

Auditing Standards (Tentative Version)

October 2012
Board of Audit

* This translation is to be used solely as reference material to aid in the understanding of the original Japanese text of Auditing Standards (Tentative Version).

Formulation and Publication of the Auditing Standards (Tentative Version)

The Board of Audit (the Board) has formulated its Auditing Standards (Tentative Version) and hereby makes it public.

The Board has been engaged in rigorous auditing based on related laws and regulations, including the Constitution of Japan and the Board of Audit Act. However, since the work of the Board is not always visible to the people of Japan, it is not always easy for them to gain full understanding of the audit activities that the Board actually carries out.

The Auditing Standards (Tentative Version) was thus developed to systematize the basic approach, aims, scope and methods of the Board's audit activities, in an easy-to-understand manner, and to make it public: it aims to maintain and improve its officials' qualities and abilities, ensure audit quality and increase the effectiveness of its audit, maintain and improve transparency of the Board's audit activities and thereby respond further to the public's expectations.

The Auditing Standards (Tentative Version) formulated to achieve these aims has the following characteristics:

- The Auditing Standards (Tentative Version) systematizes i) the existing laws and regulations relating to the Board's work, ii) its internal rules, and iii) other guidelines including Basic Policy on Audit, in a clear fashion.
- The Auditing Standards (Tentative Version) does not presuppose reasonable assurance engagement of financial statements, but presupposes audit activities which aim at identifying improper or unreasonable financial management, as well as business operations or project/program implementation relating to such financial management.
- The Auditing Standards (Tentative Version) will be continuously revised in light of socio-economic development, so as to respond to the expectations of the people.

The Auditing Standards (Tentative Version) is structured as follows:

Preamble

Chapter 1 Aims of Audit

Chapter 2 Fundamental Principles of Auditing

Chapter 3 Conduct of Audit

Chapter 4 Pursuing the Liability of Officials Who Handle Accounting and Examination
Regarding the Handling of Financial Management

Chapter 5 Reporting of Audit Results

End

Auditing Standards (Tentative Version)

October 19th 2012

Board of Audit

Contents

Preamble	1
Chapter 1 – Aims of Audit	3
Chapter 2 – Fundamental Principles of Auditing	4
Article 1 – Basic Matters Relating to the Board of Audit	4
1 – Ensuring Independence	
2 – Ensuring Objectivity and Expertise	
3 – Quality Management of Audit Work	
4 – Information Management	
Article 2 – Fundamental Matters Relating to Officials of the Board of Audit	5
1 – Maintaining Fairness	
2 – Improving Professional Competence	
3 – Due Care as a Professional Auditor	
4 – Confidentiality of Information	
5 – Reporting, Instruction and Supervision of the Progress of Audit Work	
Chapter 3 – Conduct of Audit	6
Article 1 – Fundamental Matters Regarding Conducting an Audit	6
1 – Coverage and Scope of Audits	
2 – Supervision of Financial Management	
3 – Objectives of Audits	
4 – Verification of Final Accounts	
Article 2 – Planning of Audit	7
1 – Preparation of Basic Policy on Audit	
2 – Preparation of Audit Plans	
Article 3 – Conducting an Audit	8
1 – Auditing Methods	
2 – Gathering Evidence and Related Activities.	
3 – Presentation of Opinions to and/or Demand for Measures from Auditees	
4 – Follow-up Audit on Audit Findings	
Article 4 – Matters to be Given Attention in Planning and Conducting an Audit	10

1 – Cross-Sectoral Audits and Related Matters	
2 – Expeditious and Flexible Auditing	
3 – Auditing in view of the Status of Internal Control	
Chapter 4 – Pursuing the Liability of Officials Who Handle Accounting and Examination Regarding the Handling of Financial Management	12
Article 1 – Pursuing the Liability of Officials Who Handle Accounting	12
1 – Adjudication of Liability for an Indemnity	
2 – Demand for Disciplinary Action	
3 – Reporting to the Public Prosecutor’s Office	
Article 2 – Examination Regarding the Handling of Financial Management of the State	12
Chapter 5 – Reporting of Audit Results	13
Article 1 – Basic Matters Regarding the Reporting of Audit Results	13
Article 2 – Reporting the Audit Results	13
Article 3 – Matters to be Recorded in the Audit Report	14
1 – Verification of Final Accounts	
2 – Individual Audit Results	
3 – Special Report to the Diet and the Cabinet, Special Report on Audit Requested by the Diet and Report on Specific Audit Subjects	
4 – Demand for Disciplinary Action against and Adjudication for Accounting Officials	
5 – Other Matters Considered to be Necessary by the Board of Audit	

■ Preamble

The aims of audit carried out by the Board of Audit (the Board) are, through continuously auditing the final accounts of the expenditures and revenues of the State and such accounts as are provided for by law, to supervise financial management, to ensure its adequacy and to rectify any defects and to verify the final accounts of the expenditures and revenues of the State through the results of its audit. The Board makes every effort to conduct its audits in response to the expectations of the people and takes due account of socio-economic development. Against the backdrop of high public awareness of all fiscal and administrative issues including the preservation of sound public finances, those expectations towards the Board are higher than ever.

With regard to this situation, by formulating this Auditing Standards (Tentative Version), the Board sets out the norms to be complied with and basic procedures that it and its officials follow in audit work. This Auditing Standards (Tentative Version) will contribute to maintaining and improving the qualities and abilities of the officials, while also publicly declaring the Board's responsibility to ensure audit quality and to maintain and improve the effectiveness of its auditing.

Systematically arranging the Board's audit activities including its basic approach, aims, scope, and methods, in the form of Auditing Standards (Tentative Version), and publicizing it, is important in further improving the accountability of the Board for its auditing, and serves to meet the expectations of the people. The wide dissemination to the public of the way its audit is carried out is also a shared requirement of every country's Supreme Audit Institution.

Based on the above recognition, the Board has formulated and made public this Auditing Standards (Tentative Version) with the aim of providing a broad outline of its activities including the basic approach to auditing and audit methods. This Auditing Standards (Tentative Version) was formulated in compliance with various laws and regulations such as the Constitution of Japan, the Board of Audit Act, the Public Finance Act, and the Public Accounting Act, as well as the procedures prescribed by the internal rules of the Board, and it also incorporates as basic principles those audit methods which have been developed through the accumulation of audit activities and regarded as working rules. As a result, the source of normativity of each provision contained in the Auditing Standards (Tentative Version) is derived from the laws and regulations on which that provision is founded.

Each country has its own public finance system and public sector accounting system, and therefore the public sector audit system based on these systems is also different from that of other countries. The characteristic of the audit carried out by the Board is that the Board continuously conducts its audit, aims to supervise financial management to ensure its adequacy and to rectify any defects, and places importance on its audit to identify improper or unreasonable financial management, as well as business operations or project/program implementation relating to such financial management. Thus, although the Auditing Standards (Tentative Version) pays due attention to the standards used in developed countries, as well as international standards, it is formulated based on the public sector audit system of Japan.

Finally, the Board will continuously revise the Auditing Standards (Tentative Version) in light of socio-economic development, so as to respond to the expectations of the people; in addition, it will undertake continuous, persistent efforts to strengthen the transparency and effectiveness of its auditing.

■ Chapter 1 – Aims of Audit

The Board of Audit (the Board), as a constitutional institution¹, audits the final accounts of the expenditures and revenues of the State and also such accounts as are provided for by law, is responsible for supervising financial management, and continuously conducts its audit² from an independent, fair and unbiased standpoint with the aim of ensuring the adequacy of financial management and rectifying any defects³ as well as verifying the final accounts of the expenditures and revenues of the State through the results of its audit⁴. The Board reports to the Diet and hence the people the results of its audit⁵, which it conducts with the objective of accuracy, regularity, economy, efficiency, effectiveness, or other objectives necessary for auditing⁶. The Board thereby contributes to maintaining and improving the soundness and transparency of the public administrative and financial activities of the State by reflecting the results of its audit in future budget formulation and execution.

¹ Constitution of Japan, Article 90

² Board of Audit Act, Article 20, paragraph (2)

³ Board of Audit Act, Article 20, paragraph (1) and (2)

⁴ Board of Audit Act, Article 21

⁵ Constitution of Japan, Article 90, paragraph (1); Board of Audit Act, Article 30-2, Article 30-3

⁶ Board of Audit Act, Article 20, paragraph (3)

■ Chapter 2 – Fundamental Principles of Auditing

Article 1 – Basic Matters Relating to the Board of Audit

1. Ensuring Independence

- (1) The Board of Audit (the Board) has a status independent from the Cabinet⁷.
- (2) The Board conducts its audit work from a fair and unbiased standpoint, so as to achieve its intended aims.
- (3) The Board makes decisions with respect to the matters provided for by applicable laws and regulations through the Audit Commission⁸ consisting of three equal Commissioners⁹ whose status is guaranteed¹⁰; its decisions are free from any constraints.

2. Ensuring Objectivity and Expertise

- (1) The Board carries out its audit work and makes its decisions based on objective facts and professional judgment.
- (2) The Board aims to improve the expertise of its officials through encouraging them to accumulate expert knowledge and share it among themselves. As one element of this constant effort, it continually carries out training of its officials. Through the implementation of this training, in order to improve the officials' qualities and abilities, it enhances the expert knowledge and auditing skills of individual officials according to their level of audit experience and gains an understanding of the results of the training and puts in place appropriate measures to maintain the necessary level of expert knowledge and auditing skills of its officials.

3. Quality Management of Audit Work

- (1) The Board consistently endeavors to maintain and improve the quality of its audit work, by complying with applicable laws and regulations, its budget, and other prescribed procedures, when it is conducting such work.
- (2) In order to ensure the quality of its audit work, the Board specifies and complies with quality control procedures for each stage of its audit work including preparation of Audit Plans, conduct of field audits, deliberations of draft reports of audit results, and

⁷ Constitution of Japan, Article 90; Board of Audit Act, Article 1

⁸ Board of Audit Act, Article 11; Ordinance Enforcing the Board of Audit Act, Article 6

⁹ Board of Audit Act, Article 2

¹⁰ Board of Audit Act, Article 8

their reporting. These quality control procedures include i) establishment of facts by inquiring into relevant parties¹¹, ii) multilevel deliberations of draft reports of audit results, and iii) review of the draft reports of the audit results from the perspective of a third party by officials in charge of auditing other than those who were involved in the preparation of the draft concerned.

4. Information Management

The Board properly manages information prepared or obtained in the course of its audit work.

Article 2 – Fundamental Matters Relating to Officials of the Board of Audit

1. Maintaining Fairness

Officials in charge of auditing perform their duties with a fair and unbiased attitude, maintaining objectivity and acting with integrity.

2. Improving Professional Competence

Officials in charge of auditing, as professional auditors, continuously endeavor to increase the expert knowledge they have gained through practical experience and improve their audit skills.

3. Due Care as a Professional Auditor

Officials in charge of auditing, in conducting audits, pay due care as professional auditors, and always bear in mind the possibility that illegal or improper matters, or matters requiring improvements, may exist.

4. Confidentiality of Information

Officials shall not divulge any information that may have come to their knowledge in the course of their duties, nor use it for their own purposes.

5. Reporting, Instruction and Supervision of the Progress of Audit Work

- (1) Officials who have conducted audits report on the progress of audit work in a timely manner in accordance with the prescribed procedures to their supervisors.
- (2) The supervisors fully understand the audit activities performed by officials under them, and based on such understanding, in order to ensure that following audit activities are carried out appropriately, they instruct and supervise those officials under them in a timely and appropriate manner.

¹¹ Board of Audit Act, Article 26

■ Chapter 3 – Conduct of Audit

Article 1 – Fundamental Matters Regarding Conducting an Audit

1. Coverage and Scope of Audits

- (1) The Board of Audit (the Board) audits the final accounts of the expenditures and revenues of the State pursuant to the provisions of the Constitution¹², and also audits, as provided for by law, subjects that it must audit as well as those that it may audit if it considers this to be necessary¹³. The Board notifies the parties concerned when it decides to audit¹⁴ the subject which it considers necessary to do so.
- (2) The Board conducts its audit irrespective of whether it has audited the same subject in question in the past, and to the extent and depth required at that time.
- (3) The scope of the Board's audit is not limited to the processing of financial transactions, but includes business operations and project/program implementation relating to financial management, in order to determine, from a broader perspective, that financial management is being handled in a proper manner.

2. Supervision of Financial Management

The Board continuously conducts its audit, supervises financial management, ensures its adequacy, and rectifies any defects¹⁵.

3. Objectives of Audits

- (1) The Board conducts its audit with the following objectives¹⁶:
 - a. Accuracy: Whether the final accounts accurately reflect the financial status such as the execution of the budgets
 - b. Regularity: Whether the financial management is properly conducted in conformity with the approved budgets, laws, Cabinet Orders, or other regulations
 - c. Economy: Whether the business operations, project/program implementation or budget execution is administered with the minimum cost

¹² Constitution of Japan, Article 90, paragraph (1)

¹³ Board of Audit Act, Article 20, paragraph (1), Article 22, Article 23, paragraph (1)

¹⁴ Board of Audit Act, Article 23, paragraph (2)

¹⁵ Board of Audit Act, Article 20, paragraph (2)

¹⁶ Board of Audit Act, Article 20, paragraph (3)

- d. Efficiency: Whether the business operations, project/program implementation or budget execution produces the maximum result with the given cost or has the best cost-efficient result
 - e. Effectiveness: Whether the business operations, project/program implementation or budget execution achieves the intended results and produces the expected outcome
 - f. Other objectives necessary for auditing: Any other objectives necessary for auditing in addition to those listed above
- (2) In conducting its audit with the objectives listed above, the Board takes a broad perspective, including such viewpoints as: whether fair competition in public bidding has been ensured; whether sound finances have been maintained within juridical persons whose capital is contributed by the government; whether existing businesses, projects and programs need to be continued; whether business operations and projects/programs have been carried out, taking into account evaluations of risks inherent in them; and whether transparency and accountability are being ensured in financial management, business operations and project/program implementation.

4. Verification of Final Accounts

The Board verifies the final accounts of the expenditures and revenues of the State through the results of its audit¹⁷.

Article 2 – Planning of Audit

1. Preparation of Basic Policy on Audit

Each year the Board prepares its Basic Policy on Audit, indicating areas and other related matters, on which audit activities will mainly be focused in order to ensure basic control of its audit work. It then prepares Audit Plans each year based on this Basic Policy on Audit.

2. Preparation of Audit Plans

- (1) The Board prepares Audit Plans so as to conduct its audits efficiently and effectively, and achieve its aims. In preparing the Audit Plans, priority audit matters are determined, on the basis of sufficient analysis and review of the nature of business operations, the scale of the budget, the status of internal control, the status of past audits, the socio-economic circumstances, deliberations in the Diet, media coverage,

¹⁷ Board of Audit Act, Article 21

and other relevant points of the entities whose financial management is subject to audit (hereafter referred to as “auditees”).

- (2) In cases where, after preparation of the Audit Plans, a necessity to carry out a review of priority and/or other audit matters has arisen, such as when a request has been received from the Diet to carry out an audit¹⁸ and the Audit Commission has decided to do so¹⁹, or there is a need to expeditiously audit matters of high public concern, or a new situation has been identified during the course of an audit, the Board responds flexibly with such measures as making necessary changes to the Audit Plans.

Article 3 – Conducting an Audit

1. Auditing Methods

The Board conducts its audits based on the Audit Plans it prepares, fully exercising its authority to the auditees, as follows.

- (1) The Board conducts in-office audits at the office of the Board, by such means as carrying out documentary audits of statements of accounts, which summarize the records of accounting of the auditees, and documentary evidence, such as contracts, receipts or other related documents, submitted based on the provisions of the Board of Audit Act²⁰.
- (2) The Board conducts field audits dispatching its officials to the auditees, based on the provisions of the Board of Audit Act²¹, so as to appropriately determine the actual situation in which financial management is handled, and business operations and projects/programs are implemented, by those auditees. In carrying out field audits, the following points are considered fundamental:
 - a. For efficient and effective field audits, using the information gained from in-office audits
 - b. Reviewing accounting records as well as materials and results backing up those records on site, and interviewing staff members of the auditee
 - c. Adequately understanding and determining the status of the business operation and project/program implementation by visiting the sites subject to audit, for

¹⁸ Diet Law, Article 105

¹⁹ Ordinance Enforcing the Board of Audit Act, Article 6, item (i)

²⁰ Board of Audit Act, Article 24

²¹ Board of Audit Act, Article 25

example, where management and operations of facilities and/or construction are taking place, as necessary

- (3) In addition to information gathered through in-office audit and field audit, any other information, including information gained through the following methods provided for by the Board of Audit Act, is used:
 - a. Information gained through requesting auditees to submit their books, documents, other materials, or reports; or through questioning relevant parties or requesting such parties to appear²²
 - b. Information gained through reports submitted by the head of the relevant department, or person similarly responsible, where a crime in connection with an accounting has been discovered, or where loss of cash, securities or other property has been discovered, concerning financial management of auditees²³
 - c. Information or opinions gained from reference materials, evaluation reports and/or other related documents, submitted by government agencies, public entities, and other parties on request²⁴
- (4) In order to complement the above information and knowledge, information submitted from external sources, and information generally available, are also used after investigating its accuracy.

2. Gathering Evidence and Related Activities

- (1) The Board, in conducting its audit, gathers, compiles and stores any sufficient and accurate reference materials which it considers necessary to ensure objective fact-finding and adequate judgment.
- (2) The Board adequately records, compiles and stores any necessary matters relating to the audit activities it has carried out, based on the prescribed methods, in written form.

3. Presentation of Opinions to and/or Demand for Measures from Auditees

The Board presents its opinions to, or demands measures from, auditees as follows, depending on the situation identified through conducting an audit.

- (1) If there are matters that the Board finds, in the course of its audit, to be in violation of laws and regulations on financial management or to be improper, it investigates the

²² Board of Audit Act, Article 26

²³ Board of Audit Act, Article 27

²⁴ Board of Audit Act, Article 28

causes and immediately presents its opinions on the financial management to, or demands appropriate measures with regard to the financial management from, the head of the relevant department or from the relevant parties, and has them take measures to rectify and improve subsequent financial management²⁵.

- (2) If the Board finds, as a result of its audit, that unreasonable or inappropriate situations exist in financial management, business operations or project/program implementation, and that relevant laws and regulations, systems, or administration requires improvement in order to eliminate their cause, the Board presents its opinions to or demands measures for improvement from the competent authorities or other responsible parties²⁶.

4. Follow-up Audit on Audit Findings

The Board, in subsequent audits, appropriately determines the status of measures set in place to rectify improper or unreasonable matters and other concerns, or to prevent their reoccurrence, with regard to audit findings described in the reports of such audit results²⁷. It then enhances the effectiveness of audit results through addressing cases where the said measures are not sufficient, as appropriate.

Article 4 – Matters to be Given Attention in Planning and Conducting an Audit

1. Cross-Sectoral Audits and Related Matters

- (1) The Board conducts cross-sectoral audits, depending on the situation, with respect to programs implemented cross-sectorally by a number of auditees, or to matters that are common or related to a number of auditees.
- (2) In cases where the Board has discovered improper matters in one section or in a part of the business operations, project/program implementation or budget execution of an auditee, it investigates, depending on the situation, whether similar matters have arisen in other sections or in other parts of the business operations, project/program implementation or budget execution.
- (3) In cases where the Board has discovered improper matters within an auditee, it investigates, depending on the situation, whether similar matters arose in previous fiscal years.

²⁵ Board of Audit Act, Article 34

²⁶ Board of Audit Act, Article 36

²⁷ Board of Audit Act, Article 29, item (vii), item (viii)

2. Expeditious and Flexible Auditing

The Board responds in a timely and appropriate manner when there are matters of high public concern, by conducting audits expeditiously and flexibly as required.

3. Auditing in view of the Status of Internal Control

The Board pays due attention to the effectiveness of internal control within the auditees. In addition, it responds appropriately with such measures as requesting improvements of internal control as necessary, in order for the internal control to function sufficiently and thus to ensure the adequacy of financial management.

■ Chapter 4 – Pursuing the Liability of Officials Who Handle Accounting and Examination Regarding the Handling of Financial Management

Article 1 – Pursuing the Liability of Officials Who Handle Accounting

1. Adjudication of Liability for an Indemnity

The Board of Audit (the Board) adjudicates whether an official who handles accounting, such as an official responsible for cash handling, is liable to indemnify, after inquiring into whether he/she falls under requirements for a liability for an indemnity as provided for by law, for instance where he/she has in fact caused damage to the State through his/her failure to exercise the due care of a prudent manager²⁸.

2. Demand for Disciplinary Action

If the Board has concluded, as a result of its audit or for other reasons, that an official who handles accounting falls under requirements provided for by law such as causing substantial damage to the State through intent or gross negligence, it demands the person or persons who appointed him/her, or who is in a supervisory role to take disciplinary action²⁹.

3. Reporting to the Public Prosecutor's Office

If the Board concludes, as a result of its audit, that an official who handles accounting for the State has committed a crime in the course of duty, it notifies the Public Prosecutor's Office of the case³⁰.

Article 2 – Examination Regarding the Handling of Financial Management of the State

If the Board has been requested by an interested party to examine the conduct of an official who handles accounting for the State with regard to the handling of financial management, the Board examines that official's conduct. If the Board, as a result of the examination, considers it necessary for such conduct to be corrected, it notifies the competent authorities or other responsible parties of this judgment³¹.

²⁸ Board of Audit Act, Article 32, paragraph (1), Article 32, paragraph (2); Act on the Responsibility of Government Employees Who Execute the Budget, Article 4, paragraph (1), Article 5, paragraph (1), Article 8, paragraph (3), Article 9, paragraph (2), Article 10, paragraph (3), Article 11, paragraph (2)

²⁹ Board of Audit Act, Article 31; Act on the Responsibility of Government Employees Who Execute the Budget, Article 6, paragraph (1), Article 9, paragraph (2)

³⁰ Board of Audit Act, Article 33

³¹ Board of Audit Act, Article 35, paragraph (1)

■ Chapter 5 – Reporting of Audit Results

Article 1 – Basic Matters Regarding the Reporting of Audit Results

- (1) The Board of Audit (the Board) reports the audit results after the following discreet deliberative procedures, in order to ensure that those results are fair and adequate, and can be trusted.
- a. In reporting audit results, deliberations by the Audit Commission are conducted after multilevel deliberations within the General Executive Bureau. In the deliberations within the General Executive Bureau, draft reports of audit results are reviewed from the perspective of a third party by officials in charge of auditing other than those who were involved in the preparation of the draft concerned, in order to ensure objective fact-finding and adequate judgment.
 - b. The Audit Commission decides whether audit results should be reported, and the contents of the report, based on comprehensive examination of each element of the contents of the audit results, such as the factual situation relating to the audit results, the scale, materiality, causes, breadth of the matter in question, and any other pertinent factors.
- (2) The Board gives an accurate and brief account of its audit results in language that is easy to understand, so that the people can understand its contents.

Article 2 – Reporting the Audit Results

- (1) The Board discloses the audit results in each of the following reports:
- a. The Audit Report:
The Board prepares the Audit Report pursuant to the provisions of the Constitution³² containing the results of audit of final accounts of the expenditures and revenues of the State and of such accounts as are provided for by law³³ and submits them to the Cabinet (*).
 - b. Special Report to the Diet and the Cabinet:
The Board, at any time, reports to the Diet and the Cabinet on matters regarding which the Board has presented its opinions or demanded measures pursuant to the

³² Constitution of Japan, Article 90, paragraph (1)

³³ Board of Audit Act, Article 29; Ordinance Enforcing the Board of Audit Act, Article 15

provisions of the Board of Audit Act, or regarding other matters that the Board finds it particularly necessary to report³⁴.

c. Special Report on Audit Requested by the Diet:

When the Board has conducted an audit of the specific matters requested by the Diet under the provisions of the Diet Law³⁵, it reports the results of that audit to the Diet pursuant to the provisions of the Board of Audit Act³⁶.

d. Report on Audit of National Property:

The Board prepares the National Property Audit Report containing the results of audit of “the financial statements on increases or decreases in national property and current totals” and “the financial statements on the status of national property gratuitous loans”, based on the provisions of the National Property Act³⁷, and submits the National Property Audit Report to the Cabinet (*).

- (2) The Board conducts audits of documents relating to final accounts pursuant to the Act on Special Accounts³⁸ and any other separate laws³⁹, and sends notices to the Cabinet which state that it has completed the audit along with its submission of those documents relating to final accounts (*).

(*). These reports will be submitted or reported to the Diet by the Cabinet.

Article 3 – Matters to be Recorded in the Audit Report

The Board records the following matters in the Audit Report, based on the provisions of the Board of Audit Act and the Ordinance for Enforcement of the Board of Audit Act.

1. Verification of Final Accounts

The Board records in the Audit Report the fact that it has verified the final accounts of the State, and the fact that its auditing of the statements of accounts and related matters has been completed. Specifically, it records the following matters:

- ① Verification of the final accounts of the State⁴⁰

³⁴ Board of Audit Act, Article 30-2

³⁵ Diet Law, Article 105

³⁶ Board of Audit Act, Article 30-3

³⁷ National Property Act, Article 34, paragraph (2), Article 37, paragraph (2)

³⁸ Act on Special Accounts, Article 19, paragraph (2)

³⁹ Broadcast Act, Article 74, paragraph (3)

⁴⁰ Board of Audit Act, Article 29, item (i)

- ② Completion of audit of the financial statements of Fund for Smooth Management of National Tax Revenue
- ③ Completion of audit of the final accounts of government related institutions
- ④ Comparison between the amounts in the final accounts of the State and the amounts in the statement of accounts submitted by the Bank of Japan⁴¹
- ⑤ Disbursement from the reserve fund that did not pass through the procedures for obtaining the Diet's approval⁴²

2. Individual Audit Results

- (1) The Board records the following matters as individual audit results in the Audit Report:
- a. Improprieties:
Matters which the Board finds, as a result of its audit, to be in violation of law, Cabinet Order, or the approved budget, or to be improper⁴³
 - b. Presentation of Opinions and/or Demand for Measures:
Matters regarding which the Board has presented its opinions to or demanded measures from auditees, and the results thereof⁴⁴
 - c. Measures Taken:
Matters for which the auditee took measures for improvement in response to the findings of the Board
 - d. Special Description:
Matters which the Board, as a result of its audit, finds it particularly necessary to record in the Audit Report in order to draw the attention of the public
 - e. Status of Corrective Actions for Improprieties and Follow-up to Measures Taken:
The status of corrective actions for “improprieties”, and the implementation status of measures relating to “measures taken”
- (2) When recording individual audit results in the Audit Report, the Board includes a summary of the business operations, projects/programs, and other concerns subject to audit, and the results of the audit. The results of the audit, as a general principle,

⁴¹ Board of Audit Act, Article 29, item (ii)

⁴² Board of Audit Act, Article 29, item (iv)

⁴³ Board of Audit Act, Article 29, item (iii)

⁴⁴ Board of Audit Act, Article 29, item (vii), item (viii)

include the audit's objective, viewpoint, subject, and methods, and causes which became clear during its course.

3. Special Report to the Diet and the Cabinet, Special Report on Audit Requested by the Diet and Report on Specific Audit Subjects

The Board describes, in the Audit Report, Special Report to the Diet and the Cabinet, and Special Report on audits requested by the Diet. In addition, it includes in the Audit Report the progress of auditing regarding specific audit subjects which, among its audit activities, the Board finds it necessary to record in the Audit Report, as “report on specific audit subjects”.

4. Demand for Disciplinary Action against and Adjudication for Accounting Officials

The Board includes in the Audit Report any demands for disciplinary action and the results thereof when it has demanded disciplinary action⁴⁵. It also includes in the Audit Report the number of cases, relevant monetary figures, and a summary of the important cases when it has adjudicated the liability for an indemnity⁴⁶.

5. Other Matters Considered to be Necessary by the Board of Audit

The Board also includes in the Audit Report matters it reported to the Public Prosecutor's Office, matters on which it made settlement decisions that correction is necessary after examination, and any other matters it considers necessary⁴⁷.

⁴⁵ Board of Audit Act, Article 29, item (v)

⁴⁶ Board of Audit Act, Article 29, item (vi)

⁴⁷ Ordinance Enforcing the Board of Audit Act, Article 15