

Year 2017



Board of Audit

Message from the President, Board of Audit

This booklet provides an overview of the FY2015 Audit Report as well as an explanation of the mandate, organization, and activities of the Board of Audit.

On November 7, 2016, the Board of Audit submitted its FY2015 Audit Report to the Cabinet. This Report identifies 455 cases totaling 1,218.9 billion yen as audit findings. These findings are the result of a multifaceted examination into how public money has been spent, focusing on audit objectives such as accuracy, regularity, economy, efficiency, and effectiveness.



Japan faces numerous social and economic challenges, including a declining population, increasing social welfare costs due to declining birth rates and an aging population. Looking at the state of Japan's financial affairs, achieving fiscal stability remains one of the greatest issues facing the country as the amount of outstanding government bonds is expected to reach 865 trillion yen by the end of FY2017.

Under such a financial situation, the government aims to achieve a primary balance surplus by FY2020. At the same time, the government seeks to steadily reduce the public debt to GDP ratio. The government also aims to eliminate waste in budgeting and allocate more resources to measures of high degree of necessity based on strict prioritization. Moreover, the importance of grasping the result of the State budget execution and reflecting it in the following budget is deliberated in the Diet from the viewpoint of enhancing and strengthening fiscal administration control by the Diet.

Under these circumstances, the Board of Audit has been striving to conduct audits in order to fulfill its role and to respond to public expectations. In recent years, the Board of Audit has submitted its Audit Report to the Cabinet earlier in order to help the Diet deliberate the final accounts of the State earlier, and enable the audit results to be further reflected in the budget. Furthermore, in addition to the Audit Report submitted every fiscal year, the Board of Audit has reported results on audits requested by the Diet, and has issued Special Reports to the Diet and the Cabinet on an as-needed basis for the purpose of contributing to enhancement of the Diet's deliberation of final accounts of the State.

It is my sincere hope that this booklet serves to enhance your understanding of the function and activities of the Board of Audit: to audit and supervise public accounting and ensure its adequacy.

November 2017

Teruhiko Kawato
President
Board of Audit

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History of the Board of Audit

The Board of Audit (hereinafter referred to as ‘the Board’) originates from a division established in 1869 under the forerunner of the Ministry of Finance in a previous form of the Cabinet, called “Dajokan”. Through several changes in its name, the Board was organized as an auditing organ under the direct control of the “Dajokan” in 1880. Following promulgation of the Meiji Constitution in February 1889, the Board acquired constitutional status and supervised public finances over the next sixty years as an independent organ directly subordinate to the Emperor.

In 1947, with the enactment of the Constitution of Japan, the present Board of Audit Act came into effect pursuant to Article 90 of the Constitution, which made the Board independent of the Cabinet. Important changes were as follows:

- 1) The relationship with the Diet was strengthened;
- 2) The scope of audit was expanded; and
- 3) Measures were established by which the results of the Board’s audit could be immediately reflected in the public administration.

As a constitutional organization that is independent of the Cabinet and belongs neither to the Diet nor to the Courts, the Board audits the State accounts as well as those of public organizations and other bodies as provided by law, and also supervises financial management to ensure its adequacy.

The Board has been given the mandate of government auditing since its establishment in 1880, despite some changes in its status.

Every country in the world has its own government auditing institution in order to ensure proper administration of public finance, while the name, status or type of organization varies.

The Constitution of Japan

Article 90 Final accounts of the expenditures and revenues of the State shall be audited annually by a Board of Audit and submitted by the Cabinet to the Diet, together with the statement of audit, ^(Note) during the fiscal year immediately following the period covered.

The organization and competency of the Board of Audit shall be determined by law.

The Board of Audit Act

Article 1 The Board of Audit has a status independent from the Cabinet.

Article 20 (1) The Board of Audit audits the final accounts of the expenditures and revenues of the State, pursuant to the provisions of Article 90 of the Constitution of Japan, and also audits such accounts as are provided for by law.

(2) The Board of Audit continuously conducts its audit, supervises financial management, ensures its adequacy, and rectifies any defects.

(3) The Board of Audit shall conduct its audit with the objective of accuracy, regularity, economy, efficiency, effectiveness, or other objectives necessary for auditing.

(Note) The statement of audit is also called the Audit Report.

Status of the Board

The Board is a constitutionally independent organization to audit the final accounts of the expenditures and revenues of the State, accounts of government affiliated institutions and independent administrative agencies, and those of bodies which receive financial assistance from the State such as subsidies.

All the government activities are implemented through the State budget execution. The State budget is formulated by the Cabinet, deliberated and approved by the Diet and then executed by ministries, agencies and other public bodies. The final accounts of the expenditures and revenues of the State, which are the results of the State budget execution, are prepared by the Cabinet and deliberated on in the Diet.

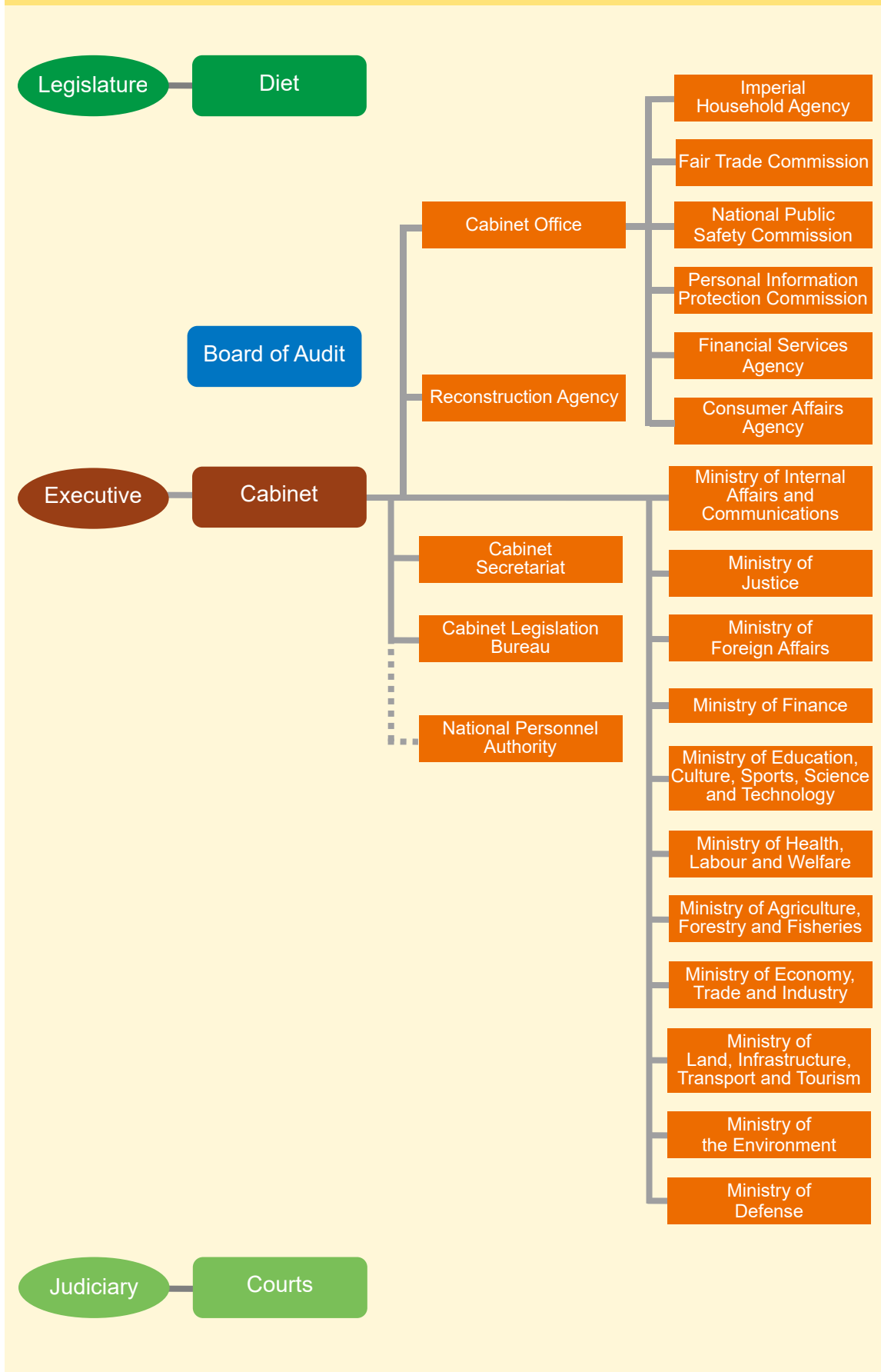
For the sound management of administrative and financial operations of the State, it is essential to audit whether the budget has been executed properly and effectively and to ensure that audit results be reflected in the State budget formulation and execution in the following year.

To achieve this purpose, the Constitution provides that the final accounts of the expenditures and revenues of the State shall be audited annually by the Board of Audit and submitted by the Cabinet to the Diet, together with the audit report, during the fiscal year immediately following the period covered.

Besides, the accounts of national properties, claims held by the State and State obligations are also audited by the Board. Furthermore, accounts of the entity whose stated capital is contributed by the State and the local public entities which receive financial assistance from the State are subject to the Board's audit.

The Board is a constitutional organization which enjoys independence of the Cabinet and belongs neither to the Diet nor to the Courts for the purpose of strictly performing such important functions without any interference by any other bodies.

◆ Organization Chart of the Government of Japan ◆

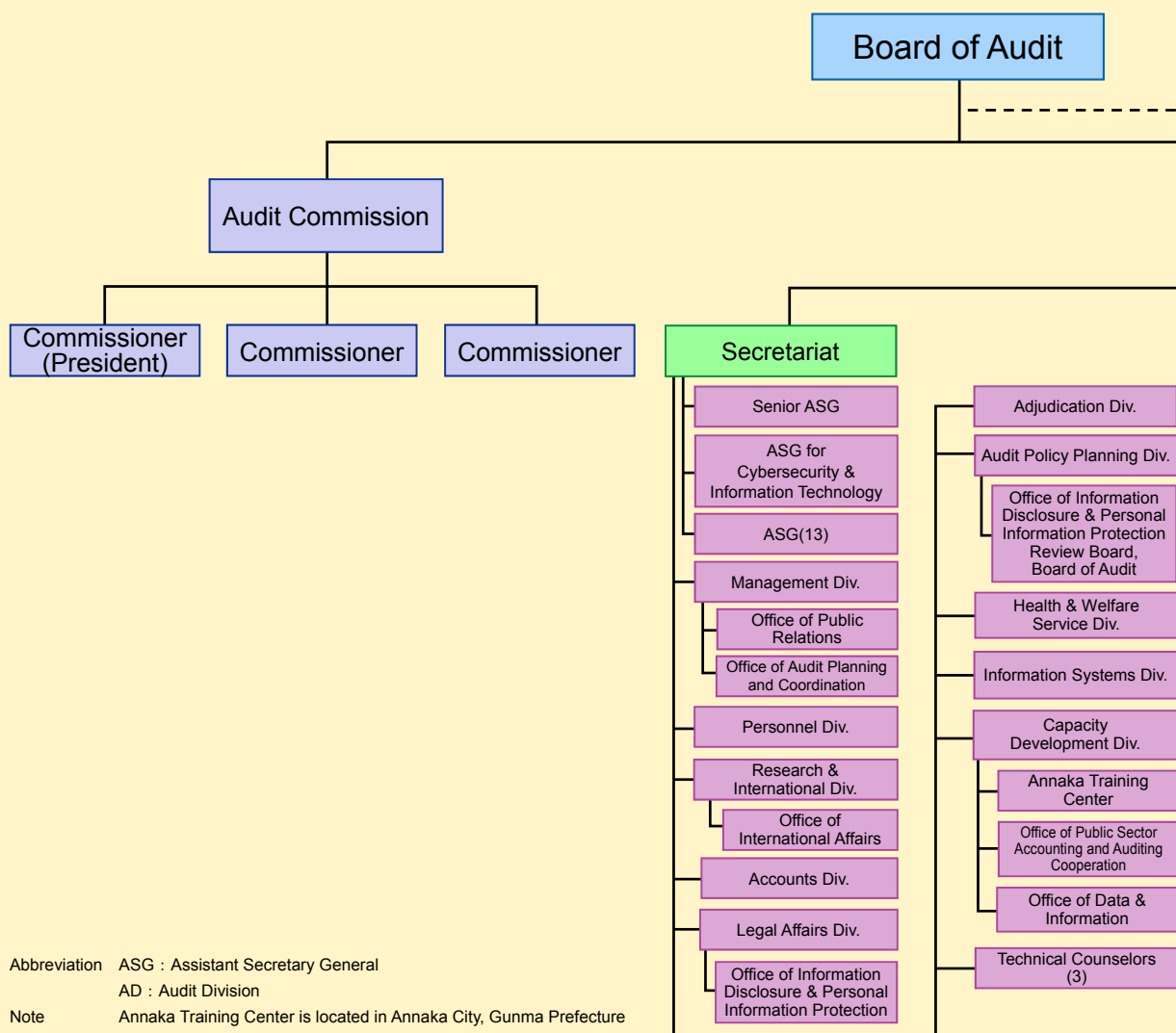


Organization of the Board

The Board comprises the Audit Commission, a decision-making organ, and the General Executive Bureau, an executive organ. The decision-making and executing functions are separated to ensure discreet decision-making and fair judgment.

■Audit Commission

The Audit Commission comprising three Commissioners makes the Board's decisions by consensus of the Commissioners, as well as directs and supervises the activities carried out by the General Executive Bureau.

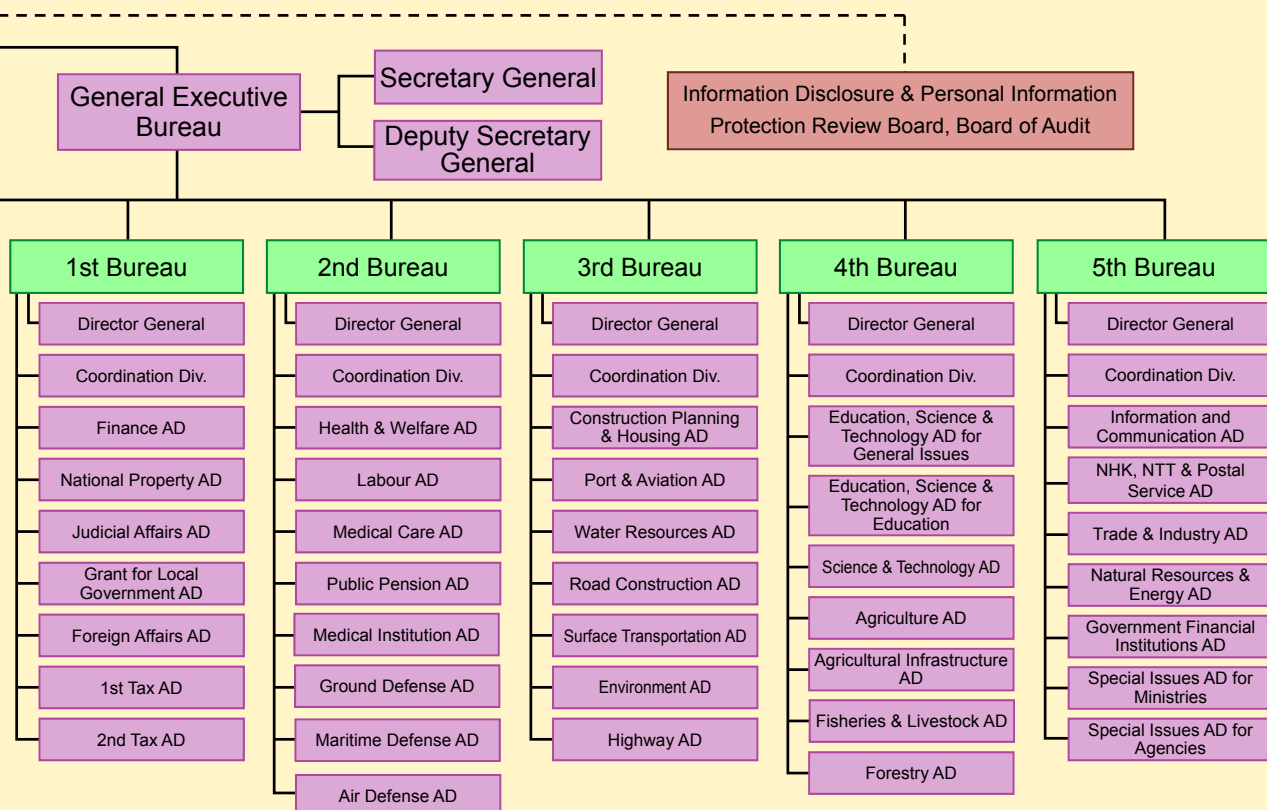


The Audit Commission adopts a consensus system to ensure fairness and adequacy in its judgment.

Commissioners are appointed by the Cabinet with the consent of both Houses of the Diet. The Emperor attests to the appointment of the Commissioners. A Commissioner holds office for a seven (7)-year term and his or her status is guaranteed during the term to ensure the Board's independence.

The person elected by the Commissioners from among themselves is appointed President of the Board by the Cabinet. The President represents the Board and presides over the Audit Commission.

(as of April 2017)



■General Executive Bureau

The General Executive Bureau comprises the Secretariat and five bureaus, under which many divisions are set up to perform audits and administrative work.

Audit activities are performed by the five bureaus. The following table shows the responsibility of each bureau and division.

(as of April 2017)

Bureau	Audit Division	Ministries and Bodies subject to Audit
1st Bureau	Finance AD	Consolidation of the audit of the State final accounts, credits, and goods carried out by the Board / Diet / Cabinet / Cabinet Office(except for the matters on which the other Audit Divisions are in charge of audits in Cabinet Office) / Imperial Household Agency / Financial Services Agency / Ministry of Finance(except for the matters on which the other Audit Divisions are in charge of audits in Ministry of Finance) / Bank of Japan / Deposit Insurance Corporation of Japan / Special issues on which the Secretary General of the Board requires the cross-division audit concerning the fiscal condition to be conducted as audit on financial management of the State
	National Property AD	Consolidation of the audit of national property carried out by the Board / National Personnel Authority / Fair Trade Commission / Consumer Affairs Agency / Japan Mint / National Printing Bureau / Japan Tobacco Inc. (JT)
	Judicial Affairs AD	Courts / Board of Audit / National Public Safety Commission / Ministry of Justice / Public Security Intelligence Agency / Japan Legal Support Center
	Grant for Local Government AD	Office for Promotion of Regional Revitalization (Cabinet Office) / Reconstruction Agency / Ministry of Internal Affairs and Communications (MIC) (except for the matters on which the other Audit Divisions are in charge of audits in MIC) / Fire and Disaster Management Agency
	Foreign Affairs AD	Ministry of Foreign Affairs / Japan International Cooperation Agency (JICA) / Japan Foundation
	1st Tax AD 2nd Tax AD	Tax Bureau of Ministry of Finance / Customs and Tariff Bureau of Ministry of Finance / National Tax Agency / Customs
2nd Bureau	Health & Welfare AD Labour AD Medical Care AD Public Pension AD Medical Institution AD	Children and Child-Rearing Administration/Ministry of Health, Labour and Welfare / Japan Pension Service/ Welfare and Medical Service Agency / National Hospital Organization / Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers / Government Pension Investment Fund
	Ground Defense AD Maritime Defense AD Air Defense AD	Ministry of Defense / Acquisition, Technology and Logistics Agency / Ground, Maritime and Air Self-Defense Forces
	Construction Planning & Housing AD Port & Aviation AD Water Resources AD Road Construction AD Surface Transportation AD Highway AD	Ministry of Land, Infrastructure, Transport and Tourism (MLIT) / Tourism Agency / Meteorological Agency / Coast Guard / Urban Renaissance Agency / Japan Water Agency / Japan Railway Construction, Transport and Technology Agency / Narita and New Kansai International Airport Co., Ltd.s / Tokyo Metro Co., Ltd / East Nippon, Central Nippon, West Nippon and Honshu-Shikoku Bridge Expressway Co., Ltd.s
	Environment AD	Ministry of the Environment / Environmental Restoration and Conservation Agency / Japan Environmental Storage & Safety Corporation
4th Bureau	Education, Science & Technology AD for General Issues Education, Science & Technology AD for Education Science & Technology AD	Ministry of Education, Culture, Sports, Science and Technology / Japan Sports Agency / Agency for Cultural Affairs / The Promotion and Mutual Aid Corporation for Private Schools of Japan / Japan Science and Technology Agency / Japan Sport Council / Japan Student Services Organization / RIKEN / Japan Aerospace Exploration Agency / Japan Atomic Energy Agency / National University Corporations
	Agriculture AD Agricultural Infrastructure AD Fisheries & Livestock AD Forestry AD	Ministry of Agriculture, Forestry and Fisheries /Forestry Agency / Fisheries Agency / Japan Racing Association / Agriculture & Livestock Industries Corporation / National Agriculture and Food Research Organization / Forest Research and Management Organization
	Information and Communication AD	Global ICT Strategy Bureau, Information and Communications Bureau, and Telecommunication Bureau of the MIC / National Institute of Information and Communications Technology / Special issues on which the Secretary General of the Board requires audit concerning the accounting related to Information and Communications
	NHK, NTT & Postal Service AD	Japan Post Holdings / Management Organization for Postal Savings and Postal Life Insurance / Japan Broadcasting Corporation(NHK) / Nippon Telegraph and Telephone Corporation (NTT)
5th Bureau	Trade & Industry AD Natural Resources & Energy AD	Ministry of Economy, Trade and Industry / Agency for Natural Resources and Energy / Japan Patent Office / Small and Medium Enterprises Agency /National Institute of Advanced Industrial Science and Technology / Japan External Trade Organization / New Energy and Industrial Technology Development Organization / Japan Oil, Gas, and Metals National Cooperation / Nuclear Damage Compensation and Decommissioning Facilitation Corporation
	Government Financial Institutions AD	The Okinawa Development Finance Corporation / Japan Finance Corporation / Japan Housing Finance Agency / Development Bank of Japan
	Special Issues AD for Ministries Special Issues AD for Agencies	Audit in response to the requests by the Diet based on the provision of the Diet Act / Special issues on which the Secretary General of the Board requires audits

Among these divisions, both the Special Issues Audit Division for Ministries and the Special Issues Audit Division for Agencies of 5th Bureau do not have any specific ministries or agencies subject to their mandatory audit and conduct flexible and cross-cutting audits.

The authorized number of personnel of the General Executive Bureau is 1,247 (as of January 2017). Many of these personnel are assigned to various audit divisions as auditors and assistant auditors.

The audit staff of the Board must have high level competency in auditing.

The term “Accounting,” that is subject to audit by the Board, does not just mean accounting for the incoming and outgoing funds or bookkeeping in the narrow sense, but covers broader issues of whether tax payers’ money has been properly and effectively collected and used for implementing administrative activities of the State. Auditors of the Board therefore must have broad knowledge not only of the management and operations of the auditees, but also of other relevant fields such as law, finance, economics, civil engineering, construction, electricity, information and telecommunications.

The Board recruits its staff from those who have passed the Public Service Entrance Examination conducted by the National Personnel Authority. Besides those who have specialized in law and economics, the Board recruits a considerable number of personnel who specialized in civil engineering, construction, engineering, electricity or electronics from the list of the Examination passers.

The Board also utilizes outside expertise by recruiting fixed-term staff from those who have specialized knowledge and skills such as certified public accountant (CPA). After recruitment, new staff members undergo extensive trainings and examinations in various fields to acquire the necessary knowledge and skills, and then become auditors after several years’ audit experience.

Auditors also have to attend advanced professional trainings in order to cope with more diversified and specialized administrative activities of the auditees.

To strengthen its training activities in order to improve the auditing competency of its staff, the Board established a training center (refer to page 8) and provides systematic training to its staff.

Training System of the Board

The Board provides the following training to its staff.

- 1) A course for new recruits and other general staff to learn basic knowledge that is necessary for audit work such as knowledge on financial and accounting systems and fundamental auditing techniques
- 2) A course for assistant auditors to improve their auditing competency by learning practical auditing techniques through studies of audit cases reported in the Audit Report
- 3) More advanced professional courses for auditors to further upgrade their auditing skills by learning in-depth knowledge on various fields such as construction work, corporate accounting and IT
- 4) Trainings through dispatching staff to outside educational institutes (graduate schools in Japan and abroad, National Tax College, etc.) to acquire professional knowledge and skills in specific fields

The in-house training courses described in 1)-3) above are mainly held at the Annaka Training Center (Annaka City, Gunma Pref., about 110 kilometers northwest of Tokyo), a training center with accommodation facilities. The Center has construction audit training facilities including full-scale structure models for practical training of construction audit.



Annaka Training Center



Full-scale structure models
(Bridge models)

Audit Activities

Aims of Audit

The basic mandate of the Board is to ensure the adequacy of financial management by continuously auditing and supervising financial management and to verify the final accounts of the expenditures and revenues of the State based on the results of audit.

(1) Supervision of the financial management

The Board audits and supervises financial management continuously, to ensure its adequacy and to rectify any defects.

When the Board finds cases of improper or unreasonable financial management in the course of its audit, the Board not only points out these improper cases, but also performs a positive function of facilitating their rectification and improvements by identifying the cause of such improprieties.

For this reason, the Board is given mandates to present its opinions to, or demand measures from the auditees, if there are items that the Board finds in violation of laws and regulations on financial management or improper, or if the Board finds there to be matters necessitating improvement with regard to laws and regulations, systems or administration.

(2) Verification of the final accounts of the expenditures and revenues of the State

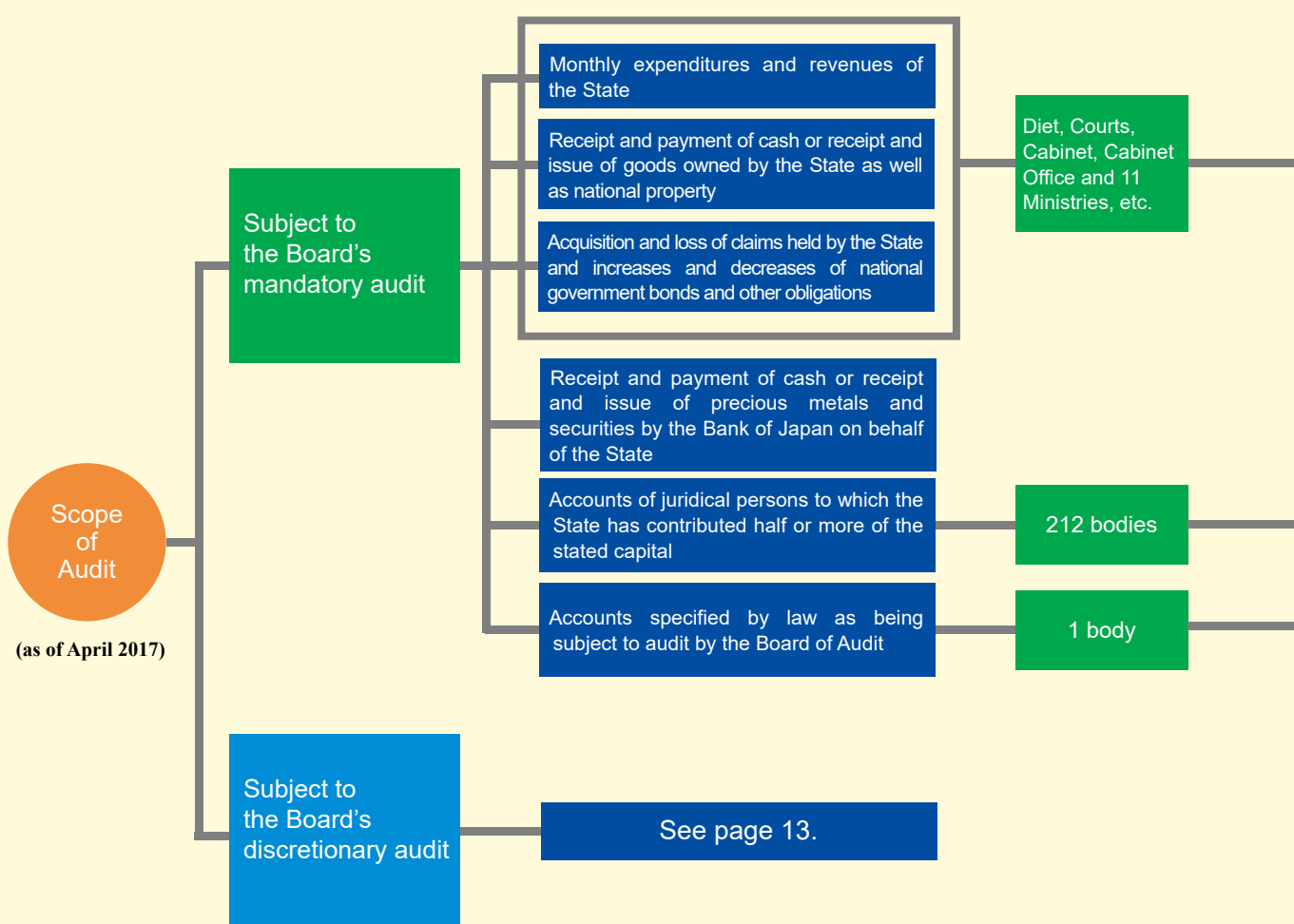
Verifying the final accounts of the expenditures and revenues of the State is another aim of audit by the Board. The Board has a mandate to verify it based on the results of audit.

Verification of the final accounts of the expenditures and revenues of the State means to declare completion of the audit after determining the accuracy of the statements and the adequacy of financial management.

The Constitution stipulates that the final accounts of the expenditures and revenues of the State shall be submitted by the Cabinet to the Diet together with the Audit Report of the Board. Thus, an official declaration of completion of the audit by the Board enables the submission of the final accounts of the expenditures and revenues of the State by the Cabinet to the Diet.

Scope of Audit

Those which are subject to audit by the Board are classified into two categories, i) those which the Board must audit regularly (**mandatory audit subject**) and ii) those which the Board may audit when the Board finds it necessary (**discretionary audit subject**), ranging from the whole of the State accounts to the entities whose stated capital is contributed by the State and prefectures, municipalities and other organizations as grantees of subsidies and other financial assistance from the State.



To conduct an audit of those which are subject to the Board's discretionary audit, a decision of the Audit Commission is required. The Board notifies such a decision to the relevant auditees.

Refer to the "Organization Chart of the Government of Japan" on page 3.

**Government
Affiliated
Institutions**
4 bodies

The Okinawa Development Finance Corporation
Japan Finance Corporation
Account of ODA Loan of Japan International Cooperation Agency (Note1: see page 13)
Japan Bank for International Cooperation

Others

36 bodies

The Promotion and Mutual Aid Corporation for Private Schools of Japan
Bank of Japan
Japan Racing Association
Deposit Insurance Corporation of Japan
Tokyo Metro Co., Ltd
Japan Environmental Storage & Safety Corporation
Narita International Airport Corporation
East Nippon Expressway Company Limited
Central Nippon Expressway Company Limited
West Nippon Expressway Company Limited
Honshu-Shikoku Bridge Expressway Company Limited
Japan Post Holdings Co., Ltd.
Japan Legal Support Center
Japan Health Insurance Association
Development Bank of Japan Inc.
Nippon Automated Cargo And Port Consolidated System, Inc.
Innovation Network Corporation of Japan
Japan Pension Service
Nuclear Damage Compensation and Decommissioning Facilitation Corporation
Agricultural and Fishery Co-operative Savings Insurance Corporation
New Kansai International Airport Company, Ltd.
Agriculture, forestry and fisheries Fund corporation for Innovation, Value-chain and Expansion Japan (A-FIVE)
Private Finance Initiative Promotion Corporation of Japan (PFIPCJ)
Cool Japan Fund Inc.
Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development
Yokohama-Kawasaki International Port Corporation
Organization for Technical Intern Training
Fund Corporation for the Overseas Development of Japan's ICT and Postal Services Inc.(Japan ICT Fund)
Nippon Export and Investment Insurance (NEXI)
7 other bodies are under liquidation

Independent Administrative Agencies 83 bodies

National University Corporations and Inter-University
Research Institute Corporations 90 bodies

Nippon Hoso Kyokai (NHK : Japan Broadcasting Corporation)

See Page 12.

Independent Administrative Agencies

83 bodies

Independent Administrative Agencies

National Archives of Japan
National Research Institute of Brewing
National Institute of Special Needs Education
National Center for University Entrance Examinations
National Institution for Youth Education
National Women's Education Center, Japan
National Museum of Nature and Science
National Museum of Art
National Institutes for Cultural Heritage
Food and Agricultural Materials Inspection Center
National Livestock Breeding Center
National Institute of Technology and Evaluation
Japan agency of Maritime Education and Training for Seafarers
Civil Aviation College
National Institute for School Teachers and Staff Development
Labor Management Organization for USFJ Employees
National Agency for Automobile and Land Transport Technology
Japan Mint
National Printing Bureau
National Consumer Affairs Center of Japan
Agriculture & Livestock Industries Corporation
Agriculture, Forestry and Fisheries Credit Foundations
Northern Territories Issue Association
Japan International Cooperation Agency (JICA) (Note 1 : see page 13)
Japan Foundation
Japan Society for the Promotion of Science
Japan Sport Council
Japan Arts Council
Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers
Welfare And Medical Service Agency(WAM)
National Center for Persons with Severe Intellectual Disabilities, Nozomisono
The Japan Institute for Labour Policy and Training
Japan External Trade Organization (JETRO)
Japan Railway Construction, Transport and Technology Agency
Japan National Tourism Organization(JNTO)
Japan Water Agency (JWA)
National Agency for Automotive Safety and Victims' Aid
Airport Land Development Organization
Information-Technology Promotion Agency, Japan
Japan Oil, Gas and Metals National Corporation (JOGMEC)
Japan Organization of Occupational Health and Safety
National Hospital Organization
Pharmaceuticals and Medical Devices Agency
Environmental Restoration and Conservation Agency(ERCA)
Japan Student Services Organization

National Institute of Technology
National Institution for Academic Degrees and Quality Enhancement of Higher Education(NIAD-QE)
Organization for Small & Medium Enterprises and Regional Innovation, Japan
Urban Renaissance Agency
Fund for the Promotion and Development of the Amami Islands
Japan Expressway Holding and Debt Repayment Agency
Japan Community Health care Organization
Government Pension Investment Fund
Japan Housing Finance Agency
Management Organization for Postal Savings and Postal Life Insurance
Organization for Workers' Retirement Allowance Mutual Aid

National Research and Development Agency

National Institute of Information and Communications Technology
National Institute for Materials Science
National Research Institute for Earth Science and Disaster Resilience
National Institute for Quantum and Radiological Science and Technology
National Agriculture and Food Research Organization
Japan International Research Center for Agricultural Sciences
Forest Research and Management Organization
Japan Fisheries Research and Education Agency
National Institute of Advanced Industrial Science and Technology
Public Works Research Institute
Building Research Institute
National Institute of Maritime, Port and Aviation Technology
National Institute for Environmental Studies
New Energy and Industrial Technology Development Organization (NEDO)
Japan Science and Technology Agency
RIKEN (The Institute of Physical and Chemical Research)
Japan Aerospace Exploration Agency
Japan Agency for Marine-Earth Science and Technology
National Institute of Biomedical Innovation, Health and Nutrition
Japan Atomic Energy Agency
National Cancer Center Japan
National Cerebral and Cardiovascular Center
National Center of Neurology and Psychiatry
National Center for Global Health and Medicine
National Center for Child Health and Development
National Center for Geriatrics and Gerontology
Japan Agency for Medical Research and Development

National University Corporations and Inter-University Research Institute Corporations

90 bodies

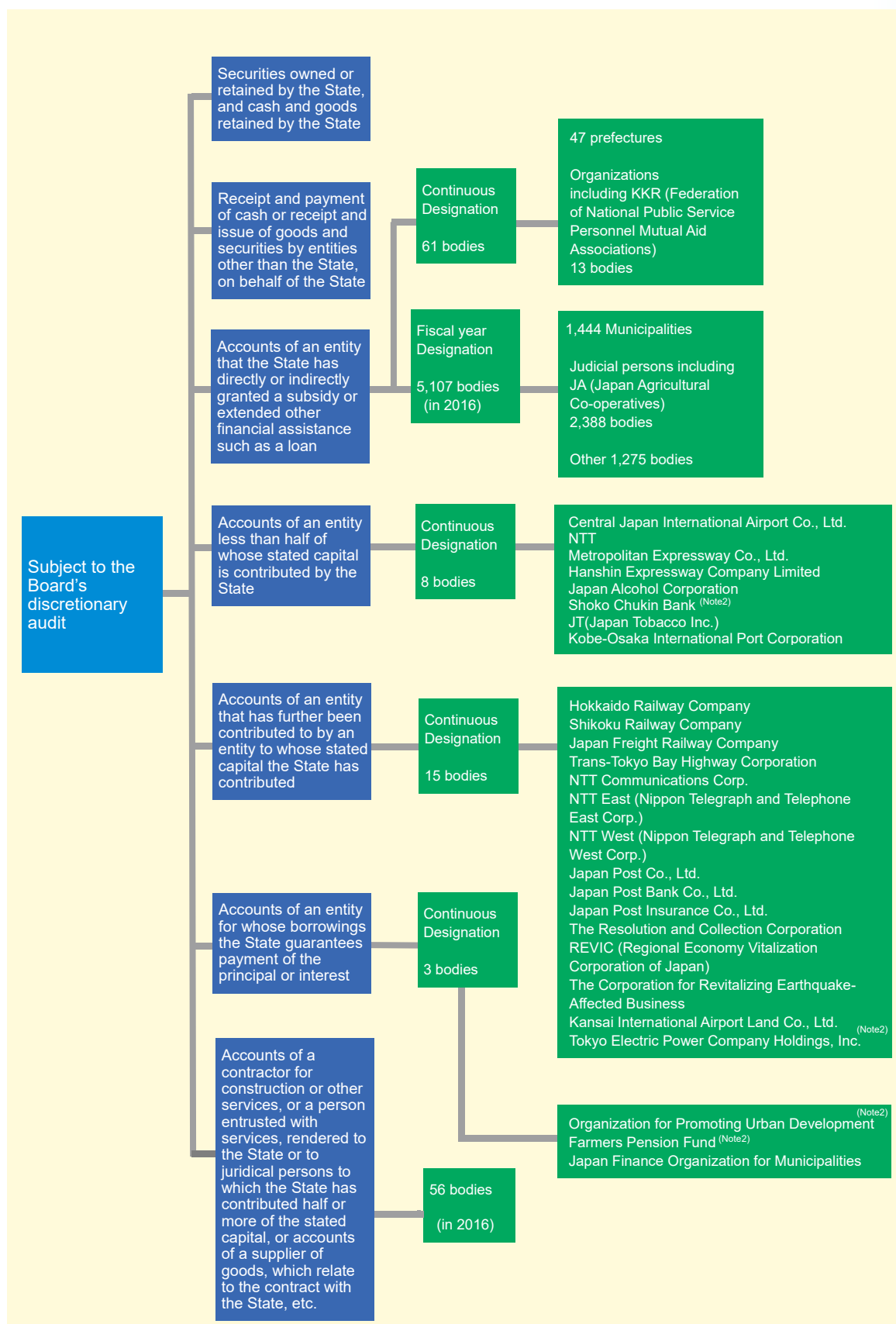
National University Corporations

Hokkaido University
Hokkaido University of Education
Muroran Institute of Technology
Otaru University of Commerce
Obihiro University of Agriculture and Veterinary Medicine
Asahikawa Medical University
Kitami Institute of Technology
Hiroshima University
Iwate University
Tohoku University
Miyagi University of Education
Akita University
Yamagata University
Fukushima University
Ibaraki University
University of Tsukuba
Utsunomiya University
Gunma University
Saitama University
Chiba University
The University of Tokyo
Tokyo Medical and Dental University
Tokyo University of Foreign Studies
Tokyo Gakuji University
Tokyo University of Agriculture and Technology
Tokyo University of the Arts
Tokyo Institute of Technology
Tokyo University of Marine Science and Technology
Ochanomizu University
University of Electro-Communications
Hitotsubashi University
Yokohama National University
Niigata University
Nagaoka University of Technology
Joetsu University of Education
Kanazawa University
University of Fukui
University of Yamanashi
Shinshu University
Gifu University
Shizuoka University
Hamamatsu University School of Medicine
Nagoya University
Aichi University of Education
Nagoya Institute of Technology
Toyoashi University of Technology

Mie University
Shiga University
Shiga University of Medical Science
Kyoto University
Kyoto University of Education
Kyoto Institute of Technology
Osaka University
Osaka Kyoiku University
Hyogo University of Teacher Education
Kobe University
Nara University of Education
Nara Women's University
Wakayama University
Tottori University
Shimane University
Okayama University
Hiroshima University
Yamaguchi University
The University of Tokushima
Naruto University of Education
Kagawa University
Ehime University
Kochi University
Fukuoka University of Education
Kyushu University
Kyushu Institute of Technology
Saga University
Nagasaki University
Kumamoto University
Oita University
University of Miyazaki
Kagoshima University
National Institute of Fitness and Sports in Kanoya
University of the Ryukyus
The Graduate University for Advanced Studies
The National Graduate Institute for Policy Studies
Japan Advanced Institute of Science and Technology
Nara Institute of Science and Technology
Tsukuba University of Technology
University of Toyama

Inter-University Research Institute Corporations

National Institutes for the Humanities
National Institutes of Natural Sciences
High Energy Accelerator Research Organization
Research Organization of Information and Systems



*Note1 In calculating the total number of the accounts of juridical persons to which the State has contributed half or more of the stated capital, Japan International Cooperation Agency includes Account of ODA Loan of Japan International Cooperation Agency.

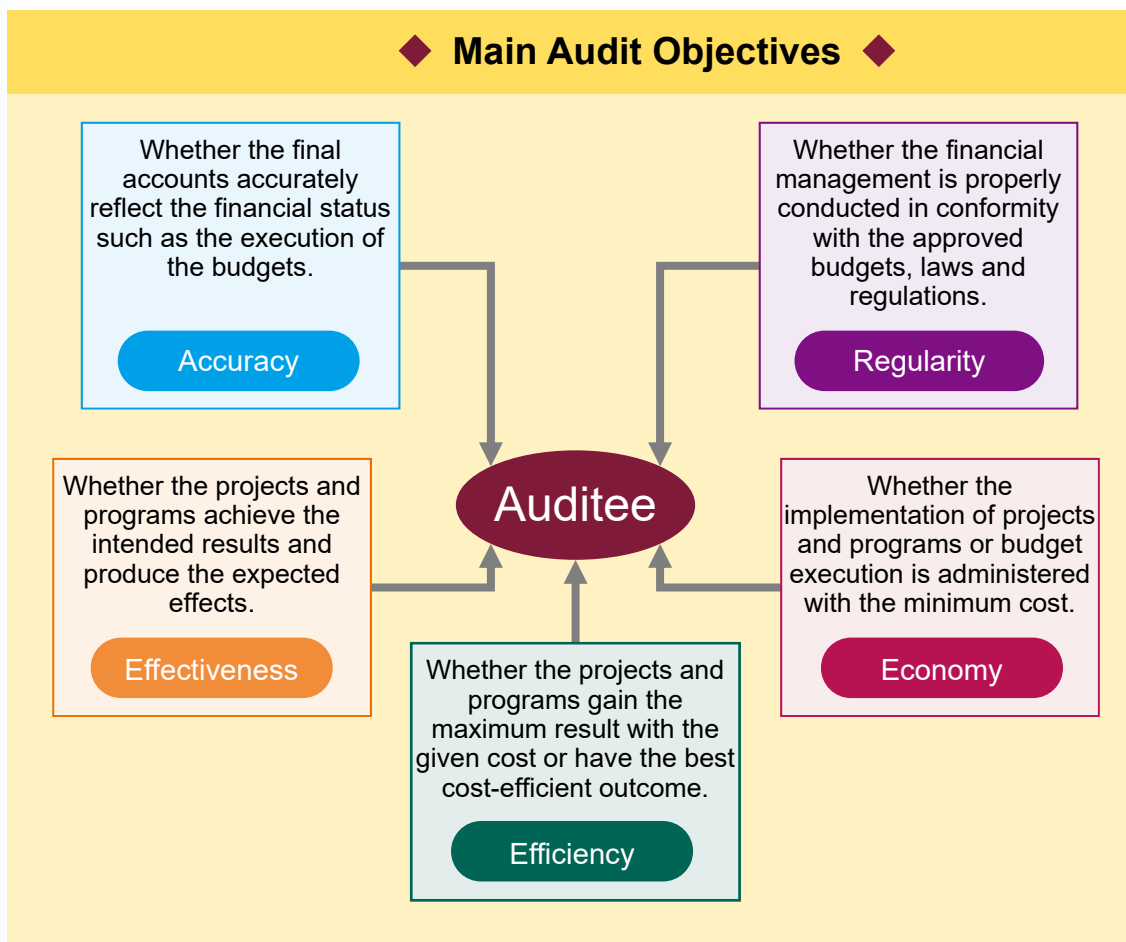
*Note2 These 4 bodies are also included in the continuous designation of the accounts of an entity that the State has directly or indirectly granted a subsidy or extended other financial assistance such as a loan.

Objectives of Audit

The Board conducts its audits with broad and diverse objectives.

The Board conducts its audits with such objectives as i) whether the final accounts accurately reflect the financial status such as the execution of the budgets (**Accuracy**); ii) whether the financial management is properly conducted in conformity with the approved budgets, laws and regulations (**Regularity**); iii) whether the implementation of projects and programs or budget execution is administered with the minimum cost (**Economy**); iv) whether the projects and programs gain the maximum result with the given cost or have the best cost-efficient outcome (**Efficiency**); and v) whether the projects and programs achieve the intended results and produce the expected effects (**Effectiveness**).

The audit with the objectives of Economy, Efficiency and Effectiveness is collectively called as '3E audit' from initial letters of each word.



The followings are examples of the objectives of the Board's audits in major policy areas.

Policy area	Examples of the objectives
General	Were cash inflow/outflow, revenue/expense, and owned properties/goods properly reflected in the statements of accounts and financial statements etc., in conformity with the relevant laws, regulations and principles? (Accuracy)
	Were contracts concluded within the approved budget, and was the budget used in conformity with the relevant laws and regulations, and were there any misappropriations? (Regularity)
	Were management of credits, collection of revenues and disbursement made properly in conformity with the relevant laws and regulations, and were accounting records kept properly? (Regularity)
	Was the competitiveness well secured in regard to contract method, selection of contractors and preparation of the specification? (Economy and Efficiency)
Tax	In collecting tax, were the relevant laws and regulations applied properly, were the amounts of taxable income and profit, etc. properly identified as the basis for the calculation of the tax amount, and were there any mistakes in calculation of the tax amount? (Regularity)
Social Security	Were any medical fees paid for improper medical claims? (Regularity)
	Were pensions paid to only eligible recipients, and were payment suspensions and adjustment of double pension applied properly where necessary? (Regularity)
	Was the collection of social insurance premiums and fees for welfare services from beneficiaries determined properly in conformity with the relevant laws and regulations? (Regularity)
	Was the huge amount of data processing and disbursement work of the pension operations carried out economically and efficiently? (Economy and Efficiency)
	Were subsidies for welfare and employment programs utilized for the intended purpose of upgrading the quality of welfare services or promoting job stability of employees? (Effectiveness)
	Has the social security system achieved its results and has it been operated effectively? (Effectiveness)
Public Works	Was the design of the construction appropriate, securing required safety level, and was the construction carried out as designed? (Regularity)
	Was the contract amount for the construction reasonable? (Economy)
	Was the plan of the project or the construction schedule economical and efficient? (Economy and Efficiency)
	Was the design of the construction economical and efficient? (Economy and Efficiency)
	Are there any projects in which the expected results have not been achieved due to the delay, and are the facilities constructed or installed utilized for the intended purposes and producing the expected results? (Effectiveness)
	Have constructed facilities been fully utilized from the aspect of the effective management and operation of such assets? (Effectiveness)
Agriculture, Forestry and Fisheries	Have various State programs to develop new agricultural entrepreneurs or to expand the business scale of each farmhouse been contributed sufficiently to the attainment of the intended results? (Effectiveness)
	Are there any projects or systems of which original purposes have become less meaningful due to the socio-economic and agricultural changes and thus continuation of the projects / systems can be questioned? (Effectiveness)
ODA: Official Development Assistance	Was the assistance provided in accordance with the Exchange of Notes/Loan Agreement, and has disbursement of grants and loans been properly made in conformity with the approved budgets and laws? (Regularity)
	Was the project reviewed on its relevance in view of the actual conditions of the recipient country, has the progress of the project properly been monitored and evaluated, and have any necessary follow-up measures been taken? (Effectiveness)
	Have facilities, equipment or transferred technology provided by the ODA been fully utilized and have the projects been managed properly to achieve the intended results? (Effectiveness)
Special Accounts of the State and State-owned enterprises	Were the businesses and projects under special accounts of the State and State-owned enterprises economically and efficiently managed in line with the objectives of their foundation? (Economy and Efficiency)
Subsidies etc.	Were subsidies provided only to eligible projects or bodies? (Regularity)
	In applying for and making adjustment of subsidies, were the project costs accurately calculated according to the standards, were there any false statements for expenses made to obtain unjustified subsidies, and in outsourcing projects, was proper amount of payment made based on the actual performance ? (Regularity)
	Have facilities and funds subsidized been being operated properly and achieved the intended results? (Effectiveness)

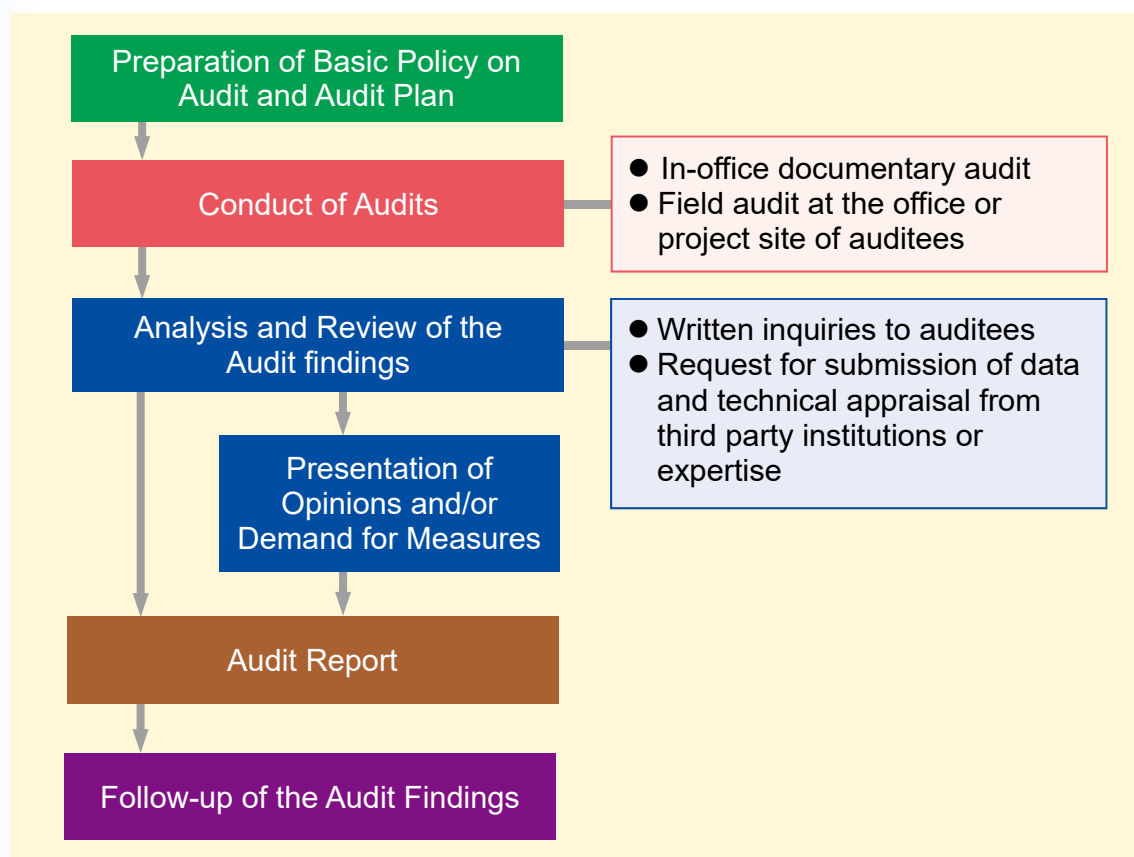
Auditors conduct their audit with above mentioned general audit objectives, and analyze accounting practice of the auditee and related evidences, and then, they specify audit aspects and methods to conduct their audit.

Procedures of Audit

The audits by the Board are conducted as illustrated in the chart below.

The procedures are a cycle starting from the preparation of the Basic Policy on Audit and Audit Plan to the submission of the Audit Report to the Cabinet.

In respect to the matters reported in its Audit Report, the Board follows them up until the remedial measures are fully implemented.

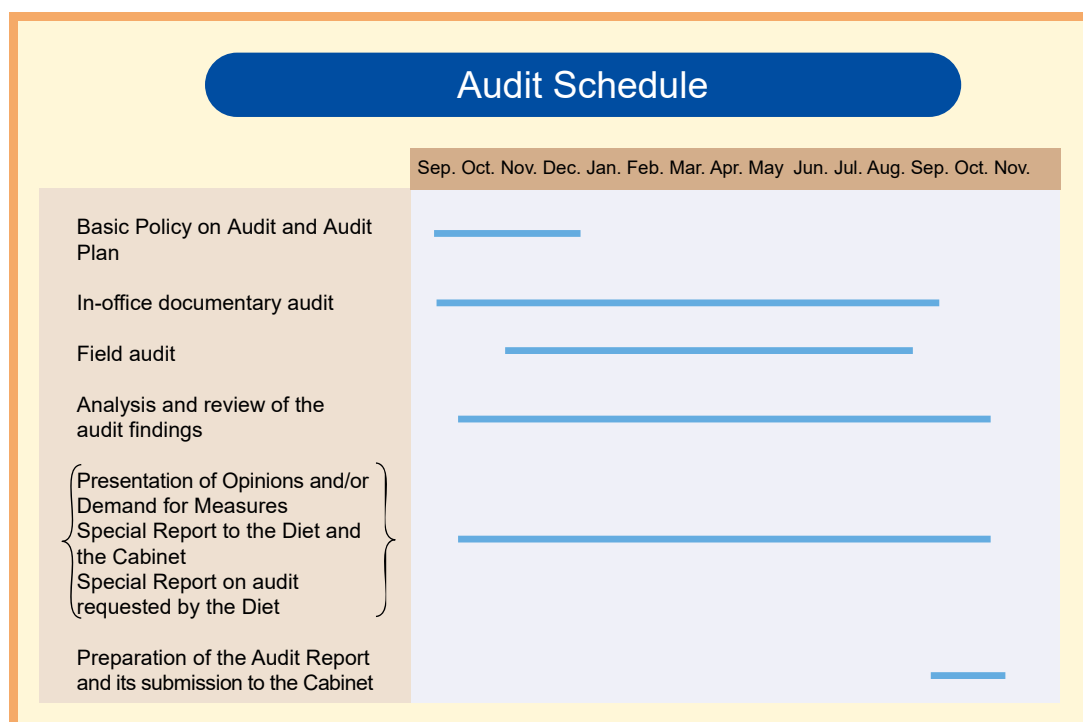


■ Report to the Diet and the Cabinet and Audit Requested by the Diet

In November 2005, the Board of Audit Act was amended. This amendment enabled the Board to report to the Diet and the Cabinet at any time on matters on which the Board presented its Opinions and/or Demanded Measures and matters which the Board finds particularly necessary to report even prior to the completion of the Audit Report for that fiscal year.

Since 1997, the Diet has been able to request the Board to conduct audits upon specific matters and to report the audit results.

Summaries of above reports are also included in the Audit Report.



〈Basic Policy on Audit and Audit Plan〉

It is very important to set an appropriate audit plan for the Board to conduct its audits efficiently and effectively for the best audit results with its limited human resources. Every year, the Board prepares its Basic Policy on Audit for the next year, and based on this, each division prepares its own Audit Plan.

In preparing the Audit Plan, each division identifies its priority audit issues based on thorough analysis of the scale and contents of the budget of auditees, the condition of internal controls, previous audit results, public interests and deliberations at the Diet. Then each division determines specific audit objectives, auditing ideas and methods, manpower allocation etc. regarding its priority audit issues.

Basic Policy on Audit for 2017 (Excerpt)

(As established September 8, 2016)

1. Missions of the Board of Audit (abbrev.)

2. Social and Economic Trends and the Situation Surrounding the Board of Audit (abbrev.)

3. Basic Policy on Audit (Excerpt)

A. Focus of audit

In response to Japan's social and economic trends and its current financial condition, the Board has decided to focus its audit activities on the following policy areas of public administration.

· Social security · Education, science and technology · Public works · Defense
· Agriculture, forestry and fisheries · Environment and energy · Economic cooperation
· Small and medium enterprises · Information technology (IT)

In addition, the Board enhances cross-cutting audits on policies jointly executed by several ministries and agencies and cases commonly related with several ministries and agencies, and, if necessary, also responds to matters of great public concern, in a timely and proper manner.

Furthermore, the Board appropriately and in a timely manner audits various measures for promoting the reconstruction from the Great East Japan Earthquake according to the status of progress, noting that a large amount of national expenses will be spent during a certain period. When conducting audits, the Board pays attention to the conditions of the disaster stricken areas and whether each project contributes to social and economic revitalization in such disaster stricken areas.

B. Audit with various audit objectives

The Board conducts audits not only to identify and disclose fraudulent or improper cases but also to evaluate the performance of operations and projects. Moreover, the Board conducts audits with a focus on the necessity of specific operational systems, if necessary.

As for the objectives of accuracy and regularity, the Board continues to duly conduct audits because there are still many cases of improprieties. The Board focuses on examining basic accountancy while considering the fact that there were frauds or improprieties in some ministries. Furthermore, the Board conducts audits bearing in mind the competitiveness and the transparency of bidding and contracts.

As for the objectives of economy, efficiency, and effectiveness, in light of the serious financial condition in recent years, the Board puts greater importance on these objectives. With the objective of effectiveness, in particular, the Board actively endeavors to review the results of operations, projects and budget execution as well as situations of the assets possessed by the State and funds developed by subsidies. In such cases, the Board conducts audits with attention to auditees' self-evaluation of their policies and various measures carried out by the government for efficient and effective implementation of administrative work and projects.

If there is any problem with the implementation of the operations and projects and the budget execution, the Board thoroughly investigates the causes and considers measures for improvement and if needed, abolishment of the program.

In addition, to contribute to the improvement of the transparency and accountability of public administration and finance as well as the better project implementation, the Board analyzes and evaluates public finances such as the final accounts of the expenditures and revenues of the State, and more closely audits the financial status of the special accounts and the independent administrative agencies. In the above cases, the Board pays attention to utilize information on public accounting such as financial documents of special accounts prepared with reference to practices of corporate accounting.

C. Approach corresponding to conditions of internal control

Since the conditions of internal control in auditees affect the level of adequacy of financial management to be ensured in auditees, etc., the Board pays due attention to the effectiveness of the internal control. The Board also requests the auditees to improve their internal control systems, if necessary, so that they ensure the adequate level of financial management, etc.

D. Follow-up of the audit findings

The Board continually checks on whether or not auditees take remedial and preventative measures against improper and irregular cases to ensure that audit results are reflected in the State budget compilation as well as in project implementation adequately and effectively.

Moreover, concerning improper financial management in the Audit Report, the Board conducts audits necessary for improving similar cases with other auditees.

E. Cooperation with the Diet

The Board always pays attention to the deliberations in the Diet. In auditing issues in response to audit requests from the Diet, the Board makes every effort to facilitate the Diet's examination and investigation by including the necessary research contents in the Board's audit activities, paying full attention to the intention of the Diet's request. In addition, to contribute to the Diet's sufficient examination on the final accounts, the Board makes efforts to actively submit reports to the Diet and the Cabinet at any time as necessary.

4. Designing an Appropriate Audit Plan

The Board designs appropriate audit plans and carries them out in order to conduct audits more effectively and efficiently and to achieve its mission, based on the above-mentioned Basic Policy on Audit. In the audit plan, the Board establishes its priority audit issues, on which it should focus in audits, taking into full consideration the scale and content of the budgets of auditees, measures, projects and programs, the situations of internal control such as internal audits and internal checks, the previous audits and results, etc.

Also, in auditing, the Board attempts to enhance and strengthen audit activities by promptly and flexibly responding to the progress status of audits as well as public interests, for example, by reviewing the audit plan when necessary.

〈Audit Practice〉

The Board audits continuously through mainly two audit methods, in-office documentary audit and field audit.

(1) In-office documentary audit

Auditees are required to submit statements of accounts reflecting all the financial management for a designated period, with documentary evidence, to the Board according to the Regulations on the Submission of Accounts enacted by the Board to verify the accuracy, legality and reasonableness of such financial management.

While statements of accounts show the numeric results of financial management, the documentary evidence including, but not limited to, contract documents, invoices and receipts helps verify that the statements of accounts are accurate, legal and reasonable.

The Board continuously audits above statements of accounts and their documentary evidence submitted by auditees. In 2016, the Board received some 130 thousand statements ^(Note1) of accounts and some 43.66 million sheets ^(Note2) of documentary evidence for fiscal 2015.

Upon finishing the auditing of statements of accounts for a fiscal year, the Board confirms the numerical accuracy of the final account of the State prepared by the Cabinet according to the established procedures.

(Note1: Including 57 thousand statements of accounts submitted through an electronic data processing system and electromagnetic record materials)

(Note2: Including 26 hundred electromagnetic record materials)



In-office documentary audit



Documentary evidence stored at the Board

(2) Field audit

The information which can be obtained from the statements of accounts and documentary evidence submitted to the Board is limited and not always enough to determine the adequacy of financial management or projects implementation.

The Board, therefore, dispatches its auditors to the headquarters and branches of ministries and government agencies, or project sites to conduct field audits. As for local governments that carry out various projects with State subsidies, the Board also conducts field audits to examine whether the subsidies have been used properly. The Board also dispatches its staff to various overseas locations such as ODA project sites and the diplomatic missions for audit work.

Sites to be audited are selected taking into consideration of the priority audit issues and human resource allocation determined by the Audit Plan, the results of the documentary audit, the frequency and results of the past audits, deliberations in the Diet, and information from the media or the public.

In the field audits, auditors examine accounting books and as well as documentary evidence which are retained by the auditees, interview the officials in charge and other relevant persons, observe the property management and their functions, and inspect completed physical works.

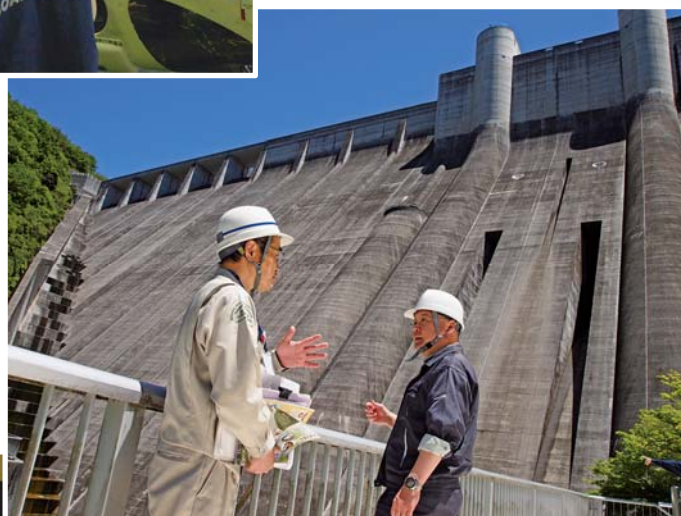
Most audit findings reported in the Audit Report are brought to light through the field audits, which are of great importance in the audits conducted by the Board.

Field Audit Implementation Rate

The following table shows the implementation rate of the field audits conducted in year 2016. The Board spent approximately 33,500 person-days on these field audits.

Auditee classification	The number of units to be audited	The actual number of units audited	Field Audit Implementation Rate
Important Organizations in audits (Head office of ministries and agencies, major local branches, etc.)	4,366	1,813	41.5 % (Prev. year 43.5%)
Organizations equivalent to the above (Other local branches, etc.)	6,594	1,114	16.8 % (Prev. year 17.9%)
Sub-total	10,960	2,927	26.7 % (Prev. year 28.0 %)
Other organizations (Post offices and railway stations, etc.)	20,588	51	0.2% (Prev. year 0.3 %)
Total	31,548	2,978	9.4 % (Prev. year 9.8 %)

Field audit



〈Analysis and Review of the Audit Findings〉

Audit findings by the Board demonstrate its criticism to the auditees and are to be informative to other institutions to be audited and the nation. As such, misjudgment should be avoided.

If any improper financial management comes to light in the course of audit, the Board takes the following procedures to confirm the situation, in addition to double-checking and an ample analysis of the causes and remedial measures.

(1) Inquiry letters to the auditees

As for any improper or unreasonable financial management found in the course of audit, the Board sends inquiry letters to those who are responsible in each auditee.

These inquiry letters describe an outline of improper financial management, related questions, tentative evaluation and its reasoning, in order to confirm the facts and the views of auditees and to clarify any questions.

The Board examines the situation by requesting the auditees' written replies to the inquiry letters.

(2) Request for relevant information and/or technical appraisal from third parties

In dealing with highly technical issues, there are cases in which the Board's own staff alone cannot make a fair decision. In such cases, the Board asks independent professional organizations or other experts for their professional views or opinions and makes its final judgment with due consideration to their views or opinions.

If any improper or unreasonable financial management is found as a result of a thorough analysis and review of the audit findings, the Board presents its opinions to, or demands measures from the auditees, or reports them in the Audit Report as, for example, matters that the Board has identified as being in violation of laws and regulations or the approved budget, or as being improper.

The final judgment is made by the Audit Commission, a decision-making body of the Board, after due deliberation with sufficient care in order to avoid misjudgment (refer to page 23).

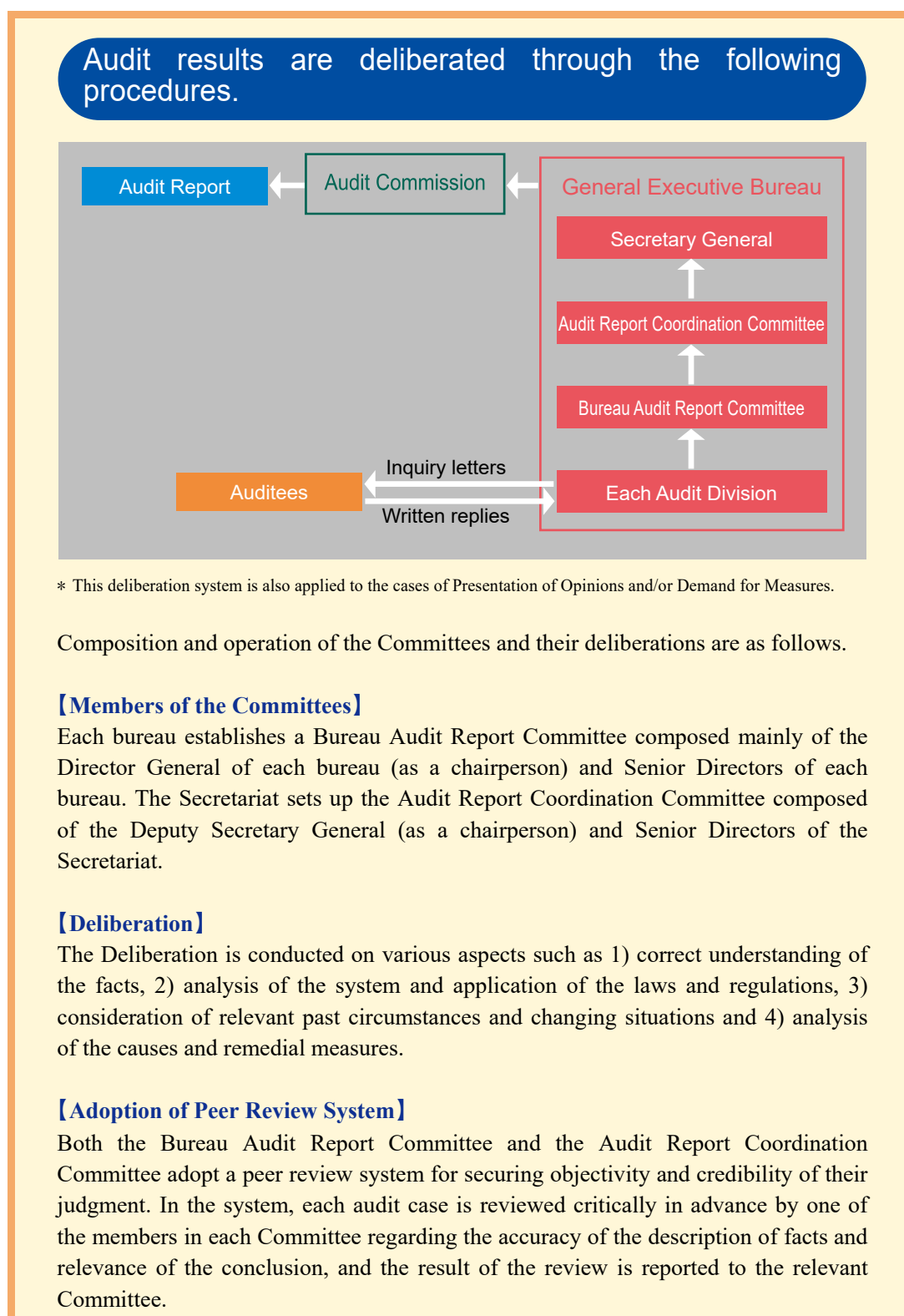
〈Presentation of Opinions and/or Demand for Measures〉

If there are items that the Board finds, in the course of its audit, in violation of laws and regulations on financial management or improper, it may immediately present its opinions on the financial management to, or demand appropriate measures with regard to the financial management from, the head of the relevant department or to/from the relevant parties, and may have them take measures to rectify and improve subsequent management.

If, as a result of audit, the Board finds there to be matters necessitating improvement with regard to laws and regulations, systems or administration, it may present its opinions to, or demand measures for improvement from, the competent authorities or other responsible

parties.

These opinions and/or measures are issued to the auditees immediately after the Board reached conclusions, and the Board also reports in the Audit Report these opinions and measures as Presentation of Opinions and/or Demand for Measures.



Audit Report

The Audit Report shows the annual audit results of the Board.

According to the provision of Article 90 of the Constitution, the Board prepares an Audit Report showing the results of all audits conducted each year and sends it to the Cabinet with the audited final accounts of the expenditures and revenues of the State. The Cabinet then submits both of them to the Diet. The Audit Report is used for deliberation of the State's final accounts in the Diet session and for future administration by the financial authorities.

Recently, the Board has expedited the submission of the Audit Report to the Cabinet in order to contribute to the deliberation of the final accounts in the Diet.

In addition, the Audit Report has another important function of informing the public of the results of the State budget execution. The news media reports on the submission of the Audit Report to the Cabinet which attracts the attention of the public.



The President Kawato of the Board (left) submitting the Audit Report for the FY2015 to Prime Minister Abe
[At the Prime Minister's Office, November 7, 2016]

(photo provided by Cabinet Office)

The Audit Report must cover eight categories of matters as provided by the Board of Audit Act including i) verification of the final accounts of the expenditures and revenues of the State, ii) whether the amounts in the final accounts of the expenditures and revenues of the State correspond to the amounts in the statements of accounts submitted by the Bank of Japan, iii) whether the audit resulted in an item being found in violation of the law, Cabinet Order, or the approved budget, or being found improper, iv) whether there was any disbursement from the reserve fund that did not pass through the procedures for obtaining the Diet's approval and so on, and may include other matters that the Board finds it particularly necessary to report.

Audit results reported in the Audit Report are grouped into mainly the following seven categories, of which those from 1) to 4) are usually called "Improper/Unreasonable Matters."

1) Improperities	An item being found, as a result of audit, in violation of the law, Cabinet Order, or the approved budget, or being found improper.
2) Presentation of Opinions and/or Demand for Measures	Matters regarding which the Board has presented its opinions to, or demanded measures from, relevant ministers etc. pursuant to the provisions of Article 34 and 36 of the Board of Audit Act.
3) Measures Taken	Matters for which the auditee took measures for improvement in response to the findings of the Board.
4) Special Description	Matters which the Board finds it particularly necessary to report in order to draw the attention of the public.
5) Special Report to the Diet and the Cabinet	Matters reported to the Diet and the Cabinet pursuant to the provision of Article 30-2 of the Board of Audit Act.
6) Special Report on audit requested by the Diet	Results of audit reported to the Diet regarding matters audited pursuant to the provision of Article 30-3 of the Board of Audit Act based on the request made under the provision of Article 105 of the Diet Law.
7) Report on Specific Matters	A report on specific matters which the Board finds it necessary to report among audit activities of the Board.

The number of audit cases and improper amounts reported in the Audit Report for the fiscal year 2015 are as follows:

Category	Number of audit cases	(Note 1) Improper amounts (Unit: thousand YEN)	(Note 1) Number of audit cases with background amounts
1) Improperities	345cases	17,835,410	—
2) Presentation of Opinions and/or Demand for Measures Article 34	(Note 2) 16cases	30,365,550	2cases
Article 34 and 36	(Note 2) 2cases	736,420	2cases
Article 36	(Note 2) 25cases	1,129,559,920	16cases
3) Measures Taken	(Note 2) 49cases	40,890,380	14cases
Total of items 1) to 3)	437cases	<420cases>(Note3) 1,218,941,320	—
4) Special Report to the Diet and the Cabinet	10cases		
5) Special Report on audit requested by the Diet	2cases		
6) Report on Specific Matters	6cases		
Total	455cases	<420cases>(Note3) 1,218,941,320	

(Note)

- 1) Improper amounts represent any deficiency in the collection of taxes or social insurance premiums to be collected; overpayments for construction or purchases; overpayment of subsidies; amount of credit managed improperly; amount of assets not utilized effectively; and any amount of assets stated improperly in the statements of account and the financial statements. Background amounts represent overall amounts of payments or investments etc. regarding the matters concerned. Background amounts are presented when improper amounts cannot be calculated for such audit cases as: 1) where the Board finds, as a result of audit, any matters that it deems necessary to be improved with regard to laws and regulations, system or administration; and 2) which the Board reports to draw public attention to project cases of non-realization of investment effect due to problems in project progress caused by policy issues.
- 2) 17 cases of "Presentation of Opinions and/or Demand for Measures" and "Measures Taken", counted multiple, have both improper amounts and background amounts.
- 3) Some cases are double counted as "Improperities" and "Presentation of Opinions and/or Demand for Measures", and "Improperities" and "Measures Taken", and some cases are overlapped within "Measures Taken". As such duplications are deducted from the total, adding of each improper amount does not correspond with total.
- 4) No case is reported as Special Description in the FY2015 Audit Report.

〈Audit Effect〉

The impacts of audit activities are not confined to the improper amounts referred in the annual Audit Report.

(1) Audit results on a part of all accounting

The Board does not audit all accounts of the auditees. The improper amounts represent the ones found in the accounts actually audited. The auditees take remedial actions not only to the cases reported but also to similar cases not actually referred to in the Audit Report. In addition, by providing other auditees with information on the reported findings, more effect will be expected because other auditees with similar operations rectify and improve their improper cases.

(2) Rectification and improvement by instruction/advice made in the course of the audit

The Board makes instructions/advice to the auditees in the course of the audit to rectify and improve inappropriate cases which are not serious enough to be referred to in the Audit Report.

(3) Ripple effect in the future

The Board's audit results produce the effect to prevent recurrence of similar cases for the future after the auditees take appropriate actions. Among several types of audit results, Presentation of Opinions and/or Demand for Measures, and Measures Taken have more such effects because they eliminate common causes of similar cases in the auditees' operations.

(4) Deterrent effect

The deterrent effect against the auditees' illegal and improper accounting can be expected because the auditees are required to monthly submit the statements of accounts and documentary evidence for the Board's in-office documentary audit as well as to be subject to the field audit once a year or in several years.

Financial Impact of Audit Work

The scale and degree of rectification and improvement done by the auditees may or may not be measured in money terms. The Board of Audit conducts a trial calculation of "financial impact of audit work" by sorting out the rectification/improvement measures taken by the auditees within the past year in relation to the financial management referred to in the previous audit reports, and summing up the financial impact of those measures brought to the State ministries and agencies of which scale and degree are measurable in money terms. The Board releases the trial calculation result every year, and the amount of the financial impact identified through audit activities in 2015 reached 284.8 billion yen.

〈Follow-up of the Audit Findings〉

The Board follows up the audit findings reported in the Audit Report including improprieties, matters on which the Board presented its opinions and/or demanded corrective measures, by collecting reports from the auditees as to whether the damages incurred to the State or the organization have been rectified, as to how the officials in charge are disciplined, or as to what measures have been taken to prevent any recurrence. The collection of reports continues until the case has been completed.

(1) Have the damages of the State been rectified?

The Board checks the progress of corrective actions taken to rectify the improprieties described in the Audit Report, including:

- a. Collection of Additional tax
- b. Repayment of insurance benefits and State subsidies
- c. Advanced redemption of loans
- d. Remedial works
- e. Others

The Board reports the status of these corrective actions in the Audit Report.

(2) Have any measures been taken to prevent recurrence?

The Board sees if the auditees, in regard to the audit findings, have taken steps to rectify or improve the current system (such as amendments to the related laws and regulations, revision of manuals and specifications and improvements in administrative procedures) and have provided the officers in charge with proper advice (via official documents, meetings and training courses, internal audit and examinations, etc.).

The result of the follow-up on audit findings on which the Board presented its opinions and/or demanded measures are required to be described in the Audit Report, usually for the following fiscal year.

Also, the Board continually follows up the matters on which the auditees took measures for improvement following the Board's audit findings until the Board confirms the measures have been duly implemented, and describes the results of the follow-up in the Audit Report.

(3) What disciplinary actions have been taken against the officials in charge?

The Board grasps what kind of disciplinary actions are taken by the Ministries and Agencies etc. in charge against the officials (responsible persons and their supervisors) in charge of the improprieties in the Audit Report.

Promotion of Audit Findings

The Board explains the contents of the Audit Report to the Diet and other financial authorities in order that the audit results will be properly reflected in the future budget compilation and execution.

(1) Submission and Explanation of the Audit Report to the Diet

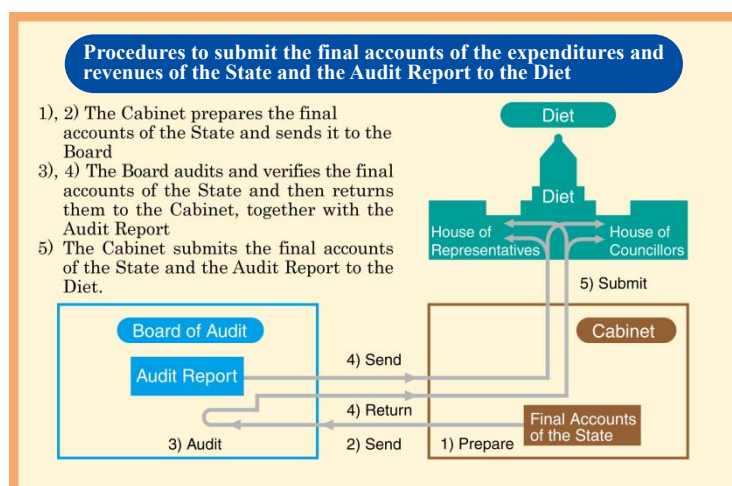
The Audit Report is submitted, with the final accounts of the expenditures and revenues of the State, through the Cabinet to the Diet for deliberation of the State's final accounts.

Deliberation on the State's final accounts is held by the Committee on Audit and Oversight of Administration in the House of Representatives and the Committee on Audit in the House of Councillors. The effectiveness of the audit can be fully achieved only when the Audit Reports is sufficiently utilized in the Diet, which is the representative organ of the public, and when investigation into causes and measures for improvement in respect to matters incorporated in the Annual Report are thoroughly realized.

The senior officials of the Board always attend the above-mentioned deliberations of the Committees to explain the contents of the Audit Report or relevant audit activities and to present Board's opinion. As such, the Audit Report is an essential document for the deliberations in these Committees.

The senior officials of the Board also attend the Committees on Budget and other Diet Committees to explain the contents of the Audit Report or to express the Board's opinions as required.

In preparing the audit plan and implementing its audits, the Board fully takes into consideration requests from the Diet and its deliberation in order to respond to the expectations of the Diet and the public.



(2) Explanation to financial authorities

The Board holds regular meetings with the Budget Bureau and Financial Bureau of the Ministry of Finance to provide explanations of the findings in the Audit Report and to express opinions on items of interest discovered during the audit to serve as sources of reference for budget compilation and financial administration.

At these meetings, the Board hears, in return, the background and intention of the budget compilation and points to be noted in budget execution by the financial authorities for its reference for the audit.

〈Training Courses for the Auditees〉

In order to enhance and reinforce the auditees' internal audit and internal check system and prevent recurrence of the audit findings, the Board organizes the following training courses and briefings.

The internal audit of each ministry and agency is expected to work efficiently for appropriate budget execution together with the external audit by the Board.

(1) Briefing on the Audit Report

The Board conducts briefing sessions on the Audit Report for (1) deputy vice-minister of all the ministries, (2) senior directors of accounts divisions of all the ministries, (3) the relevant accounting officers of all the ministries, (4) auditors and board members in charge of budget execution of State-owned enterprises and (5) accounting managers of prefectures.

At this briefing, officials of the Board explain audit findings in detail, for the auditees' better understanding and prevention of recurrence of the reported findings.

(2) Training courses for personnel of auditees

In order to contribute to the improvement in the accounting and audit capability of the auditees' officials, the Board organizes the following training courses for the accounting officials and internal auditors of all the ministries and agencies, independent administrative agencies and local governments on accounting practices and relevant laws and regulations, as well as audit techniques.

- Courses for Internal Auditors of Ministries and Agencies
- Courses for Internal Auditors of State-owned enterprises
- Courses for Accounting Officials of Prefectural Governments
- Courses for Internal Auditors of Local Governments
- Courses for Internal Auditors of Prefectural Governments (General Audit Courses and Construction Audit Courses)

These courses are held in the Annaka Training Center (refer to Page 8).

The Board also dispatches its staff members as lecturers to the training courses organized by auditees such as ministries, agencies and local governments for prevention of the recurrence of the audit findings on the condition that dispatched lecturer does not hinder his/her audit activities.

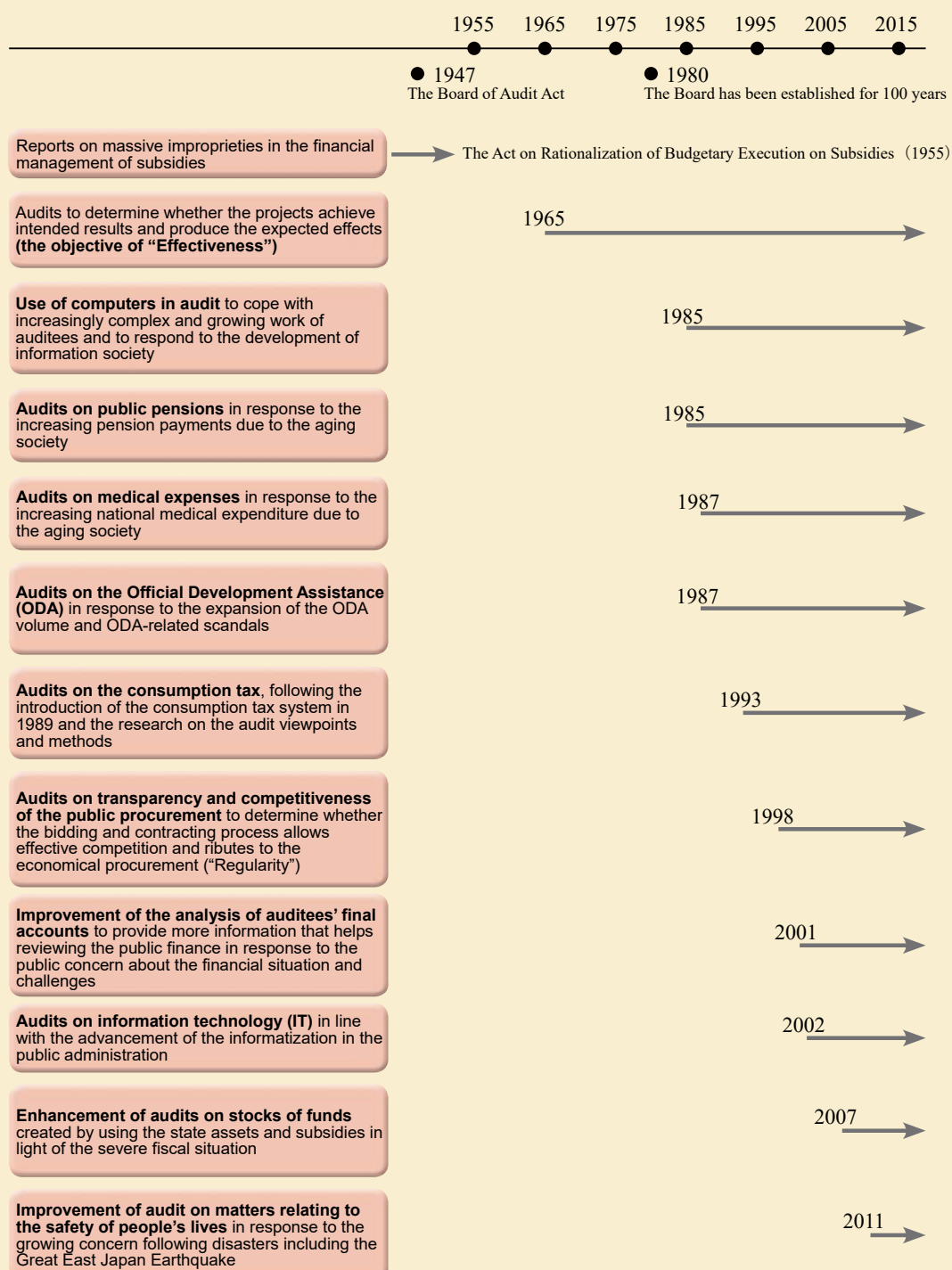
(3) Internal audit related services

The Board conducts researches and analyses on auditees' internal control such as the status of internal audit and internal check system etc., and has a meeting with officials in charge of internal audit in ministries, agencies and so on in order to promote improvement and strengthening of internal audit.

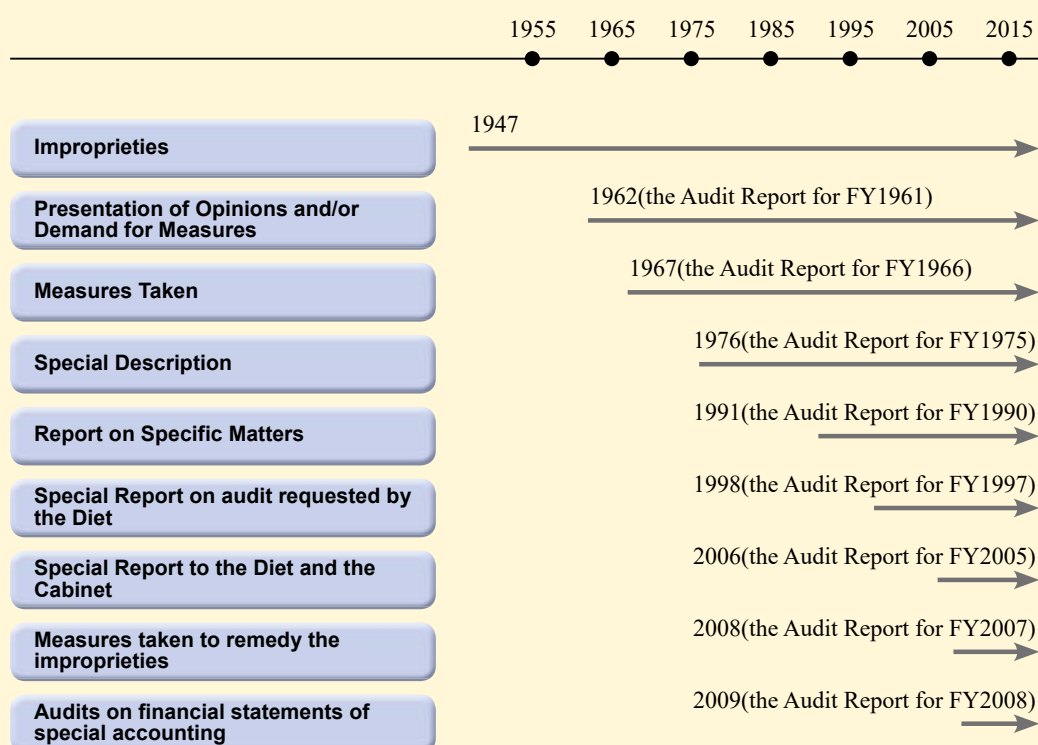
Activities of the Board

The Board has developed its audit activities to respond to the social and economic changes and the public expectations, which led to the considerable audit results.

(Table1) Expansion and development of the audit scopes, objectives and methods



(Table2) Expansion of the types of audit results reported in the Audit Report

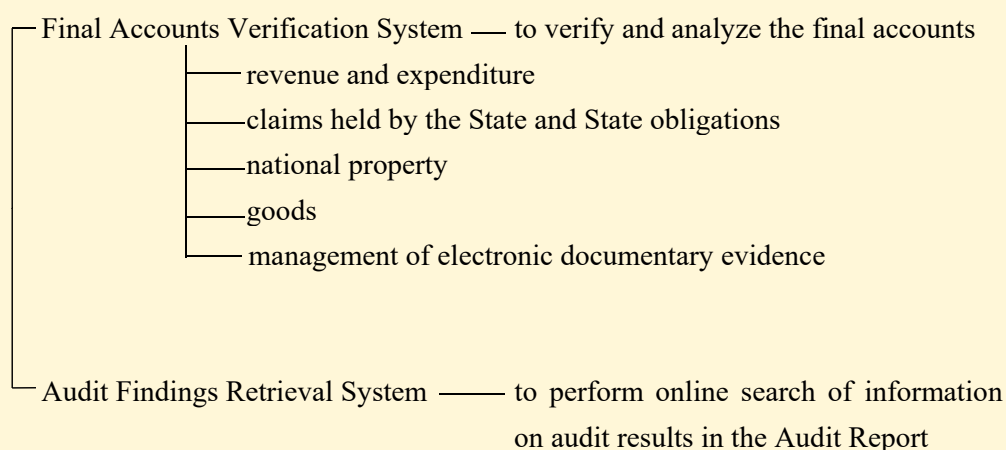


The use of IT(Information Technology) in audit

The Board utilizes IT (Information Technology) for the calculation, analysis, sampling and simulation of the various audit related data, thus allowing auditors to identify focusing points and sites to be further investigated.

Also, the Board introduces tools for data collection, analysis and communication at the field audit sites to ensure rapid processing of audit related data. With these measures, the Board conducts field audits efficiently and effectively.

In addition, in order to enhance and strengthen the audit work, the Board has developed the Audit Information System with high security level, which is used for verification of the final accounts of the States and management of all kinds of data and materials related to the audit.



The Board has established a division responsible for developing and operating this Audit Information System as well as for providing assistance to each audit division on further utilization of IT technology on their audit activities.

Other Activities

Besides the audit, the Board carries out the following audit-related activities.

(1) Adjudication on the liability for indemnity

If an official responsible for cash handling, handling goods or budget execution has been involved in a loss or damage to cash or goods under his or her control, or otherwise has made disbursement in violation of the laws and regulations or the approved budget, resulting in damage to the State, the Board shall inquire into whether the official has caused a loss or damage through his/her failure to exercise the due care of a prudent manager, or through intent or gross negligence, and adjudicates whether the official is liable to indemnity.

If the Board adjudicates that the official is liable to indemnity, the Minister to which the official belongs must order the official to pay the indemnity.

(2) Demand for disciplinary action

If the Board finds, as a result of audit, that an official who handles accounting for the State has caused substantial damage to the State through intent or gross negligence, or that a budget executing official has made disbursement in violation of the laws and regulations or the approved budget through intent or gross negligence and caused damage to the State, the Board may demand the Minister to which the official belongs to take disciplinary action against the official. The Board is also authorized to execute the same right in case where an official who handles accounting for the State neglects to submit statements of accounts or documentary evidence to the Board.

(3) Examination

If the Board has been requested by an interested party to examine the conduct of an official who handles accounting for the State with regard to the handling of financial management, the Board must examine that official's conduct and, if the Board considers it necessary for such conduct to be corrected, the Board must notify the competent authorities or other responsible parties of this judgment.

The competent authorities or other responsible parties must take appropriate measures pursuant to the judgment of which they have been notified.

Exchange of Information and Views with the External Bodies

The Board is engaged in the following activities to make its audits more effective.

(1) Public relations

The most important factor for appropriate State budget execution is that each member of the public is interested in the State budget execution and keeps paying attention to it. The Audit Report helps the public find out how tax payers' money is used.

The Board publishes a summary version of the Audit Reports which describes the audit results briefly, and puts all contents of the Audit Reports after FY1947 on its website (URL : <http://www.jbaudit.go.jp/>).

The website provides information on audit activities of the Board and the latest organization chart, and also accepts opinions, proposals on the work of the Board, and audit-related information from the public.

(2) Discussion with opinion leaders

To make audit activities more effective and appropriate, the Board has established the Government Auditing Consultative Committee, the membership of which includes opinion leaders in the various areas. The Board esteems the views and opinions of these members concerning various issues related to audits from diverse viewpoints.

The members of the Committee are as follows (as of January 2017):

- Mr. Jiro Ushio (Chairperson: Chairman and Ushio Group Representative, USHIO INC.)
- Dr. Yuri Okina (Vice Chairman of the Institute, The Japan Research Institute, Limited)
- Dr. Takeshi Sasaki (Executive Director, National Land Afforestation Promotion Organization)
- Mr. Nobuhiko Shima (Journalist)
- Dr. Toshiki Tomita (Professor, Faculty of Law, Chuo University)
- Mr. Akio Harada (Lawyer)

(3) Exchange of views with other audit and inspection institutions

The Board strives to raise its audit efficiency through exchanging information with other public audit and inspection institutions, while it recognizes the importance of conducting audits from an independent standpoint.

For example, the Board holds regular or irregular meetings to exchange information with the Administrative Evaluation Bureau of Ministry of Internal Affairs and Communications, which evaluates and monitors Government agencies' operations and activities, and with audit offices of local governments. Since some of the auditees of the Board may also be subject to the audits by certified public accountants, the Board also holds meetings with the Japanese Institute of Certified Public Accountants to exchange professional opinions and information regularly. The Board also hosts the Audit Forum in which people from organizations involved in public sector auditing gather and discuss public audit issues in order to improve public audit.



28th Public Audit Forum (August 2016)

(4) Research activities

In response to more diversified and specialized State administrative operations, the Board conducts researches, both in-house and outsourced, on both domestic and foreign audit systems, audit methodologies for more efficient and effective audit.

The Board also invites researchers from outside institutions as Visiting Research Fellow to research and review recent trends and/or more practical audit methodologies in specific fields of auditing. They advance their research from the perspective of their respective specialized fields and exchange opinions with the Board's staff. The Board issues a biannual Research Journal, including articles contributed by scholars and researchers, and government officers to enhance communicating with researchers in other institutions and promote interdisciplinary audit methodology both in theory and practice.

These activities will lead to the expansion of the field of auditing and the development of new audit methodologies, eventually, to the future improvements in audit activities.

International Activities

(1) Research on national audit systems abroad

The Board conducts research on the foreign financial control systems such as activities and audit cases of Supreme Audit Institutions (SAIs) around the world.

The Board hosts the Tokyo International Meeting on Audit, inviting high-level officials and senior auditors from SAIs of leading countries to seek possible solutions to the common issues and challenges that SAIs face.

Furthermore, the Board participates in the annual Global Audit Leadership Forum to introduce the Board's current situation and to exchange opinions on common audit-related themes in order to promote knowledge sharing.



The 21st Tokyo International Meeting on Audit
(Participating SAIs: SAI France, Germany, U.S.A. and Japan)

(2) Participation in International Organization of SAIs

The Board joins the International Organization of Supreme Audit Institutions (INTOSAI: 194 participating SAIs) and the Asian Organization of Supreme Audit Institutions (ASOSAI: 46 SAIs), one of the INTOSAI regional organizations, to promote international cooperation in the field of government auditing and to build up closer relations with SAIs of various countries and areas. The Board also serves as a member of the INTOSAI Governing Board and Capacity Development Administrator of ASOSAI.

The Board participates in conferences and workshops held by these international organizations to discuss important audit-related issues and to share the latest knowledge and experiences.

Furthermore, the Board, as the Capacity Development Administrator of ASOSAI, is in charge of

planning and implementing capacity development programs to provide audit techniques and promote knowledge sharing on government auditing among ASOSAI member SAIs.



The 47th Governing Board Meeting of ASOSAI and 2nd ASOSAI-EUROSAI Joint Conference in Moscow, Russia



The 22nd INCOSAI in Abu Dhabi, United Arab Emirates



The 67th INTOSAI Governing Board Meeting in Abu Dhabi, United Arab Emirates

(3) International Cooperation

The Board cooperates with Japan International Cooperation Agency (JICA) to provide developing countries with training programs on government auditing as part of JICA's technical cooperation.



The Knowledge Co-Creation Program in Government Audit on Public Construction Works

In 2016, the Board technically supported the Knowledge Co-Creation Program in Government Audit on Public Construction Works.

Outline of Audit Results

- FY2015 Audit Report-

OUTLINE OF AUDIT REPORT – FY2015-

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I Outline of Audit Activities

Basic Policy on Audit for 2016

Approved by the
Audit Commission on
September 8, 2015

To carry out audits for the year 2016 (audit implementation period: October 2015 - September 2016) efficiently and effectively and to perform its missions accurately in keeping with social and economic trends, the Board of Audit established its Basic Policy on Audit for the year 2016 as follows:

1. Missions of the Board of Audit

The Board of Audit (the Board) has the following missions as a constitutional organization independent from the Cabinet.

The Board audits all of the final accounts of the expenditures and revenues of the State every year, and also audits such accounts as provided by law.

The Board continuously conducts audit, supervises financial management, ensures its adequacy, and rectifies any defects. Also, the Board verifies the final accounts of the expenditures and revenues of the State through the results of its audit.

The Board prepares and sends the Audit Report to the Cabinet. This Report, together with the final accounts of the expenditures and revenues of the State, shall be submitted to the Diet.

2. Social and Economic Trends and the Situation Surrounding the Board of Audit

In recent years, Japan's society and economy have faced difficult challenges, such as depopulation, rising social security expenses due to the declining birthrate and the aging population, structural changes in domestic and overseas economies, and global environmental problems.

In addition, reconstruction from the Great East Japan Earthquake (the earthquake and tsunami that occurred along the Pacific Ocean coast in the Tohoku Region on March 11, 2011, and the resultant accident at a nuclear power plant) has become an important issue for Japan, therefore, the administrative authorities are required to deal with these challenges appropriately.

As for the fiscal position of the State government, continual issuance of government bonds is steadily increasing the outstanding debts, which is estimated to reach about 807 trillion yen at the end of FY2015. In the budget for FY2015, the level of dependence on government bonds is about 38% and the total expenditure required for redemption of national debts comprises about 24% of the general account expenditure, which imposes a major challenge in achieving a sound fiscal position.

In order to achieve its fiscal consolidation goal of bringing the primary balance including the national and local government budgets into surplus by FY2020, the State government intends to formulate "the Plan to Advance Economic and Fiscal Revitalization" for the next five years aimed at the integrated economic and fiscal revitalization and thereby will promote in an integrated manner a reform consisting of three pillars: "overcoming deflation and revitalizing the economy," "expenditure reforms" and "revenue reforms."

Moreover, the importance of grasping the result of the State budget execution and reflecting it in the following budgets is deliberated in the Diet from the viewpoint of enhancing and strengthening fiscal administration control by the Diet.

Taking into consideration that the Diet requested the Cabinet to submit the final accounts of the State earlier, the Board has been striving to submit its Audit Report to the Cabinet earlier since the Audit Report for FY2003, which helps the Diet deliberate the final accounts of the State earlier and enables the audit results to be further reflected in the budget. Furthermore, the Board has been steadily undertaking audits requested by the Diet under the provisions of Article 105 of the Diet Law and reporting the audit results to the Diet, as well as issuing “Special Reports to the Diet and the Cabinet” on an as-needed basis every year for the purpose of contributing to enhancement of the Diet's deliberations of the final accounts of the State.

Achievement of fiscal soundness has been an important issue, and importance is placed on the strict assessment and verification of the result of the State budget execution as well as the Government's fulfillment of accountability to the public. Against this backdrop, the role of the Board has become even more important, and the public expectations for audit functions are also growing.

3. Basic Policy on Audit

The Board has been striving to conduct audits in order to respond to public expectations in light of social and economic trends at all times. Under the situation mentioned above, the Board continues to pay due attention to the public interests and make every effort to ensure the strict and fair discharge of its duties in accordance with the following policies.

(1) Focus of audit

In response to Japan's social and economic trends and its current financial condition, the Board has decided to focus its audit activities on the following policy areas of public administration.

- Social security
- Education, science and technology
- Public works
- Defense
- Agriculture, forestry and fisheries
- Environment and energy
- Economic cooperation
- Small and medium enterprises
- Information technology (IT)

In addition, the Board enhances cross-cutting audits on policies jointly executed by several ministries and agencies and cases commonly related with several ministries and agencies, and, if necessary, also responds to matters of great public concern, in a timely and proper manner.

Furthermore, the Board appropriately and in a timely manner audits various measures for promoting the reconstruction from the Great East Japan Earthquake according to the status of progress, noting that a large amount of national expenses will be spent during a certain period. When conducting audits, the Board pays attention to the conditions of the disaster stricken areas and whether each project contributes to social and economic revitalization in such disaster stricken areas.

(2) Audit with various audit objectives

The Board conducts audits not only to identify and disclose fraudulent or improper cases but also to evaluate the performance of operations and projects. Moreover, the Board conducts audits with a focus on the necessity of specific operational systems, if necessary.

The Board conducts audits with the following objectives:

- (a) Accuracy: whether the final accounts accurately reflect the financial status such as the execution of the budgets
- (b) Regularity: whether the financial management is properly conducted in conformity with the approved budgets, laws and regulations
- (c) Economy: whether the implementation of projects and programs or budget execution is administered with the minimum cost
- (d) Efficiency: whether the projects and programs gain the maximum result with the given cost or have the best cost-efficient outcome
- (e) Effectiveness: whether the projects and programs achieve the intended results and produce the expected effects
- (f) Other objectives necessary for auditing

As for the objectives of accuracy and regularity, the Board continues to duly conduct audits because there are still many cases of improprieties. The Board focuses on examining basic accountancy while considering the fact that there were frauds or improprieties in some ministries. Furthermore, the Board conducts audits bearing in mind the competitiveness and the transparency of bidding and contracts.

As for the objectives of economy, efficiency, and effectiveness, in light of the serious financial condition in recent years, the Board puts greater importance on these objectives. With the objective of effectiveness, in particular, the Board actively endeavors to review the results of operations, projects and budget execution as well as situations of the assets possessed by the State and funds developed by subsidies. In such cases, the Board conducts audits with attention to auditees' self-evaluation of their policies and various measures carried out by the government for efficient and effective implementation of administrative work and projects.

If there is any problem with the implementation of the operations and projects and the budget execution, the Board thoroughly investigates the causes and considers measures for improvement and if needed, abolishment of the program.

In addition, to contribute to the improvement of the transparency and accountability of public administration and finance as well as the better project implementation, the Board analyzes and evaluates public finances such as the final accounts of the expenditures and revenues of the State, and more closely audits the financial status of the special accounts and the independent administrative agencies. In the above cases, the Board pays attention to utilize information on public accounting such as financial documents of special accounts prepared with reference to practices of corporate accounting.

(3) Approach corresponding to conditions of internal control

Since the conditions of internal control in auditees affect the level of adequacy of financial management to be ensured in auditees, etc., the Board pays due attention to the effectiveness of the internal control. The Board also requests the auditees to improve their internal control systems, if necessary, so that they ensure the adequate level of financial management, etc.

(4) Follow-up of the audit findings

The Board continually checks on whether or not auditees take remedial and preventative measures against improper and irregular cases to ensure that audit results are reflected in the State budget compilation as well as in project implementation adequately and effectively.

Moreover, concerning improper financial management in the Audit Report, the Board conducts audits necessary for improving similar cases with other auditees.

(5) Cooperation with the Diet

The Board always pays attention to the deliberations in the Diet. In auditing issues in response to audit requests from the Diet, the Board makes every effort to facilitate the Diet's examination and investigation by including the necessary research contents in the Board's audit activities, paying full attention to the intention of the Diet's request. In addition, to contribute to the Diet's sufficient examination on the final accounts, the Board makes efforts to actively submit reports to the Diet and the Cabinet at any time as necessary.

(6) Improvement of audit capability

The Board enhances its ability to conduct audits through efforts such as the development of new audit methods to respond to the increasingly complex society and economy as well as accompanying change in the State's financial and administrative operations.

The efforts include: research studies to vary the method and scope of audit activities, human resource development for auditing areas of expertise as well as recruitment of personnel who have acquired practical skills and experts from the private sector, and promotion of the use of IT in audit activities. By adopting these practices, the Board conducts a more fulfilling audit for project/program of auditee matters as a whole.

4. Designing an Appropriate Audit Plan

The Board designs appropriate audit plans and carries them out in order to conduct audits more effectively and efficiently and to achieve its mission, based on the above-mentioned Basic Policy on Audit.

In the audit plan, the Board establishes its priority audit issues, on which it should focus in audits, taking into full consideration the scale and content of the budgets of auditees, measures, projects and programs, the situations of internal control such as internal audits and internal checks, the previous audits and results, etc.

Also, in auditing, the Board attempts to enhance and strengthen audit activities by promptly and flexibly responding to the progress status of audits as well as public interests, for example, by reviewing the audit plan when necessary.

II Summary of Audit Results

Audit Results by Category

The total number of cases listed in the Audit Report for FY2015 was 455. Of these, the number of cases which were found not appropriate (Improper/Unreasonable Matters) was 437 and the improper amounts¹ totalled 1,218,941.32 million yen. (There were also background amounts² concerning the problem cases.) The following Table 1 shows the breakdown of the 455 cases by category.

Table 1: Audit Findings by Category

Category	Number of audit cases	Improper amounts (Unit: million YEN)
• Improprieties ^(Note 1)	345	17,835.41
• Presentation of Opinions and/or Demand for Measures ^(Note 2)	43 ^(Note 7)	1,160,661.89
• Measures Taken ^(Note 3)	49 ^(Note 7)	40,890.38
Total of Improper/Unreasonable Matters	437	1,218,941.32 ^(Note 8)
• Special Report to the Diet and the Cabinet ^(Note 4)	10	
• Special Report on Audit Requested by the Diet ^(Note 5)	2	
• Report on Specific Matters ^(Note 6)	6	
Grand total	455	

(Note 1) Improprieties: Matters being found, as a result of audit, in violation of the law, Cabinet Order, the approved budget, or being found improper.

(Note 2) Presentation of Opinions and/or Demand for Measures: Matters regarding which the Board has presented its opinions or demanded measures to relevant ministers etc. pursuant to the provisions of Article 34 and 36 of the Board of Audit Act.

(Note 3) Measures Taken: Matters for which the auditee took measures for improvement in response to the findings of the Board.

(Note 4) Special Report to the Diet and the Cabinet: Matters reported to the Diet and the Cabinet pursuant to the provision of Article 30-2 of the Board of Audit Act.

- (Note 5) Special Report on audits requested by the Diet: Results of audit reported to the Diet regarding matters audited pursuant to the provision of Article 30-3 of the Board of Audit Act based on the request made under the provision of Article 105 of the Diet Law.
- (Note 6) Report on Specific Matters: A report on specific matters which the Board finds necessary to report among audit activities of the Board.
- (Note 7) 17 cases of “Presentation of Opinions and/or Demand for Measures” and “Measures Taken” have both improper amounts and background amounts.
- (Note 8) Some cases are double counted as “Improprieties” and “Presentation of Opinions and/or Demand for Measures”, and “Improprieties” and “Measures Taken”, and some cases are overlapped within “Measures Taken”. As such duplications are deducted from the total, adding of each improper amount does not correspond with total.

¹ Improper Amounts: Improper amounts represent any deficiency in the collection of taxes or social insurance premiums to be collected; overpayments for construction or purchases; overpayment of subsidies; amount of credit managed improperly; amount of asset not utilized effectively; and any amount of assets stated improperly in the statements of account and the financial statements.

² Background Amounts: Background amounts represent overall amounts of payments or investments etc. regarding the matters concerned. Background amounts are presented when improper amounts cannot be calculated for such audit cases as: 1) where the Board finds, as an audit findings, any matters that it finds necessary to be improved with regard to laws and regulations, system or administration; and 2) which the Board reports to draw public attention to project cases of non-realization of investment effect due to problems in project progress caused by policy issues.

1. Improper/Unreasonable Matters by Category and by Auditee

Table 2 shows the breakdown of 437 cases of Improper/Unreasonable Matters by category and by auditee.

Table 2: Improper/Unreasonable Matters by Category and by Auditee

(unit of monetary amount, million YEN)

Category Auditee	Improprieties		Presentation of Opinions and/or Demand for Measures (Note 2)		Measures Taken (Note 2)		Total (Note 2)	
	Cases	Amount	Article(Note1) /Cases	Amount	Cases	Amount	Cases	Amount
Diet (National Diet Library)					1	931.73	1	931.73
Cabinet (Cabinet Secretariat)			③4 1	34.68			1	34.68
Cabinet Office (Cabinet Office)	3	24.45	③4 2	6,944.31			5	6,968.76
Cabinet Office (National Police Agency)	1	135.21			(Note 7) 1	367.85 (1,052.60)	(Note 7) 2	503.06 (1,052.60)
Cabinet Office (Financial Services Agency)			③6 1	1,096,400			1	1,096,400
Ministry of Internal Affairs and Communications	11	165.83	③6 1	116.52			12	282.35
Ministry of Justice	2	160.75			1	28.39	3	189.14
Ministry of Foreign Affairs	1	15.82	(Note 3) (Note 7) ③6 1	(Note 3) 5.11 (32,133.40)			(Note 3) (Note 7) 2	(Note 3) 20.93 (32,133.40)
Ministry of Finance	1	276.47					1	276.47
Ministry of Education, Culture, Sports, Science and Technology	24	332.77	③4 1 (Note 7) ③4 • ③6 1 ③6 1	436.33 207.88 (14,417.74) 1,220.37	(Note 7) 2	564.84 (33,823.69)	(Note 7) 29	(Note 6) 2,757.17 (14,417.74) (33,823.69)
Ministry of Health, Labour and Welfare	177	4,827.55	③4 1 (Note 7) ③4 • ③6 1 ③6 4	15.38 528.54 (5,835.71) 27,376.95 (4,127.10)	(Note 4) 2	(Note 4) 1,121.06	(Note 4) (Note 7) 185	(Note 4) (Note 6) 33,777.52 (5,835.71) (4,127.10)
Ministry of Agriculture, Forestry and Fisheries	(Note 5) 28	(Note 5) 370.53	③4 3 (Note 7) ③6 5	415.50 2,703.15 (17,758.77) (1,224.66) (1,782.15)	(Note 7) 4	17,896.08 (6,228.07) (526,584.20)	(Note 7) 40	(Note 6) 21,363.40 (17,758.77) (1,224.66) (1,782.15) (6,228.07) (526,584.20)
Ministry of Economy, Trade and Industry	11	212.45			1	92.79	12	305.24

Category Auditee	Improprieties		Presentation of Opinions and/or Demand for Measures (Note 2)		Measures Taken (Note 2)		Total (Note 2)	
Ministry of Land, Infrastructure, Transport and Tourism	46	8,976.34	(Note 7) ③4 3	9,906.57 (1,125.50)	9	8,100.48 (1,731.45)	(Note 7) 61	(Note 6) 26,658.39 (1,125.50) (6,914.96) (78,193.60) (6,865.52) (1,731.45)
Ministry of the Environment	6	97.52	③4 1	4,672.24	2	1,109.43	9	5,879.19
Ministry of Defense	3	97.43	③4 1	7,608.74	(Note 7) 9	4,388.83 (9,343.72) (116.09) (3,171.03) (117.95)	(Note 7) 13	(Note 6) 12,094.10 (9,343.72) (116.09) (3,171.03) (117.95)
Promotion and Mutual Aid Corporation for Private Schools of Japan	4	7.35	(Note 7) ③6 1	198.13 (283.08)			(Note 7) 5	205.48 (283.08)
Tokyo Metro Co., Ltd.					1	97.50	1	97.50
East Nippon Expressway Company Limited			③6 1	(119,232.54)	(Note 7) 2	28.39 (364.79)	(Note 7) 3	28.39 (119,232.54) (364.79)
Central Nippon Expressway Company Limited			③6 1	(193,265.84)	(Note 7) 2	73.10 (572.57)	(Note 7) 3	73.10 (193,265.84) (572.57)
West Nippon Expressway Company Limited			③6 1	(221,369.01)	(Note 7) 1	14.83 (992.30)	(Note 7) 2	14.83 (221,369.01) (992.30)
Honshu-Shikoku Bridge Expressway Company Limited			③6 1	(3,017.25)			1	(3,017.25)
Japan Post Holdings Co., Ltd.			③4 1	8.70			1	8.70
Japan Health Insurance Association	1	16.75					1	16.75
Japan Pension Service	1	7.84			(Note 4) 2	(Note 4) 55.29	(Note 4) 3	(Note 4) 63.13
National Research Institute for Earth Science and Disaster Resilience					1	10.91	1	10.91
Japan agency of Maritime Education and Training for Seafarers	1	2.50					1	2.50
Agriculture & Livestock Industries Corporation	2	28.94			1	17.58	3	(Note 6) 44.92
Japan International Cooperation Agency	1	2.60	(Note 3) ③6 2	(Note 3) (9,125.13)	(Note 7) 1	14.96 (72,977.77)	(Note 3) (Note 7) 4	(Note 3) 17.56 (9,125.13) (72,977.77)
Japan Aerospace Exploration Agency					1	10.42	1	10.42

Category Auditee	Improprieties		Presentation of Opinions and/or Demand for Measures (Note 2)		Measures Taken (Note 2)		Total (Note 2)	
Japan Sports Council	2	13.29					2	13.29
Japan Railway Construction, Transport and Technology Agency					1	14.57	1	14.57
Japan Labour Health and Welfare Organization	1	32.37					1	32.37
Urban Renaissance Agency	1	8.98					1	8.98
Japan Atomic Energy Agency			③⑥ 1	1,539.69	1	1,324.96	2	2,864.65
Japan Community Health care Organization					1	666.35	1	666.35
Japan Housing Finance Agency					1	3,093.29	1	3,093.29
Asahikawa Medical University	1	1,891.83					1	1,891.83
Hirosaki University	1	8.43					1	8.43
Iwate University	1	5.21					1	5.21
University of Tsukuba	1	5.06					1	5.06
Saitama University	1	6.77					1	6.77
Kanazawa University	1	3.32					1	3.32
Hamamatsu University School of Medicine	1	4.16					1	4.16
Mie University	1	3.57					1	3.57
Kyoto University			(Note 7) ③④ 1	42.39 (223.81)			(Note 7) 1	42.39 (223.81)
Tottori University	1	10.02					1	10.02
Shimane University	1	4.35					1	4.35
Hiroshima University	1	40.30					1	40.30
Saga University	1	5.41					1	5.41
Nagasaki University	1	10.25					1	10.25
University of Miyazaki	1	3.51					1	3.51

Auditee / Category	Improprieties		Presentation of Opinions and/or Demand for Measures (Note 2)		Measures Taken (Note 2)		Total (Note 2)	
Japan Advanced Institute of Science and Technology	1	13.73					1	13.73
Research Organization of Information and Systems	1	3.88					1	3.88
Metropolitan Expressway Company Limited			③⑥	1 (36,205.25)			1	(36,205.25)
Hanshin Expressway Company Limited			③⑥	1 (19,712.57)	(Note 7) 1	17.73 (88.75)	(Note 7) 2	17.73 (19,712.57) (88.75)
NTT Communications Corporation					1	849.03	1	849.03
Japan Post Co., Ltd.			③④	1 280.71			1	280.71
Farmers Pension Fund	1	1.68					1	1.68
Total	345	17,835.41	(Note 3) 43	1,160,661.89	(Note 4) 49	40,890.39	(Note 3) (Note 4) 437	(Note 6) 1,218,941.33

(Note 1) The cases identified with ③④ refer to audit findings under Article 34 of the Board of Audit Act, and the cases identified with ③⑥ refer to those under Article 36.

(Note 2) The amounts in parentheses are background amounts, which are not totaled since the basis for determining the background amounts differs from case to case.

(Note 3) Although one case involves both the Ministry of Foreign Affairs and the Japan International Cooperation Agency, the amount has been listed only in the column of the Ministry of Foreign Affairs. In addition, duplication has been eliminated from the total number of cases.

(Note 4) Although one case involves both the Ministry of Health, Labour and Welfare and the Japan Pension Service, the amount has been listed only in the column of the Ministry of Health, Labour and Welfare. In addition, duplication has been eliminated from the total number of cases.

(Note 5) “Improprieties” of the Ministry of Agriculture, Forestry and Fisheries include two cases categorized as both “services/subsidies” and “subsidies,” and created overlapping cases and amounts are deducted for the purpose of calculating the number of cases and the total amount.

(Note 6) Some cases are double counted as “Improprieties” and “Presentation of Opinions and/or Demand for Measures”, and “Improprieties” and “Measures Taken”, and some cases are overlapped within “Measures Taken”. As such duplications are deducted from the total, adding of each improper amount does not correspond with total.

(Note 7) Concerning the categories “Presentation of Opinions and/or Demand for Measures” and “Measures Taken”, 17 cases in total have both improper amounts and background amounts.

A Improper/Unreasonable Matters by Ministry/Agency

(1) Diet

(National Diet Library)

Measures Taken -Purchase of foreign periodical publications.

(2) Cabinet

(Cabinet Secretariat)

Demand for Measures ③4 – Management of goods at the Cabinet Secretariat and the Cabinet Office.

(3) Cabinet Office

(Cabinet Office)

Improprieties - Improper execution of and accounting for project with subsidies or grants:

- a. Improper equipment design
Improper design of solar energy electric dosimeter introduced under the grant project for nuclear power plant emergency safety measures.
- b. Improper use of funds created by grants
Excessive billing of expenses of the project implemented using funds created by the grant for local community work opportunity creation programs.
- c. Not eligible for a subsidy
A part of expenses funded by the community child care support centers project was not eligible for a subsidy.

Demand for Measures ③4 - Calculation of national subsidy under the community child care support centers project.

Demand for Measures ③4 - Management of goods at the Cabinet Secretariat and the Cabinet Office.

(National Police Agency)

Improprieties - Improper financial management related to contracted research.

Measures Taken - Sales of rotorcraft discontinued for use and management of its equipment.

(Financial Services Agency)

Presentation of Opinions ③6 - Retained earnings of the Account for Early Strengthening of Financial Functions of the Deposit Insurance Corporation of Japan.

(4) Ministry of Internal Affairs and Communications

Improprieties - Procurement of unnecessary licenses.

Improprieties -Improper execution of and accounting for project with subsidies or grants:

- a. Excessive payment of grant under the regional economic circulation creation project.

- b. A project funded by the extraordinary grant for heightening regional vitality was partially ineligible for such grant.
- c. Excessive payment of the social security and tax number system development subsidy.
- d. A part of expenses funded by the grant for developing/utilizing regional human resources versed in information communication technology was not eligible for such grant.
- e. A part of expenses subsidized by the regional public network improvement project was not eligible for such subsidy.
- f. Excessive payment of the radio shielding measures project subsidy.
- g. Excessive billing of the emergency fire-fighting assistance team facility improvement subsidy.

Demand for Measures ③⑥ - Report necessary for the calculation of the grants for municipalities where national facilities for specified purposes are located.

(5) Ministry of Justice

Improprieties - Excessive procurement of licenses necessary for use of groupware.

Improprieties - Improper management of raw materials procured for goods to be produced by inmates.

Measures Taken - Payment of medical expenses to outside medical institutions for medical treatment of inmates.

(6) Ministry of Foreign Affairs

Improprieties - Excessive payment for packing service of diplomatic shipments.

Presentation of Opinions ③⑥ - The effect of official development assistance.

(7) Ministry of Finance

Improprieties - Cases of excess and deficiency in tax collection.

(8) Ministry of Education, Culture, Sports, Science and Technology

Improprieties - Excessive payment for fee for entrusted work related to the 2020 target age development project.

Improprieties - Improper execution of and accounting for project with subsidies or grants:

- a. Excessive grants to cover non-collectible tuition fees at public high schools.
- b. Excessive State contribution to the cost of compulsory education.
- c. Excessive payment of subsidies for improvement of research facilities at private universities.
- d. Excessive payment of subsidies for improvement of private schools facilities (educational devices).

- e. Excessive payment of the culture and art promotion subsidy (for regional culture and art creation promotion initiative).
- f. Excessive payment of the culture and art promotion subsidy (for regional revitalization initiative utilizing cultural heritage).
- g. Excessive payment of grants under the grant for improvement of school facilities and the environment.
- h. Excessive payment of subsidies for improvement of private school facilities (private kindergarten facility improvement expenses).

Demand for Measures 34 - Calculation of the amount of the expenses for school lunch facility projects under the grant for environmental improvement of school facilities.

Demand for Measures 34 **Presentation of Opinions 36** - Determination of eligibility for receiving the high school enrollment assistance grant.

Presentation of Opinions 36 - Joint use of research facilities owned by national university corporations.

Measures Taken - Financial management of the culture and art promotion subsidy (for regional revitalization initiative utilizing cultural heritage).

Measures Taken - Review of remodeling ratio for reporting the results of the large-scale remodeling project (old buildings).

(9) Ministry of Health, Labour and Welfare

Improprieties - Cases of excess and deficiency in collection of labor insurance premiums.

Improprieties - Deficiency in collected premiums of health insurance and employees' pension insurance.

Improprieties - Improper payment for employment adjustment subsidies under employment insurance.

Improprieties - Improper payment for subsidies for development of employment for specified jobseekers.

Improprieties - Improper payment for unemployment benefits under employment insurance.

Improprieties - Improper payment for old-age employees' pension benefits under employees' pension insurance.

Improprieties - Improper State contribution to medical expenses.

Improprieties - Improper execution of and accounting for project with subsidies or grants:

- a. Excessive payment of State contribution to medical treatment benefits under national health insurance.
- b. Excessive payment for fiscal adjustment grants under national health insurance.
- c. Projects implemented using a fund created by the extraordinary special grant for the emergency human resource development and employment support fund were not eligible for such grant.
- d. Excessive billing for projects eligible for a State contribution including contributions to the cost of child protection.
- e. Excessive use of funds in projects implemented using funds created by extraordinary special grants for childcare support.

- f. Excessive payment for the State contribution to livelihood assistance subsidy.
- g. Excessive State contribution to the livelihood protection subsidy (the portion that relates to the State contribution to administrative expenses of protection facilities).
- h. Excessive payment of disabled people sports promotion subsidy.
- i. Excessive State contribution to benefits for supporting disabled people's self-reliance.
- j. Excessive State contribution to medical expenses for disabled people.
- k. Excessive payment for the State contribution to the nursing care benefit.
- l. Excessive State contribution to ordinary adjustment grants for nursing care insurance.
- m. Non-refund of grants made relating to consumption tax withheld from relevant purchase on the projects implemented using the fund created by extraordinary special grants for urgent development of nursing care infrastructure.
- n. Use of the funds for unintended purposes in the projects implemented using the fund created by extraordinary special grants for projects for urgent job creation and special grants for recreation of employment in hometowns.
- o. Excessive billing of expenses funded by the work injury prevention measures subsidy.
- p. Excessive subsidy payment for projects promoting plan for after-school children's clubs.
- q. Excessive subsidy payment for promotion of childcare.

Improprieties - Improper State contribution to elderly nursing care benefits under nursing care insurance.

Improprieties - Improper State contribution to nursing care benefits included in benefits for self-reliance support.

Demand for Measures 34 - Calculation of state subsidy under the community child care support centers project.

Demand for Measures 34 **Presentation of Opinions 36** - Management of the day work jobseekers benefit system.

Presentation of Opinions 36 - Amount of fund retained for the implementation of the livelihood welfare fund loan project.

Presentation of Opinions 36 - Calculation of the amount of the community support program grant.

Demand for Measures 36 - Treatment of additional expenses payable to medical institutions in relation to the calculation of the amount of State contribution to medical treatment benefits under national health insurance.

Demand for Measures 36 - Management of reimbursement claims arising from industrial accidents caused by third parties.

Measures Taken - Portion of amount of meal expenses payable by users for national rehabilitation support facilities.

Measures Taken - Management of refund claim arising from inadvertent payment of pension benefits.

(10) Ministry of Agriculture, Forestry and Fisheries

Improprieties - Unreasonably high contract amount of new forest road construction work.

Improprieties - Excessive amount of payment of outsourcing expenses and subsidies.

Improprieties - Improper execution of and accounting for project with subsidies or grants:

- a. Cases where funds created by subsidies or grants were improperly used:
 - (a) Excessive billing in projects implemented using the fund created by subsidies for accelerated forest improvement and regeneration of forest industry.
 - (b) Excessive payment of subsidies for a project implemented based on fund created by the subsidies for project for promotion of the sixth industry to revitalize agriculture and rural areas.
 - (c) Improper design of main pump board installed at the pump station.
 - (d) Subsidy under benefits for youth engaged in agriculture project was not eligible for such subsidy.
- b. Not eligible for a subsidy:
 - (a) A part of expenses funded by the agricultural, forestry and fishery products export promotion assistance project was not eligible for such subsidy.
 - (b) A part of expenses funded by development assistance projects such as the forest environment conservation project was not eligible for such subsidy.
 - (c) Expenses for a project not completed within the fiscal year was not eligible for grant under the program to accelerate development of innovative technologies for agricultural, forestry and fishery sectors.
 - (d) A part of expenses funded by the Great East Japan Earthquake agricultural production grant program was not eligible for such subsidy.
 - (e) A part of expenses funded by the regional biomass industrialization project was not eligible for such subsidy.
- c. Improper calculation of the amount granted under a subsidy:
 - (a) Improper calculation of subsidies for projects for promoting improvement of agricultural infrastructure.
 - (b) Improper calculation for compensation of relocation of water sewage pipes.
- d. Subsidized objective not achieved:
 - (a) A farm pond failed to achieve the objective of the subsidy.
 - (b) An electronic tender system funded by the resilient fishery development grant project failed to achieve the objective of the subsidy.
- e. Improperly designed and executed works:

Improper design and construction of wooden buildings.
- f. Improperly designed works:
 - (a) Improper design of production and outlet facilities for agricultural, forestry and fishery products.
 - (b) Improper design of a component panel installed at the pump station.
- g. Improperly executed works:

Improper construction of dust collection facility.
- h. Excessive billing for subsidized project cost:

Excessive billing of subsidy in relation to the amount of consumption tax withheld from relevant purchase.

Improprieties - Excessive payment of compensation of relocation of water sewage pipes.

Demand for Measures 34 - Calculation of compensation for relocation of existing public facilities for the implementation of the agriculture and rural area development project.

Demand for Measures 34 - Calculation of expenses for lumbering and yarding works for selling standing trees as a part of the state-owned forestry businesses.

Demand for Measures 34 - Establishment of a subsidy unit price for injection of pesticide in trees for the forest disease and pest prevention project.

Presentation of Opinions 36 - Scope of subsidized construction work and adoption criteria of project under the wooden public buildings construction program.

Demand for Measures 36 - Effect of project for creation of TMR center funded by the resilient agriculture development grant project.

Demand for Measures 36 - Setting business performance improvement target for the business fostering assistance project and verification of achievement of such target.

Demand for Measures 36 - Implementation of the urban and rural areas cohabitation and interaction project.

Demand for Measures 36 - Maintenance and management of fishing port facilities under the functional preservation project.

Measures Taken - Reimbursement claim to TEPCO for decontamination works implemented for the forest decontamination experimental project.

Measures Taken - Payment of fixed-amount subsidy for project for promoting improvement of agricultural infrastructure.

Measures Taken - Seismic-proof examination for water pumping station as an agricultural water facility.

Measures Taken - Scope of facilities eligible for the sixth industry network activity grant.

(11) Ministry of Economy, Trade and Industry

Improprieties - Improper execution of and accounting for project with subsidies or grants:

a. Improper use of funds created by subsidies:

(a) Excessive billing and ineligibility for subsidy in relation to project implemented by the fund created by the subsidy for soliciting businesses for creation of job opportunity for areas affected by tsunami and nuclear accident.

(b) Project implemented using the fund created by subsidies for the SME and small businesses artisanship prototype development assistance was not eligible for a subsidy.

(c) Project implemented using the fund created by subsidy was not eligible for a subsidy.

b. Excessive billing for subsidized project cost:

(a) Excessive billing for the cost of subsidized project funded by the SME cooperatives joint-use facilities disaster recovery subsidy.

- (b) Excessive billing for part of the cost of the subsidized project for demonstration of the next-generation energy and social system.
- (c) Excessive billing for the cost of subsidized project for assisting the SMEs artisanship product development.
- (d) Excessive billing for the cost of subsidized project for assisting the agriculture, commerce and industry collaboration measures.
- c. Not eligible for a subsidy:
 - (a) Ineligibility for subsidy in relation to expenses of facility installation project under the recyclable thermal energy provider assistance project.
 - (b) Ineligibility for subsidy in relation to device development expenses under the SME and small business collaboration promotion assistance (new collaboration assistance) project.
 - (c) Ineligibility for subsidy in relation to a part of expenses funded by the SME partnerships joint-use facilities disaster recovery subsidy.

Measures Taken - Payment of the subsidy for small business sustainability.

(12) Ministry of Land, Infrastructure, Transport and Tourism

Improprieties - Improper financial management of refund of the deposit under the disaster recovery housing loan emergency measures subsidy.

Improprieties - Improper design of displacement limitation structure installed on an existing bridge.

Improprieties - Improper design of an expanded bridge seat part of an existing bridge.

Improprieties - Improper execution of and accounting for project with subsidies or grants:

- a. Improper design of work:
 - (a) Improper design of earthquake-resistant reinforcement work of existing bridges.
 - (b) Improper design of wooden facilities including public housing.
 - (c) Improper design of burial work of a drain with an oblong cross-section.
 - (d) Improper design of a drain with an oblong cross-section.
 - (e) Improper design and management of vegetation.
 - (f) Improper design of rain water drainage pipes.
 - (g) Improper selection of carbon fiber sheets for bridge reinforcement work.
 - (h) Improper design of light-weight embankment.
- b. Excessive amount of subsidy:
 - Non-refund of grants made relating to consumption tax withheld from relevant purchase.
- c. Improper calculation of subsidized amounts:
 - (a) Improper calculation of compensation for building relocation.
 - (b) Excessive grant payment due to the improperly calculated cost of a subsidized project.
 - (c) Improper calculation of the cost of re-acquisition of land.
 - (d) Improper calculation of the land acquisition cost for expanding width of a road.

- d. Work executed not in conformity to its design
Discrepancy of actual construction and design of public housing.
- e. Improper planning:
 - (a) Improperly planned improvement of the key station of disaster prevention administrative radio system.
 - (b) Disaster prevention and safety grant project, “sewer”, was improper due to lack of plan on removal of existing pipes.
- f. Insufficient amount of payment to the national treasury
Insufficient amount of payment to the national treasury for the proceeds of selling electricity generated for dam management.
- g. Use of subsidized items for purpose not intended by subsidy
Use of a forklift not for the intended purpose of the regional self-imposed strategy grant.
- h. Improper execution of work
Improper execution of elastic rubber pavement work for park square development.

Demand for Measures 34 - Recording of telecommunication equipment obtained in relation to road project, river project and sediment control project on goods management books.

Demand for Measures 34 - Development of disaster prevention information communications networks in the City Disaster Prevention Synthesis Promotion Project.

Demand for Measures 34 - Identification of business operators in charge of designing and construction of wooden public housing.

Presentation of Opinions 36 - Annual interest rate applicable to calculation of construction expenses under the cable utility tunnel construction project.

Presentation of Opinions 36 - Implementation of project for addressing the issue of the new overpopulated urban area.

Presentation of Opinions 36 - Method of calculation and examination of the amount of subsidy for remote island ferry service expenses.

Measures Taken - Earthquake-resistant reinforcement work of an existing bridge.

Measures Taken - Carbon fiber sheets for bridge reinforcement work.

Measures Taken - Service of publication of reference information on newspapers.

Measures Taken - Placing order for additional work in case where the tendering for the government building construction and repair work failed.

Measures Taken - Construction for installation of a drain with an oblong cross-section associated with road recovery.

Measures Taken - Grants for municipalities where State-owned assets are located in relation to fixed asset to be used for an airport.

Measures Taken - State of implementation of maintenance and management of volcano monitoring devices.

Measures Taken - Management of temporary goods.

Measures Taken - Security measures at important international pier facilities.

(13) Ministry of the Environment

Improprieties - Discrepancy between the construction of column base and the design in construction work for screening facilities.

Improprieties - Improper contracts for event planning in relation to international conferences.

Improprieties - Improper execution of and accounting for project with subsidies or grants:

- a. Improper use of funds created by subsidies

Improper design of facilities and excessive billing of cost for the project executed using the fund for promoting renewable energy.

- b. Not eligible for a subsidy

Part of the cost of the subsidized project for Establishing a Sound Material-Cycle Society was not eligible for a subsidy.

Demand for Measures ③4 - Construction of temporary storage for decontamination project.

Measures Taken - Securing of earthquake-resistance of radiation monitoring telemeter system.

Measures Taken - Procurement of equipment in entrusted services.

(14) Ministry of Defense

Improprieties - Improper design of embankment around the ammunition storage.

Improprieties - Improper management of supplies for air-cushioned craft.

Improprieties - Misappropriation of goods by an employee.

Demand for Measures ③4 - Prices of vessels to be recorded in the national property register.

Measures Taken - Renewal of friends or foes identifier for CH-47J transportation helicopter.

Measures Taken - Medical devices installed at the Self-Defense Force hospitals.

Measures Taken - Procurement of components for warning and control radar devices.

Measures Taken - The contracted power in the power demand-supply contracts of the Maritime Self-Defense Force and the Air Self-Defense Force.

Measures Taken - Calculation of the cost estimation for jig and tool purchasing costs and technology transfer costs.

Measures Taken - Status of installation and use of ammunition storage.

Measures Taken - Management of maintenance equipment for rotorcrafts to be used for escort ships.

Measures Taken - Disposal of air frame of special transport helicopter AS-332L.

Measures Taken - Installation of submarine personal evacuation device onto submarines.

B Improper/Unreasonable Matters by Entity

(1) Promotion and Mutual Aid Corporation for Private Schools of Japan

Improprieties - Improper accounting for subsidies for private universities' current expenses.

Presentation of Opinions ③6 - Treatment of special subsidy for admission of adults in the subsidies for private universities' current expenses.

(2) Tokyo Metro Co., Ltd.

Measures Taken - Calculation of construction price.

(3) East Nippon Expressway, (4) Central Nippon Expressway

Measures Taken - Inspection of a horizontal punching shear of hooting.

((3) East Nippon Expressway, (4) Central Nippon Expressway), (5) West Nippon Expressway, (6) Honshu-Shikoku Bridge Expressway, (7) Metropolitan Expressway, (8) Hanshin Expressway

Demand for Measures ③⑥ - Review of suspension of application of discount service for large amount and frequent users, in relation to users who committed violations of road-related laws and regulations.

((3) East Nippon Expressway, (4) Central Nippon Expressway, (5) West Nippon Expressway, (8) Hanshin Expressway)

Measures Taken - Design of noise barrier construction.

(9) Japan Post Holdings Co., Ltd., (10) Japan Post Co., Ltd.

Demand for Measures ③④ - Use of a new service for the Postal advanced NETWORK system.

(11) Japan Health Insurance Association

Improprieties - Improper adjustment to the payment of the injury and illness benefits, in parallel with the payment of the disability employee's pension.

(12) Japan Pension Service

Improprieties - Excessively high rent of a warehouse rented for storage of documents.

Measures Taken - Management of claims for refunds due to over or error payment of pension benefits.

Measures Taken - Lease contract for a warehouse used for storage of documents.

(13) National Research Institute for Earth Science and Disaster Resilience, (14) Japan Aerospace Exploration Agency

Measures Taken - Subscription contract for academic journals provided in electronic media.

(15) Japan agency of Maritime Education and Training for Seafarers

Improprieties - Failure to achieve the intended purpose, as the LL function introduced has not been used at all.

(16) Agriculture & Livestock Industries Corporation

Improprieties - Improper execution of and accounting for project with subsidies or grants:

a. Not eligible for subsidy

A part of expenses for breeding cows funded under the core breeder fostering and promotion project was not eligible for such incentive.

- b. Excessive billing for subsidized project cost

Excessive billing of expenses funded by the dairy management stabilization support helper project.

Measures Taken - Expenses of dispatching helpers for the dairy management stabilization support helper project.

(17) Japan International Cooperation Agency

Improprieties - Improper procurement of materials and equipment for Follow-up Cooperation activities.

Presentation of Opinions ③⑥ - Implementation of the project for accepting training participants in Technical Cooperation.

Presentation of Opinions ③⑥ - The effect of official development assistance.

Measures Taken - Management of granted fund for grant aid.

(18) Japan Sports Council

Improprieties - Comparatively high contract price for the work to relocate a wall painting of the national stadium.

Improprieties - Rent for headquarters office has not been collected.

(19) Japan Railway Construction, Transport and Technology Agency

Measures Taken - Procurement of copying machine.

(20) Japan Labour Health and Welfare Organization

Improprieties - Improper contracting procedures in hospital room unit contract.

(21) Urban Renaissance Agency

Improprieties - Excessive amount of compensation for relocation of buildings.

(22) Japan Atomic Energy Agency

Demand for Measures ③⑥ - Nuclear fuel handling tax on storage of highly radioactive effluent.

Measures Taken - Agency's burden of remuneration for employees dispatched from other organizations.

(23) Japan Community Health care Organization

Measures Taken - Negotiated contracts without competition for purchasing goods for hospitals.

(24) Japan Housing Finance Agency

Measures Taken - Review of the amount of government contribution.

(25) Asahikawa Medical University

Improprieties - Improper financial management for procurement of pharmaceuticals to be used at the university hospital.

(26) Hirosaki University, (27) Iwate University, (28) University of Tsukuba, (29) Saitama University, (30) Kanazawa University, (31) Hamamatsu University School of Medicine, (32) Mie University, (33) Tottori University, (34) Shimane University, (35) Hiroshima University, (36) Saga University, (37) Nagasaki University, (38) University of Miyazaki, (39) Japan Advanced Institute of Science and Technology, (40) Research Organization of Information and Systems

Improprieties - Improper financial management for procurement of synthetic DNA products.

(41) Kyoto University

Demand for Measures ③4 - Review of consignment contract for management of parking for university employees.

(42) NTT Communications Corporation

Measures Taken - Procurement of computer room air-conditioners.

(43) Farmers Pension Fund

Improprieties - Improper payment of management transfer pension in the former farmers' pension fund projects.

2. Special Report to the Diet and the Cabinet, and Special Report on audit requested by the Diet, etc.

A Special Report to the Diet and the Cabinet

The following reports were submitted to the Diet and the Cabinet prior to the submission of the Audit Report pursuant to the provision of Article 30-2:

- State of implementation of policy evaluation by government ministries, agencies and other organizations.
- Efforts toward securing their own income by independent administrative agencies and national university corporations.
- State of implementation of projects funded by the comprehensive grant for social infrastructure development.
- Business condition of Hokkaido Railway Company, Shikoku Railway Company and Kyushu Railway Company.
- State of development of facilities for nuclear disaster countermeasures.
- Business condition of Japan Post Group.
- State of implementation of rice production adjustment measures.
- Operation of university hospitals established by national university corporations.

- State of consignment to private sectors by independent administrative agencies.
- State of development and operation of the Government Shared Platform for integration and consolidation of government's information systems.

B Special Report on audit requested by the Diet

The following reports were submitted to the Diet based on requests from the Diet:

- State of implementation of the Long-Term Care Insurance System.
- State of implementation of reconstruction and rehabilitation projects after the Great East Japan Earthquake.

C Report on Specific Matters

The Board conducted audits on the following matters which were found necessary to be included in the Audit Report:

- State of execution of supplementary budget.
- Depreciation cost under the Income Tax Act on used buildings located outside Japan.
- State of improper chemical grouting work for earthquake-proofing construction of runways.
- Impact of quantitative and qualitative monetary easing on the financial position of the Bank of Japan.
- State of group management of East Nippon, Central Nippon and West Nippon Expressway Co., Ltds.
- Indemnity agreements of the Urban Renaissance Agency in Chiba New Town Project.

The Board of Audit Act

I hereby sanction and promulgate the amendment of the Board of Audit Act effected following the consultation with the Privy Council and the decision of the Imperial Diet.
Signed: HIROHITO, Seal of the Emperor

Act No.73 of 1947 (latest amendment by Act No.53 of 2006)

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THE BOARD OF AUDIT ACT

CHAPTER I ORGANIZATION

Section I General Provisions

- Article 1 The Board of Audit has a status independent from the Cabinet.
- Article 2 The Board of Audit is organized with an Audit Commission consisting of three Commissioners, and a General Executive Bureau.
- Article 3 The person elected by the Commissioners from among themselves is appointed President of the Board of Audit by the Cabinet.

Section II Commissioners

- Article 4
- (1) Commissioners are appointed by the Cabinet, with the consent of both Houses of the Diet.
 - (2) Notwithstanding the provisions of the preceding paragraph, if the term of office of a Commissioner expires or a vacancy occurs among the Commissioners, and the consent of both Houses of the Diet cannot be obtained because the Diet is not in session or due to the dissolution of the House of Representatives, the Cabinet may appoint a Commissioner without obtaining the consent of both Houses of the Diet.
 - (3) In the case referred to in the preceding paragraph, approval must be sought from both Houses of the Diet at the first session of the Diet convened after the appointment. If approval is not obtained from both Houses of the Diet, the relevant Commissioner will automatically retire from office.
 - (4) The Emperor attests the appointment and dismissal of Commissioners.
 - (5) The remuneration for Commissioners is provided for separately in another Act.
- Article 5
- (1) A Commissioner's term of office shall be seven years, and a Commissioner may be reappointed for one additional term only.
 - (2) If a vacancy arises in the office of Commissioner during the term of office, the succeeding Commissioner will hold office for the remaining term of the predecessor.
 - (3) Commissioners retire from office upon reaching the age of 65.
- Article 6 A Commissioner retires from office upon a resolution by both Houses of the Diet, if, by the consensus of the other Commissioners, the Commissioner is found to be unable to perform his/her duties due to a mental or physical disorder or a fact is found that constitutes a breach of obligation in the course of duty.
- Article 7 A Commissioner forfeits his/her office if he/she is sentenced to a punishment of imprisonment without work or greater by a criminal court.

- Article 8 Except in cases referred to in the latter part of Article 4 paragraph (3) and the preceding two Articles, a Commissioner does not forfeit his/her office against his/her will.
- Article 9 A Commissioner may not concurrently hold office on any other, nor may a Commissioner become a member of the Diet, the employee of a local public entity, or the member of a local assembly.

Section III Audit Commission

- Article 10 The Chair of the Audit Commission is assumed by the President of the Board of Audit.
- Article 11 The following matters are decided by the Audit Commission:
- (i) enactment, amendment, or repeal of Board of Audit Regulations under the provisions of Article 38;
 - (ii) the statement of audit under the provisions of Article 29;
 - (ii)-2 a report under the provisions of Article 30-2;
 - (iii) determination of the audit subject under the provisions of Article 23;
 - (iv) matters relating to the Submission of Accounts under the provisions of Article 24;
 - (v) matters relating to a demand for disciplinary action under the provisions of Article 31 of this Act; Article 13, paragraph (2) of the Act on Prevention of Delays in Payment under Government Contracts (Act No.256 of 1949); or Article 6, paragraphs (1) and (4) of the Act on the Responsibility of Government Employees Who Execute the Budget (Act No.172 of 1950) (including as applied mutatis mutandis under the provisions of Article 9, paragraph (2) of said Act);
 - (vi) adjudication and re-adjudication under the provisions of Article 32 of this Act (including as applied mutatis mutandis under the provisions of Article 10, paragraph (3) or Article 11, paragraph (2) of the Act on the Responsibility of Government Employees Who Execute the Budget); or Article 4, paragraph (1) or Article 5 of the Act on the Responsibility of Government Employees Who Execute the Budget (including as applied mutatis mutandis under the provisions of Article 8, paragraph (3) or Article 9, paragraph (2) of said Act);
 - (vii) decision for examination under the provisions of Article 35;
 - (viii) presentation of opinions, and demand for measures under the provisions of Article 36;
 - (ix) presentation of opinions under the provisions of Article 37 of this Act and Article 9, paragraph (5) of the Act on the Responsibility of Government Employees Who Execute the Budget.

Section IV General Executive Bureau

- Article 12 (1) The General Executive Bureau undertakes affairs of administration, audit, and examination under the direction and supervision of the Audit Commission.
- (2) A Secretariat and the following five bureaus are established in the General Executive Bureau:

1st Bureau
2nd Bureau
3rd Bureau
4th Bureau
5th Bureau

- (3) Assignment of tasks to the Secretariat and the Bureaus, and the organizational subdivisions thereof, are as provided for by Board of Audit Regulations.

Article 13 One Secretary General, one Deputy Secretary General, Personal Secretaries, Administrative Officials, Technical Officials, and such other employees as are required are positioned in the General Executive Bureau.

Article 14 (1) Employees referred to in the preceding Article are appointed, dismissed, promoted, and demoted by the President of the Board of Audit pursuant to a consensus decision by the Commissioners.

- (2) The President of the Board of Audit may delegate the authority referred to in the preceding paragraph to the Secretary General pursuant to a consensus decision by the Commissioners.

Article 15 (1) The Secretary General presides over the tasks of the General Executive Bureau, and signs its official documents.

- (2) The Deputy Secretary General assists the Secretary General and, if the office of Secretary General becomes vacant or the Secretary General is incapacitated, the Deputy Secretary General carries out the duties of that office.

Article 16 (1) A Director General is positioned in each Bureau.

- (2) The Director General administers the tasks of the Bureau, under the orders of the Secretary General.

Article 17 (1) A Personal Secretary engages in administrative work involving confidential matters, under the orders of the Commissioner.

- (2) Administrative Officials engage in affairs of administration, audit, and examination under the direction of their superiors.

Article 18 Technical Officials engage in technical work, under the direction of their superiors.

Article 19 The Board of Audit may have branch offices as provided for by Board of Audit Regulations.

Section V The Information Disclosure and Personal Information Protection Review Board of the Board of Audit

Article 19-2 (1) The Information Disclosure and Personal Information Protection Review Board of the Board of Audit is established in the Board of Audit, in order to study and deliberate on appeals in response to consultations by the President

of the Board of Audit under the provisions of Article 18 of the Act on Access to Information Held by Administrative Organs (Act No.42 of 1999) and Article 42 of the Act on the Protection of Personal Information Held by Administrative Organs (Act No.58 of 2003).

- (2) The Information Disclosure and Personal Information Protection Review Board of the Board of Audit is composed of three Members.
- (3) Members serve on a part-time basis.

- Article 19-3
- (1) Members are appointed by the President of the Board of Audit with the consent of both Houses of the Diet, from among persons who possess a wide range of knowledge and sound judgment.
 - (2) Notwithstanding the provisions of the preceding paragraph, the President of the Board of Audit may appoint a Member from among persons qualified under the preceding paragraph, if the term of office of a Member expires or a vacancy occurs among the Members and the consent of both Houses of the Diet cannot be obtained because the Diet is not in session or due to the dissolution of the House of Representatives.
 - (3) In the case referred to in the preceding paragraph, ex post facto approval must be obtained from both Houses of the Diet at the first session of the Diet after the appointment. In such a case, if ex post facto approval is not obtained from both Houses of the Diet, the President of the Board of Audit must immediately dismiss the relevant Member.
 - (4) A Member's term of office shall be three years; provided, however, that the term of office of a Member filling a vacancy shall be the remaining term of the predecessor.
 - (5) Members may be reappointed.
 - (6) When a Member's term of office expires, such Member shall continue to carry out his/her duties until a successor is appointed.
 - (7) If the President of the Board of Audit finds that a Member is unable to perform his/her duties due to a mental or physical disorder, or finds that there has been a breach of obligation in the course of duty or other conduct unbecoming a Member, the President of the Board of Audit may dismiss the Member, after having obtained the consent of both Houses of the Diet.
 - (8) A Member must not divulge any confidential information learned in the course of duty. The same applies after a Member has left office.
 - (9) While in office, a Member may not become the officer of a political party or other political organization, nor may a Member actively take part in political activities.
 - (10) The remuneration for Members is provided for separately in another Act.

- Article 19-4
- The provisions of Chapter III of the Act for Establishment of the Information Disclosure and Personal Information Protection Board (Act No.60 of 2003) apply mutatis mutandis to the Information Disclosure and Personal Information Protection Review Board of the Board of Audit's procedures for study and deliberation. In this case, the phrase "Review Board" in that Chapter is deemed to be replaced with "Information Disclosure and Personal Information Protection Review Board of the Board of Audit."

Article 19-5 A person who has divulged any confidential information, in violation of the provisions of Article 19-3 paragraph (8), is subject to imprisonment with work for up to one year or to a fine of up to 300,000 yen.

Article 19-6 Beyond what is provided for in Articles 19-2 to 19-5, necessary particulars in relation to the Information Disclosure and Personal Information Protection Review Board of the Board of Audit are prescribed by Board of Audit Regulations.

CHAPTER II MANDATE

Section I General Provisions

Article 20 (1) The Board of Audit audits the final accounts of the expenditures and revenues of the State, pursuant to the provisions of Article 90 of the Constitution of Japan, and also audits such accounts as are provided for by law.

(2) The Board of Audit continuously conducts its audit, supervises financial management, ensures its adequacy, and rectifies any defects.

(3) The Board of Audit shall conduct its audit with the objective of accuracy, regularity, economy, efficiency, effectiveness, or other objectives necessary for auditing.

Article 21 The Board of Audit verifies the final accounts of the expenditures and revenues of the State through the results of its audit.

Section II Scope of Audit

Article 22 The following items require audits by the Board of Audit:

- (i) monthly expenditures and revenues of the State;
- (ii) receipt and payment of cash or receipt and issue of goods owned by the State as well as national property;
- (iii) acquisition and loss of claims held by the State and increases and decreases of national government bonds and other obligations;
- (iv) receipt and payment of cash or receipt and issue of precious metals and securities by the Bank of Japan on behalf of the State;
- (v) accounts of juridical persons to which the State has contributed half or more of the stated capital;
- (vi) accounts specified by law as being subject to audit by the Board of Audit.

Article 23 (1) The Board of Audit may audit financial management in terms of the following, if it considers this to be necessary, or at the request of the Cabinet:

- (i) securities owned or retained by the State, and cash and goods retained by the State;
- (ii) receipt and payment of cash or receipt and issue of goods and securities by

- entities other than the State, on behalf of the State;
- (iii) accounts of an entity that the State has directly or indirectly granted a subsidy, incentive, or aid, or extended other financial assistance such as a loan or an indemnity;
 - (iv) accounts of an entity a part of whose stated capital is contributed by the State
 - (v) accounts of an entity that has further been contributed to by an entity to whose stated capital the State has contributed;
 - (vi) accounts of an entity for whose borrowings the State guarantees payment of the principal or interest;
 - (vii) accounts of a contractor for construction or other services, or a person entrusted with administrative work or services, rendered to the State or to a juridical person provided for in item (v) of the preceding Article (hereafter referred to in this item as "the State, etc. "), or accounts of a supplier of goods to the State, etc., which relate to the contract with the State, etc.
- (2) When the Board of Audit conducts an audit pursuant to the provisions of the preceding paragraph, it shall notify the parties concerned of this.

Section III Auditing Methods

- Article 24 (1) An entity subject to audit by the Board of Audit must, pursuant to the regulations on the Submission of Accounts set forth by the Board of Audit, regularly submit statements of accounts (including electromagnetic records (meaning records made in an electronic form, a magnetic form, or any other form not recognizable through human perception, and which are set forth by Board of Audit Regulations as those for use in computer data-processing; the same applies in the following paragraph) on which the matters that are to be stated in the relevant statement of accounts have been recorded; the same applies hereafter) and documentary evidence (including electromagnetic records on which the matters that are to be stated in the relevant documentary evidence have been recorded; the same applies hereafter) to the Board of Audit.
- (2) Other documents specified by the Board of Audit (including electromagnetic records on which the matters that are to be stated in the relevant documents have been recorded) may be submitted to the Board of Audit regarding the receipt and payment of cash or receipt and issue of goods and securities owned or retained by the State, in place of the statements of accounts and documentary evidence set forth in the preceding paragraph.
- Article 25 The Board of Audit may dispatch its staff to conduct field audits on a regular or temporary basis. In such cases, the entity subject to the field audits must accept such audits.
- Article 26 The Board of Audit may, if necessary for an audit, request the entity subject to the audit to submit its books, documents, other materials, or reports, and may question any relevant party or request such party to appear. In such a case, the entity that has been requested to submit its books, documents, other materials, or reports, or the party questioned or requested to appear must respond accordingly.

- Article 27 If one of the following facts occurs with regard to financial management subject to audit by the Board of Audit, the head of the relevant department, the supervising authority, or other person similarly responsible must report this immediately to the Board of Audit:
- (i) discovery of a crime in connection with an accounting;
 - (ii) discovery of loss of cash, securities, or other property.
- Article 28 The Board of Audit may, if necessary for an audit, ask government agencies, public entities, and any other party to submit materials, give expert opinions, etc.

Section IV Statement of Audit

- Article 29 The following matters must be set down in the statement of audit to be prepared pursuant to Article 90 of the Constitution of Japan:
- (i) verification of the final accounts of the expenditures and revenues of the State;
 - (ii) whether the amounts in the final accounts of the expenditures and revenues of the State correspond to the amounts in the statements of accounts submitted by the Bank of Japan;
 - (iii) whether the audit resulted in an item being found in violation of the law, Cabinet Order, or the approved budget, or being found improper;
 - (iv) whether there was any disbursement from the reserve fund that did not pass through the procedures for obtaining the Diet's approval;
 - (v) matters regarding which the Board of Audit has demanded disciplinary action pursuant to the provisions of Article 31 of this Act, Article 13, paragraph (2) of the Act on Prevention of Delay in Payment under Government Contracts, or Article 6, paragraph (1) of the Act on the Responsibility of Government Employees Who Execute the Budget (including as applied mutatis mutandis pursuant to the provisions of Article 9, paragraph (2) of the same Act), and the results thereof;
 - (vi) adjudication and re-adjudication under the provisions of Article 32 of this Act (including as applied mutatis mutandis pursuant to the provisions of Article 10, paragraph (3) or Article 11, paragraph (2) of the Act on the Responsibility of Government Employees Who Execute the Budget), or Article 4, paragraph (1) or Article 5 of the Act on the Responsibility of Government Employees Who Execute the Budget (including as applied mutatis mutandis pursuant to the provisions of Article 8, paragraph (3) or Article 9, paragraph (2) of the same Act);
 - (vii) matters regarding which the Board of Audit has presented its opinions or demanded measures pursuant to the provisions of Article 34, and the results thereof;
 - (viii) matters regarding which the Board of Audit has presented its opinions or demanded measures pursuant to the provisions of Article 36, and the results thereof.
- Article 30 If the Board of Audit finds that it is necessary to appear before the Diet to explain the statement of audit set forth in the preceding Article, it may have a Commissioner explain this in an appearance before the Diet or in writing.
- Article 30-2 The Board of Audit may, at any time, report to the Diet and the Cabinet on

matters regarding which the Board of Audit has presented its opinions or demanded measures pursuant to the provisions of Article 34 or 36, or regarding other matters that the Board of Audit finds it particularly necessary to report.

Article 30-3 If the Board of Audit receives a request from either House, any of the Committees of either House, or any of the Research Committees of the House of Councillors under the provisions of Article 105 of the Diet Law (Act No.79 of 1947) (including as applied *mutatis mutandis* pursuant to the provisions of Article 54-4 paragraph (1) of the same Act), it may conduct an audit of the specific matters requested and report the results.

Section V Liability of Accounting Officials

Article 31 (1) If the Board of Audit has concluded, as a result of its audit, that an official who handles accounting for the State has caused substantial damage to the State through intent or gross negligence, the Board of Audit may demand the head of the relevant department or other person responsible for supervision to take disciplinary action.

(2) The provisions of the preceding paragraph apply if an official who handles accounting for the State does not observe the regulations on the Submission of Accounts, for instance by neglecting to submit statements of accounts and documentary evidence, or does not comply with a demand made upon him/her pursuant to the provisions of Article 26.

Article 32 (1) If an official responsible for cash handling has lost cash, the Board of Audit shall inquire into whether he/she has in fact caused damage to the State through his/her failure to exercise the due care of a prudent manager, and adjudicate whether he/she is liable to indemnify.

(2) If an official responsible for handling goods has lost or damaged goods or otherwise caused damage to the State by handling goods in violation of the provisions of the State-Owned Goods Management Act (Act No.113 of 1956) or by not handling goods in compliance with the provisions of the same Act, the Board of Audit shall inquire into whether he/she has in fact caused damage to the State by intent or gross negligence, and adjudicate whether he/she is liable to indemnify.

(3) If the Board of Audit adjudicates that an official responsible for cash handling or an official responsible for handling goods is liable to indemnify, the head of his/her department or any other person responsible for supervision must order the official to pay the indemnity in accordance with the adjudication set forth in the preceding two paragraphs.

(4) The liability to indemnify provided for in paragraph (1) or (2) is not remitted or reduced unless decided by the Diet.

(5) Even if the Board of Audit has adjudicated that an official responsible for cash handling or an official responsible for handling goods is not liable to indemnify pursuant to the provisions of paragraph (1) or (2), the Board of Audit may re-adjudicate within five years if it discovers that such adjudication was improper, for instance due to an error or omission, etc., in the statement of accounts or documentary evidence. The provisions of the

preceding two paragraphs apply mutatis mutandis in such a case.

Article 33 If the Board of Audit concludes, as a result of its audit, that an official who handles accounting for the State has committed a crime in the course of duty, it must notify the Public Prosecutors Office of the case.

Section VI Miscellaneous Provisions

Article 34 If there are items that the Board of Audit finds, in the course of its audit, to violate laws and regulations on financial management or to be improper, it may immediately present its opinions on the financial management to, or demand appropriate measures with regard to the financial management from, the head of the relevant department or from the relevant parties, and may have them take measures to rectify and improve subsequent management.

Article 35 (1) If the Board of Audit has been requested by an interested party to examine the conduct of an official who handles accounting for the State with regard to the handling of financial management, the Board of Audit must examine that official's conduct and, if the Board of Audit considers it necessary for such conduct to be corrected in consequence, it must notify the competent authorities or other responsible parties of this judgment.

(2) If the competent authorities or responsible parties have been notified as referred to in the preceding paragraph, they must take appropriate measures pursuant to the judgment of which they have been notified.

Article 36 If, as a result of its audit, the Board of Audit finds there to be matters necessitating improvement with regard to laws and regulations, systems, or administration, it may present its opinions to, or demand measures for improvement from, the competent authorities or other responsible parties.

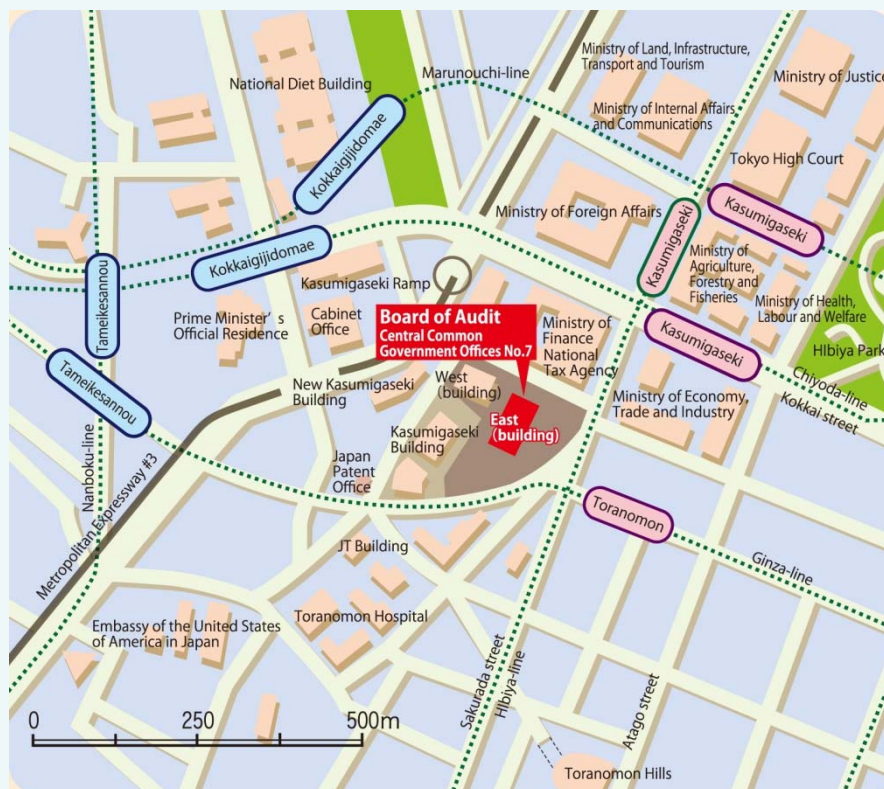
Article 37 (1) The Board of Audit shall be notified of the following cases in advance and may present its opinions thereon:

- (i) enactment, amendment, or repeal of laws and regulations concerning State financial management;
- (ii) enactment, amendment, or repeal of rules and regulations concerning State handling and accounting of cash, goods, and securities, or bookkeeping.

(2) If an official who handles accounting for the State requests an opinion from the Board of Audit with regard to a matter he/she is unsure of in connection with the performance of his/her official duties, the Board of Audit must present its opinion about this.

CHAPTER III BOARD OF AUDIT REGULATIONS

Article 38 The Board of Audit shall set forth such regulations as are necessary with regard to its audit, beyond those set forth in this Act.



Nearest Stations: Toranomom (Subway: Ginza Line)
 Kasumigaseki (Subway: Chiyoda Line, Hibiya Line,
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Published: Board of Audit
 3-2-2, Kasumigaseki, Chiyoda-ku, Tokyo 100-8941 Japan
 Tel: +81-3-3581-8125
Website URL: <http://www.jbaudit.go.jp>