveness auditing, the classification under "improper amount," "background amount" and "no amount indicated" for each type of evaluation is as shown in table 4.

Table 4

Type of evaluation	Number of cases	Improper amount	Background amount	No amount indicated
Production status evaluation	10	0	10	0
Utilization status evaluation	56	18	31	9
Direct-outcome evaluation	11	3	5	3
Unadaptability evaluation	11	3	7	1
Total	88	24	53	13

Note: With respect to some audit comments, both the improper amount and the background amount are mentioned in a single audit comment.

4) "Improper amount" and "background amount" are explained in the Audit Reports as follows.

"Improper amount" means an amount of deficit in the collection of tax or social insurance premiums, etc.; an excessive amount expended for any construction project or procurement of goods; an excessive amount of subsidy; an amount of assets not correctly indicated in any accounting or financial statement; or any other improper amount.

"Background amount" means an amount of disbursement or investment in relation to a case where any improper or unreasonable event results from any applicable law, system or public administration or a case where the project makes little progress and the intended effect is not achieved due to problems in administrative policies, etc., and it is necessary to take up that event as a problem. Because the amount so disbursed or invested is not always an amount arising from improper accounting, it is called a "background amount," to be distinguished from an improper amount.

As a result of effectiveness auditing, more than half of the audit comments are indicated in the form of background amounts, and all cases in the form of “no amount indicated” are related to special reports. If these 3 types of indications of amounts are judged as to “whether or not the situation is clearly explained,” they are ranked in the following order.

Improper amount > Background amount > No amount indicated

(4) Analysis of the audit comments by utilization status evaluation

(a) Indication of amounts

The number of audit comments in utilization status evaluations is the largest of all four types, but the stance for indicating amounts is not clearly directed (refer to table 4). For utilization status evaluations, the amounts indicated are calculated by a method based on the criteria for identifying improper usage rates.

After 9 cases of special reports with no amount indicated are excluded from the total 56 cases of utilization status evaluations, 47 cases remain. With respect to 42 cases after excluding the 5 cases of recommendation of diversion for which a large amount is indicated from the aforementioned 47 cases, the amounts indicated in the audit comments are as listed in table 5. Each of the average amount, the minimum amount, and the maximum amount is higher for the background-amount type than for the improper-amount type.

Table 5

Type of amount indicated	Improper-amount type			
	Number of cases	Average amount	Minimum amount	Maximum amount
Amount	19 cases	1,360 million yen	80 million yen	4,520 million yen

Type of amount indicated	Background-amount type			
	Number of cases	Average amount	Minimum amount	Maximum amount
Amount	23 cases	61,800 million yen	350 million yen	897,200 million yen

(b) Status of the rates of improperness

When calculating an improper amount or a background amount, project costs or other expenses relating to improper facilities, etc., are added up based on the criterion for identifying the usage rate as being improper. Looking into the 40 audit comments for utilization status evaluation that are classified under (i) the case indicated in the form of improper amount or background amount, (ii) the case where the rate of improperness is available to us, or (iii) the case, excluding the cases for recommendation of diversion, for which an improper amount is large or the rate of improperness is high, the details therefore are summarized as follows.

There is little difference in the rate of improperness between the improper-amount type (19 cases; the average rate of improperness is 20.4%) and the background amount-type (21 cases; the average rate of

improperness is 30.8%) and no special trend can be found with respect to the rate of improperness (refer to table 6). The rate of improperness ranges from 3.6% to 93.4% depending on the audit comments, and the audit comments for which the rate of improperness is 50% or more are 4 cases of the total 40 cases, or 10%. A very low rate of improperness (3.6%) is found in the cases of care houses, as explained before, and a very high rate of improperness (93.4%) is related to the presented opinion in FY 1998 Audit Report entitled "Opinion presented for improvement to facilitate the utilization of the Farming Improvement Fund and realize the effective use of the National Depository Fund for Low-interest Loan." Regarding the Farming Improvement Fund, the opinion was presented with an intention to review and adjust the lending method, etc., to respond to changes in financial circumstances and the needs of certified farmers, etc. This opinion is classified under utilization status of foundations, etc., but its nature is similar to unadaptability evaluation. As explained above, the rate of improperness is basically an indicator to show the level of the spreading of improper events. Yet, the audit comments may be raised even though the rate of improperness is low, in the case of social welfare facilities or other projects in great need or in the case of schools providing compulsory education or other projects for which the requirements for the installation of facilities are standardized.

Regarding the Ministry of Agriculture, Forestry and Fisheries; the Ministry of Land, Infrastructure and Transport; and the Ministry of Education, Culture, Sports, Science and Technology, for which relatively many audit comments are raised, there are 34 cases of audit comments falling under any type of (i) to (iii) above. Looking into the cases of the improper-amount type in these 34 cases for which the contents of the amounts indicated are relatively clear, the average rate of improperness for the Ministry of Land, Infrastructure and Transport is 8.7%, lower than that of the other two ministries (refer to table 6). With respect to the rate of improperness, the Ministry of Education, Culture, Sports, Science and Technology had an average of 14.2%, which is lower than that of the other two ministries due to its low rate of improperness for the background-amount type, or an average of 9.5% (refer to table 6).

Next, looking into the rate of improperness for the said 34 cases in terms of utilization status, the rate of improperness for the utilization status of foundations, etc., of the improper-amount type (6 cases; the average rate of improperness is 13.0%) is lower than the rate of improperness for the utilization status of facilities (10 cases; the average rate of improperness is 20.8%) (refer to table 6). This is because, in the case of projects not entailing hardware or facilities, such as foundations or incentive subsidies provided by the Ministry of Agriculture, Forestry and Fisheries, audit comments are raised in the Audit Reports in general, even if their rate of improperness is lower than the rate of improperness for utilization status of facilities.

Table 6

Classification		Average	Improper-amount type				Background-amount type			
			Number of cases	Average	Minimum	Maximum	Number of cases	Average	Minimum	Maximum
Overall rate of improperness		25.9%	19	20.4%	3.6%	72.2%	21	30.8%	3.8%	93.4%
Ministry/ agency	Ministry of Agriculture, Forestry and Fisheries	26.0%	10	19.5%	5.7%	43.2%	9	33.2%	5.9%	93.4%
	Ministry of Land, Infrastructure and Transport	28.8%	3	8.7%	6.0%	11.7%	4	43.9%	11.7%	87.7%
	Ministry of Education, Culture, Sports, Science and Technology	14.2%	3	21.8%	15.8%	30.4%	5	9.5%	3.8%	21.3%
Utilization status	Foundations, etc.	24.4%	6	13.0%	5.9%	32.1%	12	30.1%	5.9%	93.4%
	Facilities	23.1%	10	20.8%	5.7%	43.2%	6	26.9%	3.8%	87.7%

6. Future Tasks

(1) Cost-benefit analysis, etc.

“The case of reclaimed land created in the state-operated Kisomisaki reclamation project” in fiscal 1989 is the only case where the Board has actually calculated cost-effectiveness and the recent Audit Reports merely refer to the introduction of cost-benefit analysis, cost-effectiveness analysis, investment efficiency, and some other approaches. With respect to cost-effectiveness analysis, according to the audit comments concerning “the planning and performance of the Honshu-Shikoku Bridge Project,” “the improvement and operation of airports administrated by local governments,” and other large-scale public works that are taken up in the special reports in some recent Audit Reports, it is necessary to verify the fairness, etc., required in governmental activities. At the same time, it is necessary for the Board to analyze cost-effectiveness by means of postproject evaluations and identify problems in addition to merely comparing planned and actual traffic volumes.

With respect to the Board’s effectiveness auditing, the Diet and experts have discussed whether sufficient effectiveness auditing has been conducted, among others, in relation to the implementation of public works (large-scale projects, in particular). There are a lot of cases of effectiveness auditing for public works referred to in the Audit Reports, so we are going to add some explanations about “Opinion presented to facilitate effective utilization of the reclaimed land created in the state-operated Kisomisaki reclamation project” in FY1989 Audit Report, as one example of such cases.

This presented opinion refers not only to the issue of the border between Aichi and Mie Prefectures but also to the feasibility of farming on the reclaimed land. The Board examined farming for each form of agricultural management and finally came to the conclusion that farming on this reclaimed land would be expected to be difficult. Furthermore, in this opinion for improvement, the Board insisted that the border between Mie and Aichi be promptly determined and that the use of this reclaimed land be studied from various perspectives.

The “status of the measure taken” in response to the aforesaid presented opinion (refer to table 1 attached) is as listed in table 6 attached. The audit comments on this issue have been described in the Audit Reports for 10 years, from fiscal 1990 to fiscal 1999. Regarding the border between the 2 prefectures, FY 1995 Audit Report stated that it was determined, and regarding the utilization of the reclaimed land, FY 1999 Audit Report stated that the diversion of the reclaimed land was approved for effective utilization thereof. In this way, the opinion presented in FY 1989 Audit Report materialized over 10 years. We consider this case to be a good example of the Board’s presented opinions based on effectiveness auditing for large-scale public works.

(2) Beneficiary research, etc.

Needless to say, it is important to understand the effects of the programs and projects through effectiveness auditing. Among others, beneficiary research is particularly important. The Board has recently come to conduct beneficiary research by means of surveys, etc., and it seems that such research is becoming more important in the Audit Reports. Because the approach by beneficiary research, etc., is often used to supplement quantitative evaluation indicators, it is important to sufficiently confirm such quantitative evaluation indicators.

The know-how of beneficiary research will be accumulated by continuing surveys and identifying some problems about costs or methods for such research. As beneficiary research is one of the effective methods for the Board to understand the effects of outcome, we consider that the Board will need to positively utilize this method.

(3) Indication of amounts

Indication of amounts is made in the form of improper amount, background amount, or the like. In addition, there are other methods, such as “financial benefit in identifying improperness,” as adopted

by the GAO (refer to page 28 of the 2003 issue of *Kensain*), and there is room to study spillover effects. While how to treat spillover effects will depend on future studies, we consider that the Board's basic stance under the present circumstances should be to clearly identify improper parts found in its audits and clarify the events that underlie such improperness.

7. Conclusion

The Board has been accumulating actual records of its effectiveness auditing, but its targets still focus on the agriculture, forestry, and fisheries industries and public works, so it is necessary to extend such auditing activities to the social security field. The relationship between the Board's effectiveness auditing and the status of the implementation of comprehensive evaluations, etc., under the policy evaluation system is also important, and it is desirable to raise audit comments for direct-outcome evaluation with an eye to impact evaluations conducted in the United States. If the Board audits outcome placed in the final phase of the management cycle using a quantitative evaluation approach, we consider such auditing to be unique in effectiveness auditing by the Board of Audit of Japan, which acts as a body engaged in external audits (evaluations).

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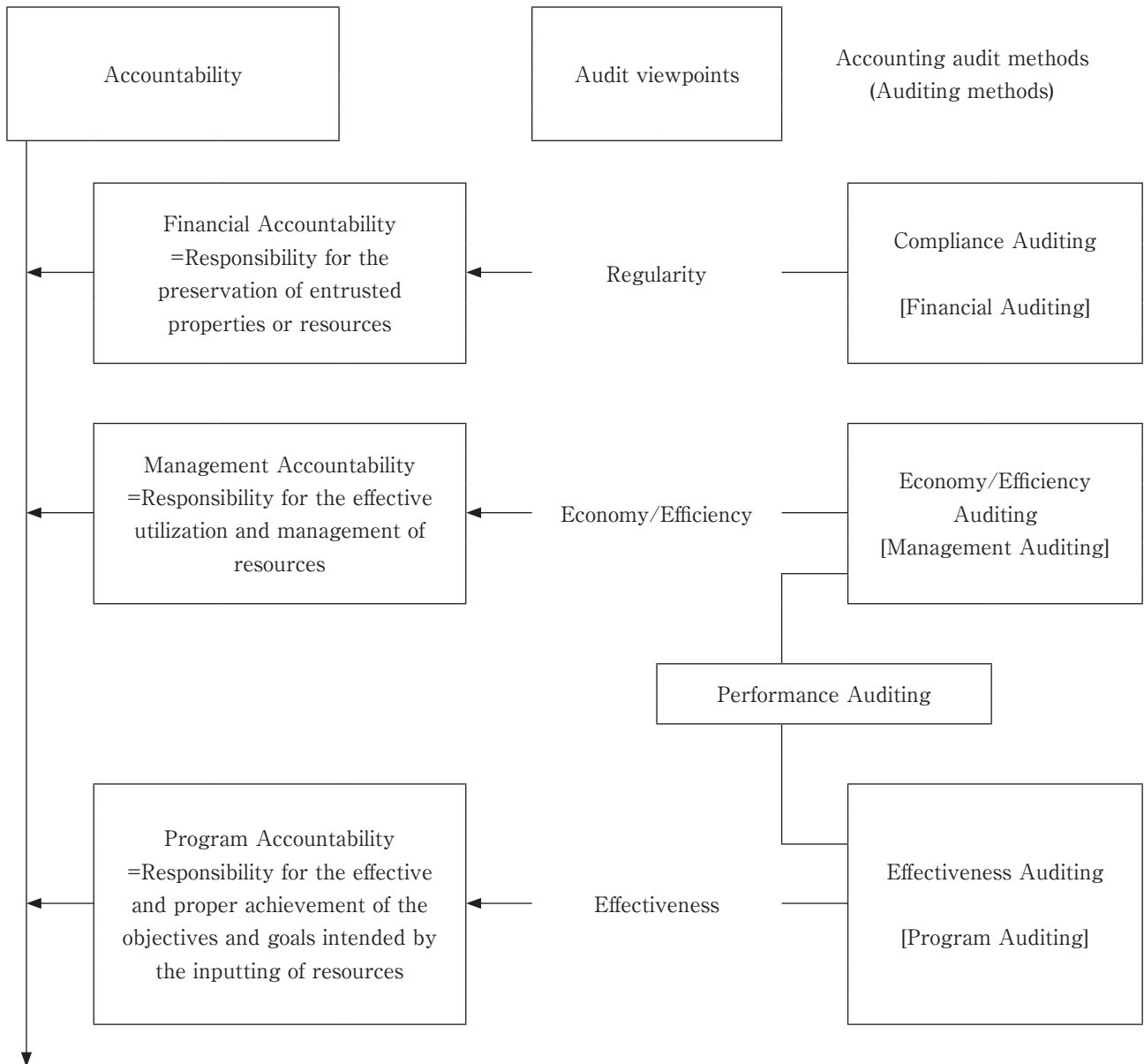
(Attachment)

Table 1. Categories of Audit Comments in Audit Reports

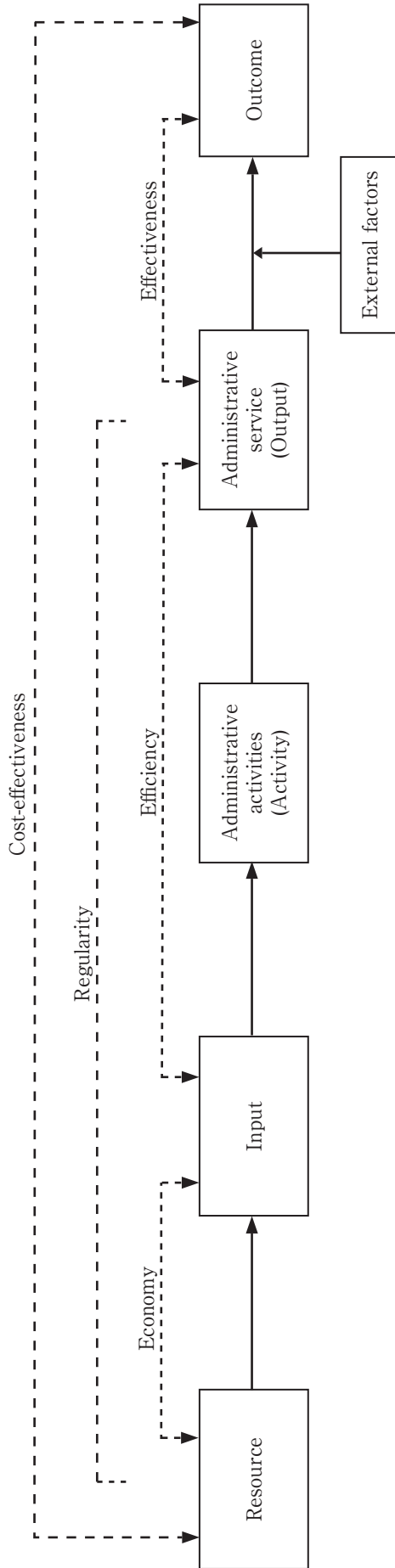
Category	Contents	Underlying provisions in law
1) Improprieties	Matters that the Board has identified as being in violation of laws, regulations, or appropriated budgets or as being uneconomical, inefficient, or otherwise improper and are considered necessary to be reported to the Diet, taking into consideration the significance of their nature, extent, and so on	Article 29.3 of the Board of Audit Law (the "Law")
2) Presented opinions/ Demanded measures	<ul style="list-style-type: none"> Matters for which the Board has presented its opinions or demanded remedial measures to prevent the recurrence of improper transactions Matters for which the Board has presented its opinions or demanded remedial measures regarding laws, ordinances, and/or administrative systems 	<p>Article 34 of the Law</p> <p>Article 36 of the Law</p>
3) Measures taken	Matters for which the auditee involved took remedial measures in response to the management's letters or auditors' inquiries	Article 15 of the Enforcement Regulations for the Board of Audit Law (the "Enforcement Regulations")
4) Special description	Matters other than those in 1) through 3) that are worthy of special description with regard to the effectiveness or efficient management of projects and programs in order to draw the attention of the general public and the government to them	Article 15 of the Enforcement Regulations
5) Special report	A report on the audit activities of the Board that were carried out to deal with specific problematic issues in which there is wide public interest and that are not included in those items in 1) through 4)	Article 15 of the Enforcement Regulations
6) Status of measures taken	Status of measures taken by the responsible ministry or agency for the matter for which the Board has presented opinions or demanded measures	Articles 29(7) and 29(8) of the Law

(Attachment)

Chart 1. Development of the Concept of Accountability and Expansion of Viewpoints (Scope) for Accounting Audits



(Attachment) Chart 2. Administrative Management Cycle and Viewpoints for Accounting Audits



(Note 1) Administrative management cycle

- Resource: Funds, manpower, and other resources (funds from government investments and loans, revenues from the issuance of Government Housing Loan Corporation bonds, etc.)
- Input: Inputting resources into administrative activities (budgeting, etc.)
- Activity: Production activities in systematic administrative services (establishment of criteria for construction projects, lending examinations, design examinations, conclusion of loan agreements, etc.)
- Output: Administrative services provided by administrative activities (lending of home construction loans, lending of home acquisition loans, etc.)
- Outcome: Effects resulting from administrative services (promotion of people's home acquisition, enhancement of housing standards, improvement in the quality of homes, etc.)
- External factors: Factors other than the said administrative services that may affect outcome (decline in market rates, economic downturn, increase in housing loans provided by private financial institutions, etc.)

*The descriptions in parentheses are examples of Government Housing Loan Corporation.

(Note 2) Viewpoints for accounting audits

- Regularity: Whether or not the inputting of resources, administrative activities and provision of administrative services are carried out in accordance with budgets, applicable laws, and so on
- Economy: Whether or not the inputting of resources is minimized to provide specified administrative services
- Efficiency: Whether or not the provision of administrative services is maximized under the specific volume of resources inputted
- Effectiveness: Whether or not administrative services have achieved the intended effects as their planned goals
- Cost-effectiveness: Whether or not administrative services have achieved the effects commensurate with the resources inputted

(Attachment) Table 2. Overview of Audit Comments by Year and Evaluation Type

Fiscal year	Production status evaluation	Utilization status evaluation	Direct-outcome evaluation	Unadaptability evaluation	Total
1989	0	1	1	0	2
1990	0	1	0	1	2
1991	0	3	0	0	3
1992	0	2	0	0	2
1993	1	1	0	0	2
1994	1	2	1	0	4
1995	0	4	1	0	5
1996	0	3	1	1	5
1997	2	6	0	0	8
1998	1	3	1	1	6
1999	0	7	2	0	9
2000	1	8	1	2	12
2001	0	7	2	3	12
2002	4	8	1	3	16
Total	10	56	11	11	83

Note: If an audit comment can be classified under utilization status evaluation and any other type, such audit comment is classified under the latter.

(Attachment) Table 3. Overview of Audit Comments by Ministry/Agency and Evaluation Type

Ministry/agency	Production status evaluation	Utilization status evaluation	Direct-outcome evaluation	Unadaptability evaluation	Total
Defense Agency	2	0	0	0	2
Ministry of Internal Affairs and Communications	0	1	0	0	1
Ministry of Foreign Affairs	0	2	0	0	2
Ministry of Culture, Education, Sports, Science and Technology	0	9	0	1	10
Ministry of Health, Labour and Welfare	0	3	2	1	6
Ministry of Agriculture, Forestry and Fisheries	3	23	5	3	34
Ministry of Economy, Trade and Industry	0	0	0	1	1
Ministry of Land, Infrastructure and Transport	5	8	2	0	15
Urban Development Corporation	0	1	0	2	3
Agriculture and Livestock Industries Corporation	0	1	1	1	3
Japan Highway Public Corporation	0	2	0	0	2
Public corporations, organizations, etc.	0	6	1	1	8
Multiple ministries/ agencies, etc.	0	0	0	1	1
Total	10	56	11	11	88

Note: Ministries, agencies, or the like are given under their current names.

(Attachment) Table 4. Overview of Audit Comments by Evaluation Type and Field of Projects/Programs

Field of project/program	Production status evaluation	Utilization status evaluation	Direct-outcome evaluation	Unadaptability evaluation	Total
Social security	2	0	0	0	2
Public works	0	1	0	0	1
Defense and Economic cooperation	0	2	0	0	2
Education, Science and technology	0	9	0	1	10
Agriculture, forestry, and fisheries	0	3	2	1	6
Small or medium-sized enterprises/information and telecommunications	3	23	5	3	34
Others	0	0	0	1	1
Total	5	8	2	0	15

Notes:

1. The classification of fields of projects/programs is principally based on the "Basic Policy on Auditing Activities."
2. The method of tabulation by project/program field is principally in line with the "Summary of Audit findings - the Audit Report and activities of the Board of Audit -."
3. Public works implemented by the Ministry of Agriculture, Forestry and Fisheries are classified under "Public works," and farmers' pensions are classified into "Social security."

(Attachment) Table 5. Overview of Audit Comments by Evaluation Type and Category of Comments

Category of comments	Production status evaluation	Utilization status evaluation	Direct-outcome evaluation	Unadaptability evaluation	Total
Presented opinions/ Demanded measures	0	21	3	3	27
Measures taken	2	23	4	7	36
Improprieties	0	0	1	0	1
Special description	8	3	0	0	11
Special report	0	9	3	1	13
Total	10	56	11	11	88

(Attachment)

Table 6. Status of measures taken in response to the opinion presented to facilitate the effective utilization of the reclaimed land created in the state-operated Kisomisaki reclamation project

Fiscal year	Opinions presented for improvement based on audit findings	
	Issue of the border between Aichi and Mie Prefectures	Issue of the program for reclaimed land utilization
1989	The Board urged the authorities concerned to determine a border between the two prefectures promptly and sought a solution.	In the reclamation program to be prepared, the feasibility of farming must be sufficiently examined, taking into consideration surrounding agricultural conditions. In addition, the utilization of the reclaimed land must be studied from various perspectives, taking into consideration the site conditions of the reclaimed land, future agricultural situations, and so on in a comprehensive manner.
Status of measures taken by the authorities concerned		
1990	Both Aichi and Mie Prefectures' officials in charge discussed this issue.	Surveys and studies on the status of farming, etc., in areas around the reclaimed land were launched.
1991	The chief officials and deputy governors of both prefectures discussed this issue.	The Exploratory Committee for the Use of Land, etc., relating to Kisomisaki Reclaimed Land was established in the Ministry of Agriculture, Forestry and Fisheries to carry out studies to facilitate land use from various perspectives.
1992	The governors of both prefectures discussed and agree to act for the earliest solution of the issue on the prefectural border.	Based on the agreement between the prefectures' governors, the Ministry of Agriculture, Forestry and Fisheries and both Aichi and Mie Prefectures established the Exploratory Council on the Use of Kisomisaki Reclaimed Land to study multidimensional utilization.
1993	In the presence of the Minister of Agriculture, Forestry and Fisheries, both prefectures' governors entered into a Memorandum for Kisomisaki Reclaimed Land. (1) A border between the two prefectures shall be established along the lines of Nabeta Levee surrounding the reclaimed land and the tidal breakwater at Nagoya Port, and the site water surface shall be equally allocated to both prefectures. (2) The reclaimed land, which has an area of 444 hectare, shall be divided into 363 ha for Mie and 81 hectare for Aichi.	Studies by the aforesaid council were continued.
1994	Coordination was made based on the memorandum.	Studies by the aforesaid council were continued.
1995	A border between the two prefectures was determined.	Studies by the aforesaid council were continued.
1996	\	Studies by the aforesaid council were continued.
1997		Aichi and Mie Prefectures established the Exploratory Committee for the Use of Kisomisaki Reclaimed Land, composed of members from industries and the academic field, and carried out studies.
1998		The aforesaid committee prepared a report. Based thereon, Aichi and Mie Prefectures started drawing up a land use program.
1999		A land use program, as mentioned above, was drawn up, and Aichi and Mie Prefectures applied to the Ministry of Agriculture, Forestry and Fisheries for the sale of this reclaimed land. The Ministry held a meeting for the screening of the revision of state-operated reclamation projects and completed the screening of the diversion of the reclaimed land and then approved the effective utilization of the reclaimed land.

Case 1

As an example of surveys targeting entities responsible for the implementation of some output in auditing for production status evaluation, the special description in the FY 2002 Audit Report entitled "Implementation of the cadastral survey project" is introduced as follows:

Item	Contents
Purpose of the project	The cadastral survey project aims at taking scientific and comprehensive surveys of the actual status of national land in order to contribute to the development, preservation, and sophisticated use of land and clarify cadastral details.
Progress of the project	<u>As of the end of fiscal 2001, the nationwide average progress is 44.5%, and the average progress in the 14 prefectures, including the Tokyo area, the Chubu area, and the Kinki area, is 11.9%. The project makes little progress in metropolitan areas. Looking into the progress by the respective municipal governments responsible for the implementation of the project, the 1,784 municipalities are classified as follows: 471 (26.4%) have completed the project, 464 (26.0%) are still carrying on the project, 315 (17.7%) have suspended the project, and 534 (29.9%) have not yet started the project.</u>
Amount indicated	The background amount is 64.6 billion yen (which is a sum of governmental subsidies disbursed for the cadastral survey project carried out from fiscal 1988 to fiscal 2001 in municipalities in the 25 prefectures audited).
Rate of improperness	All of the 1,784 municipalities audited were identified as being improper.
Expenses borne by the entities responsible	With respect to the cost of the cadastral survey project, each municipality responsible is required to bear a part of the expenses for parcel surveys, cadastral details surveying, preparation of cadastral maps and cadastral registers, and so on. The share to be borne by each municipality responsible is a quarter. According to the ministry ordinance concerning special local allocation tax, however, each municipality is granted special local allocation tax in an amount equal to the cost of implementing the project multiplied by 0.8. Therefore, the actual burden on each municipality from the implementation of the project is small.
Targets of survey and its result	To examine why the project made little progress in urban areas, a survey was conducted in certain wards and cities in metropolitan areas. As a result, the reasons that systematic activities for the production of output were not sufficiently made in the responsible municipalities are as follows. The first reason is that they do not recognize advantages that could encourage them to spend more money and time (46.6%). The second reason is that confirming boundaries was expected to be difficult due to complexly intertwining interests among landowners and leaseholders (36.7%). In this way, it turned out that systematic activities for the production of output were not made due to a lack of awareness on the part of the municipalities responsible.
Effects of measures taken to promote the project (1) Effect of enlightenment through seminars held by the prefectures (2) Status of the appointment of outside experts for parcel surveys	As per the notification by the National Land Agency in 1988, each prefectural government is required to hold seminars for the municipalities under its control to facilitate the smooth implementation of the project. With respect to the municipalities that have not yet started the project, the rate of attendance at these seminars ranges from 3% to 100%. Some prefectures show a high attendance rate but make little progress in the project. Therefore, the Board considers that enlightenment through seminars held by prefectures is not so effective. It is a principle that the work for surveys and the confirmation of lot numbers, land categories, landowners and boundaries in the presence of those concerned for each parcel of land should be carried out by the staff of the municipal governments that are responsible for the project. In order to expedite cadastral surveys, however, a system for the appointment of outside experts for parcel surveys was established in fiscal 2000 in recognition that a delay in the project was caused by a shortage of manpower for the aforementioned survey work. According to the survey, this system was introduced by 27.1% of the municipalities.

Case 2

As an example of cases where the calculation of the improper amount for utilization status evaluation functioned well, the measure taken in the FY 1995 Audit Report entitled "Improvement order to properly manage and operate public marinas, etc., and facilitate the utilization thereof" is introduced as follows:

Item	Contents
Purpose of the project	This project aims at the removal of yachts and boats that are illegally moored at ports or harbors by improving public marinas used for the mooring or storage of yachts, motorboats, etc., at ports and harbors.
Objects to be audited	Twenty-eight marinas for which one year or more lapsed after the start of service at the end of fiscal 1995, selected from public marinas, etc., in 18 prefectures
Unused storage space	<u>With respect to storage space for 7,427 boats in total at the 28 marinas, space for 5,514 boats is used and space for 1,913 boats is unused.</u>
Breakdown by marina	Nine marinas are fully used. Nineteen marinas have unused storage space for 10 to 419 boats. In seven marinas, the ratio of unused space to total space is 50% or more. Ten marinas hold unused storage space for 50 boats or more and, among them, seven marinas hold unused space for 100 boats or more.
Illegally moored boats	Out of the 19 marinas with unused storage space, eight marinas retain 20 or more boats illegally moored. Their total unused storage space is for 799 boats, and space for at least 521 boats (the total number of illegally moored boats is 1,124) can be used effectively.
Calculation of the improper amount	The operating cost for storage space for one boat in each of the aforesaid eight marinas is calculated. Based on this, the total amount of the operating costs for storage space for the said 521 boats is calculated, and then the improper amount (corresponding to governmental subsidies) is computed.
Amount indicated	The improper amount is approximately 1,141,070,000 yen (governmental subsidies)
Rate of impropriety	8.5% (corresponding to roughly 1,141,070,000 yen, which is part of approximately 11,363,660,000 yen in governmental subsidies audited by the Board)

In case 2, the Board identified the utilization status of the output as being improper while the Board has not yet grasped their outcome. Moreover, on the assumption that some output remains unused regardless of its availability for use by beneficiaries, the Board identified the number of illegally moored boats as being improper. This manner of identifying impropriety has been in use since fiscal 1978, as shown in "Improvement order to properly manage and operate bicycle parking facilities installed with governmental aid" in FY 1978 Audit Report. In case 2, the improper amount can be computed by the number of boats, so the finally determined criterion for impropriety is defined as below. Some additional explanations were given for marinas for which unused storage space was 50% or more, for marinas for which storage space for 50 boats or more remains unused, and for marinas for which storage space for 100 boats or more remains unused.

- | |
|--|
| <p>(1) A marina for which one year or more elapsed after the start of its service</p> <p>(2) Only within the area of the port or harbor where the public marina is located, there are 20 or more boats illegally moored, and there remains some unused space that can be served for such illegally moored boats.</p> |
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Case 3

As an example of typical cases for direct-outcome evaluation, the demanded measure in the FY 1998 Audit Report entitled “Project planning and management and the utilization of fishing shelters in common-type fishing shelter installation projects” is introduced as follows:

Item	Contents
Purpose of the projects	Common-type fishing shelter installation projects aim at increasing production volume of fishery using fishing vessels by installing concrete blocks, etc., on the seafloor and creating productive fishing shelters and fishing areas.
Fiscal years, etc., to be audited	Of the 927 projects implemented for the period from fiscal 1992 to fiscal 1996 in 20 prefectures, 566 projects were audited. (In auditing for fiscal 1999, the trend for a period of at least two years were examined for the purpose of comparison with the expected production volume.)
Status of the expected production volume	<u>In 344 projects, fish catches reached the expected production volume. In 212 projects, fish catches did not reach the expected production volume.</u>
Improper events	With respect to the 212 projects that could not achieve the expected production volume, 204 projects were identified as being improper as a result of auditing the status of project planning and the management and utilization of fishing shelters after their installation.
Amount indicated	The background amount is approximately 1,383,360,000 yen (the amount of the governmental subsidies disbursed for the projects for which the project planning and the management and utilization of the fishing shelters were not proper).
Rate of improperness	38.1% (corresponding to about 1,383,360,000 yen, which is part of a total of approximately 3,555,580,000 yen in governmental subsidies)

This demand for measures is an audit comment concerning the planning and the management and operation of common-type fishing shelters. The outcome performance indicator that underlies judgment as to improperness is “fish catches,” and the expected production volume is adopted as one of the criteria for identifying improperness. In this regard, the expected production volume means the sum of fish catches by means of single-rod fishing, longline fishing, etc., in relevant fishing areas at the time of project planning and fish catches that are expected to increase due to the installation of fishing shelters. In the measurement of fish catches in fishing areas where common-type fishing shelters are installed, the beneficiaries, fish species, fishing methods, etc., in such fishing areas can be identified because they are located in principle within the areas subject to the common fishery right, and fish catches in such fishing areas are measurable because catch landing is done at the nearest fishing port.

The specific requirement in case 3 is to demand improvement measures for the accurate calculation of the expected production volume at the time of project planning and the rationalization of the management and utilization of the fishing shelters. A remarkable point in this audit comment is that the Board is able to know fish catches in respective fishing areas where common-type fishing shelters are installed. With respect to outcome performance indicators, there are few cases where project-wise effects can be recognized. This seems to be one of the reasons that the cases of effectiveness auditing by direct-outcome evaluation does not increase. On the other hand, the realization of outcome is affected by some external factors; for example, a decrease in fish catches may possibly be caused partly by natural phenomena. Therefore, in case 3, even if fish catches adopted as an outcome performance indicator does not reach the expected production volume, it does not always mean the nonachievement of the effects intended by the fishing shelters, which would constitute improperness. Before raising comments in the Audit Report, the Board examined the fishing shelters where fish catches had not reached the expected production volume and found some problems in respect to planning, management, or utilization that had caused the nonachievement of the intended effects. Based on such examination, the Board demanded improvement measures.

Case 4

As an example of cases for unadaptability evaluation where the entity responsible for decision making and the entity responsible for the production of output are not identical, the measure taken in the FY 2001 Audit Report entitled "Improvement order to discontinue the project for the creation of the Special Fund for the Control of Damage by Foreign Fishing Vessels (the "Project") and the return of outstanding residual properties relating to the governmental subsidies to the state" is introduced as follows:

Item	Contents
Purpose of the project	<p>Outcome: The project aims at stabilizing the fishery management of fishermen who suffer from a breakage of fishing nets or other damage to fishing equipment caused by foreign fishing vessels in waters near the coast of Japan.</p> <p>In fiscal 1979, the Fisheries Agency decided to implement the Project in order to achieve the aforementioned outcome.</p> <p>Based on this decision, the Fisheries Agency drew up a manual for the implementation of the Project.</p> <p>↓</p> <p>Based on the aforesaid manual, the Japan Fisheries Association implemented the Project (interest subsidies, i.e., output).</p> <p>↓</p> <p>Financing institutions made available low-interest loans to provide funds necessary for the restoration or reacquisition of fishing equipment and other fishery management.</p> <p>↓</p> <p>Beneficiaries: Affected fishermen</p>
Decision maker for the implementation of the project	In view of the fact that Japan's fishermen have been suffering from a breakage of fishing nets or other damage caused by foreign fishing vessels operating in waters near the coast of Japan, the Fisheries Agency decided to implement the Project in order to stabilize the management of such affected fishermen.
Payer of the costs for resources necessary for the project	The fund for resources necessary for the implementation of the Project is composed of subsidies from the Fisheries Agency, grant money from the prefectures concerned, contributions from related organizations, and so on.
Entity responsible for the implementation of output	Based on the Fisheries Agency's decision for the implementation of the Project and relying on the necessary resources provided by the Fisheries Agency, the Japan Fisheries Association provides interest subsidies with financing institutions.
Intermediary of output	Financing institutions receive interest subsidies from the Japan Fisheries Association and then make available low-interest loans to affected fishermen as beneficiaries to provide funds necessary for the restoration or reacquisition of fishery equipment or other fishery management.
Beneficiaries	Due to the interest subsidies provided by the Japan Fisheries Association to the financing institutions, affected fishermen are able to borrow low-interest funds necessary for the restoration or reacquisition of fishery equipment or other fishery management.
Changes in environments	<p><u>(1)Following the effectuation of the New Fisheries Agreements with the Republic of Korea, etc., a new interest subsidy system was established to respond to damage to fishing equipment caused by fishing vessels of countries that are parties to such agreements.</u></p> <p><u>(2)Due to an outstanding decline of market money rates because of economic downturn, etc., interest subsidies provided to financing institutions decreased drastically.</u></p> <p>Despite these changes in environments, the Fisheries Agency, as an entity responsible for making decisions on whether to implement the Project, failed to review the Project in response to the changes in the environments surrounding this Project.</p>
Improvement measure taken by the Fisheries Agency	The Fisheries Agency decided to discontinue this Project and caused the Japan Fisheries Association to return residual properties relating to governmental subsidies in the amount of approximately 288,520,000 yen to the state in October 2002.
Amount indicated	An improper amount is approximately 288,530,000 yen.
Rate of improperness	100% (corresponding to the full amount of the value of residual properties relating to governmental subsidies)

