

Audit Report for FY2015: Outline of Selected Audit Findings

The Audit Report for FY2015 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) Construction of temporary storages for decontamination project

<Category>

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

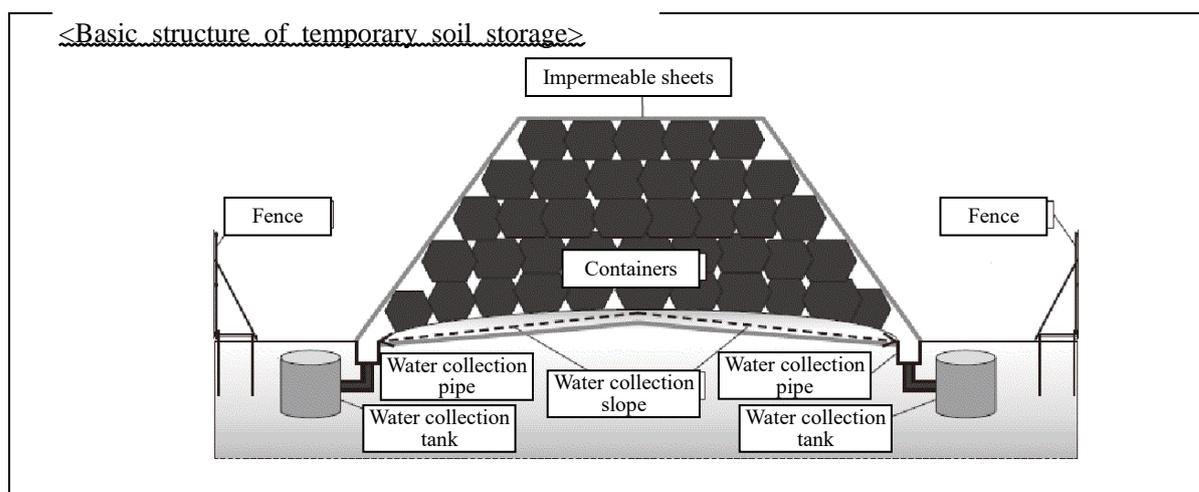
<Objectives of audit>

Audit conducted mainly with the objective of regularity

In line with the “Act on Special Measures concerning the Handling of Environmental Pollution by Radioactive Materials Discharged by the Nuclear Power Plant Accident Accompanying the Earthquake that Occurred off the Pacific Coast of the Tohoku Region on March 11, 2011” (Act No.110 of 2011), the Ministry of the Environment (MOE) has been working on decontamination and collection/storage of waste in areas designated by the Government. The legislation calls for temporarily storage of removed contaminated soil or collected waste arising from the decontamination work at their interim storages (hereinafter, such storages are referred to as “temporary soil storages” or “temporary waste storages,” respectively). When constructing temporary soil storages, the project implementing bodies should fill flexible containers with removed contaminated soil, carry them to temporary soil storages, pile them up in a trapezoidal form and completely seal them up with impermeable sheets. If the containers are not impermeable, water that contains radioactive materials might seep out of removed contaminated soil and accumulate on the impermeable sheets. For this reason, in order to collect seeped water, the project implementing bodies should set up water collection pipes/tanks with a slope on the foundation base, measure the concentration of radioactive materials of the seeped water and make sure that they are managed safely. In order to prevent outsiders’ access to temporary soil storages and temporary waste storages, the project implementing bodies should set up metallic blindfold fences as necessary and ensure that they will not fall down due to wind or rain. However, in some cases, the project implementing bodies determined gradient of the slope without regard for the sinking of foundation ground when designing temporary soil storages. If the gradient is calculated based on the maximum estimate of the foundation ground settlement then the slope may become inverse, preventing appropriate water collection and possibly making it impossible to measure the concentration of radioactive materials of the seeped water. In some other cases, as there are no design criteria for fences for temporary soil storages or temporary waste storages, the project implementing bodies did not design fences in line with the design wind speed and safety factor based on the on-site conditions. Therefore, MOE needs to take the following measures:

- a. As for construction work of temporary soil storages, MOE should formulate design methods by taking into account the foundation ground’s possible land sinking due to vertical load, examine the possible actions that should be taken in case of land sinking, and formulate the measures accordingly.
- b. MOE should examine design wind speed and safety factors for fences for temporary soil storages or temporary waste storages, develop design criteria in line with on-site conditions, work on stability calculation based on the developed design criteria and take necessary measures.

([Improper amount](#): 4,672.24 million yen)



2) Development of disaster prevention information communications networks in the comprehensive urban disaster prevention promotion 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 effectiveness

In order to improve disaster prevention capabilities in urban district areas, the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) provides comprehensive subsidies for social infrastructure development to local governments which implement projects for Comprehensive promotion of urban disaster prevention, which comprehensively enhances disaster-resilient urban structure (hereinafter referred to as “urban disaster prevention project”). When municipalities build facilities necessary for transmitting/receiving information to secure communications when disaster strikes (hereinafter referred to as “disaster prevention communications network”) in line with their “five-year plan on earthquake-proof urban development promotion” that they developed for earthquake disaster prevention, development of those facilities may be financed under the urban disaster prevention project as a special case eligible for the subsidies. If installing any equipment for disaster prevention administrative radio system in a building to develop a disaster prevention communications network, it is necessary to install it in an earthquake-proof building that has undergone seismic diagnosis so that the equipment will effectively function when an earthquake occurs. However, 27 municipalities have installed their equipment for disaster prevention administrative radio systems in buildings that were not earthquake resistant or buildings with uncertain quake-resistance because seismic diagnosis had not been conducted. As a result, they might not function properly if an earthquake occurs. Therefore, MLIT needs to take the following measures:

- a. MLIT should instruct the 27 municipalities to develop a plan to conduct seismic diagnosis, relocate their equipment or take any other measures as appropriate for each equipment to ensure that the disaster prevention administrative radio system installed in buildings not quake resistant will function effectively when an earthquake occurs.
- b. MLIT should well inform the local governments that they must secure quake resistance installation sites so that a disaster prevention information communications network developed as part of the urban disaster prevention project will function effectively when an earthquake occurs.

Improper amount: 240.46 million yen

Background amount: 1,125.50 million yen

The amount equivalent to grants concerning equipment such as outdoor loudspeaker slave stations that receive disaster prevention information from a master station installed in a building that is not quake resistant

3) Management of goods at the Cabinet Secretariat and the Cabinet Office

<Category>

Presentation of opinions and/or demand for measures (Cabinet (Cabinet Secretariat), Cabinet Office)

<Objectives of audit>

Audit conducted mainly with the objective of regularity

The Cabinet Secretariat and the Cabinet Office increasingly more often create new organizational units and integrate/abolish existing units, and accordingly have been undergoing office relocations. In the work related to the protection of citizens from disasters conducted by the Cabinet Office, a large number of goods necessary for the work are being installed in local government's buildings not directly controlled by the Cabinet Office. The State-Owned Goods Management Act (Act No.113 of 1956) requires that the goods manager should keep goods management books and the goods supply manager should keep goods supply books (hereinafter collectively referred to as "goods management books") to record quantity changes or the current balance. For machines or equipment with an acquisition prices of 500,000 yen or more designated by the Minister of Finance (hereinafter referred to as "important goods"), it is necessary to record the price in goods management books as well. In addition, the head of government ministry/agency should make a report on increase/decrease of goods and their current value based on the data recorded in goods management books as of the end of every fiscal year. However, the Cabinet Secretariat and the Cabinet Office did not appropriately manage their goods, as they could not identify actual important goods recorded in the goods management books or did not record acquired important goods in the goods management books in some cases. Their goods management books, and the reports on quantity changes and current balance, thus did not properly reflect

the present situations of important goods in some cases. Therefore, the Cabinet Secretariat and the Cabinet Office need to take the following measures:

- a. The Cabinet Secretariat and the Cabinet Office should investigate the present conditions or possible loss of the goods in connection with this problem and immediately take necessary measures, such as make corrections in entries of the goods management books. If they cannot identify actual goods due to the loss, they should immediately report lost goods to the Prime Minister and give notice to the Minister of Finance and the Board of Audit.
- b. The Cabinet Secretariat should establish an appropriate liaison scheme between the staff responsible for setup/use of goods and the goods supply manager so that it appropriately manages goods and inspect goods management practices.
- c. The Cabinet Office should establish an appropriate liaison scheme between the staff responsible for setup/use of goods and the goods supply manager so that it appropriately manages goods and inspect goods management practices in a building not directly controlled by the Cabinet Office. The Cabinet Office should also set forth procedures to conduct inspection of goods management practices when establishing, integrating or abolishing organizational units or relocating office spaces.
- d. The Cabinet Secretariat and the Cabinet Office should ensure that their staff members fully understand the importance of appropriately managing goods by periodically holding training sessions on goods management.

Improper amount:

34.68 million yen for the Cabinet (Cabinet Secretariat)
6,935.22 million yen for the Cabinet Office

4) Retained earnings in Deposit Insurance Corporation's Account for Early Strengthening of Financial Functions

<Category>

Presentation of opinions and/or demand for measures (Cabinet Office (Financial Services Agency))

<Objectives of audit>

Audit conducted mainly with the objective of effectiveness

Based on the “Act on Emergency Measures for the Early Strengthening of Financial Functions” (Act No.143 of 1998; hereinafter referred to as “Financial Strengthening Act”), et al., the Financial Services Agency (FSA) takes actions, such as purchase of preferred stock issued by financial institutions through the Deposit Insurance Corporation (DIC) and the Resolution and Collection Corporation (RCC). Accounting related to the tasks including purchase of preferred stock in accordance with the Financial Strengthening Act (hereinafter referred to as “financial strengthening task”) is separated from accounting of DIC’s other tasks by establishing the Account for Early Strengthening of Financial Functions, which holds a large amount of retained earnings. However, according to the Board of Audit’s calculation of the necessary amount of the fund in the Account for the implementation of the

financial strengthening task even with the maximum loss of financial institutions estimated under certain assumptions, a large amount of the surplus that is unlikely to be used for the task (hereinafter referred to as “surplus fund”) will remain in this Account. Also, despite the fact that a considerable period of time is expected until the said Account is to be abolished, the surplus fund cannot be paid back to the national treasury until its abolition, which prevents effective use of such surplus fund. Therefore, FSA should work with DIC to determine the surplus fund amount in the Account and examine the feasibility of fundamental change in its approach, such as paying back the surplus fund to the national treasury in a timely manner, or setting up the necessary framework for utilizing the fund to maintain the financial soundness of DIC, while paying due attention to the purposes of the Financial Strengthening Act which calls for sorting out accounting tasks for each account in order to maintain fiscal discipline.

([Improper amount](#): 1,096.4 billion yen)

5) Scope of subsidized construction work and selection criteria of project under the wooden public facilities construction projects

<Category>

Presentation of opinions and/or demand for measures (Ministry of Agriculture, Forestry and Fisheries)

<Objectives of audit>

Audit conducted mainly with the objective of efficiency

Aiming to expand demand for local wood, the Forestry Agency provides forest/forestry revitalization promotion grants to prefectural or municipal projects, such as wooden public facilities construction projects. According to the grant’s Manual, the prefectural governors should, when engaging in wooden public facilities construction projects financed by the said grant, rigorously assess their needs, efficiency and effectiveness, and select the projects after narrowing them down to those that could truly serve as a model. As for equipment work of the construction project, electric, water supply and sewage works are not subsidized because they do not directly contribute to the promotion of utilization of local wood. The prefectural governors should also use such criteria for the selection of the project as local wood use volume per project cost or per gross floor space equal to or higher than the prefectural target. However, the Board found the following: installation of equipment such as elevators or air-conditioners was subsidized although they seldom use wood building materials and do not directly contribute to promotion of utilization of local wood; and selection criteria were not appropriate for choosing the projects that would serve as a model for utilizing local wood, which resulted in adoption of the projects with very low usage ratio of local wood (local wood use volume per project cost or per gross floor space) that are unlikely to be an effective model for utilizing local wood. Therefore, the Forestry Agency after close examination should lay down in the Manual new rules with regard to the appropriate scope of subsidized projects, such as excluding from subsidized projects any equipment work that does not directly contribute to promotion of local wood utilization, and thoroughly inform them to

project owners and prefectural governments, set forth specific criteria that require the local wood use percentage to be at a certain level or higher, and thoroughly inform the said criteria to project owners and prefectural governments while also emphasizing the importance of efficient and effective implementation of construction projects for the promotion of local wood utilization.

Improper amount: 664.2 million yen
Background amount: 17,758.77 million yen
The amount equivalent to grant provided in relation to adopted projects that were unlikely to be an effective model for utilizing local wood due to inappropriate selection criteria

6) Implementation of the Long-Term Care Insurance System

<Category>

Special report on audit requested by the Diet

<Objectives of audit>

Audit conducted mainly with the objective of effectiveness

The Board of Audit has conducted audit on the implementation status of the long-term care insurance system, in particular, financial condition of the long-term care insurance and implementation of care services, in response to the audit request made by the House of Councillors.

The Board found the following: 1) the Fiscal Stability Funds established by the prefectural governments in order to cope with financial shortage of insurers are not required to adjust the amount of grants paid from the Funds, which causes a gap between actual grants received and the estimated amount based on the past actual figures; 2) Some insurers do not sufficiently understand how community-based services are used; 3) Some in-home long-term care support stations manipulate concentration ratio of services provided by them in order to avoid subtraction of the long-term care fees paid to them, which would be applied if a high proportion of services were provided by a specific provider, and such subtraction scheme does not necessarily serve as a rational and effective measure; and 4) Some insurers allow providers of long-term care services to also engage in survey to certify and update long-term care level of the insured, and inspections on invoices for long-term care fees using the Federation of National Health Insurance Associations' long-term care fees optimization system was insufficient.

Therefore, 1) the Ministry of Health, Labour and Welfare (MHLW) should consider revising procedures of the Fiscal Stability Funds to ensure that insurers pay back their excessive grants provided by the Funds; 2) Municipalities insurers should ensure that the public is well informed of the details of community-based services and collect further information on service utilization status; 3) MHLW should sufficiently examine rational and effective measures, including review of the service providers concentration subtraction scheme in

order to ensure fair and unbiased care management; and 4) MHLW should consider providing insurers with such technical advice in writing as not allowing in principle the same service providers to engage in survey to certify or renew care levels of the insured; and insurers should also actively carry out inspection using, among other things, the Federation of National Health Insurance Associations' long-term care fees optimization system.

Paying attention to the aforementioned results, the Board will continue to audit the long-term care insurance system to ensure its appropriate and fair implementation from various perspectives.

7) Installation of central monitoring station equipment of radiation monitoring telemeter system

<Category>

Measures taken (Ministry of Environment)

<Objectives of audit>

Audit conducted mainly with the objective of effectiveness

Radiation monitoring telemeter systems financed by radiation monitoring grant projects consist of components such as central monitoring station equipment including servers. However, some of the installed equipment was either not fixed with anchor bolts or drawing power on anchor bolts that fixed the equipment was stronger than acceptable drawing power. In these cases, central monitoring station equipment might move, fall down or get damaged in case of an earthquake, preventing the system from functioning properly when a complex disaster occurs.

[\(Improper amount: 572.88 million yen\)](#)

8) Development and operation of the Government Shared Platform for integrating/consolidating the government's information systems

<Category>

Special report to the Diet and the Cabinet

<Objectives of audit>

Audit conducted mainly with the objective of economy

The Board of Audit conducted audit on the information systems of 22 government ministries/agencies with a focus on the migration schedule of 1,312 information systems to the Government Shared Platform (GSP) as described in the Roadmap for Renovating Government Information Systems and their current status.

The Board found the following: 1) 61.4% of the government information systems would still be operated outside of the GSP, even at the end of FY2021; The operational cost of the systems either migrated or scheduled to migrate to the GSP only accounted for 4.8% of the government-wide operational cost in FY2014 (or 6.2%, including the cost of the GSP and the Government Common Network); Due to these factors, the GSP is anticipated to play only a limited role in the coming years in achieving the policy goals such as reducing the number and operational cost of the government information systems; 2) In the GSP, virtual servers only accounted for 39.8% of all servers of migrated systems; 41.7% of these virtual servers had settings so that the total number of virtually allocated CPU cores did not exceed the number of actual CPU cores, which prevented utilization of virtualization technologies; and 3) Government ministries/agencies had many systems which had not undergone risk assessment when they defined information security requirements; and they did not share the results of system audit carried out for 70.0% of their systems with the Ministry of Internal Affairs and Communications (MIC) .

Therefore, 1) the Cabinet Secretariat should make further efforts to reduce the number and operational cost of the entire government information systems, including the GSP, such as instructing ministries/agencies to ensure efficient operations regarding their systems that are exempt from migration to the GSP; 2) MIC should work with other ministries/agencies to examine the technical and operational feasibility of allocating virtual CPU cores more than actual CPU cores by using virtualization technologies to make further use of them; and 3) Government ministries/agencies should make sure to conduct risk assessment without fail; and MIC should review ways to ensure information sharing by collecting the results of risk assessment and system audit from other ministries/agencies.

The Board of Audit will continue to pay close attention to the development and operations of the GSP as well as the transition of the government information systems to the GSP.

(Notes)

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.

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 a result of audit, 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.