

## Audit Report for FY2014: Outline of Selected Audit Findings

The Audit Report for FY2014 covers a wide variety of cases in different categories. The following is an outline of the audit findings on matters of great interest to the public, which features the characteristics of the report.

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## 1) Reconstruction projects after the Great East Japan Earthquake

<Category>

Special report on audit requested by the Diet

<Objective of audit>

Audit conducted mainly with the objective of effectiveness

The Board of Audit reported its audit findings concerning projects for reconstruction from the Great East Japan Earthquake in October 2012 and October 2013, in response to the audit request made by the House of Councillors. As stated in the reports, the Board continued to conduct audit on the state of damage and implementation of the reconstruction projects.

The Board found that, three years and 11 months after the Great East Japan Earthquake, many residents still had to live in inconvenient and difficult circumstances in emergency temporary housing and evacuation sites, and that there were still many challenges in reviving the socio-economy and rebuilding people's lives in the disaster-stricken area, including the slow progress of the recovery and reconstruction projects and dwindling population in the area. The Board also found that the Government needed to implement the reconstruction and recovery projects after the nuclear disaster as many residents were still living as evacuees inside and outside Fukushima prefecture. As for the budget concerning rehabilitation and reconstruction from the FY 2011 to 2013 which amounted to 25,100.9 billion yen, some 20,121.1 billion yen was spent by the end of FY 2013, resulting in the budget execution ratio of 80.1%.

Therefore, the Government needs to 1) identify challenges for promoting the recovery in order to continue efforts for rehabilitation and reconstruction of the disaster-stricken area after the Concentrated Reconstruction Period as well as continue its support for disaster victims so that they can get back on their feet as soon as possible; 2) exchange views with local governments and support their effort for swift and stable recovery by providing information, advice, and other forms of necessary cooperation; 3) make full cooperation with relevant funds and examine whether their execution and the amount of funds were appropriate, thereby ensure appropriate and effective utilization of such funds; 4) aim for early completion of the projects for decontamination, etc., while smoothly and expeditiously implementing the project for supporting long-term evacuees based on the residents' intention; and 5) secure a source of revenue necessary for recovery while continuing efforts to restrain a further increase of the national burden in light of the fact that funding for reconstruction is secured by special reconstruction taxes.

The Board will continue to audit the state of disaster damage in Iwate, Miyagi, and Fukushima prefectures, as well as the state of implementation of the reconstruction projects during the Concentrated Reconstruction Period, and will report the result as soon as it is prepared.

**2) State of government support related to compensation for the nuclear damage concerning Tokyo Electric Power Company**

<Category>

Special report on audit requested by the Diet

<Objectives of audit>

Audit conducted mainly with the objective of effectiveness

The Board of Audit reported in October 2013 the audit findings of the state of the Government's financial assistance related to compensation for the nuclear damage concerning Tokyo Electric Power Company (TEPCO) in response to the audit request made by the House of Councillors. The Board, as stated in the report, continued to conduct audit on the assistance provided in and after FY2013.

The Board found the following: 1) The Government spent 4,900.2 billion yen in the form of capital injection to the Nuclear Damage Compensation Corporation (renamed Nuclear Damage Compensation and Decommissioning Facilitation Corporation (NDF) on August 18, 2014) and delivery of government bonds, as well as took fiscal measures worth 189.2 billion yen in total for reactor decommissioning and contaminated water control; 2) although the special contribution which TEPCO was supposed to pay to NDF for FY 2013 was 50 billion yen, it was not necessarily clear how such an amount was calculated; according to the Board's trial calculation of a period required for recouping if nine trillion yen was delivered and the special contribution was 50 billion yen, the recoupment would be completed between FY 2035 to 2044 and the Government would be burdened with some 103.2 to 126.4 billion yen as interest expense; and 3) TEPCO paid 4,565.6 billion yen as compensation by the end of December 2014, and some of the devices which constituted the contaminated water processing facilities, such as decontamination equipment, stopped operation or use after a short period of time.

Improvement in corporate value of TEPCO will be examined through the "Evaluation of Management Regarding Responsibility and Competition" which will be conducted by NDF at the end of FY 2016. As for reactor decommissioning and contaminated water control which has been generously supported by fiscal measures since FY 2011, appropriate implementation of projects and reliable results shall be expected under the guidance of NDF.

The Board will continue its audit on the assistance provided by the Government in and after FY 2014, and will report the result as soon as it is prepared based on the examination by the "Evaluation of Management Regarding Responsibility and Competition" which will be conducted at the end of FY 2016 and the state of implementation regarding reactor decommissioning and contaminated water control.

### 3) Adjustment of the special local allocation tax for recovery from earthquake disaster

#### <Category>

Presentation of opinions and/or demand for measures (Ministry of Internal Affairs and Communications)

#### <Objectives of audit>

Audit conducted mainly with the objective of effectiveness

The Ministry of Internal Affairs and Communications (MIC), taking into account that there are special financial needs in prefectures and municipalities in order to implement the disaster recovery projects concerning the earthquake in Tohoku on March 11, 2011 and the disaster caused by the subsequent nuclear power plant accident, grants a special local allocation tax (hereinafter referred to as “the special local allocation tax for earthquake recovery”) to prefectures and municipalities based on the Local Allocation Tax Act (Act No. 211 of 1950) and the “Act on exceptional cases of the total amount of local allocation tax for the FY 2011 in order to deal with the Great East Japan Earthquake” (Act No. 41 of 2011) . Every fiscal year, MIC lays down matters eligible for calculation of special financial needs arising in that year by enacting a ministerial ordinance to calculate the special local allocation tax for earthquake recovery, and sends prefectures and municipalities the template of basic information concerning such matters (hereinafter referred to as “calculation information”) and necessary information which MIC has confirmed with other ministries (hereinafter referred to as “confirmation table”) about a share of the expenses borne by prefectures and municipalities in the total expense required for national subsidized projects (hereinafter referred to as “local share of subsidized project expenses”). According to the above ministerial ordinance, when calculating the amount of the special local allocation tax for earthquake recovery, MIC calculates the total of newly required expenses for disaster recovery projects (hereinafter referred to as “base grant amount”). When the base grant amount calculated in the previous year based on estimated necessary expenses exceeds the actual expenses and the amount of the special local grant tax for earthquake recovery is thus deemed to be over-calculated, the grant is supposed to be adjusted by deducting the excess amount from the base grant amount. If the amount to be deducted is greater than the base grant amount, the excesses (hereinafter referred to as “amount to be adjusted”) are to be deducted from the base grant amount in the following fiscal year. However, the Board found cases where the special local allocation tax for earthquake recovery was granted excessively as a result of improper adjustment of the tax granted based on the calculation using the estimated expenses and inclusion of unqualified expenses in the local share of subsidized project expenses, and cases where it is difficult to clear the balance of the amount to be adjusted in the short term because the base grant amount is smaller than the amount to be adjusted. Therefore, MIC should fully inform ministries and agencies how to enter the finalized amount of subsidy and the local share of subsidized project expenses in the confirmation table and about examples of incorrect entries; create a check column in the template of calculation information so that MIC can confirm whether prefectures and municipalities have updated the actual expenses and whether the expenses are eligible for inclusion; ensure that prefectures

and municipalities fully understand the importance of grasping the actual expenses upon the completion of a project and adjusting the difference from the estimated amount as well as points to keep in mind regarding appropriate adjustment and calculation; and deliberate promptly on measures to clear the balance of the amount to be adjusted which has been difficult because the base grant amount is smaller than the amount to be adjusted.

#### **4) Books digitized by the project for urgent contents digitization**

<Category>

Presentation of opinions and/or demand for measures (Ministry of Economy, Trade and Industry)

<Objectives of audit>

Audit conducted mainly with the objective of effectiveness

In FY 2011 and 2012, the Ministry of Economy, Trade and Industry (METI) conducted a project to digitize books in formats suitable for promoting ebook distribution (hereinafter referred to as “project for urgent contents digitization”) with the aim of sustainable reconstruction and development as well as economic recovery of the whole country by encouraging dissemination of information related to the Tohoku region, improvement of access to knowledge in the area afflicted by the Great East Japan Earthquake, and creation of new businesses in the disaster-stricken area. METI designated the Japan Publishing Organization for Information Infrastructure Development (JPO), a general incorporated association, as a subsidized company, to which METI delivered a state subsidy as part of the expense required to implement the projects. However, neither METI nor JPO grasped the state of distribution of digitized books since distribution of such contents were not part of the project requirements. As a result, the Board found that there were books which were already digitized by the project but not ready for distribution because publishers had not obtained consent from copyright holders or had not completed a technical revision required for on-line distribution. Therefore, METI should see whether the books digitized by the project, including those digitized but not confirmed to be distributed, were ready for distribution, and then to take measures to instruct JPO to ensure that contents were ready for distribution by making publishers obtain consent from copyright holders and finish technical revisions required for on-line distribution.

#### **5) Unintended use of funds in projects implemented by utilizing the fund established with the extraordinary grant for Emergency Job Creation Program and the hometown employment revitalization special grant**

<Category>

Improperities (Ministry of Health, Labour and Welfare)

<Objectives of audit>

Audit conducted mainly with the objective of regularity

The Board found cases of unintended use of funds where trustees claimed ineligible expenses or did not openly recruit unemployed people when hiring for new jobs in projects implemented by utilizing the fund established with the extraordinary special grant for Emergency Job Creation Program and the hometown employment revitalization special grant.

**6) State of implementation of the project concerning landslide disaster control measures**

<Category>

Special report to the Diet and the Cabinet

<Objectives of audit>

Audit conducted mainly with the objective of effectiveness

In locations prone to landslide disasters, it is important to steadily implement physical measures within a limited budget in conjunction with administrative measures. The Board of Audit conducted its audit of projects implemented with state subsidies in 27 prefectures focusing on whether soil erosion control facilities have been established in warning zones, efficiency of the project implementation, and the state of implementation of regular inspection and rock removal work on sand erosion control dams for prevention of debris flow with regard to soil erosion control facilities.

The Board found the following: 1) among warning zones including special warning zones where no soil erosion control facilities were established, 692 warning zones with a risk of debris flow and 6,882 warning zones with a risk of steep slope collapse have densely populated areas within their zones; 2) 34 projects, including soil erosion control projects, were adopted more than five years ago as landslide disaster control projects but construction works have not yet started, and 15 of such projects were supposed to be implemented in special warning zones; 3) there were cases where regular inspections were not conducted because locations of soil erosion control equipment could not be confirmed due to deficiencies in the soil erosion control equipment register; and 4) there were cases where maintenance roads necessary for sediment removal work were not developed at sand erosion control dams where sediment removal is planned, and the sediment removal plan did not clarify how to take out sediment.

Therefore, the Ministry of Land, Infrastructure, Transport and Tourism needs to make efforts to minimize human damage when a landslide disaster takes place, by advising prefectures to 1) examine the order of priority of the conservation target areas with dense population in implementing projects concerning landslide disaster control; 2) to ensure that projects are launched promptly after approval and efficiently implemented; 3) make appropriate regular inspections on facilities related to soil erosion control; and 4) consider in advance how to take out sediment from sand control dams where sediment removal is planned, including securing a service road.

The Board will continue to pay close attention to whether surveys on the use of lands with a risk of landslide disaster have been conducted properly and residents are

informed of the high risk areas, and whether soil erosion control facilities are properly developed and maintained in those areas.

**7) State of development and management of temporary two-lane roads of arterial high-standard highways**

<Category>

Report on specific matters

<Objectives of audit>

Audit conducted mainly with the objective of effectiveness

Arterial high-standard highways (hereinafter referred to as “high-standard highways”) have four lanes when completed, but some of them start their service temporarily with two lanes and the remaining two lanes will be built depending on the increase of the road traffic (hereinafter referred to as “temporary two-lane roads”). The Board of Audit conducted its audit on the development and management of the temporary two-lane roads with a focus on: 1) change in length of the temporary two-lane roads in service; 2) the current traffic volume; 3) estimated future traffic volume; 4) the state of lands acquired to build the complete four-lane roads; 5) the state of traffic accidents and speed limits in sections where elastic poles or other simple objects are used to separate two-way traffic (hereinafter referred to as “face-to-face traffic sections”); and 6) resulting economic loss due to traffic accidents and speed limits.

The Board found that, as of the end of FY 2014, it was not clear when the complete four-lane roads would be constructed in sections as long as 2,264.2km out of temporary two-lane roads currently in service totaling 2,423.8km excluding the section where the construction works were already underway. The Board also learned that, regarding high-standard highways which are managed as toll-road projects (hereinafter referred to as “toll roads”) independently by East Nippon Expressway Co., Ltd, Central Nippon Expressway Co., Ltd, West Nippon Expressway Co., Ltd, and Honshu-Shikoku Bridge Expressway Co., Ltd (hereinafter referred to as “four Expressway Companies”), new construction projects as well as rebuilding projects including construction of the complete four-lane roads will be concluded by FY 2023. As for the toll-free high-standard highways constructed and managed solely by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), the length to be constructed and managed is increasing even though there is no time constraint as seen in toll-road projects. On the other hand, as the socioeconomic situation changes due to the declining birthrate and aging population as well as depopulation, there are many sections of temporary two-lane roads in rural areas which have low traffic volume and are not expected to see much increase in traffic in the future. There, service by temporary two-lane roads is prolonged and the lands acquired for the remaining two lanes (hereinafter referred to as “lands for the complete four-lane roads”) have also been left unused for a long time. In addition, in the face-to-face traffic sections of temporary two-lane roads, more lane departure accidents and decline in functions due to tighter speed limits were observed compared to sections where a median zone is established to separate lanes of traffic moving in opposite directions (hereinafter

referred to as “divided type”). As a result, in those sections the roads did not effectively fulfill their functions as high standard highways.

Therefore, MLIT and four Expressway Companies should make efforts to improve safety and functionality of the temporary two lane roads by taking such measures as building effective passing lanes and adopting divided type highway structure based on the current traffic volume, future traffic volume and the state of traffic accidents; and when implementing such measures, consider minor improvement taking into account the current road structure. MLIT and the Japan Expressway Holding and Debt Repayment Agency should also aim for improving safety and functionality of high-standard highways while examining measures for effective use of the lands acquired for the complete four-lane roads taking into account the effect on road management including construction of the complete four-lane roads in the future and safety of temporary two-lane roads currently in use.

The Board will continue to pay close attention to the state of development and management of temporary two-lane roads of high-standard highways.

## 8) Maintenance and management of airport facilities

<Category>

Presentation of opinions and/or demand for measures (Ministry of Land, Infrastructure, Transport and Tourism)

<Objectives of audit>

Audit conducted mainly with the objective of effectiveness

The Ministry of Land, Infrastructure, Transport and Tourism (MLIT) manages basic airport facilities comprising runways, landing areas, taxiways, etc. as well as civil engineering facilities including surrounding fences and drainage facilities (hereinafter collectively referred to as “airport civil engineering facilities”), radio-related facilities including aeronautical radio navigation facilities and aeronautical ground lights and other lights required for aeronautical safety (hereinafter referred to as “aeronautical ground light facilities”) based on the Civil Aeronautics Act (Act No. 231 of 1952), etc. (These airport civil engineering facilities, radio-related facilities and aeronautical ground light facilities are hereinafter collectively referred to as “airport facilities.”). The Board, however, found the following cases: the drawing information of facilities was not provided in the register of airport civil engineering facilities; items for airport facility inspection were not specified; and repair work was not provided appropriately based on the result of regular inspections of airport civil engineering facilities.

Therefore, MLIT should instruct airport offices to properly manage and maintain the airport civil engineering facilities by ensuring that the airport offices are aware of the following: the register of airport civil engineering facilities should include structural and layout drawings of the facilities so that the register may be fully utilized for maintenance and management of the facilities; the inspection items concerning airport civil engineering facilities should be identified and on-site inspections should be carried out; and repair work should be conducted appropriately when the inspection of

runways, etc., finds that the measured value is beyond the acceptable level. MLIT should also instruct airport offices to specify inspection items concerning steel towers and light posts regarding radio-related facilities and aeronautical ground light facilities and implement radio- and light-inspection.

**9) Earthquake resistance of storage battery facilities installed in disaster prevention base facilities**

<Category>

Presentation of opinions and/or demand for measures (Ministry of Environment)

<Objectives of audit>

Audit conducted mainly with the objective of regularity

The Ministry of the Environment (MOE) delivers subsidies for local environment conservation measures to prefectures which establish local government support fund to introduce renewable energy, etc. (hereinafter referred to as “funds”) (The prefectures which have established such funds are referred to as “project implementing bodies.”). Project implementing bodies utilize the funds to secure necessary functions, in case electricity supplies from power companies are interrupted due to disasters, in facilities such as shelters and headquarters for disaster control which will be bases for disaster defense (hereinafter referred to as “disaster defense base facilities”), and implement for themselves construction of photovoltaic power generation facilities and storage battery facilities in the disaster defense base facilities while using part of the funds to subsidize implementation of such construction by municipalities in their own prefectures. According to the MOE’s notice to project implementing bodies, storage battery equipments are supposed to be fixed to the floor, etc. MOE also stipulates that it is necessary to ensure the earthquake resistance of the storage battery equipments, as well as of the disaster defense base facilities, by fastening them to the floor, etc. In 24 municipalities in six project implementing bodies, however, the Board found cases where the storage battery equipments did not have adequate earthquake resistance, which could lead to the equipment toppling over and sustaining damage at the time of earthquakes and other disasters. In these cases, for example, no attention had been paid to earthquake resistance design and the battery facilities were not fixed by anchor bolts, or storage battery equipments were fixed by inappropriate anchor bolts because insufficient or no design calculation for earthquake resistance have been made. Therefore, MOE should take measures including the following: making project implementing bodies take necessary measures over storage battery facilities not equipped with earthquake resistance in the 24 municipalities; and making the project implementing bodies give advices to municipalities for properly ensuring earthquake resistance by developing specific guidelines to be followed in order to secure earthquake resistance of storage battery equipments and specific guidelines clearly indicating matters to keep in mind when calculating earthquake resistance design, and instructing the project implementing bodies to follow them.

## 10) State of research budget execution in RIKEN (the Institute of Physical and Chemical Research)

<Category>

Report on specific matters

<Objectives of audit>

Audit conducted mainly with the objective of regularity

The Board audited the state of research budget execution of RIKEN (Institute of Physical and Chemical Research), an independent administrative agency. Its execution of budgets for procurement of goods for research and personnel expenses for researchers financed by grants for operational expenses from FY2009 to FY2014, totaling over 317 billion yen, were subject to audits.

The Board found the following: 1) the data on the status of research budget execution by research theme were not able to be collected when laboratory undertook multiple themes of research; 2) in procurement of furniture for research use, there were cases when bid specifications provided to bid participants specified design in such detail that only specific products could qualify and in fact there was only one bidder; 3) in some cases of procurement of DNA synthesis products, researchers who were not authorized to order placed orders directly; 4) regarding the method to decide the salary of fixed-term researchers, ten research centers and research institutes (hereinafter collectively referred to as “research centers”) did not have criteria specified in the form of a notice about how much is to be added as part of variable compensation in accordance with the years of experience when employing laboratory chiefs on fixed-term contracts; 5) those who completed training for appropriate research budget execution accounted for about 30% as of April 2014, and 6) seven research centers had not released the results of prior evaluation concerning research and development topics specified in the plans for achieving Riken’s medium-term goals.

Therefore, RIKEN needs to consider the following: 1) grasp the state of research budget execution by research theme, 2) regarding contract methods and competitive procurement of goods for research use, consider measures to ensure competition to avoid single-bidder procurement 3) ensure proper implementation of financial management according to the procurement procedure, etc. regarding procurement of DNA synthesis products, 4) regarding the method to decide the salary of fixed-term researchers, consider whether it is necessary to specify criteria about how much is to be added as part of variable compensation in accordance with the years of experience as well as to stipulate how to pay a bonus when employing fixed-term researchers; 5) continue steady implementation of training to ensure appropriate research budget execution, and 6) release the results of prior evaluation when publishing the results of post evaluation regarding the aforementioned research and development topics.

The Board will pay close attention to whether various improvement measures concerning research budget execution are steadily implemented, and continue to audit the state of research budget execution from various perspectives.

**11) Conclusion of outsourcing contract concerning management and disposal of ordinary property**

<Category>

Measures taken (Ministry of Finance)

<Objectives of audit>

Audit conducted mainly with the objective of regularity

When tasks concerning management and disposal of ordinary property were outsourced, although successful bidders were decided in general competitive bidding based on the comprehensive evaluation bidding system, very few contents of proposals which had received positive evaluation points were reflected in the contracts. This was not in line with the purpose of the Public Accounts Law (Act No. 35 of 1947) which aimed to ensure that contracts would be concluded with the most favorable terms for the Government by deciding bidders based on both price and non-price conditions.

**12) Field level purchase contract as a method to facilitate procurement in research institutes**

<Category>

Measures taken (National Institute of Information and Communications Technology)

<Objectives of audit>

Audit conducted mainly with the objective of regularity

In order to facilitate procurement in research institutes, their directors are allowed to sign contracts when the target price is no more than one million yen (800,000 yen for a property lease). There were, however, cases of violation of accounting regulations, etc., such as dividing one procurement into multiple contracts and not obtaining price quotations properly.

**13) Inappropriate financial management procedures concerning purchase of goods for research**

<Category>

Improperities (Food and Agricultural Materials Inspection Center, etc.)

<Objectives of audit>

Audit conducted mainly with the objective of regularity

There were cases of inappropriate accounting where advance payment was made for the purchase of goods for research although such payment was not allowed by accounting regulations, etc., and a researcher made a sales agent prepare documents

containing false information and had the independent administrative agency he/she belonged to pay for a fictitious transaction.

#### 14) Breach of accounting regulations in contract procedures

<Category>

Improprieties (Japan Sport Council)

<Objectives of audit>

Audit conducted mainly with the objective of regularity

There were cases where contract work was outsourced without following contract procedures prescribed by accounting regulations, and payment was made without basing on a contract properly validated by following the contract procedures.

#### 15) State of fixed assets owned by Japan Pension Service

<Category>

Presentation of opinions and/or demand for measures (Ministry of Health, Labour and Welfare, Japan Pension Service)

<Objectives of audit>

Audit conducted mainly with the objective of effectiveness

Based on the Japan Pension Organization Act (Act No. 109 of 2007, hereinafter referred to as “JPO Act”), the Japan Pension Service (hereinafter referred to as “JPS”) was established in January 2010, when JPS took over the fixed assets which had been possessed by the pension special account and was deemed to have been contributed by the Government. The JPO Act, among others, stipulates that JPS needs to obtain approval from the Minister of Health, Labour and Welfare (MHLW) when it intends to transfer or collateralize significant property such as land plots and buildings. However, the Board found that, regarding land plots and buildings including housing and offices (hereinafter referred to as “land plots and buildings”) among the above fixed assets, JPS continued to own housing which did not have occupants for a long time or which could be vacated by relocating occupants to other housing, and offices for which a disposal plan was not in place. The Board also found that the fund obtained by selling part of the land plots was retained in JPS because MHLW did not have a system in place where JPS could transfer unwanted land and buildings to the treasury. Therefore, JPS should do the following: examine disposition of the above-mentioned housing which did not have an occupant for a long time or which could be vacated by relocating occupants to other housing and offices for which a disposal plan is not in place; if the above examination found that the possession of those land plots and buildings cannot be reasonably justified, prepare to transfer them to the treasury with the proceeds of land plots and buildings reserved in JPS as soon as the procedure to allow transfer of such assets to the treasury becomes available; and ensure that staff in charge of asset management are well informed of the need to review the possession of individual land plots and buildings. In the meantime MHLW

should establish an appropriate procedure to make JPS transfer to the treasury those assets owned by JPS, which cannot be reasonably justified as a result of the examination by JPS of the need to own individual land plots and buildings including the aforementioned housing and offices.

**16) Additional investment to the guarantee fund for the Fund for the Promotion and Development of the Amami Islands**

<Category>

Presentation of opinions and/or demand for measures (Ministry of Land, Infrastructure, Transport and Tourism)

<Objectives of audit>

Audit conducted with the objective of effectiveness

The Fund for the Promotion and Development of the Amami Islands, an independent administrative agency (hereinafter referred to as “Amami Fund”) which the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) holds jurisdiction over, provides debt guarantee to entities which implement projects in accordance with the Plan for Promotion and Development of the Amami Islands in exchange of guarantee fees when they get a loan from financial institutions (hereinafter, those who receive the guarantee are referred to as “debtors”). In case of default by debtors, the Amami Fund repays their debts on their behalf to financial institutions (hereinafter, this type of repayment is referred to as “subrogation payment”), and collects debts from debtors afterwards by exercising the right to indemnity obtained by the subrogation payment (hereinafter the fund collected is referred to as “reclaimed money”). In order to develop funds necessary for the Amami Fund’s guarantee affairs (hereinafter referred to as “guarantee fund”) and thereby reinforce the management base, MLIT has grown the guarantee fund by investing in the Amami Fund every fiscal year. However, the Board found that such increase of the guarantee fund by continuous investment in the guarantee affairs had been carried out in spite of the fact that the guarantee fund was larger than the outstanding guarantee liabilities; that revenue such as guarantee fees and reclaimed money could cover expenses for subrogation payment without resorting to returns from the guarantee fund; and that addition to the guarantee fund is not necessarily effective for clearing the loss brought forward from the previous term. Therefore, MLIT should take measures to ensure that the guarantee fund is of an appropriate amount in light of the state of outstanding guarantee liabilities by reviewing additional investment to the guarantee fund based on the state of loss brought forward from the previous term.

## 17) Management and use of harbor facilities owned by the State

### <Category>

Presentation of opinions and/or demand for measures (Ministry of Land, Infrastructure, Transport and Tourism)

### <Objectives of audit>

Audit conducted mainly with the objective of effectiveness

The Ministry of Land, Infrastructure and Transport (MLIT) develops harbor facilities in accordance with the Port and Harbor Act (Act No. 218 of 1950). MLIT has jurisdiction over harbor facilities developed as national project (hereinafter referred to as “State-owned harbor facilities”) which have been classified as public property, and it is stipulated that MLIT has to entrust the management of such facilities to the port management bodies. However, the Board of Audit found that some State-owned harbor facilities categorized as public property whose management was outsourced were not made available for public use because they were exclusively used by harbor transport and warehouse businesses, and other harbor businesses without receiving permission from the port authorities for temporary exclusive use (hereinafter referred to as “permission for use”); they were continuously and exclusively used by certain harbor businesses for a long time and thus were not made available for public use; or they were managed or used as open freight storage which was not designated as public property. Therefore, MLIT should direct the port management bodies to take necessary measures to correct the facility use without permission, and ensure that they are well informed on the need to manage State-owned harbor facilities which have been designated as public property, appropriately. MLIT also should ensure that appropriate management and use of State-owned harbor facilities which have been designated as public property is done by well informing its regional Development Bureau and the port authorities of handling manuals, etc.

## 18) Implementation of projects supported by the residents-participated community development funds

### <Category>

Presentation of opinions and/or demand for measures (Ministry of Land, Infrastructure, Transport and Tourism, Organization for Promoting Urban Development)

### <Objectives of audit>

Audit conducted mainly with the objective of effectiveness

To attract local funds for community development efforts including landscape development, the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) provides a subsidy to projects supported by the residents-participated community development fund (hereinafter referred to as “support projects”) which are conducted by the Organization for Promoting Urban Development, a general incorporated foundation (formerly an incorporated foundation until March 31, 2013; hereinafter referred to as “MINTO Organization”). Support projects are implemented by MINTO Organization, which extends financial support (hereinafter referred to as “MINTO

funds”) to funds set up by local governments (hereinafter referred to as “community development funds”) when residents, etc. contribute their money as well (hereinafter those who receive MINTO funds and manage the community development funds referred to as “MINTO-fund recipients”). MINTO funds, through the community development funds, are supposed to aid urban development projects conducted by residents, etc. (hereinafter referred to as “community development projects”). MINTO Organization establishes project implementation manuals, etc. (hereinafter referred to as “manuals”) to implement support projects. According to the “Standards concerning foundations established by subsidy,” foundations established by national subsidies, etc. are required to be reviewed regularly, and those found unlikely to be used are supposed to consider returning the subsidy to the treasury. This applies to the community development funds. However, the Board found that, in some community development funds, MINTO funds remained unused for a long time without review of their expected use. The Board also found that some facilities developed as part of community development projects (hereinafter referred to as “subsidized facilities”) had not been used effectively as they had not received regular maintenance and finally removed. Therefore, MLIT should explicitly request MINTO Organization to make regular review of expected use of MINTO funds. Also, MINTO Organization should specify in the manuals regular review of expected use of MINTO funds, and return of MINTO funds, if unlikely to be used, to MINTO Organization. MINTO Organization should also specify in the manuals, etc. that MINTO-fund recipients are required to develop regulations concerning examination of subsidized facilities’ sustainability when selecting the community development projects, and needs to well inform MINTO-fund recipients of the manuals.

**19) Management of the National Forest Management Program**

<p>&lt;Category&gt; Special report to the Diet and the Cabinet</p>
<p>&lt;Objectives of audit&gt; Audit conducted mainly with the objective of effectiveness</p>

With regard to the National Forest Management Program which had been financed by the general account since the FY 2013, the Board, with a view to sum up the results of its operation before and after FY 2012 and identify challenges for the program’s operation, conducted its audit of the state of implementation and effectiveness of measures taken to further promote management with a focus on the public benefit and to contribute to the revitalization of forests and forestry as well as calculation concerning repayment of borrowings taken over from the national forestry service special account and the state of repayment thereof.

The Board found the following:

- Neither analysis nor evaluation of the effects concerning forest maintenance and preservation was done in relation to the agreements for enhancing public interests concluded to promote maintenance of national and privately-owned forests in an integrated manner;

- Despite the systematic sales method where agreements on trade volume were concluded beforehand with industrial consumers to ensure stable and systematic supply, the desired effect was not fully achieved because specific measures were not taken when the supply was not expected to meet the trade volume specified in the agreement;
- Repayment of borrowings is supposed to be made from sales of produce from national forests less sales expense. The Forestry Agency made trial calculation of the repayment of borrowings based on the premise that sales of lumber from national forests as well as the unit price of final cutting of standing trees will increase thanks to the implementation of measures to contribute to the revitalization of forests and forestry such as the systematic sales method. However, effects of those measures were not fully achieved, and therefore further efforts are necessary to complete the repayment by FY 2048 without additional public financial burden;
- Furthermore, the amount of repayment of borrowings may lead to miscalculation because some expenses, other than those required for selling produce from national forests, had been registered under the expenditure item related to sale, management and disposal of produce from national forests.

Therefore, the Forestry Agency should manage the National Forest Management Program bearing in mind the following:

- make further efforts to steadily implement measures to further promote management with a focus on the public benefit and to contribute to the revitalization of forests and forestry, which is a prerequisite for repayment of borrowings;
- instruct the Regional Forest Offices to register sales related expenses under the appropriate expenditure item.

The Board will continue to audit management of the National Forest Management Program from various perspectives based on the circumstances surrounding Japan's forestry and the state of repayment of borrowings at the Forestry Agency.

## 20) State of implementation of projects based on the Regional Revitalization Act

<Category>

Special report to the Diet and the Cabinet

<Objectives of audit>

Audit conducted mainly with the objective of effectiveness

The Board conducted its audit on the implementation of projects by 12 ministries and agencies including the Cabinet Secretariat and 13 prefectures based on the Regional Revitalization Act (Act No. 24 of 2005). It also conducted audit and examination by receiving information and records concerning the state of implementation of projects based on the Regional Revitalization Act from a total of 44 prefectures including the above 13 prefectures, and by receiving information on Iwate, Miyagi, and Fukushima prefectures from the Cabinet Office.

The Board found the following: 1) some regional revitalization plans developed and submitted by local governments and authorized by the Prime Minister (hereinafter referred to as “plans”; local governments whose plan was authorized referred to as “authorized local governments”) did not identify local needs; in some plans, local governments which developed them had not coordinate with other local governments covered by them; and some plans had not been made public by authorized local governments themselves; 2) the number of measures based on the Regional Revitalization Act and the number of policies by ministries and agencies, which made the Government’s support available, if entered in plans, (hereinafter collectively referred to as “support measures”) were on the decline while there were support measures which had never been referred to in plans; 3) regarding projects financed by the Regional Renovation Infrastructures Reinforcement Subsidies (hereinafter referred to as “subsidies”), in some expired plans, the advantage of the subsidies, i.e., flexible allocation across fiscal years and appropriation to other facilities, was not fully utilized; the subsidies delivered were more than the limit for a single fiscal year; and changes in plans were not submitted for authorization; and 4) targets set in some plans were not achieved, and problems related to coordinate between central and local governments in the regional revitalization system became evident.

Therefore, the Cabinet Office and the relevant ministries and agencies should make further efforts to promote comprehensive and effective regional revitalization and consider reviewing the regional revitalization system and the subsidy system as needed, taking into account the following: 1) the Cabinet Office should advise local governments to fully understand the local needs and fully coordinate and cooperate with other local governments concerned before submitting for authorization, as well as advise local governments to make plans public in a timely manner; 2) the Cabinet Office and related ministries and agencies should consider ways to improve support measures through further cooperation among themselves; 3) the Cabinet Office and related ministries and agencies should communicate the advantage of the subsidies regularly to promote further utilization while the Ministry of Land, Infrastructure, Transport and Tourism and the Ministry of the Environment should make sure that the subsidies provided are under the limit for a single fiscal year; the Cabinet Office should thoroughly inform authorized local governments of the need to submit for authorization of changes in plans in a timely and appropriate manner while related ministries and agencies should cooperate with the Cabinet Office and advise authorized local governments to submit for authorization of the changes, if the need be; and 4) the Cabinet Office should carefully check whether targets meet authorization criteria and provide advice for target achievement as needed according to the status of the achievement; the Cabinet Office and related ministries and agencies should encourage further utilization of the regional revitalization program by regularly informing local governments about the program.

The Board will continue to pay close attention to the state of implementation of projects based on the Regional Revitalization Act.

## 21) Manifestation of intended effects of Official Development Assistance (ODA)

### <Category>

Presentation of opinions and/or demand for measures (Ministry of Foreign Affairs, Japan International Cooperation Agency)

### <Objectives of audit>

Audit conducted mainly with the objective of effectiveness

The Ministry of Foreign Affairs (MOFA) and Japan International Cooperation Agency (JICA), an independent administrative agency, provide Official Development Assistance (ODA) including grant aid to governments of developing regions with the aim of contributing to peace and development of the international community. However, the Board found following cases:

- Part of ice-making facilities provided under grant aid scheme was hardly used;
- In the Grant Assistance for Grass-roots Human Security Projects (GGP), part of surgery equipment provided to hospitals was not used while some desks and chairs which were supposed to be provided to elementary schools were not procured; although measures to prevent recurrence of such problems in other similar projects were supposed to be taken, they were not implemented appropriately, resulting in poor performance of the assistance;
- Project implementing institutions which had received a grant did not implement projects or return the grant after the projects were discontinued, due to which the aid turned out to be fruitless;
- Some equipment provided through technical assistance was not used as intended.

Therefore, MOFA and JICA should take into account the situations of the grant aid and implement the following:

- When designing capacity of ice-making equipment for fishery facilities in implementation of grant aid, JICA should conduct survey sufficiently to verify a demand forecast, examine its validity, and reflect the results appropriately in the project design;
- MOFA should take measures to accelerate early manifestation of the intended effects of grassroots grant aid projects and thoroughly check the state of medical service the hospital can offer when providing medical equipment, etc. to the hospitals; instruct diplomatic establishments abroad to implement preventive measures, if any, against recurrence of problems in similar projects in recipient countries; give guidance to project implementing institutions to use a grant appropriately when signing a grant contract with them if they are first-time grassroots-aid users;
- JICA should, taking into account the state of technical assistance, confirm that the provided equipment was properly replaced by visiting the site when recipient

countries remove the equipment provided under the past grant aid projects and install new equipment.

## 22) Effective utilization of utility tunnels

<Category>

Presentation of opinions and/or demand for measures (Ministry of Land, Infrastructure, Transport and Tourism)

<Objectives of audit>

Audit conducted mainly with the objective of effectiveness

The Ministry of Land, Infrastructure, Transport and Tourism (MLIT) implements development of utility tunnels, facilities placed under roads to house electric cables, gas pipes, water pipes or drainpipes (hereinafter collectively referred to as “public utility property”) installed by two or more telecommunications carriers, electric power suppliers, gas suppliers, water suppliers, public sewage works administrators, etc. (hereinafter referred to as “public utility businesses”) with the aim of preserving road structure and ensuring smooth road traffic based on the Act on Special Measures for Construction, etc. of Common-Use Tunnel (Act No. 81 of 1963). Road administrators are supposed to prepare a construction plan of utility tunnels (hereinafter referred to as “construction plan”) providing the overview of installation of public utility property when constructing utility tunnels, where road administrators are required to clearly specify the time of installing public property by selecting either less than 20 years after completion of utility tunnel construction or thereafter. However, the Board found that some utility tunnels had not been used effectively for a long time because utilization of utility tunnels had not been fully promoted even though installation of public utility property was behind the schedule described in the construction plan and some tunnels had only part or none of the public utility property installed. Therefore, based on the current status of public utility property installation, MLIT should do the following: take measures to check the state of public utility property installation appropriately by making the schedule of installation in construction plans more specific; consider ways to promote public utility property installation when it is behind the schedule described in the construction plan and encourage transfer of rights and obligations to other public utility businesses; based on the above, give guidance to the National Highway Offices to check the status of public utility property installation and a detailed schedule for installation by making public utility businesses provide such information as well as further promote public utility property installation and transfer of rights and obligations to other public utility businesses.

**23) State of promotion of enrollment of Employees' Health Insurance and Employees' Pension Insurance by business establishments which have not been participated in those programs**

<Category>

Presentation of opinions and/or demand for measures (Japan Pension Service, etc.)

<Objectives of audit>

Audit conducted mainly with the objective of efficiency

Under the supervision of the Ministry of Health, Labour and Welfare (MHLW), the Japan Pension Services (JPS) conducts promotion of enrollment (hereinafter referred to as "enrollment promotion") of Employees' Health Insurance (EHI) and Employees' Pension Insurance (EPI) (hereinafter collectively referred to as "Insurance") to business establishments which are supposed to be, but have not been enrolled in them. Enrollment promotion includes promotion for participation through contractors and guidance for participation by pension offices to business establishments which are likely to be eligible for Insurance (hereinafter referred to as "target establishments") selected based on information on corporate bodies who were newly established, whose state has been changed or which have been closed (hereinafter collectively referred to as "information on the corporate registry") provided monthly by the Ministry of Justice (MOJ) since October 2012. JPS has established an implementation procedure, including administrative guidance for enrollment and on-the-spot inspection, described in the processing manual (hereinafter referred to as "administrative procedure") revised both in the FY 2011 and 2013. However, the Board found the following issues:

- Information concerning corporate bodies was not efficiently obtained because the information such as current address of business owners (hereinafter referred to as "information on certified copies of registration") were not included in the information on the corporate registry recorded in the EPI enrollment assistance system (hereinafter referred to as "assistance system") which was developed to facilitate efficient implementation of enrollment promotion;
- JPS did not fully examine how best to outsource tasks to promote enrollment in a timely and appropriate manner;
- The procedure for on-the-spot inspection was not appropriately implemented;
- Commissions for enrollment promotion by phone calls (hereinafter referred to as "phone call promotion") were not paid according to results because regulations concerning reduction of commissions for participation promotion through contractors (hereinafter referred to as "reduction regulations") were not established;

Therefore, MHLW and JPS should implement the following:

- JPS should identify the information on the certified copies of registration that is required for providing guidance for enrollment but is currently missing from the information on the registry, consider to add such information to the latter; if JPS sees

the need for its addition, MHLW should ask MOJ to ensure that such information is provided;

- JPS should examine ways to efficiently provide guidance for enrollment such as instructing pension offices to utilize the information on corporate registry recorded in the EPI enrollment assistance system and exclude the target establishments from guidance for enrollment, and revise the “standard treatment for business establishments excluded from enrollment promotion (instructions/ requests)”;
- JPS should examine how best to outsource tasks to promote enrollment in a timely and appropriate manner;
- In order to efficiently implement enrollment promotion through contractors, JPS should stipulate in specifications of future outsourcing contracts that, if the phone number of a business establishment is unknown, contractors are required to obtain it when visiting and interviewing the business establishment for enrollment promotion;
- JPS should examine and establish ways to perform the procedure of on-the-spot inspection appropriately, including a revision to the administrative procedure and well inform the pension offices of the procedure;
- MHLW should instruct JPS to report on the results of its examination, based on which it should provide necessary instructions and supervision;
- JPS should include a provision on reduction of commissions in the contract so that expenses for phone call promotion based on an outsourcing contract for enrollment promotion will be paid according to the result of phone call promotion.

#### 24) State of implementation for optimization of medical care expenditure

<Category>

Special report to the Diet and the Cabinet

<Objectives of audit>

Audit conducted mainly with the objective of effectiveness

The Board of Audit conducted audit on the state of implementation for optimization of medical care expenditure by the Ministry of Health, Labour and Welfare (MHLW).

The Board found the following:

- Although MHLW published in the evaluation report on the result of the first phase of the plan for medical care expenditure optimization that the cost-savings of specific health checkup and specific health guidance (hereinafter collectively referred to as “specific health checkup”) was estimated to be about 25 billion yen, it did not reveal crucial information such as certain assumptions on which the estimate was based;

- With regard to the National Database of Health Insurance Claim Information and Specific Health Checkups (hereinafter referred to as “NDB system”) developed to perform appropriate analysis of the effect of specific health checkups conducted as a preventive measure against lifestyle-related diseases on the optimization of expenditure required for medical care (hereinafter referred to as “medical care expenditure optimization”), collected data concerning the results of specific health checkups and data concerning the content of health insurance claims of medical fees and dispensing fees (hereinafter referred to as “health insurance claims”) did not match; if it remains as it is, it would be difficult to appropriately evaluate effects of the preemptive measures against lifestyle-related diseases on the expenditure optimization appropriately based on the detailed data obtained through matching and analysis of data collected by and stored in the NDB system when conducting evaluation of the result of the second phase of the medical care expenditure optimization plan scheduled in FY 2018;
- Insurers including municipalities who are eligible for subsidies (hereinafter referred to as “insurers”) did not provide efficient and effective inspection of health insurance claims;
- Some regional bureaus and offices of MHLW failed to provide appropriate guidance to medical institutions, etc. in accordance with the outline of guidance.

Therefore, MHLW should do the following:

- steadily implement various measures for medical care expenditure optimization and properly evaluate the results of the plan for medical care expenditure optimization; inter alia, take measures to renew the NDB system through addressing the causes of data discrepancies in order to enable proper evaluation of the effects of specific health checkups for prevention of lifestyle-related diseases on the medical care expenditure optimization by fully utilizing data collected by and stored in the system when evaluating the results of the second phase of the medical care expenditure optimization plan scheduled in FY2018;
- well inform the Social Insurance Medical Fee Payment Fund and the Federation of National Health Insurance Associations of each prefecture that they should try to provide insurers with specific details as clear as possible on the contents of their examination of health insurance claims, and provide guidance to the insurers to review, as appropriate, content of their inspection of health insurance claims following their payment of medical service fees when they were informed of the said details of the examination in order to make the inspection more effective and efficient;
- reiterate its instructions to the regional bureaus and offices of MHLW that they provide guidance to medical institutions, etc. appropriately in accordance with the outline of guidance, and further improve the implementation system.

The Board will continue to conduct audit on implementation status of the plan for medical care expenditure optimization and the issues surfaced in this audit.

**25) Reduction adjustment of high-cost medical care expenses in calculating the amount of State contribution concerning national health insurance**

<Category>

Presentation of opinions and/or demand for measures (Ministry of Health, Labour and Welfare)

<Objectives of audit>

Audit conducted mainly with the objective of regularity

The Ministry of Health, Labour and Welfare (MHLW) holds jurisdiction over the national healthcare insurance system based on the National Health Insurance Act (Act No. 192 of 1958) and provides municipalities, which are insurers of the national health insurance, (including special wards, a part of the administrative associations and cross-regional federations; hereinafter the same) with contribution to medical treatment benefit expenses (hereinafter referred to as “contribution”) and financial adjustment subsidies. MHLW maintains that, in general, medical expenditures tend to rise in municipalities which take measures to pay medical institutions, etc. the equivalent of the insured’s co-payment on his/her behalf from the local governments’ budget (hereinafter such measures referred to as “burden reduction measures”) because such measures lead to more consultations at medical institutions. Based on this argument, MHLW has established a rule that medical spending should be reduced by multiplying a predefined reduction adjustment rate to medical expenditures concerning the insured eligible for burden reduction measures (hereinafter referred to as “the insured eligible for burden reduction”) when calculating the amount of contribution and ordinary adjustment subsidies, latter being one of the two types of financial adjustment subsidies (hereinafter collectively referred to as “treasury contribution”) (Hereinafter the reduction of medical spending by multiplying the reduction adjustment rate is referred to as “reduction adjustment.”). When the insured’s co-payment exceeds a certain maximum limit, the insured are supposed to receive the excess amount back as the high-cost medical care benefit, while high-cost medical care benefit for the insured eligible for burden reduction are, as a rule, subject to reduction adjustment no matter whether they are provided through reimbursement or benefits in kind. However, the Board found that the amount of treasury contribution was calculated and delivered excessively because divisions in charge of national health insurance in municipalities which took burden reduction measures did not render payment through either reimbursement or benefits in kind subject to reduction adjustment.

Therefore, MHLW should show prefectures cases of high-cost medical care benefit subject to reduction adjustment and the calculation method thereof in a concrete manner, and thoroughly inform municipalities of such cases and methods through prefectures accordingly, thereby ensuring the appropriate calculation of the amount of treasury contribution.

**26) State of separation from employment of persons with disabilities concerning provision of the Grants for Employment Development for Specified Job Applicants (the Employment Development Subsidy for Specified Persons with Difficulty in Employment)**

<Category>

Presentation of opinions and/or demand for measures (Ministry of Health, Labour and Welfare)

<Objectives of audit>

Audit conducted mainly with the objective of effectiveness

Based on the Employment Insurance Act (Act No. 116 of 1974), the Ministry of Health, Labour and Welfare (MHLW) provides subsidies to business owners who have newly employed those who have exceptional difficulties in finding jobs, such as seniors over 60 years and under 65 years and persons with disabilities, as a worker who is deemed to be securely employed on a continuous basis through referral by a public employment security office: those employers will receive the equivalent of part of wages as the Employment Development Subsidy for Specified Persons with Difficulty in Employment.

However, the Board found that many persons with disabilities who qualified for the subsidy (hereinafter referred to as “eligible persons with disabilities”) were unemployed after only less than three years of their employment; the information on the state of eligible persons with disabilities, in terms of employment and separation from employment, was not collected; when they get unemployed specific reasons for separation from employment was not investigated, and neither were effects of the subsidy based on the reality of separation from employment; and the state of employment of persons with disabilities at employers was not taken into account when providing them with job placement service or training for long-term employment.

Therefore, MHLW should instruct Labour Bureaus, etc. to keep tabs on and study the state of employment/separation from employment of persons with disabilities and specific reasons for their separation from employment, and verify effects of the subsidy for business owners concerning employment of persons with disabilities while taking into account the reality of their separation from employment. MHLW should also instruct Labour Bureaus, etc. to provide a job placement service and training for long-term employment according to the state of employment/separation from employment of persons with disabilities by employers.

**27) Calculation of the amount of the Extraordinary Special Grant for smooth operation of the medical service system for the elderly and delivery thereof**

<Category>

Measures taken (Ministry of Health, Labour and Welfare)

<Objectives of audit>

Audit conducted mainly with the objective of effectiveness

Regarding the provision of the Extraordinary Special Grant for smooth operation of the elderly medical service system, the Board found that its amount calculated and provided to 45 Federations of National Health Insurance Associations was one month's worth more than 12 months' worth which is expected to be required for covering designated publicly-funded healthcare expenses for the following fiscal year. This was because there was not sufficient recognition of the need for effective budget execution by appropriately checking the balance of the funds for smooth introduction of the elderly medical service system on national health insurance held by each Federation of National Health Insurance Association.

**28) Understanding of the effects of the project for promoting introduction of non-utility generation facilities**

<Category>

Presentation of opinions and/or demand for measures (Ministry of Economy, Trade and Industry)

<Objectives of audit>

Audit conducted mainly with the objective of effectiveness

With an aim to reinforce the capacity of electricity supply and contribute to stabilization of the supply and demand of electricity in areas which are or may be facing tight power supply due to the Great East Japan Earthquake after the FY 2011, the Agency of Natural Resources and Energy (ANRE) is implementing the project for promoting introduction of non-utility generation facilities (hereinafter referred to as “non-utility generation project”) which subsidizes up to half or one-third of the necessary expenses when private entities, etc. which newly establish or build more non-utility generation facilities, or resume operation of such facilities which have been suspended or discontinued, using heavy oil, gas, coal, etc. as fuel for the purpose of supply to electric power suppliers or self-consumption. However, the Board found the following: the operation of non-utility generation facilities was sluggish during the project period, and so was their operation including emergency non-utility generation facilities after the project period ended; cost for fuel used for generation that did not necessarily contribute to additional output was included in expenses eligible for the subsidy; the additional output produced from 9AM to 8PM was smaller than the additional output produced in other hours, except some regions in winter; and although examination during the implementation of the project and revision based on it was important, there were cases where a project carried on without examination of the effects of the implementation and appropriate inclusion of the result thereof in the project in the following fiscal year. Therefore, ANRE should re-examine the effects of the non-utility generation project; and conduct examination of approaches to accumulate expertise on methods to understand and inspect the project's effects and utilize such expertise for system design in order to prepare for the future where similar projects of emergency-measures types may be implemented.

## 29) Appropriate accounting procedures concerning the Energy-Saving Renovation Projects

### <Category>

Presentation of opinions and/or demand for measures (Ministry of Land, Infrastructure, Transport and Tourism)

### <Objectives of audit>

Audit conducted mainly with the objective of regularity

As part of the measures for global warming prevention, the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) is implementing the projects for promoting renovation of housing and building for saving energy (hereinafter referred to as “energy-saving renovation projects”) which subsidizes partial cost for renovation to replace window frames, air conditioners, etc. with energy-saving effects (hereinafter referred to as “renovation”) conducted by private businesses including building owners (hereinafter referred to as “project implementing bodies”), in order to promote efforts to save energy in existing housing and buildings. Examination and on-the-spot inspection in relation to the energy-saving renovation projects are carried out by a body chosen by the Minister of Land, Infrastructure, Transport and Tourism through an open call (hereinafter referred to as “administrative operator”), and the energy-saving renovation projects are supposed to be implemented under appropriate accounting procedures in accordance with the “Regulations concerning provision of subsidies for the leading projects for CO2 reduction with housing and buildings (building division) and the projects for promoting renovation of housing and building for saving energy” (hereinafter referred to as “provision regulations, etc.”) laid down by the administrative operator. However, the Board found the following issues: accounting procedures concerning the energy-saving renovation projects were inappropriate; project implementing bodies subcontracted renovation work to their affiliated companies, which overcharged for a larger profit; project implementing bodies were not familiar with how to use the obtained property; energy measuring instruments installed exclusively for use in renovated facilities were not fully utilized for energy-saving activities, etc. Therefore, MLIT should make the administrative operator revise the scope and examination method for documentary evidence which project implementing bodies are required to submit in order to confirm with certainty that payment has been made appropriately, and improve the capacity to conduct examination and on-the-spot inspection by specifying necessary matters in the provision regulations, etc. MLIT should also make the administrative operator include in the provision regulations, etc. methods to obtain information on cost for renovation work conducted by affiliated companies of project implementing bodies as well as methods to remove the equivalent of the profit of project implementing bodies in order to ensure the price reasonability. In addition, MLIT should make the administrative operator specify in the provision regulations, etc. necessary matters concerning restrictions of disposal of obtained property and inform project implementing bodies about them accordingly. Furthermore, MLIT should make the administrative operator reconsider the need of energy measuring instruments exclusively used in renovated facilities, and revise the provision regulations, etc. as needed.

### 30) Installation of LED lighting apparatus

<Category>

Measures taken (Japan Post Co., Ltd.)

<Objectives of audit>

Audit conducted mainly with the objective of efficiency

In renovating post offices to prevent deterioration of buildings and facilities, it would have been more efficient to convert to LED lighting apparatus the lights installed in places where lighting hours were longer than those with short lighting hours, considering the payout time, etc. However, without giving sufficient consideration to efficiency, the lighting fixtures in places where the lighting hours were short were also converted to LED.

### 31) Inappropriate design of the solar powered monitoring post installed by the radiation monitoring grant project

<Category>

Improperities (Ministry of the Environment)

<Objectives of audit>

Audit conducted mainly with the objective of regularity

In implementing the radiation monitoring grant project, it was not fully deliberated how to secure a power source required for stable operation of the solar powered monitoring post, resulting in inappropriate design of the monitoring post. Consequently, the monitoring post failed to maintain the function to continually monitor radiation for 24 hours.

### 32) State of project management concerning information systems in Ministries and Agencies

<Category>

Report on specific matters

<Objectives of audit>

Audit conducted mainly with the objective of effectiveness

The Board conducted its audit on information systems of 19 Ministries and Agencies which cost over 100 million yen in total during the period of FY 2012 to FY 2014 and the software of which were either newly developed or updated to implement individual tasks of each Ministry and Agency: contracts for design/development and operation/operation support for which more than 10 million yen was paid were examined with a focus on contract methods concerning procurement, the state of

project management for the design/development process, and the state of implementation of the required role as a project owner.

Regarding the contract methods, the Board found that both the rate of single-bidder cases in general competitive bidding and the average bid acceptance ratio of single-bidder cases compared to multiple-bidder cases were high. Regarding the project management for the design/development process, some contracts did not require implementation of risk management and problem management and submission of report thereof in procurement specifications while other contracts did not provide evaluation of expected risk in the risk management table. Also, even though the number of person-days in work items on a work breakdown structure (WBS) used for process management were supposed to be as detailed as up to five person-days when possible, the number of work items in some contracts significantly exceeded five person-days for the basic design process. Regarding the project owner's role during the design/development process, some contracts did not provide in procurement specifications information concerning holding of the specifications examination meeting or contractors' assistance to an accommodation test conducted by the project owner. Moreover, some other contracts did not stipulate in procurement specifications that contractors for design/development were required to develop a plan for the test and submit the test result report. Furthermore, regarding the service level agreement (hereinafter referred to as "SLA") in the operation process, some contracts did not provide in procurement specifications that SLA was supposed to be signed and that the status of achievement in SLA would be evaluated by the project owner.

Therefore, it is important for Ministries and Agencies to make further efforts to ensure competition in real terms upon signing procurement contract of information systems; fully recognize the specific issues which the Board's audit revealed in order to reinforce IT governance in accordance with the "IT Governance and Management Guideline for Government Information Systems"; and strive for effective and efficient governance and management of information systems, while keeping in mind the following: 1) regarding project management in the design/development process, implementation of risk management and problem management should be specified in procurement specifications and actively utilized while keeping tabs on the delay in progress and necessary measures should be taken by establishing appropriate person-days in each work item on a WBS in process management; 2) regarding the role of the project owner during the design/development process, procurement specifications should stipulate that a specifications examination meeting should be held and that assistance should be provided by contractors for an accommodation test, thereby ensuring secure implementation; and 3) as a project owner, Ministries and Agencies should develop appropriate SLA for the operation process and evaluate the status of the achievement, thereby making efforts to improve the quality of service provided.

The Board will continue to pay close attention to the state of project management concerning information systems in Ministries and Agencies.

### 33) Discrepancies in collected and retained data on the National Database of Health Insurance Claim Information and Specific Health Checkups

#### <Category>

Presentation of opinions and/or demand for measures (Ministry of Health, Labour and Welfare)

#### <Objectives of audit>

Audit conducted mainly with the objective of effectiveness

Based on the Act on Assurance of Medical Care for Elderly People (Act No. 80 of 1982), the Ministry of Health, Labour and Welfare (MHLW) and prefectural governments have established the plan to comprehensively and systematically promote efforts to make expenses required for medical treatment appropriate (hereinafter referred to as “optimization of medical care expenditures”; hereinafter this plan referred to as “optimization plan”); have inspected and analyzed the status of achievement of goals and implementation of measures included in the plan as well as cost effectiveness of such measures, thereby evaluating the results of the optimization plan. By collecting and storing electronic information concerning all the details of specific health checkup and specific health guidance (hereinafter collectively referred to as “specific health checkup, etc.”; hereinafter such electronic information referred to as “data on specific health checkups, etc.”) and electronic information concerning all the details of health insurance claims of medical fees and dispensing fees (hereinafter referred to as “medical prescription data”) from all the medical insurers, etc., MHLW also has developed the National Database of Health Insurance Claim Information and Specific Health Checkups (hereinafter referred to as “NDB system”) with an aim to appropriately analyzing the effects of specific health checkup, etc. conducted as a preventative measure against lifestyle-related diseases on efforts for appropriate medical expenses. However, data on specific health checkups, etc. of many insurers was not able to be cross-checked against data on medical prescription because a) the input format for personal information of the insured was different between the two sets of data; b) the process of unifying the input format for personal information of the insured in a computerized processing system (hereinafter referred to as “replacement process”) was different between computerized processing systems for data on specific health checkups, etc. and medical prescription; and c) functions of the replacement process were limited in the anonymization/provision system. If left as it was, it is expected to be extremely difficult to evaluate effects of the said measures in optimization of medical care expenses, in the evaluation concerning the result of the second phase of the optimization plan which is supposed to be based on detailed data obtained through cross-checking and analyzing data collected by and stored in the NDB system. Therefore, MHLW should significantly improve the state of the operation of the NDB system and, in that sense, for evaluation concerning the result of the second phase of the optimization plan. MHLW should also take measures to repair and improve the system to address causes of data discrepancy, in order to fully utilize data collected by and stored in the system and realize appropriate evaluation of effects of specific health checkups, etc., conducted as a preventative measure against lifestyle-related diseases, in an effort for optimization of medical care expenses.

**34) Promotion of mutual use of research facilities among universities through the research facility network project through cooperation of universities**

<Category>

Presentation of opinions and/or demand for measures (National Institutes of Natural Sciences, an inter-university research institute corporation)

<Objectives of audit>

Audit conducted mainly with the objective of effectiveness

As part of the efforts toward development and maintenance of a national network of research facilities aiming for their effective use, National Institutes of Natural Sciences (NINS), an inter-university research institute corporation, is conducting the research facility network project through cooperation of universities (hereinafter referred to as “network project through cooperation of universities”) with an objective of making research facilities owned by each national university corporation, etc. mutually available for use by researchers of other universities, etc. by going beyond the borders of individual universities and other research institutions. Through the network project through cooperation of universities, NINS is operating the reservation/charge system for the network of research facilities through cooperation of universities (hereinafter referred to as “network system”) to manage reservation, etc. of research facilities which national university corporations own and can offer for mutual use, and implementing the project to restore old research facilities owned by national university corporations by renovating or improving functions (hereinafter this project referred to as “restoration project” and facilities restored through the restoration project referred to as “restored facilities”). However, the Board found that, among research facilities registered with an individual information system in which national university corporations place information on their research facilities made available for mutual use on its own website (hereinafter referred to as “individual system”), only a small number of research facilities were registered with the network system, and that as much as about half of the restored facilities were not mutually used through the network system, although they had been restored through the implementation of the network project through cooperation of universities. Therefore, NINS should inspect and learn the status of research facilities registered with individual information systems by national university corporations for mutual use, and encourage them to register such facilities with the network system in order to promote mutual use. In addition, to promote mutual use of the restored facilities, NINS should take measures to show national university corporations criteria of selecting research facilities eligible for the restoration project, and ensure that, upon registration of the restored facilities with the network system, specifications and functions of facilities improved by the restoration project are provided in detail for users’ knowledge.

**35) Implementation of measures against security holes concerning software used in information systems**

<Category>

Measures taken (Cabinet Office (Imperial Household Agency) and 7 Ministries)

<Objectives of audit>

Audit conducted mainly with the objective of effectiveness

Software which had reached the end of its support period was used in a server connected to the internet; it took a long time before the termination of the support period was recognized; when the information system is developed or renewed, software was selected without paying due attention to the likeliness of its periodical update by receiving patch/pattern files until the next renewal.