



# Board of Audit of Japan

会 計 検 査 院

Year 2022





## Message from the President, Board of Audit



On November 5, 2021, I submitted the FY2020 Audit Report on findings and other matters from the Board of Audit's audit activities in 2021 to the Prime Minister. The Audit Report, along with the final accounts of the expenditures and revenues of the State, was submitted to the Diet on December 6.

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 submitted FY2020 Audit Report.

The audits for the year 2021 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, the Board of Audit has worked all together to keep conducting audit by using and further developing audit methods such as remote and digital auditing.

The FY2020 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 public concern, such as (i) the total expenditure incurred with regard to COVID-19 countermeasures (ii) ensuring safety of people's lives, (iii) social security, (iv) information technology (IT), (v) effectiveness of programs and projects, (vi) stocks including assets and funds, and (vii) proper execution of the budget and adequacy of the financial management. This Report identifies 210 cases totaling 210.8 billion yen as audit findings, including summaries of two cases of Special Report to the Diet and to the Cabinet and five cases of Special Report on audit requested by the Diet.

Japan's society and economy are facing significant challenges, such as accelerated decrease of population, rising social security expenses due to the declining birthrate and the aging population, not invigorated growth potential, and having to respond with disaster recovery and disaster prevention efforts for frequent large-scale natural disasters such as when the Great East Japan Earthquake occurred 11 years ago. In addition, the ongoing COVID-19 pandemic has been seriously affecting Japan's society and economy. The call for an urgent response to the pandemic has made it clear to address issues such as the delay in digitalization of public administration. An appropriate response to these issues is being demanded by the government and other administrative bodies. 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 1026 trillion yen (182% of GDP) at the end of FY2022, which poses a major challenge for achieving a sound fiscal position.

Against this backdrop, the government is aiming to achieve its fiscal consolidation goal of bringing the primary balance, including the national and local government budgets, into surplus through its efforts in continuing to move forward with integrated economic and fiscal reform.

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 stipulated in 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.

October 2022

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, <sup>(Note)</sup> 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 is independent from the Cabinet.

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

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

(3) The Board of Audit is to conduct audits in terms of accuracy, regularity, economy, efficiency, effectiveness, and from other perspectives 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 revenues and expenditures 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 revenues and expenditures of the State**, which are the results of the State budget execution, are prepared by the Cabinet and deliberated on in the Diet.

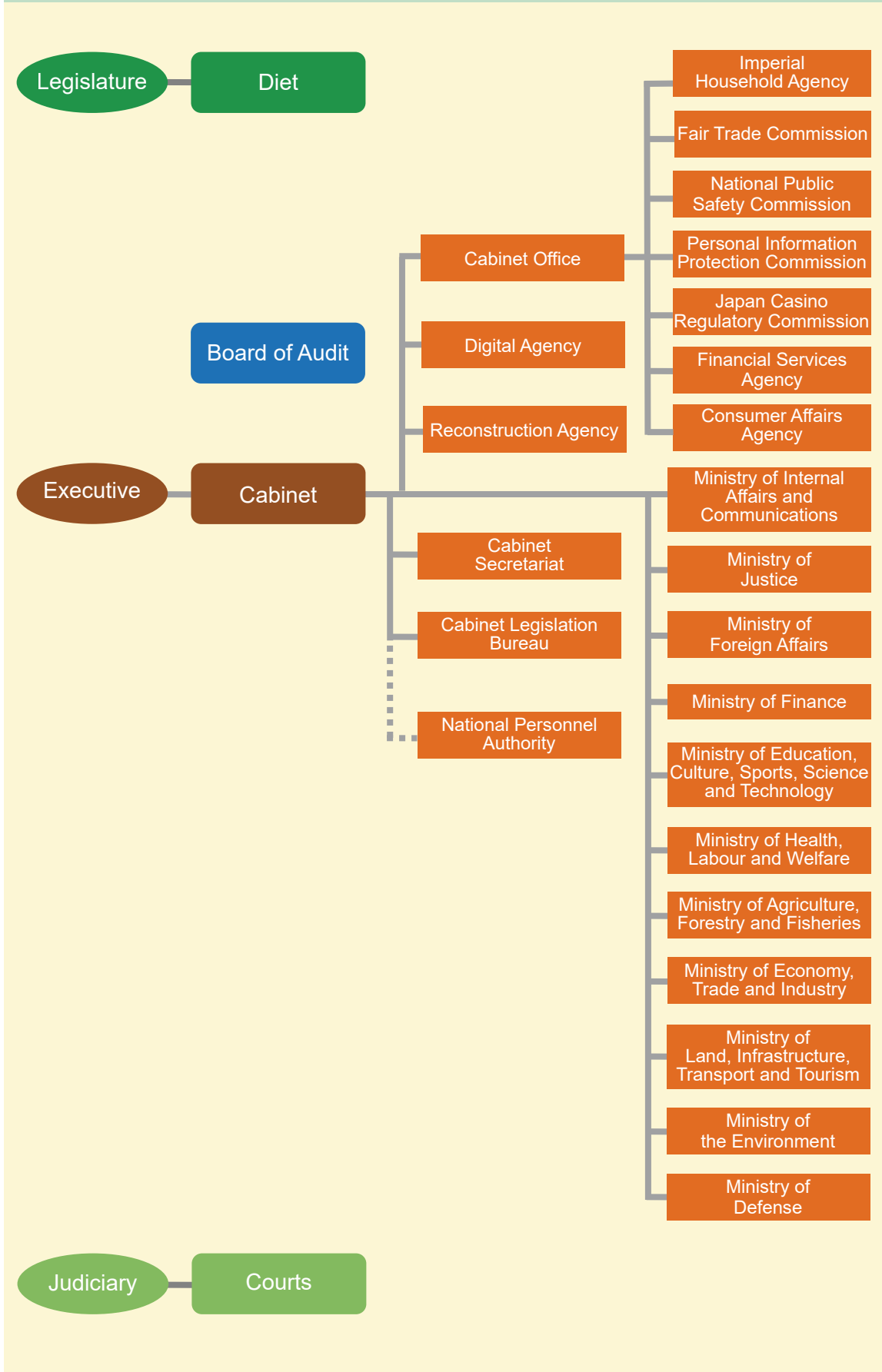
For sound management of administrative and financial operations of the State, it is essential to audit whether the budget has been executed properly and effectively, and to ensure that audit results be reflected in the State budget formulation and execution in the following year.

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 has been 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 ◆

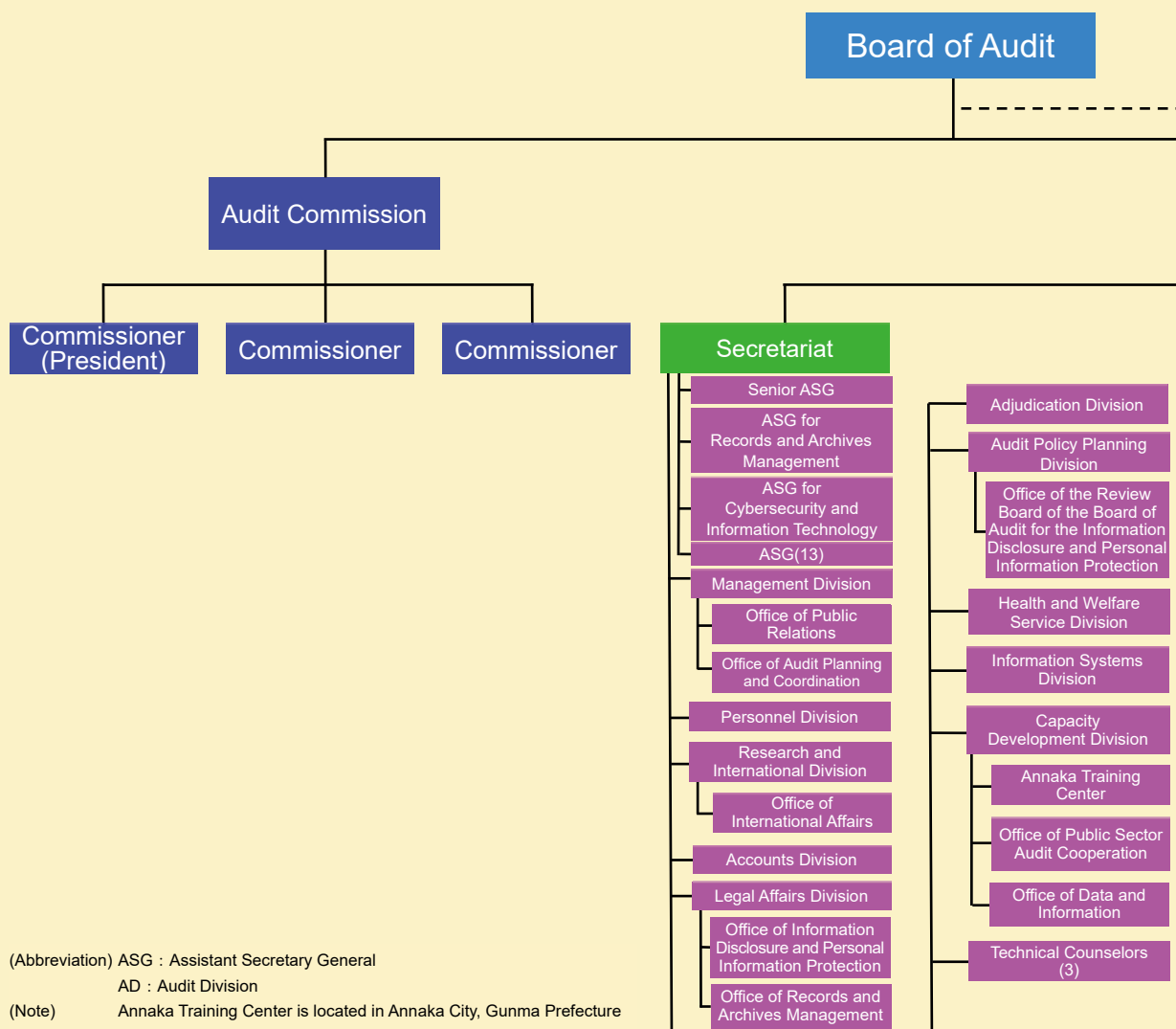


# Organization of the Board

The Board is composed 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.

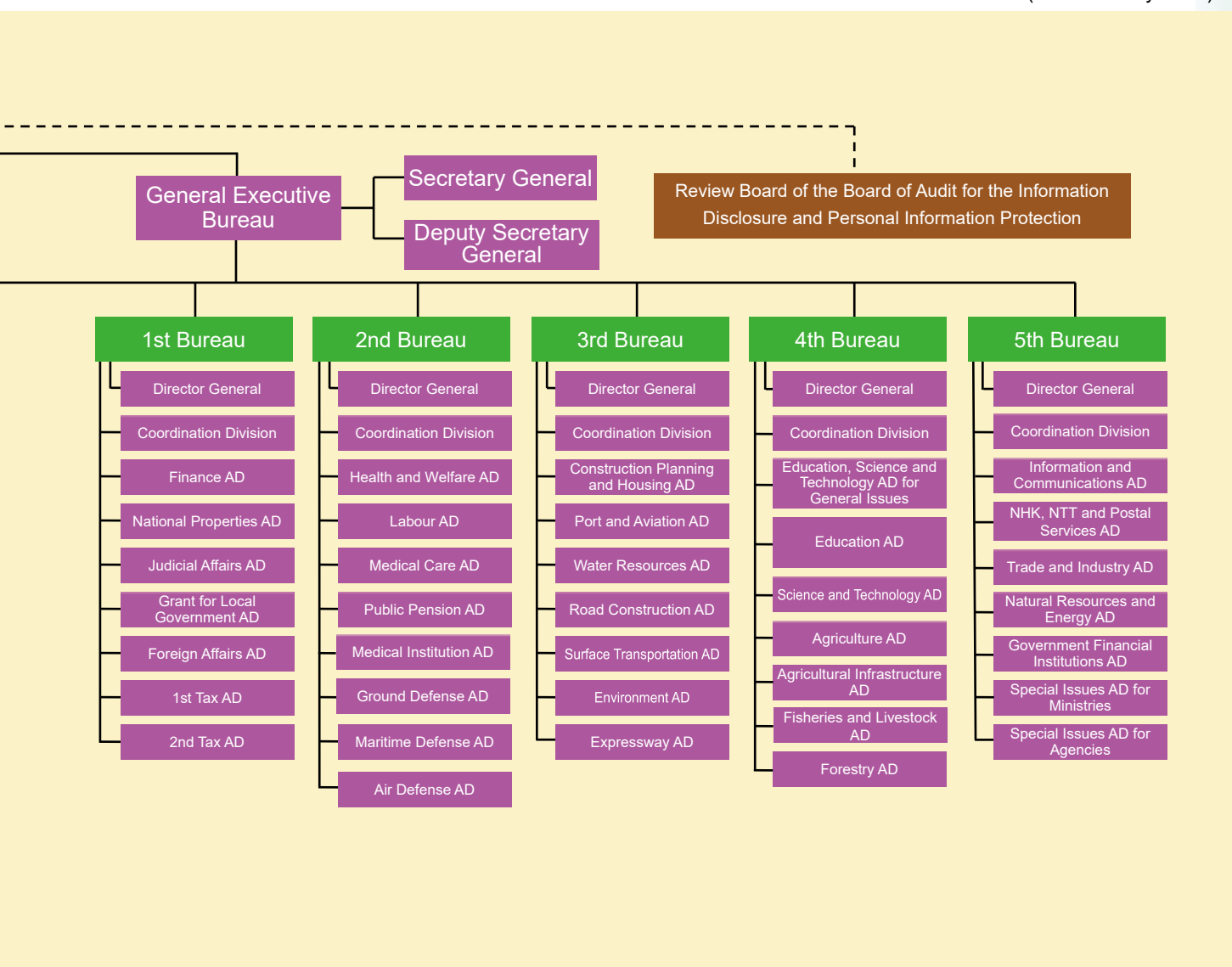


The Audit Commission adopts a consensus system to ensure fairness and adequacy in its judgments.

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 their 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 2022)



## ■ 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 2022)

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
4th Bureau	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
	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
5th Bureau	Information and Communications AD	Digital Agency, 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
	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 1,250 (as of January 2022). 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 revenues and expenditures 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 auditees to take measures for the improvement, if the Board finds that there are items that violate laws and regulations on financial management or that are improper, or if the Board finds that there are any matters concerning laws and regulations, systems or administration that need to be improved.

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

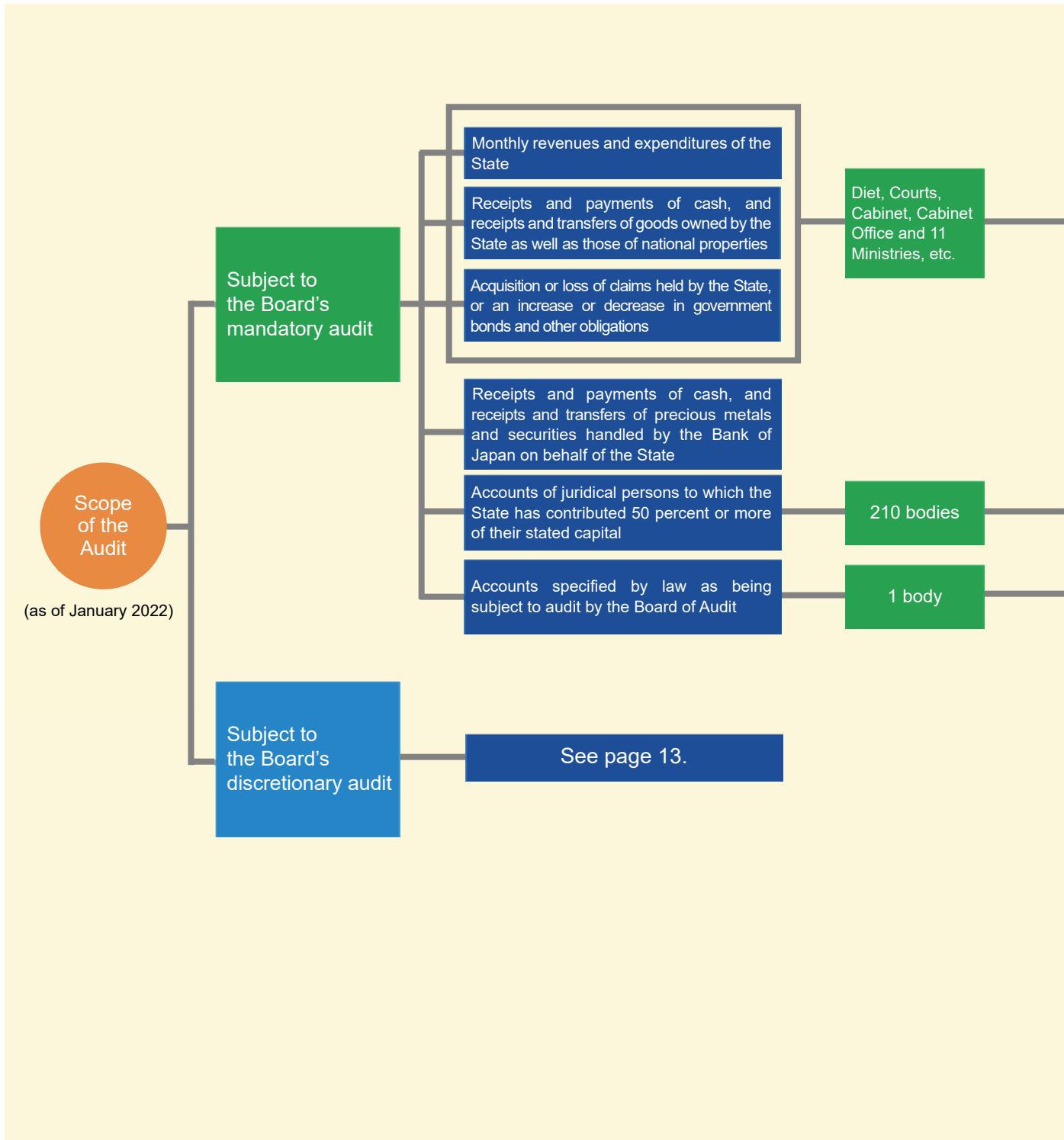
Verifying the final accounts of the revenues and expenditures of the State is another aim of the audit by the Board. The Board has a mandate to verify them based on the results of audit.

Verification of the final accounts of the revenues and expenditures 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 has been 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 (Note 1: see page 13.)
- Japan Bank for International Cooperation

**Others**

35 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 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

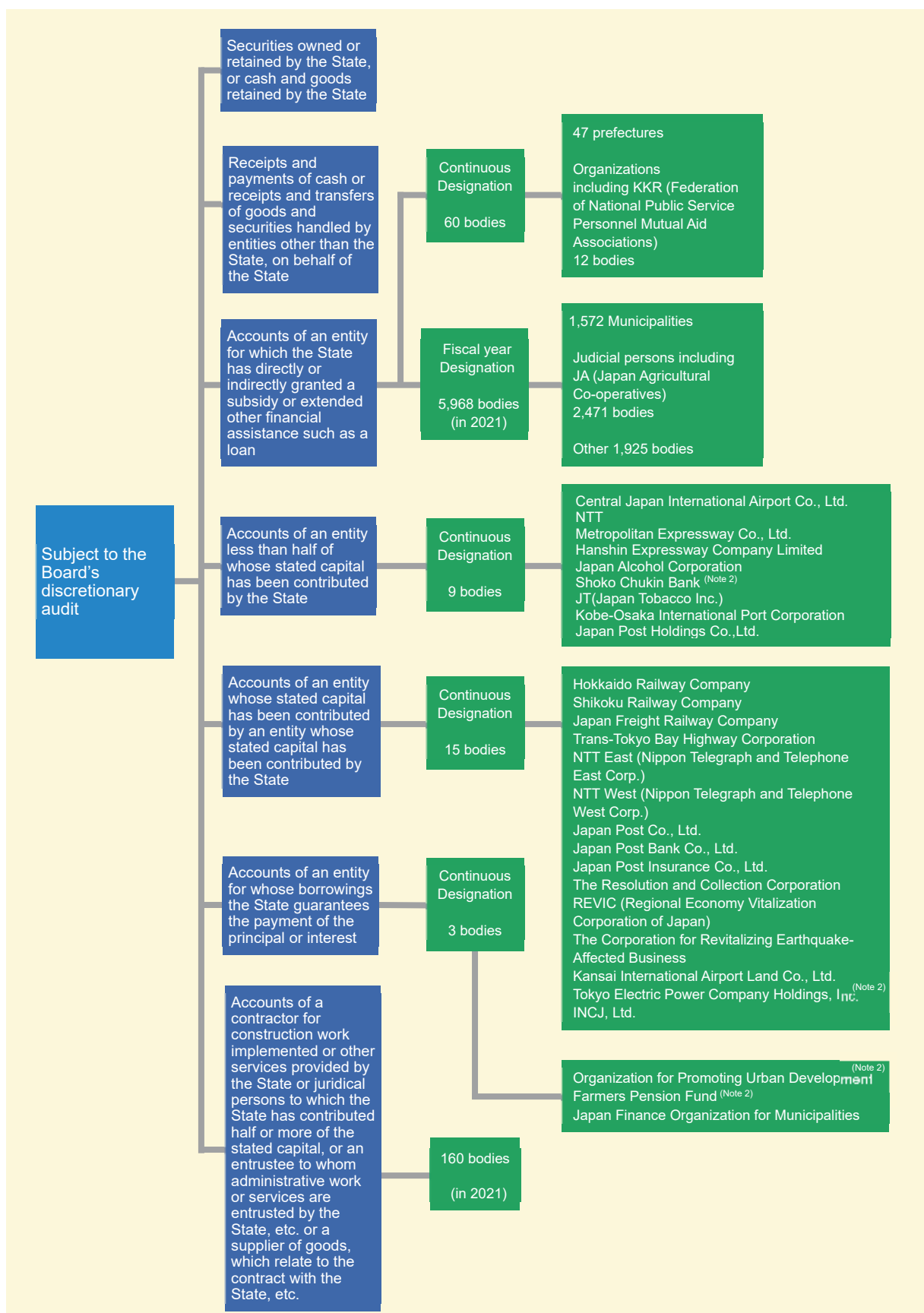
National University Corporations

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  
 Tsukuba University of Technology  
 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  
 University of Toyama  
 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 National Graduate Institute for Policy Studies  
 The Graduate University for Advanced Studies  
 Japan Advanced Institute of Science and Technology  
 Nara Institute of Science and Technology

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



(Note 1) 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.

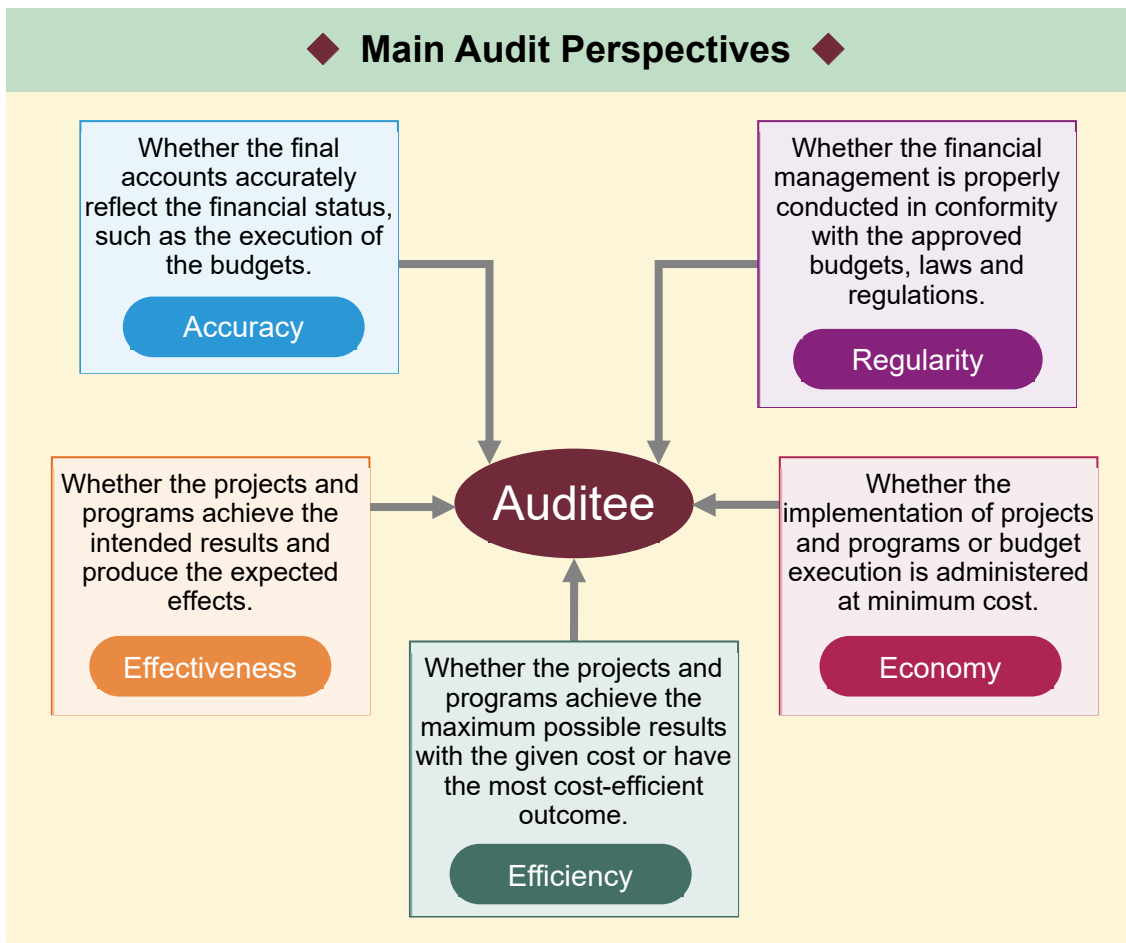
(Note 2) These 4 bodies are also included in the continuous designation of the accounts of an entity that the State has directly or indirectly granted a subsidy or extended other financial assistance such as a loan.

## Perspectives of the Audit

The Board conducts audits with broad and diverse perspectives.

The Board conducts audits with such perspectives 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 perspectives 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 perspectives 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>

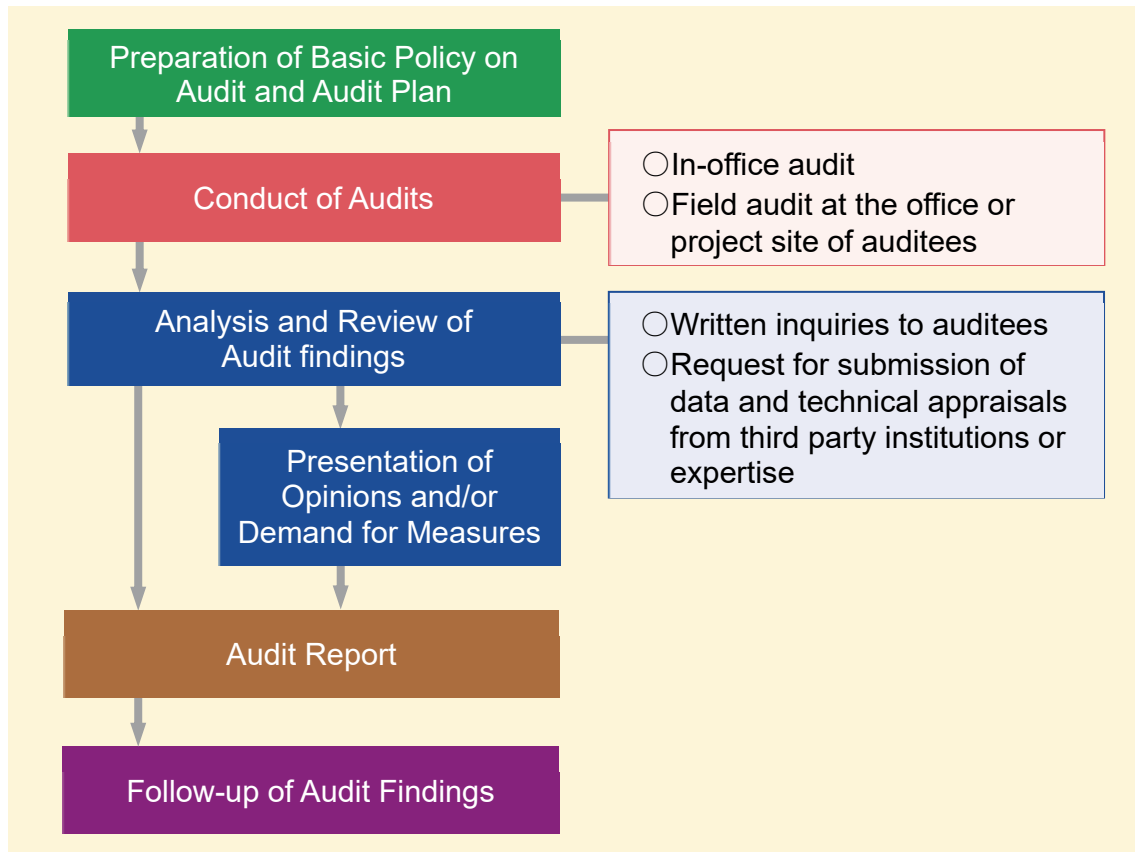
Auditors conduct their audit with the above mentioned general audit aspects, and analyze accounting practices of the auditee and related evidence, and then specify audit aspects and methods to conduct their audit.

## 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.

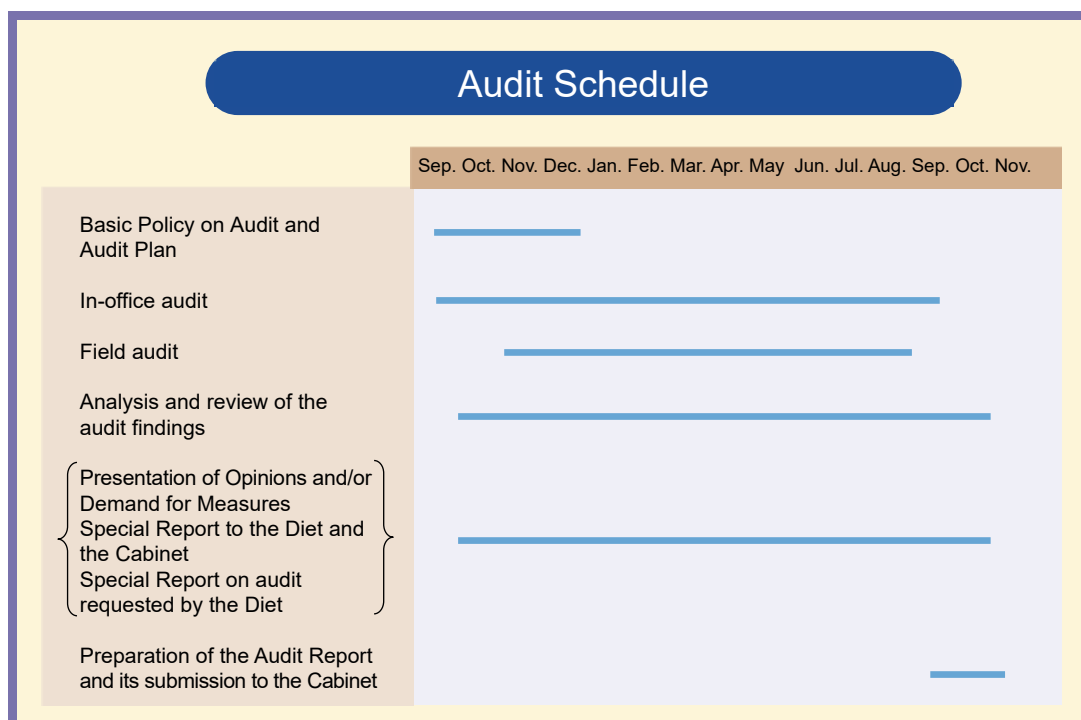


### ■ Special Report to the Diet and the Cabinet and Special Report on Audit Requested by the Diet

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 perspectives, auditing ideas and methods, manpower allocation etc. regarding priority audit issues.



The Audit Commission on formulating the Audit Plan

## Basic Policy on Audit for 2022 (Excerpt)

(As established September 7, 2021)

### 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 appropriately and in a timely manner audits various measures for COVID-19 countermeasures according to the progress of those measures, also noting that a large amount of national expenses have been spent during a certain period for the purpose of preventing the spread of infection, securing systems for the provision of medical care, and maintaining employment and keeping businesses afloat. 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.

Furthermore, for measures besides these areas, the Board appropriately and in a timely manner carries out audits while bearing public interest in mind.

#### B. Audit with various audit perspectives

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 perspectives 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.

With regard to the perspectives of economy, efficiency, and effectiveness, in light of the serious financial condition in recent years, the Board puts greater importance on these perspectives. With the perspective 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 enhances its audits by conducting analyses based on the financial accounts of the State and corporations regarding the State's financial position, the government's efforts toward fiscal consolidation, and 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 cases 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 concerning the Provisions of Article 105 in the Diet Act, 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 to communicate its audit results in a timely manner.

#### F. Improvement of audit capability and effectiveness of audit activities

The Board enhances its ability to conduct audits and the effectiveness of audit activities through efforts such as the development of new audit methods to respond to the movements of current society and economy, and the changing social environment derived from various factors, including the COVID-19 pandemic and the accompanying changes in the State's financial and administrative operations, and efforts to promote the digitalization of administrative operations.

Furthermore, through improving operational efficiency, the Board will promote the development of a work environment where all personnel can play an active role, and will strive to secure and educate human resources and improve their auditing abilities.

### 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. In doing so, the Board will conduct cross-cutting audits on policies jointly executed by several ministries and agencies and cases commonly related with several ministries and agencies.

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〉

Audits are divided into two types: in-office audit and field audit.

### (1) In-office audit

The Board continuously conducts in-office audit by:

1. Checking the contents of documents such as statements of accounts, which show the numeric results of financial management of each entity, as well as supporting documentary evidence including contract documents, invoices and receipts, submitted by auditees in accordance with the Regulations on the Submission of Accounts established by the Board. (Refer to the "Statements of Accounts and Documentary Evidence" below.)
2. Having auditees submit materials and data on the implementation of projects in order to check the contents, and by interviewing relevant persons using an information communication system.

### Statements of Accounts and Documentary Evidence

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** established by the Board to prove 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.

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.



Documentary evidence stored at the Board



Interview using a web conferencing system

## (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 in-office 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 2021.

The Board conducted field audits in 2021, taking measures to prevent the spread of COVID-19 following on from 2020, taking into consideration impacts of COVID-19 on Auditees and limiting auditees to be audited. All field audits were suspended during the period in which a state of emergency was declared in the area including the Tokyo Metropolis starting in January 2021. Consequently, the field audit implementation rate has been further lower than that of the previous year.

The Board spent approximately 10,000 person-days on these field audits.

Auditee classification	Number of units	Number of units field audited	Field Audit Implementation Rate
(1) Important Organizations in audits (Head office of ministries and agencies, major local branches, etc.)	4,468	828	18.5 % (Prev. year 24.3 %)
(2) Organizations equivalent to the above (Other local branches, etc.)	6,635	313	4.7% (Prev. year 9.6 %)
Total	11,103	1,141	10.2 % (Prev. year 15.5 %)

(Note) For auditees other than (1) and (2), such as post offices and railway stations, field audits were conducted at 17 out of 20,409 units. Field Audit Implementation Rate including these figures is 3.6%.

Despite the impact of the COVID-19 pandemic, the Board has managed to implement efficient and effective audits by taking alternatives to or complementary means for field audits, and by implementing in-office audits by further means of promoting making use of digital data and IT tools.



(At the airport facility)

## Field audit

( before the COVID-19 pandemic )



(At the Japan Self-Defense Force Base)



(At the auditee's office)



(In the medical facility)

## 〈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).

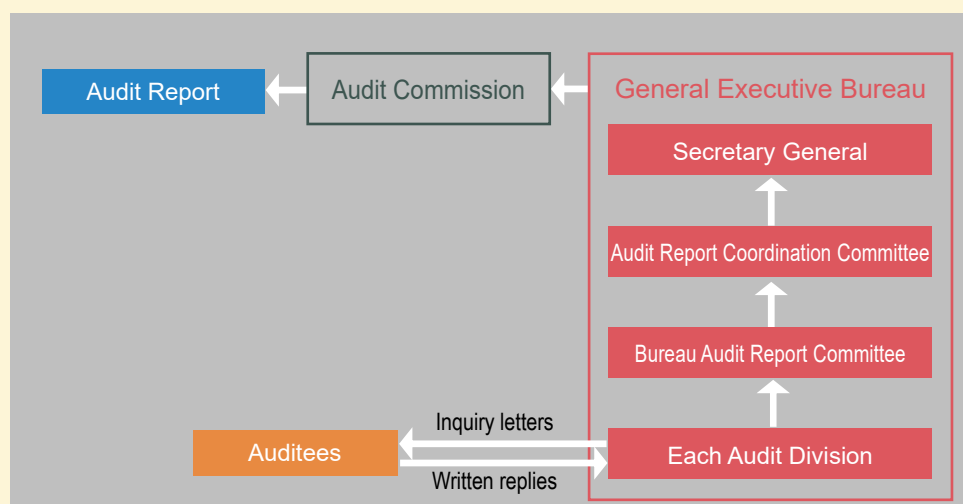
## 〈Presentation of Opinions and/or Demand for Measures〉

If the Board finds that, in the course of its audit, there are items that violate laws and regulations on **financial management** or that are improper, it may immediately present its opinions on financial management to the head of the relevant ministry or agency or a relevant person, or demand them to take appropriate measures for the financial management, and may have them take measures to rectify and improve subsequent management.

If, as a result of the audit, the Board finds that there are any matters concerning **laws and regulations, systems or administration** that need to be improved, it may present its opinions to the competent authorities or other responsible parties, or demand them to take measures for the improvement.

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 revenues and expenditures 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. The Board has been striving to submit its Audit Report to the Cabinet earlier than before, which helps the Diet to accelerate the deliberation of the final accounts of the State and enables the audit results to be further reflected in the budget.

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.



President Morita (left) submits the FY2020 Audit Report to Prime Minister Kishida [Prime Minister's Office, November 5, 2021]

Source: Website of the Prime Minister's 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 revenues and expenditures of the State, ii) whether the amounts in the final accounts of the revenues and expenditures of the State are equal to the amounts in the statements of accounts submitted by the Bank of Japan, iii) whether any item is found to be in violation of the law, Cabinet Order, or the approved budget, or to be improprieties, based on audit findings, iv) whether there are any payments from the reserve fund that have not gone 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 2020 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	157	663,301	—
2) Presentation of Opinions and/or Demand for Measures Article 34	(Note 2) 4	20,864	2
Articles 34 and 36	(Note 2) 4	362,962	3
Article 36	7	1,665,047	1
3) Measures Taken	(Note 2) 20	18,375,057	6
Total of items 1) to 3)	192	<187 cases> 21,087,231	
5) Special Report to the Diet and the Cabinet	2		
6) Special Report on audit requested by the Diet	5		
7) Report on Specific Matters	11		
Total	210	<187 cases> 21,087,231	

(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) 7 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 FY2020 Audit Report.

### 〈Audit Effect〉

Audit effect is not confined to improper amounts referred in the annual Audit Report but also includes the following:

#### (1) Rectification and improvement by conducting internal audits, making use of audit results

The Board does not audit all accounts of the auditees. Improper amounts represent those found in accounts actually audited. Auditees take remedial action not only for cases reported but also to similar cases not actually referred to in the Audit Report.

#### (2) Rectification and improvement by instruction/advice made in the course of the audit

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.

#### (3) 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.

#### (4) 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.

## 〈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

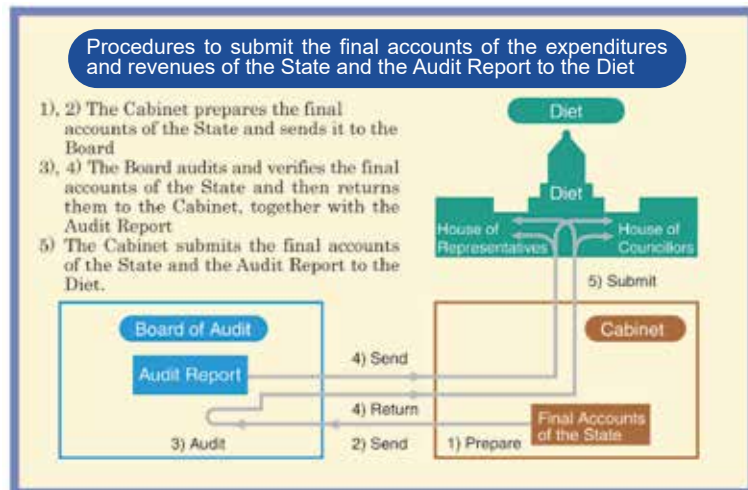
The Audit Report is submitted, with the final accounts of the expenditures and revenues of the State, through the Cabinet to the Diet for deliberation of **the State's final accounts**.

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.

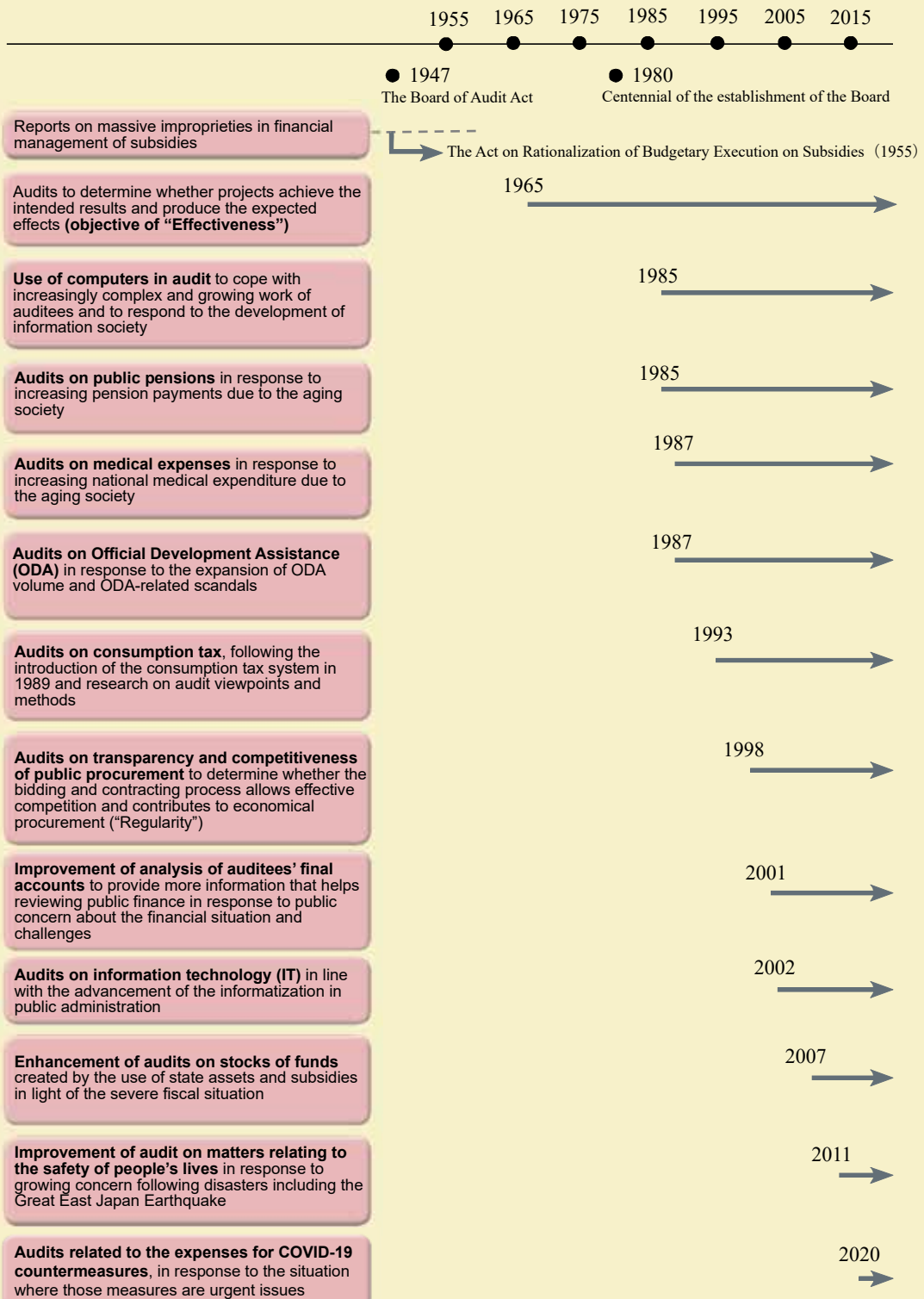
### (3) Internal audit related services

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 help them improve and strengthen their internal audits.

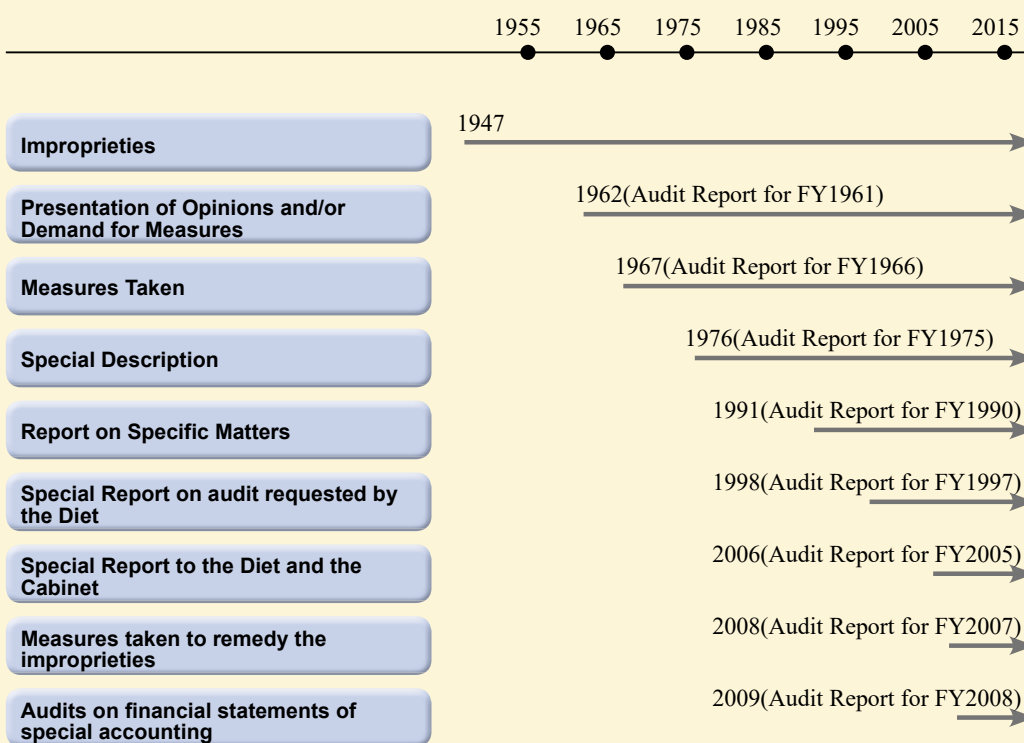
## Activities of the Board

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, perspectives and methods



### Expansion of types of audit results reported in the Audit Report



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



The FY2020 Audit Report



# 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 their control, or otherwise has made payments in violation of laws and regulations, or the approved budget resulting in damage to the State, the Board examines whether the official has caused loss or damage through their failure to exercise due care of a prudent manager, or intentionally or by 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 the accounting for the State has caused substantial damage to the State intentionally or by gross negligence, or that a budget executing official has made payments in violation of the laws and regulations or the approved budget intentionally or by 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 handling of financial management conducted by an official who handles the accounting for the State, the Board must examine that official's handling and as a result of that, if the Board concludes that the handling needs to be corrected, the Board must notify its judgement to the competent authorities or other responsible parties.

Competent authorities or other responsible parties must take appropriate measures pursuant to the notification of the judgement.

## 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 official social media accounts: a Facebook page (<https://www.facebook.com/baudit.japan>), and a YouTube channel ([https://www.youtube.com/channel/UCcofwP\\_DkLK0HBtqLvLzgUQ](https://www.youtube.com/channel/UCcofwP_DkLK0HBtqLvLzgUQ)), 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 2022):

- 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.



32nd Public Audit Forum (Keynote speech)

(Note) The meeting in 2021 was held online due to the impact of 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. The forum in 2021 was canceled due to the impact of the COVID-19 pandemic.



25th Tokyo International Meeting on Audit  
(Participating SAIs: SAI France, Germany, U.K., U.S.A. and Japan)

(Note 1) The meeting in 2021 was held online due to the impact of the COVID-19 pandemic.

(Note 2) The screen image has been partially processed.

## (2) Participation in International Organization of SAIs

The Board joins the International Organization of Supreme Audit Institutions (INTOSAI: 196 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.

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.



75th INTOSAI Governing Board Meeting



57th Governing Board Meeting of ASOSAI

15th ASOSAI Assembly

(Note) These meetings were held online in 2021 due to the impact of 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.



Online Follow-up Seminar to Government Audit on Public Construction Works (2021)

(Note 1) In 2021, a seminar for returned trainees was held online due to the impact of the COVID-19 pandemic, instead of The Knowledge Co-Creation Program in Government Audit on Public Construction Works held annually.

(Note 2) The screen image has been partially processed.



# **Audit Result Outline**

- FY2020 Audit Report -



## AUDIT RESULT OUTLINE – FY2020 Audit Report –

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## I Basic Policy on Audit

The FY2020 Audit Report constitutes the results of the audit conducted in 2021 based on the Basic Policy on Audit for 2021.

### Basic Policy on Audit for 2021

Approved by  
the Audit Commission  
on September 9, 2020

To carry out audits for the year 2021 (audit implementation period: October 2020 - September 2021) 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 2021 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 significant challenges, such as accelerated decrease of population, rising social security expenses due to the declining birthrate and the aging population, not invigorated 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, made it clear to address issues that call for urgent responses such as delay in digitalization of public administration.

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 remained as an 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, including those for COVID-19 countermeasures, is steadily increasing the outstanding debt, which is estimated to reach about 964 trillion yen at the end of FY2020. In the budget for FY2020 (after the approval of the supplementary budgets), the level of dependence on government bonds is about 56% and the total expenditure required for redemption of national debt comprises about 15% of the general account expenditure, which poses a major challenge in 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 and to devise a concrete roadmap for implementing the reform by the end of 2020.

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 better 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. In front of these situations mentioned above, the role of the Board, which has been raising 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 situations 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 by conducting prompt and flexible audit activities, 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 progress of those measures, also noting that a large amount of national expenses will be 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.

(2) Audits with various audit perspectives

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 perspectives:

- (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 perspectives 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.

With regard to the perspectives 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 and effectiveness of audit activities

The Board enhances its ability to conduct audits and the effectiveness of audit activities through efforts such as the development of new audit methods to respond to the movements of current society and economy, and the changing social environment derived from various factors, including the COVID-19 pandemic, as well as the 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 more active 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.

In addition, the Board pays due attention to the effects of the COVID-19 pandemic on auditees.

## II Summary of Audit Results

### 1. Audit Results by Category and by Auditee

The total number of cases listed in the Audit Report for FY2020 was 210. Of these, the number of cases which were found not appropriate (Improper/Unreasonable Matters) was 192 and the improper amounts<sup>1</sup> totalled 210,872.31 million yen. (There were also background amounts<sup>2</sup> concerning the problem cases.) The following Table 1 shows the breakdown of the 210 cases by category.

Table 1: Audit Findings by Category

Category	Number of audit cases	Improper amounts (Unit: million YEN)
• Improprieties <sup>(Note 1)</sup>	157	6,633.01
• Presentation of Opinions and/or Demand for Measures <sup>(Note 2)</sup>	15 <sup>(Note 7)</sup>	20,488.73
• Measures Taken <sup>(Note 3)</sup>	20 <sup>(Note 7)</sup>	183,750.57
Total of Improper/Unreasonable Matters	192	210,872.31
• Special Report to the Diet and the Cabinet <sup>(Note 4)</sup>	2	
• Special Report on Audit Requested by the Diet <sup>(Note 5)</sup>	5	
• Report on Specific Matters <sup>(Note 6)</sup>	11	
Grand total	210	

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

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<sup>1</sup> 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.

<sup>2</sup> 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 192 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 (Note 3) (Note 4)	Amount (Note 3)	Cases	Amount	Cases	Amount
Cabinet Office	3	29.75	③④ 2 ③⑥ 1	136.61 (65.67) 35.78			6	202.14 (65.67)
Cabinet Office (National Police Agency)					1	(21,336.32)	1	(21,336.32)
Ministry of Internal Affairs and Communications	8	199.83			1	350.47	9	550.30
Ministry of Finance	1	154.92	③⑥ 1	(920.97)	1	160,197.76	3	160,352.68 (920.97)
Ministry of Education, Culture, Sports, Science and Technology	19	182.12			1	(4,492.43)	20	182.12 (4,492.43)
Ministry of Health, Labour and Welfare	54	1,971.12	(Note 3) (Note 4) ③④ 3 ③④ • ③⑥ 1	(Note 3) 72.03 (50,681.32) (380.88)	1	20.87	(Note 3); (Note 4); 59	(Note 3) 2,064.02 (50,681.32) (380.88)
Ministry of Agriculture, Forestry and Fisheries	15	1,100.78	(Note 4) ③④ • ③⑥ 1 ③⑥ 4	3,360.98 (2,696.72) 15,754.21	(Note 4); 4	2,554.21 (1,113.52) (3,309.71)	(Note 4); 24	22,770.18 (2,696.72) (1,113.52) (3,309.71)
Ministry of Economy, Trade and Industry	1	3.51	③④ • ③⑥ 1	154.87	1	512.54	3	670.92
Ministry of Land, Infrastructure, Transport and Tourism	25	209.25	③⑥ 1	860.48	(Note 4); 1	143.34 (2,653.59)	(Note 4); 27	1,213.07 (2,653.59)

Auditee \ Category	Improprieties		Presentation of Opinions and/or Demand for Measures		Measures Taken		Total	
	Cases	Amount	Article (Note 2) /Cases	Amount (Note 1)	Cases (Note 1)	Amount (Note 1)	Cases (Note 1)	Amount (Note 1)
Ministry of the Environment	8	365.49					8	365.49
Ministry of Defense	3	499.37			(Note 4): 3	537.02 (2,834.37)	(Note 4): 6	1,036.39 (2,834.37)
Japan Pension Service			(Note 4): ③④ · ③⑥ 1	113.77 (65.72)			(Note 4): 1	113.77 (65.72)
New Energy and Industrial Technology Development Organization					1	14.85	1	14.85
Japan Sport Council	2	620.74					2	620.74
Japan Railway Construction, Transport and Technology Agency					1	83.30	1	83.30
Japan Housing Finance Agency	17	1,290.79			1	7,400.00	18	8,690.79
Nippon Hoso Kyokai (NHK: Japan Broadcasting Corporation)	1	5.29			1	207.77	2	213.06
Nippon Telegraph and Telephone East Corporation					1	1,002.05	1	1,002.05
Nippon Telegraph and Telephone West Corporation					1	10,726.39	1	10,726.39
Total	157	6,633.01	(Note 3): 15	20,488.73	20	183,750.57	(Note 3): 192	210,872.31

- (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 Cabinet Office and the Ministry of Health, Labour and Welfare, the amount has been listed only in the column of the Cabinet Office. In addition, duplication has been eliminated from the total number of cases.
- (Note 4) Concerning the categories “Presentation of Opinions and/or Demand for Measures” and “Measures Taken”, 7 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)

Improprieties - 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 community child care support centers project)
  - (b) Excessive payment of child and child-rearing support grants (the portion for the after-school classes for children project)
- b. Improper design and construction of works:

Improper design and construction of hot and chilled water generators and other machines, which were aided by the regional revitalization base development grant

Demand for Measures 34 - Calculation of the amount of the subsidies for the operation cost of company-led childcare projects

Demand for Measures 36 - Calculation of the grant for projects for developing Off-Site Emergency Managing Control Centers, out of grant for emergency safety measures for nuclear power generation facilities

##### (National Police Agency)

Measures Taken - Measures to prevent water intrusion into police facilities

#### (2) Ministry of Internal Affairs and Communications

Improprieties - The purpose of the subsidies was not achieved, because seismic measures were not taken in the existing storage racks for installing parent machines of wireless access devices purchased with the aid of the public wireless LAN environment development support project.

Improprieties - Excessive payment of special allocation tax grant

Measures Taken - Reduction adjustment for nuclear power-related special grant tax

#### (3) Ministry of Finance

Improprieties - Cases of deficiency in tax collection

Demand for Measures 36 - Establishment of audit systems for recording refunds as revenue as a result of applying the special bankruptcy prevention mutual aid for income tax return

Measures Taken - Effective use of gold bullion possessed in the reserve fund for the collection of coinage

#### (4) 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 facility development of certified center for early childhood education and care
- b. Excessive payment of subsidies for improvement of private school facilities (the emergency

- special project for promoting the reinforcement of disaster prevention functions and the project for promoting the use of ICT)
- c. Excessive payment of grants for improvement of school facilities and the environment
- d. Excessive payment of the extraordinary special grant for responding to block fences and air-conditioners
- e. Excessive payment of the grant for projects for developing cultural-property multilingual commentary projects
- f. Excessive State contribution to the cost of compulsory education

**Measures Taken** - Accounting processes relating to educational expenses for Japanese Government Scholarships in national universities

**(5) 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** - Excessive payment of consignment expenses for the project for supporting establishment in the agriculture and forestry industry

**Improprieties** - Excessive payment of consignment expenses for the nation-wide project for supporting employment of women

**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 payment of fiscal adjustment grants under national health insurance
- c. Excessive State contribution to the livelihood assistance subsidy
- d. Excessive State contribution to the benefits for services and supports for people with disabilities
- e. Excessive State contribution to disability benefits for children with disabilities in living support facilities
- f. Excessive State contribution to the nursing care benefit
- g. Excessive payment of fiscal adjustment grants under nursing care insurance
- h. Excessive payment of the subsidy for projects for workers' welfare

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

**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** - Grant amounts of insurance foundation stability payment for national health insurance

**Demand for Measures ③④** - Calculation of subsidies for disabled children who make regular visits to care facilities when care facilities for disabled children are over-capacity

**Demand for Measures 34 36** - Development and maintenance of COVID-19 Contact-Confirming Application (COCOA), under the contract related to the development and maintenance of the “Health Center Real-time Information-sharing System on COVID-19” (HER-SYS)

**Measures Taken** - Calculation of consignment expenses for the projects for training unemployed people for reemployment

#### **(6) Ministry of Agriculture, Forestry and Fisheries**

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

- a. Not eligible for a subsidy:
  - (a) Some people were granted the investment fund for next-generation agricultural human resources but did not start working as farmers and were not eligible for the grant.
  - (b) 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.
  - (c) Part of the cost of the projects that received subsidies for expenses of projects for promoting forestry, fishery and food exports was not eligible for the subsidies.
  - (d) Forest thinning implemented as projects for forest environment conservation and preparation was not eligible for the subsidy.
- b. Improper design of works:
  - (a) Improper design of bed protection work
  - (b) Improper design of guardrails
  - (c) Improper design of office buildings
- c. Improper use of funds created by subsidies:
  - (a) Part of the expenses for projects implemented using funds created with subsidies for the cost of strengthening dairy and livestock profitability was not eligible for the subsidy.
  - (b) 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)
- d. Subsidized objective not achieved:

A shared warehouse for storing rice, which was established using the grant project for strengthening agriculture/food industry, did not integrate functions of existing warehouses affected by the disaster, and distribution costs were significantly higher than before the project, resulting in a failure to achieve the purpose of the subsidy.
- e. Improper calculation of subsidized amounts:

Improper calculation of amounts of subsidies for implementation of the project for management support measures in specified regions

**Demand for Measures 34 36** - Implementation of the comprehensive support grant project for building strong agriculture and farmers (support for core facilities in producing districts)

**Presentation of Opinions 36** **Demand for Measures 36** - Implementation of the project for establishing an agricultural information disclosure system

**Demand for Measures 36** - Estimation of expenses related to transporting logs by truck

**Demand for Measures 36** - Status of farmland consolidation by the cultivation condition improvement project

**Demand for Measures 36** - Calculation of unit prices of mesh-check cargo-handling expenses in consignment contracts for operations such as sales of government-owned rice

**Measures Taken** - Highway charges for government-owned cars

Measures Taken - Grant project for direct payment to farmers in hilly and mountainous areas

Measures Taken - Setting of a fixed unit price for projects for producing timber from forest thinning

Measures Taken - Implementation of program for urgent measures for the introduction of equipment to enhance competitiveness

#### **(7) Ministry of Economy, Trade and Industry**

Improprieties - Improper design of fire hydrant plumbing that was prepared using the grant for areas that have power generation facilities

Demand for Measures 34 36 Presentation of Opinions 36 - Implementation of the project for ensuring stable supply of petroleum products, and operation of a system for collecting information in times of disaster

Measures Taken - Method of managing funds for overseas **Supply Chain (SC)** contributions

#### **(8) Ministry of Land, Infrastructure, Transport and Tourism**

Improprieties - Because measures were not taken to protect obligations of burden changes, the obligations were canceled by the statute of limitations.

Improprieties - As a result of incorrect calculation for design and amount for demolition of government buildings, pavement and other work, contract prices were higher than actual prices.

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

- a. Improper design of works:
  - (a) Improper design of foot protection works
  - (b) Improper design of retaining walls
  - (c) Improper design of retaining walls
  - (d) Improper design of fences around airports
  - (e) Improper design of guardrails
  - (f) Improper design of electrical distribution panels installed at designated shelters
  - (g) Improper design of rock fall protection works
- b. Improper calculation of subsidized amounts:
  - (a) Improper calculation of compensation costs for relocation of telecommunication lines and gas pipes
  - (b) Excessive subsidy payment due to improper calculation of subsidized amounts
- c. Improper design and construction of works:
  - (a) Improper design and construction of receivers, controllers
  - (b) Improper design and construction of dam management equipment
- d. Improper construction of works:

Improper construction for installing power center panels
- e. Not eligible for a subsidy:

Portion of grant paid by the government for projects for landslide prevention work was not eligible for the grant.

Demand for Measures 36 - Methods for storing portable power supply equipment kept as backup power supply equipment for aviation security facilities

Measures Taken - Maintenance of pieces of mechanical equipment for river management facilities

## **(9) Ministry of the Environment**

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

- a. Not eligible for a subsidy:
  - (a) 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) Part of the project expenses covered by the subsidy for special emergency business expenses for reducing radiation quantity was not eligible for the subsidy.
- b. Improper use of funds created by subsidies:

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

## **(10) Ministry of Defense**

Improprieties - Operation of new TACAN and other devices could not be started, and the expected goals were not achieved.

Improprieties - Personal portable life-saving radios used by crew on T-4 exercise aircraft were not used, and the purpose of procurement was not achieved.

Improprieties - Fraud by officials

Measures Taken - Estimation of increased expenses associated with suspension of work

Measures Taken - Acceptance inspection for sonobuoys for overseas training

Measures Taken - Selection when implementing early purchases of special lease accommodations

(1. Cabinet Office (Cabinet Office), 5. Ministry of Health, Labour and Welfare)

Demand for Measures ③④ - Status of the calculation of the grant to support children and childcare relating to the project for sound rearing of children after school

## **B Improper/Unreasonable Matters by Entity**

### **(1) Japan Pension Service**

Demand for Measures ③④ ③⑥ - Procurement of portable terminals

### **(2) New Energy and Industrial Technology Development Organization**

Measures Taken - Calculation of transfer prices related to paid transfer of R&D assets acquired through consignment projects

### **(3) Japan Sport Council**

Improprieties - Contract processes were improper, because lease contract was concluded that did not meet specifications stated in the public notice.

Improprieties - As a result of improper calculation of the amount equivalent to consumption tax, compensation costs for relocation were excessive.

### **(4) Japan Railway Construction, Transport and Technology Agency**

Measures Taken - Design of muddy water treatment in tunnel construction

### **(5) Japan Housing Finance Agency**

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

Measures Taken - Scale of the interest rate fluctuation preparation fund, whose source is government investment

**(6) Nippon Hoso Kvkai (NHK:Japan Broadcasting Corporation)**

Improprieties - Fraud by officials

Measures Taken - Procurement of photocopiers

**(7) Nippon Telegraph and Telephone East Corporation, (8) Nippon Telegraph and Telephone West Corporation**

Measures Taken - Maintenance and management of utility poles

**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:

- Status of loss carried forward in incorporated administrative agencies
- PFI projects implemented by the Japanese government

**(2) Special Report on audit requested by the Diet**

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

- Status of expressway fees, debt repayment
- Status of treatment of waste, removed soil contaminated with radioactive material as a result of the accident at the Fukushima Daiichi Nuclear Power Plant
- Status of maintenance, operation, use of government information systems
- Measures related to acceptance of foreign human resources
- Implementation of services related to the maintenance of public statistics.

**(3) Report on Specific Matters**

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

- Execution status of budget regarding measures for COVID-19
- Financing support for small and medium-sized enterprises in measures related to COVID-19 control
- Implementation of fabric mask distribution project
- Provision of employment adjustment subsidies to respond to unemployment due to the influence of the COVID-19 pandemic
- Project to stimulate consumption in the service industry (Go to Campaign project)
- Implementation of the sustainability subsidy project
- Implementation of a support policy package for airlines and airport-related companies under the influence of the COVID-19 pandemic, and the status regarding revenue of airport improvement account and the income of three airport companies
- Government debts
- Measures for creating proper financial documents of special accounts
- Status of the tax on dividends paid by listed companies to individual shareholders who apply for

- special dividends that do not have to be filed
- Status of construction delay and increased project expenses related to construction of the Hokuriku Shinkansen (between Kanazawa and Tsuruga)



# **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. 37 of 2021)**

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## THE BOARD OF AUDIT ACT

# CHAPTER I ORGANIZATION

### Section I General Provisions

- Article 1 The Board of Audit is independent from the Cabinet.
- Article 2 The Board of Audit is composed of the Audit Commission consisting of three Commissioners, and the 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 retire from office by operation of law.
  - (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 is seven years, and a Commissioner may be reappointed for only another term.
  - (2) If a vacancy arises in the office of Commissioner during their 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 if a resolution is adopted by both Houses of the Diet following a decision by mutual consent of the other Commissioners that the Commissioner is unable to perform their duties due to a mental or physical disorder or that the other Commissioners made a decision by mutual consent that the Commissioner has in fact breached their obligation in the course of duty.
- Article 7 A Commissioner forfeits their office if the Commissioner 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 their office against their own will.

Article 9 A Commissioner may neither concurrently hold any other office, nor become a member of the Diet, an employee of a local government, or a member of a local assembly.

### **Section III Audit Commission**

Article 10 The President of the Board of Audit assumes the role of the Chair of the Audit Commission.

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

- (i) enactment, amendment, or repeal of the Regulations of the Board of Audit 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 entities subject to audit 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); and Article 6, paragraphs (1) and (4) of the Act on the Responsibilities of Government Employees Who Execute the Budget (Act No.172 of 1950) (including as applied mutatis mutandis pursuant to the provisions of Article 9, paragraph (2) of that Act);
- (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) and Article 11, paragraph (2) of the Act on the Responsibilities of Government Employees Who Execute the Budget); and Article 4, paragraph (1) and Article 5 of the Act on the Responsibilities of Government Employees Who Execute the Budget (including as applied mutatis mutandis pursuant to the provisions of Article 8, paragraph (3) and Article 9, paragraph (2) of that Act);
- (vii) decision for examination under the provisions of Article 35;
- (viii) presentation of opinions or 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 Responsibilities of Government Employees Who Execute the Budget.

### **Section IV General Executive Bureau**

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

- (2) The General Executive Bureau has a Secretariat and the following five Bureaus:
  - 1st Bureau
  - 2nd Bureau
  - 3rd Bureau
  - 4th Bureau
  - 5th Bureau
- (3) Assignment of functions to the Secretariat and the Bureaus, and the organizational subdivisions thereof, are as provided for by the Regulations of the Board of Audit.

Article 13 The General Executive Bureau has one Secretary General, one Deputy Secretary General, personal secretaries, administrative officials, technical officials, and other necessary employees.

- 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 general agreement reached by mutual consent of 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 made by the Commissioners.

- Article 15
- (1) The Secretary General presides over the functions 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) Each Bureau has a Director General.
  - (2) The Director General administers the functions of the Bureau, under the orders of the Secretary General.

- Article 17
- (1) Personal secretaries engage in functions involving confidential matters, under the orders of the Commissioner.
  - (2) Administrative officials engage in general affairs, functions of audit, or 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 the Regulations of the Board of Audit.

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

Article 19-2 (1) The Board of Audit has the Review Board of the Board of Audit for the Information Disclosure and Personal Information Protection, in order to respond to inquiries from the President of the Board of Audit and to review

and deliberate the request for administrative review 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 105, paragraph (1) of the Act on the Protection of Personal Information (Act No.57 of 2003).

- (2) The Review Board of the Board of Audit for the Information Disclosure and Personal Information Protection 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 having broad knowledge and strong acumen.
  - (2) Notwithstanding the provisions of the preceding paragraph, the President of the Board of Audit may appoint a Member from among persons who have the qualifications under the preceding paragraph, if the term of office of a Member expires or a vacancy occurs in 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 this 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 is three years; provided, however, that the term of office of a Member filling the vacancy is the remaining term of the predecessor.
  - (5) Members may be reappointed.
  - (6) When a Member's term of office expires, the relevant Member is to continuously carry out their duties until a successor is appointed.
  - (7) If the President of the Board of Audit finds that a Member is unable to perform their duties due to a mental or physical disorder, or finds that a Member is in breach of obligation in the course of duty or has engaged in 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 neither become the officer of a political party or other political organization, nor 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 procedures for review and deliberation implemented by the Review Board of the Board of Audit for the Information Disclosure and Personal Information Protection. In this case, the phrase the "Review Board" in that chapter is deemed to be replaced with the "Review Board of the Board of Audit for the Information Disclosure and Personal Information Protection.."

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 not more than one year or to a fine not exceeding 500,000 yen.

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

## CHAPTER II MANDATE

### Section I General Provisions

- Article 20 (1) The Board of Audit audits the final accounts of the revenues and expenditures of the State, pursuant to the provisions of Article 90 of the Constitution of Japan, and also audits the accounts provided for by law.
- (2) The Board of Audit continuously conducts audit, supervises financial management, ensures its adequacy, and rectifies any defects.
- (3) The Board of Audit is to conduct audits in terms of accuracy, regularity, economy, efficiency, effectiveness, and from other perspectives necessary for auditing.
- Article 21 The Board of Audit verifies the final accounts of the revenues and expenditures of the State based on the results of its audit.

### Section II Scope of Audit

- Article 22 The following items require audits by the Board of Audit:
- (i) monthly revenues and expenditures of the State;
  - (ii) receipts and payments of cash, and receipts and transfers of goods owned by the State as well as those of national properties;
  - (iii) acquisition or loss of claims held by the State, or an increase or decrease in government bonds and other obligations;
  - (iv) receipts and payments of cash, and receipts and transfers of precious metals and securities handled by the Bank of Japan on behalf of the State;
  - (v) accounts of juridical persons to which the State has contributed 50 percent or more of their 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 set forth below, if it finds it necessary to do so, or at the request of the Cabinet:
- (i) securities owned or retained by the State, or cash and goods retained by the State;
  - (ii) receipts and payments of cash or receipts and transfers of goods and securities handled by entities other than the State, on behalf of the State;
  - (iii) accounts of an entity for which 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 whose stated capital has been contributed in part by the

- State;
- (v) accounts of an entity whose stated capital has been contributed by an entity whose stated capital has been contributed by the State;
  - (vi) accounts of an entity for whose borrowings the State guarantees payment of the principal or interest;
  - (vii) accounts of a contractor for construction work implemented or other services provided by the State or a juridical person provided for in item (v) of the preceding Article (hereafter referred to as the "State, etc. " in this item), or an trustee to whom administrative work or services are entrusted by the State, etc. or 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, they are to 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 established by the Board of Audit, regularly submit statements of accounts (including electromagnetic records (meaning a record used in computerized information processing which is created in electronic form, magnetic form, or any other form that cannot be perceived by the human senses, and which are established by the Regulations of the Board of Audit as those for use in computer data-processing; the same applies in the following paragraph) on which the matters that must 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 must 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 must be stated in the relevant documents have been recorded) may be submitted to the Board of Audit regarding the receipts and payments of cash, and receipts and transfers 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 employees to conduct a field audit on a regular or temporary basis. In this case, the entity subject to the field audit must accept it.
- Article 26 When the Board of Audit finds it necessary for them to conduct an audit, the Board may request the entity subject to the audit to submit its books, documents, other materials, or reports, or may question any relevant entity or request the relevant entity to appear. In this case, the entity that has been requested to submit its books, documents, other materials, or reports, or the relevant entity 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 ministry or agency or the supervisory government agency, or other responsible person equivalent thereto must report this immediately to the Board of Audit:

- (i) revelation of a crime in relation to the accounting;
- (ii) discovery of loss of cash, securities, or other properties.

Article 28 The Board of Audit, if it is necessary for an audit, may request 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 forth 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 revenues and expenditures of the State;
- (ii) whether the amounts in the final accounts of the revenues and expenditures of the State are equal to the amounts in the statements of accounts submitted by the Bank of Japan;
- (iii) whether any item is found to be in violation of the law, Cabinet Order, or the approved budget, or to be improprieties, based on audit findings;
- (iv) whether there are any payments from the reserve fund that have not gone through the procedures for obtaining the Diet's approval;
- (v) matters for 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, and Article 6, paragraph (1) of the Act on the Responsibilities of Government Employees Who Execute the Budget (including as applied mutatis mutandis pursuant to the provisions of Article 9, paragraph (2) of that 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) and Article 11, paragraph (2) of the Act on the Responsibilities of Government Employees Who Execute the Budget), and Article 4, paragraph (1) and Article 5 of the Act on the Responsibilities of Government Employees Who Execute the Budget (including as applied mutatis mutandis pursuant to the provisions of Article 8, paragraph (3) and Article 9, paragraph (2) of that Act);
- (vii) matters on which the Board of Audit has presented its opinions or for which measures are demanded pursuant to the provisions of Article 34, and the results thereof;
- (viii) matters on which the Board of Audit has presented its opinions or for which measures are demanded pursuant to the provisions of Article 36, and the results thereof.

Article 30 If the Board of Audit finds it necessary to appear before the Diet to explain the statement of audit referred to in the preceding Article, it may explain the statement by having a Commissioner appear 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 on which the Board of Audit has presented its opinions or for which measures are demanded pursuant to the provisions of Article 34 or 36, or on 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 one of the Houses, the Committees thereof, 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 that Act), it may conduct an audit of the specific matters requested and report the results.

## **Section V Liabilities of Accounting Officials**

Article 31 (1) If the Board of Audit has concluded, as a result of its audit, that an official who handles the accounting for the State has caused substantial damage to the State intentionally or by gross negligence, the Board of Audit may demand the head of the relevant ministry or agency or other person responsible for supervision to take disciplinary action.

(2) The provisions of the preceding paragraph apply mutatis mutandis if an official who handles the accounting for the State does not observe the regulations on the submission of accounts, for instance, a failure to submit statements of accounts and documentary evidence due to negligence, or if an official who has received a demand under the provisions of Article 26 fail to comply with the demand.

Article 32 (1) If an official responsible for cash handling has lost cash, the Board of Audit examines whether they have in fact caused damage to the State through their failure to exercise the due care of a prudent manager, and adjudicates whether they are liable to indemnify.

(2) If an official responsible for handling goods has lost or damaged the 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 the goods in compliance with the provisions of that Act, the Board of Audit examines whether they have in fact caused damage to the State intentionally or by gross negligence, and adjudicates whether they are liable to indemnify.

(3) If the Board of Audit has adjudicated that an official responsible for cash handling or an official responsible for handling goods is liable to indemnify, the head of the relevant ministry or agency to which the official belongs or any other person responsible for supervision must order the official to pay the indemnity in accordance with the adjudication referred to in the preceding two paragraphs.

(4) The liabilities to indemnify provided for in paragraph (1) or (2) is not reduced or exempted unless otherwise based on the resolution adopted 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 the liabilities for only another five years if it finds that the adjudication was improper, 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 this case.

Article 33 If the Board of Audit concludes, as a result of its audit, that an official who handles the accounting for the State has committed a crime in the course of duty, it must notify the Public Prosecutors Office of the case.

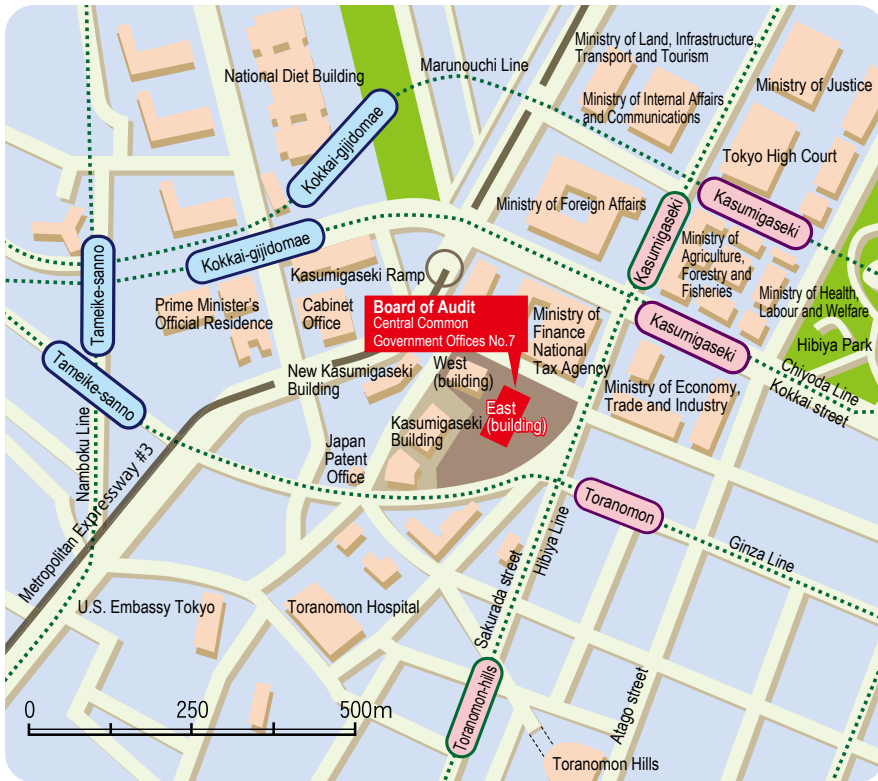
## Section VI Miscellaneous Provisions

- Article 34 If the Board of Audit finds that, in the course of its audit, there are items that violate laws and regulations on financial management or that are improper, it may immediately present its opinions on the financial management to the head of the relevant ministry or agency or a relevant person, or demand them to take appropriate measures for the financial management, 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 handling of financial management conducted by an official who handles the accounting for the State, the Board of Audit must examine that official's handling and as a result of that, if the Board of Audit concludes that the handling needs to be corrected, it must notify its judgement to the competent authorities or other responsible parties.
- (2) Upon receipt of a notification referred to in the preceding paragraph, the competent authorities or responsible parties must take appropriate measures pursuant to the notification of the judgement.
- Article 36 If, as a result of its audit, the Board of Audit finds that there are any matters concerning laws and regulations, systems or administration that need to be improved, it may present its opinions to the competent authorities or other responsible parties, or demand them to take measures for the improvement.
- 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 receipts and payments of cash, receipts and transfers of goods and securities, and bookkeeping of the State.
- (2) If an official who handles the accounting for the State seeks the opinion of the Board of Audit regarding the matters on which the official has questions in performing their official duties, the Board of Audit must give its feedback on these matters.

## CHAPTER III REGULATIONS OF THE BOARD OF AUDIT

- Article 38 Beyond what is provided for in this Act, the Board of Audit sets regulations necessary for the audits.





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