



Board of Audit of Japan

Year 2025



Message from the President, Board of Audit



This booklet provides an explanation of the mandate, organization, and activities of the Board of Audit as well as the outline of the FY2023 Audit Report.

On November 6, 2024, the Board of Audit sent the FY2023 Audit Report on findings and other matters from the Board of Audit's audit activities in 2024 to the Cabinet. The Audit Report, along with the final accounts of the expenditures and revenues of the State, was submitted to the Diet on November 29 of that year.

The FY2023 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) the total expenditure incurred with regard to measures to address soaring prices, (iii) social security, (iv) digitalization, (v) ensuring safety of people's lives, (vi) effectiveness of systems and projects, (vii) proper execution of the budget and adequacy of the financial management, and (viii) stocks including assets and funds. This Report identifies 345 cases totaling 64.8 billion yen as audit findings, including a summary of one Special Report to the Diet and to the Cabinet.

Japan's society and economy have faced the significant task of responding to issues such as the declining birthrate and the aging society that are progressing rapidly, the decrease of the population, stagnant potential growth rate, increased frequency and severity of natural disasters, even severer security environment reflecting turmoil in the current international situation and delay in the digitalization of the government. Against this backdrop, in addition to allocating budgets in recent years for social security, education and science promotion, defense, and public works, a large amount of reserve funds, compared to the pre-COVID-19 pandemic, has been appropriated to prepare for unexpected changes in the situation. Meanwhile, as for the fiscal position of the Japanese government, continual issuance of government bonds is steadily increasing the outstanding debt following the previous year, which is estimated to reach about 1129 trillion yen (179% of GDP) at the end of FY2025, and poses a major challenge for achieving a sound fiscal position.

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.

In light of these circumstances, the Board of Audit will continue to commit itself to living up to the expectations of the public.

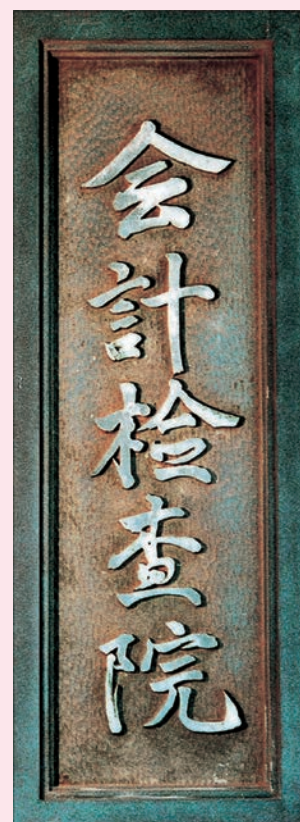
It is my sincere hope that this booklet will serve to enhance your understanding of the Board of Audit.

June 2025

HARADA Yuhei
President
Board of Audit

Contents

Overview of the Board of Audit	2
Status of the Board	2
Organization of the Board	4
Audit Activities	
Aims of the Audit	9
Scope of the Audit	10
Perspectives of the Audit	14
Procedures of the Audit	16
Audit Report	24
Promotion of the Audit Findings	32
Other Activities	37
Exchange of Information and Views with External Bodies	38
International Activities	40
Audit Result Outline — FY2023 Audit Report —	43
The Board of Audit Act	63



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 reviewed 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 reviewing the public finance since its establishment in 1880, despite some changes in its status.

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

The Constitution of Japan

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

The Board of Audit Act

Article 1 The Board of Audit 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.

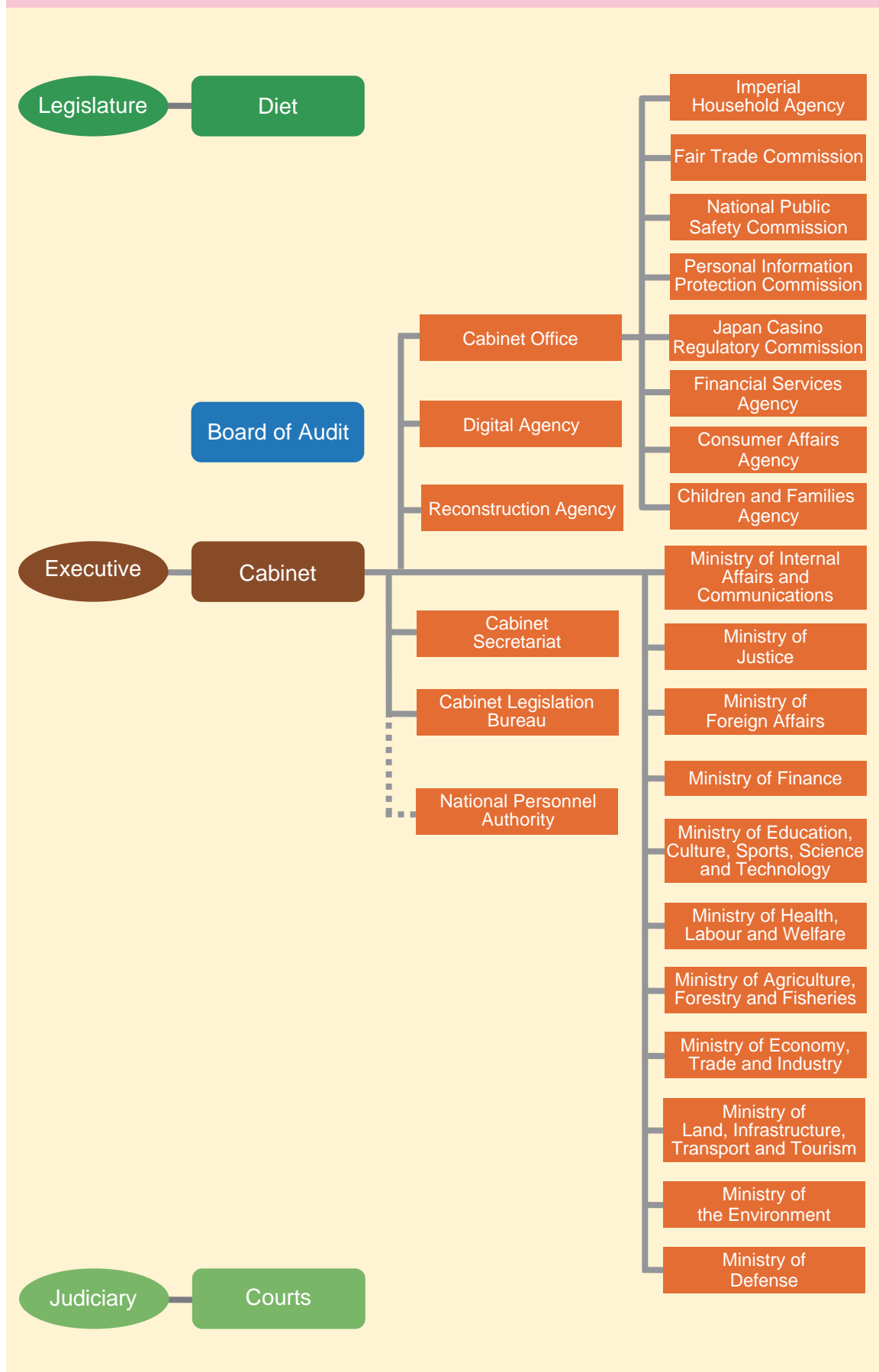
For sound management of administrative and financial operations of the State, it is essential to audit whether the budget has been executed properly and effectively, and to ensure that audit results be reflected in the State budget formulation and execution in the following year.

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 ◆



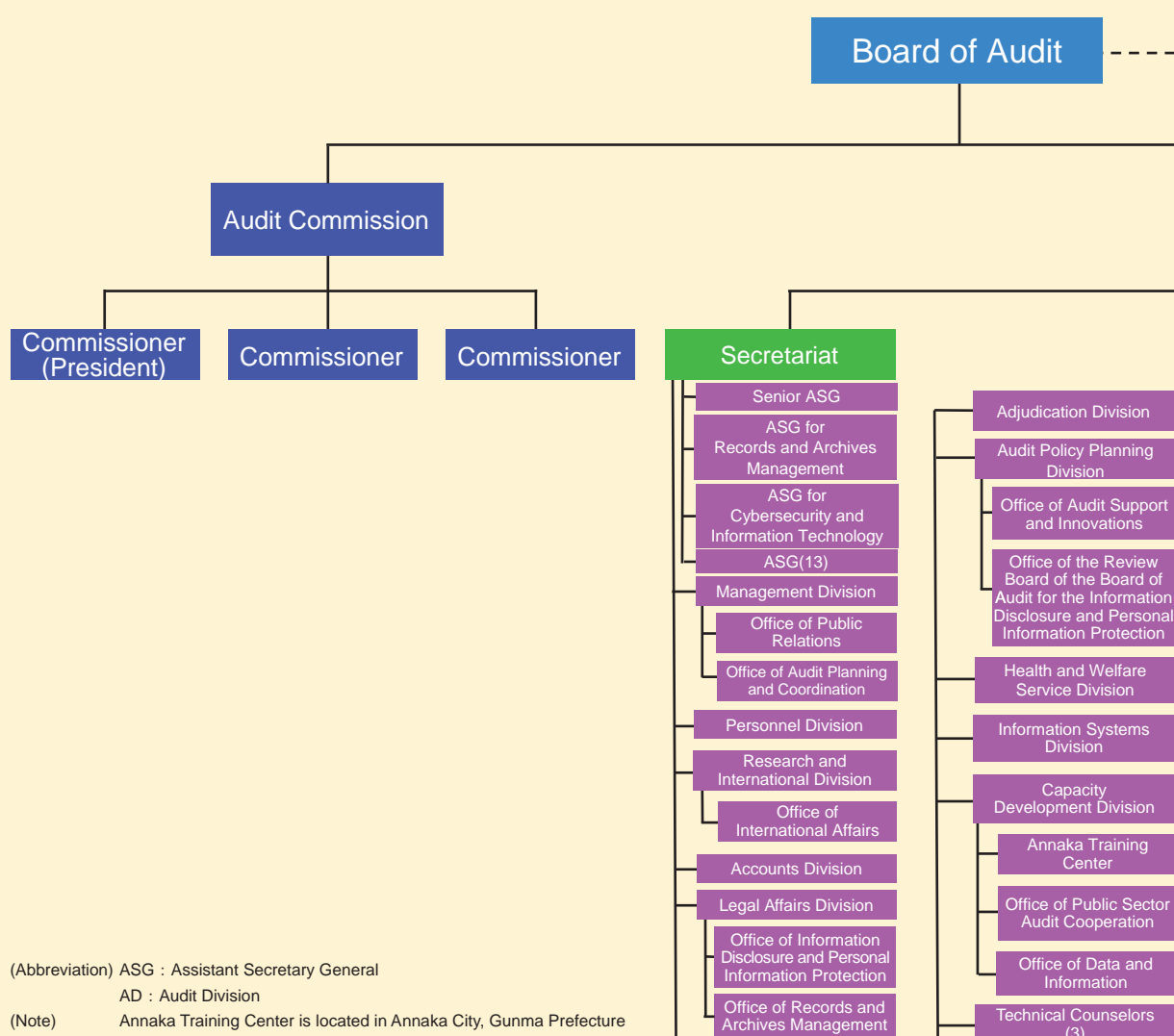
Organization of the Board

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.

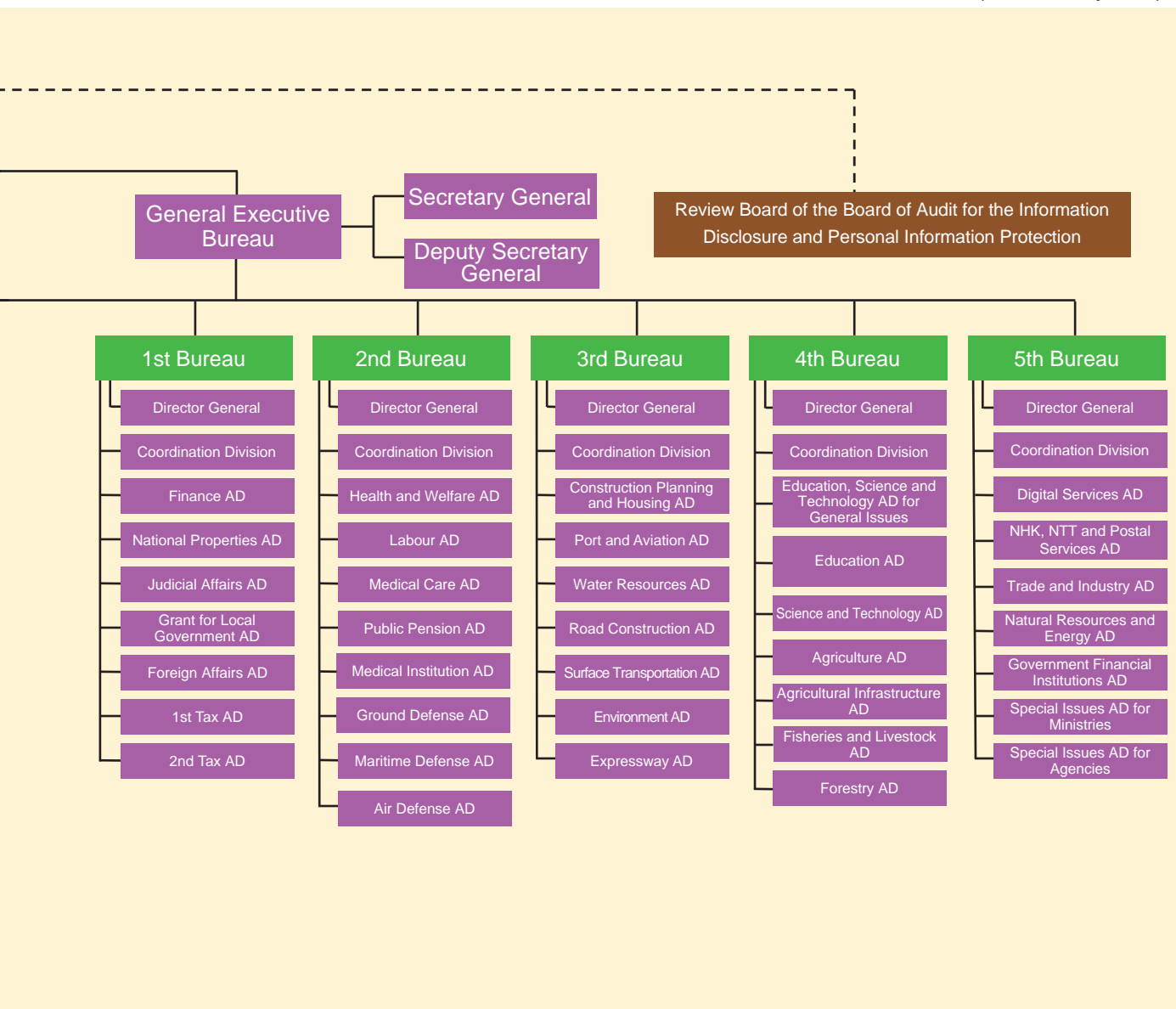


The Audit Commission adopts a consensus system to ensure fairness and adequacy in its judgments.

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 five-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 2025)



■ 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 2025)

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	Ministry of Foreign Affairs / Japan International Cooperation Agency (JICA) / Japan Foundation
	1st Tax AD 2nd Tax AD	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 Families Agency / 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
3rd Bureau	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 / East Nippon, Central Nippon, West Nippon and Honshu-Shikoku Bridge Expressway Co., Ltd.s
	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	Digital Services 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 Organization for Metals and Energy Security/ 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 1,251 (as of January 2025). 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, electricity, digital services, machinery, civil engineering, construction.

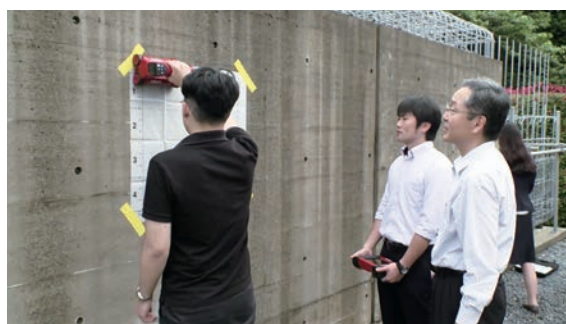
The Board recruits its staff from those **who have passed the Public Service Entrance Examination conducted by the National Personnel Authority**. Besides those who have specialized in law and economics, the Board recruits a considerable number of personnel who specialized in electricity, digital services,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

The Board also utilizes outside expertise by recruiting mid-career staff or by employing as 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

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

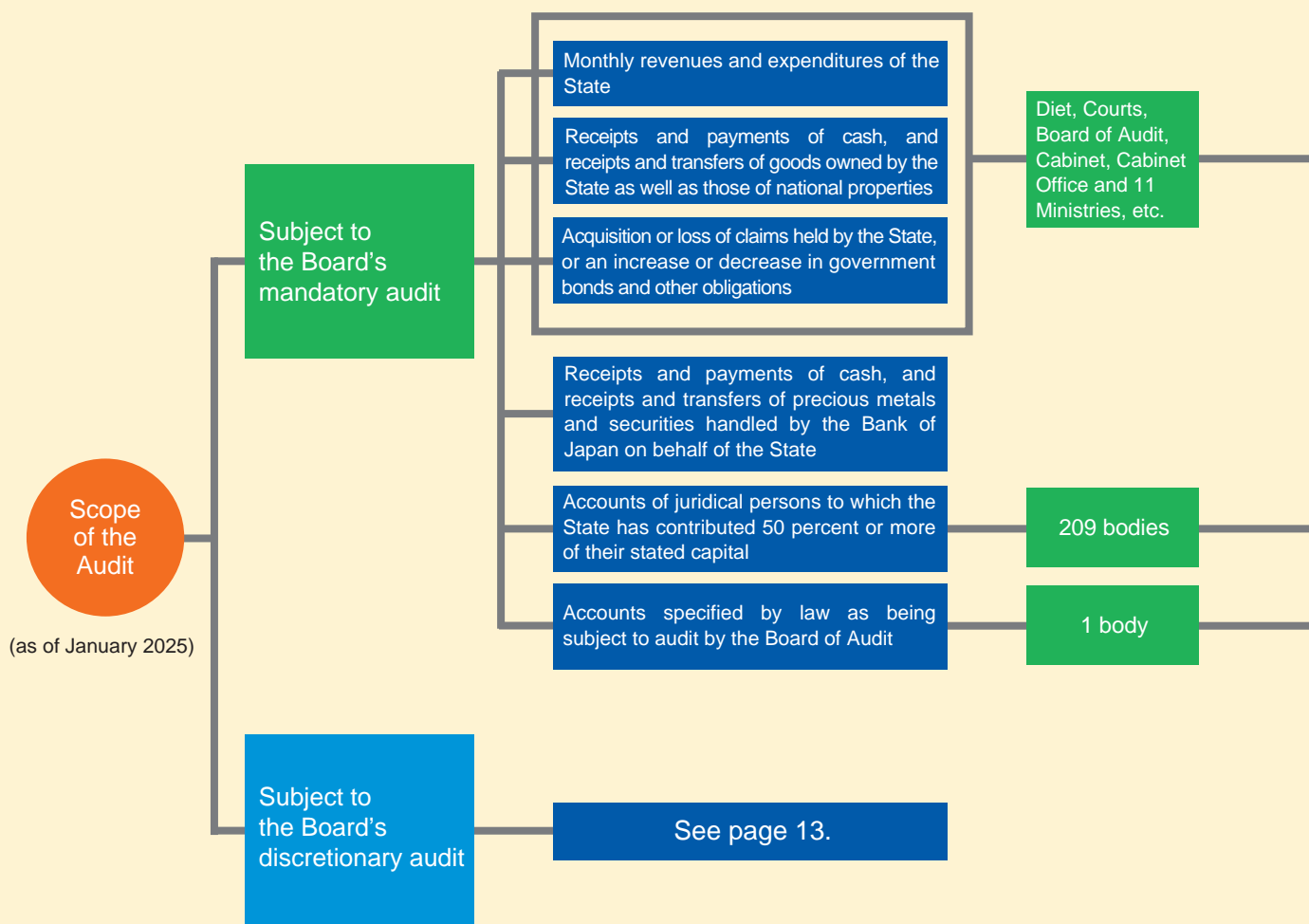
Verifying the final accounts of the revenues and expenditures of the State is another aim of the audit by the Board. The Board has a mandate to verify them based on the results of audit.

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
38 bodies

The Promotion and Mutual Aid Corporation for Private Schools of Japan
Bank of Japan
Japan Racing Association
Deposit Insurance Corporation of Japan
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)
Japan Green Investment Corp. for Carbon Neutrality (JICN)
Fukushima Institute for Research, Education and Innovation (F-REI)
Japan Financial Literacy and Education Corporation (J-FLEC)
GX Acceleration Agency
7 other bodies are under liquidation

Incorporated Administrative Agencies 83 bodies

National University Corporations and Inter-University
Research Institute Corporations 85 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 Organization for Metals and Energy Security
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 85 bodies

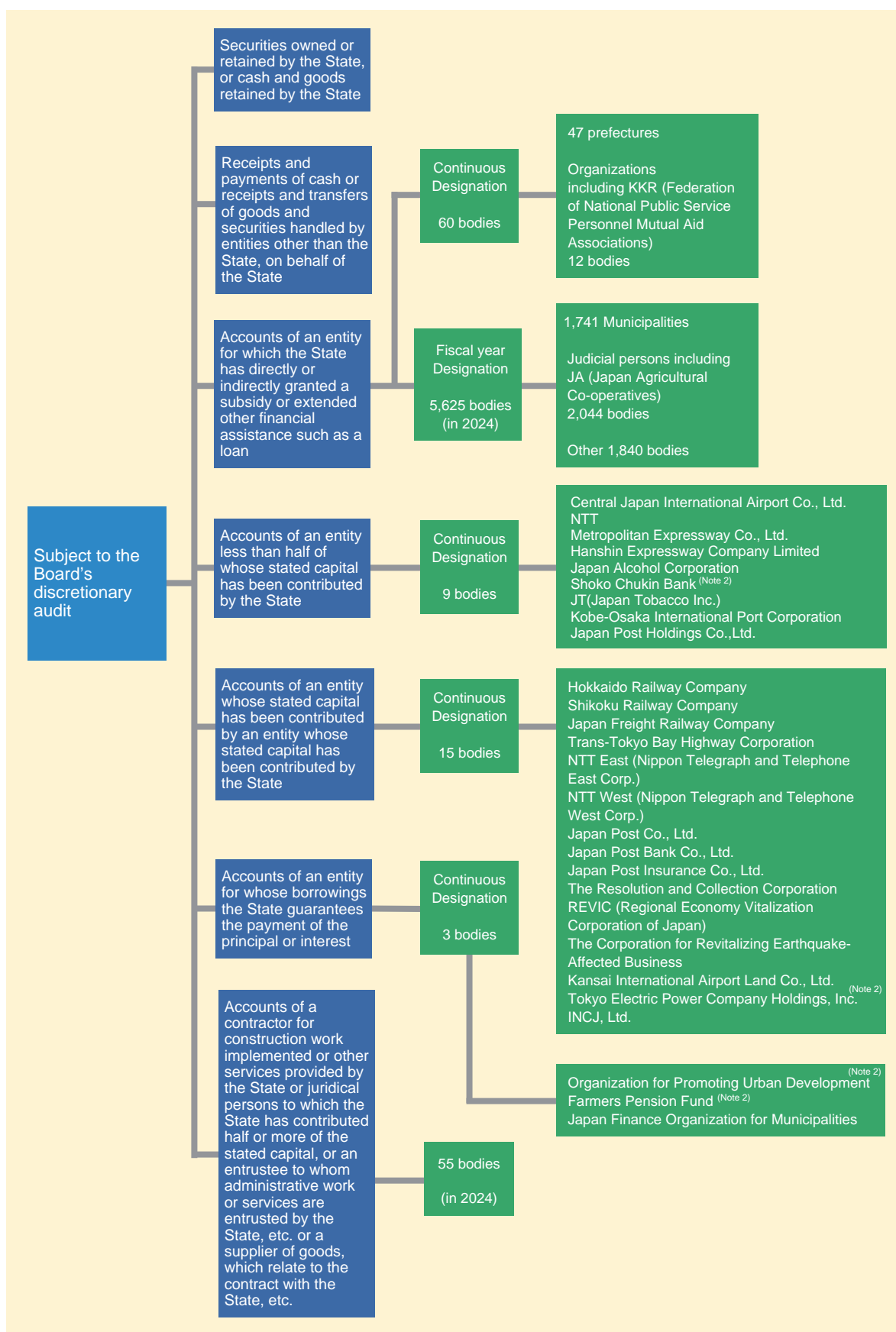
National University Corporations

Hokkaido University
Hokkaido University of Education
Muroran Institute of Technology
Hokkaido National Higher Education and Research System
Asahikawa Medical University
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 University of Foreign Studies
Institute of Science Tokyo
Tokyo Gakugei University
Tokyo University of Agriculture and Technology
Tokyo University of the Arts
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 National Institute of Higher Education and Research
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.

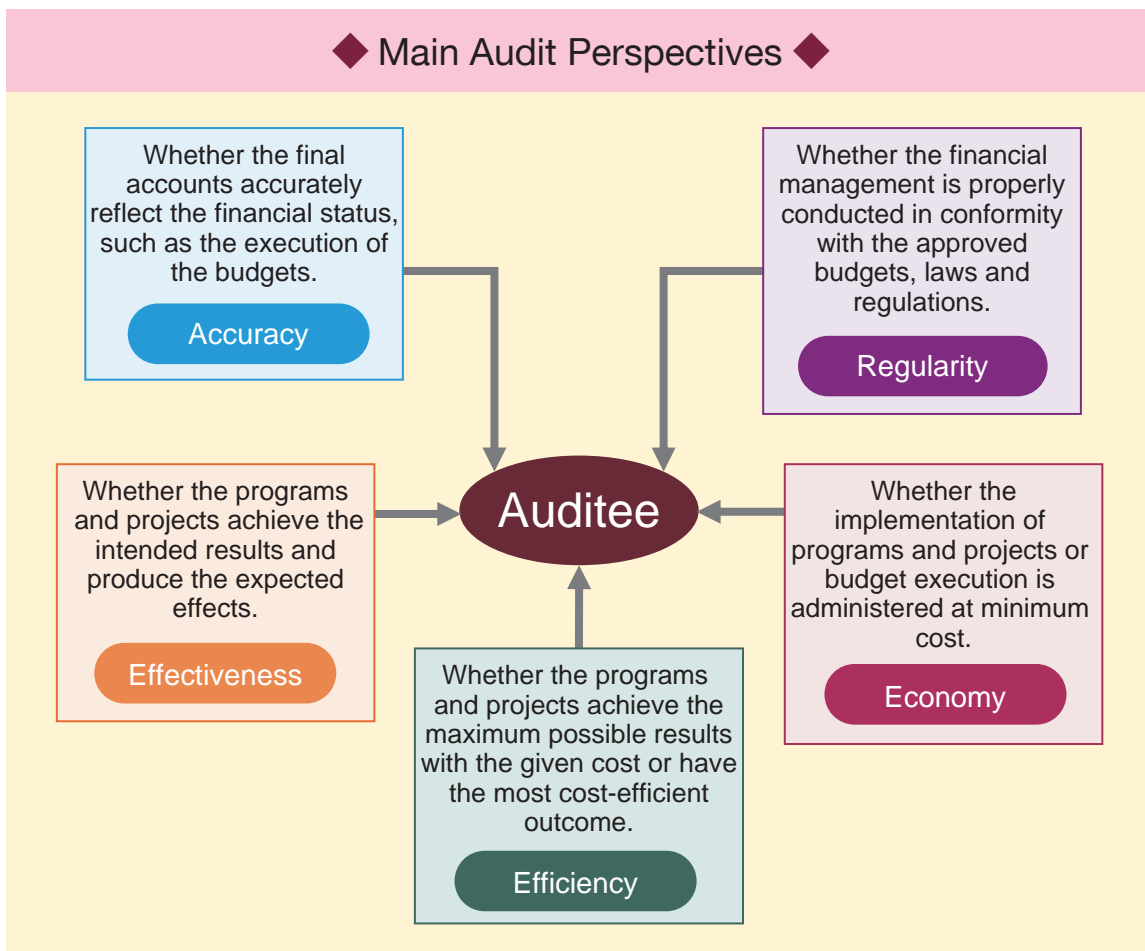
(Note 2) These 4 bodies are also included in the continuous designation of the accounts of an entity that the State has directly or indirectly granted a subsidy or extended other financial assistance such as a loan.

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 programs and projects or budget execution is administered at minimum cost (**Economy**); iv) whether the programs and projects achieve the maximum possible results with the given cost or have the most cost-efficient outcome (**Efficiency**); and v) whether the programs and projects 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 Stateowned enterprises	<p>Were the 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>

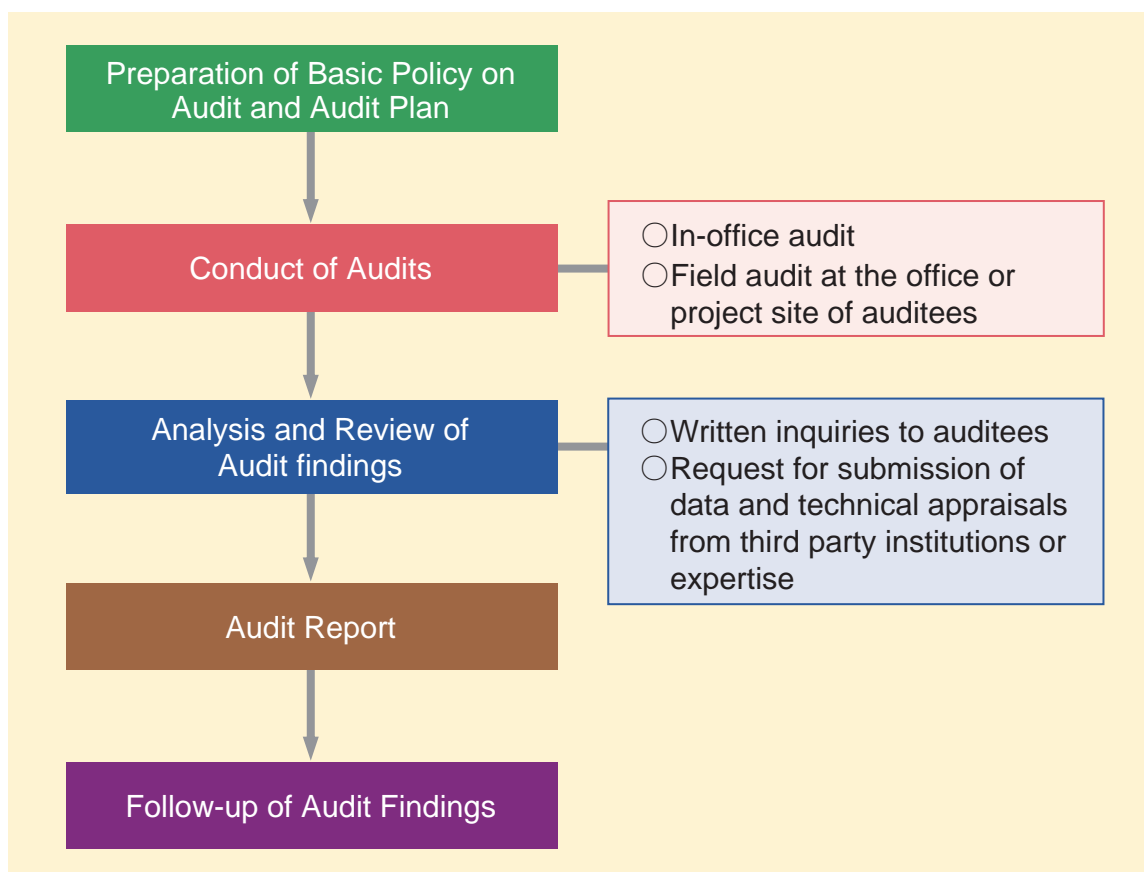
Auditors conduct their audit with the above mentioned general audit aspects, and analyze accounting practices of the auditee and related evidence, and then specify audit aspects and methods to conduct their audit.

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.

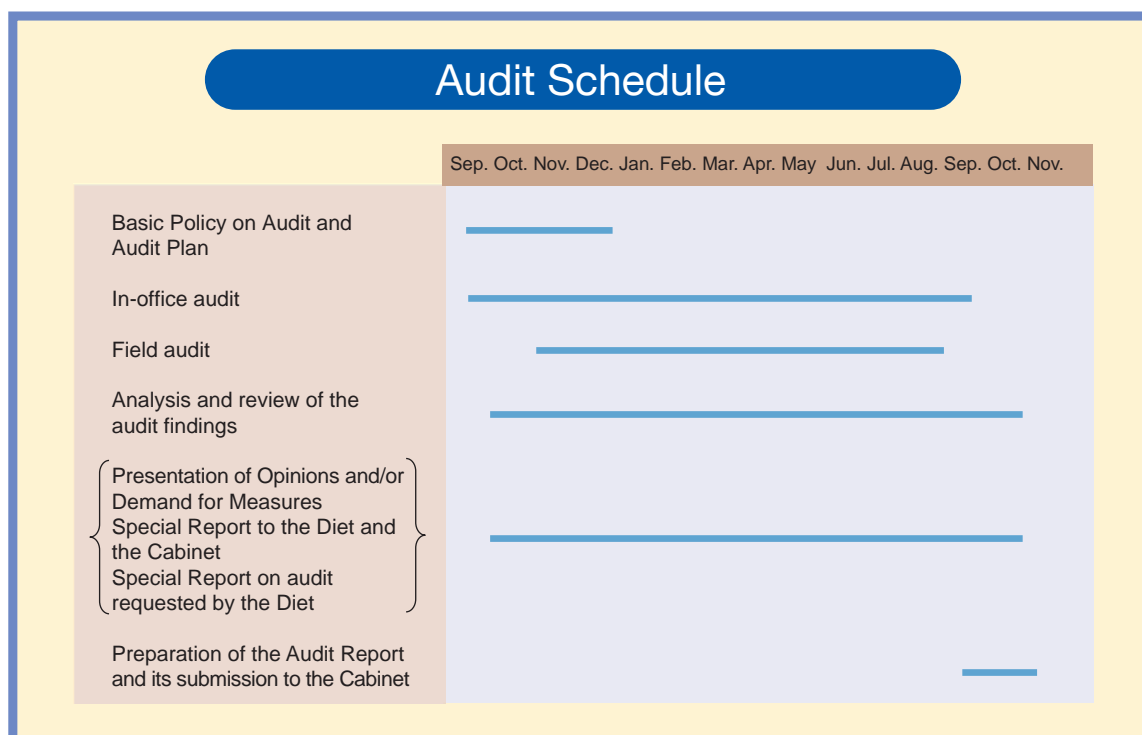


■ Special Report to the Diet and the Cabinet and Special Report on Audit Requested by the Diet

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 theme, manpower allocation, etc. regarding priority audit issues.



The Audit Commission on formulating the Audit Plan

Basic Policy on Audit for 2025 (Excerpt)

(As established September 5, 2024)

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 programs of the following policy areas of public administration.

·Social security ·Defense ·Education, science and technology ·Public works ·Agriculture, forestry and fisheries
·Environment and energy ·Economic cooperation ·Small and medium enterprises ·Digitalization

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

B. Audit with various perspectives

The Board conducts audits not only to identify and disclose fraudulent and improper cases but also to evaluate the effectiveness of programs and the performance of 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 have been 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 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 programs, 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 projects. The Board also conducts audits with attention to the situations of the assets possessed by the State and funds developed by subsidies.

When there is any problem with the implementation of the programs and projects, and the budget execution, the Board thoroughly investigates the causes and considers measures for improvement and if needed, abolishment of the system itself.

For the purpose of contributing 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 entities 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 utilizes 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, 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.

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, when improper cases are identified in the Audit Report, the Board will specify matters related to the relevant case, such as the cause and improvement measures, and contribute to ensuring adequacy of financial management not only of the auditee in question, but also of other auditees. In addition, the Board conducts audits as necessary to confirm if similar cases are occurring 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 under 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. The Board also makes efforts to actively submit reports to the Diet and the Cabinet to communicate its audit results in a timely manner in order to contribute to the Diet's sufficient examination of the final accounts.

F. Improvement of audit capability and effectiveness of its work

The Board enhances its ability to conduct audits and the effectiveness of its work through continuous review, such as the development of new audit methods to respond to the movements of society and economy, 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 this 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, programs and projects, the situations of internal control, the previous audits and results, etc. In doing so, the Board will conduct cross-cutting audits on programs jointly executed by several ministries and agencies and cases commonly related with several ministries and agencies.

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.

〈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 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 2024.

The Board spent approximately 27,000 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.)	4,551	1,660	36.4% (Prev. year 37.6%)
(2) Organizations equivalent to (1) (Other local branches, etc.)	6,574	865	13.1% (Prev. year 11.4%)
Total	11,125	2,525	22.6% (Prev. year 22.1%)

(Note) For auditees other than (1) and (2), such as post offices and railway stations, field audits were conducted at 72 out of 20,301 units. Field Audit Implementation Rate including these figures is 8.2%.

Field audit



(At the medical facility)



(Rockfall prevention work)



(At the auditee's office)



(In the research 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).

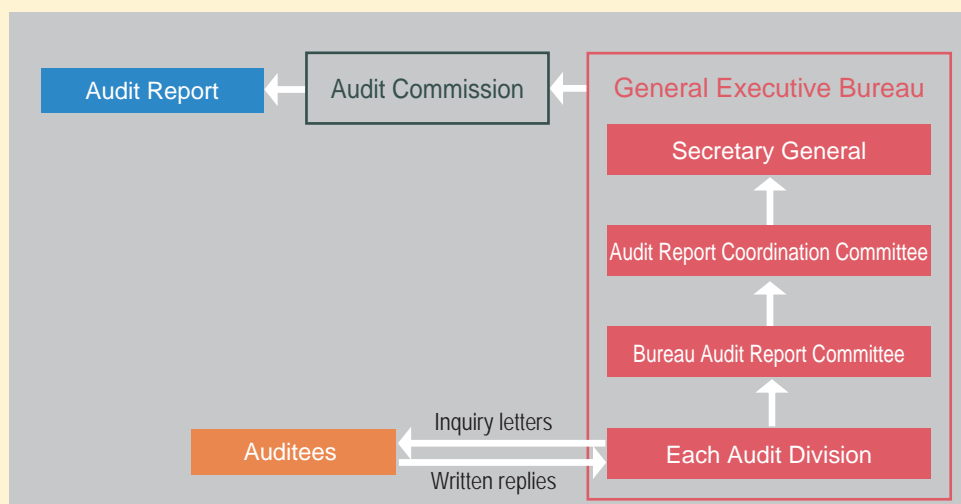
〈Presentation of Opinions and/or Demand for Measures〉

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.



Former President Tanaka (left) hands the FY2023 Audit Report to Prime Minister Ishiba
[Prime Minister's Office, November 6, 2024]

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) Improperities	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 or 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.

【The Board of Audit Act 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.

【The Board of Audit Act 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.

【The Board of Audit Act 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.

【The Board of Audit Act 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, it may conduct an audit of the specific matters requested and report the results.

〈The Audit Report for the fiscal year 2023〉

Number of audit cases and improper amounts reported in the Audit Report for the fiscal year 2023 are as follows:

Category	Number of audit cases	Improper amounts (Unit: million YEN)	Number of audit cases with background amounts (Note1)
1) Improperities	294	7,736.86	—
2) Presentation of Opinions and/or Demand for Measures Article 34	4	534.27	1
Articles 34 and 36	2	1,063.83	1
Articles 36	16	50,632.69	5
3) Measures Taken	22	5,064.11	3
Total of items 1) to 3)	338	<334 cases>(Note 2) 64,862.18	
5) Special Report to the Diet and the Cabinet	1		
7) Report on Specific Matters	6		
Total	345	<334 Cases>(Note 2) 64,862.18	

(Note 1) 6 cases of “Presentation of Opinions and/or Demand for Measures” and “Measures Taken” have both improper amounts and background amounts.

(Note 2) Some cases are counted both as “Improperities” and as “Presentation of Opinions and/or Demand for Measures”, or both as “Improperities” and as “Measures Taken”. As such duplication is deducted from the total, adding each improper amount does not correspond with the total.

(Note 3) No case is reported as 4) Special Description and 6) Special Report on audit requested by the Diet in the FY2023 Audit Report.

Improper amounts and Background 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.

While the total amount of them tend to be referred as “the total amount of wasteful expenses”, the Board of Audit of Japan does not use the term “wasteful expenses” when explaining the Improper/Unreasonable matters, having in mind that they concern various situations as set forth above.

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.

The Board conducts audits with diverse perspectives in a broad range of fields, and the following is a list of selected audit findings in "the Audit Report for FY2023" by feature.

It summarized the main points of these audit findings in an easy-to-understand format and published them on the Board's website "Selected Audit Findings of the Audit Report for FY2023 (https://www.jbaudit.go.jp/english/report/pdf/fy2023report_2.pdf)".

keynotes



Selected Audit Findings of the Audit Report for FY2023

I Audit Findings related to the total expenditure incurred with regard to COVID-19 countermeasures and the total expenditure incurred with regard to measures to address soaring prices

- ⑦ Execution Status of Supplementary Budgets for General Account, etc.
- ⑦ Implementation Status of Projects with the Temporary Subsidy for Regional Revitalization for COVID-19
- ⑦ Implementation Status of Benefits Projects for Child-rearing Households and Low-income Households
- ⑦ Implementation Status of the Project to Promote Efficient Use of Electricity and the Project for Measures to Mitigate Drastic Changes in Electricity and Gas Prices
- ② Status of Development of Systems for Follow-up Support for Special Loan including Emergency Small Funds in the Livelihood Welfare Fund Loan System
- ①② Status of Implementation of the IT Introduction Support Project
- ① Excessive Payment of the Emergency Comprehensive Support Grant for COVID-19 (For Medical Care), etc.

II Audit Findings related to social security

- ② Calculation of Special Adjustment Subsidies for the Integrated Implementation of Health Services for the Elderly and Prevention Care Services, etc.

III Audit Findings related to digital services

- ⑤ Implementation Status of Information Inquiries by Local Governments in the MY Number System
- ② Status of Lending Computers for Students Procured in High Schools as Part of the GIGA School Concept, etc.

IV Audit Findings related to ensuring safety of people's lives

- ② Efficient Implementation of Seismic Reinforcement of Bridges on Emergency Transport Roads, etc.
- ① Design of Seismic Reinforcement Work of Bridge Piers was Improper

V Audit Findings related to the effectiveness of systems and projects

- ⑦ Evaluation System of Shares without Market Prices among Assets Acquired through Inheritance, etc.
- ⑦ Execution Status of Budget for National Defense
- ② Calculation of Fishery Income in the Urgent Support Project for Introducing Fishing Vessels to Strengthen the Competitiveness of the Fishing Industry

VI Audit Findings related to the proper execution of the budget and adequacy of the financial management

- ② Management of Claims for Damages Acquired by the National Government as a Result of Provision of Crime Victims Benefits

VII Audit Findings related to stocks including assets and funds

- ② Size of Loans Made by the Agriculture, Forestry and Fisheries Credit Foundations to Prefectural Agricultural Credit Fund Associations

(Note 1) The numbers in the circles correspond to the seven categories of audit results reported, which is listed on page 25.

(Note 2) The names of projects, etc. in each audit case are provisional translation made by the Board.

〈Examples of Selected Audit Findings of the Audit Report for FY 2023〉

keynotes

Implementation Status of Benefits Projects for Child-rearing Households and Low-income Households

Report on Specific Matters

(https://www.jbaudit.go.jp/english/report/pdf/fy2023report_2.pdf)



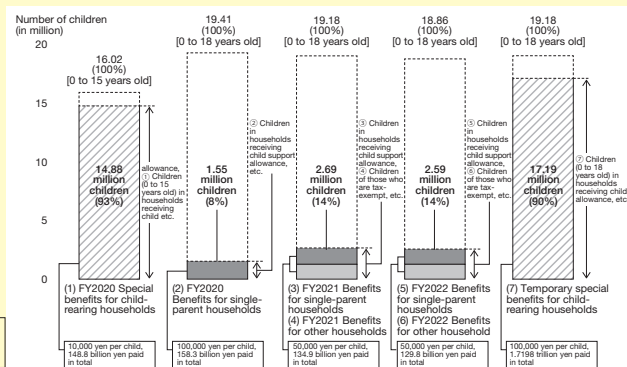
Background of the Audit

- From FYs 2020 to 2022, the national government implemented a project (benefits project) to provide benefits to child-rearing households and low-income households affected by the COVID-19 pandemic and sharp rise in prices of electricity, gas, food, and other goods.
 - Implementing entities of the benefits project were prefectures and municipalities. The national government provided subsidies to cover costs of benefits to be provided to eligible persons (project costs) and costs of benefit payment administration carried out by implementing entities (administrative costs).
 - The benefits project was designed to provide benefits quickly and with the simplest possible procedure through such methods as a Push-type payment that utilizes information held by implementing entities.
- Push-type payment: Benefits are paid to selected persons by implementing entities without waiting for applications from eligible persons.
- Application-type payment: Benefits are paid based on applications from eligible persons whom implementing entities cannot identify with their own information.

Main Results of the Audit

Status of subsidies provided

- The Board audited 9 types of the benefits project for child-rearing households and low-income households.
 - ➔ Subsidies: 4.6057 trillion yen in total (project costs: 4.4745 trillion yen in total, administrative costs: 131.2 billion yen in total)
- The Board mechanically estimated the number of children in those households provided with benefits for child-rearing households, etc.
- ➔ FY2020 Special benefits for child-rearing households: 93% of children in the eligible age bracket
 - Temporary special benefits for child-rearing households: 90% of the same above
 - Benefits for single-parent households, etc.: 8-14% of the same above
 - Benefits for low-income households: 24-27% of all households



Implementation status of the benefits project

- The majority of 114 implementing entities sampled for the audit implemented the benefits project by entrusting some kind of benefit payment administration.
- Examining implementation status of the benefits project by the 114 implementing entities, the majority of benefits were provided through the Push-type payment.

The Push-type payment	1) Implementation status of ex-post confirmation concerning those benefits of which child allowances is a requirement for receipt differed among implementing entities. 2) The way of dealing with tax non-filers for the benefits of which exemption from per capita municipal resident tax is a requirement for receipt differed among implementing entities.
The Application-type payment	1) The timing of starting to receive applications differed among implementing entities. 2) Efforts to individually encourage single-parent households to apply for benefits differed among implementing entities.

Findings

- When implementing a benefits project for which receipt of a child allowance, etc. is a requirement, the Cabinet Office (CAO) and the Children and Families Agency (Agency) should clarify whether or not an ex-post verification is necessary.
- When implementing a benefits project for which exemption from per capita municipal resident tax is a requirement, the CAO and the Agency should ensure that implementing entities, not conducting the Push-type payment, individually encourage tax non-filers to apply for the benefits.
- When implementing a benefits project for single-parent households, etc., through the Application-type payment, the CAO and the Agency should ensure that implementing entities individually encourage tax non-filers to apply for benefits as much as possible.

(Note 1) This material is a simplified version of the original Audit Report, and does not necessarily correspond to it: see the FY2023 Audit report (Japanese only).

(Note 2) The names of projects, etc. in this audit case are provisional translation made by the Board.

〈Examples of Selected Audit Findings of the Audit Report for FY 2023〉

keynotes

Execution Status of Budget for National Defense

Report on Specific Matters

(https://www.jbaudit.go.jp/english/report/pdf/fy2023report_2.pdf)



Background of the Audit

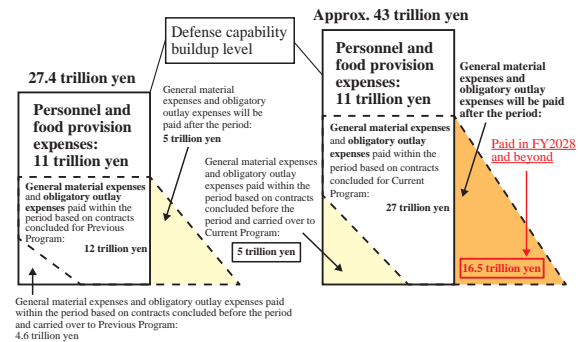
■ In December 2022, Defense Buildup Program (Current Program) and other strategies were formulated, to address the need to fundamentally strengthen necessary defense capabilities amid an increasingly severe security environment surrounding Japan. Total expenditure needed for the defense buildup significantly increased in the Current Program.

Medium Term Defense Buildup Program (Previous Program, FYs 2019-2023 (Note)): 27.4 trillion yen

⇒ Current Program (FYs 2023-2027): 43 trillion yen

(Note) The effective period of the Previous Program was from FYs 2019 to 2022.

■ The Ministry of Defense (MOD) procures a large number of equipment through multiple-year contracts. In execution of defense budgets, a large amount of payment is required in the fiscal year following the contract year and beyond, among others, and thus it is difficult to grasp the overall picture of the execution.



Main Results of the Audit

Status of future obligations, etc.

- 1) Future obligations increased significantly, approximately doubling in FY2023 compared to FY2019.
- 2) With regard to new future obligations based on contract authorizations, the proportion of those to be paid in the third fiscal year from the contract year and beyond to the total new future obligations increased in FY2023 compared to FY2019, and payment periods became longer.

·Future obligations: Payment obligations that need to be fulfilled in the following fiscal year of the contract year and beyond
 ·General material expenses: Expenses to be paid in the current fiscal year based on contracts concluded in the current fiscal year
 ·Obligatory outlay expenses: Expenses to be paid based on contracts concluded in the preceding fiscal years

Effects of exchange rate fluctuations on FMS procurement, etc.

■ With regard to amounts in US dollars paid under FMS central procurement^(Note), comparing amounts converted by official expenditure rates for contract years (calculated by the Board) to those converted by those rates for payment years (amounts determined to be paid), the difference of 123.9 billion yen in FY2023 was thought to be a loss incurred due to exchange rate fluctuations.

(Note) Procurement through the Foreign Military Sales that the U.S. government offers (FMS procurement), implemented by the Acquisition, Technology and Logistics Agency (Acquisition Agency)

Status of expenses covered by the Previous and Current Program for three classifications and status of 15 areas

■ The MOD stated that it intended to grasp budget execution for the three classifications^(Note) and the 15 areas even at the settlement stage and thereby manage them for defense budget in the future.

(Note) Expenditure budgets for each fiscal year are classified into personnel and food provision expenses, general material expenses and obligatory outlay expenses.

Status of procurement of major equipment

■ Status of contracts and deliveries of major equipment to be procured during the Previous Program was not published. Therefore, the Board found that contracts had not been concluded for three types of equipment by FY2022.

Findings

■ In light of the situation where defense budgets have been increasing significantly, the MOD should continue to properly manage future obligations, etc. for expenses covered by the Previous and Current Programs, and more appropriately publish relevant information.

■ In order to sufficiently fulfill its accountability to the public, the MOD should consider publishing settlement status of the three classifications and the 15 areas in an easy-to-understand manner.

■ The MOD should explain in detail to the public contract status, etc. for the procurement quantities of major equipment indicated in the Current Program, considering that it did not publish that information for the Previous Program.

(Note 1) This material is a simplified version of the original Audit Report, and does not necessarily correspond to it: see the FY2023 Audit report (Japanese only).

(Note 2) The names of projects, etc. in this audit case are provisional translation made by the Board.

〈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.

In addition, with regard to measures taken by auditees in response to "Presentation of Opinions and/or Demand for Measure" and "Measures Taken", the statuses of implementation of measures by auditees are to be followed up, and if any situations are found where the measures are not being implemented, they are to be described in the audit report as "Improprieties".

(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

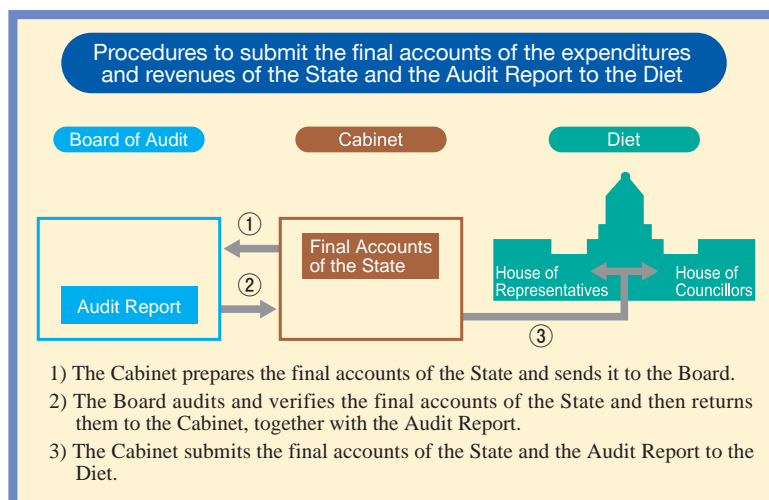
The Audit Report is submitted, with the final accounts of the expenditures and revenues of the State, through the Cabinet to the Diet for deliberation of **the State's final accounts**.

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 and, if necessary, explain the contents of the Audit Report or relevant audit activities and 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 provide explanations as required.

In preparing the audit plan and implementing its audits, the Board fully takes into consideration deliberations in the Diet 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 the Financial Bureau of the Ministry of Finance** for the audit results to be used as a reference for budget compilation and financial administration.

On this occasion, the Board provides explanations of the findings in the Audit Report and expresses opinions on the budget compilation and financial administration reference items discovered during the audit process.

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, government-sponsored judicial-persons such as government affiliated institutions and 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.

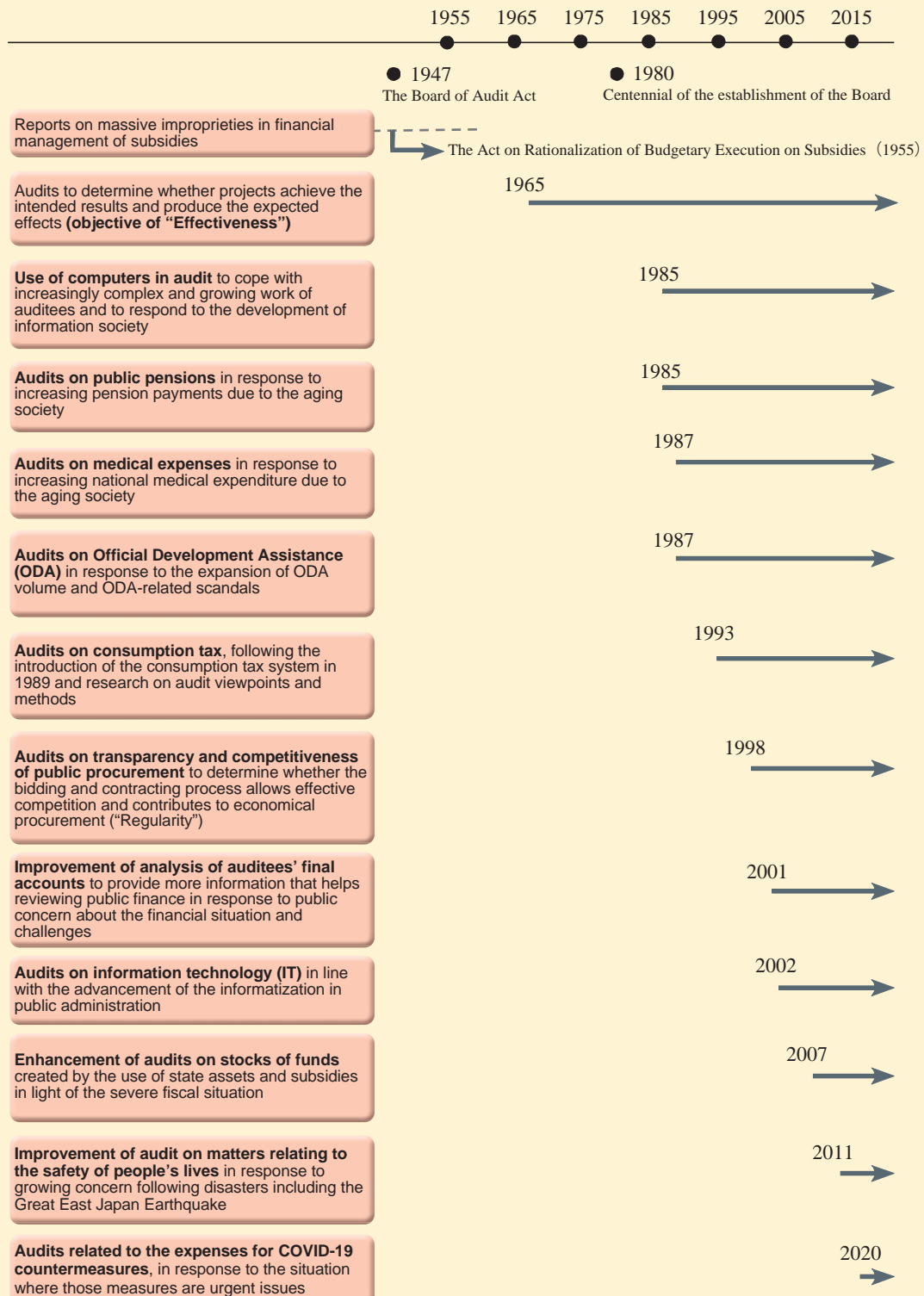
(3) Internal audit related services

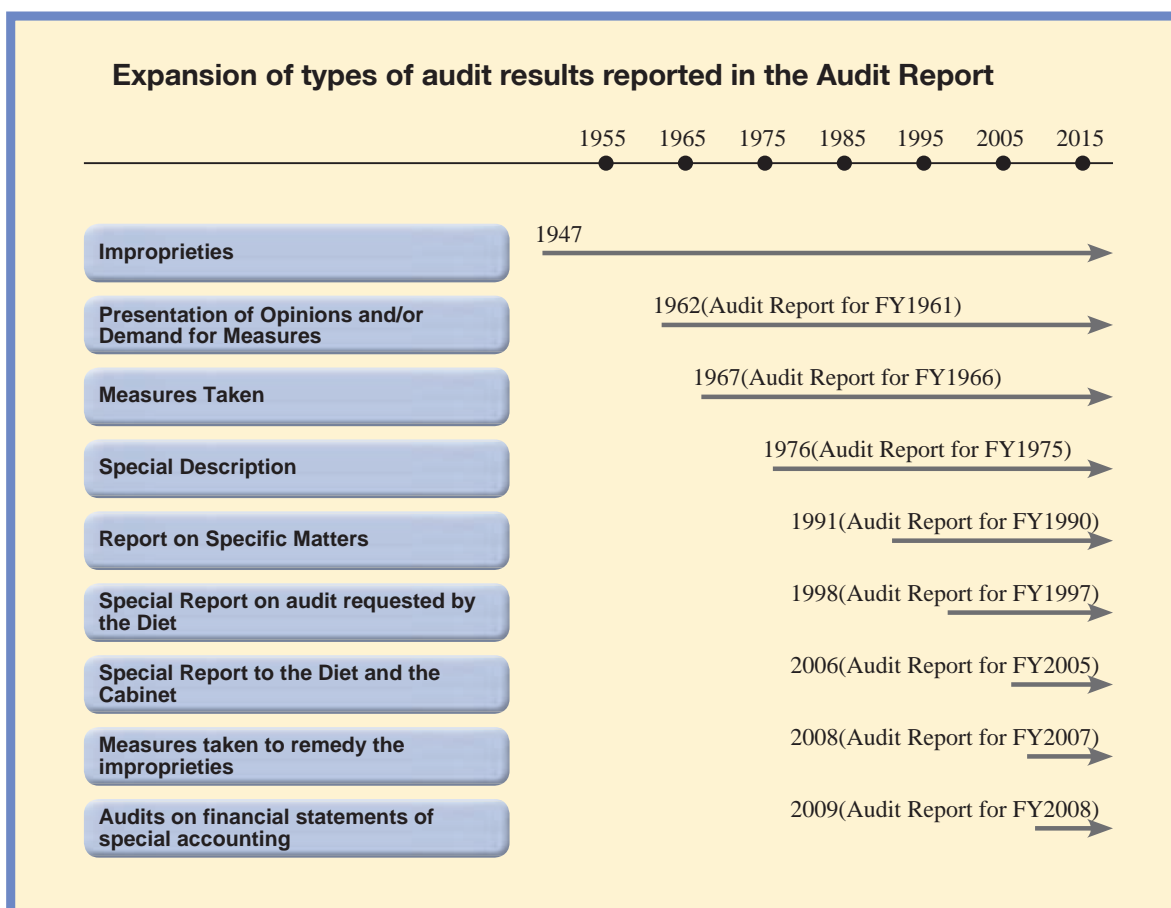
The Board conducts researches and analyses on auditees' internal control such as the status of internal audits and internal check systems, etc., and has meetings with **officials in charge of internal audit in ministries, agencies** and so on in order to help them improve and strengthen their internal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





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



The FY2023 Audit Report

Use of digital services in the audit

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

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

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

(Audit Information Systems)

Final Accounts Verification System — verifies final accounts

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

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

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

Furthermore, the Board has been making use of digital services to facilitate in-office audits through teleworking and a web conferencing system.

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

Other Activities

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

(1) Adjudication on the liability for indemnity

If an official responsible for cash handling, handling goods or budget execution has been involved in loss or damage to cash or goods under 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), 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 2025):

- Mr. Mimura Akio (Chairperson: Honorary Chairman, Nippon Steel Corporation.)
- Dr. Iio Jun (Professor, National Graduate Institute for Policy Studies)
- Dr. Egawa Masako (Chancellor, Seikei Gakuen)
- Mr. Kanemaru Yasufumi (Chairman and President, Group CEO, Future Corporation)
- Dr. Tomita Toshiki (Visiting Analyst, Nomura Institute of Capital Markets Research)
- Mr. Hayashi Makoto (Lawyer)
- 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 evaluation 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.



34th Public Audit Forum (2023)

(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.



28th Tokyo International Meeting on Audit
(Participating SAIs: SAI France, Germany, U.K., U.S.A. and Japan)

(2) Participation in International Organization of SAIs

The Board joins the International Organization of Supreme Audit Institutions (INTOSAI: 195 participating SAIs) and the Asian Organization of Supreme Audit Institutions (ASOSAI: 48 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.



78th INTOSAI Governing Board Meeting in Cairo, Egypt



16th ASOSAI Assembly, 60th and 61st ASOSAI Governing Board Meetings in New Delhi, India

(3) International Cooperation

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



The Knowledge Co-Creation Program in Government Audit on Public Construction Works (2024)

In 2024, the Board co-hosted the program for SAI auditors of developing countries to learn audit skills and techniques.

Audit Result Outline

- FY2023 Audit Report-

AUDIT RESULT OUTLINE – FY2023 Audit Report –

I	Basic Policy on Audit.....	46
	Basic Policy on Audit for 2024.....	46
II	Summary of Audit Results	50
1.	Audit Results by Category and by Auditee	50
2.	Brief Description of Audit Cases.....	55
A	Improprieties	55
B	Presentation of Opinions and/or Demand for Measures.....	59
C	Measures Taken	60
D	Special Report to the Diet and the Cabinet, etc.	62
(1)	Special Report to the Diet and the Cabinet	62
(2)	Report on Specific Matters.....	62

I Basic Policy on Audit

The FY2023 Audit Report constitutes the results of the audit conducted in 2024 based on the Basic Policy on Audit for 2024.

Basic Policy on Audit for 2024

Approved by
the Audit Commission
on September 14, 2023

To carry out audits for the year 2024 (audit implementation period: October 2023 - September 2024) 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 2024 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 the significant task of responding to issues such as the declining birthrate and the aging society that are progressing rapidly, the decrease of the population that is underway at full scale, stagnant potential growth rate, and increased frequency and severity of natural disasters. While normalization after the COVID-19 pandemic is ongoing, there arise challenges to deal with the global surge in prices, severe security environment, and delay in the digitalization of the Japanese government.

Against this backdrop, budgets have been allocated for a broad range of programs in recent years, not only those for social security, education and science promotion, defense, and public works, but also those to address the impact of COVID-19 and global surge in prices on people's lives. Additionally, a large amount of reserve funds has been appropriated to prepare for unexpected changes in the situation. At the same time, the government has decided to fundamentally build up Japan's defense capabilities in the five years until FY2027, and is promoting initiatives to develop a digital society.

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 1068 trillion yen at the end of FY2023. In the budget for FY2023, the level of dependence on government bonds is about 31% and the total expenditure required for redemption of national debt comprises about 22% of the general account expenditure, which poses a major challenge in achieving a sound fiscal position. Under these circumstances, the government stated that it will not "lower the flag" of fiscal consolidation, working toward the fiscal consolidation goals stipulated to date. Meanwhile, it also expressed a need to keep a close eye on both domestic and international economic conditions, including the impact of the recent rise in prices, and to conduct necessary investigations depending on the situation.

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.

Thus, achievement of fiscal soundness has been an important issue, and focus 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. Under the circumstances where there has been emergency fiscal spending in response to the spread of COVID-19, and national expenses have been invested in order to implement a broad range of programs to tackle price surges, the public interest in accountability for administrative and financial matters was further enhanced. Reflecting this situation, the role of the Board, which audits the execution of budgets and reports the results of audits, including raising issues with the public on public administration and finance, has become even more important.

3. Basic Policy on Audit

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

(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 programs of 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
- Digitalization

Additionally, the Board appropriately and in a timely manner audits various programs against the spread of COVID-19 and price surges, noting that a large amount of national expenses has been spent until now for these purposes.

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

(2) Audits with various perspectives

The Board conducts audits not only to identify and disclose fraudulent and improper cases but also to evaluate the performance of 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 or budget execution is administered with the minimum cost
- (d) Efficiency: whether the projects gain the maximum results with the given cost or have the best cost-efficient outcome
- (e) Effectiveness: whether the projects achieve the intended results and produce the expected effects
- (f) Other perspectives 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 have been frauds 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 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 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 projects. The Board also conducts audits with attention to the situations of the assets possessed by the State and funds developed by subsidies.

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

For the purpose of contributing 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 entities 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 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, 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.

(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, when improper cases are identified in the Audit Report, the Board will specify matters related to the relevant case, such as the cause and improvement measures, and contribute to ensuring adequacy of financial management not only of the auditee in question, but also of other auditees. In

addition, the Board conducts audits as necessary to confirm if similar cases are occurring 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 under 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. The Board also makes efforts to actively submit reports to the Diet and the Cabinet to communicate its audit results in a timely manner in order to contribute to the Diet's sufficient examination of the final accounts.

(6) Improvement of audit capability and effectiveness of its work

The Board enhances its ability to conduct audits and the effectiveness of its work through continuous review, such as the development of new audit methods to respond to the movements of 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.

The efforts include: research studies to vary the method and scope of audit activities, including those in light of international trends in auditing, human resource development for auditing areas of expertise as well as use of personnel who have acquired practical skills and experts from the private sector, efficient processing, analysis, etc. of massive data, and more active use of information and communications technology that enables remote audits. By adopting these practices, the Board conducts a more fulfilling audit for project of auditee matters as a whole.

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 this 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, programs and projects, the situations of internal control, the previous audits and results, etc. In doing so, the Board will conduct cross-cutting audits on programs jointly executed by several ministries and agencies and cases commonly related with several ministries and agencies.

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

II Summary of Audit Results

1. Audit Results by Category and by Auditee

The total number of cases listed in the Audit Report for FY2023 was 345 and the improper amounts totaled 64,862.18 million yen. The following Table 1 shows the breakdown.

Table 1: Audit Findings by Category

Category	Number of audit cases	Improper amounts (Unit: million YEN)	Number of audit cases with “Background Amount” out of the number of audit cases listed on the left
Improprieties	294	7,736.86	-
Presentation of Opinions and/or Demand for Measures			
Related to Article 34 of the Board of Audit Act	4	534.27	1
Related to Article 34 and 36 of the Board of Audit Act	2	1,063.83	1
Related to Article 36 of the Board of Audit Act	16	50,632.69	5
	22	52,230.79	7
Measures Taken	22	5,064.11	3
Total of Improper/Unreasonable Matters	338	<334 cases> 64,862.18	
Special Report to the Diet and the Cabinet	1		
Special Report on Audit Requested by the Diet	-		
Report on Specific Matters	6		
Grand total	345	<334 cases> 64,862.18	

(Note 1) Since amounts under 10,000 yen are rounded down, there may be cases where the total does not match when aggregated.

(Note 2) 6 cases of “Presentation of Opinions and/or Demand for Measures” and “Measures Taken” have both improper amounts and background amounts.

(Note 3) Some cases are counted both as “Improprieties” and as “Presentation of Opinions and/or Demand for Measures” or both as “Improprieties” and as “Measures Taken”. As such duplication is deducted from the total, adding each improper amount does not correspond with the total.

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. The total sum of improper amounts in the Audit Report is sometimes referred to as "the total amount of wasteful expenditure." While the total amount of them tends to be referred as "the total amount of wasteful expenses", the Board of Audit of Japan does not use the term "wasteful expenses" when explaining the Improper/Unreasonable matters, having in mind that they concern various situations as set forth above.

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: Improper/Unreasonable Matters by Category and by Auditee

(unit of monetary amount, million YEN)

Category Auditee	Improprieties		Presentation of Opinions and/or Demand for Measures		Measures Taken		Total	
	Cases	Amount	(Note 1) Article/Cases	(Note 2) Amount	(Note 2) Cases	(Note 2) Amount	(Note 2) Cases	(Note 2) Amount
Cabinet Office	15	73.02			1	31.35	16	104.37
Cabinet Office (National Police Agency)			(Note 7) ③④ 1	237.03 (4,873.00)			(Note 7) 1	237.03 (4,873.00)
Cabinet Office (Children and Families Agency)					2	139.35	2	139.35
Reconstruction Agency			(Note 3) ③⑥ 1	(Note 3)			(Note 3) 1	(Note 3)
Ministry of Internal Affairs and Communications	20	307.14					20	307.14
Ministry of Foreign Affairs			(Note 4) (Note 7) ③⑥ 1	(Note 4) 49.00 (4,128.51)	1	378.09	(Note 4) (Note 7) 2	(Note 4) 427.09 (4,128.51)
Ministry of Finance	1	336.02	③④ 1	47.59	(Note 7) 2	446.60 (7,577.22)	(Note 7) 4	830.21 (7,577.22)
Ministry of Education, Culture, Sports, Science and Technology	24	263.68	③④ 1 (Note 3) ③⑥ 2	63.86 (Note 3) 1,079.55			(Note 3) 27	(Note 3) 1,407.09
Ministry of Health, Labour and Welfare	127	5,567.83	③④ • ③⑥ 1 (Note 7) ③⑥ 3	107.35 1,931.54 (478,910.79)	3	195.54	(Note 7) 134	(Note 6) 7,766.23 (478,910.79)
Ministry of Agriculture, Forestry and Fisheries	17	129.11	(Note 3) ③⑥ 5	(Note 3) 35,181.65 (26,831.51)	2	33.89	(Note 3) 24	(Note 3) 35,344.65 (26,831.51)
Ministry of Economy, Trade and Industry	3	10.33	(Note 5) ③④ • ③⑥ 1	(Note 5)	1	1,626.44	(Note 5) 5	(Note 5) 1,636.77
Ministry of Land, Infrastructure, Transport and Tourism	30	624.08	③④ 1 (Note 3) ③⑥ 4	185.79 (Note 3) 1,356.86 (19,099.06) (102,668.58)	(Note 7) 3	158.80 (753.28)	(Note 3) (Note 7) 38	(Note 3) 2,325.53 (19,099.06) (102,668.58) (753.28)

Category Auditee	Improprieties		Presentation of Opinions and/or Demand for Measures		Measures Taken		Total	
	Cases	Amount	(Note 1) Article/Cases	(Note 2) Amount	(Note 2) Cases	Amount	(Note 2) Cases	Amount
Ministry of the Environment	8	164.58					8	164.58
Ministry of Defense	2	43.73			3	1,157.79	5	1,201.52
The Promotion and Mutual Aid Corporation for Private Schools of Japan	2	5.65					2	5.65
Central Nippon Expressway Company Limited	1	28.22					1	28.22
Honshu-Shikoku Bridge Expressway Company Limited					1	21.82	1	21.82
Japan Health Insurance Association					1	24.44	1	24.44
Japan International Cooperation Agency (JICA)			(Note 4) ③⑥ 1	(Note 4)			(Note 4) 1	(Note 4)
Organization for Small & Medium Enterprises and Regional Innovation	43	172.74	(Note 5) (Note 7) ③④ • ③⑥ 1	(Note 5) 956.48 (5,828.91)			(Note 5) (Note 7) 44	(Note 5) (Note 6) 995.66 (5,828.91)
Urban Renaissance Agency					1	850.00	1	850.00
Japan Housing Finance Agency			③⑥ 1	11,034.09			1	11,034.09
Nippon Hoso Kyokai (NHK: Japan Broadcasting Corporation)	1	10.68			1	(319.79)	2	10.68 (319.79)
Total	294	7,736.86	(Note 3) (Note 4) (Note 5) 22	52,230.79	22	5,064.11	(Note 3) (Note 4) (Note 5) 338	(Note 6) 64,862.18

(Note 1) 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 2) 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 3) One case concerning the Reconstruction Agency pertains to the same issue as one case each concerning the Ministry of Education, Culture, Sports, Science and Technology, the Ministry of Agriculture, Forestry and Fisheries, and the Ministry of Land, Infrastructure, Transport and Tourism, with the amounts recorded separately under each respective ministry. In addition, duplication has been eliminated from the total number of cases.

- (Note 4) Although one case involves both the Ministry of Foreign Affairs and the Japan International Cooperation Agency (JICA), the amount has been listed only in the column of the Ministry of Foreign Affairs. In addition, duplication has been eliminated from the total number of cases.
- (Note 5) Although one case involves both the Ministry of Economy, Trade and Industry and the Organization for Small & Medium Enterprises and Regional Innovation, the amount has been listed only in the column of the Organization for Small & Medium Enterprises and Regional Innovation. In addition, duplication has been eliminated from the total number of cases.
- (Note 6) Some cases are counted both as “Improprieties” and as “Presentation of Opinions and/or Demand for Measures” (related to the service productivity improvement IT introduction support project expenses subsidies (refer to pages 58 and 60)), or both as “Improprieties” and as “Measures Taken” (related to State contribution to medical treatment benefits under national health insurance (refer to pages 56 and 61)). As such duplications are deducted from the total, adding each improper amount does not correspond with the total.
- (Note 7) Concerning the categories “Presentation of Opinions and/or Demand for Measures” and “Measures Taken”, 6 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 Improproprieties

(1) Cabinet Office

(Cabinet Office)

- Excessive billing for the costs for the project for the child education and childcare benefit grants
- Excessive billing for the subsidized expenses for the project covered by the Okinawa international logistics hub utilization promotion project subsidies
- A portion of the costs for the project covered by grants for promoting the Vision for a Digital Garden City Nation (digital implementation type (TYPE 1)) was ineligible.
- Excessive payment of child and child-rearing support grants (the portion for extended-hours childcare services)
- Excessive payment of child and child-rearing support grants (the portion for the community child care support centers project)

(2) Ministry of Internal Affairs and Communications

- Excessive billing for the costs for the project for the temporary grants for regional revitalization for COVID-19
- A portion of the subsidized costs for the remote island transmission dedicated line maintenance project was ineligible.
- Excessive payment of special allocation tax grants
- Excessive payment of special allocation tax grants for post-disaster restoration

(3) Ministry of Finance

- Cases of deficiency in tax collection

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

- Excessive payment of subsidies for the improvement of information equipment for public schools
- Excessive payment of subsidies for improvement of private school facilities (research equipment, educational equipment, the ICT utilization promotion project, and the emergency special promotion project for strengthening disaster prevention functions)
- Excessive payment of grants for improvement of school facilities and the environment
- Excessive payment of the Okinawa promotion public investment grants (the project for improving school facilities and the environment)
- Excessive payment of subsidies for the project to facilitate utilization of cultural resources
- Excessive State contribution to the cost of compulsory education

(5) Ministry of Health, Labour and Welfare

- Excess and deficiency in collection of labor insurance premiums
- Deficiency in collected premiums of health insurance and employees' pension insurance
- Excessive payment in the contract related to the development and operation of the Gathering Medical Information System on COVID-19 (G-MIS)
- Improper payment of special job seeker employment development grant-in-aid under employment insurance (specially disadvantaged job seeker course grant-in-aid)

- Improper payment of career enhancement grant-in-aid under employment insurance
- Improper payment of unemployment benefits under employment insurance
- Improper payment of old-age employees' pension benefits under employees' pension insurance
- Improper State contribution to medical expenses
- Excessive payment of subsidies for securing the outpatient acceptance of fever clinics in the flu season (the project for ensuring outpatient diagnosis and testing system for febrile patients in preparation for the flu season and the support project for medical institutions implementing the project for ensuring outpatient diagnosis and testing system for febrile patients in preparation for the flu season)
- Excessive payment of the emergency support project subsidies for medical institutions admitting COVID-19 patients
- Excessive payment of the emergency comprehensive support grants for COVID-19 (medical portion) (the portion pertaining to a COVID-19 control project and a COVID-19 intensive medical institution system development project)
- Excessive payment of the emergency comprehensive support grants for COVID-19 (for medical care) (the portion pertaining to the facility development project for medical institutions hospitalizing COVID-19 patients)
- Excessive payment of the emergency comprehensive support grants for COVID-19 (for medical care) (the portion pertaining to the outpatient facility development project for returnees & people having contact with COVID-19 patients)
- Excessive payment of the emergency comprehensive support grants for COVID-19 (for medical care) (the portion pertaining to the facility development project for infection testing institutions)
- Excessive payment of the emergency comprehensive support grants for COVID-19 (for medical care) (the portion pertaining to the COVID-19 intensive medical institution facility development project)
- Excessive payment of the emergency comprehensive support grants for COVID-19 (for medical care) (the portion pertaining to the emergency, perinatal & pediatric care system securing project for acceptance of suspected COVID-19 patients)
- Excessive payment of the emergency comprehensive support grants for COVID-19 (for medical care) (the portion pertaining to the COVID-19 vaccination system support project)
- Excessive payment of subsidies for the project to promote medical care provision systems (the portion pertaining to the operation of the perinatal maternal and child medical center)
- Excessive payment of State contribution to medical treatment benefits under national health insurance
- Excessive payment of fiscal adjustment grants under national health insurance
- Excessive State contribution to livelihood assistance benefits
- Excessive State contribution to medical expenses of people with disabilities
- Excessive State contribution to disability benefits for children with disabilities in living support facilities
- Excessive payment of national subsidies for the restoration of social welfare facilities damaged by disasters
- Excessive State contribution to the nursing care benefit
- Excessive payment of fiscal adjustment grants under nursing care insurance
- Improper collection of expenses required for paying labor insurance benefits
- Improper State contribution to nursing care benefits for elderly persons

- Improper State contribution to training benefits included in benefits for services and supports
- Improper State contribution to outpatient benefits for children with disabilities

(6) Ministry of Agriculture, Forestry and Fisheries

- Improper construction of the erosion control dam because the contractor was allowed to carry out work that differed from the design based on a false perception
- Recipients of the agricultural next-generation human resource investment fund did not continue farming throughout the required farming continuation period, making them ineligible for the subsidy.
- A portion of the costs for the project covered by the grants for developing market scale expansion measures toward the sixth industrialization was ineligible.
- A portion of the subsidized costs for the school meal milk stable demand assurance project was ineligible.
- A portion of the subsidized costs for the specific regional management support project was ineligible.
- Improper design of the windbreak facility
- Improper design of the canal installed to decommission the function of the reservoir
- Improper design of the covered rockfall protection net construction
- Improper design of the foundation of the net fence installed to prevent access to the reservoir
- Excessive billing for the subsidized costs for the project using funds created with the production area power-up project subsidies
- The purification tank acquired through the domestic dairy product competitiveness enhancement project subsidy was used for purposes other than its intended use.
- Excessive billing for the costs for the project for the strong agriculture and core farmers development comprehensive support grants

(7) Ministry of Economy, Trade and Industry

- In the leather industry promotion project, expenses were excessively recorded without being based on similar transaction prices or actual payment amounts, resulting in excessive billing for the subsidized costs.
- Excessive billing for the subsidized costs for the project covered by the subsidies for management support for SMEs (the commercial and service competitiveness enhancement collaboration support project)
- In the project using a fund created with the subsidies for the project to support self-help of disaster-affected businesses, the purchased equipment was never used for the intended project purpose, resulting in the failure to achieve the subsidy's objective.

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

- Excessive payment amount for the entrustment fees related to the trial implementation of technologies aimed at improving labor productivity at the construction site
- Improper design of foot protection works
- Improper design of the monitoring and control equipment
- Improper design of the water pipe bridge
- Improper design of retaining walls
- Improper design of the revetment
- Improper design of catch basins

- Improper design of seismic reinforcement work of bridge piers
- Improper design of the pier's wood deck
- Improper design of the bridge abutment
- Improper design of the sidewall revetment
- Improper calculation of the cost of projects relating to cheaper rent on public housing
- Excessive payment of the great east Japan earthquake reconstruction grants
- Excessive designed quantity for topsoil excavation
- The aircraft acquired through the aircraft purchase subsidy was used for purposes other than the intended subsidy objective.
- In implementing the anti-erosion work project, an increase in the State's share in grants due to an increase in the normal State expense rates should not have been paid.
- Improper procedures related to the disposal of urban park land assets

(9) Ministry of the Environment

- Excessive salary paid to a dispatched staff to an international organization
- Improper design of the fall prevention fence in the parking lot within the national park
- Excessive payment of the grants for promoting establishment of a sound material-cycle society
- Excessive payment of the disaster waste management project subsidies
- Improper design of lightning protection measures for plant equipment platforms, walkways
- Improper construction of the refrigeration and air conditioning equipment installation

(10) Ministry of Defense

- Improper design of the installation work for the distribution board
- Excessive estimate for the subsidized costs for the disaster prevention administrative radio digitalization work

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

- Improper accounting of subsidies for private universities' current expenses

(12) Central Nippon Expressway Company Limited

- The payment amount for the cost of traffic wardens deployed for pavement repair work was excessive because the drawings/specifications were not revised in accordance with the actual conditions at the construction site.

(13) Organization for Small & Medium Enterprises and Regional Innovation

- Excessive payment of the service productivity Improvement IT introduction support project expenses subsidies due to frauds pertaining to substantial returns of funds
- The application developed under the manufacturing, commerce, and service productivity enhancement promotion subsidies failed to achieve the subsidy's objective because some functions were not implemented.
- A portion of the subsidized costs under the small and medium enterprise business restructuring promotion subsidies was ineligible for the subsidy.

(14) Nippon Hoso Kyokai (NHK: Japan Broadcasting Corporation)

- Fraud by officials

B Presentation of Opinions and/or Demand for Measures

(1) Cabinet Office

(National Police Agency)

Demand for Measures 34 - Management of claims for damages acquired by the national government as a result of provision of crime victims benefits

(2) Ministry of Foreign Affairs

Presentation of Opinions 36 - Implementation status of Official Development Assistance (ODA)

(3) Ministry of Finance

Demand for Measures 34 - Management of non-administrative assets located within Toda Park

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

Demand for Measures 34 - Conversion of the number of full-time teachers when part-time teachers are assigned as additional staff under the calculation basis for State contribution to the cost of compulsory education

Presentation of Opinions 36 - Status of loaning learner-use computers provided to high schools under the public school information equipment purchase project as part of the GIGA School Concept

(5) Ministry of Health, Labour and Welfare

Demand for Measures 34 36 - Payment of the human resource development support grant-in-aid under employment insurance

Presentation of Opinions 36 - Status of development of systems for follow-up support for special loan including emergency small funds in the livelihood welfare fund loan system in response to the impact of COVID-19

Demand for Measures 36 - Calculation of special adjustment subsidies for the integrated implementation of health services for the elderly and prevention care services

Demand for Measures 36 - Review of operations required for mailing labor insurance premium declarations

(6) Ministry of Agriculture, Forestry and Fisheries

Presentation of Opinions 36 Demand for Measures 36 - Implementation of the paddy field renovation project for new market development

Demand for Measures 36 - Size of loans made by the Agriculture, Forestry and Fisheries Credit Foundations to prefectural agricultural credit fund associations

Demand for Measures 36 - Grasp of progress toward reduction targets and development of improvement plans under the comprehensive support measures for wildlife damage prevention

Demand for Measures 36 - Calculation of fishery income in the urgent support project for introducing fishing vessels to strengthen the competitiveness of the fishing industry

(7) Ministry of Economy, Trade and Industry

Demand for Measures 34 36 Presentation of Opinions 36 - Implementation status of the service productivity improvement IT introduction support project

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

Demand for Measures ㉔ - Estimation of costs for construction utilizing ICT (Information and Communication Technology)

Presentation of Opinions ㉖ - Efficient implementation of seismic reinforcement of bridges on emergency transport roads

Demand for Measures ㉖ - Implementation of measures to promote the vacating of public housing by high-income residents

Demand for Measures ㉖ - Handling of unauthorized extensions in the demolition projects of public housing

(9) Reconstruction Agency, Ministry of Education, Culture, Sports, Science and Technology, Ministry of Agriculture, Forestry and Fisheries, Ministry of Land, Infrastructure, Transport and Tourism

Demand for Measures ㉖ - The scale of the funds established and developed through the Fukushima reconstruction acceleration grants

(10) Japan International Cooperation Agency (JICA)

Presentation of Opinions ㉖ - Implementation status of Official Development Assistance (ODA)

(11) Organization for Small & Medium Enterprises and Regional Innovation

Demand for Measures ㉔ ㉖ Presentation of Opinions ㉖ - Implementation status of the service productivity improvement IT introduction support project

(12) Japan Housing Finance Agency

Demand for Measures ㉖ - The scale of government capital contributions in the housing loan insurance account

C Measures Taken

(1) Cabinet Office

(Cabinet Office)

- Handling of insurance proceeds in the calculation of the subsidy amount for the Okinawa Institute of Science and Technology School Corporation

(2) Cabinet Office

(Children and Families Agency)

- The scale of the funds established and developed through the Fukushima reconstruction acceleration grants

(3) Ministry of Foreign Affairs

- The operation and service contracts of Japan House

(4) Ministry of Finance

- Establishment of a tax filing review system for the adjustment calculation of consumption tax on subsidy and grant income, including cases where the use is not clearly specified in the grant guidelines

- The assessment and determination of consumption tax on individuals who do not possess tax-free goods at the time of departure

(5) Ministry of Health, Labour and Welfare

- The calculation procedures for State contribution to medical treatment benefits under national health insurance
- Application of the specific office concentration reduction for in-home long-term care support

(6) Ministry of Agriculture, Forestry and Fisheries

- Calculation of transport soil volume related to the production and removal of large sandbags
- Estimation of the target price for the contract of document compilation and bookbinding services

(7) Ministry of Economy, Trade and Industry

- Implementation of projects that determine the subsidy amount based on projected figures, such as the consumer rebate subsidy program

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

- Operation of port service vessels
- Procurement and utilization of measuring instruments used to verify the accuracy of X-band rain gauges
- Estimation of the target price for bird control services

(9) Ministry of Defense

- Contract modifications related to construction work
- Payment of costs required for charging lead-acid main batteries during periodic inspections of submarines
- Design and construction of works involving the burial of water supply pipes or wastewater drainage pipes

(10) Cabinet Office (Children and Families Agency), Ministry of Health, Labour and Welfare

- Handling of the calculation of State contribution to disability benefits for children with disabilities in living support facilities and for persons with disabilities in self-support related to benefit costs to be refunded by businesses

(11) Honshu-Shikoku Bridge Expressway Company Limited

- Frequency of collection and delivery services for cash collected as tolls on general toll roads

(12) Japan Health Insurance Association

- Cost burden related to retinal examinations conducted as part of general health checkups for lifestyle-related disease prevention

(13) Urban Renaissance Agency

- Estimation of costs related to the transportation and disposal of property outside the intended purpose in contracts for support to compulsory execution

(14) Nippon Hoso Kyokai (NHK: Japan Broadcasting Corporation)

- Initiatives to promote the signing of receiving contracts with NHK in fee-based homes for the elderly

D Special Report to the Diet and the Cabinet, etc.

(1) Special Report to the Diet and the Cabinet

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

- Implementation status of information inquiries by local governments in the MY Number System

(2) 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 supplementary budgets for general account
- Implementation status of the project for the temporary grants for regional revitalization for COVID-19
- Implementation status of benefits projects for child-rearing households and low-income households
- Evaluation system of shares without market prices among assets acquired through inheritance
- Implementation status of the project to promote efficient use of electricity and the project for measures to mitigate drastic changes in electricity and gas prices
- Execution status of budget for national defense

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. 61 of 2021)

THE BOARD OF AUDIT ACT CONTENTS

CHAPTER I ORGANIZATION	66
Section I General Provisions	66
Section II Commissioners	66
Section III Audit Commission	67
Section IV General Executive Bureau	67
Section V The Review Board of the Board of Audit for the Information Disclosure and Personal Information Protection	68
CHAPTER II MANDATE	70
Section I General Provisions	70
Section II Scope of Audit	70
Section III Auditing Methods	71
Section IV Statement of Audit	72
Section V Liabilities of Accounting Officials	73
Section VI Miscellaneous Provisions	74
CHAPTER III REGULATIONS OF THE BOARD OF AUDIT	74

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 five 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 70.
- 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 entrustee 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.

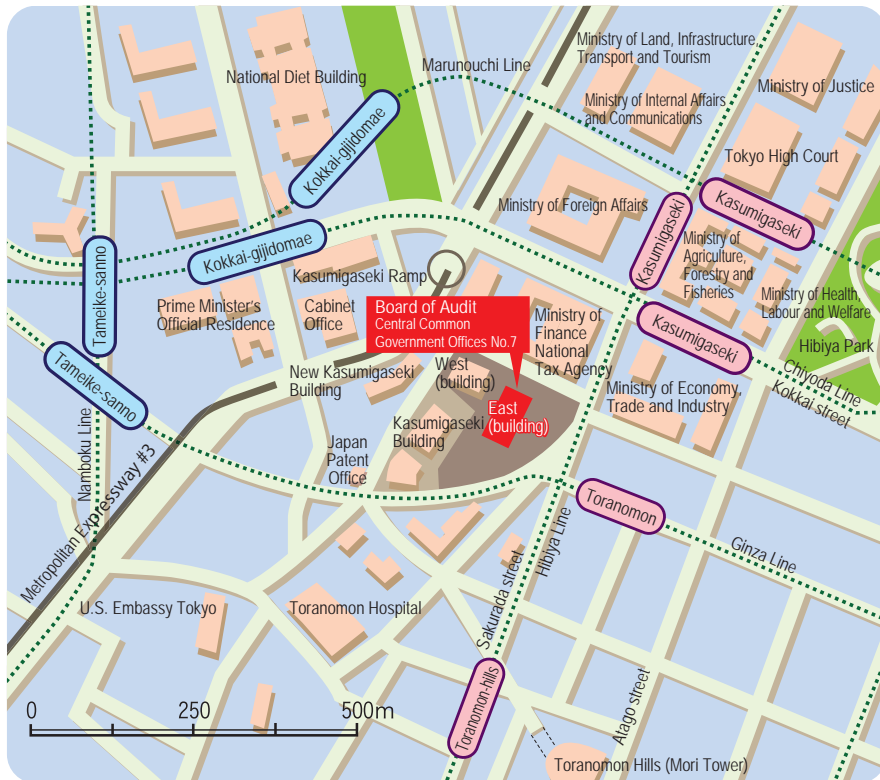
Article 33 If the Board of Audit concludes, as a result of its audit, that an official who handles the accounting for the State has committed a crime in the course of duty, it must notify the Public Prosecutors Office of the case.

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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Published by:

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