



Board of Audit of Japan

会 計 検 査 院

Year 2021



Message from the President, Board of Audit



This booklet provides an explanation of the mandate, organization, and activities of the Board of Audit as well as the audit result outline of the FY2019 Audit Report.

The audits for the year 2020 were significantly affected by COVID-19 pandemic. As part of countermeasures, for example, all field audits were suspended while a State of Emergency was declared, and the scope of the audit was limited even after the suspensions were lifted. Despite these circumstances, on November 10, 2020, I submitted the FY2019 Audit Report on findings and other matters from the Board of Audit's audit activities in 2020 to the Prime Minister.

The FY2019 Audit Report points out and draws public attention to various issues from a broad perspective, in response to Japan's social and economic trends and its current financial condition. In particular, it covers a number of audit findings on matters of great interest to the public, such as (i) ensuring safety of people's lives, (ii) social security, (iii) effectiveness of programs and projects, (iv) proper and fair operation of programs and projects, (v) proper execution of the budget and adequacy of the financial management, (vi) environment and energy, and (vii) information technology (IT). This Report identifies 248 cases totaling 29.7 billion yen as audit findings, including summaries of three cases of Special Report to the Diet and the Cabinet and two cases of Special Report on audit requested by the Diet.

Japan's society and economy are facing difficult challenges, such as accelerated depopulation, rising social security expenses due to the declining birthrate and the aging population, stagnant growth potential, and an increase in large-scale natural disasters. In addition, the ongoing COVID-19 pandemic has been seriously affecting Japan's society and economy, revealing various issues that call for urgent responses such as delay in digitalization of public administration. Meanwhile, as for the fiscal position of the Japanese government, the outstanding debt has been ever more increasing due to frequent issuance of public bonds including those for COVID-19 countermeasures. The amount of outstanding debt is estimated to reach about 990 trillion yen (177% of GDP) at the end of FY2021, which imposes a major challenge for achieving a sound fiscal position.

Against this backdrop, the government has decided to move forward with integrated economic and fiscal reform to address structural problems relating to the sustainability of social security and public finance.

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

In light of these circumstances, as an organization under the Constitution of Japan, the Board of Audit will continue to commit itself to living up to the expectations of the public and fulfill its duties to "supervise financial management, ensure its adequacy, and rectify any defects."

It is my sincere hope that this booklet will serve to enhance your understanding of the Board of Audit.

December 2021

MORITA Yuji
President
Board of Audit

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History of the Board of Audit

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

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

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

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

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

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

The Constitution of Japan

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

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

The Board of Audit Act

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

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

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

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

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

Status of the Board

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

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

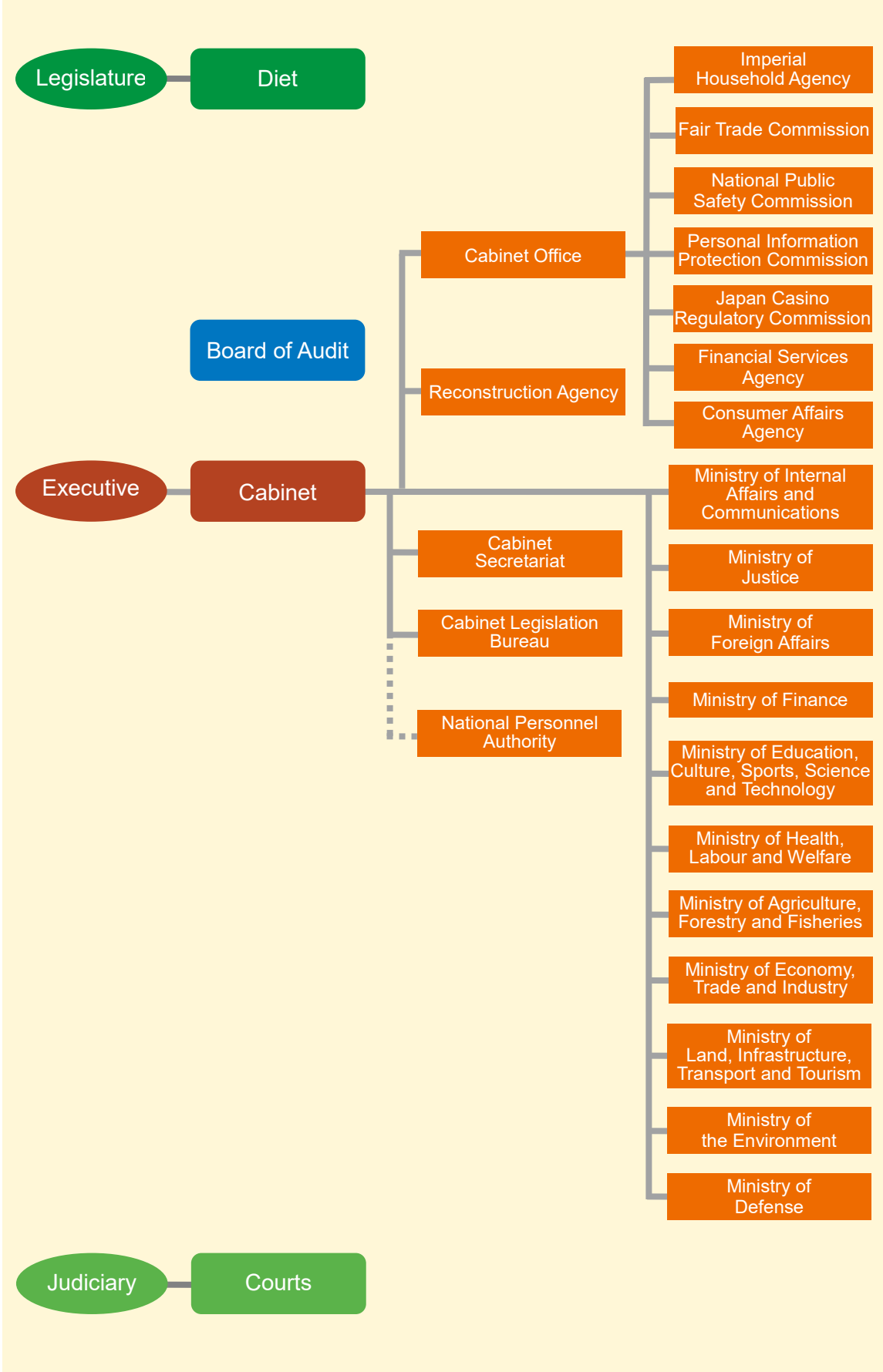
For sound management of administrative and financial operations of the State, it is essential to audit whether the budget has been executed properly and effectively, and to ensure that audit results be reflected in the State budget formulation and execution in the following year.

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

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

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

◆ Organization Chart of the Government of Japan ◆

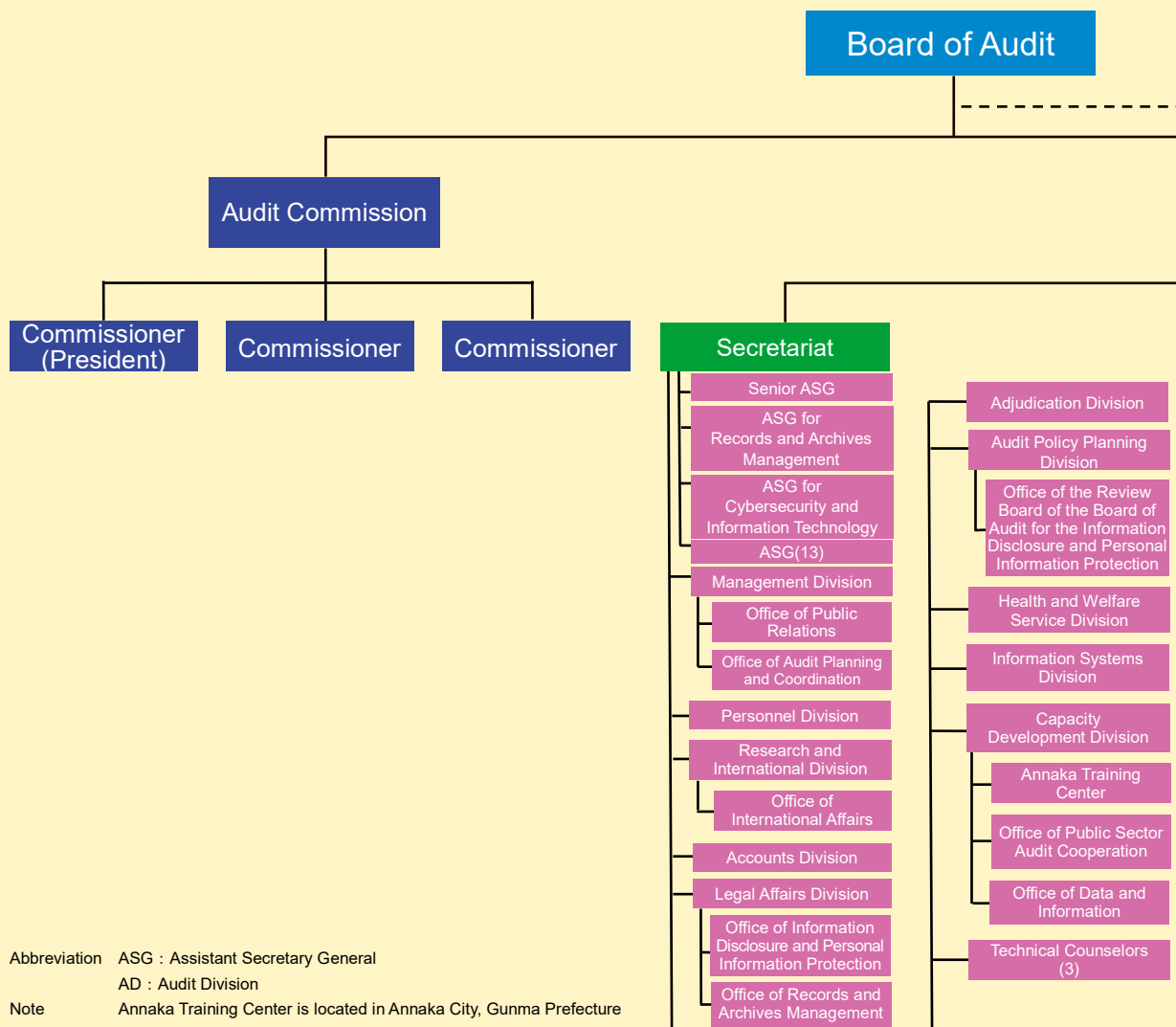


Organization of the Board

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

Audit Commission

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

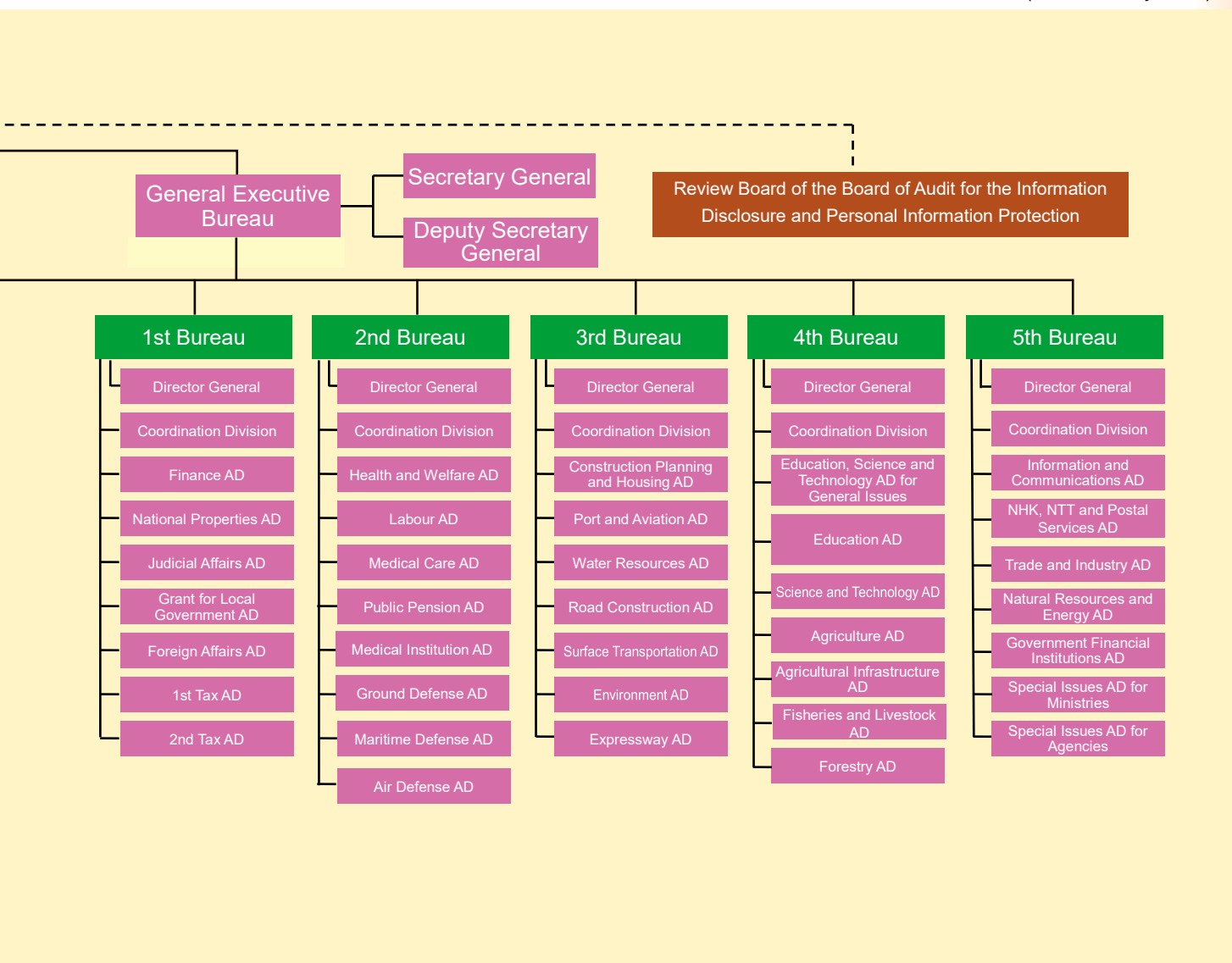


The Audit Commission adopts a consensus system to ensure fairness and adequacy in its judgments.

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

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

(as of January 2021)



■ General Executive Bureau

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

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

(as of January 2021)

Bureau	Audit Division	Ministries and Bodies subject to Audit
1st Bureau	Finance AD	Consolidation of the audit of the State final accounts, credits, and goods carried out by the Board / Diet / Cabinet / Cabinet Office(except for the matters on which the other Audit Divisions are in charge of audits in Cabinet Office) / Imperial Household Agency / Financial Services Agency / Ministry of Finance(except for the matters on which the other Audit Divisions are in charge of audits in Ministry of Finance) / Bank of Japan / Deposit Insurance Corporation of Japan / Special issues on which the Secretary General of the Board requires the cross-division audit concerning the fiscal condition to be conducted as audit on financial management of the State
	National Properties AD	Consolidation of the audit of national property carried out by the Board / National Personnel Authority / Fair Trade Commission / Japan Casino Regulatory Commission / Consumer Affairs Agency / Japan Mint / National Printing Bureau / Japan Tobacco Inc. (JT)
	Judicial Affairs AD	Courts / Board of Audit / National Public Safety Commission / Ministry of Justice / Immigration Services Agency of Japan / Public Security Intelligence Agency / Japan Legal Support Center
	Grant for Local Government AD	Office for Promotion of Regional Revitalization (Cabinet Office) / Reconstruction Agency / Ministry of Internal Affairs and Communications (MIC) (except for the matters on which the other Audit Divisions are in charge of audits in MIC) / Fire and Disaster Management Agency
	Foreign Affairs AD 1st Tax AD 2nd Tax AD	Ministry of Foreign Affairs / Japan International Cooperation Agency (JICA) / Japan Foundation Tax Bureau of Ministry of Finance / Customs and Tariff Bureau of Ministry of Finance / National Tax Agency / Customs
2nd Bureau	Health and Welfare AD Labour AD Medical Care AD Public Pension AD Medical Institution AD	Children and Child-Rearing Administration / Ministry of Health, Labour and Welfare / Japan Pension Service / Welfare and Medical Service Agency / National Hospital Organization / Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers / Government Pension Investment Fund
	Ground Defense AD Maritime Defense AD Air Defense AD	Ministry of Defense / Acquisition, Technology and Logistics Agency / Ground, Maritime and Air Self-Defense Forces
	Construction Planning and Housing AD Port and Aviation AD Water Resources AD Road Construction AD Surface Transportation AD Expressway AD	Ministry of Land, Infrastructure, Transport and Tourism (MLIT) / Tourism Agency / Meteorological Agency / Coast Guard / Urban Renaissance Agency / Japan Water Agency / Japan Railway Construction, Transport and Technology Agency / Narita and New Kansai International Airport Co., Ltd.s / Tokyo Metro Co., Ltd / East Nippon, Central Nippon, West Nippon and Honshu-Shikoku Bridge Expressway Co., Ltd.s
3rd Bureau	Environment AD	Ministry of the Environment / Environmental Restoration and Conservation Agency / Japan Environmental Storage & Safety Corporation
	Education, Science and Technology AD for General Issues Education AD Science and Technology AD	Ministry of Education, Culture, Sports, Science and Technology / Japan Sports Agency / Agency for Cultural Affairs / The Promotion and Mutual Aid Corporation for Private Schools of Japan / Japan Science and Technology Agency / Japan Sport Council / Japan Student Services Organization / RIKEN / Japan Aerospace Exploration Agency / Japan Atomic Energy Agency / National University Corporations
4th Bureau	Agriculture AD Agricultural Infrastructure AD Fisheries and Livestock AD Forestry AD	Ministry of Agriculture, Forestry and Fisheries / Forestry Agency / Fisheries Agency / Japan Racing Association / Agriculture & Livestock Industries Corporation / National Agriculture and Food Research Organization / Forest Research and Management Organization
	Information and Communications AD	Global Strategy Bureau, Information and Communications Bureau, Telecommunication Bureau, and Director-General for Cybersecurity of the MIC / National Institute of Information and Communications Technology / Special issues on which the Secretary General of the Board requires audit concerning the accounting related to Information and Communications
5th Bureau	NHK, NTT and Postal Services AD	Japan Post Holdings / Organization for Postal Savings, Postal Life Insurance and Post Office Network / Japan Broadcasting Corporation (NHK) / Nippon Telegraph and Telephone Corporation (NTT)
	Trade and Industry AD Natural Resources and Energy AD	Ministry of Economy, Trade and Industry / Agency for Natural Resources and Energy / Japan Patent Office / Small and Medium Enterprises Agency / National Institute of Advanced Industrial Science and Technology / Japan External Trade Organization / New Energy and Industrial Technology Development Organization / Japan Oil, Gas, and Metals National Cooperation / Nuclear Damage Compensation and Decommissioning Facilitation Corporation
	Government Financial Institutions AD	The Okinawa Development Finance Corporation / Japan Finance Corporation / Japan Housing Finance Agency / Development Bank of Japan
	Special Issues AD for Ministries Special Issues AD for Agencies	Audit in response to the requests by the Diet based on the provision of the Diet Act / Special issues on which the Secretary General of the Board requires audits

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

The number of authorized personnel of the General Executive Bureau is 1,249 (as of January 2021). Many of these personnel are assigned to various audit divisions as **auditors** and **assistant auditors**.

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

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

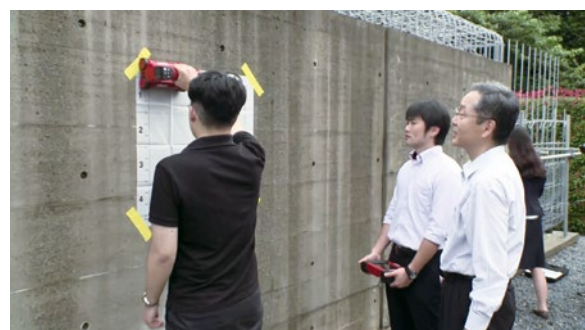
The Board recruits its staff from those **who have passed the Public Service Entrance Examination conducted by the National Personnel Authority**. Besides those who have specialized in law and economics, the Board recruits a considerable number of personnel who specialized in civil engineering, construction,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

The Board also utilizes outside expertise by recruiting fixed-term staff from those who have specialized knowledge and skills, such as certified public accountants (CPA).

After recruitment, new staff members undergo extensive **training** and examinations in various fields to acquire necessary knowledge and skills, and then become auditors after several years of **audit experience**.

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

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



Training sessions
(before the COVID-19 pandemic)

Training System of the Board

The Board provides the following **training** to its staff.

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

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



Annaka Training Center



Full-scale structure models
(Bridge models)

Audit Activities

Aims of the Audit

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

(1) Supervision of financial management

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

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

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

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

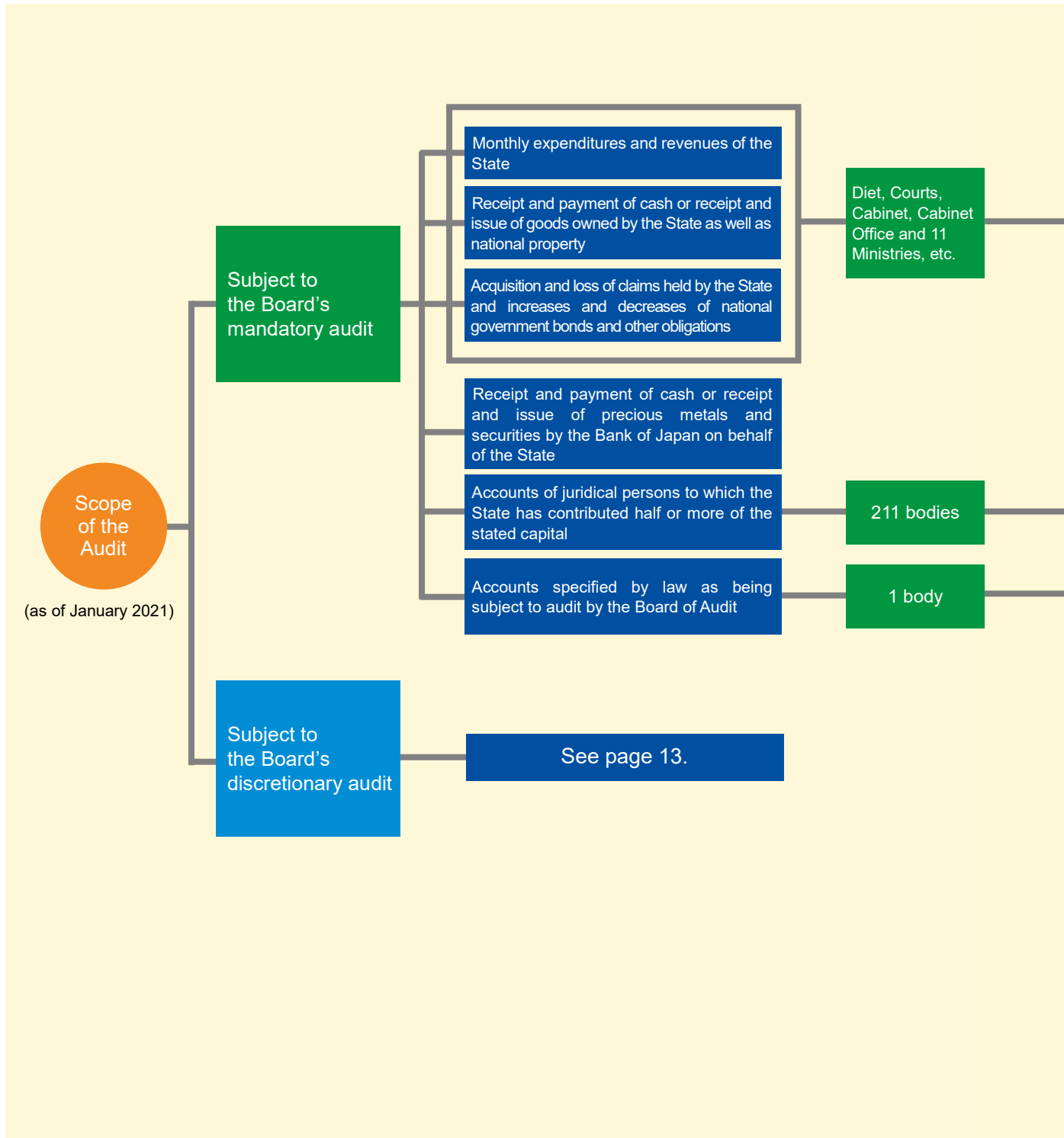
Verifying the final accounts of the expenditures and revenues of the State is another aim of the audit by the Board. The Board has a mandate to verify them based on the results of audit.

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

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

Scope of the Audit

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



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

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

**Government
Affiliated
Institutions
4 bodies**

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

Others

36 bodies

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

Incorporated Administrative Agencies 83 bodies

National University Corporations and Inter-University
Research Institute Corporations 89 bodies

Nippon Hoso Kyokai (NHK : Japan Broadcasting Corporation)

See Page 12.

Incorporated Administrative Agencies

83 bodies

Incorporated Administrative Agencies

National Archives of Japan
 National Research Institute of Brewing
 National Institute of Special Needs Education
 National Center for University Entrance Examinations
 National Institution for Youth Education
 National Women's Education Center, Japan
 National Museum of Nature and Science
 National Museum of Art
 National Institutes for Cultural Heritage
 Food and Agricultural Materials Inspection Center
 National Livestock Breeding Center
 National Institute of Technology and Evaluation
 Japan agency of Maritime Education and Training for Seafarers
 Civil Aviation College
 National Institute for School Teachers and Staff Development
 Labor Management Organization for USFJ Employees
 National Agency for Automobile and Land Transport Technology
 Japan Mint
 National Printing Bureau
 National Consumer Affairs Center of Japan
 Agriculture & Livestock Industries Corporation
 Agriculture, Forestry and Fisheries Credit Foundations
 Northern Territories Issue Association
 Japan International Cooperation Agency (JICA) (Note1 : see page 13)
 Japan Foundation
 Japan Society for the Promotion of Science
 Japan Sport Council
 Japan Arts Council
 Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers
 Welfare And Medical Service Agency(WAM)
 National Center for Persons with Severe Intellectual Disabilities, Nozominosono
 The Japan Institute for Labour Policy and Training
 Japan External Trade Organization (JETRO)
 Japan Railway Construction, Transport and Technology Agency
 Japan National Tourism Organization(JNTO)
 Japan Water Agency (JWA)
 National Agency for Automotive Safety and Victims' Aid
 Airport Land Development Organization
 Information-Technology Promotion Agency, Japan
 Japan Oil, Gas and Metals National Corporation (JOGMEC)
 Japan Organization of Occupational Health and Safety
 National Hospital Organization
 Pharmaceuticals and Medical Devices Agency
 Environmental Restoration and Conservation Agency(ERCA)
 Japan Student Services Organization

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

National Research and Development Agency

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

National University Corporations and Inter-University Research Institute Corporations

89 bodies

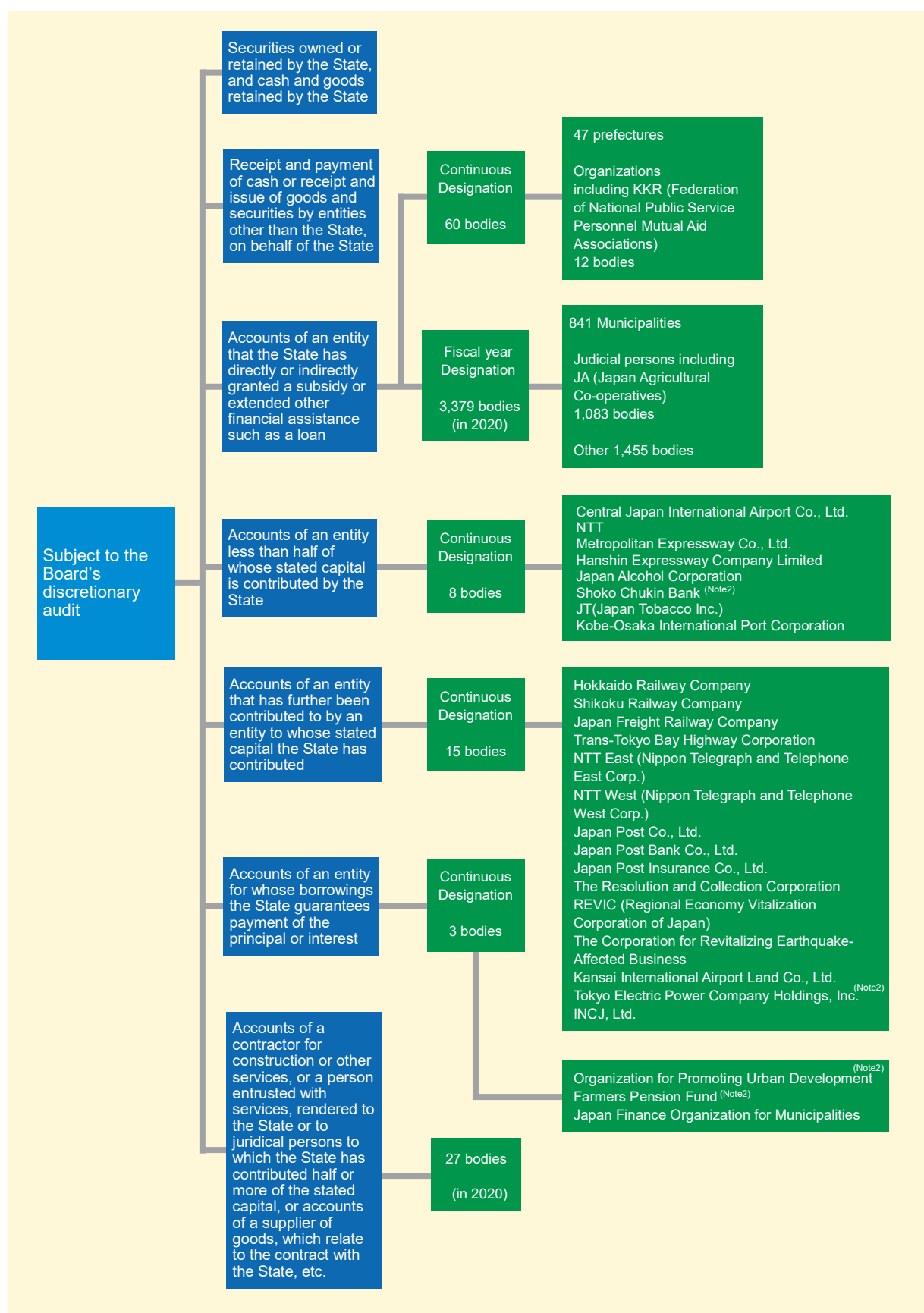
National University Corporations

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

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

Inter-University Research Institute Corporations

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



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

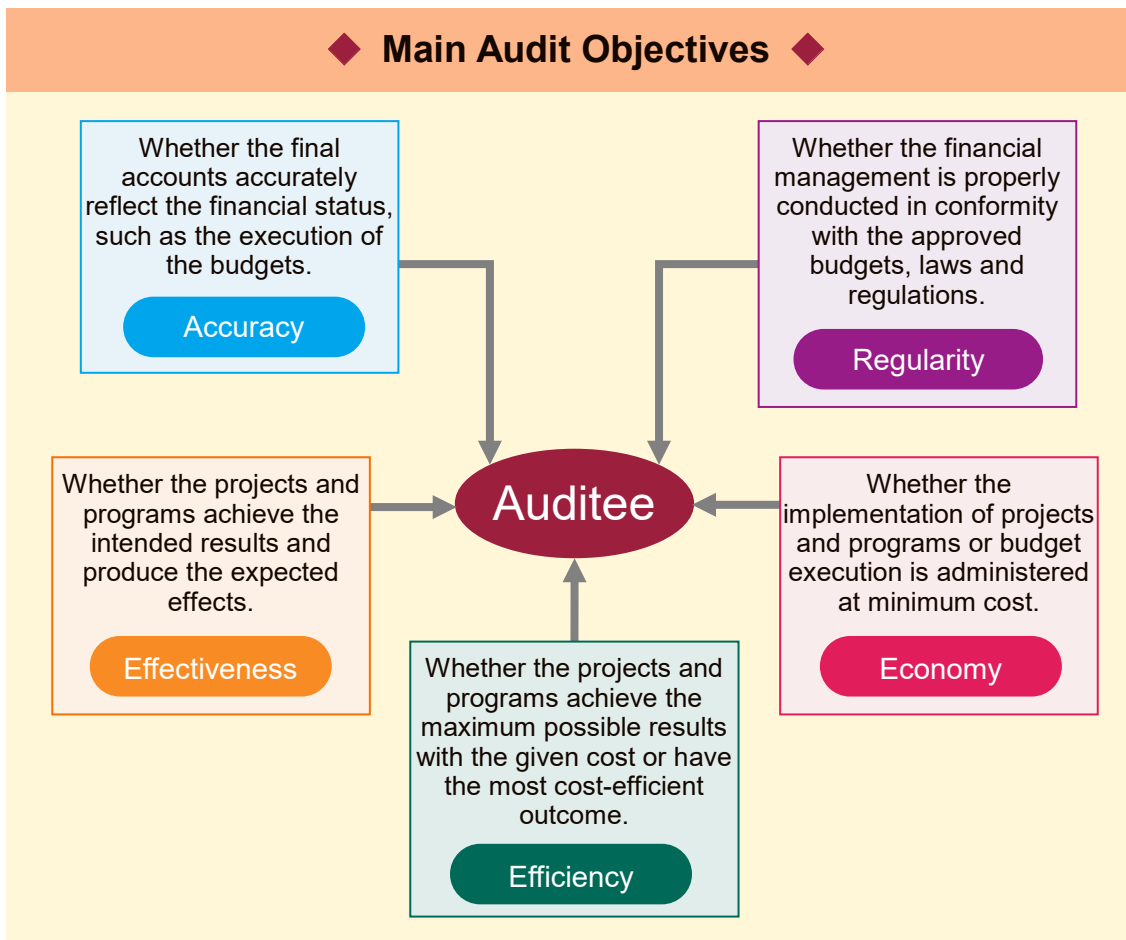
* Note2 These 4 bodies are also included in the continuous designation of the accounts of an entity that the State has directly or indirectly granted a subsidy or extended other financial assistance such as a loan.

Objectives of the Audit

The Board conducts its audits with broad and diverse objectives.

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

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



The followings are examples of the audit aspects, based on each objectives of the Board's audits in major areas of auditing.

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

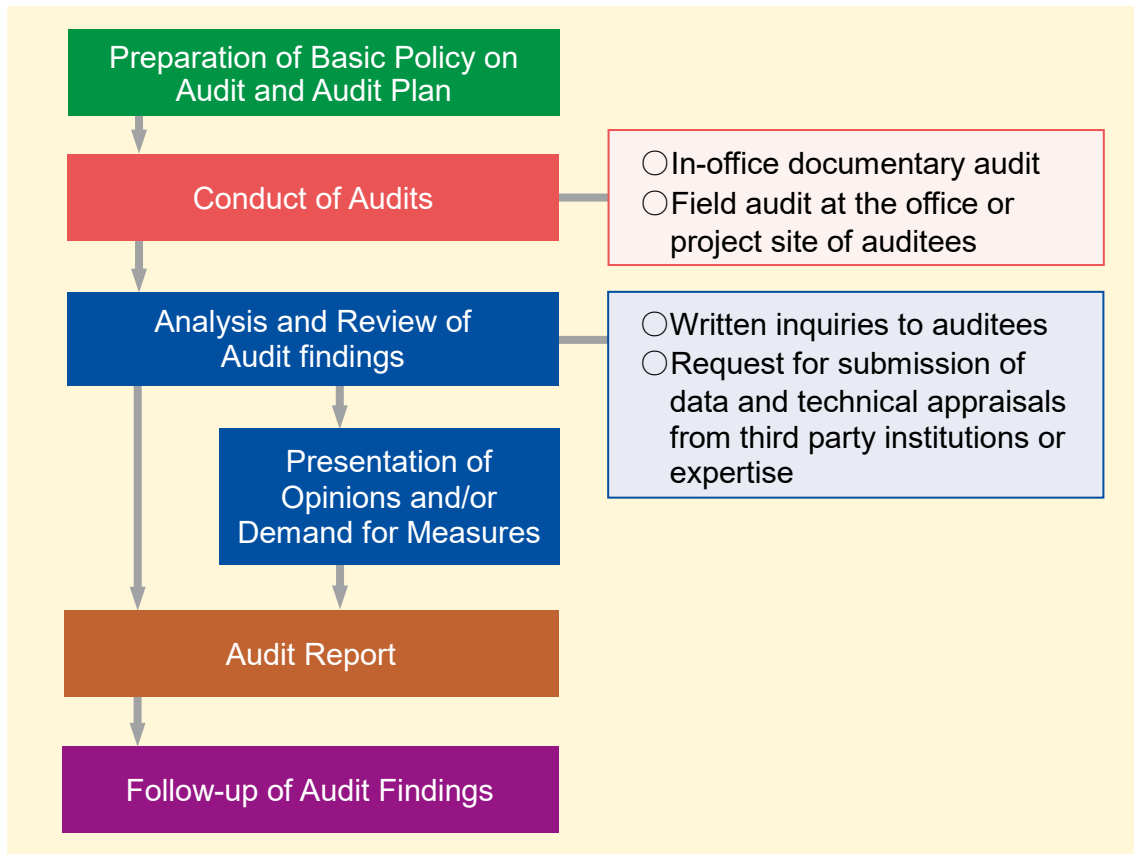
Auditors conduct their audit with the above mentioned general audit aspects, and analyze accounting practices of the auditee and related evidence, and then specify audit aspects and methods to conduct their audit.

Procedures of the Audit

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

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

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

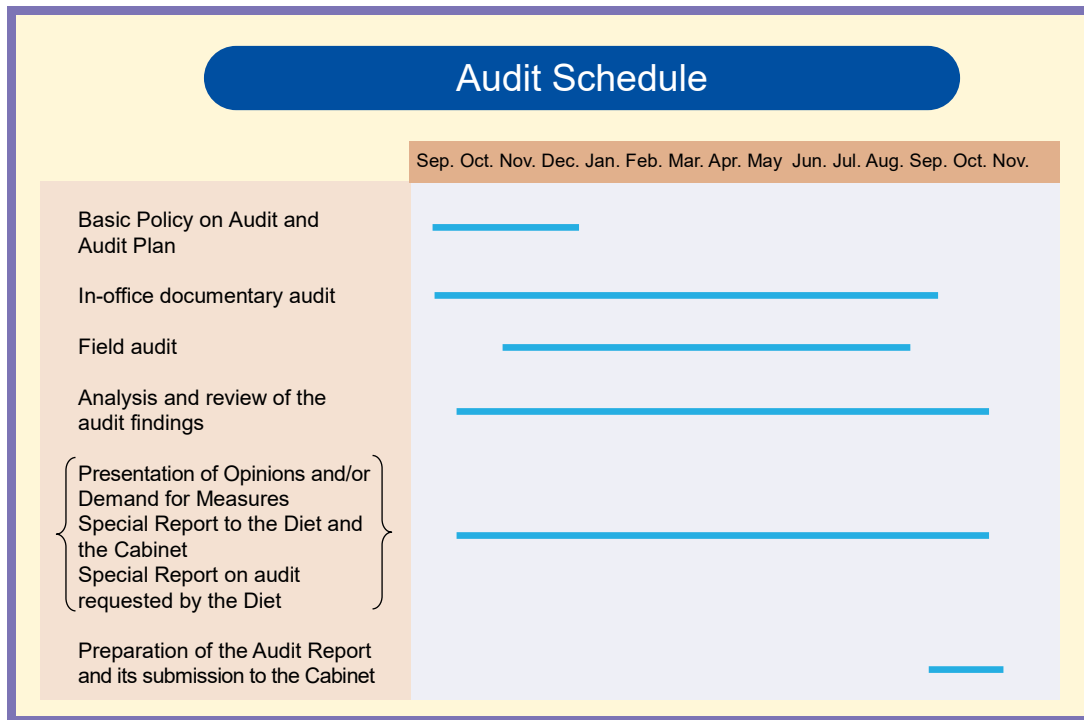


■ Special Report to the Diet and the Cabinet and Special Report on Audit Requested by the Diet

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

Since 1997, if the Board receives a request from the Diet under the Diet Law, the Board may conduct an audit of the specific matters requested and report the results.

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



〈Basic Policy on Audit and Audit Plan〉

It is very important to set an appropriate audit plan for the Board to conduct its audits efficiently and effectively for the best audit results with limited human resources.

Every year, the Board prepares its **Basic Policy on Audit** for the next year, and based on this, each division prepares its own Audit Plan.

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



The Audit Commission on formulating the Audit Plan

Basic Policy on Audit for 2021 (Excerpt)

(As established September 9, 2020)

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

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

3. Basic Policy on Audit (Excerpt)

A. Focus of audit

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

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

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

Furthermore, the Board appropriately and in a timely manner audits various measures for promoting the reconstruction from the Great East Japan Earthquake and for COVID-19 countermeasures according to the status of progress, noting that a large amount of national expenses have been spent during a certain period.

In particular, with regard to the COVID-19 countermeasures, various programs have been implemented based on the first and second supplementary budget for FY2020 to disburse additional expenses required for the countermeasures. In light of this, when it conducts the audit, the Board takes into account the urgency required for the implementation of these programs and responds to the situation in a prompt and flexible manner, monitoring policies and trends of the government's efforts.

B. Audit with various audit objectives

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

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

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

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

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

C. Approach corresponding to conditions of internal control

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

D. Follow-up of the audit findings

The Board continually checks on the state of improvements made by remedial and preventative measures against improper and irregular cases to ensure that audit results are reflected in the State budget compilation as well as in project implementation adequately and effectively.

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

E. Cooperation with the Diet

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

4. Designing an Appropriate Audit Plan

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

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

Also, in auditing, the Board attempts to enhance and strengthen audit activities by promptly and flexibly responding to the progress status of audits as well as public interests, for example, by reviewing the audit plan when necessary. In addition, the Board pays due attention to the effects of the COVID-19 pandemic on auditees.

〈Audit Practice〉

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

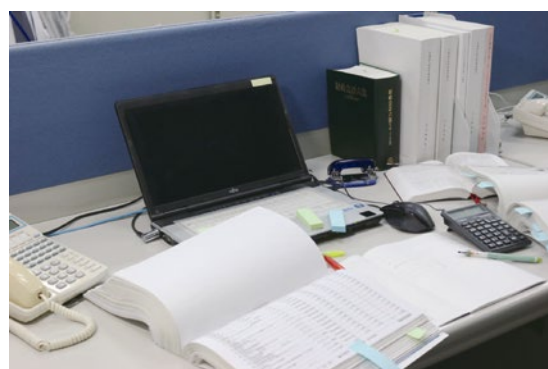
(1) In-office documentary audit

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

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

In addition to the submission of paper-based statements of accounts and documentary evidence, the use of electronic data processing systems (online) or electromagnetic recording media has increased in recent years due to the development of systems in line with the progress of electronic accounting. The Board is continuously examining these statements of accounts and documentary evidence.

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



In-office documentary audit



Documentary evidence stored at the Board



Servers for Electronic Vouchers and Other Supporting Documents Management System (Image)

(2) Field audit

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

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

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

In the field audits, auditors examine the actual conditions of administrative work and projects by checking accounting books as well as documentary evidence which is retained by the auditees, interviewing the officials in charge and other relevant persons, observing property management, and inspecting completed physical works.

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

Field Audit Implementation Rate

The following table shows the implementation rate of the field audits conducted in 2020.

All field audits were suspended in April and May of 2020 in response to the COVID-19 pandemic. Following this, the scope of the audit has been limited after June taking into account the impact of COVID-19 on the auditees. As a result, the field audit implementation rate has been lower than the previous year.

The Board spent approximately 17,600 person-days on these field audits.

Auditee classification	Number of units	Number of units audited	Field Audit Implementation Rate
(1) Important Organizations in audits (Head office of ministries and agencies, major local branches, etc.)	4,461	1,088	24.3 % (Prev. year 41.7 %)
(2) Organizations equivalent to the above (Other local branches, etc.)	6,624	638	9.6% (Prev. year 16.5 %)
Total	11,085	1,726	15.5 % (Prev. year 26.7 %)

(Note: For auditees other than (1) and (2), such as post offices and railway stations, field audits were conducted at 24 out of 20,422 units. Field Audit Implementation Rate including these figures is 5.5%.)



(On the subway)

Field audit

(before the COVID-19 pandemic)



(In the agricultural greenhouse)



(At the auditee's office)



(On the airport runway)

〈Analysis and Review of Audit Findings〉

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

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

(1) Inquiry letters to the auditees

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

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

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

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

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

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

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

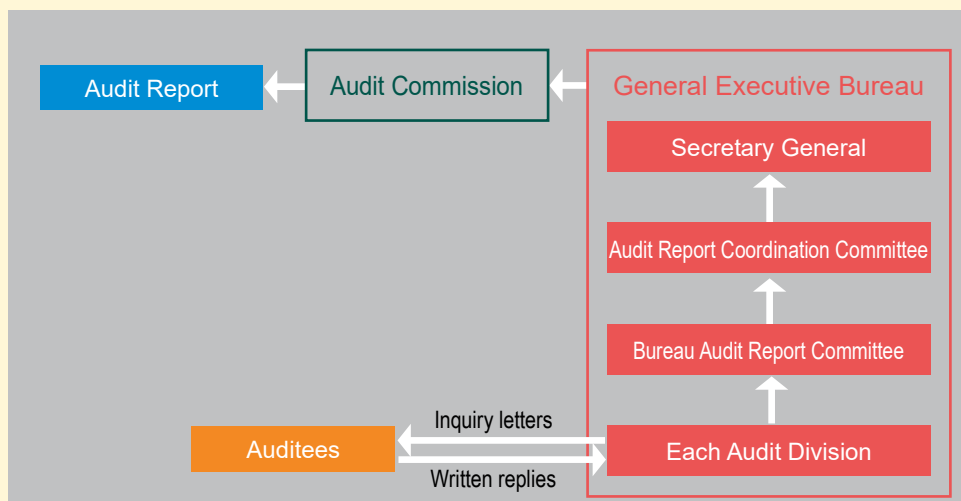
〈Presentation of Opinions and/or Demand for Measures〉

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

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

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

Audit results are deliberated through the following procedures.



* This deliberation system is also applied to the cases of Presentation of Opinions and/or Demand for Measures.

Composition and operation of the Committees and deliberations are as follows.

[Committee Structure]

Each bureau establishes a Bureau Audit Report Committee composed mainly of the Director General of each bureau (as a chairperson) and Senior Directors of each bureau. The Secretariat sets up the Audit Report Coordination Committee composed of the Deputy Secretary General (as a chairperson) and Senior Directors of the Secretariat.

[Deliberation]

Deliberation is conducted on various aspects such as 1) correct understanding of the facts, 2) analysis of the system and application of the laws and regulations, 3) consideration of relevant past circumstances and changing situations and 4) analysis of the causes and remedial measures.

[Adoption of Peer Review System]

Both the Bureau Audit Report Committee and the Audit Report Coordination Committee adopt a peer review system for securing objectivity and credibility of their judgment. In the system, each audit case is reviewed critically in advance by one of the members in each Committee regarding the accuracy of the description of facts and relevance of the conclusion, and the result of the review is reported to the relevant Committee.

Audit Report

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

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

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



The President Morita of the Board (left) submits the FY2019 Audit Report to Prime Minister Suga
[Prime Minister's Office, November 10, 2020]

(Source: the Cabinet Office)

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

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

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

Number of audit cases and improper amounts reported in the Audit Report for the fiscal year 2019 are as follows:

Category	Number of audit cases	(Note 1) Improper amounts (Unit: million YEN)	(Note 1) Number of audit cases with background amounts
1) Improprieties	205	875,895	—
2) Presentation of Opinions and/or Demand for Measures Article 34	1	4,345	—
Articles 34 and 36	(Note 2) 3	97,647	2
Article 36	(Note 2) 10	451,880	7
3) Measures Taken	(Note 2) 22	1,542,426	6
Total of items 1) to 3)	241	<231 cases> 2,972,193	
5) Special Report to the Diet and the Cabinet	3		
6) Special Report on audit requested by the Diet	2		
7) Report on Specific Matters	2		
Total	248	<231 cases> 2,972,193	

(Note)

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

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

2) 5 cases of “Presentation of Opinions and/or Demand for Measures” and “Measures Taken”, in multiple situations, have both improper amounts and background amounts.

3) No case is reported as 4)Special Description in the FY2019 Audit Report.

〈Effect of Audit Activities〉

The impact of audit activities is not confined to improper amounts referred in the annual Audit Report but also includes the following:

(1) Financial impact of audit work

The Board conducts a trial calculation of the impact of the rectification/improvement measures taken by auditees within the past year in relation to the financial management reported in previous audit reports which resulted in positive financial impact on the State ministries and agencies of which the scale and degree are measurable in monetary terms, such as the recovery of losses and prevention of excess expenditure, applying certain assumptions and calculation methods. According to the trial calculation for 2019, the total amount of financial impact of rectification/improvement measures, on the basis of each case reported in the Audit Report which resulted in financial impact of one billion yen or more, was 23.2 billion yen.

(2) Non-financial impact of audit work

The rectification/improvement measures by auditees in response to findings reported in the Audit Reports also include some non-financial impacts, even though the scale and degree of them are measurable in monetary terms. For example, improvement in realizing the effect of programs such as an increase of the utilization rate of facilities and systems not actively used, conducting remedial work for a project whose purpose has not been achieved due to inappropriate design or construction work, and rectifying violations of accounting laws and regulations or misstatements in the financial statements.

(3) Effects of audit work which are difficult to measure in monetary terms

In some cases, the Board's audit produces some effects on auditees which are difficult to measure in monetary terms, for example, enhanced transparency of administrative work and projects, and improved organizational structure for the appropriate functioning of internal control as a result of rectification/improvement.

(4) Ripple effect

Board audit also produce some effects, for example, ministries and agencies that reviewed audit findings for other auditees reported in the Audit Report voluntarily can examine whether they have any similar issues and rectify the problem or prevent the same case from occurring by paying attention to their respective execution of accounting.

(5) Deterrent effect

The deterrent effect against illegal and improper auditee accounting can be expected because being subjected to the Board's audit itself can be a significant deterrent factor.

In addition to the above, the Board gives instructions/advice to auditees in the course of the audit to rectify and improve inappropriate cases which are not serious enough to be referred to in the Audit Report.

〈Follow-up of Audit Findings〉

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

(1) Have damages of the State been rectified?

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

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

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

(2) What kind of measures have been taken to prevent recurrence?

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

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

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

(3) What disciplinary action has been taken against officials in charge?

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

Promotion of the Audit Findings

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

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

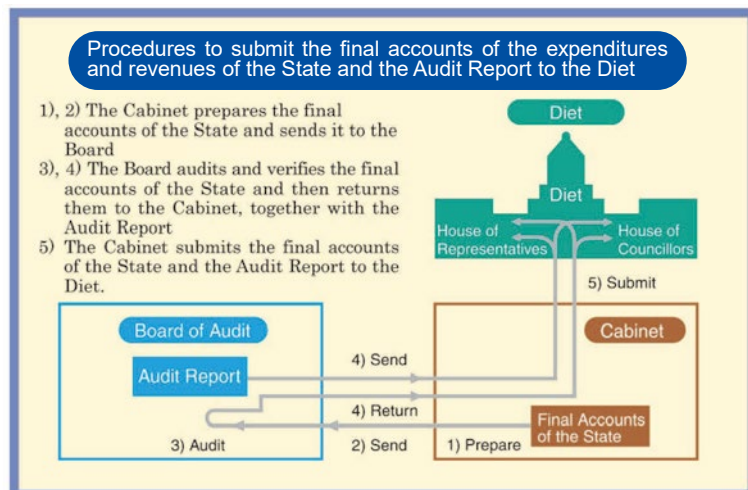
The Audit Report is submitted, with the final accounts of the expenditures and revenues of the State, through the Cabinet to the Diet for deliberation of **the State’s final accounts**.

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

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

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

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



(2) Explanation to financial authorities

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

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

〈Training Courses for Auditees〉

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

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

(1) Briefing on the Audit Report

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

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

(2) Training courses for auditee personnel

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

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

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

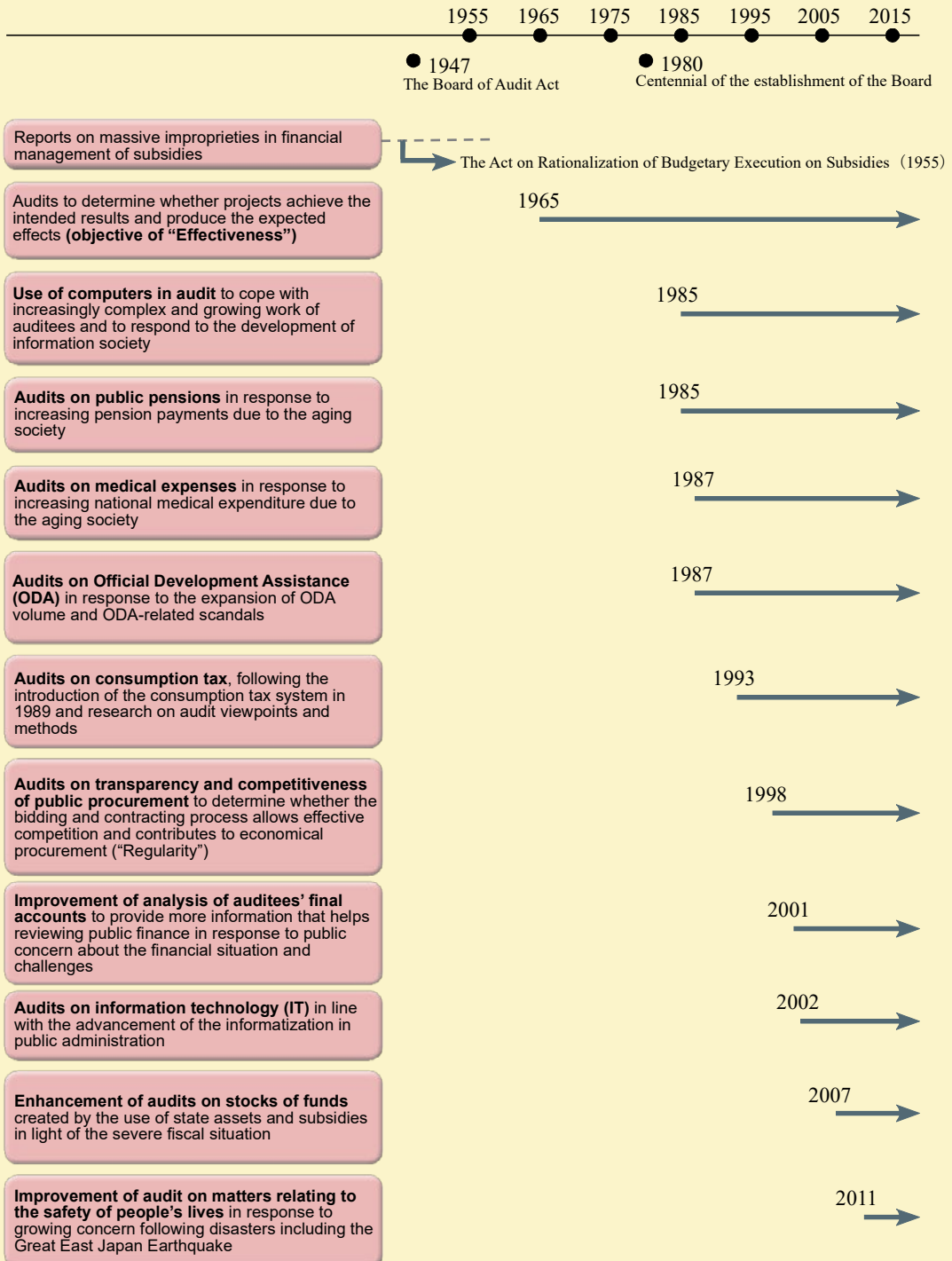
(3) Internal audit related services

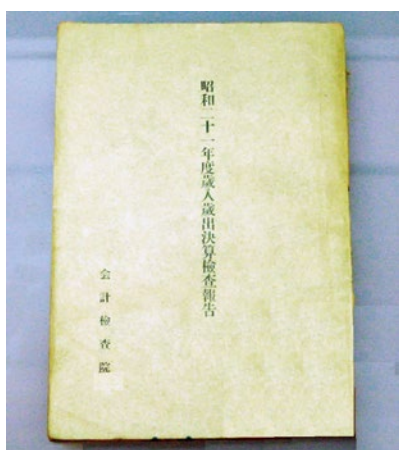
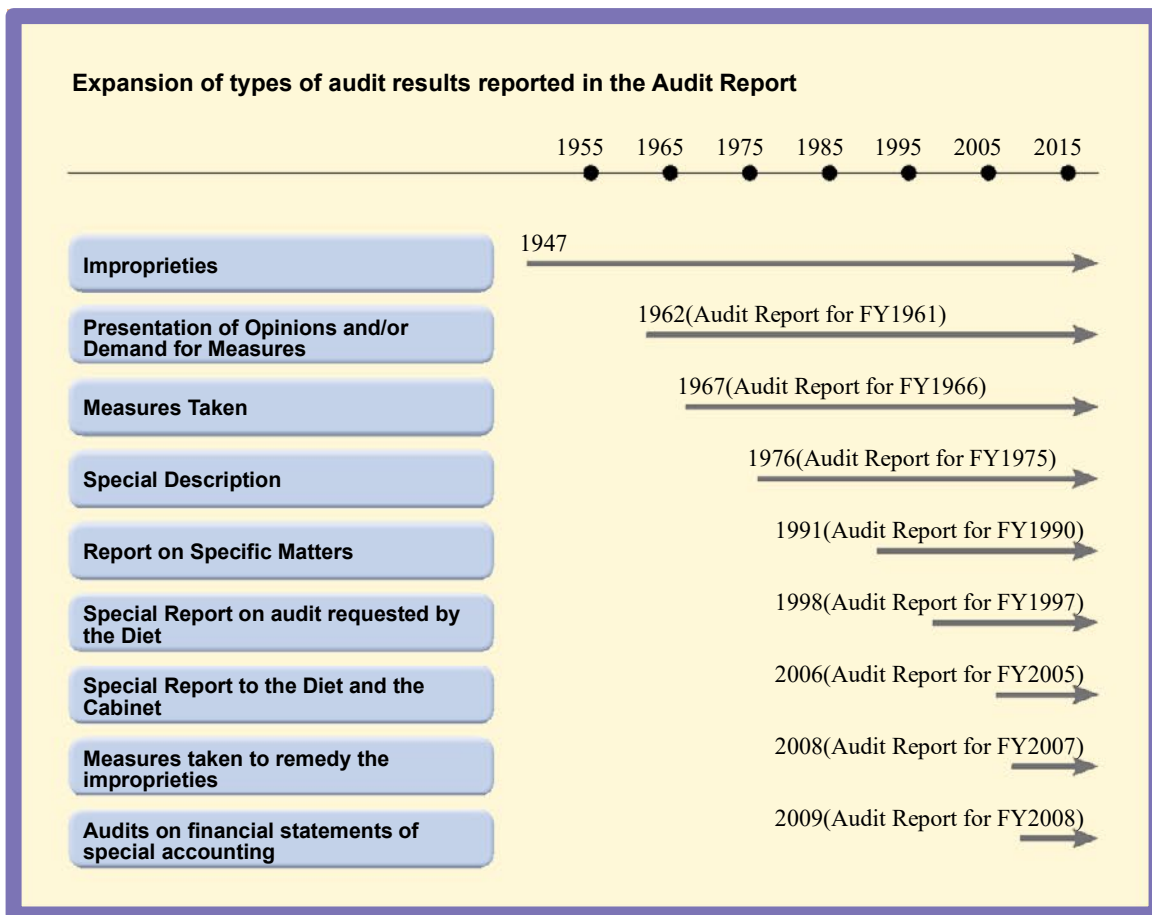
The Board conducts researches and analyses on auditees' internal control such as the status of internal audits and internal check systems etc., and has meetings with **officials in charge of internal audit in ministries, agencies** and so on in order to promote improvement and strengthening of internal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

Activities of the Board

The Board has developed audit activities to respond to social and economic changes, and public expectations, which have led to a great number of audit results.

Expansion and development of audit scopes, objectives and methods





The first Audit Report after the implementation of the current Board of Audit Act
The FY1946 Audit Report



The FY2019 Audit Report

Use of IT (Information Technology) in the audit

In order to enhance and strengthen audit work, the Board has developed **the Audit Information Systems**, which are used for verification of the final accounts of the State, and management of various data and materials related to the audit.

Also, the Board utilizes IT for calculation and analysis of various audit related data, thus allowing auditors to identify focus points and sites to be further investigated.

The data collected at the field audit sites is analyzed by utilizing mobile information processing devices to ensure rapid processing of audit related data. With these measures, the Board conducts field audits efficiently and effectively.

(Audit Information Systems)

Final Accounts Verification System _____ verifies final accounts

- revenue and expenditure
- claims held by the State and State obligations
- national property
- goods

Electronic Vouchers and Other Supporting Documents Management System _____ inspects and manages electronic documentary evidence

Audit Findings Retrieval System _____ performs searches of information on audit results in the Audit Report

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

Other Activities

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

(1) Adjudication on the liability for indemnity

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

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

(2) Demand for disciplinary action

If the Board finds, as a result of audit, that an official who handles accounting for the State has caused substantial damage to the State through intent or gross negligence, or that a budget executing official has made payments in violation of the laws and regulations or the approved budget through intent or gross negligence and caused damage to the State, the Board may demand the Minister to which the official belongs to take disciplinary action against the official.

The Board is also authorized to execute the same rights in cases where an official who handles accounting for the State neglects to submit statements of accounts or documentary evidence to the Board.

(3) Examination

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

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

Exchange of Information and Views with External Bodies

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

(1) Public relations

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

The Board publishes a **summary version of the Audit Reports** which describes the audit results briefly, and has put all contents of past Audit Reports on its website (<https://www.jbaudit.go.jp/english/index.html>).

The website provides information on audit activities of the Board and the latest organization chart, and also has a section to accept opinions on the work of the Board, and audit-related information from the public.

Furthermore, the Board started an official social media account (Facebook) (<https://www.facebook.com/baudit.japan>) in May 2019, where it shares information about its activities.

(2) Discussions with opinion leaders

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

The members of the Committee are as follows (as of January 2021):

- Mr. Mimura Akio (Chairperson: Honorary Chairman, Nippon Steel Corporation.)
- Dr. Iio Jun (Professor, National Graduate Institute for Policy Studies)
- Dr. Egawa Masako (Specially Appointed Professor, Graduate School of Business Administration, Hitotsubashi University)
- Mr. Ohno Kotaro (Lawyer)
- Mr. Kanemaru Yasufumi (Chairman and President, Group CEO, Future Corporation)
- Dr. Tomita Toshiki (Visiting Analyst, Nomura Institute of Capital Markets Research)
- Ms. Miyajima Kasumi (Commentator, Nippon Television Network Corporation)

(In Japanese alphabetical order except for the Chairperson)

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

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

For example, the Board holds regular or irregular meetings to exchange information with **the Administrative Evaluation Bureau of Ministry of Internal Affairs and Communications**, which evaluates and monitors Government agency operations and activities, and with **audit offices of local governments**. Since some of the auditees of the Board may also be subject to audits by certified public accountants, the Board also holds meetings with **the Japanese Institute of Certified Public Accountants** to regularly exchange professional opinions and information.

The Board also hosts **the Audit Forum** in which people from **organizations involved in public sector auditing gather and discuss public audit issues** in order to improve public audits.



31st Public Audit Forum (August 2019)

(Note) The meeting in 2020 was canceled due to the COVID-19 pandemic.

(4) Research activities

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

The Board also invites researchers from outside institutions as **Visiting Research Fellows** to research and review recent trends and/or more practical audit methodologies in specific fields of auditing. They advance their research from the perspective of their respective specialized fields and exchange opinions with Board staff.

The Board issues a biannual **Research Journal**, including articles contributed by scholars and researchers, and government officers to enhance communication with researchers in other institutions, and to promote interdisciplinary audit methodologies both in theory and practice.

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

International Activities

(1) Research on national audit systems abroad

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

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

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

However, these meetings in 2020 were canceled due to the COVID-19 pandemic.



24th Tokyo International Meeting on Audit
(Participating SAIs: SAI Canada, France, Germany, Sweden, U.K., U.S.A. and Japan)

(2) Participation in International Organization of SAIs

The Board joins the International Organization of Supreme Audit Institutions (INTOSAI: 195 participating SAIs) and the Asian Organization of Supreme Audit Institutions (ASOSAI: 47 SAIs), one of the INTOSAI regional organizations, to promote international cooperation in the field of government auditing and to build up closer relations with SAIs of various countries and areas. The Board also serves as a member of the INTOSAI Governing Board and Capacity Development Administrator of ASOSAI.

The Board participates in conferences and workshops held by these international organizations in order to discuss important audit-related issues, and to share the latest knowledge and experiences. In July 2019, the Board hosted in Tokyo an annual meeting of the INTOSAI Capacity Building Committee that supports the development of the SAI's professional capacities.

Furthermore, the Board, as Capacity Development Administrator of ASOSAI, is in charge of planning and implementing capacity development programs to provide audit techniques and promote knowledge sharing on government auditing among ASOSAI member SAIs.



Meetings of INTOSAI Capacity Building Committee & INTOSAI Donor Cooperation Steering Committee in Tokyo



55th Governing Board Meeting of ASOSAI
(Online)



74th INTOSAI Governing Board Meeting
(Online)

(Note) These meetings were held online in 2020 due to the COVID-19 pandemic.

(3) International Cooperation

The Board co-hosts the training programs on government auditing with the Japan International Cooperation Agency (JICA) for developing countries as part of Japanese technical cooperation.



The Knowledge Co-Creation Program in Government Audit on Public Construction Works (2019)

However, the training scheduled for 2020 was canceled due to the COVID-19 pandemic.

Audit Result Outline

- FY2019 Audit Report-

AUDIT RESULT OUTLINE – FY2019 Audit Report –

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I Basic Policy on Audit

The FY2019 Audit Report constitutes the results of the audit conducted in 2020 based on the Basic Policy on Audit for 2020.

Basic Policy on Audit for 2020

Approved by
the Audit Commission
on September 10, 2019

To carry out audits for the year 2020 (audit implementation period: October 2019 - September 2020) efficiently and effectively and to perform its missions accurately in keeping with social and economic trends, the Board of Audit established its Basic Policy on Audit for the year 2020 as follows:

1. Missions of the Board of Audit

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

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

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

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

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

In recent years, Japan's society and economy have faced difficult challenges, such as accelerated depopulation, rising social security expenses due to the declining birthrate and the aging population, stagnant growth potential, and decrepit social infrastructure.

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

As for the fiscal position of the State government, continual issuance of government bonds is steadily increasing the outstanding debt, which is estimated to reach about 897 trillion yen at the end of FY2019. In the budget for FY2019, the level of dependence on government bonds is about 32% and the total expenditure required for redemption of national debt comprises about 23% of the general account expenditure, which imposes a major challenge in achieving a sound fiscal position.

In order to achieve its fiscal consolidation goal of aiming to bring the primary balance including the national and local government budgets into surplus in FY2025, the State government, under "the New Plan to Advance Economic and Fiscal Revitalization" that aims for the integrated revitalization of the economy and public finances, will promote the following three pillars of reforms comprehensively: "overcoming deflation and revitalizing the economy," "expenditure reforms" and "revenue reforms."

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

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

Achievement of fiscal soundness has been an important issue, and importance is placed on the strict assessment and verification of the results of the State budget execution as well as the Government’s fulfillment of accountability to the public. Against this backdrop, the role of the Board, which has raised the awareness of the public on various issues relating to public administration and finance by such means as the Audit Report, has become even more important, and the public expectations for audit functions are also growing.

3. Basic Policy on Audit

The Board has been striving to conduct audits in order to respond to public expectations in light of social and economic trends at all times. With the aim of continuing to properly fulfill its missions in the situation mentioned above, the Board will make every effort to ensure the strict and fair discharge of its duties and maintain and further improve the quality of audit activities while paying due attention to the public interest, and will carry out audits in accordance with the following policies.

(1) Focus of audits

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

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

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

Furthermore, the Board appropriately and in a timely manner audits various measures for promoting the reconstruction from the Great East Japan Earthquake according to the status of progress, noting that a large amount of national expenses has been spent during a certain period.

(2) Audits with various audit objectives

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

The Board conducts audits with the following objectives:

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

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

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

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

In addition, to contribute to the improvement of the transparency and accountability of public administration and finance as well as better project implementation, the Board analyzes the public finances of the State and evaluates the government's efforts toward fiscal consolidation, and more closely audits the financial status of the special accounts and the incorporated administrative agencies. In the above cases, the Board utilizes information on public accounting such as financial documents of special accounts prepared with reference to practices of corporate accounting.

(3) Approach corresponding to conditions of internal control

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

(4) Follow-up of the audit findings

The Board continually checks on the state of improvements made by remedial and preventative measures against improper and irregular cases to ensure that audit results are reflected in the State budget compilation as well as in project implementation adequately and effectively.

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

(5) Cooperation with the Diet

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

(6) Improvement of audit capability

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

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

4. Designing an Appropriate Audit Plan

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

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

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

II Summary of Audit Results

1. Audit Results by Category and by Auditee

The total number of cases listed in the Audit Report for FY2019 was 248. Of these, the number of cases which were found not appropriate (Improper/Unreasonable Matters) was 241 and the improper amounts¹ totalled 29,721.93 million yen. (There were also background amounts² concerning the problem cases.) The following Table 1 shows the breakdown of the 248 cases by category.

Table 1: Audit Findings by Category

Category	Number of audit cases	Improper amounts (Unit: million YEN)
• Improprieties ^(Note 1)	205	8,758.95
• Presentation of Opinions and/or Demand for Measures ^(Note 2)	14 ^(Note 7)	5,538.72
• Measures Taken ^(Note 3)	22 ^(Note 7)	15,424.26
Total of Improper/Unreasonable Matters	241	29,721.93
• Special Report to the Diet and the Cabinet ^(Note 4)	3	
• Special Report on Audit Requested by the Diet ^(Note 5)	2	
• Report on Specific Matters ^(Note 6)	2	
Grand total	248	

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

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

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

- (Note 4) Special Report to the Diet and the Cabinet: Matters reported to the Diet and the Cabinet pursuant to the provision of Article 30-2 of the Board of Audit Act.
- (Note 5) Special Report on audits requested by the Diet: Results of audit reported to the Diet regarding matters audited pursuant to the provision of Article 30-3 of the Board of Audit Act based on the request made under the provision of Article 105 of the Diet Law.
- (Note 6) Report on Specific Matters: A report on specific matters which the Board finds necessary to report among audit activities of the Board.
- (Note 7) 5 cases of “Presentation of Opinions and/or Demand for Measures” and “Measures Taken”, in multiple situations, have both improper amounts and background amounts.

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

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

Table 2 shows the breakdown of 241 cases of “Improper/Unreasonable Matters” (Improperities, Presentation of Opinions and/or Demand for Measures and Measures Taken in Table 1) by auditee.

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

(unit of monetary amount, million YEN)

Category Auditee	Improperities		Presentation of Opinions and/or Demand for Measures (Note 1)		Measures Taken (Note 1)		Total (Note 1)	
	Cases	Amount	Article (Note 2) /Cases	Amount	Cases	Amount	Cases	Amount
Cabinet Office	13	240.83	③⑥ 1	64.81	1	25.83	15	331.47
Reconstruction Agency	1	16.16					1	16.16
Ministry of Internal Affairs and Communications	6	454.11					6	454.11
Ministry of Foreign Affairs			(Note 3) (Note 6) ③⑥ 1	(Note 3) 8.09 (503.24)	1	5,760.00	(Note 3) (Note 6) 2	(Note 3) 5,768.09 (503.24)
Ministry of Finance	2	346.07			(Note 6) 1	291.34 (3,828.61)	(Note 6) 3	637.41 (3,828.61)
Ministry of Education, Culture, Sports, Science and Technology	19	163.29			1	(1,559.87)	20	163.29 (1,559.87)
Ministry of Health, Labour and Welfare	82	3,665.81	(Note 4) ③④ 1 (Note 6) ③④ • ③⑥ 1	682.60 (20,425.78)	2	(208.04) (3,287.24)	(Note 4) (Note 6) 86	(Note 4) 4,348.41 (20,425.78) (208.04) (3,287.24)
Ministry of Agriculture, Forestry and Fisheries	15	109.54	③⑥ 3	111.91 (14,061.48) (474.23)	3	293.80 (8,286.84)	21	515.25 (14,061.48) (474.23) (8,286.84)
Ministry of Economy, Trade and Industry	6	58.73	(Note 6) ③④ • ③⑥ 1 ③⑥ 1	59.88 (3,424.04) (18,780.31)			(Note 6) 8	118.61 (3,424.04) (18,780.31)
Ministry of Land, Infrastructure, Transport and Tourism	20	329.36	③⑥ 1	4,333.99	4	5,496.49	25	10,159.84

Category Auditee	Improprieties		Presentation of Opinions and/or Demand for Measures (Note 1)		Measures Taken (Note 1)		Total (Note 1)	
	Cases	Amount	Article (Note 2) /Cases	Amount	Cases	Amount	Cases	Amount
Ministry of the Environment	7	87.40			1	1,932.66	8	2,020.06
Ministry of Defense	2	11.00			3	846.87	5	857.87
The Promotion and Mutual Aid Corporation for Private Schools of Japan	1	1.81					1	1.81
Japan Pension Service	1	11.81	③④ (Note 4) 1	(Note 4) 43.45			(Note 4) 2	(Note 4) 55.26
National Institute of Advanced Industrial Science and Technology			③④・③⑥ 1	233.99			1	233.99
Japan agency of Maritime Education and Training for Seafarers					1	453.31	1	453.31
Japan International Cooperation Agency (JICA)			(Note 3) ③⑥ 1	(Note 3)			(Note 3) 1	(Note 3)
Japan Society for the Promotion of Science	2	(Note 5) 471.96					2	(Note 5) 471.96
Japan Organization of Occupational Health and Safety			③⑥ 1	(21,318.98)			1	(21,318.98)
National Hospital Organization	2	3.53	③⑥ 1	(11,056.06)			3	3.53 (11,056.06)
Japan Agency for Marine-Earth Science and Technology	1	70.01					1	70.01
Urban Renaissance Agency					(Note 6) 2	150.51 (120.21)	(Note 6) 2	150.51 (120.21)
Japan Atomic Energy Agency					1	62.95	1	62.95

Category Auditee	Improprieties		Presentation of Opinions and/or Demand for Measures (Note 1)		Measures Taken (Note 1)		Total (Note 1)	
	Cases	Amount	Article (Note 1) /Cases	Amount	Cases	Amount	Cases	Amount
Japan Community Health care Organization			③⑥ 1	(3,194.62)			1	(3,194.62)
Japan Housing Finance Agency	22	1,665.07					22	1,665.07
National Cancer Center	1	110.22					1	110.22
Kyoto University	1	(Note 5) 1,128.23					1	(Note 5) 1,128.23
Saga University	1	279.82					1	279.82
Hokkaido Railway Company					1	110.50	1	110.50
Total	205	(Note 5) 8,758.95	(Note 3), (Note 4) 14	5,538.72	22	15,424.26	(Note 3) (Note 4) 241	(Note 5) 29,721.93

(Note 1) The amounts in parentheses are background amounts, which are not totaled since the basis for determining the background amounts differs from case to case.

(Note 2) The cases identified with ③④ refer to audit findings under Article 34 of the Board of Audit Act, and the cases identified with ③⑥ refer to those under Article 36.

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

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

(Note 5) Two cases involve both the Japan Society for the Promotion of Science and Kyoto University, and duplication has been eliminated from the total amount.

(Note 6) Concerning the categories “Presentation of Opinions and/or Demand for Measures” and “Measures Taken”, 5 cases in total have both improper amounts and background amounts.

2. Brief Description of Audit Cases

The following is a brief description of individual cases

A Improper/Unreasonable Matters by Ministry/Agency

(1) Cabinet Office

(Cabinet Office)

Improperities - Improper execution of and accounting for projects with subsidies or grants:

- a. Improper calculation of subsidized amounts:
 - (a) Excessive payment of child and child-rearing support grants (the portion for the after-school classes for children project)
 - (b) Excessive payment of subsidies for maintaining and advancing local communities on specific inhabited remote border islands
 - (c) Excessive payment of regional revitalization promotion grants
- b. Subsidized objective not achieved:

Simplified electronic dosimeters not meeting the specifications posed a risk of failure to measure spatial radiation dose rate
- c. Excessive billing of subsidized project cost:

Excessive billing of the cost of projects eligible for a State contribution towards benefits for children's education and care
- d. Use for purpose other than subsidized objective:

The ambulance developed using the grant project for nuclear power plant emergency safety measures was used for unintended purposes.
- e. Not eligible for a subsidy:

Part of the cost of projects that were implemented using grants for establishment of regional revitalization bases was not eligible
- f. Excessive estimate of the cost of works:

Excessive estimate of the cost of transportation charges of Prestressed Concrete girders related to a bridge embankment
- g. Excessive receipt of subsidy:

Subsidy pertaining to the amount of consumption tax after deduction for purchase tax was not returned.

Demand for Measures ③⑥ - Implementation of child care for sick children at nurseries established by using subsidy for development of company-led childcare services project

Measures Taken - Estimate of costs for commissioned work for abandoned chemical weapon disposal projects

(2) Reconstruction Agency

Improperities - Excessive billing of the cost of projects implemented with comprehensive support grants for disaster victims

(3) Ministry of Internal Affairs and Communications

Improperities - Improper execution of and accounting for projects with subsidies or grants:

- a. Part of the cost of projects that were implemented using grants for heightening regional

- vitality (local economy vitalization/employment creation)
- b. Excessive payment of subsidies under the program to comprehensively support practical use of advanced telecommunication technologies
 - c. Part of the cost of projects implemented with subsidies for information and communication technology utilization and application projects (General Account) was not eligible.
 - d. Part of the cost of projects implemented with subsidies for information and communication technology utilization and application projects (Special Account for Reconstruction from the Great East Japan Earthquake) was not eligible.

Improprieties - Excessive payment of special allocation tax grant

Improprieties - Excessive payment of special allocation tax grant for post-disaster restoration due to improper cost calculation when calculating tax grant for post-disaster restoration

(4) Ministry of Foreign Affairs

Presentation of Opinions (36) - The effects of official development assistance

Measures Taken - Implementation of International Solidarity projects

(5) Ministry of Finance

Improprieties - Cases of excess and deficiency in tax collection

Improprieties - Use of national property land is permitted for persons without authority, which is improper management.

Measures Taken - Special provisions for taxation on asset expropriation or purchase premised on expropriation in public works

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

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

- a. Excessive payment of subsidies for the cost of promoting partnership and cooperation between schools, homes, and communities
- b. Excessive payment of subsidies for the cost of support for students in rural areas
- c. Excessive payment of subsidies for facility development of certified center for early childhood education and care
- d. Excessive payment of subsidies for aid to operating expenses of private high schools (special expenditure for promotion of education reform)
- e. Excessive payment of grants for improvement of school facilities and the environment
- f. Improper design of wooden buildings
- g. Excessive State contribution to the cost of compulsory education

Measures Taken - Concrete method for calculation of the amount of day-care subsidy and scope of children eligible for the subsidy

(7) Ministry of Health, Labour and Welfare

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

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

Improprieties - Improper payment of benefits to compensate temporary absence from work under workers' accident compensation insurance

Improprieties - Improper payment of career formation subsidy under employment insurance

Improprieties - Improper payment of subsidies for development of employment for specified job seekers under employment insurance (subsidy for courses for specified persons with difficulty in employment)

Improprieties - Improper payment of career enhancement subsidies under employment insurance

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

Improprieties - Improper State contribution to medical expenses

Improprieties - Excessive payment of costs for medical consultation fees required for medical benefits under workers' accident compensation insurance

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

- a. Excessive payment of State contribution to medical treatment benefits under national health insurance
- b. Excessive State contribution to stabilization of national health insurance
- c. Excessive payment of fiscal adjustment grants under the advanced elderly medical service system
- d. Excessive payment of fiscal adjustment grants under national health insurance
- e. Excessive State contribution to the livelihood assistance subsidy
- f. Excessive State contribution to the livelihood assistance subsidy (part pertaining to the contributions to expenses for public assistance facility affairs)
- g. Excessive State contribution to the benefits for services and supports for people with disabilities
- h. Excessive State contribution to disability benefits for children with disabilities in living support facilities
- i. Excessive State contribution to the nursing care benefit
- j. Calculation of the amount of national treasury benefits to specific health checkups and health guidance of national health insurance
- k. Excessive use of funds in projects implemented using funds created by extraordinary special grants for the regeneration of community medicine

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

Improprieties - Improper State contribution to training benefits included in benefits for services and supports

Improprieties - Improper State contribution to outpatient benefits for children with disabilities

Demand for Measures 34 - Affairs regarding return of overpaid pension benefits

Demand for Measures 34 36 - Calculation of the amount of State contribution to specified health checkup and health guidance of national health insurance

Measures Taken - Calculation of the amount of subsidies to the National Health Insurance Organizations

Measures Taken - Allowances to persons completing vocational training

(8) Ministry of Agriculture, Forestry and Fisheries

Improprieties - The purpose of the project is not achieved, as accurate grasping of the actual state of agricultural water intake from the river is not possible through the system constructed under the project to automate water intake measurement

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

- a. Not eligible for a subsidy:
 - (a) Part of the cost of projects that received grants through the grant project concerning measures to strengthen agriculture and the food industry was not eligible.
 - (b) Part of the cost subsidized under the project for forest environment conservation and development is not eligible.
 - (c) Part of the cost of the projects that received grants through the grant program to facilitate the sixth industrialization of rural areas was not eligible.
 - (d) Thinnings production implemented under the program to improve the productivity of plywood, lumbering and laminated wood production and to promote switching of product lines was not eligible.
 - (e) Part of the cost of the projects subsidized under the program of grants to enhance livestock competitiveness was not eligible.
- b. Improper design of works:
 - (a) Improper design of headworks
 - (b) Improper design of bed protection work
- c. Excessive billing of subsidized project cost:
 - (a) Excessive billing of the cost of the program to improve the productivity of plywood, lumbering and laminated wood production and to promote switching of product lines, as the project cost includes the amount of consumption tax that is subject to purchase tax credit
 - (b) Excessive billing of the cost of projects under the program to improve the productivity of plywood, lumbering and laminated wood production and to promote switching of product lines
- d. Improper use of funds created by subsidies:

Excessive payment of subsidies for projects implemented using funds created with subsidies for the cost of fisheries business stability measures (the portion for urgent measures for the introduction of equipment to enhance competitiveness)
- e. Improper calculation of subsidized amounts:

Improper calculation of amounts of subsidies for implementation of the project for measures to enhance systems for the production and supply of domestic agricultural products (program to promote strengthening of the tea, medicinal crop and other local special crop production systems)
- f. Improper plans:

Improper plans of the grant program for development of measures to enhance the agriculture and the food industry

Presentation of Opinions 36 - Implementation of tending felling

Presentation of Opinions 36 Demand for Measures 36 - Formulation of individual facility plans based on inspection for life prolongation of forest road facilities

Demand for Measures 36 - Allocation of the calculated amount pertaining to the business fostering assistance project

Measures Taken - Implementation of replanting under the project to support fruit growing

Measures Taken - Implementation of cost effectiveness analysis of the subsidy program for comprehensive measures to increase the earning capacity of livestock and dairy farming

Measures Taken - Program to pay subsidy directly to environmentally sound agriculture

(9) Ministry of Economy, Trade and Industry

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

- a. Not eligible for a subsidy:
 - (a) Part of the cost of projects subsidized for disaster recovery of the SME cooperatives joint-use facilities was not eligible for the subsidy.
 - (b) Part of the cost of projects subsidized under the program of grants for advancement of oil supply structure was not eligible.
- b. Improper work design and management:

Improper design and management of emergency power generators
- c. Use for purpose other than subsidized objective:

Equipment purchased under the project implemented by using subsidies to support innovative manufacturing, commerce and service development was used for purposes other than the subsidized objective.
- d. Improper construction of works:

Improper execution relating to hot water piping of wood chip boiler and installation of water supply tank for extinguishing fire

Demand for Measures 34 36 - Implementation status of projects using subsidies for promotion of energy-saving investments (projects to support businesses working on rationalization of energy use)

Presentation of Opinions 36 - Assumptions of large-scale earthquakes in the program for resilience of oil supply infrastructure

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

Improprieties - Comparatively high contract price due to use of an interest rate higher than the basic interest rate for calculation of installment payment charge when calculating the estimated cost of common use cable trench PFI

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

- a. Improper design of works:
 - (a) Improper design relating to installation of light control console
 - (b) Improper design of bridge bottom
 - (c) Improper design of retaining walls
 - (d) Improper choice of combination of strength and number of anchors when designing foundation of water storage tank
 - (e) Improper design and construction of equipment related to broadcast facilities
 - (f) Improper design of rock fall protection works
- b. Improper calculation of subsidized amounts:
 - (a) Improper calculation of compensation concerning relocation of communication lines and water pipes
 - (b) Improper calculation of the cost of projects relating to cheaper rent on public housing
 - (c) Excessive payment of grant due to improper calculation of cost of subsidized projects relating to development of sludge treatment facilities
 - (d) Excessive subsidy payment due to improper calculation of subsidized amounts
 - (e) Relatively high contract price due to wrong design quantity of rooftop waterproofing sheets
- c. Improper use of funds created by subsidies:

Excessive funds created due to improper calculation of the cost of projects relating to cheaper rent on public housing for disaster victims

Demand for Measures ③⑥ - Early implementation of application for certification of cadastral maps created under the cadastral survey project

Measures Taken - Estimate of the restoration material cost relating to restoration work of sanitary sewer conduit

Measures Taken - Implementation of subsidy program for purchase of non-step buses

Measures Taken - Appropriate implementation of inspection of contracts for purchase of properties based on accounting laws and ordinances

Measures Taken - Calculation of the estimated cost of statistics survey service contract

(11) Ministry of the Environment

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

a. Not eligible for a subsidy:

Cost incurred for development of facilities in subsidized projects for promoting establishment of a sound material-cycle society was not eligible for the grant.

b. Improper use of funds created by subsidies:

Improper design of facilities in projects financed by funds for supporting introduction of renewable energy

Measures Taken - Implementation of the Regional Renewable Energy-Based Hydrogen Station Introduction Project

(12) Ministry of Defense

Improprieties - Relatively high contract price of civil engineering works for construction of new barracks

Improprieties - Relatively high contract price of consignment of boiler maintenance management

Measures Taken - Parking area guidance service

Measures Taken - Removal of the information system procured based on a lease contract

Measures Taken - Camouflage net against ultraviolet rays

B Improper/Unreasonable Matters by Entity

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

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

(2) Japan Pension Service

Improprieties - Fraud by officials

Demand for Measures ③④ - Affairs relating to return of overpaid pension benefits

(3) National Institute of Advanced Industrial Science and Technology

Demand for Measures ③④ ③⑥ - Usage status of land held by the National Institute of Advanced Industrial Science and Technology

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

Measures Taken - Land and buildings that are not used effectively

(5) Japan International Cooperation Agency

Presentation of Opinions ③⑥ - The effects of official development assistance

(6) Japan Society for the Promotion of Science

Improprieties - Improper accounting of Grants-in-aid for Scientific Research

Improprieties - Improper accounting of subsidies for strategic strengthening of cutting-edge research and development (cutting-edge research infrastructure program)

(7) Japan Organization of Occupational Health and Safety

Demand for Measures ③⑥ - Anti-inundation measures for private power generators at disaster base hospitals

(8) National Hospital Organization

Improprieties - Fraud by officials

Demand for Measures ③⑥ - Anti-inundation measures for private power generators of disaster base hospitals

(9) Japan Agency for Marine-Earth Science and Technology

Improprieties - Improper payment of contract price for production of drifting buoys with CO2 sensor

(10) Urban Renaissance Agency

Measures Taken - Conclusion of sublease contract of high-price rental housing

Measures Taken - Consignment of housing complex management

(11) Japan Atomic Energy Agency

Measures Taken - Decommissioning of nuclear power facilities

(12) Japan Community Health care Organization

Demand for Measures ③⑥ - Anti-inundation measures for private power generators of disaster base hospitals

(13) Japan Housing Finance Agency

Improprieties - Breach of restriction on lease conditions of rental housing loan

(14) National Cancer Center

Improprieties - Improper contract procedure for consignment of laboratory animal rearing management

(15) Kyoto University

Improprieties - Financial management pertaining to installation of large cages for chimpanzees

(16) Saga University

Improprieties - Use of a system to develop an earthquake disaster reconstruction medical system to provide medical information support jointly with multiple universities

(17) Hokkaido Railway Company

Measures Taken - Estimate of cost of service contract relating to snow clearing from crossing

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

(1) Special Report to the Diet and the Cabinet

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

- Implementation status of subsidized projects for acceleration of rebirth of Fukushima
- Strengthening of IT security measures of local governments by the central government
- Operations and financial conditions of government-financed corporations in the context of low interest rates

(2) Special Report on audit requested by the Diet

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

- State of initiatives ahead of the Tokyo Olympic and Paralympic Games
- Child and child-rearing support measures including reducing the number of children on the waiting list for nurseries to zero

(3) Report on Specific Matters

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

- Status of financial base of some corporations that are exempt from application of special tax rate for specified family companies in order to strengthen their financial base but whose financial base is deemed to be above a certain level in comparison with specified family companies
- Refund and interest on refund arising from withholding on dividends relating to shares of wholly owned subsidiaries and associated corporations, as well as withholding income tax and refund affairs at tax offices

The Board of Audit Act

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

Act No.73 of 1947 (latest amendment by Act No.69 of 2014)

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THE BOARD OF AUDIT ACT

CHAPTER I ORGANIZATION

Section I General Provisions

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

Section II Commissioners

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

Article 8 Except in cases referred to in the latter part of Article 4, paragraph (3) and the preceding two Articles, a Commissioner does not forfeit his/her office against his/her will.

Article 9 A Commissioner may not concurrently hold office on any other, nor may a Commissioner become a member of the Diet, the employee of a local public entity, or the member of a local assembly.

Section III Audit Commission

Article 10 The Chair of the Audit Commission is assumed by the President of the Board of Audit.

Article 11 The following matters are decided by the Audit Commission:

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

Section IV General Executive Bureau

Article 12 (1) The General Executive Bureau undertakes affairs of administration, audit, and examination under the direction and supervision of the Audit Commission.

(2) A Secretariat and the following five bureaus are established in the General Executive Bureau:

1st Bureau

2nd Bureau

3rd Bureau

4th Bureau

5th Bureau

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

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

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

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

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

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

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

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

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

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

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

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

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

Article 19-2 (1) The Information Disclosure and Personal Information Protection Review Board of the Board of Audit is established in the Board of Audit, in order to study and deliberate on appeals for review in response to consultations by the President of the Board of Audit under the provisions of Article 19, paragraph (1) of the Act on Access to Information Held by Administrative Organs (Act No.42 of 1999) and Article 43, paragraph (1) of the Act on the Protection of Personal Information Held by Administrative Organs (Act No.58 of 2003).

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

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

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

Article 19-5 A person who has divulged any confidential information, in violation of the provisions of Article 19-3, paragraph (8), is subject to imprisonment with work for up to one year or to a fine of up to 500,000 yen.

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

CHAPTER II MANDATE

Section I General Provisions

- Article 20 (1) The Board of Audit audits the final accounts of the expenditures and revenues of the State, pursuant to the provisions of Article 90 of the Constitution of Japan, and also audits such accounts as are provided for by law.
- (2) The Board of Audit continuously conducts its audit, supervises financial management, ensures its adequacy, and rectifies any defects.
- (3) The Board of Audit shall conduct its audit with the objective of accuracy, regularity, economy, efficiency, effectiveness, or other objectives necessary for auditing.
- Article 21 The Board of Audit verifies the final accounts of the expenditures and revenues of the State through the results of its audit.

Section II Scope of Audit

- Article 22 The following items require audits by the Board of Audit:
- (i) monthly expenditures and revenues of the State;
 - (ii) receipt and payment of cash or receipt and issue of goods owned by the State as well as national property;
 - (iii) acquisition and loss of claims held by the State and increases and decreases of national government bonds and other obligations;
 - (iv) receipt and payment of cash or receipt and issue of precious metals and securities by the Bank of Japan on behalf of the State;
 - (v) accounts of juridical persons to which the State has contributed half or more of the stated capital;
 - (vi) accounts specified by law as being subject to audit by the Board of Audit.
- Article 23 (1) The Board of Audit may audit financial management in terms of the following, if it considers this to be necessary, or at the request of the Cabinet:
- (i) securities owned or retained by the State, and cash and goods retained by the State;
 - (ii) receipt and payment of cash or receipt and issue of goods and securities by entities other than the State, on behalf of the State;
 - (iii) accounts of an entity that the State has directly or indirectly granted a subsidy, incentive, or aid, or extended other financial assistance such as a loan or an indemnity;
 - (iv) accounts of an entity a part of whose stated capital is contributed by the State;
 - (v) accounts of an entity that has further been contributed to by an entity to whose stated capital the State has contributed;

- (vi) accounts of an entity for whose borrowings the State guarantees payment of the principal or interest;
 - (vii) accounts of a contractor for construction or other services, or a person entrusted with administrative work or services, rendered to the State or to a juridical person provided for in item (v) of the preceding Article (hereafter referred to in this item as "the State, etc. "), or accounts of a supplier of goods to the State, etc., which relate to the contract with the State, etc.
- (2) When the Board of Audit conducts an audit pursuant to the provisions of the preceding paragraph, it shall notify the parties concerned of this.

Section III Auditing Methods

- Article 24 (1) An entity subject to audit by the Board of Audit must, pursuant to the regulations on the Submission of Accounts set forth by the Board of Audit, regularly submit statements of accounts (including electromagnetic records (meaning records made in an electronic form, a magnetic form, or any other form not recognizable through human perception, and which are set forth by Board of Audit Regulations as those for use in computer data-processing; the same applies in the following paragraph) on which the matters that are to be stated in the relevant statement of accounts have been recorded; the same applies hereafter) and documentary evidence (including electromagnetic records on which the matters that are to be stated in the relevant documentary evidence have been recorded; the same applies hereafter) to the Board of Audit.
- (2) Other documents specified by the Board of Audit (including electromagnetic records on which the matters that are to be stated in the relevant documents have been recorded) may be submitted to the Board of Audit regarding the receipt and payment of cash or receipt and issue of goods and securities owned or retained by the State, in place of the statements of accounts and documentary evidence set forth in the preceding paragraph.
- Article 25 The Board of Audit may dispatch its staff to conduct field audits on a regular or temporary basis. In such cases, the entity subject to the field audits must accept such audits.
- Article 26 The Board of Audit may, if necessary for an audit, request the entity subject to the audit to submit its books, documents, other materials, or reports, and may question any relevant party or request such party to appear. In such a case, the entity that has been requested to submit its books, documents, other materials, or reports, or the party questioned or requested to appear must respond accordingly.
- Article 27 If one of the following facts occurs with regard to financial management subject to audit by the Board of Audit, the head of the relevant department, the supervising authority, or other person similarly responsible must report this immediately to the Board of Audit:
- (i) discovery of a crime in connection with an accounting;
 - (ii) discovery of loss of cash, securities, or other property.
- Article 28 The Board of Audit may, if necessary for an audit, ask government agencies, public entities, and any other party to submit materials, give expert opinions, etc.

Section IV Statement of Audit

- Article 29 The following matters must be set down in the statement of audit to be prepared pursuant to Article 90 of the Constitution of Japan:
- (i) verification of the final accounts of the expenditures and revenues of the State;
 - (ii) whether the amounts in the final accounts of the expenditures and revenues of the State correspond to the amounts in the statements of accounts submitted by the Bank of Japan;
 - (iii) whether the audit resulted in an item being found in violation of the law, Cabinet Order, or the approved budget, or being found improper;
 - (iv) whether there was any disbursement from the reserve fund that did not pass through the procedures for obtaining the Diet's approval;
 - (v) matters regarding which the Board of Audit has demanded disciplinary action pursuant to the provisions of Article 31 of this Act, Article 13, paragraph (2) of the Act on Prevention of Delay in Payment under Government Contracts, or Article 6, paragraph (1) of the Act on the Responsibility of Government Employees Who Execute the Budget (including as applied mutatis mutandis pursuant to the provisions of Article 9, paragraph (2) of the same Act), and the results thereof;
 - (vi) adjudication and re-adjudication under the provisions of Article 32 of this Act (including as applied mutatis mutandis pursuant to the provisions of Article 10, paragraph (3) or Article 11, paragraph (2) of the Act on the Responsibility of Government Employees Who Execute the Budget), or Article 4, paragraph (1) or Article 5 of the Act on the Responsibility of Government Employees Who Execute the Budget (including as applied mutatis mutandis pursuant to the provisions of Article 8, paragraph (3) or Article 9, paragraph (2) of the same Act);
 - (vii) matters regarding which the Board of Audit has presented its opinions or demanded measures pursuant to the provisions of Article 34, and the results thereof;
 - (viii) matters regarding which the Board of Audit has presented its opinions or demanded measures pursuant to the provisions of Article 36, and the results thereof.
- Article 30 If the Board of Audit finds that it is necessary to appear before the Diet to explain the statement of audit set forth in the preceding Article, it may have a Commissioner explain this in an appearance before the Diet or in writing.
- Article 30-2 The Board of Audit may, at any time, report to the Diet and the Cabinet on matters regarding which the Board of Audit has presented its opinions or demanded measures pursuant to the provisions of Article 34 or 36, or regarding other matters that the Board of Audit finds it particularly necessary to report.
- Article 30-3 If the Board of Audit receives a request from either House, any of the Committees of either House, or any of the Research Committees of the House of Councillors under the provisions of Article 105 of the Diet Law (Act No.79 of 1947) (including as applied mutatis mutandis pursuant to the provisions of Article 54-4, paragraph (1) of the same Act), it may conduct an audit of the specific matters requested and report the results.

Section V Liability of Accounting Officials

- Article 31 (1) If the Board of Audit has concluded, as a result of its audit, that an official who handles accounting for the State has caused substantial damage to the State through intent or gross negligence, the Board of Audit may demand the head of the relevant department or other person responsible for supervision to take disciplinary action.
- (2) The provisions of the preceding paragraph apply if an official who handles accounting for the State does not observe the regulations on the Submission of Accounts, for instance by neglecting to submit statements of accounts and documentary evidence, or does not comply with a demand made upon him/her pursuant to the provisions of Article 26.
- Article 32 (1) If an official responsible for cash handling has lost cash, the Board of Audit shall inquire into whether he/she has in fact caused damage to the State through his/her failure to exercise the due care of a prudent manager, and adjudicate whether he/she is liable to indemnify.
- (2) If an official responsible for handling goods has lost or damaged goods or otherwise caused damage to the State by handling goods in violation of the provisions of the State-Owned Goods Management Act (Act No.113 of 1956) or by not handling goods in compliance with the provisions of the same Act, the Board of Audit shall inquire into whether he/she has in fact caused damage to the State by intent or gross negligence, and adjudicate whether he/she is liable to indemnify.
- (3) If the Board of Audit adjudicates that an official responsible for cash handling or an official responsible for handling goods is liable to indemnify, the head of his/her department or any other person responsible for supervision must order the official to pay the indemnity in accordance with the adjudication set forth in the preceding two paragraphs.
- (4) The liability to indemnify provided for in paragraph (1) or (2) is not remitted or reduced unless decided by the Diet.
- (5) Even if the Board of Audit has adjudicated that an official responsible for cash handling or an official responsible for handling goods is not liable to indemnify pursuant to the provisions of paragraph (1) or (2), the Board of Audit may re-adjudicate within five years if it discovers that such adjudication was improper, for instance due to an error or omission, etc., in the statement of accounts or documentary evidence. The provisions of the preceding two paragraphs apply *mutatis mutandis* in such a case.
- Article 33 If the Board of Audit concludes, as a result of its audit, that an official who handles accounting for the State has committed a crime in the course of duty, it must notify the Public Prosecutors Office of the case.

Section VI Miscellaneous Provisions

- Article 34 If there are items that the Board of Audit finds, in the course of its audit, to violate laws and regulations on financial management or to be improper, it may immediately present its opinions on the financial management to, or demand

appropriate measures with regard to the financial management from, the head of the relevant department or from the relevant parties, and may have them take measures to rectify and improve subsequent management.

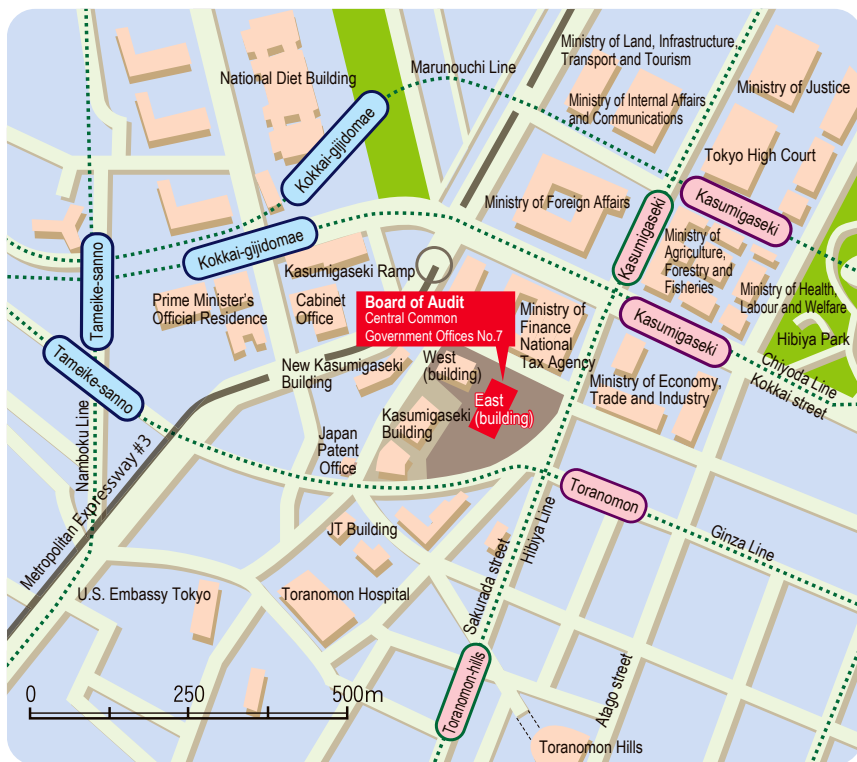
- Article 35 (1) If the Board of Audit has been requested by an interested party to examine the conduct of an official who handles accounting for the State with regard to the handling of financial management, the Board of Audit must examine that official's conduct and, if the Board of Audit considers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

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

- Article 37 (1) The Board of Audit shall be notified of the following cases in advance and may present its opinions thereon:
- (i) enactment, amendment, or repeal of laws and regulations concerning State financial management;
 - (ii) enactment, amendment, or repeal of rules and regulations concerning State handling and accounting of cash, goods, and securities, or bookkeeping.
- (2) If an official who handles accounting for the State requests an opinion from the Board of Audit with regard to a matter he/she is unsure of in connection with the performance of his/her official duties, the Board of Audit must present its opinion about this.

CHAPTER III BOARD OF AUDIT REGULATIONS

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



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