

CHAPTER II SUMMARY OF AUDIT FINDINGS

Section 1. Outline

[Outline of Category]

The audit findings for 2007 are stated below.

- (a) "Improprieties" (Matters which the Board identified in violation of, or improper under laws, regulations or appropriated budget)
- (b) "Presented opinions/Demanded measures" (Matters on which the Board presented its opinions to the Ministers concerned, or demanded measures from the competent authorities concerned, under the provision of Article 34 or Article 36 of the Board of Audit Law (Note))
- (c) "Measures taken" (Matters on which the auditee took remedial measures in response to the inquiries of the Board)
- (d) "Special report to the Diet and the Cabinet" (Article 30-2 of the Board of Audit Law (Note))
- (e) "Special report on audit requested by the Diet" (Article 30-3 of the Board of Audit Law (Note) and Article 105 of the Diet Law)
- (f) "Special report on audit implementation" (Report on audit activities of the Board carried out for specific issues of public concern)

(Note) The Board of Audit of Law (excerpt)

Article 30-2 The Board of Audit may, at any time, report to the Diet and the Cabinet on matters on which the Board presented its opinions or demanded measures under the provision of Article 34 or 36, or other matters which the Board deems particularly necessary to report.

Article 30-3 When the Board of Audit receives a request, from either House, any of the Committees of either House or any of the Research Committees of the House of Councillors, under the provision of Article 105 of the Diet Law (Law No.79 of 1947)(including the case where this is applied by Article 54-4 paragraph 1 of the same Law), it may conduct the audit upon specific matters requested and report the results.

Article 34 In case the Board of Audit finds in the course of its audit, such matters as it deems illegal or improper concerning financial transactions, it may immediately present its opinions upon them to, or demand appropriate measures for them from, the head of the department or persons concerned, and may make them take necessary measures to rectify and improve thereof.

Article 36 In case the Board of Audit finds such matters as it deems necessary to improve with regard to laws and ordinances, systems or administration, it may present its opinions upon them to, or demand measures for them from the competent authorities or other responsible persons.

The number and amount of audit findings in each category are as shown in the following table.

(Unit: 1 million yen)

Category	Number of findings / Reports	Improper amounts ^(Note 1) [Background amounts]
Improprieties	361	10,162.47
Presented opinions / Demanded measures	6 under Article 34	9,321.41 (16,575.09)
	5 under Article 36	(356,742.68) (14,372.26) (175,200.00) (462,956.00) (56,545.10)
Measures taken	65 ^(Note 2)	<53 cases> 11,592.28 (506.62) (166,700.00) (641.10) (4,462.00) (107.61) (8,138.38) (8,993.66) (2,855.10) (32.14) (38.35) (122.02) (2,549.73) (1,192.82) (644.02) (13,014.22) (26,029.27)
(Total for the above categories)	437	<419 cases> 31,064.20 ^(Note 3)
Special report to the Diet and the Cabinet	2 ^(Note 4)	—
Special report on audit requested by the Diet	5	—
Special report on audit implementation	8	—
Grand total	451 ^(Note 5)	<419cases> 31,064.20 ^(Note 3)

(Note 1) Improper amounts represent any deficiency in the collection of taxes or social insurance premiums to be collected; overpayments for construction or purchases; overpayment of subsidies; and any amount of assets stated improperly in the financial statements.

Background amounts represent overall payments and investments made in cases where an inappropriate or unreasonable situation occurred with regard to accounting due to "laws and ordinances," "systems," or "administration," and in cases where problems concerning policies prevented projects from progressing and consequently the investment outcomes were not achieved. Since such payments or investments are not necessarily regarded as "improper amounts" in these cases, the "background amounts" are distinguished from the "improper amounts." The "background amounts" are not totaled up, since the basis for determining the background amounts differs from case to case.

(Note 2) "Measures taken" includes 4 cases that involved both an improper amount and a background amount.

(Note 3) The amount in "Total for the above categories" is not consistent with the aggregated amount of each category, because there is duplicated reporting between "Improprieties" and "Measures taken" and that the duplicated amount is excluded.

(Note 4) Of the 2 reports under "Special report to the Diet and the Cabinet," one is also reported as a "Measures taken". Therefore, the case is duplicated.

(Note 5) The duplicate report (1 report) described in Note 4 was excluded from the total number of cases.

【Outline of Audit Results by Category】

The numbers and amounts of "Improprieties", "Presented opinions / Demanded measures" and "Measures taken" by ministries, agencies and other organizations are as shown in the following table.

(Unit: million yen)

Auditee \ Category	Improprieties		(Note 1) Presented opinions / Demanded measures		Measures taken		(Note 2) Total	
	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
Diet (House of Representatives)					1	69.66	1	69.66
Courts					1	17.14	1	17.14
Cabinet					1	116.11	1	116.11
Cabinet Office (National Police Agency)					1	25.62	1	25.62
Cabinet Office (Financial Services Agency)	1	3.73					1	3.73
Ministry of Internal Affairs and Communications	7	38.17					7	38.17
Ministry of Justice	1	1.50					1	1.50
Ministry of Foreign Affairs	1	2.38			1	174.47	2	176.85
Ministry of Finance	3	1,055.82	③⑥ 1	(356,742.68)	1	9.54	5	1,065.36 (356,742.68)
Ministry of Education, Culture, Sports, Science and Technology	16	274.22			2	241.66	18	515.88
Ministry of Health, Labour and Welfare	181	5,734.20	③④ 1 ③⑥ 1	37.19 (14,372.26)	3	503.84	186	6,267.41 (14,372.26)
Ministry of Agriculture, Forestry and Fisheries	30	963.36	③⑥ 1	(175,200.00)	9	2,804.55 (506.62) (166,700.00)	40	3,767.91 (175,200.00) (506.62) (166,700.00)
Ministry of Economy, Trade and Industry	15	69.35			1	26.76	16	96.11
Ministry of Land, Infrastructure, Transport and Tourism	29	342.85			(Note 3) 11	2,227.25 (641.10) (4,462.00) (107.61) (8,138.38) (8,993.66)	40	2,565.96 (641.10) (4,462.00) (107.61) (8,138.38) (8,993.66)
Ministry of the Environment	1	3.20			1	317.12	2	320.32

Auditee \ Category	Improprieties		(Note 1) Presented opinions / Demanded measures		Measures taken		(Note 2) Total	
	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
Ministry of Defense	1	9.86	㉔ 2	76.05	5	1,249.97 (2,855.10)	8	1,335.88 (2,855.10)
National Life Finance Corporation	1	16.60					1	16.60
Agriculture, Forestry and Fisheries Finance Corporation of Japan					1	60.08	1	60.08
Japan Finance Corporation for Small and Medium Enterprise			㉔ 1	(462,956.00)	1	312.08	2	312.08 (462,956.00)
Japan Finance Corporation for Municipal Enterprises	1	146.55					1	146.55
Japan Bank For International Cooperation	1	8.42					1	8.42
The Promotion and Mutual Aid Corporation for Private Schools of Japan	4	10.34					4	10.34
Japan Racing Association			㉔ 1	(16,575.09)			1	(16,575.09)
The Shoko Chukin Bank					1	11.30	1	11.30
Kansai International Airport Co., Ltd.	1	496.62			1	(32.14)	2	496.62 (32.14)
Japan Post	50	689.73			3	2,586.23	53	3,275.96
Narita International Airport Corporation	1	19.06			2	213.09 (38.35)	3	232.15 (38.35)
East Nippon Expressway Company Limited					2	59.86 (2,549.73)	2	59.86 (2,549.73)
Central Nippon Expressway Company Limited					2	53.95 (1,192.82)	2	53.95 (1,192.82)
West Nippon Expressway Company Limited					2	27.35 (644.02)	2	27.35 (644.02)
National Institute of Agrobiological Sciences					(Note 3) 1	60.08 (122.02)	1	60.08 (122.02)

Auditee \ Category	Improprieties		(Note 1) Presented opinions / Demanded measures		Measures taken		(Note 2) Total	
	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
National Printing Bureau			㉔ 1	224.54			1	224.54
New Energy and Industrial Technology Development Organization	1	3.79					1	3.79
Japan Science and Technology Agency	1	3.52					1	3.52
Japan Society for the Promotion of Science	3	26.10					3	26.10
Japan Aerospace Exploration Agency	1	2.23					1	2.23
National Agency for the Advancement of Sports and Health					1	29.02	1	29.02
Japan Organization for Employment of the Elderly and Persons with Disabilities	2	113.80					2	113.80
Japan Railway Construction, Transport and Technology Agency					1	30.50	1	30.50
Japan Water Agency			㉔ 1	8,983.63			1	8,983.63
Employment and Human Resources Development Organization of Japan	1	44.08					1	44.08
National Hospital Organization	1	23.16					1	23.16
Organization for Small & Medium Enterprises and Regional Innovation, JAPAN			㉔ 1	(56,545.10)			1	(56,545.10)
Urban Renaissance Agency	1	7.24					1	7.24
Hokkaido University	1	5.20					1	5.20
University of Tsukuba	1	19.48					1	19.48
The University of Tokyo	1	21.30			1	25.90	2	47.20
Tokyo Medical and Dental University					1	180.46	1	180.46

Auditee \ Category	Improprieties		(Note 1) Presented opinions / Demanded measures		Measures taken		(Note 2) Total	
	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
Tokyo University of Agriculture and Technology	1	3.00					1	3.00
Shizuoka University	1	3.49					1	3.49
Metropolitan Expressway Co., Ltd.					1	38.22	1	38.22
Hanshin Expressway Company Limited					1	34.65	1	34.65
Kyusyu Railway Company					1	36.72	1	36.72
NTT East Corporation					2	21.10 (13,014.22)	2	21.10 (13,014.22)
NTT West Corporation					2	28.00 (26,029.27)	2	28.00 (26,029.27)
Total	361	10,162.47	11	9,321.41	65	11,592.28	437	(Note 4) 31,064.2

(Note 1) Concerning the item "Presented opinions/Demanded measures," the cases identified with ㉔ refer to audit findings under Article 34 of the Board of Audit Law, and the cases identified with ㉕ refer to those under Article 36.

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

(Note 3) "Measures taken" includes four cases that involved both an improper amount and a background amount.

(Note 4) The amount in the "Total" is not consistent with the aggregated amount of each category, because there is duplicated reporting between "Improprieties" and "Measures taken" (one related to collection of labor insurance premiums and one related to a integrated improvement project for railroad stations) and the duplicated amount is excluded.

Summaries of the matters related to the 437 cases cited above are described below.

Section 2. Improprieties (361 cases)

1. Improprieties related to revenues (11 cases; 3,997.71 million yen)

Ministry or Agency	Budgeting	Taxes	Insurance premiums	Illegal acts	Total
Ministry of Finance	cases	cases 1	cases	cases	cases 1
Ministry of Health, Labour and Welfare			2	3	5
Hokkaido University	1				1
University of Tsukuba	1				1
The University of Tokyo	1				1
Tokyo University of Agriculture and Technology	1				1
Shizuoka University	1				1
Total	5	1	2	3	11

(1) Budgeting (5 cases; 52.47 million yen)

< Improper accounting >

Hokkaido University, University of Tsukuba, The University of Tokyo, Tokyo University of Agriculture and Technology and Shizuoka University

- When teaching staff of involved in national university corporations accepted personal contributions, some of them failed to contribute such funds to their corporations but treated the funds in their personal accounts mainly due to their insufficient understanding, even though they should have contributed the funds to their national university corporations. These constitute improper accounting.
(5 cases; 52.47 million yen)

(2) Taxes (1 case; 821.31 million yen)

< Improper collection of taxes >

Ministry of Finance

- There was an excess or deficiency in taxes collected from 252 taxpayers. Although they had declared wrong amounts for income and tax in the return forms, the tax authorities could not identify the errors or mistakes because their collection or utilization of taxation materials was not appropriate or they simply overlooked those mistakes.
(1 case; 821.31 million yen)

(3) Insurance premiums (2 cases; 3,116.61 million yen)

< Improper collection of insurance premiums >

Ministry of Health, Labour and Welfare

- There was a deficiency in health and/or welfare pension insurance premiums collected from 762 proprietors that hired many temporary employees, including part-time employees. Although they had to submit applications for the qualification of insurance on behalf of those part-time employees who were working continuously, they failed to do so. The investigation, confirmation and guidance by the insurance authorities were not adequate.
(1 case; 2,674.51 million yen)
- There was an excess or deficiency in labor insurance premiums collected from 539 proprietors. Although they had entered wrong amounts for wages in their reports, the investigation and confirmation of the authorities were not adequate.
(1 case; 442.09 million yen)

(4) Illegal acts (3 cases; 7.31 million yen)

< Embezzlement >

Ministry of Health, Labour and Welfare

- When an employee of a Social Insurance Office was engaged in collection activities for employees' pension insurance premiums and other fees, the employee embezzled the funds without depositing the insurance premiums and other amounts accepted in cash directly from delinquent proprietors to the State treasury.
(2 cases; 2.95 million yen)
- When an employee of a National Center was engaged in collection activities for governmental revenues as a cashier belonging to the income official, the employee embezzled the funds without depositing medical service fees accepted in cash directly from patients to the income official.
(1 case; 4.36 million yen)

2. Improprieties related to expenditures (300 cases; 5,475.02 million yen)

Ministry or Agency	Budgeting	Construction	Properties	Services	Insurance benefits	Medical expenses	Subsidies	Loans	Illegal acts	Others	Total
	Cases	Cases	Cases	Cases	Cases	Cases	Cases	Cases	Cases	Cases	Cases
Cabinet Office (Financial Services Agency)	1										1
Ministry of Internal Affairs and Communications							6		1		7
Ministry of Justice									1		1
Ministry of Foreign Affairs									1		1
Ministry of Finance								1	1		2
Ministry of Education, Culture, Sports, Science and Technology							16				16
Ministry of Health, Labour and Welfare	22			20	4	2	126		1	1	176
Ministry of Agriculture, Forestry and Fisheries							30				30
Ministry of Economy, Trade and Industry				2			10	3			15
Ministry of Land, Infrastructure, Transport and Tourism							29				29
Ministry of the Environment							1				1
Ministry of Defense									1		1
National Life Finance Corporation				1							1
Japan Finance Corporation for Municipal Enterprises								1			1
Japan Bank for International Cooperation									1		1
The Promotion and Mutual Aid Corporation for Private Schools of Japan							4				4
Kansai International Airport Co., Ltd.			1								1
Narita International Airport Corporation		1									1
New Energy and Industrial Technology Development Organization							1				1
Japan Science and Technology Agency				1							1
Japan Society for the Promotion of Science							3				3
Japan Aerospace Exploration Agency				1							1
Japan Organization for Employment of the Elderly and Persons with Disabilities				1						1	2
Employment and Human Resources Development Organization of Japan										1	1
National Hospital Organization	1										1
Urban Renaissance Agency										1	1
Total	24	1	1	26	4	2	226	5	7	4	300

(1) Budgeting (24 cases; 185.88 million yen)

< Improper accounting >

Cabinet Office (Financial Services Agency)

- Accommodation allowance was paid as part of travel expenses to an employee working away from his/her family as a job bachelor, despite the fact that the employee had stayed at his/her home during the business trip. As a result, the travel expenses were overpaid.
(1 case; 3.73 million yen)

Ministry of Health, Labour and Welfare

- Labour Bureaus' accounting transactions violated the accounting law and constituted improper accounting. For example, overtime allowances were improperly paid.
(22 cases; 158.98 million yen)

National Hospital Organization

- Obihiro National Hospital conducted improper accounting transactions from the viewpoint of the accounting law, etc. For example, all travel expenses except for those related to new assignments were paid from a fund source of which account was separated from any account of the State or the Organization. For another instance, legitimate travel expenses were not paid to employees, etc. but were transferred to the above-mentioned fund source.
(1 case; 23.16 million yen)

(2) Construction (1 case; 19.06 million yen)

< Inappropriate design >

Narita International Airport Corporation

- When designing anchor bolts used for fixing switchboards, etc. to conduct the repair work of the switchboards, an earthquake resistant method, which would have fitted well with usages of buildings and equipment, was not applied. As a result, maintenance of normal functions of the switchboards, etc. would not be secured in case of an earthquake due to the inappropriate design.
(1 case; 19.06 million yen)

(3) Properties (1 case; 496.62 million yen)

< Inappropriate inspection of contract performance >

Kansai International Airport Co., Ltd.

- Compliance works based on specifications, etc. were not sufficient when a large-scale airport chemical fire engine was procured. As a result, required strength of chassis frames as defined in the specifications was not secured, and parts required in case of a defect have not been kept in Japan.
(1 case; 496.62 million yen)

(4) Services (26 cases; 568.34 million yen)

< Improper payment of outsourcing expenses >

Ministry of Health, Labour and Welfare

- Accounting transactions concerning an outsourcing project for a labor-related research were substantially inappropriate. More specifically, account records and use of the outsourcing expenses could not be verified partly because the required review on payments/settlement of the outsourcing expenses had not been conducted.
(1 case; 177.50 million yen)

< Overpayment of outsourcing expenses >

Ministry of Health, Labour and Welfare

- Regarding an outsourcing project related to regional labor-management employment support projects, the outsourcing expenses were overpaid partly because at least one vendor was abetted in overcharge and partly because expenses unrelated to the outsourcing project were paid.
(1 case; 47.36 million yen)
- Regarding outsourcing projects related to support projects for regional job-seeking activity, the outsourcing expenses were overpaid partly because an unauthorized payment was made from the budget for "outsourcing expenses" and separately recorded from the outsourcing expenses, and partly because expenses unrelated to the outsourcing project were paid.
(17 cases; 117.51 million yen)
- Regarding support project for a regional job-seeking activity and a development project for internship host companies etc., outsourcing expenses were overpaid because personnel expenses including those for excess days of work were paid under the accounting title of outsourcing expenses, although total working days claimed by part-time staff involved in several outsourcing projects exceeded the upper limit of workable days per year.
(1 case; 74.92 million yen)

Ministry of Economy, Trade and Industry

- The outsourcing expenses for a regional autonomy/private sector-utilization type of career education project were overpaid, because personnel expenses were calculated including benefits which had not been related to the outsourcing project and wages which the contractor had not paid in reality.
(1 case; 3.22 million yen)
- Outsourcing expenses related to a support project for leading initiatives in the service industry were overpaid, because personnel expenses of tax-exempt proprietors were calculated including the amount equivalent to consumption tax.
(1 case; 15.88 million yen)

Japan Science and Technology Agency

- Outsourcing expenses for an advanced measurement analysis technology/equipment development project were overpaid, because the re-consigned developer had instructed its vendors to make false transactions by preparing fictitious documents such as false invoices/bills, based on which payment of the purchase related to each false transaction was claimed to the relevant university and was separately booked.
(1 case; 3.52 million yen)

Japan Organization for Employment of the Elderly and Persons with Disabilities

- Outsourcing expenses for the employment stabilization project-related operation and the employment payment-related operation for the persons with disabilities were overpaid because false wages and fictitious travel expenses were included.
(1 case; 109.57 million yen)

< Overestimation of target prices >

National Life Finance Corporation

- When calculating target prices related to the cleaning service contract, the Corporation mistakenly applied previous unit prices in a past fiscal year, although it should have applied the latest unit prices in light of the downward trend of cleaning unit prices in recent years. As a result, the amounts of payments were overpaid.
(1 case; 16.60 million yen)

< Overvalued contracts >

Japan Aerospace Exploration Agency

- Regarding a contract of periodical cleaning services, etc., the stipulated number of workers turned out to be more than the required workforce for the multiple spruce-up operations. As a result, the contract price was overvalued.
(1 case; 2.23 million yen)

(5) Insurance benefits (4 cases; 215.32 million yen)

< Improper payment of insurance benefits >

Ministry of Health, Labour and Welfare

- Old-age pensions were improperly paid to 300 persons. Although the whole or part of the pension was not due to be paid to pensioners who were employed on a regular basis, the employers did not report the fact of employment to the authorities concerned and the investigation, confirmation and guidance of the authorities concerned were not adequate.
(1 case; 107.39 million yen)

- Unemployment insurance benefits were improperly paid to 393 people. Recipients concealed their reemployment or entered an improper date for their reemployment in applications for unemployment benefits, and the investigation and checks of the employment offices concerned were not adequate.
(1 case; 87.39 million yen)
- Subsidies for employment promotion for specified job applicants were improperly paid to 37 entities. The employers improperly applied for the subsidies, by reporting some individuals who had been already employed as new employees through introduction of the public employment security office, for example, which differed with the facts. The investigation and checks by the employment offices concerned were not adequate.
(1 case; 18.02 million yen)
- Unemployment insurance benefits were improperly paid to one employer. The employers incorrectly reported individuals who were ineligible to receive benefits on the application forms for payments of subsidies for past three years under the regional employment development subsidy system. The investigation and checks by the employment office concerned were not adequate.
(1 case; 2.50 million yen)

(6) Medical expenses (2 cases; 747.01 million yen)

< Improper payment of medical expenses >

Ministry of Health, Labour and Welfare

- Medical expenses for the elderly were improperly paid to 200 medical institutions and 66 pharmacies. Although they improperly claimed for medical treatment fees such as basic hospital fees, additional basic hospital fees, home care fees, and pharmacy fees, the investigation and checks of the insurers concerned and their agents were not adequate.
(1 case; 720.03 million yen)
- Payments of the medical insurance for workers' accident compensation insurance were improperly made to 133 medical institutions. Although they improperly claimed for fees for operations and hospitalization, the investigation and checks of the insurers concerned and their agents were not adequate.
(1 case; 26.98 million yen)

(7) Subsidies (226 cases; 2,741.94 million yen)

< Improper execution of projects and improper accounting transactions >

Ministry of Internal Affairs and Communications

- Regarding the merger subsidies project, the state subsidies were overpaid due to inclusion of project expenses related to mergers of which periods were not eligible for the subsidies.
(1 case; 2.77 million yen)

- Regarding projects for improvement of disparities in information and telecommunications access, the relevant subsidies were overpaid, partly because unnecessary access verification testing was designed and partly because costs not eligible for subsidies, such as expenses to prepare map information and installation costs of optical subscriber equipment for empty houses or housing land development areas, were improperly treated as costs eligible for the subsidies.
(4 cases; 20.08 million yen)
- Regarding improvement projects for fire safety/disaster prevention facilities, the entities undertaking the projects submitted false performance reports where actual expenditures of all equipment eligible for subsidies were falsified to exceed base amounts defined in subsidy guidelines. Since the state subsidy base amounts were calculated on the basis of the false reports, subsidies were overpaid.
(1 case; 13.46 million yen)

Ministry of Education, Culture, Sports, Science and Technology

- Regarding the accounting of subsidies for expenditures on public school facilities, costs eligible for the subsidies were over-calculated partly because construction costs for earthquake-proof reinforcement works were excessive and partly because space of buildings not eligible for subsidies were included in areas eligible for subsidies.
(9 cases; 41.03 million yen)
- Regarding the accounting of subsidies for ordinary expenses mainly of private universities (special subsidies to promote advancement of private universities' education and research), an assistant professor instructed vendors to make false transactions by preparing fictitious invoices, based on which payment of the purchase related to each false transaction was claimed to the relevant school juridical person and was separately booked. As a result, the subsidies were overpaid.
(1 case; 3.60 million yen)
- Subsidies for ordinary expenses mainly of private senior high schools were overpaid, because the number of students of private schools, which were not eligible for the subsidies since prefectures did not grant special subsidies, were included in calculation of the subsidies.
(2 cases; 212.77 million yen)
- Subsidies for scientific research funds were overpaid, because chief researchers instructed vendors to make false transactions by preparing fictitious invoices/bills, based on which payment of the purchase money to each false transaction was claimed to each relevant research institution and was separately booked.
(4 cases; 16.80 million yen)

Ministry of Health, Labour and Welfare

- Regarding the accounting of subsidies for administrative costs of medical facilities, operating

expenses eligible for the subsidies were overpaid, because expenditures which should not have been included in operating expenses eligible for the subsidies, such as depreciation expenses on buildings of which renovation works had received the state subsidies and interests paid on bonds issued on implementing renovation works, were included in the operating expenses.

(2 cases; 22.39 million yen)

- When the state contributions for health service expenses was calculated, the number of citizens who received basic health checkups twice or more per year was put into the calculation formula and/or each collected amount related to senior citizens of 70 years or older who received basic health checkups was not excluded from the basic unit price. As a result, the state contributions were overpaid.

(4 cases; 25.85 million yen)

- Subsidies for home welfare businesses were overpaid, partly because personnel expenses for staff without qualification of certified social worker, etc. were included in actual expenditures eligible for the subsidies and partly because people not eligible for provision nursing care products were included in the eligible persons.

(3 cases; 19.28 million yen)

- When submitting requests for the state subsidies, many municipalities failed to comply with the requirements of the relevant regulations concerning the obligations for child-care. These municipalities miscalculated fees collected from the parents of children who are accommodated in nursery schools, and they applied wrong standard rates for fee collection set by the national government, resulting in the excessive subsidies to these municipalities.

(38 cases; 95.69 million yen)

- Subsidies for measures to support the development of the next generation were overpaid, because personnel expenses during normal hours of opening, which were not eligible for the grants, were included in calculating project expenses of overtime childcare promotion project for public nursery schools.

(13 cases; 50.87 million yen)

- When submitting requests for the state contributions, many municipalities failed to comply with the requirements of the relevant regulations concerning social assistance. The assessment of the beneficiaries' income from their work was lower than the actuality, which resulted in the provision of excessive contributions to these municipalities.

(9 cases; 37.19 million yen)

- Regarding calculation of the state contributions for welfare benefits, entities running shelters set basic amounts of administrative expenses based on general administrative unit prices for full-time doctors, although doctors deployed to the shelters were not full-time ones. As a result, the state contributions related to the entities' administrative expenses spent on the shelters were

overpaid.

(1 case; 13.63 million yen)

- The state contributions for disabled persons' protection expenses were overpaid, because the number of full-time doctors was added in the calculation formula, although deployment of the full-time doctors in this case did not meet requirements for such addition.
(1 case; 8.28 million yen)
- Regarding the accounting of subsidies for mental health measures, operating expenses eligible for the subsidies were overpaid, because costs not eligible for the subsidies, such as utility bills necessary for private life of residents in facilities and expenses necessary for sheltered work programs, were included in expenditures eligible for the subsidies.
(7 cases; 23.53 million yen)
- Subsidies for ordinary adjustment of nursing care insurance were overpaid because the basic standard adjustment payment and ordinary adjustment grant ratio were excessively calculated with errors in the amount of nursing care costs and the number of the insured by income level.
(3 cases; 4.07 million yen)
- State contributions for the provision of medical benefits under the national health insurance scheme were overpaid to municipalities because the municipalities failed to deduct the amount of medical benefits to retired employees insured retroactively from the amount of medical benefits to the ordinary insured.
(14 cases; 176.20 million yen)
- Subsidies for financial adjustment under the national health insurance scheme were overpaid to municipalities because the municipalities overestimated the expenditures covered by the adjustment or underestimated the revenues covered by the adjustment.
(31 cases; 567.94 million yen)

Ministry of Agriculture, Forestry and Fisheries

- Regarding a comprehensive measure project to increase self-supplied feeds, the implemented quantity was less than a half of the designed quantity of foundation improvement in a construction work of TMR Center, which systematizes processes from production of self-supplied feeds to preparation of total mixed ration feeds (TMR) and supply to farmers. As a result, the project expenses eligible for subsidies were overpaid.
(1 case; 2.69 million yen)
- In submitting requests for the subsidies for a forest environment preservation project, forestry cooperatives falsely applied predetermined multipliers to relevant expenses and added the multiplied amounts based on claims that they were undertaking the project, although actually forest owners undertook the project either by themselves or by employing other forestry

subcontractors. As a result, the subsidies were overpaid.

(3 cases; 87.18 million yen)

- The objectives of subsidies for a project for promoting the introduction of a traceability system were not achieved, because only a part of the introduced terminal equipment was installed and the remaining part being left packed was stored in a warehouse. The system, which is supposed to provide consumers with information from production, processing, distribution to sales, was not constructed.
(1 case; 243.54 million yen)
- Regarding a development project for business diversification facilities, expenses to be shared with a facility not eligible for the subsidies were not proportionately allocated and the entire expenses of a facility were treated as eligible for the subsidies. As a result, the project expenses eligible for subsidies were overpaid.
(1 case; 4.49 million yen)
- Regarding a fruit tree mutual-aid program, the state contributions for mutual-aid premiums were overpaid because false application had been accepted.
(1 case; 0.75 million yen)
- A recreational water facility under a project to improve community environment was administrated as a paid fishing pond facility although it should have been used as a place of recreation and social exchanges for residents. Therefore, it was considered to be used for purpose other than the subsidized project's intent.
(1 case; 11.95 million yen)
- A land improvement program under a farm road improvement project to be financed by gasoline excise funds for agriculture, forestry and fishery project did not meet application requirements as stipulated in the Land Improvement Law, because the land improvement program was agreed only by less than two thirds of farmland owners within the area relevant to the program. Therefore, implementation of the project was not considered as appropriate.
(1 case; 444.57 million yen)
- The objectives of a farm road environment improvement project were not achieved in greening a cut earth surface. Although based on the surface slope and soil conditions, the vegetation substrate spraying method should have been selected, the seed spraying method was actually selected. Due to the inappropriate design, plants were not sufficiently growing and the cut surface was progressively weathering and eroding.
(1 case; 4.20 million yen)
- The objectives of a project to maintain water and soil preservation forestry were not achieved in a installation work of earth retaining structures in a gulch, because impacts of the gulch stream

on the earth retaining structures had not been considered sufficiently in designing the structures. Due to this inappropriate design, stability of the earth retaining structures might be damaged.
(1 case; 2.02 million yen)

- Regarding a costal preservation facility improvement project, the required safety level of seawalls was not secured due to inappropriate design. More specifically, in coating stones (of which main function was to protect basic ripraps of seawalls) was designed, the required mass was calculated based on a different wave from the design wave set by a costal manager.
(1 case; 2.58 million yen)
- Regarding a project for strengthening fisheries cooperatives' management foundation, the project expenses eligible for subsidies were overpaid, because expenses related to the Festival for Preservation and Development of Hometown Sea were included in the project expenses eligible for the subsidies. However, the expenses should not have been considered as eligible in light of the subsidized project's objective of promoting mergers of fisheries cooperatives in a systematic manner.
(1 case; 6.01 million yen)
- A parking lot and multi-purpose plaza, which had been constructed within a site for a fishing port facility developed under a fishing port repair project, was not available to visitors to a fishing port environment improvement facility, but was used as a parking lot only for specified residents for purposes other than the subsidized project's intent.
(1 case; 3.40 million yen)
- Regarding an integrated improvement granted project for rural development, the required safety level of a retaining wall was not secured due to inappropriate design. More specifically, in calculating stability of the gravity concrete retaining wall against sliding caused by earth pressure, the earth pressure was calculated based on a false assumption where configuration of the earth surface behind the retaining wall was treated as if it were flat, although in reality it was sloping outside road width.
(1 case; 1.50 million yen)
- Regarding an integrated improvement project for a field area, the original design was changed by using concrete plates inside a spillway which was to be installed in a balancing reservoir. Accordingly, the bending moment was estimated to increase from that in the original design. And yet, the stress calculation was not reconsidered at all. As a result, the required safety level of a spillway was not secured due to the inappropriate design.
(1 case; 5.05 million yen)
- Regarding an IT food chain establishment project, the project expenses eligible for subsidies were overpaid because contract prices of system development/equipment maintenance eligible for the subsidies were overcharged.
(1 case; 18.70 million yen)

- Regarding a project for management capacities improvement facilities construction, the amount of the tax credit for the consumption tax on subsidized purchases was not returned to the State, although it should have been done.
(4 cases; 15.66 million yen)
- Subsidies for expenses on a wheat/soybeans quality enhancement measure were overpaid, because production percentages of soybeans which met quality requirements were overestimated and thereby subsidies related to soybeans were over-calculated.
(8 cases; 39.03 million yen)
- Regarding a project for stabilizing wood demand and supply, the project expenses eligible for subsidies were overpaid, because personnel expenses were calculated by including days when the personnel had been involved in operations other than the project eligible for the subsidies.
(1 case; 69.96 million yen)

Ministry of Economy, Trade and Industry

- The objectives of a subsidized project to construct and maintain resource circulating regional development facilities (know as the Eco-Town Project) were not achieved, because purchased measurement equipment with defects was not incorporated in a production line of a recycling facility and was left unused.
(1 case; 3.00 million yen)
- Regarding a project for developing recycling area of used paper, the project expenses eligible for subsidies were overpaid, because calculation of contractor's personnel expenses was not based on the actual payments.
(1 case; 5.04 million yen)
- Regarding accounting of subsidies to support the establishment and reform of the management of small and medium-sized companies, subsidies for the project expenses were overpaid partly because the subsidized expenses included costs without payment records and partly because previous costs spent before applications for the subsidies had been approved.
(5 cases; 14.85 million yen)
- Regarding accounting of subsidies to support a project for region setting up power resources, subsidies were partly overpaid because construction costs or outsourcing expenses for design had been overestimated and partly because design quantity in construction had been calculated excessively.
(3 cases; 13.84 million yen)

Ministry of Land, Infrastructure, Transport and Tourism

- Regarding a public drainage project for specific environment preservation, the required safety level of a reactor tank was not secured due to inappropriate design. More specifically, when the

reactor tank was designed, stress calculation for normal time and the calculation in case of Level 1 earthquake were mistakenly omitted.

(1 case; 32.15 million yen)

- Regarding a normal erosion control project, the required safety level of an upper structure of the bridge was not secured due to inappropriate design. More specifically, when a system for preventing collapse of the bridge was designed, the structure for preventing collapse of the bridge was mistakenly not installed.
(1 case; 7.28 million yen)
- Project expenses for reconstructing a road were overpaid due to miscalculation. More specifically, when relocation fees for steel-frame buildings was calculated, width categories of H-section steel as main structures of the buildings were mistakenly applied, based on which the buildings' "Ku-shape" steel weights and durable years were determined.
(4 cases; 18.21 million yen)
- Regarding a project for street construction, the required safety level of a bridge abutment was not secured due to inappropriate design. More specifically, when foundation of the bridge abutment was designed, the allowable vertical bearing capacity of the basal ground was calculated based on a wrong figure of effective setting depth of the foundation.
(1 case; 26.45 million yen)
- Regarding a project for street construction, the required safety level of a retaining wall was not secured due to inappropriate design. More specifically, when the retaining wall made of PC-wall was designed, B-type PC wall was mistakenly selected for an interval where C-type PC wall with higher strength than B-type had been recommended as more safe material in accordance with the design calculation.
(1 case; 10.41 million yen)
- Regarding accounting of subsidies for public housing rents, subsidies were overpaid because the rents for neighboring houses, which formed the basis for the calculation of the basic subsidy, were overestimated or because the tenant's basic share, the amount of which was to be deducted from the basic subsidy, was underestimated.
(5 cases; 19.57 million yen)
- Regarding an emergency erosion control project related to disasters, safety of an entire revetment might be damaged and the objectives of the construction work were not achieved due to inappropriate design and inappropriate construction. More specifically, when the iron wire basket-type multistage revetment was designed, a certain prefecture mistakenly specified the multistage revetment body to be connected to protection work of the basic part. As for the construction process, the contractor failed to have a confirmation from the prefecture about how to connect the multistage revetment body with each iron wire basket, and thereby only a half of

the total length of iron wire baskets were connected.

(1 case; 1.85 million yen)

- A family ski resort, which had been developed as a snow recreation facility under an integrated improvement project for snowy region's comfortable environment, has never been used since the completion up to the present day due to heavy slope of the access road and other reasons. Therefore the objectives of subsidies were not achieved.

(1 case; 40.78 million yen)

- Regarding a project for reconstructing a road, the required safety level of a retaining wall was not secured due to inappropriate design. More specifically, when the retaining wall was designed, neither anti-sliding measures nor earth pressure of embankment, which was to be constructed behind the retaining wall, was considered.

(1 case; 7.77 million yen)

- Regarding a project for promoting improvement of public facilities related to rivers, the required safety level of an upper structure of a bridge was not secured due to inappropriate design. More specifically, when a system for preventing collapse of the bridge was designed, the structure for preventing collapse of the bridge was mistakenly not installed.

(1 case; 4.30 million yen)

- Regarding a project for reconstructing a road, the objectives of the construction work were not achieved due to inappropriate design and inappropriate administration. More specifically, in designing a vegetation substrate to protect a cut earth surface, any fences to prevent deer from entering the place were not designed although the region was inhabited by many deer. As for the administration, any early action to install such fences was not taken even after the feeding damages caused by deer were confirmed. As a result, plants were extinguished in many places.

(1 case; 17.57 million yen)

- Regarding an improvement project for maintaining traffic safety facilities, an entire revetment might be damaged and the objectives of the constructive work were not achieved due to inappropriate design. More specifically, in changing the design of setting depth of the revetment foundation, any proper measures to cope with scour were not taken although the setting depth was substantially insufficient.

(1 case; 4.29 million yen)

- Regarding an urban park project, the objectives of a construction work were not achieved due to inappropriate design. More specifically, when a planting method for a vegetation substrate was selected, a vegetation mat substrate, which was not suitable for construction on hard soil, had been adopted without any hardness testing of soil. As a result, plants were not growing sufficiently enough to expect positive effects of preventing erosion and weathering by means of prospering plants on the cut earth surface.

(1 case; 4.24 million yen)

- Town development subsidies for a project to utilize existing building structures were overpaid, because the subsidies were calculated including costs not eligible for the project such as purchase costs of consumable supplies.
(1 case; 13.02 million yen)
- Regarding a public drainage project, compensation for relocating water pipes was overpaid because the compensation included the consumption tax. When a tax credit was applicable to the consumption tax on purchases, the consumption tax should not be included in the compensation.
(1 case; 5.73 million yen)
- Public housing was not properly managed, because open recruitment for tenants as prescribed in the Public Housing Law was not conducted and only the employees of specific local companies were allowed to live there.
(1 case; 8.12 million yen)
- Regarding a project for reconstructing a road, the required safety level of lightweight fill was not secured due to inappropriate design. More specifically, when the lightweight fill made of large-size foam polystyrene blocks was designed, it was not checked as to the point that loads concentrated on lower-level blocks in sections where the inclination angle of backside ground was sharper than 45 degrees.
(1 case; 10.46 million yen)
- Regarding a project for constructing a local road for emergency, the required safety level of a bridge abutment and other parts was not secured due to inappropriate design. More specifically, when the documents for the contract were prepared, concrete with the intensity lower than a safety level was mistakenly specified to be used in cast-in-place piles which form the foundation of the bridge abutment.
(1 case; 71.92 million yen)
- Regarding a river improvement and repair project, compensation for relocating buildings and other facilities were overpaid mainly due to improper calculation of compensation related to foundation piles of buildings.
(1 case; 12.90 million yen)
- Regarding an integrated improvement project for railroad stations (a transportation facilitation project), subsidies were overpaid because the paid outsourcing construction costs included the amount equivalent to consumption tax in compensation construction costs, which in reality were exempted from the consumption tax. In addition, conditions of payments for the compensation were violated because part of the transportation facility was not handed over to the project operator.
(1 case; 10.93 million yen)

- Regarding a project for promoting regional tourism, subsidies for the project expenses were overpaid, partly because they included costs related to works provided free by volunteers and costs related to materials provided free by vendors and partly because the reported contract amount was more expensive than the actual payment.
(1 case; 4.81 million yen)
- Regarding a project for constructing and maintaining a satellite-based traffic control/dispatching system for taxis, one case was determined not to be eligible for the subsidies, because the project implementing body had partially purchased equipment not eligible for the subsidies against its performance report, and thereby the number of vehicles with equipment eligible for the subsidies being installed fell below the requirements for the subsidies.
(1 case; 10.00 million yen)

Ministry of the Environment

- The objectivities of subsidies for a project to upgrade waste disposal facilities were not achieved, because an ash melting facility which had been upgraded under the project was left out of order due to improper maintenance and inappropriate administration.
(1 case; 3.20 million yen)

The Promotion and Mutual Aid Corporation for Private Schools of Japan

- Subsidies for operating expenses at private universities were overpaid, because the amounts of the subsidies were calculated based on the materials submitted by the academic corporations that included data such as the number of students and/or full-time teachers who were not eligible for the subsidies.
(4 cases; 10.34 million yen)

New Energy and Industrial Technology Development Organization

- Regarding accounting of subsidies for a research and development project for practical application of a new business opportunity created by a university, subsidies were overpaid because the research developer had instructed its vendor to make false transactions by preparing fictitious documents such as invoices/bills, based on which payment of the purchase related to each false transaction was claimed to the academic corporation and was administered by the vendor.
(1 case; 3.79 million yen)

Japan Society for the Promotion of Science

- Regarding accounting of subsidies for scientific research funds, subsidies were overpaid because representative researchers and other staff had instructed their vendors to make false transactions by preparing fictitious documents such as invoices/bills, based on which payment of the purchase related to each false transaction was claimed to each relevant research institution and was separately booked.
(3 cases; 26.10 million yen)

(8) Loans (5 cases; 392.49 million yen)

< Improper accounting of loans >

Ministry of Finance and Japan Finance Corporation for Municipal Enterprises

- Loans were excessively overpaid to local authorities which were supposed to implement hospital upgrading projects, because carrying-over project expenses to the current fiscal year from the unused loan facilities eligible for floatation during the previous fiscal year were not excluded, although they should have been excluded.

(2 cases; 378.98 million yen)

Ministry of Economy, Trade and Industry

- The objectives of the state loans related to loans financing equipment funds for small-sized companies were not achieved, partly because borrowers were not using the equipment for production activities but utilizing only for research and development activities, which did not meet the loan requirement of having fair potential to enhance added value from the onset, and partly because borrowers installed the equipment at the costs of lower amounts than the project expenses eligible for the loans.

(3 cases; 13.50 million yen)

(9) Illegal acts (7 cases; 42.87 million yen)

< Embezzlement >

Ministry of Internal Affairs and Communications

- While engaged in preparing checks as an advance fund payment officer's aide, an employee of the Administrative Evaluation Office embezzled cash by preparing a false check without permission and converting it into cash.

(1 case; 1.84 million yen)

Ministry of Justice

- While engaged in office duties including payment as an advance fund payment officer's aide, an employee embezzled advanced money by replacing an official treasury fund transfer slip with a false slip which designated the employee's saving account or other related account as its beneficiary.

(1 case; 1.50 million yen)

Ministry of Foreign Affairs

- While engaged in preparing checks, a local employee of an embassy embezzled cash by preparing a false check with falsified signature of an advance fund payment officer and converting it into cash.

(1 case; 2.38 million yen)

Ministry of Finance

- While engaged in refunding the state tax, an employee of a local tax office embezzled tax refund by illegally using the refund processing system terminal and preparing documents of payment resolution for the false refund and others.
(1 case; 2.07 million yen)

Ministry of Health, Labour and Welfare

- While engaged in examination of workers' accident compensation insurance payment, an employee of a local labor standards supervision office embezzled benefits of disability lump-sum payment, etc. by preparing a written claim with false description, based on which the benefits were transferred into a saving account of the employee's acquaintance, who had opened the account by request from the employee without being informed of the situation.
(1 case; 16.78 million yen)

Ministry of Defense

- While engaged in office duties including payment of child allowance, an employee of the Maritime-Self-Defense Force embezzled cash by forging documents of payment resolution and others.
(1 case; 9.86 million yen)

Japan Bank for International Cooperation

- While engaged in office duties including accounting cash and preparing checks, a local employee of an overseas representative office embezzled cash by preparing a written claim with inflated quantity and pretending to have paid the excess money to a vendor or by converting a false check into cash.
(1 case; 8.42 million yen)

(10) Others (4 cases; 65.44 million yen)

< Improper payments of nursing care benefits >

Ministry of Health, Labour and Welfare

- Nursing care benefits under the nursing care insurance were improperly paid to five nursing care service providers due to insufficient inspections against improper claims. More specifically, the service providers did not calculate their rewards for nursing care based on the required time classification of their service providing hours. Or they did not make the required subtraction although the number of doctors fell short of the required level stipulated by the Medical Care Law. As a result, the state contributions related to these five cases were improperly paid.
(1 case; 9.88 million yen)

< Improper payments of subsidies >

Japan Organization for Employment of the Elderly and Persons with Disabilities

- Subsidies for creating joint employment opportunities mainly for elderly persons were

improperly paid to one proprietor due to insufficient inspections against untrue and incorrect claims. More specifically, the proprietor submitted untrue and incorrect application and other documents in which unpaid expenses even after six months from the date of organizing registration were treated as if they had been already paid, and yet the untrue and incorrect description was overlooked.

(1 case; 4.23 million yen)

Employment and Human Resources Development Organization of Japan

- Subsidies to ensure basic human resources for small and medium-sized companies were improperly paid to 24 proprietors due to insufficient inspections against untrue and incorrect claims. For example, the proprietors submitted untrue and incorrect applications and other documents in which personnel with working experience during the past three years in the relevant proprietor's company were treated as if they had been newly employed, and yet such untrue and incorrect description was overlooked.

(1 case; 44.08 million yen)

< Improper payment of compensation >

Urban Renaissance Agency

- Compensation for relocating buildings and other facilities was overpaid, because a higher rate than the right one was mistakenly used for non-wood buildings in applying correction factor by district to calculation of the compensation.

(1 case; 7.24 million yen)

3. Improprieties unrelated to revenues or expenditures (50 cases; 689.73 million yen)

Agency	Illegal acts
Japan Post	Cases 50
Total	50

(1) Illegal acts (50 cases; 689.73 million yen)

< Embezzlement >

Japan Post

- Employees of post offices embezzled the money such as funds kept by those post offices, postal savings deposits accepted from depositors and insurance loans by illegally preparing necessary documents for loans to policyholders.

(50 cases; 689.73 million yen)

Section 3. Presented opinions / Demanded measures (11 cases)

1. Cases for which the Board demanded rectification and measure for improvement measures under the provision of Article 34 of the Board of Audit Law (6 cases)

Ministry of Health, Labour and Welfare

- Estimate of target prices in outsourcing contracts for data entry and other operations concerning notification related to coverage of health insurance and employees' pension insurance

Social Insurance Agency has been outsourcing data entry and other related operation concerning various notification and others necessary to administrate the health insurance project and the employees' pension insurance project. When the Board conducted audits on the Agency's estimate of target prices in those outsourcing contracts, it found out that efficient functions of data entry equipment were not utilized in calculating the data entry costs, and that any economical delivery company was not used in calculating costs for delivering notification and relevant documents. Therefore, the Agency should avoid duplicated data entry by setting a fixed item for multiple items where the identical data are entered and thereby define the number of characters to be entered. The Agency should also compare the following two cases of costs for delivering notification and relevant documents; a case where a contractor delivers those documents and a case where an economical delivery company is used.

(1 case; improper amount: 37.19 million yen)

Ministry of Defense

- Payments of installation allowances

The Ministry of Defense shall pay installation allowances as part of travel expenses to new post to any member of the Ground-, Maritime- and Air-Self-Defense Force who is assigned to a new post in accordance with personnel reshuffle in order to provide that person with accommodation allowances and other expenses such as courtesy call costs until he or she finds new residence after his/her arrival to the new work location. Under provisions of the Law on Travel Expense concerning Government Officials, the allowances are determined to be equivalent to five days' fixed per diem allowances plus five nights' fixed accommodation allowances. Meanwhile, in case that a newly posted Self-Defense Force member moves in housing for government officials immediately after his/her arrival to the new work location, payments of the above-mentioned allowances as specified by the Law is recognized as inappropriate in light of the principle of calculating travel expenses, and for this reason, the payments shall be subject to subtraction adjustments such as by reducing the amount to be equivalent to two days' fixed per diem allowance plus two nights' fixed accommodation allowances. However, the Board found out that, at 14 Self-Defense Force bases in total, installation allowances for five days and five nights were paid without any confirmation on accommodation-related expenses in case where newly posted Self-Defense Force members could not move in housing for government officials immediately after their arrival and stayed at either their family home or acquaintance home. Therefore, the Ministry should clearly define the rule of subtraction adjustments of installation allowances for two days and two nights applied to those stay at either their family home or acquaintance home to be treated as moving in housing for government officials immediately

after the arrival without incurring any accommodation allowances.
(1 case; improper amount: 35.90 million yen)

- Liability for payment for electricity charges on electric appliances used by Self-Defense Force officials in their private rooms at their quarters

Self-Defense Force officials who take up residency in quarters at the Air-Self-Defense Force's bases and other facilities are allowed to privately use electric appliances such as TVs and refrigerators if they get permission from base commanders or other authorized persons. In principle, electricity charges on these electric appliances should be individually paid by such Self-Defense Force officials. In reality, however, the Board has found out that the payment for those electricity charges is entirely borne by the State as part of operation expenses of Self-Defense Force bases and other facilities. Therefore, each base of the Air-Self-Defense Force should conduct surveys on actual conditions of private usage of electricity appliances in quarters. It should also set rules about the private use of electricity appliances and the relevant charges, and thereby oblige the relevant officials to fairly bear the payment liability for electricity charges based on their private usage.

(1 case; improper amount: 40.15 million yen)

Japan Racing Association

- Proper contract administration for service contracts

When the Board conducted audits on the Japan Racing Association's contracts, it found out that some of their service contracts could be shifted to competitive contracts without any particular difficulty in ensuring the fairness of horse racing. It also found out that a negotiated contract covering the Association's entire operations in an integrated manner could be partially shifted to competitive contracts by dividing its operations into the following two categories; a category for operations on which a competitive contract would pose problems for ensuring the fairness and the other category for operations on which a competitive contract would not pose any particular problems. Therefore, the Japan Racing Association should (1) shift service contracts (including those concluded with its subsidiaries) in which no particular difficulty is recognized in ensuring the fairness of horse racing to competitive contracts based on conditions of facilities and status of operations, and (2) for shifting the negotiated contracts to the competitive contracts, consider whether problems for ensuring the fairness would occur under a competitive contract and deliberate measures to cope with such potential problems, and should clarify the timing and procedures of shifting to competitive contracts for areas free from such problems.

[1 case; background amount: 16,575.09 million yen (aggregated amount of negotiated contracts which could be shifted to competitive contracts)]

National Printing Bureau

- Service contract for processing official gazette extra editions and other publications

The National Printing Bureau has been concluding the service contracts for processing official gazette extra editions and other publications on a negotiated basis for many years. Considering

the fact that all operations under the contracts have already been computerized, the Board believes that they could be processed without any particular difficulty by printers who are skilled in conducting printing processes such as mechanical and composition on PC screens only if the Bureau articulates product specifications and edit formats. The operations under the contracts have been conducted at the National Printing Bureau's factory, with raw materials, machinery and equipment, utilities and other items of manufacturing costs being provided free of charge by the Bureau. As a result, the required costs mostly consist of labor costs. However, when estimating the target prices, the Bureau failed to consider these actual conditions and simply applied unit prices which were based on the assumption that the contractor conducts operations at its own premises. The Bureau also determined proofreading time and other conditions without conducting sufficient verification on what it heard from the contractor about the operations. As a result, the Board found out that the Bureau overestimated the target prices, which sharply diverged from the actual conditions of operations. Therefore, the Bureau should review the negotiated contracts and introduce competitive contract methods. It should also make its estimate of contract unit prices more economical, reflecting the actual conditions of operations.

(1 case; improper amount: 224.54 million yen)

Japan Water Agency

- Accounting of fixed assets in association with reconstruction of Toyokawa Water facilities

The Board found out that the Japan Water Agency did not book facilities only for agricultural use, which had been acquired free of charge after having been reconstructed under a prefectural irrigation and drainage project, as fixed assets in its financial statements. This is because the Agency had no provisions on asset values to be booked and accounting methods to be applied for fixed assets acquired free of charge. Therefore, the Agency should make provisions on asset values to be booked and accounting methods to be applied and thereby prepare financial statements with accurate asset values being recorded.

(1 case; improper amount: 8,983.63 million yen)

2. Cases for which the Board presented its opinions under the provision of Article 36 of the Board of Audit Law (5 cases)

Ministry of Finance

- The National Printing Bureau's land and funds derived from land transfer income, etc.

The National Printing Bureau inherited funds such as cash and deposit of 13,017.74 million yen, business-purpose land of 193,446.10 million yen, lease land of 103,786.41 million yen and other assets from the former Printing Bureau Special Account when it was reorganized as an independent administrative agency in April 2003. At the end of FY2006 which was the end of the fourth year of mid-term target period, the Bureau was holding funds of 78,502.58 million yen, which exceeded the estimated fund amount of 47,815 million yen as of the end of mid-term target period (the end of FY2007) by about 30,000 million yen, as well as land of 278,240.10

million yen including lease land of 85,527.67 million yen. Among the above-mentioned funds, 49,886.29 million yen were classified as long-term operation funds. Among the land transfer income, the amount equivalent to a half of gain on the land sales will be paid to the Treasury at the end of mid-term target period, while the amount equivalent to book value of the land will be continuously held by the Bureau due to no provisions of return to the State. The Board did not consider this arrangement for the asset inherited from the Special Account as proper from the viewpoint of efficient utilization. Therefore, the Ministry of Finance should consider the optimal size of the National Printing Bureau's assets, and should develop a proper system so that unnecessary assets can be returned to the Treasury.

[1 case; background amount: 356,742.68 million yen (aggregated amount of the National Printing Bureau's holding funds and land as of the end of FY2006)]

Ministry of Health, Labour and Welfare

- Subsidies mainly for project expenses to support coalition for the national health insurance

For the purpose of coalition of municipal operations for the national health insurance project and stabilization of public finance, subsidies mainly for project expenses to support coalition for the national health insurance have been paid to 45 prefectures. Based on these subsidies, the prefectures established and formed funds mainly to support coalition for the national health insurance and extended interest-free loans and similar financial transactions. However, the Board found out that substantial amounts of subsidies were not effectively used but left idle. For example, two-thirds of the prefectures which established the funds had never extended loans, and the cumulative amount of loans extended by the remaining prefectures with loan records accounted for only 25% of the funds on average. Therefore, the Ministry of Health Labour and Welfare should promote effective use of the funds by reviewing loan terms and other measures. It should also review project details in response to insurers' status in each prefecture.

[1 case; background amount: 14,372.26 million yen (payment amount of the state subsidies in association with the funds formed by 45 prefectures)]

Ministry of Agriculture, Forestry and Fisheries

- Management of the agricultural disaster compensation system (agricultural crops mutual aid)

The Ministry of Agriculture, Forestry and Fisheries has been managing the agricultural disaster compensation system, under which agricultural mutual aid associations or municipalities (hereafter simply "the associations" for short) have been conducting the agricultural crops mutual aid project while federations of agricultural mutual aid associations have been conducting the agricultural crops insurance project. The State has been contributing substantial amounts as the Treasury payment for mutual aid premiums every year. With this background, the Board audited surpluses generated from mutual aid premiums and insurance premiums, each of which is held by the associations and the federations, respectively, as part of payment sources for the mutual aid money and the like. It also audited reversal conditions of reserved surpluses, which serve as financial source to make up for fund shortage. As a result, it found out that the associations and the federations held substantial amounts of surpluses generated from mutual

aid premiums and insurance premiums and that they reversed large amounts of the reserved surpluses without sufficiently considering whether they might have any difficulty in making up for fund shortage in the future. Therefore, the Ministry of Agriculture, Forestry and Fisheries should take measures to make management of the agricultural crops mutual aid project and the agricultural crops insurance project more appropriate and thereby prevent substantial surpluses from being generated from mutual aid premiums and insurance premiums held by the associations and the federations. The Ministry should also present a concrete measure so that associations and the federations can consider, before reversing their reserved funds, whether they may have any difficulty in making up for fund shortage in the future.

[1 case; background amount: 175,200 million yen (amount of surpluses generated at 142 associations and 23 federations from FY1987 to FY2006)]

Japan Finance Corporation for Small and Medium Enterprise

- Effectiveness of a finance project provided for credit guarantee corporations

The Board audited how the Japan Finance Corporation for Small and Medium Enterprise extended long-term loans to credit guarantee corporations. As a result, it founded out the following: (1) With regard to guaranteed loans at financial institutions to which long-term funds have been deposited, there were divergences between amounts of deposits and outstanding amounts of guarantee liabilities, failing to indicate any sufficient relevance of increase between deposits and guarantee liabilities. (2) Judging from the finance project's objective of contributing to proper growth of guarantee liabilities, the current loan method based on outstanding amounts of guarantee liabilities of each credit guarantee corporation could not be expected to have sufficient effects, because the growth of guarantee liabilities and promotion of political guaranteed loan for small and medium enterprises largely depended on each credit guarantee corporation's initiatives to promote guarantees as well as economic conditions within each jurisdiction. (3) There was little necessity to further strengthen the guarantee foundation of most credit guarantee corporations by means of the finance project because balance of revenues and expenditures and basic financial status of these corporations became ample except for some corporations. (4) Interest rates on loans to each credit guarantee corporation continuously remained at low levels based on the deposit status as of FY1993 without any reviews, irrespective of changes in the deposit conditions. Therefore, with regard to amounts and methods of loans to credit guarantee corporations, the Japan Finance Corporation for Small and Medium Enterprise should review the current method based on outstanding amounts of guarantee liabilities of each credit guarantee corporation and consider the shift to a new method which will sufficiently take into account each credit guarantee corporation's initiatives to promote guarantees. It should also review interest rates on loans to these corporations.

[1 case; background amount: 462,956.00 million yen (outstanding amount of loans to credit guarantee corporations as of the end of FY2006)]

Organization for Small & Medium Enterprises and Regional Innovation, JAPAN

- Administration of capital contribution and support to third-sector corporations whose capital is invested by Organization for Small & Medium Enterprises and Regional Innovation, JAPAN

The Board audited affiliated companies among third-sector corporations whose capital is invested by the Organization for Small & Medium Enterprises and Regional Innovation focusing on whether projects were conducted in line with objectives of capital contribution and whether the contribution to capital was properly administered. As a result, it found out that many affiliated companies became in poor business conditions and could not run operations in line with the objectives of capital contribution mainly due to decreased users. And yet, the Organization failed to build any systems so as to share information with the affiliated companies as a group organization and/or so as to provide effective management support. The Board also found out that the Organization did not use networks with local branches although its affiliated companies whose capital is invested by the Organization were scattered across the nation or that it did not sufficiently cooperate with local governments, the other major capital investors. Therefore, the Organization should properly support the affiliated companies by developing operation systems so as to utilize unified administrative standards on the administration of these affiliated companies and/or networks with local branches. In case that improvement is hardly expected even after the support, the Organization should thoroughly consult with local governments and properly administrate the contribution to capital to the affiliated companies for collection of the contribution to capital.

[1 case; background amount: 56,545.10 million yen (paid-in capital contribution to affiliated companies)]

Section 4. Measures taken (65 cases)

Diet (House of Representatives)

- Estimate of the security unit price for security operation to check visiting vehicles to Diet Members' Building

The security unit price for security operation to check visiting vehicles to Diet Members' Building was overestimated, because the number of rotating staff for guards to take turns resting was included in the number of required staff in the estimate mainly due to insufficient understanding of the actual security operation.

(1 case; improper amount: 69.66 million yen)

Courts

- Use of the movies printed in 35 mm films acquired in accordance with service contract on movie making for advertisement of a citizen judge system

Regarding the movies printed in three 35 mm films acquired in accordance with service contract on movie making for advertisement of a citizen judge system, one of them was used only once

with no rental records against the objectives of film acquirement. This is mainly because the Courts had not sufficiently conducted concrete surveys/considerations on the films in advance nor did not consider use plans of the acquired films nor did not sufficiently inform municipalities and other relevant agencies of a rental system of the films and so on.

(1 case; improper amount: 17.14 million yen)

Cabinet

- Estimate of security expenses for the operation to secure government buildings

Security expenses for the operation to secure government buildings were overestimated because actual rest time slot was included in the amount of required time in the estimate due to insufficient understanding of the actual security operation.

(1 case; improper amount: 116.11 million yen)

Cabinet Office (National Police Agency)

- Calculation of subsidies for expense of prefectural police facilities improvement

Subsidies for a project to improve prefectural police facilities were overpaid partly due to discrepancies between a calculation table and actual works and partly due to ill-defined application of a baseline table. More specifically, based on the baseline table stipulating areas eligible for the subsidies and a unit price table stipulating unit price per unit area, the Prefectural Polices prepared the calculation table in which required amounts were calculated for each section such as car barns, rifle ranges or piling. However, areas of improved car barns and rifle ranges as well as structures of the car barns were different from those stipulated in the calculation table. Moreover, coverage of areas eligible for the subsidies as stipulated in the baseline table and application of unit price for piling work as stipulated in the unit price table were not clear.

(1 case; improper amount: 25.62 million yen)

Ministry of Foreign Affairs

- Administration of loans to finance return-home expenses

Regarding the Ministry's administration of loans to finance return-home expenses, necessary measures such as reminder notice were not properly taken mainly due to lack of any clear provisions about concrete loan collection methods. Loans to be collected and uncollectible loans had been mixed for its administration for many years.

(1 case; improper amount: 174.47 million yen)

Ministry of Finance

- Calculation of per-diems and accommodation allowances for officials on long overseas business trips

Calculation of per-diems and accommodation allowances for officials on long overseas business trips was not proper partly because classification of the destination, a basic item for calculating travel expenses, was not described clearly enough to be identified in relevant documents, and

partly because the address of a local office to serve as a service base was not treated as the destination of such a trip.

(1 case; improper amount: 9.54 million yen)

Ministry of Education, Culture, Sports, Science and Technology

- Calculation of subsidies for ordinary expenses of private universities (special subsidies to promote advancement of private universities' education and research)

Regarding calculation of subsidies for ordinary expenses of private universities (special subsidies to promote advancement of private universities' education and research), instructions on how to write reports on education and research activities, which serve as basis in calculating payment of the subsidies, were not necessarily clear. As a result of this and the other factors, the number of adoption cases for subsidies for scientific research expenses in association with teachers who were not listed in the Special Expenses Plan for Graduate Schools as Education and Research Bases (Annex Individual List) was mistakenly included in the report and, instead of the number of patents applied by the relevant university, which should have been reported, the number of patents applied by teachers and others was mistakenly reported. Therefore, the subsidies were overpaid.

(1 case; improper amount: 63.49 million yen)

- Settlements of grants for a special assistance project for art creation activities

Regarding a special assistance project for art creation activities, the Ministry concluded service contracts whereby the maximum amount of grants and amount of grants based on that maximum amount were determined before each performance or other demonstration of these activities. And yet, grants were paid after the performance or other demonstration without going through any settlement procedures, due to insufficient consideration on measures to cope with cases where the amount of grants exceeded the maximum amount of grants determined on the basis of actual revenue and expense for the performance or other demonstration.

(1 case; improper amount: 178.17 million yen)

Ministry of Health, Labour and Welfare

- Accounting of an outsourcing project for labor-related surveys

Regarding an outsourcing project for labor-related surveys, the Ministry did not specifically stipulate objectives of the outsourcing project and matters for surveys/reports, etc. in the outsourcing contracts and other relevant documents. Moreover, it did not sufficiently grasp implementation status of the outsourcing project and accounting status of the outsourcing expenses, etc. nor provided each prefecture with proper guidance. As a result, each prefecture, serving as the contractor, used the outsourcing expenses for purposes which did not have clear relevance with matters for surveys/reports in the outsourcing project, and did not properly keep the accounting of the outsourcing project.

(1 case; improper amount: 78.21 million yen)

- Application of proxy payments for nursing care insurance premiums in the public assistance system

The objectives of the state subsidies for public assistance were not achieved because of insufficient application of proxy payments for nursing care insurance premiums. More specifically, entities undertaking the public assistance project, such as municipal welfare office, did not sufficiently provide the assistance recipients with guidance about proper payments of nursing care insurance premiums nor sufficiently cooperated with municipal departments in charge of collection of nursing care insurance premiums, and thereby did not precisely grasp the assistance recipients' unpaid status of nursing care insurance premiums. As a result of this and other factors, households which had received welfare benefits for the purpose of paying their nursing care insurance premiums remained not paying the premiums, and nevertheless preventive measures such as application of proxy payments were not sufficiently taken.

(1 case; improper amount: 417.81 million yen)

- Utilization of correction information on unpaid wages

Labor insurance premiums were not collected in full amounts due to non-utilization of correction information on unpaid wages at prefectural labor bureaus and labor standard inspection offices. More specifically, when selecting employers subject to a basic survey on calculation of labor insurance premium, the department in charge of collection of labor insurance premiums did not utilize correction information on unpaid wages acquired by the department in charge of its supervision. As a result, in calculating labor insurance premiums of employers who had already paid previous unpaid wages after receiving direction from the department in charge of its supervision, the paid wages subject to the direction were not included in the aggregated amount of wages, causing shortage in labor insurance premiums collected.

(1 case; improper amount: 7.82 million yen)

Ministry of Agriculture, Forestry and Fisheries

- Implementation of a project to facilitate distribution of breeding cattle

Continuous implementation of a project to facilitate distribution of breeding cattle became less and less necessary, because livestock dealers activated the livestock distribution progressively and a beef cattle escrow project was smoothly promoted with the expanding scale of beef cattle feeding. And yet, drastic reconsiderations on the project to facilitate distribution of breeding cattle, including abolishment of the project, were not taken, because reviews were not sufficiently based on achievement status of the objectives and effects of the project.

[1 case; background amount: 506.62 million yen (amount of incentive payments for FY2006)]

- Procedures for project expenses eligible for subsidies in a project to foster green tourism business

On calculating the subsidies for a project to foster green tourism business, the amount

equivalent to tuitions collected from students/audience was not deducted from costs of organizing workshops although the amount should have been deducted. As a result, subsidies were overpaid.

(1 case; improper amount: 22.42 million yen)

- Calculation of the number of hydrants to be installed in installation of pipelines for rice field irrigation

The number of hydrants to be installed as ancillary facilities to pipelines for rice field irrigation was over-calculated, partly because the calculation was based on the lowest water pressure within individual agricultural district without any consideration on actual water pressure working within the pipelines. One of underlying causes was attributed to insufficient guidelines on how to make economical calculation so as to reflect actual water supply capacity of hydrants.

(1 case; improper amount: 77.93 million yen)

- Calculation of investment efficiency for a farm road improvement project and a land readjustment project, etc.

Investment efficiency for a farm road improvement project and a land readjustment project was not properly calculated partly due to insufficient recognition of proper calculation for such investment efficiency. After project implementation, effects expected in the project plan were not sufficiently realized, with the actual achievement value of annual effects from those projects remaining below the target value, partly due to insufficient recognition of importance of precisely understanding achievement status of the project plan.

[1 case; background amount: 166,700.00 million yen (payment amount of the state subsidies for districts with subsidized projects of which calculation of investment efficiency was inappropriate)]

- Planting treatments in a forest road construction work

With regard to planting treatments in a forest road construction work under project for maintenance of forest and community environment, etc., the construction objective of preserving landscape through stabilized slopes and greening was not achieved. More specifically, plants did not come out or were destroyed at some spots in the area of planting treatment because a scheme by which a repair work would be obliged in case of poor growing conditions in a mandatory plant survey after the planting treatment was not established.

(1 case; improper amount: 354.96 million yen)

- Coverage and calculation method of expenses eligible for subsidies for a project to stabilize wood demand and supply

Subsidies for a project to stabilize wood demand and supply were overpaid, because coverage and calculation method of expenses eligible for the subsidies had not been clearly stipulated. For example, office expenses, which were not spent on the project but were incurred in

association with normal operation of an organization, were included in expenses eligible for the subsidies.

(1 case; improper amount: 98.54 million yen)

- Evaluation on operation status of facilities developed by a woody biomass-related project

Regarding product manufacturing facilities and other facilities developed by a woody biomass-related project, remedial measures, such as timely and appropriate management guidance by small and medium enterprise management consultants or preparation for management improvement plans by project implementing bodies as required, were not taken for poor-performing facilities with low achievement rate in terms of utilization and others, because criteria for evaluating achievement reports on project plans had not been clearly stipulated.

(1 case; improper amount: 852.67 million yen)

- Contribution of subsidies for a project to dispose of unnecessary fishing boats/fishing equipments and calculation of subsidies for a support project to encourage suspension of fishing

Regarding a project to dispose of unnecessary fishing boats/fishing equipments, as one of the payment requirements for the subsidies, funds for subsidies should have been fairly contributed by all surviving fishermen who, in the future, would benefit from fish stock recovered by decreases in fishing boats. However, due to lack of any concrete provisions in guidelines and other relevant documents to describe how to contribute fairly the funds for fishermen who dispose of at least one of their boats, the fund contributors were confined to the surviving fishermen who disposed of at least one of their boats. Irrespective of the failure to meet the payment requirement, the subsidies were paid. As for a support project to encourage suspension of fishing, consideration on how to account fixed costs of fleet in a case of disposing at least one boat during project for suspension of fishing was not sufficiently taken. Even if the fixed costs of fleet eligible for the subsidies decreased due to the decreased number of boats, the same amounts of subsidies were paid as before disposal of boats. As a result, the subsidies were overpaid.

(1 case; improper amount: 1,322.28 million yen)

- Calculation of sales appraised price of rice for mixed feed

Due to lack of precise understanding of actual usage by each livestock category, sales appraised price of rice for mixed feed was determined by simply averaging appraised value of each livestock category. As a result, the sales appraised price was under-calculated.

(1 case; improper amount: 75.75 million yen)

Ministry of Economy, Trade and Industry

- Efficient fund usage in a subsidized project by the New Industry Creation Fund for Coal Mining Area, partially financed by the state subsidies

Regarding a subsidized project by the New Industry Creation Fund for Coal Mining Area, when

a tax credit was applicable to the consumption tax on project expense eligible for the subsidies on the final return, subsidized corporations did not bear the amount equivalent to the tax credit. However, due to lack of clear payment guidelines and other relevant documents on how to handle the consumption tax in a subsidized project, the subsidized amount equivalent to the tax credit was not returned but retained by the subsidized corporations. As a result, the fund was not efficiently utilized.

(1 case; improper amount: 26.76 million yen)

Ministry of Land, Infrastructure, Transport and Tourism

- Administration of land which became ordinary property due to abolishment of part of river area and other relevant reasons

Regarding land which became ordinary property due to abolishment of part of river area in association with a repair work of the river, etc. and which has belonged to the general account under the jurisdiction of the Ministry of Land, Infrastructure, Transport and Tourism, the land was not properly administrated partly because Regional Development Bureaus and prefectures failed to implement required procedures in accordance with the relevant laws and regulations, and partly because they did not sufficiently understand actual conditions of the land. More specifically, in some cases, the land was used without permission, and in other cases, the land which was no longer the national property was continuously registered in the national property ledger. There were still other cases where the land was administered as ordinary property, although it should have been administered as administrative property.

[1 case; background amount: 641.10 million yen (value registered in the national property ledger for the land used without permission, etc.)]

- Procedures for compensated construction costs in an integrated improvement project for railroad stations (a smoother transportation project)

Regarding an integrated improvement project for railroad stations (a smoother transportation project), required costs for compensated construction works related to relocation of railroad facilities should have been treated differently from required costs for installation works of facilities for smoother transportation, in which the subsidized enterprise shall acquire the facilities because the former case was exempted from the consumption tax on the ground that the outsourced railroad operators of the subsidized project shall acquire the facilities. However, the state subsidies were overpaid to the subsidized enterprise by the amount equivalent to the consumption tax on the subsidies for compensated construction costs because the payment guidelines and other relevant documents did not stipulate the separation between the construction of smoother transportation facilities and the compensated construction.

(1 case; improper amount: 56.66 million yen)

- Management of facilities developed for the purpose of pilot program of Smart Interchange

Regional Development Bureaus and other agencies did not fully understand the management for facilities and goods which had been procured in accordance with outsourcing contracts concerning the pilot program of Smart Interchange. As a result, these facilities were not

properly managed from the viewpoint of the State property management. More specifically, some of these facilities were not recorded in account ledgers and/or several facilities were continually provided to each relevant company free of charge even after full-scale operation until the renewal date.

[1 case; improper amount: 1,033.58 million yen, background amount: 4,462.00 million yen (project expenses to develop Smart Interchange facilities, etc.)]

- Selection of backfilling materials used in conduit line installation works

Regarding conduit line installation works under a state subsidized project, project implementing bodies such as prefectures and municipalities used new sands as backfilling materials to protect conduit lines although reconditioned sands could have been used. As a result, the project was not economical nor reduced pressure on the environment. Besides, if use of reconditioned sands would not lead to economical work currently, project implementing bodies had been expected to promote use of reconditioned sands by stipulating use of reconditioned sands in the drawing and specification and other relevant documents and thereby contributing to increase of supply of reconditioned sands. However, the project implementing bodies did not stipulate use of reconditioned sands in the drawing and specification and other relevant documents and did not strive to promote use of reconditioned sands.

[1 case; improper amount: 22.18 million yen, background amount: 107.61 million yen (amount equivalent to state subsidies related to the estimate of backfilling material costs which are not economical as it stands)]

- Procedures for return of state subsidies related to penalties to the State in case of bid-rigging, etc.

If bid-rigging occurs for construction works to be subsidized by the State under the jurisdiction of the Ministry of Land, Infrastructure, Transport and Tourism, local authorities, construction implementing bodies, should recover damages incurred by the bid-rigging, promptly receive penalties and return the state subsidies related to the penalties to the State. However, local authorities did not return the state subsidies related to received penalties to the State or they did not claim penalties, partly because they did not have sufficient recognition or knowledge on these matters and partly because the Ministry did not specify procedures for return of the state subsidies related to penalties to the State.

[1 case; improper amount: 831.56 million yen, background amount: 8,138.38 million yen (amount equivalent to state subsidies related to contracts which did not claim penalties)]

[This case was reported to the Diet and Cabinet on September 28, 2007 in accordance with the provision of Article 30-2 of the Board of Audit Law.]

- Procurement of work uniforms for officials of Regional Development Bureaus and their local offices

Regional Development Bureaus and their local offices did not economically procure work uniforms for their officials. In some cases, they did not specify standard specifications although

their services did not differ among them. For another example, because headquarters of Regional Development Bureaus and their local office did not sufficiently consider concluding all contracts of their departments, individual departments separately procured work uniforms in the same specifications and/or procurement cost substantially differed among them.

(1 case; improper amount: 43.07 million yen)

- Work-type selection for calculation of indirect construction costs in zones under the river high-water countermeasure

Regarding calculation of indirect construction costs in zones under the river high-water countermeasure, the work-type selection was not appropriate partly because Regional Development Bureaus and prefectures, project implementing bodies did not sufficiently understand the work-type selection in the estimation standard, and partly because whether a work-type "coastal construction" should be applied or "river construction" should be applied was not always clearly stipulated in the estimation standard.

(1 case; improper amount: 45.80 million yen)

- Estimate of construction cost of riprap leveling and other related operations using diver boats in a development and maintenance work for harbor facilities

Construction costs of riprap leveling and other related operations using diver boats in a development and maintenance work for harbor facilities were overestimated, because the estimate was calculated based on the assumption that one diver went aboard to conduct riprap leveling and other related operation, which did not reflect commonly observed cases where two divers went aboard to economically work at 15 meters or more below the surface of the sea and to efficiently ensure their working hours.

(1 case; improper amount: 67.14 million yen)

- Earlier effects of implementing a tunnel construction and maintenance project

Regarding a tunnel construction and maintenance project, which requires substantial amounts of investment costs, effects of implementing the project were not promptly taken into consideration. In fact, due to insufficient understanding of site acquisition required to implement the project smoothly, the construction works were suspended since the relevant site for the tunnel could not be acquired against the initial expectation.

[1 case; background amount: 8,993.66 million yen (project expenses spent on suspended tunnel construction audited)]

- Necessary surveys to prepare flood hazard maps

Flood hazard maps were not properly prepared due to insufficient recognition of the importance of conducting precise surveys based on actual river conditions. More specifically, flood adjustment capacities of planned dams were factored in the estimation of flood volume, although the start dates of construction works for the planned dams were not yet decided. Based

on such unrealistic flood volume, flood analysis and other surveys were conducted.
(1 case; improper amount: 13.21 million yen)

- Calculation of the interest payment related to advance compensations for the lapse or limit of fishing right due to harbor project

The Ministry of Land Infrastructure, Transport and Tourism did not specify the calculation method of interest payment related to advance compensations for lapse or limit of the fishing right due to harbor projects. As a result of this and other factors, there were discrepancies between the actual interest payment amounts determined by repayment methods of each principal and interest payment amounts related to advance compensations calculated by project implementing bodies, such as the State or/and local authorities.

(1 case; improper amount: 114.05 million yen)

Ministry of the Environment

- Credit management of land rent charges for comprehensive facilities in National Parks

Credit management of land rent charges for comprehensive facilities in National Parks was not timely and properly conducted partly due to insufficient recognition of fulfilling its mission. For example, decision making on conducting investigation for debtors was delayed because notification of new credit was not promptly prepared. In case of nonpayment of land rent charge, the reminder of the payment was not sufficiently made to the debtor. For another instance, permission for land rent could have been cancelled in case the debtor had not paid for the land rent charges for a long period. However, the debtors repeatedly received a permission for land rent.

(1 case; improper amount: 317.12 million yen)

Ministry of Defense

- Claim for medical service fees related to basic fees for hospitalization at hospitals of Self-Defense Forces

Although hospitals of Self-Defense Forces, as an insurance medical institution engaged in medical services, have system for careful nursing system, they did not sufficiently consider the classification of basic fees for hospitalization, which should have been determined mainly based on the number of nursing staff. As a result, their medical service fees calculated on the basis of the classification which reflects the actual nursing conditions was not charged.

(1 case; improper amount: 60.41 million yen)

- Unit price for crane operation charges in the service contract for transport

Regarding the annual service contract for transport of ammunition, parts and others to troops and its related crane operation, charges related for the crane operation were overpaid, partly because the relevant market price was not taken into account in deciding the unit cost of crane operation charges, and partly because it calculated premium for dealing with hazardous items

including hours ineligible for the crane operation charge, and partly because it did not select economical transport methods.

(1 case; improper amount: 80.70 million yen)

- Custody of sonobuoys procured by the Maritime-Self-Defense Force

Custody of sonobuoys procured by the Maritime-Self-Defense Force was not properly conducted. More specifically, some of the sonobuoys had been in custody for more than three years because the Self-Defense Force did not make it a rule to use sonobuoys in chronological order by setting measures such as change in control of sonobuoys, of which use was not planned within the three-year quality warranty period, to air stations or other bases which would use sonobuoys more frequently.

(1 case; improper amount: 443.16 million yen)

- Promotion of utilization of the nap room in the waiting station at the harbor for naval vessel crew

The nap room was not properly managed in the waiting station maintained and operated for the purpose of helping crew members relieve fatigue on the berth of escort vessels and submarines, etc. More specifically, both the officials in charge of managing the waiting station at the harbors and the officials on each vessel in charge of using the waiting station assigned the nap rooms to crew members of vessels and other boats in an inflexible manner. As a result of this and other factors, the nap room was continuously assigned to and occupied by specific marines, which caused low-level utilization of the nap room.

[1 case; background amount: 2,855.10 million yen (value of the naval vessel crew waiting station registered in the national property ledger as of the end of FY2006)]

- Recording of heavy machine guns in the inventory administration book

The Ground Self-Defense Force did not stipulate a unified method for recording heavy machine guns in the inventory administration book among its troop units and others. As a result of this and other factors, quantities and other measurements were under- or over-reported in documents for the inventory administration prepared by officials in partial charge of controlling inventory. Consequently, reports on increase or decrease in the inventory of owned properties, and outstanding amounts did not precisely show the actual quantities because they were based on the above-mentioned documents.

(1 case; improper amount: 665.70 million yen)

Agriculture, Forestry and Fisheries Finance Corporation of Japan

- Calculation of expenses necessary for preparation of working papers in the project for research delegated to prefectures

Regarding expenses for preparation of working papers delegated to prefectures, the calculation method was not reviewed in light of changes in the number of working papers to be prepared.

As a result, expenses for preparation of working papers were calculated almost as the same amount as that in the previous fiscal year although the number of working papers to be prepared actually decreased.

(1 case; improper amount: 60.08 million yen)

Japan Finance Corporation for Small and Medium Enterprise

- Collection of insurance premiums for the credit insurance for small and medium enterprises

When collecting insurance premiums for the credit insurance for small and medium enterprises, credit guarantee corporations installed wrong programs in their computer system or input incorrect data on final accounts. As a result, the Japan Finance Corporation for Small and Medium Enterprise was informed of wrong risk rates for default of debtors and could not determine the proper insurance rate. Consequently, the insurance premiums were over- or under-collected.

(1 case; improper amount: 312.08 million yen)

The Shoko Chukin Bank

- Application of discounts on fire insurance contracts

Regarding fire insurance contracts which the Shoko Chukin Bank concluded to cover its headquarters and branches, the Bank did not have sufficient understanding of the contents or did not review insurance coverage, although various discounts were newly provided owing to deregulation of contents of fire insurance contract. As a result, these discounts were not applied and payments for fire insurance premiums turned out to be uneconomical.

(1 case; improper amount: 11.30 million yen)

Kansai International Airport Co., Ltd.

- Administration and disposal of derelict cars in the airport parking lots

It took a long period for the Kansai International Airport Co., Ltd. to conduct any survey to identify a derelict car in the airport parking lots and also to change the status of overdue-parking cars to "custody" and then to "disposal", partly because the Airport did not stipulate concrete criteria to dispose of derelict cars. As a result of this and other factors, the Airport had to dispose of derelict cars without collecting the overdue parking fees. Therefore, the administration and disposal of derelict cars were not appropriate.

[1 case; background amount: 32.14 million yen (amount equivalent to parking fees for 61 derelict cars in case of proper administration and disposal <estimation>)]

Japan Post

- Administration of fixed assets related to electric substation equipments for received power, etc. of an information system

The Japan Post did not write-off some of their fixed assets in its fixed asset ledger, although these fixed assets had not been serving for business and in the future as well, partly because it

did not notify departments in charge of decision on non use of the owned properties. As a result, the Japan Post overpaid fixed asset tax to municipalities where the Japan Post-owned properties have been located because the calculation was based on the incorrect fixed asset ledger as mentioned above.

(1 case; improper amount: 2,106.92 million yen)

- Abolishment of a reward payment system for cooperative work to maintain the beauty of mail boxes

The reward payment system for cooperative work to maintain the beauty of mail boxes was not considered as necessary because both outsourcing and implementation of such work remained inactive and because the beauty could be sufficiently maintained by cleaning services, etc. provided by employees of collection and delivery stations. Nevertheless, the Japan Post did not sufficiently consider the necessity of the cooperative work to maintain the beauty of mail box nor examined the effects after the introduction of the work. As a result, the Japan Post did not conduct reviews including consideration on abolishment of the system.

(1 case; improper amount: 291.05 million yen)

- Estimate of outsourcing expenses at the Postal Saving Centers

Outsourcing expenses were overestimated, partly because the headquarters of the Japan Post did not sufficiently understand each estimate prepared by the Postal Saving Centers and did not sufficiently provide instructions such as a unified guideline for estimate of outsourcing expense. More specifically, although reported working hours, which shall form a basis of the estimate, did not reflect the actual working hours, the unrealistic reported working hours were used in the estimate without any reviews. For another instance, regarding the unit price of personal expense for short-hours workers, employers' contributions to unnecessary social insurance premiums, etc. were added to the estimate.

(1 case; improper amount: 188.26 million yen)

Narita International Airport Corporation

- Administration and disposal of derelict cars in the airport parking lots

It took a long period for the Narita International Airport Co., Ltd. to conduct any survey to identify a derelict car in the airport parking lots and also to relocate overdue parking cars to a "custody" section and then to "disposal". As a result of this and other factors, the Airport had to dispose of derelict cars without collecting the overdue parking fees. Therefore, the administration and disposal of derelict cars were not appropriate.

[1 case; background amount: 38.35 million yen (amount equivalent to parking fees for 189 derelict cars in case of proper administration and disposal <estimation>)]

- Payments of subsidies for noise control works at schools and other facilities

Regarding payments of subsidies for noise control works at schools and other facilities, area eligible for the subsidies was designated based on projections on noise intensity and frequency

around the Airport and the subsidies were paid to every school and other facility within the area. As a result, the subsidies were paid even to schools and other facilities which did not meet conditions of noise intensity and frequency for the subsidies stipulated in notifications, etc. (1 case; improper amount: 213.09 million yen)

National Institute of Agrobiological Sciences

- Implementation of a gene bank project

Regarding a gene bank project, the National Institute of Aerobiological Sciences did not confirm existence of exchangeable germ plasm when it concluded the agreement on exchange of holding germ plasm. Payments of monthly wages to part-time employees did not reflect actual working conditions where these employees were engaged in assistant work for research work other than outsourcing project.

[1 case; improper amount: 60.08 million yen, background amount: 122.02 million yen (part-time employees' wages in the performance report on the outsourcing project)]

National Agency for the Advancement of Sports and Health

- Calculation of rents of offices, etc. among sports facilities and others

Calculation of rents of offices, etc. among sports facilities and others differed depending on tenants because the National Agency for the Advancement of Sports and Health did not set up its own rent calculation standards. More specifically, the Agency made it just a practice not a rule to collect rents calculated in accordance with the national government's standards, and due to lack of the rent calculation standard, occasionally applied different rent amounts from the amounts calculated in accordance with the national standards.

(1 case; improper amount: 29.02 million yen)

Japan Railway Construction, Transport and Technology Agency

- Calculation of outsourcing expenses for services such as providing meals to residents of employees' dormitory

Regarding outsourcing services such as providing meals to residents of employees' dormitory in response to those residents' requests, the outsourcing expenses were over-calculated. For example, Saturday was defined as a meal service day although the residents' requests for meals were substantially fewer during week-ends than working days. For another instance, the calculation did not reflect actual working conditions of the relevant service workers.

(1 case; improper amount: 30.50 million yen)

East Nippon Expressway Company Limited, Central Nippon Expressway Company Limited and West Nippon Expressway Company Limited

- Calculation of part-time workers' wages for the toll collection service

When calculating part-time workers' wages for the toll collection service on expressways, the Expressway Companies did not precisely recognize the actual situation of such busy hours to

require part-time workers. As a result of this and other factors, they applied the unit price of labor for the 24-hour day and night services, and their calculations turned out to be uneconomical.

[3 cases; improper amount: 59.86 million yen (East Nippon Expressway Company Limited), 53.95 million yen (Central Nippon Expressway Company Limited), 27.35 million yen (West Nippon Expressway Company Limited)]

- Reduction of life cycle costs for coating a steel highway bridges

When selecting specifications for a heavy-duty coating of highway bridges, the Expressway Companies did not clarified criteria for choosing between C2 coating and C4 coating, partly because they did not calculate a service life of the coating which was necessary to estimate entire costs covering from construction to maintenance and repair, namely life cycle costs. As a result, economical coating was not ensured.

[3 cases; background amount: 2,549.73 million yen (East Nippon Expressway Company Limited), 1,192.82 million yen (Central Nippon Expressway Company Limited), 644.02 million yen (West Nippon Expressway Company Limited) (amounts of effects in case of applying C4 coating instead of C2 coating <estimate in 40 years>)]

Metropolitan Expressway Co., Ltd.

- Implementation system to maintain and administrate ETC equipment, etc.

Regarding a team system of emergency response services which maintain and administrate ETC equipment, etc., the number of teams was determined without sufficient understanding of the actual implementation of such services. Therefore, the Company did not consider organizing teams from an economical standpoint, such as reducing the number of teams during a time slot when actual needs for such service are very few.

(1 case; improper amount: 38.22 million yen)

Hanshin Expressway Company Limited

- Estimate of labor expenses for ETC observers in the toll collection service

When estimating labor expenses for ETC observers in the toll collection service on expressways, the Company did not make consideration, much enough to ensure proper personnel arrangements in response to change in traffic volume by time slot. As a result, the labor expenses were overestimated with ETC observers being assigned for a whole day (24 hours).

(1 case; improper amount: 34.65 million yen)

The University of Tokyo

- Calculation of rents of land and buildings

When calculating rents of land and buildings, the University of Tokyo did not sufficiently consider the purport of taking temporal easing measures to prevent a rapid increase in the rents

for tenants who had been permitted to use the national properties before FY2003. Because of this and other factors, in case rents for the second half of FY2004 calculated on the basis of book value of fixed assets exceed 1.05 times of the national property rent charge for FY2003, the University took temporal easing measures such as setting the rents at 1.05 times of the rent charge for FY2003. Therefore, there were substantial discrepancies between rents calculated by applying temporal easing measures and rents calculated on the basis of book value of fixed assets related to new leasing. As a result, the University did not collect proper rents, which damaged the fairness of rents.

(1 case; improper amount: 25.90 million yen)

Tokyo Medical and Dental University

- Methods of service contract and rental contract of facilities and goods, etc.

When concluding a service contract, etc., the Tokyo Medical and Dental University did not sufficiently consider ensuring the fairness, competitiveness and transparency of the contract. Because of this and other factors, the other party of the contract with insufficient ability to implement the service in the contract, made a subcontractor to implement most of the service. Moreover, the University concluded a negotiated contract based on its judgment of designating the services as a case where competition was not allowed from the viewpoint of the nature or purposes of the contract, although other companies were capable of implementing the services in the contract. As a result, the contract methods were not appropriate.

(1 case; improper amount: 180.46 million yen)

Kyushu Railway Company

- Calculation methods for horizontal force at supporting part of a railway bridge in the design

When calculating horizontal force to Level 2 earthquake motion at supporting part of a railway bridge in the design, Kyushu Railway Company did not apply the maximum horizontal seismic intensity of the lower structure which was to be connected with the supporting part, partly because the Company did not sufficiently recognize how to handle the maximum horizontal seismic intensity of the lower structure in earthquake-resistant design of the supporting part. As a result, equipment and other installations of the supporting part did not have sufficient seismic resistance. Therefore, the aseismic capacity II, which refers to a capacity to promptly restore structure functions after an earthquake, was not secured at supporting part of a railway bridge.

(1 case; improper amount: 36.72 million yen)

NTT East Corporation and NTT West Corporation

- Administration of telephone poles under supervision

Regarding the administration of telephone poles under supervision, several inspections were not conducted in accordance with the inspection cycle due to insufficient recognition of the importance of conducting inspections in compliance with the inspection policy and other relevant directions under administration rules. In addition, some branch offices were not

equipped with pole testers because of insufficient consideration on how many pole testers should be installed. As a result, inspections were not properly conducted in accordance with the inspection policy and other relevant directions.

[2 cases; background amounts: 13,014.22 million yen (NTT East Corporation), 26,029.27 million yen (NTT West Corporation) (amount equivalent to fixed assets of the telephone poles under supervision)]

- Implementation systems concerning confirmation of actual performances of communication equipment installation and other relevant works at subscribers' homes

Regarding communication equipment installation and other relevant works at subscribers' homes, the NTT Corporations did not have manuals on how to confirm actual performances and did not clearly define criteria for the scope of applying extra common expense for the process to the outsourcing expense, when applicable. As a result, confirmation of performances and claims for its expenses were not properly made and the outsourcing expenses were overpaid.

[2 cases; improper amounts: 21.10 million yen (NTT East Corporation), 28.00 million yen (NTT West Corporation)]

Section 5. Special report to the Diet and the Cabinet (2 cases)

- (1) Improvements made in the state subsidized projects undertaken by local authorities under the jurisdiction of the Ministry of Land, Infrastructure, Transport and Tourism by stipulating and publicizing provisions on how to return the state subsidies related to penalties in case of bid-rigging (see page 86).
- (2) Operation status of the independent administrative agencies which were reorganized from special public corporations, etc.

The Board of Audit conducted the field audits of 25 agencies among the independent administrative agencies which were reorganized from special public corporations, etc.

The audit findings were summarized as follows: (1) Regarding their finance, some agencies without any particular reasons did not adopt the segmentation method, by which the subsidized administrative costs shall be separately recorded by year of the payment, although they were supposed to adopt the above-mentioned method in principle as the transfer method for the liability of the subsidized administrative costs. Meanwhile, several other agencies took account of amounts with little potential to be used by the end of final fiscal year for the mid-term objectives when calculating administrative costs to be subsidized, and deducted the whole or part of the subsidized administrative costs. (2) Regarding operational achievements, more than 90% of graduates of some school facilities found employment which did not conform to the founding objectives of those school facilities. As for operation of residence facilities and related facilities, many residents of some facilities did not meet with the founding objectives. Apart

from this, several facilities were too slow to make progressive preparation toward the abolishment. As for operation of large-scale facilities, several facilities earned more than 80% of their total earnings from usages which did not conform to each operating agency's objectives. (3) Regarding the contracts with affiliated corporations, most of the agencies concluded negotiated contracts according to their justification which states "competition is not allowed from the viewpoint of its nature or purposes."

Therefore, the Board advises as follows: Concerning (1), the relevant agencies should consider adopting the segmentation method as the transfer method for the liability of the subsidized administrative costs. The agencies which consider themselves as holding amounts with little potential to be used by the end of final fiscal year for the mid-term objectives when calculating administrative costs to be subsidized should consider deducting the whole or part of the holding amounts. Concerning (2), the agencies running school facilities should take full account of social needs and should consider each facility's ways of being including its scale. The agencies running residence facilities and related facilities should hand over or transfer these facilities promptly on as advantageous conditions as possible according to plans, while also paying attention to market conditions. The agencies running large-scale facilities should consider each facility's ways of being on the basis of the founding purposes as stipulated in the "Law concerning the Independent Administrative Agencies". Concerning (3), the competitiveness and transparency of contracts with affiliated corporations should be enhanced and more economical and efficient operation should be secured. Moreover, the Board found out that some agencies did not set up numerical targets for their operation achievement in their mid-term objectives. Therefore, the Board advises that they should set up appropriate numerical targets by taking account of the operational nature as well as being based on the founding objectives of each agency, when they prepare the next mid-term objectives.

The Board will continue to audit financial affairs and operational management status including operational achievements of each independent administrative agency.

Section 6. Special report on audit requested by the Diet (5 cases)

(1) Audit results concerning Official Development Assistance (ODA)

In response to the audit request from the House of Councillors, the Board of Audit reported the audit results concerning Official Development Assistance (ODA) in September 2006. Furthermore, the Board conducted audits and surveys (including the field audits) on (1) outsourcing contracts to development consultants, NPOs and other entities and (2) the execution status of emergency aid following the Sumatra offshore earthquake.

Concerning (1), the Board identified the re-consignment contracts, which had been condemned for inappropriate accounting and improper payment procedures in the previous audits in

association with 13 projects between Japan International Cooperation Agency (JICA) and consultants in 11 countries, as being 34 cases involving Pacific Consultants International (PCI) and 2 cases involving OYO Corporation, which had formed a consortium with PCI, totaling 36 cases whose total amount from improper billings to JICA reached 90.41 million yen. With regard to this finding, it is necessary for the Ministry of Foreign Affairs and JICA to continuously strengthen countermeasures against fraud and also strive to prevent a future recurrence. The Board will continue to audit ODA-related outsourcing contract with consultants, with special attention on the re-consignment contracts to monitor whether they are properly implemented.

Concerning (2), because facility construction works under the non-project financial aid projects to disaster-affected countries have made progress since the end of March in 2006, the payment percentages (as defined as the ratio of the amount already paid to the grant amount) increased from 20.5% at the end of March in 2006 to 62.7% at that of 2007 in the Republic of Indonesia, from 30.2% to 80.9% in the Republic of Maldives, and from 42.8% to 77.5% in the Democratic Socialist Republic of Sri Lanka in the same annual comparison. Meanwhile, among these projects, the Board found out that in some cases, benefit packages were not yet delivered in their full amounts although contracts had been concluded and that in some other cases, once-concluded contracts were cancelled. Because these projects were implemented as emergency aid, they must be used for prompt disaster recovery and restoration. Therefore, the Board will continue to audit the payment progress and report the audit results upon completion.

(2) Audit results concerning misconduct at Japan Broadcasting Corporation

In response to the audit request from the House of Councillors, the Board of Audit conducted the field audits concerning misconduct at Japan Broadcasting Corporation often called NHK (hereafter "the Corporation") for (1) accounting of program production costs, etc., (2) execution of structural improvements to prevent a future recurrence of misconduct and (3) surpluses of affiliated organizations.

Concerning (1), the Board did not find out illegal cases such as fictitious claims and fictitious business trips in particular as far as the Board audited the documents concerning broadcasting expenses and travel expenses, etc., in which fraudulent accounting transactions or improper accounting transactions had been previously made.

Concerning (2), the Board did not find out improper cases in particular as far as the Board checked documents and heard explanation from involved parties and thereby inspected implementation status of the Corporation's measures to promote proper accounting practices, etc. with the ultimate goal of preventing a future recurrence.

It is necessary for the Corporation, which has been striving to enhance functions to prevent fraudulence under FY2007 Action Plan to Promote Compliance, to implement these initiatives

in a convincing way. Therefore, the Board will continue to audit implementation status of the Corporation's measures to enhance functions to prevent fraudulence and accounting in general including program production costs.

Concerning (3), retained earnings of 33 organizations among the Corporation's 34 affiliated organizations excluding Health Insurance Association amounted to 88.6 billion yen in total as of the end of FY2005. Among these organizations, the Corporation's 19 direct investment subsidiaries were at large recognized as financially sound. Most of transactions with the affiliated organizations were based on negotiated contracts. Amounts equivalent to outsourcing labor costs related to employees dispatched from the Corporation were at the same level of salaries, etc. for the Corporation's employees. As for verification on appropriateness of outsourcing expenses, the Corporation did not go so far as to check documentary evidence, etc.

Based on the above, the Corporation is advised to continuously take account of the direct investment subsidiaries' asset conditions such as amounts of retained earnings and quick assets and have those subsidiaries contribute to its financial standings by requesting special dividends or by other means. As for transactions with affiliated organizations, it is necessary for the Corporation

- 1 to review the role of outsourcing operations,
- 2 to consider the possibility of switching to general procurement as part of the review process,
- 3 to cut outsourcing expenses by reducing the number of dispatched workers relative to the number of personnel engaged in the outsourcing operations and by other means,
- 4 to pay attention to ensuring the appropriateness and transparency of contract value, and
- 5 to conduct account verification of outsourcing operations more vigorously, with more frequent checking of historical costs.

The Board will continue to audit these matters from various viewpoints.

(3) Audit results concerning negotiated contracts concluded by each Office and Ministry

In response to the audit request from the House of Councillors, the Board of Audit conducted field audits concerning negotiated contracts concluded by each Office and Ministry both to grasp the whole picture of contracts and to see whether contract-related office duties were properly conducted and whether fairness, competitiveness and transparency were secured.

The audit findings were summarized as follows: (1) Negotiated contracts outnumbered competitive contracts in terms of both the percentage of total and the successful bidding rate on average. (2) Among concrete reasons for "cases where competition is not allowed from the viewpoint of its nature or purposes", which accounted for 80% or more of the legal reasons for applying negotiated contracts, a considerable number of them did not necessarily clarify whether no other parties were capable of implementing contracts. The Board found out by actual verification that many of these contracts chosen by the Board still had room to review the

appropriateness of their reasons for concluding negotiated contracts. (3) Regarding proposal-base competition, several Ministries did not prepare unified implementation criteria and some implementation methods did not sufficiently ensure fairness and transparency. (4) Regarding contracts with public-interest corporations, the proportion of negotiated contracts was even higher than the corresponding proportion seen in the whole contracts including those with parties other than public-interest corporations. In some cases, re-consignment was put into practice without any written application and approval procedures, although these procedures were stipulated in contract provisions. In other cases, consistency between re-consignment and justification of concluding a negotiated contract was doubtful. (5) With regard to disclosure of various contract information on web sites, the posting methods and articles were not convenient in terms of accessibility to contract information. As in the above, the Board found out various challenging issues in terms of fairness, competitiveness and transparency, etc. regarding contracts concluded by each Office and Ministry, etc.

Therefore, it is necessary for each Office and Ministry to strictly follow the accounting regulations respecting a competitive contract as its first principle and strictly apply the regulations when concluding contracts. They should also strive to ensure the fairness, competitiveness and transparency of contracts mainly by the following measures to: (1) increase competitive contracts by defining operations to be ordered more specifically and in more details in specification forms, etc., and in case of implementing competitive contracts, strive to ensure substantive competitiveness while also paying full attention to safety, etc. for people's lives; (2) strictly check whether no other parties are capable of implementing contracts when negotiated contracts are the only available option; (3) try to further enhance fairness and transparency in case of proposal-base competition; (4) scrutinize service contents of negotiated contracts traditionally concluded with public-interest corporations, and promptly shift to competitive contracts except for cases where negotiated contracts are really the only available option. Moreover, when approving re-consignment, not only instruct the contractor to submit the relevant application form but also pay attention to consistency with justification of concluding a negotiated contract; and (5) strive to further develop a system with the aim of enhancing the transparency of contracts, and also improve convenience in case of disclosing contract information on web sites.

Some situations of each Office and Ministry have still left to be reviewed due to time constraints and other factors. Therefore, the Board will continue to conduct audit, especially focusing on the un-audited area. The audit results will be reported upon completion.

- (4) Audit results concerning the contracts for construction of facilities and procurement of materials and equipment by recipient countries of grant financial aid and technical cooperation under Japan's Official Development Assistance

In response to the audit request from the House of Councillors, the Board of Audit conducted audits and surveys (including field audits) for FY2007 concerning the contracts for construction

of facilities and procurement of materials and equipment by recipient countries of grant financial aid in terms of (1) initiatives taken by the Ministry of Foreign Affairs and Japan International Cooperation Agency (JICA) with the aim of improving the competitiveness and transparency of contracts and (2) successful bidding rates.

Concerning (1), the Board found out that the Ministry of Foreign Affairs of and JICA adopted the general competitive bidding system and took various initiatives. The number of participating bidders averaged 2.4. The current level as indicated by this average was not necessarily considered as a low level, given risks inherent to the execution of these projects as explained by the Ministry. As for bidding with only one participating bidder, however, it could not be said that competitiveness was ensured. Therefore, it is advisable for the Ministry and JICA to keep striving to further improve the competitiveness and transparency of contracts so that governments of recipient countries can secure at least the number of participating bidders as it is now or at least two participants per bidding. Concerning (2), the Board analyzed 914 contracts based on publicly disclosed information from the Ministry. The analysis on grant financial aid for general projects revealed that bidding with only one participating bidder accounted for 25.4% in the construction of facilities and 23.5% in the procurement of materials and equipment, respectively. The successful bidding rate averaged 96.81% in the construction of facilities and 85.83% in the procurement of materials and equipment. The percentage of successful bidding of 99% or higher to total bidding stood at 67.4% in the construction of facilities, and at 21.6% in the procurement of materials and equipment. The percentage of unsuccessful bidding for negotiated contracts was 25.3% as a whole. It is advisable for the Ministry and JICA to keep making efforts, including continuous public disclosure of successful bidding rates, with the aim of improving transparency, while recognizing that governments of recipient countries are responsible to prepare and possess specifications and related documents as well as target prices which were determined based on specifications, etc. with regard to contracts for construction of facilities and procurement of materials and equipment to be executed by the governments of recipient countries.

The Board will conduct audits centering on technical cooperation in 2008, and will report the audit results upon completion.

With regard to the above-mentioned audit request, the Board also conducted audits and surveys (including field audits) concerning "Japan's Official Development Assistance involving Project Management Unit No. 18 (PMU 18) of Vietnam Ministry of Transport in Vietnam", on the basis of the finding at the Executive Board of Committee on Audit, the House of Councillors.

The audit findings were summarized as follows: (1) Regarding the grant financial aid projects, the Board found out that JICA's documents were not enough to concretely grasp construction costs by each bridge and their trends, and that shape of mounting road had been changed while the design changes had not been reported to JICA against the reporting requirement. It is necessary for JICA to further improve compilation of documents with regard to projects of

constructing many bridges so that construction costs by each bridge and their trends can be precisely grasped. JICA should also promote further understanding of the system among consultants. (2) Regarding yen-loan-financed projects, the Board was briefed mainly by Japan Bank for International Cooperation (JBIC) and PMU18 about how traffic posts made of bamboo had been replaced with those made of steel when installing the traffic posts on roads, and cross-checked their explanation with field survey. The Board was also briefed on the fact that sands, different from the original design, had been used after going through necessary approval procedures. Moreover, the Board found out that four purchased vehicles differed from models stipulated in the relevant specifications in two contracts of two projects. It is necessary for JBIC to encourage the Vietnamese government to further understand purposes of guidelines, etc., and when necessary, JBIC should ask the Vietnamese government to make further efforts to grasp details of projects more precisely.

- (5) Audit results concerning service contracts for administration of Town Meetings conducted by Cabinet Office from FY2001 to FY2006

In response to the audit request from the House of Councillors, the Board of Audit conducted field audits concerning service contracts for administration of the Town Meetings conducted by Cabinet Office from FY2001 to FY2006 in terms of (1) contract methods and contract procedures, (2) amounts of contracts, amounts of payments and other implementation status and (3) account processing.

Concerning (1), the Board found out that some contract documents had been prepared after the completion of relevant Town Meetings although such documents should have been prepared to establish contracts before the Town Meetings. It also found out that some contract documents had been backdated. Concerning (2), the Board found out in some cases after FY2002 when unit price contracts had been concluded, successful bidders had determined contract unit prices by themselves within a range where the aggregated amount of each unit price multiplied by the relevant model number conformed to amounts of winning bids, while Cabinet Office had not been involved in such price setting procedures, and that in some cases prerequisite for setting unit prices such as details of the relevant works had not been clarified in specifications, or settlement numbers had continuously and substantially exceeded the model numbers, or substantial amounts of additional costs had been incurred without any records being left with regard to discussions with the relevant contractors. Concerning (3), the Board found out that accounting personnel at the office in charge of the Town Meetings and the accounting division could not precisely validate individual numbers stated in bills, partly because instructions about predetermined numbers and other items had not been recorded although they should have been recorded in written forms for use of later calculation of settlement amounts, and partly because confirmation of predetermined numbers had not been recorded in written forms.

Therefore, it is necessary for the Cabinet Office to (1) take measures such as ensuring thorough compliance with laws to prevent a future recurrence of improper account processing as in the

above from the viewpoint of the accounting law, (2) strive to carry out projects more economically than before because the above cases revealed insufficient cost consciousness with regard to amounts of contracts and amounts of payments, etc. and (3) pay attention to whether accounting organizations give necessary instructions and improve arrangements so as to ensure necessary records to be taken in service contracts in the hereafter.

The Board will continue to audit similar service contracts to check whether these contracts are being properly executed from multilateral viewpoints.

Section 7. Special report on audit implementation (8 cases)

(1) Application of special taxation measures (related to life insurances)

Special taxation measures are enacted as exceptions to the basic tax system philosophy of fairness, impartiality and simplicity as a means to achieve specific policy objectives. Consequently, the Board of Audit conducted field audits concerning the application and verification conditions of special taxation measures (related to life insurances). The audit findings were summarized as follows: (1) The application rate of life insurance premium deductions was as high as 84.8%. As to the applied types, the annuity certain type and similar insurance types, which are considered as hardly different from other financial products with low mutual assistance, were found to outnumber the life annuity type. (2) As to repayments of medical expenses by insurances in deductions of medical expenses, the percentage of people who reported this type of repayments was low, raising suspicions that some people might not declare properly. (3) As to the application of death benefits to tax-exempt measures, the Board found out that in some cases, even upper-income earners benefited from these tax-exemptions. Moreover, some applications were considered aiming for tax-reductions.

With regard to verification conditions of special taxation measures for both life insurance premium deductions and death benefits, the Board found out that the verification, which had been conducted when the tax reform had been demanded, contained several issues such as insufficient analysis on the policy effects in the past years. As to the policy evaluation, the Board found out that these were left outside the scope of evaluation.

Financial Service Agency is required to reinforce the analysis on application conditions of both life insurance premium deductions and death benefits, and to enhance the policy effectiveness concerning life insurance premium deductions, etc. by further reinforcing the verification contents. It is also required to achieve the accountability to the Japanese citizens. The Ministry of Finance is required to continuously conduct thorough verification on special taxation measures for both life insurance premium deductions and death benefits. Finally but not the least, National Tax Agency is required to make further efforts to ensure fair declaration to be made with regard to repayments of medical expenses by insurances.

The Board will continue to audit application and other conditions of special taxation measures.

- (2) Collection of assets acquired from specified housing loan companies by The Resolution and Collection Corporation and assets acquired by Deposit Insurance Corporation of Japan in association with the termination of state control to Long-Term Credit Bank of Japan and The Nippon Credit Bank, Limited

- (a) Collection of assets obtained from specified housing loan companies by The Resolution and Collection Corporation

When the Board of Audit conducted field audits on Deposit Insurance Corporation of Japan (DICJ), it found out that The Resolution and Collection Corporation (RCC), which acquired assets worth of 6,112.9 billion yen from specified housing loan companies and has been in the process of the relevant collection, incurred quadratic losses of 957.3 billion yen, which substantially exceeded collection profits of 206.9 billion yen, during the period from the acquisition to FY2006. The quadratic losses are supposed to be shouldered evenly by the State and the private sector. Among them, the losses eligible for the state subsidies amounted to 275.2 billion yen as of March 31, 2006. In case that RCC's accounts concerning the specified housing loan companies incur shortages of funds as of December 2011, namely the repayment deadline of loans payable related to payments of the consideration of the above-mentioned assets, the State government is allowed to grant DICJ subsidies for payments of the subsidy for filling losses within the limits of amounts stipulated in the State budget in accordance with the Jusen Law (the law concerning housing loan companies). It is necessary for DICJ as well as RCC to continuously strive to maximize collection of their holding transferred-receivables from the viewpoint of minimizing burdens on the Japanese people. The two Corporations also need to proactively provide the Japanese people with information on processing of the specified housing loan issues mainly by disclosing both collection profits and quadratic losses on an annual basis as well as on an accumulated basis in their financial statements and other publications.

The Board will continue to audit RCC's collection of transferred receivables, etc. and incurred quadratic losses.

- (b) Collection of assets acquired by Deposit Insurance Corporation of Japan in association with the termination of special state control to Long-Term Credit Bank of Japan and The Nippon Credit Bank, Limited

When the Board of Audit conducted field audits on Deposit Insurance Corporation of Japan (DICJ), it found out that DICJ's holdings of pledged assets against defects have been progressively collected but that losses incurred mainly from direct write-offs have been exceeding collection profits. The Board presumes that substantial collection profits are unlikely to be achieved in the future as well. Meanwhile, profits related to stocks in trust totaled 203.3 billion yen during FY2005 and FY2006. The deficit in Financial

Reconstruction Account decreased to 476.4 billion yen as of March 31, 2006. And yet, the Board considers that further financial improvement in the Account will not be always promising in light of the decreased unrealized profits on stocks in trust, although it is also true that the Account's financial standing is affected by other factors such as trends in the stock markets. It is necessary for DICJ to reduce the deficit in Financial Reconstruction Account from the viewpoint of minimizing burdens on the Japanese citizens by such means as sufficiently administrating the trust agencies to ensure timely and appropriate disposals by their stock-selling. Regarding pledged assets against defects, in case that collectible amounts turn out to be judged as falling below the assessed values on the assumption of selling the assets in the market, DICJ would be required to resort to such collection measures as the assets sales in bulk while taking account of the debtors and other conditions.

The Board will continue to conduct audits concerning disposal of stocks in trust and collection of pledged assets against defects.

(3) Official Development Assistance (ODA)

The Board of Audit conducted field audits concerning ODA at the government agencies such as the Ministry of Foreign Affairs, with audits and surveys of 88 projects in 11 countries. As a result, the Board found out that effects of ODA projects had not been sufficiently realized in various cases. For some examples, under the grant aid program for fisheries, part of procured equipment and some materials had not yet been utilized. Under the grant financial aid program for grass roots and human security, some facilities could not be completed within time frames as stipulated in the relevant fund grant contracts, or several constructed facilities had not been utilized as planned. Under the yen-loan-finance project, several facilities had never been utilized or even if utilized, the utilization rates remained at low levels.

Therefore, it is considered as necessary for the government agencies such as the Ministry of Foreign Affairs to give aid-recipient countries timely and appropriate guidance and advice when necessary and to take measures such as encouraging these recipient countries to remove impediments, with the aim of fully realizing positive effects of ODA projects.

Since substantial amounts of budgets are anticipated to be kept allocated to Japan's ODA projects, the Board will continue to audit project effects, etc. of the ODA.

(4) The state subsidies, etc. related to improper accounting by prefectures

It has been revealed that some prefectures had been squeezing out funds from improper accounting for many years. The news has raised social interest in accounting transactions at local authorities. Consequently, the Board of Audit conducted audits concerning 13 prefectures, of which improper accounting transactions had been revealed by internal investigations. Among

them, it conducted field audits on the selected five prefectures based on consideration of the execution timing of internal investigations and improper accounting amounts. As for the remaining eight prefectures, the Board requested their reporting of relevant documents, etc., based on which audits were mainly conducted.

With regard to the five prefectures which received the field audits, the amount equivalent to state subsidies totaled 76.34 million yen in three prefectures where the Board confirmed the state subsidies were included in the improperly accounted public funds. Apart from this, potential linkages between improper accounting and the state subsidies could not be ruled out in some public funds. As for the remaining eight prefectures, the amount equivalent to state subsidies totaled 95.74 million yen in two prefectures where the Board confirmed linkages between improper accounting transactions detected by internal investigations and the state subsidies.

Therefore, the Board's opinions were summarized as follows: (1) Prefectures where improper accounting transactions took place should take necessary measures such as making refunds if the state subsidies were involved, and should firmly execute recurrence prevention measures. (2) The other prefectures should be aware of the situations and backgrounds of the prefectures where improper accounting transactions took place, and should properly execute the state subsidized projects. They are also required to pay attention to linkages with the state subsidies, etc. when conducting internal investigations. (3) The related Ministries should take measures such as refund procedures with regard to the amount equivalent to state subsidies related to improper accounting transactions, and should also strive to ensure proper executions and accounting of the state subsidized projects by means of various measures such as conducting more strict reviews when determining the amounts of the state subsidies, etc. and continuously giving thorough guidance on proper accounting in association with the state subsidized projects.

The Board will continue to audit to see whether the possibility of improper accounting transactions exist in prefectures, including those prefectures where improper accounting transactions have been revealed by the latest internal investigations.

- (5) Application of entitlement of insured persons and collection conditions of insurance premiums, etc. in the National Pension Program

The Board of Audit conducted filed audits concerning the National Pension program with regard to promotion of applying entitlement of insured persons, measures to enhance collection of insurance premiums, proactive advice on exemptions, reinforcement of compulsory collection, and the market testing model project. The audit findings were summarized as follows: (1) As to the operation concerning promotion of applying entitlement of insured persons, persons to whom the attribution is applied as a percentage to the whole population eligible for the attribution substantially differ among the Social Insurance Offices, depending on the degree of cooperation from municipalities which are involved in some procedures such as

confirmation of address. (2) As to the operation concerning collection of insurance premiums, persons who promised to pay their arrears in insurance premiums accounted for only 27% of the all persons who received demand for payments on the phone. Moreover, the collection months and receipt amounts per official who makes house-to-house visits to fulfill his/her duty of promoting the National Pension Program substantially differ among the Social Insurance Offices, so do the receipt costs relative to insurance premiums per month. Accordingly, the operation concerning collection of insurance premiums is not necessarily considered as efficient. (3) As to the execution of compulsory collection, some Social Insurance Offices have not sufficiently administrated payment conditions with regard to partial payment cases, payment pledge cases and keep-in-touch cases, and as a result of this and other factors, the payment demand letters have been left unissued. Furthermore, in some cases of interruption of extinctive prescription following approval of payment pledges, there is the possibility that Social Insurance Agency might not have sufficiently grasped the interruption status and thereby these cases might have been mistakenly recorded as the extinctive prescription cases in two years after each due date for payments of insurance premiums. (4) As to collection situations of insurance premiums, the payment rate of insurance premiums came to 66.3% in FY2006, falling below the fiscal year's target rate of 74.5%. Therefore, it is deemed difficult to achieve the objective of raising the payment rate to 80% by FY2007. Compared to the aggregated amount of receivable insurance premiums of 4,755 billion yen as of FY2006, the aggregated amount of paid insurance premiums of 1,903.8 billion yen for FY 2006 is as extremely low as 40% of the receivables. (5) As to the execution of the market testing model project, appropriate target prices should be prepared so as to suitably reflect working conditions of outsourcing projects and that target payment rates should be reflected in the setup of required levels of the payment months.

Given the above situations, it is advisable for the Social Insurance Agency to consider the following points in order to reduce the number of unenrolled persons and that of persons in arrears and also in order to increase receipt amounts of insurance premiums: (1) As to the application of attribution, further cooperation and tie-up with municipalities are required. (2) As to payment demand to persons in arrears, it is necessary to develop a system which enables the Social Insurance Offices to share information and efficiently conduct the operation concerning payment demand at minimal receipt costs. (3) As to execution of compulsory collection, proper credit administration needs to be executed, including prompt issuance of the payment demand letters when necessary. (4) As to measures to enhance collection of insurance premiums, it is necessary to consider receipt measures focusing on young people and also to thoroughly disseminate option of half-amount exemptions. (5) As to the execution of the market testing model project, action plans are necessary to further improve payment rates while also considering points to be noted from execution results of the market testing model project.

The Board will continue to closely monitor the execution of the National Pension Program. With regard to the pension record cases, it has started the relevant audits and will continue to investigate the role of pension recording and points to be improved, while keeping close

attention to both response measures taken by the Social Insurance Agency and movements of the Central Committee to Verify the Pension Record Cases, the Central Third-Party Committee to Check Pension Records, and the Committee to Oversee Pension Operations and Social Insurance Agency (cf. the three committees were all formed under the Ministry of Internal Affairs and Communications).

- (6) Execution of bids and contracts concerning floodgate equipment works at the Ministry of Land, Infrastructure, Transport and Tourism and the Japan Water Agency

In March 2007, Japan Fair Trade Commission required the Ministry of Land, Infrastructure, Transport and Tourism, (hereafter "the Ministry") to promptly take necessary measures to ensure elimination of involvement in bid rigging in accordance with Act Concerning Elimination and Prevention of Involvement in Bid Rigging, etc. The Commission also notified the Board of Audit of the above-mentioned requirement.

In the wake of this incident and other issues, the Ministry and the Japan Water Agency respectively set up committees to discuss preventive measures against bid rigging, and released investigation reports in June 2007. Based on these circumstances, the Board of Audit conducted field audits concerning execution of bids and contracts for floodgate equipment works. As a result, it found out that bidding with only one participating bidder frequently took place, and that standardization of floodgate equipment was hardly progressing. As for various order methods supposed to be applied in the future, the Board identified several issues to be solved. At this stage, some of these methods have not yet reached the fully implementable stage. As for construction cost breakdown statements, questionable regularity was found or some statements were not available for the checking to eliminate misconduct. The Board also found out that in some cases of preparing estimates, only one estimate was collected from one vendor, although, in principle, estimates shall be collected from at least three vendors. Furthermore, some contracts turned out to lack a special provision concerning penalty charges, although the provision is supposed to be mandatory.

Therefore, the Ministry and the Japan Water Agency are required to firmly execute the measures which have been forged in the respective committees' investigative reports, and cope with the above issues. They also need to make efforts to recover losses caused by bid rigging in full amounts.

The Board will continue to audit whether the above-mentioned points are properly put into practice and whether effects of the recurrence prevention measures are fully realized.

- (7) Execution of bids and contracts concerning the state subsidized projects in Fukushima, Wakayama and Miyazaki prefectures under the jurisdiction of the Ministry of Land, Infrastructure, Transport and Tourism

Fukushima, Wakayama and Miyazaki prefectures, in the wake of collusive bidding incidents at the initiative of their officials, announced improvement measures concerning the bidding and contracting systems, respectively. Based on these circumstances, the Board of Audit conducted field audits concerning bids and contracts mainly of the state subsidized public works under the jurisdiction of the Ministry. As a result, it found out that, in some public works, participants in general competitive bidding with conditions have been static and that, according to actual bidding records of public works, the comprehensive evaluation system has been in a minority. Other findings include a situation where general competitive bidding and other similar systems have been hardly introduced in surveying, designing and other similar operations related to public works.

Therefore, the three prefectures are required to firmly execute their respective improvement measures concerning the bidding and contracting systems. On the basis of the audit results, the following points are also necessary: (1) As to public works, when expanding application of general competitive bidding with conditions, the prefectures should aim for highly competitive bidding with many participating bidders and should set up appropriate qualification requirements for bidders while also paying close attention to ensuring proper execution of construction works. Regarding the comprehensive evaluation system, they should make efforts to establish evaluation criteria and evaluation methods in order to manage the system properly in a manner which gives consideration not only on prices but also on performances, functions and other elements in line with purposes of laws and other regulations concerning promotion of quality assurance for public works. (2) As to surveying, designing and other similar operations related to public works, these are areas where far fewer measures have been taken so far to make bids and contracts more appropriate, compared to the public works for which the surveying and designing works were made. Accordingly, the prefectures are advised to consider introducing and expanding general competitive bidding and other similar systems with more transparency and competitiveness. Moreover, they need to timely claim penalty charges and make efforts to recover losses recognizably caused by bid rigging in case that all involved parties are sentenced to the bid rigging charge. Meanwhile, in case that successful bidders and/or other parties pay the penalty charges, the prefectures should return to the State the amount equivalent to state subsidies related to the penalty charges smoothly. Finally but not the least, the Ministry is advised to continuously request local authorities to make bids and contracts more appropriate by such measures as expanding general competitive bidding in public works.

The Board will continue to audit issues such as execution of improvement measures concerning each prefecture's bidding and contracting systems and recovery conditions of losses recognizably caused by bid rigging. It will also continue to monitor the other prefectures' efforts to make their bidding and contracting systems more appropriate.

- (8) Competitiveness and economy of contracts concerning procurement of information systems at independent administrative agencies and national university corporations and their efforts to optimize operations and systems

Expenses related to information systems by government-financed corporations come to substantial amounts. Among these corporations, independent administrative agencies and national university corporations (hereafter "independent administrative agencies, etc.") have been making proactive efforts to optimize operations and systems pursuant to efforts by the State administrative agencies. Accordingly, the Board of Audit selected 42 juridical persons as auditees and conducted field audits concerning their contracts for procurement of information systems at independent administrative agencies, etc. and their efforts to optimize operations and systems.

The audit findings were summarized as follows: (1) As to contracts, the percentages of negotiated contracts were high, and in case of competitive contracts, the percentages of single-bidder contracts were high. As evidenced by these, the competitiveness has not been sufficiently ensured. Moreover, separate procurement of hardware and software has been hardly progressing and contents of several leasing contracts turned out to lack clarity. (2) As to efforts to formulate optimization plans, even timing of formulating optimization plans for some systems had not yet been decided as of the end of March, 2007, and some large-scale systems, which were left outside the scope of formulating optimization plans, had the same issues to be solved as operations and systems under the optimization program.

Therefore, it is necessary for independent administrative agencies, etc. to do the following.

(1) As to contracts, to enhance the competitiveness and transparency of contracts by steadily promoting reviews on issues such as switching from negotiated contracts to competitive contracts, making a better shift from a single-bidder system to a multiple-bidders system, implementing separate procurement and clarifying contents of contracts, while paying attention to the stable system operation.

(2) As to efforts to optimize operations and systems, to formulate and execute properly the optimization plans for operations and systems under the optimization program while considering issues in procurement, to review timely and properly the optimization plans when necessary, to improve procurement related to systems outside the scope of the optimization program, to consider thoroughly and individually each system (including one outside the scope of the program), and to start the optimization of operations and systems smoothly for systems of which optimization is recognized as necessary.

The Board will continue to monitor contracts concerning procurement of information systems at independent administrative agencies, etc. and their efforts to optimize operations and systems.