

## CHAPTER II SUMMARY OF AUDIT FINDINGS

### Section 1. Outline

#### [Outline of category]

The audit findings for year 2008 are stated below.

- (a) “Improprieties” (Matters which the Board has identified as being in violation of laws, regulations or appropriated budget)
- (b) “Presented opinions and Demanded measures” (Matters for which the Board has presented its opinions, or demanded remedial measures under the provision of Article 34 and 36 of the Board of Audit Law (Note))
- (c) “Measures taken” (Matters for which the auditee involved took remedial measures in response to the inquiries of the Board)
- (d) “Audit results of the remedial measures taken against improprieties” (Audit results on the implementation status of the remedial measures taken by the auditees against “Improprieties” and “Measures taken” in the previous audit reports.)
- (e) “Special report to the Diet and the Cabinet” (Article 30-2 of the Board of Audit Law (Note))
- (f) “Special report on audit requested by the Diet” (Article 30-3 of the Board of Audit Law (Note) and Article 105 of the Diet Law)
- (g) “Special report on implementation of audit on specific matters requested by the Diet” (Article 105 of the Diet Law)
- (h) “Special report on audit implementation” (Report on specific matters which the Board deems it necessary to report among audit activities of the Board)
- (i) “Special report on specific matters of the public interests” (Report on specific matters of the public interests which the Board deems it necessary to report in audit activities of the Board)

(Note) The Board of Audit Law (excerpt)

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

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

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

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

The number and amount of cases in the categories of (a)(b)(c)(e)(f)(g) and (h) are as shown in the following table.

(Unit: 1 million yen)

Category	Number of cases	Improper amounts(Note1) [Background amounts]		
Improprieties	859	37,716.35		
Presented opinions and Demanded measures	29 under Article 34 (Note2)	<29 cases> 9,272.90 (3,945.39)		
	1 under Articles 34 and 36	9,693.89		
	23 under Article 36 (Note2)	<11 cases>	37,743.68 (521.60) (528.43) (18,866.40) (27,072.79) (197.27) (57,500.00) (19,423.41) (18,312.36)	
		(249,100.00)		
		(1,879.11)		
		(72,890.95)		
		(5,272.35)		
		(1,094.03)		
		(17,547.84)		
		(144.92)		
Measures taken	55 cases (Note2)	<51 cases>		
		31,059.57 (1,573.49) (3,164.17) (1,496.80) (39,113.60) (728.10) (1,155.35)		
		(Total for the above categories)	967 cases <951 cases> 125,360.11(Note3)	
		Special report to the Diet and the Cabinet	7 (Note4)	—
		Special report on audit requested by the Diet	6	—
		Special report on implementation of audit on specific matters requested by the Diet	1	—
Special report on audit implementation	5	—		
Grand total	981 (Note5)	<951 cases> 125,360.11(Note3)		

(Note1) Improper amounts represent any deficiency in the collection of taxes or social insurance premiums to be collected; overpayments for construction or purchases; overpayment of subsidies; and any amount of assets stated improperly in the statements of account and the financial statements.

Background amounts represent overall payments and investments since improper amount cannot be calculated due to the following audit cases: 1) cases where the law, regulation, and system or administration need to be improved and 2) cases where investment effect has not been realized since the problems of policy prevent the project from progress. Besides, the background amounts are not totaled up since the basis for determining the background amounts differ from case to case.

(Note2) 7 cases of “Presented opinions and Demanded measures” and “Measures taken” have both improper amounts and background amounts.

(Note3) Some cases are double counted as “Improprieties” and “Presented opinions and Demanded measures,” as well as “Improprieties” and “Measures taken” and such duplication is deducted from the total. Therefore, adding of each improper amount does not correspond with total.

(Note4) 5 cases of “Special report to the Diet and the Cabinet” are double counted “Presented opinions and Demanded measures” or “Measures taken”.

(Note5) Total number of cases does not include 5 cases of Note 4.

**[Outline of audit results by category]**

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

(Unit: 1 million yen)

Auditee / Category	Improprieties		(Note1) Presented opinions and Demanded measures		Measures taken		(Note2) Total	
	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
Diet (House of Representatives)			㉔ 1	346.01			1	346.01
Cabinet (National Personnel Authority)	1	1.86					1	1.86
Cabinet Office (Cabinet main office)			㉔ 1	86.88			1	86.88
Cabinet Office (National Police Agency)			(Note3) ㉔ 1	(Note3) (521.60)			(Note3) 1	(Note3) (521.60)
Ministry of Internal Affairs and Communications	12	464.36	㉔ 1 ㉔㉔ 1 (Note3) ㉔ 2	232.29 9,693.89 (Note3) (528.43) (18,866.40)	1	809.82	(Note3) 17	(Note5) 11,195.48 (Note3) (528.43) (18,866.40)
Ministry of Justice	15	34.64	㉔ 1 ㉔ 1	135.59 31,350.52			17	31,520.75
Ministry of Foreign Affairs	1	11.91	(Note4) ㉔ 1	(Note4) (27,072.79)	1	397.51	(Note4) 3	409.42 (Note4) (27,072.79)
Ministry of Finance	7	1,225.69	㉔ 1 (Note3) ㉔ 1	79.77 (Note3) (197.27)	2	109.73	(Note3) 11	(Note5) 1,391.64 (Note3) (197.27)
Ministry of Education, Culture, Sports, Science and Technology	17	104.06			2	78.07	19	182.13
Ministry of Health, Labour and Welfare	660	13,226.89	㉔ 1 ㉔ 1	142.37 (57,500.00)	6	3,679.28	668	(Note5) 16,992.47 (57,500.00)
Ministry of Agriculture, Forestry and Fisheries	43	427.67	㉔ 3	1,800.54 (19,423.41)	8	2,374.01	54	(Note5) 4,583.54 (19,423.41)
Ministry of Economy, Trade and Industry	22	188.95	㉔ 3	1,343.81 (18,312.36) (Note7) (249,100.00)			25	1,532.76 (18,312.36) (Note7) (249,100.00)
Ministry of Land, Infrastructure, Transport and Tourism				606.77 (3,945.39) 659.53 (1,879.11)		3,579.35		6,012.66 (3,945.39) (1,879.11) (72,890.95)
	39	1,167.01	(Note6) ㉔ 4 (Note3) (Note6) ㉔ 5	(1,879.11) (72,890.95) (Note3) (5,272.35) (1,094.03)	(Note6) 9	(1,573.49) (3,164.17) (1,496.80)	(Note3) (Note6) 57	(Note3) (5,272.35) (1,094.03) (1,573.49) (3,164.17) (1,496.80)
Ministry of the Environment	2	252.22	㉔ 1 ㉔ 1	(Note7) 3,847.28			4	(Note7) 4,099.50

Auditee	Category		(Note1)		Measures taken		(Note2)	
	Improperities		Presented opinions and Demanded measures				Total	
Ministry of Defense	1	2,180.00	㉔ 4	(Note7) 2,449.99	(Note6) 5	4,408.73 (39,113.6) (728.10)	(Note6) 10	9,038.72 (39,113.60) (728.10)
National Life Finance Corporation								
Agriculture, Forestry and Fisheries Finance Corporation			㉔ 1	56.68			1	56.68
Japan Finance Corporation for Small and Medium Enterprise								
Japan Finance Corporation for Small and Medium Enterprise	2	17,815.93			1	11,962.74	3	29,778.67
The Promotion and Mutual Aid Corporation for Private Schools of Japan	5	43.00					5	43.00
Bank of Japan	1	3.24					1	3.24
Japan Racing Association			㉔ 1	791.63			1	791.63
Japan Post	12	224.01					12	224.01
Tokyo Metro Co., Ltd.					1	19.90	1	19.90
Narita International Airport Corporation			㉔ 1	99.66			1	99.66
East Nippon Expressway Company Limited	1	4.40			1	28.58	2	32.98
Central Nippon Expressway Company Limited					1	30.65	1	30.65
West Nippon Expressway Company Limited					1	33.97	1	33.97
Japan Post Holdings Co., Ltd.			㉔ 1	90.11			1	90.11
National Institute of Information and Communications Technology	1	4.03					1	4.03
National Institute of Radiological Sciences	1	2.60					1	2.60
National Agriculture and Food Research Organization			㉔ 1	1,290.25			1	1,290.95
National Institute of Agrobiological Sciences			㉔ 1	20.93			1	20.93
Japan Mint			(Note6) ㉔ 1	1,243.97 (17,547.84)			(Note6) 1	1,243.97 (17,547.84)
National Printing Bureau					1	28.92	1	28.92

Auditee	Category		(Note1)		Measures taken		(Note2)	
	Improperities		Presented opinions and Demanded measures				Total	
Agriculture & Livestock Industries Corporation	1	7.54					1	7.54
Japan International Cooperation Agency			(Note4) ㉞ 1	(Note4)	1	97.74	(Note4) 2	(Note4) 97.74
The Japan Foundation	1	4.00					1	4.00
New Energy and Industrial Technology Development Organization	1	54.75					1	54.75
Japan Science and Technology Agency	1	4.66					1	4.66
Japan Society for the Promotion of Science	1	4.29					1	4.29
Japan Arts Council					1	17.63	1	17.63
Japan Organization for Employment of the Elderly and Persons with Disabilities	2	121.48					2	121.48
Japan External Trade Organization	1	26.54					1	26.54
Japan Water Agency					1	(1,155.35)	1	(1,155.35)
Employment and Human Resources Development Organization of Japan	1	14.69					1	14.69
Japan Labour Health and Welfare Organization			㉞ 1	38.56			1	38.56
National Hospital Organization	1	25.42					1	25.42
Organization for Small & Medium Enterprises and Regional Innovation, Japan					1	85.57	1	85.57
Urban Renaissance Agency			㉞ 1	27.92			1	27.92
Fund for the Promotion and Development of the Amami Islands	1	6.10					1	6.10
Japan Atomic Energy Agency					1	507.21	1	507.21
Japan Housing Finance Agency					1	29.23	1	29.23
Tohoku University	2	30.38	㉞ 1	23.10			3	(Note5) 30.38
University of Tsukuba	1	20.41			1	40.22	2	60.63
Chiba University	1	9.40					1	9.40
Tokyo Medical and Dental University					1	70.51	1	70.51
Tokyo University of the Arts			㉞ 1	9.22			1	9.22
Shizuoka University	1	4.10					1	4.10

Auditee	Category		(Note1)		Measures taken		(Note2)	
	Improprieties		Presented opinions and Demanded measures				Total	
Mie University			㉔ 1	16.14			1	16.14
Kyoto University			㉔ 1	112.06			1	112.06
Kyoto Institute of Technology			㉔ 1	12.33			1	12.33
Nara Women's University			㉔ 1	7.26			1	7.26
Kyushu University			㉔ 1	53.71			1	53.71
National Institutes of Natural Sciences			㉔ 1	9.70			1	9.70
Research Organization of Information and Systems					1	11.06	1	11.06
Metropolitan Expressway Co., Ltd.					1	92.55	1	92.55
Hanshin Expressway Company Limited					1	34.64	1	34.64
Hokkaido Railway Company					1	181.60	1	181.60
Nippon Telegraph and Telephone East Corporation					1	463.09	1	463.09
Nippon Telegraph and Telephone West Corporation					1	398.69	1	398.69
Japan Post Insurance Co., Ltd.			(Note6) ㉔ 1	31.96 (144.92)			(Note6) 1	31.96 (144.92)
Kansai International Airport Facilities Engineer Co., Ltd.					1	1,488.57	1	1,488.57
<b>Total</b>	<b>859</b>	<b>37,716.35</b>	(Note4) 53	56,710.47	55	31,059.57	(Note4) 967	(Note5) 125,360.11

(Note1) Concerning the item “Presented opinions and Demanded measures”, the cases identified with ㉔ refer to audit findings under Article 34 of the Board of Audit Law, and the cases identified with ㉔ refer to those under Article 36.

(Note2) The amounts in parenthesis are background amounts, which are not totalled up since the basis for determining the background amounts differs from case to case.

(Note3) 1 case of the Cabinet Office (National Police Agency), 1 case of the Ministry of Internal Affairs and Communications, 1 case of the Ministry of Finance and 1 case of the Ministry of Land, Infrastructure, Transport and Tourism are all related to the same matter.

(Note4) Although 1 case of the Ministry of Foreign Affairs and 1 case of the Japan International Cooperation Agency involve both the Ministry of Foreign Affairs and the Japan International Cooperation Agency, the amount has been listed only in the column of the Ministry of Foreign Affairs. In addition, concerning the total of cases, such duplication is deducted from the total.

(Note5) Some cases such as 1) Cases concerning the projects to improve regional intranet infrastructure, 2) Cases concerning improper collection of taxes, 3) Cases concerning implementation of public assistance projects, 4) Cases concerning loan for the fund to improve coastal fisheries and 5) Cases concerning Tohoku University Hospital are double counted as “Improprieties” and “Presented opinions and Demanded measures,” as well as “Improprieties” and “Measures taken.” and such duplication is deducted from the total. Therefore, adding of each improper amount does not correspond with total.

(Note6) “Presented opinions and Demanded measures” and “Measures taken” include seven cases that have both improper amounts and background amounts.

(Note7) Although 1 case of the Ministry of Economy, Trade and Industry and 1 case of the Ministry of the Environment involve both the Ministry of Economy, Trade and Industry and the Ministry of the Environment, the amount has been listed only in the column of the Ministry of Economy, Trade and Industry only.

Summaries of the matters related to the 967 cases cited above are described below.

## Section 2. Improperities (859 cases)

### 1. Improperities related to revenues (Total 27 cases; 3,402.8 million yen)

Ministry or Agency	Budgeting	Taxes	Insurance premiums	Medical expenses	Illegal acts	Total
Ministry of Finance	Cases	Cases	Cases	Cases	Cases	Cases
		2			4	6
Ministry of Health, Labour and Welfare	4		2	4	9	19
East Nippon Expressway Company Limited					1	1
National Hospital Organization	1					1
<b>Total</b>	<b>5</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>14</b>	<b>27</b>

#### (1) Budgeting (5 cases; 93.64 million yen)

##### < Improper accounting >

###### Ministry of Health, Labour and Welfare

- Three national institute and centers failed to transmit to the State treasury the outsourcing expenses received from Japan International Cooperation Agency (JICA) by setting up accounts with commercial banks under the name of the chief accountants and managing these funds separately from other revenues with the result that those practices violate the accounting law and related regulations. (3 cases; 37.8 million yen)
- At National Cancer Center Hospital, regarding revenues from diagnosis and treatment, several cashiers improperly deleted receipt data in the medical accounting system, and income officials neglected to review relevant documents, resulting in failure to transmit the diagnosis and treatment revenues related to the improperly deleted receipt data to the State treasury. These constituted significantly improper accounting. (1 case; 30.4 million yen)

###### National Hospital Organization

- At Numata Hospital, since the system for handling and confirmation of cash receipts of revenues from diagnosis and treatment was inadequate, a temporary staff improperly deleted receipt data in the medical accounting system and embezzled the hospitals revenues. These constituted significantly improper accounting. (1 case; 25.42 million yen)

## **(2) Taxes (2 cases; 682.97 million yen)**

### **< Improper collection of taxes >**

#### **Ministry of Finance**

- There was an excess or deficiency in taxes collected from 252 taxpayers. Although they had declared wrong amounts for income and tax in the return forms, the tax authorities simply overlooked the errors or mistakes, or they could not identify them due to inappropriate collection or utilization of taxation materials. (1 case; 677.82 million yen)
- Regarding refunds of inheritance tax, negligence to file paperwork regarding the refunds over a period of 3 years and 3 months resulted in unnecessary payments of interest on refunds. (1 case; 5.14 million yen)

## **(3) Insurance premiums (2 cases; 2,192.74 million yen)**

### **< Improper collection of insurance premiums >**

#### **Ministry of Health, Labour and Welfare**

- There was an excess or deficiency in labour insurance premiums collected from 463 proprietors. Although they had entered wrong amounts for wages in their reports, the investigation and confirmation of the authorities were not adequate. (1 case; 404.01 million yen)
- There was a deficiency in health and/or welfare pension insurance premiums collected from 625 proprietors that hired many temporary employees, including part-time employees. They failed to submit applications for the qualification of insurance on behalf of those part-time employees who were working continuously though they were supposed to do so. The investigation, confirmation and guidance by the insurance authorities were not adequate. (1 case; 1,788.73 million yen)

## **(4) Medical expenses (4 cases; 81.73 million yen)**

### **< Inappropriate claims of medical treatment fees >**

#### **Ministry of Health, Labour and Welfare**

- Regarding claims of medical treatment fees from the National Center for Advanced and Specialized Medical Care, additioned fees for certain types of anesthetics were wrongly calculated, fees for specialized medical equipment and medical materials used in surgery were not calculated, and surgical fees were calculated to be higher than the actual amount. As a result, 4 hospitals had excesses and/or deficiencies in their amounts claimed. (4 cases; 81.73 million yen)



**(5) Illegal acts (14 cases; 351.7 million yen)**

< Embezzlement >

**Ministry of Finance**

- While engaged in refunding the state tax, four public employees of local tax offices embezzled tax refund by illegally using the refund processing system terminal and preparing documents of payment resolution for the false refund and others. (4 cases; 343.11 million yen)

**Ministry of Health, Labour and Welfare**

- Public employees of Social Insurance Offices embezzled national pension insurance premiums, employee pension insurance premiums, and refunds, etc. (9 cases; 4.18 million yen)

**East Nippon Expressway Company Limited**

- When an employee of the administrative office was engaged in activities relating to the receipt/payment and safekeeping of funds, the employee brought the disbursement certificate for payments for benefits for the locations of nuclear power plants that were delivered to the office to the post office and received payment in cash, and then embezzled the funds without depositing them into the office's bank account. (1 case; 4.4 million yen)

## 2. Improprieties related to expenditures (Total of 815 cases; 16,250.04 million yen)

Ministry or Agency	Budgeting	Budgeting / Services	Construction	Properties	Services	Services / Subsidies	Insurance benefits	Medical expenses	Subsidies	Loans	Illegal acts	Others	Total
	Cases	Cases	Cases	Cases	Cases	Cases	Cases	Cases	Cases	Cases	Cases	Cases	Cases
Ministry of Internal Affairs and Communications									11			1	12
Ministry of Justice	14				1								15
Ministry of Foreign Affairs											1		1
Ministry of Finance				1									1
Ministry of Education, Culture, Sports, Science and Technology					3				14				17
Ministry of Health, Labour and Welfare	1				27	1	4	2	585		20	1	641
Ministry of Agriculture, Forestry and Fisheries			1						42				43
Ministry of Economy, Trade and Industry					2				14	6			22
Ministry of Land, Infrastructure, Transport and Tourism	1		1	1	1				33		1		38
Ministry of the Environment									2				2
Ministry of Defense	1												1
The Promotion and Mutual Aid Corporation for Private Schools of Japan									5				5
Bank of Japan			1										1
National Institute of Information and Communications Technology									1				1
National Institute of Radiological Sciences					1								1
Agriculture & Livestock Industries Corporation									1				1
Japan Foundation												1	1
New Energy and Industrial Technology Development Organization									1				1
Japan Science and Technology Agency		1											1
Japan Society for the Promotion of Science									1				1
Japan Organization for Employment of the Elderly and Persons with Disabilities					1							1	2
Japan External Trade Organization	1												1
Employment and Human Resources Development Organization of Japan												1	1
Fund for the Promotion and Development of the Amami Islands										1			1
Tohoku University	2												2
Chiba University			1										1
Shizuoka University	1												1
<b>Total</b>	<b>21</b>	<b>1</b>	<b>4</b>	<b>2</b>	<b>36</b>	<b>1</b>	<b>4</b>	<b>2</b>	<b>710</b>	<b>7</b>	<b>22</b>	<b>5</b>	<b>815</b>

## (1) Budgeting (21 cases; 2,289.2 million yen)

### < Improper accounting >

#### Ministry of Justice

- Commuting allowance for public employees who commute to work by car was overpaid because the shortest possible route was not approved due to the lack of the examination of routes and distances reported by the employees. (14 cases; 30.04 million yen)

#### Ministry of Health, Labour and Welfare

- Since supporting documents such as receipts or other relevant documents regarding the payment of remuneration were not kept, it was not possible to confirm how the remuneration was used, resulting in this improper accounting. (1 case; 5.1 million yen)

#### Ministry of Land, Infrastructure, Transport and Tourism

- Regarding service contracts related to the research for airport customers by questionnaire, falsified documents were created for an improper accounting to pretend as if the research had been concluded within the contract period, and payment was made. (1 case; 13.02 million yen)

#### Ministry of Defense

- Regarding the research of geological and hydrographic conditions related to the construction works of an alternative facility for the U.S. Marine Corps Air Station Futenma, several violations of the accounting law, etc. were observed as follows: (1) the additional research work was performed without revising approvals or other relevant procedures required in the accounting law, etc. and contract. (2) the procedures were not duly taken by the Ministry for the increased budget necessary for the additional work. (1 case; 2,180 million yen)

#### Japan External Trade Organization

- Regarding the purchase of goods, over a long period of time, suppliers were made to submit false invoices, and although goods had not been delivered, they were recorded as proper delivery without inspection. Therefore, the accounting is improper. (1 case; 26.54 million yen)

#### Tohoku University and Shizuoka University

- Regarding the purchase of goods used for research, professors instructed vendors to make false transactions by preparing fictitious documents such as false invoices/bills, based on which the relevant universities paid for each false transaction, and separately accounted for these transaction. This violated the accounting law, etc. (2 cases; 11.39 million yen)

#### Tohoku University

- Tohoku University Hospital ordered operation room repair works without conducting the proper contracting procedures specified in accounting regulations, and then, set the target price and drew

up contracts after the repair works had been completed. This deviated from its accounting regulations and constituted substantially inappropriate accounting. (1 case; 23.1 million yen)

## **(2) Budgeting / Services (1 case; 4.66 million yen)**

### **< Improper accounting and overpayment of outsourcing expenses >**

#### **Japan Science and Technology Agency**

- Research and outsourced research expenses for the Core Research for Evolutionary Science and Technology were overpaid, because a joint researcher instructed its vendors to make false transactions by preparing fictitious documents such as false invoices/bills, based on which the relevant Agency and university for which the joint researcher worked paid for each false transaction and separately accounted for these transactions. (1 case; 4.66 million yen)

## **(3) Construction (4 cases; 129.44 million yen)**

### **< Inappropriate design >**

#### **Ministry of Agriculture, Forestry and Fisheries**

- Regarding the implementation of project for disaster prevention on government-managed farmland, in designing the collapse prevention system for a farm road bridge spanning a drainage canal, mistakenly, a collapse prevention mechanism was neither included in the design documents nor actually installed. As a result, the required safety level of the bridge was not secured due to inappropriate design. (1 case; 17.05 million yen)

#### **Ministry of Land, Infrastructure, Transport and Tourism**

- Regarding the execution of reinforcement work on airport traffic fences, in designing the traffic fence with auxiliary support columns, the part connecting the added auxiliary support columns to the preexisting support columns was not bolted. As a result, the connecting the part could easily detach from the auxiliary support columns and compromise the stability of the fence due to the inappropriate design, and the objectives of the work were not achieved. (1 case; 99.74 million yen)

### **< Overestimation >**

#### **Chiba University**

- Regarding the implementation of finishing works related to the construction works of a new medical ward, in estimating concrete construction expenses, a mistake was made in the operation of the spreadsheet software. As a result, the direct works cost was overestimated, causing the contract to be overvalued. (1 case; 9.4 million yen)

< Improper construction >

Bank of Japan

- Regarding the installation of fire extinguishing equipment, in installing the extinguisher replenishment tank, anchor bolts were selected without performing an earthquake-resistance examination, rendering the construction improper. As a result, the necessary functions cannot be guaranteed in case of earthquakes or other disasters. (1 case; 3.24 million yen)

**(4) Properties (2 cases; 355.34 million yen)**

< Inappropriate supervision and inspections of contract performance >

Ministry of Land, Infrastructure, Transport and Tourism

- Regarding the procurement of medium-sized rotor aircraft, although the delivered rotor aircraft lack some functions requested on the specifications due to the inappropriate supervision and inspections, the full contract amount was paid with the fictitious inspection document which said that the aircraft was delivered in accordance with the contract specifications. (1 case; 155.74 million yen)

< Improper quantities of procurement >

Ministry of Finance

- Regarding the procurement of paper for national bonds for special condolence, the number of paper to be procured was decided based solely on the projected number of applicable cases estimated three years ago, without taking the actual recorded number of cases of claim acceptance into consideration. As a result, the improper number of bond paper were procured. (1 case; 199.6 million yen)

**(5) Services (36 cases; 484.86 million yen)**

< Overpayment of outsourcing expenses >

Ministry of Education, Culture, Sports, Science and Technology

- Regarding an outsourcing project related to the regional educational revitalization plans and home education support and promotion projects, the subcontractors' records indicated that they paid rewards to those who had not been involved in the project, and that they had paid for consumable supplies which had not been purchased, resulting in the overpayment of outsourcing expenses. (1 case; 6.84 million yen)
- Outsourcing expenses for science and technology research project were overpaid, because the researchers instructed its vendors to make false transactions by preparing fictitious documents such as false invoices/bills, based on which the relevant university for which the researchers worked paid for each false transaction and separately booked these transactions. (1 case; 7.46 million yen)

million yen)

- Regarding an outsourcing project related to the organization and analysis of information, public employees who utilized the partial leave system to work shorter working hours had their salary deducted, but this deduction was not reflected in the outsourcing expenses. As a result, the outsourcing expenses were overpaid. (1 case; 2.54 million yen)

#### Ministry of Health, Labour and Welfare

- Regarding an outsourcing project related to regional labour-management employment support projects, the outsourcing expenses were overpaid partly because member organizations were abetted in issuing false receipts, and partly because expenses unrelated to the outsourcing project were paid. (1 case; 38.01 million yen)
- Regarding outsourcing projects related to support projects for regional job-seeking activity, the outsourcing expenses were overpaid partly because an unauthorized payment was made from the budget for “outsourcing expenses” and separately booked the outsourcing expenses, and partly because expenses unrelated to the outsourcing project were paid. (23 cases; 170.17 million yen)
- Regarding an outsourcing project related to lifetime career ability development projects, office rent which is unrelated to the outsourcing project and should be paid by other parties were paid from the budget for outsourcing expenses. As a result, the outsourcing expenses were overpaid. (1 case; 25.45 million yen)
- Regarding an outsourcing project related to the emergency support network project for the workers raising their children, wages for employees were paid for work hours when they were not engaged in the project, and expenses which can not confirm to be needed for the outsourcing project due to a lack of supporting documents such as receipts were included in the expenses report. As a result, the outsourcing expenses were overpaid. (1 case; 8.15 million yen)

#### Ministry of Economy, Trade and Industry

- Regarding the accounting transactions of the outsourcing contract related to the research studies on companies' child raising assistance measure assessment systems and policies for promoting the companies' implementation of child raising assistance measures, the outsourcing expenses were overpaid because personnel expenses for employees who had not been engaged in the outsourcing project and the expenses which had not been actually paid were included in the outsourcing expenses. (2 cases; 91.68 million yen)

#### Japan Organization for Employment of the Elderly and Persons with Disabilities

- Outsourcing expenses related to the employment stabilization project and the employment payment operation for the persons with disabilities were overpaid because fictitious travel expenses were included. (1 case; 111.29 million yen)

< Overvalued contracts >

Ministry of Justice

- Regarding an outsourcing project related to the re-drawing and digitalization of maps, maps which were not to be worked on were included in calculating the target price. As a result, the contract price was overvalued. (1 case; 4.6 million yen)

Ministry of Land, Infrastructure, Transport and Tourism

- Regarding an outsourcing project related to maintenance operations on electrical facilities, more specifically, the quantity of indicating instruments used in daily checks of electrical equipment should have been calculated as a single unit by the number of distribution boards with multiple indicating instruments installed. However, it was mistakenly calculated based on the number of indicating instruments. Also, the number of staff allotted for permanent weekday daytime work was three even though it could have been two. As a result, the contract price was overvalued. (1 case; 12.58 million yen)

National Institute of Radiological Sciences

- Regarding an outsourcing project related to maintenance and administration of medical equipments, the equipment that could be hardly used was included in the scope of the outsourcing project. As a result, the contract price was overvalued. (1 case; 2.6 million yen)

< Nonattainment of objectives in contracts >

Ministry of Health, Labour and Welfare

- Regarding an outsourcing contract related to the preparation and dispatch of pension coverage special notices, descriptions on the specification were inadequate, and proper consideration was not given to directions given to the contractors. It resulted the same uneconomical procedures again for the preparation and dispatch of pension coverage special notices. (1 case; 3.43 million yen)

**(6) Services/Subsidies (1 case; 4.17 million yen)**

< Overpayment of outsourcing expenses and improper accounting transactions >

Ministry of Health, Labour and Welfare

- Regarding the implementation of projects to support safety and hygiene activities for group including small-sized enterprises, expenses which had not been supported by documents such as receipts were included in the outsourcing expenses. As a result, the outsourcing expenses and the state subsidies were overpaid. (1 case; 4.17 million yen)

## **(7) Insurance benefits (4 cases; 230.49 million yen)**

### **< Improper payment of insurance benefits >**

#### **Ministry of Health, Labour and Welfare**

- Unemployment insurance benefits were improperly paid to 314 people. Recipients concealed their reemployment or entered an improper date of their reemployment in applications for unemployment benefits, and the investigation and checks by the employment offices concerned were not adequate. (1 case; 78.96 million yen)
- Unemployment insurance benefits were improperly paid due to the fact that the public employment security office accepted improper claims from beneficiaries who, although they had never been employed, repeatedly submitted improper retroactive applications for unemployment insurance, resulting in the improper payment of benefits. (1 case; 22.94 million yen)
- Subsidies for employment promotion for specified job applicants were improperly paid to 57 entities. The employers improperly applied for the subsidies, by fictitiously reporting some individuals who had been already employed as new employees through introduction of the public employment security office. The investigation and checks by the employment offices concerned were not adequate. (1 case; 39.65 million yen)
- Old-age pensions were improperly paid to 188 persons. Although the whole or part of the pension was not due to be paid to pensioners who were employed on a regular basis, the employers, failing to submit the notification of the qualified insured, did not report the fact of employment to the authorities concerned and the investigation, confirmation and guidance of the authorities concerned were not adequate. (1 case; 88.93 million yen)

## **(8) Medical expenses (2 cases; 797.78 million yen)**

### **< Improper payment of medical expenses >**

#### **Ministry of Health, Labour and Welfare**

- Medical expenses for the elderly were improperly paid to 211 medical institutions and 70 pharmacies. Although they improperly claimed for medical treatment fees such as basic hospital fees, additional basic hospital fees, home care fees, and pharmacy fees, the investigation and checks of the insurers concerned and their agents were not adequate. (1 case; 764.1 million yen)
- Payments of the medical insurance for workers' accident compensation insurance were improperly made to 183 medical institutions. Although they improperly claimed for fees for operations and hospitalization, the investigation and checks of the insurers concerned and their agents were not adequate. (1 case; 33.67 million yen)



## (9) Subsidies (710 cases; 11,735.93 million yen)

### < Improper execution of projects and improper accounting transactions >

#### Ministry of Internal Affairs and Communications

- Regarding the projects for promotion of municipal mergers, although the actual expenses required to carry out the projects turned out to be lower than the reported amount, the checks of the authorities concerned were not adequate. As a result, the state subsidies were overpaid. (1 case; 5.49 million yen)
- Regarding the projects for promotion of municipal mergers, expenses related to projects already financed by special local allocation tax were treated as expenses eligible for subsidies. As a result, subsidies were overpaid. (5 cases; 416.9 million yen)
- Regarding projects for improvement of disparities in information and telecommunications access, the relevant subsidies were overpaid because expenses eligible for subsidies were not divided proportionally by taking into consideration a ratio of subsidized projects to projects without state subsidies. Still, the project did not meet the objectives of the subsidies because the videoconference systems were not used at all. (5 cases; 13.58 million yen)

#### Ministry of Education, Culture, Sports, Science and Technology

- Regarding the accounting of Official Development Assistance's subsidies for UNESCO activities, the subsidies were overpaid due to inclusion of project expenses related to the purchase of goods used in the periods which were not eligible for the subsidies. (1 case; 4.19 million yen)
- Regarding the accounting of subsidies for expenditures on public school facilities, the subsidies were overpaid partly because unit price for subsidies was mistakenly overcalculated and partly because the construction expenses not eligible for subsidies were treated as expenses eligible for subsidies. (9 cases; 62.54 million yen)
- Regarding the accounting of subsidies for ordinary expenses mainly of private senior high schools, the number of students of private schools, which were not eligible for the subsidies since prefectures did not grant special subsidies, were included in calculation of the subsidies. As a result, the subsidies were overpaid. (2 cases; 5.43 million yen)
- Regarding the accounting of subsidies for ordinary expenses mainly of private universities (special subsidies to promote advancement of private universities' education and research), 6 professors instructed vendors to make false transactions by preparing false invoices, based on which the relevant academic corporations paid for each false transaction, and separately booked these transactions. As a result, the subsidies were overpaid. (1 case; 7.62 million yen)

- Regarding the accounting of subsidies for the Targeted Support for Creating World-standard Research and Education Bases (Centers of Excellence) project, the subsidies were overpaid because the expenses to purchase the laboratory animals in the past fiscal year not eligible for subsidies were included in the expenses eligible for subsidies. (1 case; 7.41 million yen)

#### Ministry of Health, Labour and Welfare

- Regarding the accounting of subsidies for clinical training, the subsidies were overpaid because corporation's contributions to the mutual aid premiums, employment insurance premiums, and workmen's compensation insurance premiums were treated as expenses eligible for subsidies. (1 case; 8.77 million yen)
- Regarding the accounting of subsidies for scientific research funds on health, welfare and labour, researchers instructed vendors to make false transactions by preparing fictitious invoices/bills, based on which the relevant research institution paid for each false transaction and separately booked these transactions. Also, expenses not eligible for subsidies were treated as expenses eligible for subsidies. As a result, the subsidies were overpaid. (10 cases; 95.26 million yen)
- Regarding the accounting of subsidies for administrative costs of medical facilities, operating expenses eligible for the subsidies were overpaid, because expenditures which should not have been included in operating expenses eligible for the subsidies, such as depreciation expenses on facilities for which renovation works had received the state subsidies, were included in the operating expenses. (1 case; 7.85 million yen)
- When the state contributions for health service expenses were calculated, the number of citizens who received basic health checkups twice or more per year was put into the calculation formula and the basic unit price in case of health checkups in medical institutions was applied for the citizens who received group basic health checkups. As a result, the state contributions were overpaid. (6 cases; 55.6 million yen)
- Regarding the job conversion projects, the state contributions for the job conversion training were overpaid partly because the instructors did not instruct or give advice to the trainees due to the fact that employers had not set up proper training plans, and partly because employers did not meet the requirements to carry out work adjustment training. (1 case; 4.18 million yen)
- Regarding the projects for emergency regional job creation special funds, some projects were not performed at all or although there were evidences to have performed a part of the project, it was impossible to determine exactly how much personnel expenses had been required. Due to such significant lack of adequacy in implementation of the projects and accounting transactions, these projects were not eligible for the fund projects. (1 case; 3.52 million yen)
- Subsidies for welfare service at home were overpaid, partly because the expenses of food or

cooking not eligible for subsidies were included in the actual expenses of the subsidies and partly because all salaries for staff who were also engaged in the other service not eligible for subsidies were included in the expenses eligible for the subsidies. (12 cases; 47.15 million yen)

- Regarding calculation of the state contributions to the obligations for child-care, the municipalities undervalued fees collected from the parents of children who are accommodated in nursery schools by misunderstanding income tax paid by the parents, and they applied wrong unit price for child-care, resulting in the provision of the excessive contributions to these municipalities. (48 cases; 120.35 million yen)
- Subsidies for measures to support the development of the next generation were overpaid, because personnel expenses during normal operational hours, which were not eligible for the grants, were included in calculating project expenses of overtime child-care promotion project for public nursery schools. (10 cases; 47.27 million yen)
- Regarding the provision of the state contributions for child-care allowance, the child-care allowances were paid to the mother who was living with a person under duty to support the child who had an income over the income limit on the grounds that they did not share a household. As a result, the state contributions were overpaid. (4 cases; 13.96 million yen)
- Regarding calculation of the state contributions to public assistance, at the municipalities, the assessment of the beneficiaries' income from their work was lower than the actuality, the assessed amounts for refunds were improperly calculated, and fictitious welfare benefits were included in the project expenses eligible for state contributions, which resulted in the provision of excessive contributions to these municipalities. (14 cases; 97.19 million yen)
- Regarding calculation of the state contributions to public assistance, the state contributions were overpaid. The municipalities improperly paid transaction expenses related to medical assistance to the beneficiaries, even though the doctors who live in the same city as the beneficiaries provided opinions to suggest their illnesses could be treated in the hospital in the city. (1 case; 179.14 million yen)
- The state contributions for the payment for services and supports for persons with disabilities were overpaid because expenses not eligible for state contributions and disabled people's contributions were included in the project expenses eligible for state contributions. (3 cases; 13.73 million yen)
- The state contributions for the medical benefits for the disabled people were overpaid because expenses for medical rehabilitation services which were provided in periods not eligible for state contributions were included in project expenses eligible for state contributions. (1 case; 5.24 million yen)

- Subsidies for ordinary adjustment of long-term care insurance were overpaid because the ratio of the ordinary adjustment subsidies was excessively calculated using the wrong calculation date in calculating the number of first category income people insured. (1 case; 1.68 million yen)
- State contributions for the provision of medical benefits under the national health insurance scheme were overpaid to municipalities because the municipalities failed to deduct the amount of medical benefits to retired employees insured retroactively from the amount of medical benefits to the ordinary insured, and the amount of medical benefits to the ordinary insured was overvalued due to the mistake made in transferring information from the basic records. (31 cases; 1,926.93 million yen)
- Subsidies for financial adjustment under the national health insurance scheme were overpaid to municipalities because the municipalities overvalued the expenditures covered by the adjustment, undervalued the revenues covered by the adjustment, and overvalued the contributions for insurance for the elderly. (437 cases; 6,842.71 million yen)
- Regarding the accounting transactions of subsidies for expenses for skill upgrading measures, the subsidies were overpaid because parts of expenses such as the office rent which should have been paid by corporations unrelated to the subsidized projects and wining and dining expenses used for the parties unrelated to the subsidized projects were included in the expenses eligible for subsidies. (3 cases; 31.35 million yen)

#### Ministry of Agriculture, Forestry and Fisheries

- Regarding projects related to the maintenance of reservoirs, in attaching the operating panel that operates the flood gates, etc. to the foundation concrete with anchor bolts and washer-attached nuts, the screws of the anchor bolts did not protrude from the top of the washer-attached nuts, causing the anchor bolts and washer-attached nuts not to attach to each other completely. As a result, there was a difference between the actual implementation and the original design, and operating panel functions needed in case of earthquakes were not secured. (1 case; 2.75 million yen)
- Regarding projects related to the maintenance of the new agricultural water supply systems, repair works on the irrigation ditches in the areas specified in the project plan were not performed at all and parts of the subsidized projects had not been performed. (1 case; 3.46 million yen)
- Regarding projects related to the general forest conservation project for regional disaster prevention, in designing the gradient of slope to make bank, a steep incline was inappropriately designed, taking only the field conditions into consideration. Due to the above inappropriate design, the rain could collapse the banked slope and the objectives of the projects were not achieved. (1 case; 2.65 million yen)

- Regarding a forest environment preservation project, forestry cooperatives falsely applied predetermined multipliers to relevant expenses and added the multiplied amounts based on claims that they were undertaking the project, although actual forest owners undertook the project either by themselves or by employing other forestry subcontractors. As a result, the subsidies were overpaid. (1 case; 17.13 million yen)
- Regarding a livestock mutual-aid loss prevention project, usages fees for the cars used by the veterinarians to carry out the health checkups of the cattle were overcalculated by using the travel distance calculated based on the expenses eligible for the subsidies at the time of the approval of the grant of the subsidies without realizing the actual travel distance in order to make the paid whole project expenses reach the same amount the expenses eligible for subsidies at the time of the approval of the grant of the subsidies. As a result, the subsidies were overpaid. (1 case; 9.8 million yen)
- Regarding a project for the improvement of dietary habits and food consumption, the amount of the tax credit for the consumption tax on subsidized purchases was not returned to the State, although it should have been done. (4 cases; 27.9 million yen)
- Regarding a project for disaster recovery of agricultural facilities, the required safety level of a concrete block retaining wall was not secured due to inappropriate design. More specifically, in conducting safety examinations regarding stability of the wall against sliding caused by earth pressure, the earth pressure was calculated based on a false assumption that configuration of the earth surface behind the retaining wall was treated as if it were flat, although in reality it was sloping upward from the top of the wall. (1 case; 5.85 million yen)
- Regarding a general maintenance project for hilly and mountainous areas, the required safety level of a concrete block retaining wall was not secured due to inappropriate design. More specifically, in conducting safety examinations regarding stability of the wall against overturning caused by earth pressure, the earth pressure was calculated based on a false assumption that configuration of the earth surface behind the retaining wall was treated as if it were flat, although in reality it was sloping upward from the top of the wall. (1 case; 1.95 million yen)
- Regarding a project for the promotion of the food industrial cluster, the project expenses eligible for subsidies were overpaid because expenses for regular board meetings which were not eligible for the subsidies were included in the project expenses eligible for the subsidies. (1 case; 6.99 million yen)
- Regarding a project for disaster recovery of forest road facilities, in designing the construction of drainage facilities, sufficient consideration was not paid to ensure that running water flowed safely. Due to the inappropriate design, there was a risk that the running water permeated into the

inner part of the road, causing the earth and sand to come out of the road, which resulted in nonfunction as the forest roads, and the objectives of the subsidies were not achieved. (1 case; 2.04 million yen)

- Regarding a project for preventive forestation, in designing the groundsill for a three-sided flow channel, although the gradient of downstream slope should have been selected based on a cross-section of the soil saving dam, it was mistakenly selected based on the perpendicular wall of the soil saving dam's apron work. This resulted in an inappropriate design and the required safety level of the groundsill was not secured. (1 case; 2.4 million yen)
- Regarding an emergency project to support the development and securement of the community farming, the community leader had not carried out a part of the activities designed to set up the community farming organization. (1 case; 2.41 million yen)
- Regarding a project to improve the infrastructure to develop the management body, in altering the design for the slope protection work, although construction methods such as retaining wall construction or reinforced soil wall construction should have been selected on the grounds that a stable gradient could not be secured, compilation fence work – which is the proper construction method for a stable gradient – was selected instead. Due to the inappropriate design, the slope collapsed and the objectives of the projects were not achieved. (1 case; 2.06 million yen)
- Regarding a project to develop and strengthen the agricultural/food industries, the subsidies were overpaid because the construction expenses which were not eligible for the subsidies were included in the project expenses. (1 case; 10 million yen)
- Regarding a project to improve the infrastructure to develop the management body, since the location to install the net fence as a protective fence was mistakenly selected, as a result the net fence blocked the access to the grating installed on the fishway to observe fishes. As a result, the objectives of the subsidies were not achieved. (1 case; 6.46 million yen)
- Regarding a project for the promotion of Japanese dietary education, expenses related to an informational event for the latest medicine which were not eligible for the subsidies were included in the project expenses eligible for the subsidies. Besides, the amount of the tax credit for the consumption tax on subsidized purchases was not returned to the State as prescribed. As a result, the project expenses were overpaid. (1 case; 4.52 million yen)
- Regarding a project to promote the development of technologies to recycle food, the project expenses were overpaid because the machinery which was not needed to develop the technologies was included in the project expenses eligible for the subsidies. (1 case; 2.88 million yen)

- Regarding a project to promote the securement of domestic rice straw, the subsidies were overpaid partly because quantities eligible for the subsidies were calculated based on the planned quantities specified in the application for the subsidies instead of the actual quantities and partly because the quantities of rice straw which had not been sold to farmers in reality were included in the quantities for the subsidies. (2 cases; 8.19 million yen)
- Regarding a project to assist the research and development for the revitalization of the regional food industries, the project expenses were overpaid because the expenses which could not be confirmed to be used for this project were included in the project expenses eligible for the subsidies. (1 case; 1.71 million yen)
- Regarding a project to promote human resources involved in forestries, the subsidies were overpaid because those who did not meet the requirements for the subsidies (two years or less working experience in the forestry industry) were included in the those eligible for the subsidies. (1 case; 3.05 million yen)
- Regarding a project to promote efficiency of cooperation in the overseas fisheries, the subsidies were overpaid partly because bonuses and housing benefits which were not eligible for the subsidies were included in the wages and partly because the wages were calculated without taking into consideration the actual work performance. (1 case; 2.36 million yen)
- Regarding the administrative expenses related to a subsidized project, improper accounting transactions took place to pay the expenses such as creating false documents to indicate contracted goods had been delivered although in reality they had not. Besides, wages and travel expenses were paid for the purposes not eligible for the subsidies. (12 cases; 265.3 million yen)
- Regarding loan to improve coastal fisheries which used the state subsidies as sources, the borrower used the equipment eligible for the loan mostly for the purpose other than coastal fisheries and had already received these equipments even before the approval of the loan. As a result, the loan did not achieve the objective of subsidies. (5 cases; 18.68 million yen)

#### Ministry of Economy, Trade and Industry

- Regarding a university technology transfer project, the project expenses were overpaid partly because the amount of the tax credit for the consumption tax on subsidized purchases was not returned to the State, although it should have been done and partly because personnel expenses were calculated by including working hours when the personnel had been involved in operations other than the project eligible for the subsidies. (5 cases; 12.13 million yen)
- Regarding accounting of subsidies for the development of the technology to create regional new industries, project expenses were overpaid partly because machinery acquired for the project eligible for the subsidies was used for the purpose other than the subsidized project and partly

because expenses related to the purchase orders placed before the approval of the subsidies were included in the project expenses. (8 cases; 46.03 million yen)

- Regarding a subsidized project for power plant locations, the height of the lengthened offshore breakwater was inadequate in lengthening the crest of an existing offshore breakwater equipped with wave-dissipating blocks, resulting in a difference between the actual implementation and the design which led to the inability to defend against the incoming waves. As a result, the objectives of the project were not achieved. (1 case; 4.5 million yen)

#### Ministry of Land, Infrastructure, Transport and Tourism

- Regarding a subsidized project to promote the bay area, the compensation for the relocation of the warehouse being built on the land loaned by the city was not eligible for the subsidies because the loan could not be approved by the Minister of Land, Infrastructure, Transport and Tourism. (1 case; 17.33 million yen)
- Regarding a project for reconstructing roads, the required safety level for the bridge's upper structure was not secured due to the inappropriate design, such as deciding both displacement restriction structures and collapse prevention structures to be used at the same time and not installing the collapse prevention structures. (5 cases; 45.94 million yen)
- Regarding a land readjustment project, in calculating the relocation compensation for water pipes, the depreciated amount was not deducted by mistake although it should have been. As a result, the compensation was overpaid. (2 cases; 6.09 million yen)
- Regarding the implementation of sewerage works, in case a part of or all of construction work is outsourced to other local governments, the limit for the subsidies for the administrative expenses should be calculated by deducting half from the amount calculated by multiplying the outsourcing expenses by the administrative expenses ratio. However this amount was not deducted by mistake. As a result, the subsidies were overpaid. (4 cases; 23.7 million yen)
- Regarding a town development subsidies for project to establish the infrastructure for the community life, the objectives of the works were not achieved partly because the required safety level for the pedestrians was not secured due to inappropriate design. More specifically, in implementing the kneading masonry works, stone materials and concrete failed to be integrated with each other. Besides, part of the concrete was exposed near the surface of the stone materials which resulted in a decrease in aesthetic values. (1 case; 3.51 million yen)
- Regarding a project to improve public housing through the Silver Housing Project, the elderly's life advisor office was established for the purpose of providing welfare service for the elderly. However, life support advisors who provide welfare services had not been sent to the elderly's life advisor office. Therefore the office was not used for the original purpose of its establishment



and the objectives of the subsidies were not achieved. (1 case; 11.46 million yen)

- Regarding a project to improve the specific flood control facilities for the residential area, in designing concrete blocks used to secure seawalls, etc., the seawall side blocks and central blocks were not integrated. Due to this inappropriate design, the structure was unable to cope with the scouring of the river bed caused by the flowing water and damage to the seawall could occur. Therefore, the objectives of the work were not achieved. (1 case; 7.81 million yen)
- Regarding a disaster recovery project, the required safety level of a floor slab of bridge was not secured due to inappropriate design. More specifically, in designing the floor slab reinforcement, a false assumption was mistakenly made that the tension stress level of underside floor rebar of the bridge was within the safety range of stress calculation although it was not in reality. (1 case; 20.98 million yen)
- Regarding a project to repair the harbor, the required safety level of the swing gates was not secured due to inappropriate design of the swing gates. More specifically, stress calculation for each part should have been performed, taking into consideration the wave force of the ocean waves before the decision of the structure. However, stress calculation was not performed in reality. (1 case; 1.19 million yen)
- Regarding a disaster recovery project, in designing a retaining wall, allowable bending stress levels for the supporting wood beam of a temporary structure were mistakenly applied although it was a permanent structure. Due to the inappropriate design, the required safety level of the retaining wall was not secured. (1 case; 46.65 million yen)
- Regarding a street project, in designing the bonding link of the foundation pillar and footing of a bridge, stress calculations for the welded part of the pillar periphery and reinforcing rebar were not performed by using the correct numerical values, and a considerable number of places with inadequate weld lengths and/or leg lengths could be found. Due to the inappropriate design and implementation, the required safety level of the bridge was not secured. (1 case; 177.25 million yen)
- Regarding a road repair project, in drawing up the bar arrangement drawing of the breast wall of a bridge abutment, rebars with a radiuses narrower than these considered to be safe in design calculations for diagonal tensile reinforcement were mistakenly installed. Due to the inappropriate design, the required safety level of the bridge abutment breast wall was not secured. (1 case; 212.74 million yen)
- Regarding an airport construction project, compensation for relocation of buildings and other facilities were overpaid since the calculation of compensation for businesses and structures was improper. (1 case; 6.2 million yen)

- Regarding the administrative expenses related to subsidized project, improper accounting transactions took place to pay the expenses such as creating false documents to indicate as if contracted goods had been delivered. Besides, the wages and the travel expenses were paid for the purposes not eligible for the subsidies. (12 cases; 290.69 million yen)

#### Ministry of the Environment

- Regarding a project to install septic tanks, the subsidies were overpaid because the expenses for the fictitious septic tank installation works were included in the project expenses eligible for the subsidies. (1 case; 4.28 million yen)
- Regarding a project to upgrade a waste disposal facility, neither garbage-disposal facilities nor power generating facilities perform their expected functions because the waste disposal facility was handed over to municipalities without adequate confirmation of its disposal capacity written on the specification. As a result, the objectives of subsidies could not be achieved. (1 case; 247.93 million yen)

#### The Promotion and Mutual Aid Corporation for Private Schools of Japan

- Subsidies for ordinary expenses mainly of private universities were overpaid because the amounts of the subsidies were calculated based on the materials submitted by the academic corporations that included data such as the number of students and/or full-time teachers who were not eligible for the subsidies. (5 cases; 43 million yen)

#### National Institute of Information and Communications Technology

- Subsidies for a new communications and broadcasting project were overpaid because the project expenses turned out to be lower than the amounts in the performance report by paying for outsourcing expenses discounted for a part of the project. (1 case; 4.03 million yen)

#### Agriculture & Livestock Industries Corporation

- Regarding a project to promote the securement of domestic rice straw, the subsidies were overpaid because the quantities of rice straw which had not been sold to farmers in reality were included in the quantities for the subsidies. (1 case; 7.54 million yen).

#### New Energy and Industrial Technology Development Organization

- Regarding a project to promote regional new energy resources, the power plant that used fuel gas provided by the waste disposal facility subsidized by the other project could not operate because flow amount and composition of the fuel gas were not adequate to produce electricity. As a result, the objectives of the subsidies were not achieved. (1 case; 54.75 million yen)

#### Japan Society for the Promotion of Science

- Regarding the accounting of subsidies for scientific research funds, subsidies were overpaid

because the representative researcher had instructed their vendors to make false transactions by preparing fictitious documents such as invoices/bills, based on which the relevant university paid for each false transaction and separately booked these transactions. (1 case; 4.29 million yen)

#### (10) Loans (7 cases; 40.69 million yen)

##### < Improper accounting of loans >

###### Ministry of Economy, Trade and Industry

- The objectives of the state loans related to loans financing equipment funds for small-sized companies were not achieved, partly because borrowers had not paid the equivalent amount of the loans to manufacturers by the set payment deadline, and partly because borrowers installed the equipment at the cost of lower amounts than the project expenses eligible for the loans. (6 cases; 34.59 million yen)

###### Fund for the Promotion and Development of the Amami Islands

- Regarding the state loans related to loans financing the promotion of tourism-related industries, borrowers had not purchased the ship engine eligible for the loans and the project had not been implemented. (1 case; 6.1 million yen)

#### (11) Illegal acts (22 cases; 66.4 million yen)

##### < Embezzlement >

###### Ministry of Foreign Affairs

- While engaged in office duties including payment as an advance fund payment officer's assistant, a public employee of an embassy embezzled the advance fund by cashing checks issued to pay for construction expenses and plane tickets. (1 case; 11.91 million yen)

###### Ministry of Health, Labour and Welfare

- While engaged in office duties including payment of unemployment insurance benefits, a public employee of a public employment security office embezzled the benefits by, through the system terminal, entering fictitious unemployment benefits data for a person who did not exist, based on which the benefits were transferred into a saving account the public employee opened under the name of the person who did not exist. (1 case; 15.11 million yen)
- While engaged in office duties including examination of qualifications to be eligible for employee pension insurance, the public employee of a social insurance office embezzled pension for the elderly of the employee pension insurance by, through the social insurance online system, illegally increasing the pension for the public employee's relatives, based on which the increased pensions were transferred to a saving account of the relative. (19 cases; 26.34 million yen)

Ministry of Land, Infrastructure, Transport and Tourism

- While engaged in office duties including ordering goods as an assistant to an officer in charge of disbursement, public employee of a river office forged documents related to expenses and received cash vouchers of the amount equivalent to a part of payment of the false expenses, which caused damage on the state. (1 case; 13.03 million yen)

**(12) Others (5 cases; 111.03 million yen)**

< Improper payments of allocation taxes >

Ministry of Internal Affairs and Communications

- Regarding the calculation for expenses needed to install a geographical information system which was eligible for special allocation taxes, the project expenses covered by state subsidies were included in the project expenses eligible for special allocation taxes, although they should not have. As a result, the special allocation taxes were overpaid. (1 case; 28.37 million yen)

< Improper payments of long-term care benefits >

Ministry of Health, Labour and Welfare

- Long-term care benefits under the long-term care insurance were improperly paid to 14 long-term care service providers due to insufficient inspections against improper claims. More specifically, the service providers did not calculate their rewards for long-term care based on classification of the time required for providing services. Or they did not make the required reduction of their rewards although the number of doctors fell short of the required level stipulated by the Medical Care Act. As a result, the state contributions related to the above cases were improper. (1 case; 53.78 million yen)

< Improper payments of subsidies >

Japan Organization for Employment of the Elderly and Persons with Disabilities

- Regarding subsidies for creating joint employment opportunities mainly for the elderly, the proprietors submitted untrue and incorrect applications and other relevant documents for subsidies that the persons covered by unemployment insurance had been employed prior to the date of application for the subsidies and attached incorrect receipts to the applications. However, due to insufficient inspections against such untrue and incorrect descriptions, the subsidies were improperly paid to 3 proprietors. (1 case; 10.18 million yen)

Employment and Human Resources Development Organization of Japan

- Regarding subsidies to ensure basic human resources for small and medium-sized companies, the proprietors submitted untrue and incorrect applications and other relevant documents for subsidies that personnel with working experience in the relevant proprietor's company within the past three years had been newly employed. However, due to insufficient inspection against such

untrue and incorrect description, the subsidies were improperly paid to 8 proprietors. (1 case; 14.69 million yen)

< Improper payment of subsidies >

**The Japan Foundation**

- Regarding the calculation of the amount of the subsidies for the subsidized project of Japan Foundation Center for Global Partnership, the amount had been calculated without confirmation of the original copies of receipts to make sure the expenses had been actually incurred. This constituted improper payment of subsidies due to insufficient inspections of the amount of the subsidies. (1 case; 4 million yen)

**3. Improprieties unrelated to revenues or expenditures (17 cases; 18,063.5 million yen)**

Ministry or Agency	Illegal acts	Other	Total
	Cases	Cases	Cases
Cabinet (National Personnel Authority)	1		1
Ministry of Land, Infrastructure, Transport and Tourism	1		1
Japan Finance Corporation for Small and Medium Enterprise		2	2
Japan Post	12		12
University of Tsukuba	1		1
<b>Total</b>	<b>15</b>	<b>2</b>	<b>17</b>

**(1) Illegal acts (15 cases; 247.57 million yen)**

< Embezzlement >

**Cabinet (National Personnel Authority)**

- A public employee embezzled a laptop computer that had been stored in a conference room. (1 case; 1.86 million yen)

**Ministry of Land, Infrastructure, Transport and Tourism**

- While engaged in supervising utility works to renew power cables as a supervisor, a public employee of an Office of River and National Highway had instructed a contractor without permission to remove and sell the old power cables that was supposed to exist inside buried pipe conduits, and embezzled a part of the cash from the sale. (1 case; 1.27 million yen)

#### Japan Post

- Employees of post offices embezzled the money such as withdrawals of postal savings and postal savings loans by illegally operating a service counter system terminal, and refunds of postal savings by taking procedures for deposit based on the savings certificates accepted from depositors. (12 cases; 224.01 million yen)

#### University of Tsukuba

- While engaging in office duties related to receipt and deposit of utility fees, an employee of the Education Bureau of the Laboratory Schools embezzled deposit as the utility fees received from the organizations which rent a part of the Bureau's building. (1 case; 20.41 million yen)

### **(2) Others (2 cases; 17,815.93 million yen)**

#### **< Improper underwriting of insurance >**

#### Japan Finance Corporation for Small and Medium Enterprise

- Regarding a small and medium enterprise credit insurance project, two credit guarantee associations violated Small Business Credit Insurance Act and other relevant laws by intentionally selecting the types of insurance to collect a larger amount of insurance. Due to insufficient examinations, these insurances continued to be underwritten. (2 cases; 17,815.93 million yen)

## **Section 3. Presented opinions / Demanded measures (53 cases)**

### **1. Cases for which the Board demanded appropriate measures or necessary measures for rectification and improvement under the provision of Article 34 of the Board of Audit Law (29 cases)**

#### **(1) Cases for which the Board demanded appropriate measures (4 cases)**

#### Diet (House of Representatives)

- Handling of consumption tax on contracts for project concerning the maintenance of the Akasaka member dormitory for the members of the House of Representatives

The House of Representatives had entered into a contract for a PFI project with a vendor to conduct the construction, maintenance, and administrative support of the public dormitory for the members of the House of Representatives. 5% of the total service cost as an amount equivalent to the consumption tax was included in the contract amount. In the contract, the expenses to purchase facilities were due to be paid in twice yearly installments over a period of 25 years and interests on installment stipulated in the contract could be considered as the amount equivalent to the interest to pay the principal of the expense to purchase facilities in installments. However, if

the amount of the interests on installment had been stipulated in the contract in order to treat the interests on installment as interests exempt from taxation under the Consumption Tax Act, it would not have been necessary to pay the amount equivalent to the consumption tax related to the interests on installment. Therefore, it is considered to be inappropriate for the House of Representatives to continue to pay this amount, and the House should take appropriate measures such as negotiating with the vendor to amend the contract so that the amount equivalent to the consumption tax related to interests on installment will not be included in the contract amount to decrease the project expenses.

(1 case; improper amount: 346.01 million yen)

#### Ministry of Finance

- Handling of consumption tax on contracts for project concerning the maintenance of the Akabane dormitory for public servants (Provisional Name)

Kanto, Tokai and Kinki Local Finance Bureaus of the Ministry of Finance had entered into a contract for a PFI project with a vendor to conduct the construction, maintenance of the public dormitory for the public servants. 5% of the total service cost as an amount equivalent to the consumption tax was included in the contract amount. In the contract, the construction expenses were due to be paid once-a-year installments and interests on installment stipulated in the contract could be considered as the amount equivalent to the interest to pay the principal of the construction cost in installments. However, if the amount of the interests on installment had been stipulated in the contract in order to treat the interests on installment as interests exempt from taxation under the Consumption Tax Act, it would not have been necessary to pay the amount equivalent to the consumption tax related to the interests on installment. Therefore, it is considered to be inappropriate for the Bureaus to continue to pay this amount, and each Bureau should take appropriate measures such as negotiating with the vendor to amend the contract so that the amount equivalent to the consumption tax related to interests on installment will not be included in the contract amount to decrease the project expenses.

(1 case; improper amount: 79.77 million yen)

#### Ministry of Defense

- Management of waste batteries

The Maritime Self-Defense Force uses silver batteries to provide electricity for Deep Submergence Rescue Vehicles mounted on submarine rescue vehicle carriers. The unrefined silver from the waste batteries is then collected and refined to be used as government supplies for producing silver batteries. Waste batteries exceeding the amount required for 5-year government supply are supposed to be sold according to the annual disposal plan. However, according to the estimation based on annual amount for government supply, the amount of silver required for 10-year government supply and that of unrefined silver collected from the waste batteries required for 17-year government supply were stored respectively and yet the waste batteries exceeding the

amount required for 5-year government supply had not been sold off. Therefore, The Maritime Material Command should develop a disposal plan for total storage amount of waste batteries exceeding the amount required for 5-year government supply, taking into consideration the silver collection cycle with much thought given to the actual status of storage of silver and waste batteries, to promptly dispose of these waste batteries.

(1 case; improper amount: 980.6 million yen)

#### Narita International Airport Corporation

- Change of non-profit lease contracts of land for airport facilities and land for aeronautical security facilities into for-profit contracts

Leasing of land such as land for airport facilities owned by the Narita International Airport Corporation is supposed to be performed with proper value received according to the Corporation's rules. However, the Corporation continued to lease land which had been leased free of charge under the lease contract between the New Tokyo International Airport Authority(\*) and government offices still free of charge even after the establishment of Narita International Airport Corporation, and had signed new non-profit lease contracts with government offices since FY 2004 against the Corporation's rules. Therefore, the Corporation should have discussions with the government offices to change these non-profit lease contracts into for-profit contracts in compliance with the Corporation's rules.

(1 case; improper amount: 99.66 million yen)

\* The New Tokyo International Airport Authority became Narita International Airport Corporation by privatization.

## **(2) Cases for which the Board demanded appropriate measures and necessary measures for rectification and improvement (4 cases)**

#### Ministry of Health, Labour and Welfare

- Prevention of fraudulent acts in the course of implementation of public assistance projects

Regarding the implementation of public assistance projects, the Board found out that fraudulent acts had been committed by relevant officers in welfare offices because the provisions of public assistance expenses had not been administered properly and preventive measures had not been taken adequately either. Besides, the administration procedure for provisions of public assistance expenses were not proper even in welfare offices in which fraudulent acts had not been committed. The Board also found out that the Ministry of Health, Labour and Welfare had not implemented a system to immediately receive reports on fraudulent acts committed by relevant officers and failed to clearly define how to settle subsidies so that public assistance expenses embezzled by relevant officers would not be eligible for the state subsidies. Therefore, the Ministry should take necessary measures to provide the public assistance expenses properly by making the internal controls in the welfare offices function properly in order to prevent



fraudulent acts. The Ministry should also implement a system to monitor the cases such as fraudulent acts and clearly define the rules regarding the settlement of subsidies.

(1 case; improper amount: 142.37 million yen)

#### Ministry of the Environment

- Projects for improvement of septic tank installation and projects for promotion of improvement of septic tanks for the municipalities

The Ministry of the Environment pays state subsidies for the implementation of projects for improvement of septic tank installation and/or the projects for promotion of improvement of septic tanks for the municipalities. The Board found out that i) the installed septic tanks had not been used, ii) the septic tanks which had been already installed before the previous fiscal year was included in the project expenses eligible for the subsidies in the current fiscal year, and iii) since the installed septic tanks had not undergone the inspection required by laws, it could not be confirmed to be installed and maintained properly. Therefore, the Ministry should take necessary measures to promptly make use of the installed septic tanks as well as confirm if the installed tanks are properly installed and maintained. Besides, the Ministry should clearly define the start date for use of septic tanks in the guidelines for project, etc. and instruct municipalities to implement a system to confirm if the installed tanks have undergone the inspection.

(1 case; improper amount: 3,847.28 million yen)

#### Ministry of Defense

- Recording of properties acquired through the construction works ordered by units and/or organizations of the Maritime Self-Defense Force in the National Property Ledger

The Board found that the Maritime Self-Defense Force failed to record properties, such as information and telecommunications facilities, newly acquired through construction works ordered by its units and/or organizations in the National Property Ledger according to the National Property Act or Commodities Management Law due to lack of awareness that these properties should be recorded and maintained in the National Property Ledger. Therefore, the Maritime Self-Defense Force should take necessary measures to accurately record national properties which have not yet been recorded in the National Property Ledger and relevant documents and to implement a system to make sure the properties to be acquired through the construction works ordered by its units and/or organizations are accurately recorded in the National Property Ledger.

(1 case; improper amount: 1,297.59 million yen)

National Life Finance Corporation, Agriculture, Forestry and Fisheries Finance Corporation, and Japan Finance Corporation for Small and Medium Enterprise

- Administration and operation of the housing for employees of the Japan Finance Corporation created by the merger of National Life Finance Corporation, Agriculture, Forestry and Fisheries Finance Corporation of Japan, and Japan Finance Corporation for Small and Medium Enterprise.

The National Life Finance Corporation, the Agriculture, Forestry and Fisheries Finance Corporation of Japan, and the Japan Finance Corporation for Small and Medium Enterprise, which were to be merged into the Japan Finance Corporation on October 1, 2008, provided their employees with housing they owned or housing they rented as employee housing based on their respective residential rules. However, each Corporation managed and operated its own housing for employees separately from each other and the Agriculture, Forestry and Fisheries Finance Corporation of Japan and the Japan Finance Corporation for Small and Medium Enterprise had provided their employees with their rented housing even though they had had empty rooms in their own housing for more than a year. Therefore, when the Agriculture, Forestry and Fisheries Finance Corporation of Japan and the Japan Finance Corporation for Small and Medium Enterprise have empty rooms in their own housing, they should give priority to providing their employees with their own housing to reduce rented housing promptly. Besides, each Corporations should share the information regarding occupancy status of their housing for efficient use of the housing each Corporation owns in order to make most of the merger of three Corporations.

(1 case; improper amount: 56.68 million yen)

**(3) Cases for which the Board demanded necessary measures for rectification and improvement (21 cases)**

Cabinet Office (Cabinet Main Office)

- Outsourcing contracts for investigation and examination project, using the subsidies for outsourcing expense of the survey on Okinawa Development and Promotion Plan

Okinawa General Bureau of Cabinet Office implements investigation and examination project, using the subsidies for outsourcing expense of the survey on Okinawa Development and Promotion Plan. In case of projects implemented by the outsourcing contracts, implementation processes of the project were clearly defined and the contract amounts were settled based on the report for settlement after the projects had been completed. On the other hand, in case of projects implemented by the service contracts, even though there is no difference in the nature of the projects and the method of their investigation and examination between the outsourcing contracts and the service contracts, the implementation processes had not been recognized and the contract amounts had not been settled after the completion of the projects. Therefore, the Bureau should take necessary measures to recognize the implementation processes of the projects and the

contract amounts are settled based on actual performance after the completion of the projects.  
(1 case; improper amount: 86.88 million yen)

#### Ministry of Internal Affairs and Communications

- Utilization of the videoconference systems installed through the projects to improve regional intranet infrastructure

Since field audits conducted by the Board in 2002 revealed that the videoconference systems had been hardly used, the Board demanded measures to be taken. In response to this, in October 2002, the Ministry of Internal Affairs and Communications took remedial measures to make sure that the prefectures and/or municipalities accurately grasp the demand for the systems. However, in the follow-up audits, the Board found that, in general, the usage rates of videoconference systems so far installed had remained extremely low and the objectives of the projects had not been achieved. Therefore, the Board understood that the demand for the videoconference systems was limited and that it was not appropriate to include the expenses related to videoconference systems in the projects eligible for the subsidies. As a result, the Ministry took a measure to exclude the expenses related to the videoconference systems from the expenses eligible for the subsidies in principle. Furthermore, the Ministry should take necessary measures such as revising the manual for the implementation of projects eligible for the subsidies for the prefectures and/or municipalities to increase the effectiveness of these measures.

(1 case; improper amount: 232.29 million yen)

#### Ministry of Justice

- Procurement of medicines in criminal facilities

Criminal facilities such as prisons and detention centers procure a large amount of medicines in order to provide medical care to inmates and detainees at infirmaries. The Board found that the amounts for the medicines tended to be high because of the following; i) these medicines were procured through the negotiated contracts, and ii) procured medicines were limited to the names of the medicines specified on the request forms. Therefore, the Ministry should procure the medicines through the general competitive bidding, in principle, in compliance of accounting regulations and take necessary measures to make sure that the Ministry can choose medicines from a wide range of medicines including branded generic medicines unless the doctors need to use specific medicines due to medical needs.

(1 case; improper amount: 135.59 million yen)

#### Ministry of Land, Infrastructure, Transport and Tourism

- Calculation of unit price for materials of segment used in the shield tunneling of the sewers

Regarding the calculation of unit price for materials of segment used in sewage pipeline construction works related to a state subsidized project, prefectures and municipalities had

decided the unit price for materials of segment based on estimates acquired from manufacturers although manufacturing cost could have been examined through special surveys in order to make the price more economical and closer to the actual market price. As a result, the Board found that the estimate of expenses for the materials was excessive. Therefore, the Ministry should advise the prefectures and municipalities to estimate properly by using the special surveys when calculating the unit price for materials of segment in order to make the price closer to the actual market price and notify the authorities concerned to make sure that proper estimate of the construction works is realized.

[1 case; improper amount: 298.47 million yen; background amount: 3,945.39 million yen (The amount equivalent to state subsidies related to estimate for materials of segments where there was no similar segments)]

- Design related to foundation improvement works

The Ministry of Land, Infrastructure, Transport and Tourism and each prefecture designs the foundation improvement works by using cement-type solidifications with dust suppression as foundation improvement material and, then, using stabilizers to mix the foundation improvement material with soft soil when it is necessary to pay attention to the surrounding environments such as the construction site located near private homes. However, the Ministry is developing new technologies of the construction method used by mobile ground improvement machines which could suppress the dust even using cement-type solidifications for general soft soil whose price is lower than the cement-type solidifications with dust suppression. Although the expenses for the foundation improvement works implemented by this method could be lower, the Ministry did not consider the design by comparing these methods. As a result, the Board found that the design was uneconomical. Therefore, the Ministry should take necessary measures to properly select the appropriate construction method when implementing foundation improvement works in which dust needs to be suppressed in order to make economical design.

(1 case; improper amount: 27.5 million yen)

- Calculation of the number of crew members regarding the expenses to charter boats for surveys

The Ministry of Land, Infrastructure, Transport and Tourism implements surveys such as soil surveys and location surveys as government direct projects or state subsidized projects, prior to designs of harbor facilities related to harbor improvement projects. The chartering expenses for the boats used for these surveys are calculated on the assumption that two crew members will be on board with engineers according to “the calculation standard for the service contract of harbor construction works” enacted by the Ports and Harbours Bureau of the Ministry. However, the Board found that only one crew member is on board for these surveys in most cases and that the crew members mostly pilot the boat between the quay and the site on the sea for the survey under the instruction of the engineers for surveys. Therefore, the calculation standard did not reflect the actual situation. Therefore, the Ministry should revise the calculation standard to charter the boats

for surveys to reflect the actual situation and make sure that the Ministry and the managers of port and harbor can calculate the chartering expenses for the boats used for surveys properly.  
(1 case; improper amount: 99.91 million yen)

- Selection of the type and standard of dust collectors used in tunnel construction works

The Ministry of Land, Infrastructure, Transport and Tourism and each prefecture use dust collectors as a measure to suppress dust and select its type and standard by calculating the processing capacity based on the size of the tunnel, etc.. Type of the dust collector includes filter dust collectors and electrical dust collectors. Some of the tunnel construction works for which filter dust collectors were selected could have been implemented with electrical dust collectors whose operating expenses were lower because of its lower usage charge and less electricity. However, the Ministry failed to fully consider the selection between these two types. As a result, the design was uneconomical. Therefore, the Ministry should compare filter dust collectors and electrical dust collectors carefully, taking into consideration the recent prevalence of electrical dust collectors when selecting the type and standard of the dust collectors used for the tunnel construction works in order to achieve economical design.

(1 case; improper amount: 181.7 million yen)

#### Ministry of Defense

- Application of high usage discounts in the contracts for private line service

The Ministry of Defense uses private line services provided by each NTT corporation based on the conditions of contract for data transmission and audio communications between units and/or organizations deployed throughout Japan and each Self-Defense Force received high usage discounts from each NTT corporation. However, according to the high usage discounts system, in the portion of the basic amount eligible for discounts, the higher the usage fee is, the higher the discount rate is. If the Ministry as a whole had received high usage discounts instead of each Self-Defense Force, this could have further saved the usage fees for private line. Therefore, the Ministry as a whole should receive high usage discounts from each NTT corporation.

(1 case; improper amount: 57.8 million yen)

- Operation of accounting transaction system for the Ground Self-Defense Force

The Ground Self-Defense Force introduced the accounting transaction system for the accounting units stationed in 35 stations in order to streamline accounting transactions in the stations. The accounting units enter data of contracts and payments from the terminals and the system in turn creates relevant books and vouchers based on the data stored in the server. However, since the accounting transactions required to be performed by using the system were not stipulated in the guideline for operation and maintenance of the system, the terminals were not used for accounting transactions, and data was not stored in the server because the data was not entered

from the terminal. As a result, accounting transaction system was not utilized. Therefore, the Ground Self-Defense Force should reexamine the need for the system and the Ground Staff Office should clearly define the accounting transactions required to be performed by using the system in the guideline for operation and maintenance of the system.

(1 case; improper amount: 114 million yen)

#### Japan Racing Association

- Administration of pay parking lots

Regarding administration of pay parking lots, the Japan Racing Association leases parking lots to a relevant public interest corporation through negotiated contracts except for some cases. Although, the relevant public interest corporation had received relatively high parking fees as revenues compared to the lease fees the corporation had paid to the Association, the Association had not revised the lease fees reflecting the actual revenue and expenditure for parking lots. Besides, the Association had not continued to lease parking lots without sufficient consideration of the possibility of managing the parking lots themselves by outsourcing the job of traffic control in the parking lots. Moreover, considering the nature of the administration of parking lots, there was no apparent reasons for the Association to enter the negotiated contracts with the relevant public interest corporations. Therefore, the Association should take into consideration factors such as the actual situation of administration of pay parking lots, parking fees the corporation has received as revenues, and the expenses required for the administration of the parking lots and then should take necessary measures to revise the lease fee concluding the contract by competitive bidding in case of lease and to receive parking fees as revenue of the Association itself concluding the contract by competitive bidding in case of outsourcing.

(1 case; improper amount: 791.63 million yen)

#### Japan Post Holdings Co., Ltd.

- Purchase of licenses to use the software for computers

The Japan Post Holdings Co., Ltd. inherited the licenses to use Microsoft software from Japan Post and the software had been used by itself as well as its Group Corporations. The most of these licenses were purchased through the method called Government Enterprise Agreement (hereinafter referred to as GEA) which was designed for government agencies. GEA included Software Assurance (herein after referred to as SA), the licenses to use the new versions of the purchased software available during the usual contract term of 3 years. And the term of SA could be extended by renewal of the contract and the costs required to renew the contract are lower than those required to newly purchase the licenses through GEA. However, the Japan Post did not renew the contract for the licenses purchased through GEA in March 2002 when the term expired in March 2005 since it did not realize the details of licenses to use the software. As a result, Japan Post uneconomically purchased new software through GEA in the FY 2005 and the FY 2006. Therefore, the Japan Post Holding Co., Ltd. should realize the details of licenses to use the

software and notify its Group Corporations of the details as well as implement the system to review the use of the software for the medium/long term in terms of economy.

(1 case; improper amount: 90.11 million yen)

#### National Institute of Agrobiological Sciences

- Calculation of the labour expenses related to the support service for operation of the integrated database system for agriculture, forestry, and fisheries genome information

Regarding a unit price per hour of system engineers employed for calculation of the labour expenses related to the support service for operation of the integrated database system for agriculture, forestry, and fisheries genome information, National Institute of Agrobiological Sciences used unit price per hour calculated by using the average of the unit price per hour for the engineers of the six major manufacturers instead of the lower unit price per hour for service that did not require expertise specified in the commercially available reference materials for the calculation since all of the support service were considered to require high expertise in life information science. However, according to the specification of the contract, while some of the support service required high expertise in life information science, some of the support service did not require high expertise. It was inappropriate for the Institute to decide a unit price per hour without sufficient examination of the details of the specification. Therefore, the Institute should take necessary measures to calculate the labour expense reflecting the actual situation with sufficient examination of the support service involved.

(1 case; improper amount: 20.93 million yen)

#### Japan Labour Health and Welfare Organization

- Payment of commuting allowances for employees who use public transportation

The Japan Labour Health and Welfare Organization pays commuting allowances to its employees based on the price of monthly commuter pass in accordance with payroll regulation, etc.. However, it was inappropriate for the Organization to pay commuting allowances based on the price of monthly commuter pass due to complicate paperwork while government agencies and other independent administrative agencies pay commuting allowances to their employees based on the price of more economical six month commuter pass. Therefore, the Organization should prepare for upgrade of the existing payroll system in order to pay commuting allowances to its employees based on the price of six month commuter pass.

(1 case; improper amount: 38.56 million yen)

#### Urban Renaissance Agency

- Calculation of the expenses of the outsourcing contracts related to service of emergency liaison officers and that of administrative liaison officer

The Urban Renaissance Agency deploys emergency liaison officers and administrative liaison

officers in rental housings it manages and outsources the service performed by these liaison officers and recruitment service, etc. of these liaison officers as service of emergency liaison officers and that of administrative liaison officer respectively through the negotiated contracts. The Board found out that the Agency calculated the expenses for recruitment service, etc. of the liaison officers simply by multiplying the amount of remuneration paid to the liaison officer by the expense ratio, without calculating direct expense based on the survey on the actual personnel expenses and supply expenses related to the recruitment service, etc. of the liaison officers. Therefore, concerning the calculation of the expenses related to the expenses for recruitment service, etc. of the liaison officers in the outsourcing contracts, the Agency should take necessary measures to define the calculation method based on sufficient survey of the actual situation of the outsourced service.

(1 case; improper amount: 27.92 million yen)

Tokyo University of the Arts, Mie University, Kyoto University, Kyoto Institute of Technology, Nara Women's University, Kyushu University, National Institutes of Natural Sciences

- Payment of commuting allowances for employees who use public transportation

These six universities and one national institute pay commuting allowances to their employees based on the price of monthly commuter pass. However, it was inappropriate for the universities and national institute to pay commuting allowances based on the price of monthly commuter pass while government agencies and most of the national university corporations pay commuting allowances to their employees based on the price of more economical six month commuter pass. Therefore, these universities and national institute should take necessary measures to pay commuting allowances to their employees based on the price of six month commuter pass.

[7 cases; improper amount: 9.22 million yen (Tokyo University of the Arts), 16.14 million yen (Mie University), 112.06 million yen (Kyoto University), 12.33 million yen (Kyoto Institute of Technology), 7.26 million yen (Nara Women's University), 53.71 million yen (Kyushu University), 9.7 million yen (National Institutes of Natural Sciences)]

## 2. Case for which the Board demanded necessary measures for rectification and improvement under the provision of Article 34 of the Board of Audit Law and demanded measures under the provision of Article 36 of the Board of Audit Law (1 case)

Ministry of Internal Affairs and Communications

- Calculation of the amount of special local allocation taxes related to the mergers of municipalities

The Ministry of Internal Affairs and Communications instructed local governments to report i) the amount of expenses related to subsidies provided by the prefectures after the mergers for urban development, ii) the amount of expenses required to prepare for the mergers, and iii) the amount of expenses required to smoothly establish uniformity of the merged municipalities, as



the amount of financial demand for the mergers of municipalities. Then, the Ministry provided half the reported amount to local governments as special local allocation taxes. The special local allocation taxes were overpaid compared with those calculated on basis of the amount settled of financial demand from the local governments partly because the amount of financial demand of the above-mentioned i), ii), and iii) was not properly reported and partly because each reported amount was higher than the amount settled, which resulted in a big difference between reported amounts and amounts settled. Therefore, the Ministry should develop the regulations to provide special local allocation taxes based on the proper amount of financial demand. Besides, the Ministry should request the local governments to report as proper the amount of financial demand as possible based on examinations of project expenses, etc. and in case changes occur after the report, the Ministry should request local governments to report the change in the reported amount in the next fiscal year.

(1 case; improper amount: 9,693.89 million yen)

### 3. Cases for which the Board presented its opinions or demanded measures under the provision of Article 36 of the Board of Audit Law (23 cases)

#### (1) Cases for which the Board of Audit presented its opinions (16 cases)

##### Ministry of Internal Affairs and Communications

- Size of capital investments from the Industrial Investment Special Accounts in Accounts of Succession of Communication and Broadcast of the National Institute of Information and Communications Technology

The National Institute of Information and Communications Technology inherited approximately 18,866.40 million yen in capital investment by the state from the Industrial Investment Special Accounts on April 1, 2004, which the Telecommunications Advancement Organization of Japan had inherited from the Japan Key Technology Center on April 1, 2003. The inherited capital investment by the state was due to be used to finance the operation required for the disposal of inherited stocks and the management and collection of loans. The operation of stock disposal ended in June 2006. As for the loan management and collection, the outstanding amount of principal of loans of 3,803.6 million yen at the time of the inheritance had been reduced to 528.09 million yen as of the end of the FY 2007. It was obvious that the amount of inherited capital investment by the state had become increasingly large compared to the scale of the operations which had decreased every year. It was not appropriate for the Institute to hold a large amount of capital investment by the state in the form of investment securities and to continue to report the financial revenues which substantially exceeded the ordinary expenses of the inherited operations under the current financial circumstances from a viewpoint of effective management of national properties. Therefore, the Ministry of Internal Affairs and Communications should carefully examine the funds held in the Accounts of Succession of Communication and Broadcast of the National Institute of Information and Communications Technology inherited from the

Telecommunications Advancement Organization of Japan for deciding whether these funds are unnecessary or not in order to calculate the proper amount of the capital investment by the state, and consider returning these funds created by the decrease of the capital investment to the Treasury.

[1 case; background amount: 1,886.64 million yen (Total amount of capital investment by the state to the Accounts for the National Institute of Information and Communications Technology inherited from the Telecommunications Advancement Organization of Japan)]

#### Ministry of Justice

- Request for registration regarding the administration of national properties

Regarding the requests for registration stipulated in the instruction to manage national properties by the Ministry of Justice, the instruction did not clearly define the need and specific procedures regarding the requests for registration. As a result, the requests for registration had not been performed when the land or the building was acquired through the purchase, exchange, transfer, or when the new building was built on the leased land. Therefore, the Ministry should take measures to revise the instruction to define more clearly the need and the specific procedures regarding requests for registration and, the Ministry should notify the Heads of its offices, who are responsible for management of national properties of the revised instruction so that the Heads could properly perform requests for registration regarding the national properties in accordance with the instruction.

(1 case; improper amount: 31,350.52 million yen)

#### Ministry of Foreign Affairs and Japan International Cooperation Agency

- Effectiveness of Official Development Assistance

Regarding the Official Development Assistance (ODA) implemented by the governments and implementing agencies such as the Ministry of Foreign Affairs and the Japan International Cooperation Agency (JICA), the Board found that the cases of (i) concerning the Grant Aid and (ii) concerning Loan Aid as follows; (i) (a) Safety and durability of the facilities the recipient countries built by using the materials and equipments together with technical support had not been secured. (b) although the repair works on the facilities by Japan had been completed, there had been delay in those by other countries. As a result, the facilities did not achieve its objectives. (ii) (a) The facilities built with the ODA had been operating at a rate much lower than the planned. (b) The facilities had not been operating as planned. Although these situations depended on the circumstances of the recipient countries, the Ministry and JICA should take necessary measures for the following concerning the above-mentioned (i) and (ii), so that the ODA projects should be as effective as possible. Concerning (i)-(a), the Ministry and JICA should examine the completed construction works performed by the recipient countries. Concerning (i)-(b), in case several countries are involved in the project plans submitted by recipient countries, the Ministry and JICA should coordinate closely with the recipient countries and the other donor countries in

order to make steady progress toward early completion of the projects. Concerning (ii), the Ministry and JICA should follow up the projects to make most of the lessons and proposals gained through post evaluation and post monitoring.

[1 case; background amount: 3,148.54 million yen (Grant Aid), 23,924.25 million yen (Loan Aid) (The amount of aid given or loaned related to the projects whose effectiveness was not fully realized)]

#### Ministry of Agriculture, Forestry and Fisheries

- Administration of the projects to loan the funds for the improvement of forestry and lumber industries

The Forestry Agency provided the state subsidies to finance the part of funds required by the prefectures which implemented the projects to loan for the forestry owner to improve forestries and lumber industries, with the aim of contributing to the sound development of forestry and lumber industries. In 2001, the Board had pointed out that the large amount of funds had been carried over in Special Accounts of the prefectures and that, as a result, the funds had not achieved their intended effects. In response to this, the Agency took measures so that the prefectures should examine the appropriate amount of funds for loans according to the demand and could voluntarily return the funds which were not supposed to be used to the state. However, the Board found that, even after that, many prefectures had not yet maintain the appropriate amount of funds for loans corresponding to the demand and that a large amount of funds still had been carried over in the prefectures Special Accounts. Based on this audit result, the Agency issued a guideline for calculating the amount which should be returned to the state for prefectures. Therefore, the Agency should make further efforts to notify the prefectures of the guideline for the calculation of the amount which should be returned to the state, to better understand management of the funds, and to give proper guidance and advice in accordance with the situation.

(1 case; improper amount: 965.28 million yen)

#### Ministry of Economy, Trade and Industry

- Size of capital investments by the state from the Industrial Investment Special Accounts in Industrial Accounts for the New Energy and Industrial Technology Development Organization inherited from the Japan Key Technology Center.

When the New Energy and Industrial Technology Development Organization was transformed into independent administrative agency on October 1, 2003(\*), it inherited approximately 18,312.36 million yen in capital investment by the state from the Industrial Investment Special Accounts, which the former Organization had inherited from the Japan Key Technology Center on April 1, 2003. The inherited capital investment by the state was due to be used to finance the operation required for the disposal of inherited stocks and the management and collection of loans. The operation of stock disposal ended in June 2007. As for the loan management and

collection, the outstanding amount of principal of loans of 10,004.65 million yen at the time of the inheritance had been reduced to 1,700.85 million yen as of the end of FY 2007. Since the scale of the operations had decreased every year, it was not appropriate for the Organization to hold most of the amount of capital investment by the state in the form of investment securities under the current financial circumstances from a viewpoint of effective management of national properties. Therefore, the Ministry of Economy, Trade and Industry should carefully examine the funds held in the Industrial Accounts for the New Energy and Industrial Technology Development Organization inherited from the Japan Key Technology Center for deciding whether these funds are unnecessary or not in order to calculate the proper amount of the capital investment by the state, and consider returning these funds created by the decrease of the capital investment to the Treasury.

[1 case; background amount: 18,312.36 million yen (Total amount of capital investment by the state to the Industrial Accounts for the New Energy and Industrial Technology Development Organization inherited from the Japan Key Technology Center)]

\* The New Energy and Industrial Technology Development Organization was reorganized as independent administrative agency on October 1, 2003.

#### Ministry of Economy, Trade and Industry and Ministry of the Environment

- Surplus in the Energy Demand and Supply Accounts of the Special Accounts for Energy Measures

Regarding Energy Demand and Supply Accounts financed by petroleum- coal taxes for implementing the measures to stabilize the fuel supplies and to promote advancement of energy demand and supply structure, the amount of surplus still remained high. According to analysis of the cause for the surplus, the Board found that there had been unnecessary fund in the expenditures and that a large amount of unnecessary fund in a certain item of expenses continued to accumulate. Since the budget was estimated without adequate examinations of the performance of the budget in the past financial year, there was a gap between the budget and the actual expense, which caused continuous accumulation of unnecessary fund. Therefore, the funds transferred from the General Accounts to the Energy Demand and Supply Accounts for implementing the projects had not been efficiently used. As a result, there was a large amount of surplus in the Energy Demand and Supply Accounts. Therefore, the Ministry of Economy, Trade and Industry and the Ministry of the Environment should carefully examine the cause for the unnecessary fund in the Energy Demand and Supply Accounts to decrease the surplus as much as possible. If the Ministries realize that the unnecessary fund resulted from a continuous gap between the budget and the actual expense, they should properly estimate the expenditures taking into consideration these causes for the surplus.

[2 cases; background amount: 249,100.00 million yen (Total amount of surplus in the Energy Demand and Supply Accounts settled as of the end of FY 2007)]

#### Ministry of Land, Infrastructure, Transport and Tourism

- Utilization of the elderly's life advisor offices and housing for Life Support Advisors (LSA) established to provide the elderly with welfare services in public housing built for supporting lifestyles of the elderly

The Ministry of Land, Infrastructure, Transport and Tourism provides with subsidies local governments which implement projects to improve public housing under the silver housing project to cover the expenses required to promote public housing and relevant facilities built for supporting lifestyles of the elderly. Regarding the utilization of the elderly's life advisor offices and housing for LSAs established as relevant facilities, 221 elderly's life advisor offices had not been fully utilized in FY 2007 and 14 rooms of the housing for by LSAs had been vacant for more than a year. Therefore, the Ministry should keep the local governments informed that they should make sure housing providers and welfare service providers fully discuss how to use the elderly's life advisor offices and should provide the elderly's life advisor offices according to the project plan as well as recommend measures to efficiently utilize the elderly's life advisor offices and housing for LSAs.

(1 case; improper amount: 505.04 million yen)

- Usage of taxis in the Ministry of Land, Infrastructure, Transport and Tourism

Regarding taxi usage in the Ministry of Land, Infrastructure, Transport and Tourism in FY 2007, the taxi tickets had not been managed properly and their usage had not been checked properly. For example, there were no spaces on the taxi tickets to enter the time the taxis were used, or taxi companies had not returned the used taxi tickets to the Ministry. Although the taxi tickets have been managed according to the notice issued in March 2008 since FY 2008, the Ministry should manage the taxi tickets more properly such as specifying how to enter information on the taxi tickets which are different from the examples shown by the Ministry and/or taking necessary measures to confirm the taxi fare used in case the used taxi tickets are not returned from the taxi companies.

[1 case; background amount: 1,879.11 million yen (The usage amount related to the taxi contract in FY 2007)]

- Expenditures in Special Accounts for Road Improvement

The Board found that the expenditures in Special Accounts for Road Improvement had not been fully effective. For example, i) in the order for the services to maintain vehicles for the projects of road improvement a few specific vendors had been nominated for a long period, ii) in the order for the services of the public relations and public hearings, the number of the bidders had been limited with the result that the effect to previously review the contract methods had not been fully realized, iii) in the research studies on utilization of tourism resources in the local region, the research results had not been published on the website to notify the local region of it, and iv) in

the research studies to contract with the public interest corporations, they had subcontracted a part of the research studies to other vendors without applying for approval for the subcontracting, or they had not fully checked the research results of the subcontractors. Therefore, the Ministry should execute the budgets related to road improvement more properly and efficiently.

[1 case; background amount: 72,890.95 million yen (Total amount of expenses related to the services to maintain the vehicles for the projects of Road Improvement at the Regional Development Bureaus and the total amount of expenses related to the research studies outsourced to public interest corporations specialized in the road)]

Ministry of Land, Infrastructure, Transport and Tourism, Cabinet Office (National Police Agency), Ministry of Internal Affairs and Communications and Ministry of Finance

- Implementation of the ‘One-Stop Service’ for the procedures related to ownership of cars

The Ministry of Land, Infrastructure, Transport and Tourism, the National Police Agency, the Ministry of Internal Affairs and Communications and the National Tax Agency etc. started to provide online One-Stop Service for the procedures related to ownership of cars such as application for inspection/registration of car and certificate of parking space in order to alleviate the burden of the applicants who, otherwise, have to go to each relevant government organization for each application and to streamline administrative work in December 2005. However, car buyers had not been properly notified that proxy application fees could be saved by choosing the option to use One-Stop Service at the time of purchase of car and if they used the Service, it would be hard for car dealers to estimate the planned date of registration of car. As a result, although the development expense and maintenance expense of the Service were very high, the percentage of the Service user remained low and the effectiveness of service was not realized. Therefore, the above 4 ministries and agencies should make efforts to inform the car buyers of the details of the Service and to enhance the convenience of the Service by taking necessary measures to reflect the user’s opinions properly to improve the system. Besides, they should make efforts to reduce maintenance expense by improving capacity and configurations for the system devices based on the percentage of Service user and by setting up appropriate downtime for Service operation at midnight.

[4 cases; improper amount: 40.73 million yen (Ministry of Land, Infrastructure, Transport and Tourism); background amount: 5,272.35 million yen (Ministry of Land, Infrastructure, Transport and Tourism), 521.60 million yen (Cabinet Office (National Police Agency)), 528.43 million yen (Ministry of Internal Affairs and Communications), 197.27 million yen (Ministry of Finance) (Total amount of development expense and maintenance expense for One-Stop Service until the end of FY 2007)]

Tohoku University

- Internal controls related to the contract for construction works ordered by Tohoku University Hospital

The Board found that Tohoku University Hospital did not comply with the accounting regulations and the relevant rules because it ordered construction works without procedures for the contract specified in accounting regulations and the relevant rules, and set the target price and drew up the contract after the completion of the construction works. Therefore, the Board subsequently audited the system of the internal controls of the Hospital, and revealed that the system of their internal checks had not been functioned properly and that each auditing organization had not performed proper audits on the hospital's internal controls. Therefore, the Tohoku University should make the system of internal control of the Hospital function properly where the auditing organizations should perform proper audits by strictly auditing individual procedures for the contracts.

(1 case; improper amount: 23.10 million yen)

#### Japan Post Insurance Co., Ltd.

- Appropriate payment of insurance benefit etc.

Regarding insurance benefit etc. paid by Japan Post Insurance Co., Ltd., the insurance benefit etc. had been overpaid or had not been paid because pension payment had not been promptly ceased after death of the recipients or because the recipients had not been properly reminded to claim the insurance benefit etc. when required. Therefore, the Company should consider the procedures to promptly cease pension payment in order to prevent overpayment of pension. For example, the Company should examine contracts of pension for the recipient when it pays his/her death benefit and receive his/her death notices for cease of the contracts of pension. Besides, the Company should consider the procedures to effectively remind recipients to claim insurance benefit etc. based on data on the information system in order to reduce unpaid insurance benefit etc.. For example, the Company should examine the other insurance contracts for the recipient when the Company pays his/her insurance benefits and send him/her guidance on payment for refund of premium already paid.

[1 case; improper amount: 31.96 million yen; background amount: 144.92 million yen (The amount of insurance benefit etc. payable confirmed by claims of insurance benefits etc. for the other insurance contracts, yet remained unclaimed.)]

## **(2) Cases for which the Board demanded measures (7 cases)**

#### Ministry of Health, Labour and Welfare

- Size of Financial Stability Funds for nursing care insurance

The Financial Stability Funds are established for prefectures to loan or provide the funds in case there is a shortage of financial resources for nursing care insurance in their municipalities. The State is supposed to contribute a third of the Funds. According to the audit results of 24 prefectures, ratios of the amount of the loans and provision to that of the Funds which were 0.0% through 88.0% for the first period and 0.0% through 76.6% for the second period significantly

varied among prefectures. Besides, those ratios of 17 prefectures for the first period and 19 prefectures for the second period were lower than 30%. Therefore, the amount held in the Funds substantially exceeded the demands for the Funds in most of the prefectures. However, currently there are no systems to adjust the size of the Funds properly by returning funds to the contributors such as the State when there is surplus in the Funds. Consequently, there is a risk that financial funds contributed by the State etc. could be held in the Funds ineffectively if this situation continued. Therefore, the Ministry should implement a system to reduce the size of the Funds where the prefectures judge it appropriate to return a part of funds to the contributors in order to maintain the proper size of the Financial Stability Funds for nursing care insurance.

[1 case; background amount: 57,500 million yen (The amount of state subsidies contributed to the Financial Stability Funds)]

[This case was reported to the Diet and the Cabinet on May 21, 2008 in accordance with the provision of Article 30-2 of the Board of Audit Law.]

#### Ministry of Agriculture, Forestry and Fisheries

- Development of the plan to maintain the agricultural water utilization systems related to the new project to maintain the agricultural water utilization systems

The Ministry of Agriculture, Forestry and Fisheries implements a project to develop a plan to maintain the agricultural water utilization systems as a part of the new project to maintain the agricultural water utilization systems since it is necessary to reconstruct the agricultural water utilization systems into a more labor saving, more farmer-oriented system. When auditing as to whether the plan to maintain the agricultural water utilization systems under the project was properly designed to realize the effective use of water resources, the Board found that the plan did not properly reflect the constraining factors and measures to remove these factors found by the function tests for facilities of the agricultural water utilization. Therefore, the Ministry should take measures i) to make implementing bodies revise the plans appropriately, ii) to notify them of the intention of the project to develop the plan in order to ensure the effect of the project and to advise them, iii) to examine the plans developed by the implementing bodies properly.

(1 case; improper amount: 835.26 million yen)

- Planning and implementation of rural community sewerage project

The Ministry of Agriculture, Forestry and Fisheries provide the state subsidies for municipalities, which implement rural community sewerage project to improve facilities to treat sewage such as human waste and miscellaneous drainage in the rural community, in order to promote the project. When auditing economic evaluation for comparison of rural community sewage with individual sewage treatment tank carried out by municipalities in order to develop the project plan, the Board found that the municipalities apply durable years based on regulations for calculating the annual expense despite no specific reasons in the actual situation of the area. As a result,



individual sewage treatment tank was estimated to be less economy, in spite of the actual utilization, compared to rural community sewage. Therefore, the Ministry should advise the prefectures to notify the municipalities that the durable years based on the actual utilization should be applied for calculating the annual expense as well as examine carefully as to whether economic evaluation for comparison of rural community sewage with individual sewage treatment tank is performed properly.

[1 case; background amount: 19,423.41 million yen (The amount of state subsidies related to the areas in which economic evaluation for comparison was not performed properly)]

#### Ministry of Economy, Trade and Industry

- Administration of goods acquired through the regional revitalization consortium research development outsourcing projects for energy measures

The Ministry of Economy, Trade and Industry implements the regional revitalization consortium research development outsourcing projects to develop products which could create new industries for the local communities. When auditing as to whether the goods acquired through the outsourcing projects for members of the consortium to develop products were utilized or not, the Board found that they had not been fully utilized. For example, the goods which needed modifications had been used as they were, or the goods had not been sold although there were potential buyers to utilize them for the development of products. Therefore, the Ministry should promptly and smoothly approve the modifications of the goods and sell off the goods in order to fully utilize the goods in accordance with the aim of the projects.

(1 case; improper amount: 1,343.81 million yen)

#### Ministry of Land, Infrastructure, Transport and Tourism

- Efficient operation of supervision and survey boats

The Ministry of Land, Infrastructure, Transport and Tourism owns supervision and survey boats to supervise construction works related to harbor improvement projects. The supervision and survey boats had not been efficiently operated, for example, while some supervision and survey boats had been operated fewer days per year, the boats chartered through the charter contracts used for the same purpose had been operated more days per year. However, the Board found that deployment of the supervision and survey boats had not been fully reviewed in a systematic manner on the grounds that the deployment of the supervision and survey boats should be decided according to the amount of work and the nature of work at each port office. Therefore, the Ministry should develop basic policies related to operation of supervision and survey boats including the reviews of nationwide deployment of the supervision and survey boats.

[1 case; improper amount: 113.76 million yen; background amount: 1,094.03 million yen (The value of supervision and survey boats on the national property ledger as of the end of FY 2007)]

#### National Agriculture and Food Research Organization

- Operation of joint research facilities and use of joint research equipments

The National Agriculture and Food Research Organization owns and operates joint research facilities and joint research equipments developed to conduct joint researches through the industry-academia-government coalition. However, the joint research facilities had been neither operated nor used fully according to purpose of the facilities, or the use of joint research equipments had not been fully understood by Research Institute. In addition, headquarter of the Organization had not taken proper measure for these situations without having a full understanding the situations. Therefore, headquarter of the Organization should develop policies and plans to effectively and efficiently utilize the joint research facilities and implement a system to properly understand status of operations of the joint research facilities and use of joint research equipments in each Research Institute. Besides, each Research Institute should understand status of use of the research equipments and properly develop a system to promote use of the equipments based on its understanding.

(1 case; improper amount: 1,290.25 million yen)

#### Japan Mint

- Possession of the buildings including public dormitories and branch offices, etc. and the land related to these buildings

The Japan Mint had inherited the public dormitories, branch offices, etc. and the land related to the buildings held in Special Account for the Japan Mint when it became an incorporated administrative agency. The Board found that i) land for the public dormitories had not been fully utilized, ii) the number of occupancies for the public dormitories had decreased due to reduction in workforce and aging public dormitories and iii) the number of users of the branch offices had significantly decreased. Therefore, the Japan Mint should develop concrete abolishment and integration plans for the buildings of public dormitories which become old and have low occupancy rates and the land related to these buildings as well as for buildings of branch offices, etc. and the land related to these buildings. Then, the Japan Mint should return the assets which deemed unnecessary based on these plans to the Treasury.

[1 case; improper amount: 1,243.97 million yen; background amount: 17,547.84 million yen (The entire amount of book values of the public dormitories, the branch offices, etc. and the land related to these buildings among the business assets inherited as of March 31, 2006)]

## Section 4. Measures taken (55 cases)

#### Ministry of Internal Affairs and Communications

- Accounting related to operating expenses of the Independent Committee to Review Pension Records

Regarding the accounting related to operating expenses of the Independent Committee to Review Pension Records, since the Independent Committee had been established in the middle of the fiscal year in haste, there was no accounting policies related to its operating expenses. Therefore, measures for proper accounting and paying for the expenses had not been taken smoothly and the expenses were paid from an item of account different from the appropriate item. As a result, it was inappropriate in light of the Public Finance Act.

(1 case; improper amount: 809.82million yen)

#### Ministry of Foreign Affairs

- Remaining Fund supposed to refund to Japan in the abolished Trust Funds for the international organizations

Since no specific procedures were defined regarding the remaining fund supposed to refund to Japan in the abolished Trust Funds for the international organization, the Ministry had not answered inquiries from the United Nations regarding the abolished Trust Funds for a long time, or had not realized the fact that the Trust Funds had been abolished. As a result, remaining fund supposed to refund to Japan in the abolished Trust Funds was not effectively utilized.

(1 case; improper amount: 397.51 million yen)

#### Ministry of Finance

- Application of special depreciation or tax deduction for the machinery acquired by small and medium enterprises

When tax payers filed tax returns applied for special depreciation or tax deduction for the machinery acquired by small and medium enterprises, they listed name of the assets which were medical equipments ineligible for special depreciation or tax deduction in statements of the assets. However, Tax Offices wrongly deducted taxes for the assets partly because the Tax Offices did not fully understand that these medical equipments were not eligible for special depreciation or tax deduction and partly because the Tax Office did not fully examine the assets to be eligible for special depreciation or tax deduction. As a result, there were deficiencies in the amount of taxes collected from 38 tax payers.

(1 case; improper amount: 104.60 million yen)

- Collection of parking fees in the public dormitories jointly used by the central government officials

Since Local Finance Bureau, etc. did not establish a system to realize and confirm occupancy of the parking lot in the dormitories jointly used by the central government officials, when those who started using the parking lot had not submitted request forms for using the parking lot, they had not confirmed as to whether there were the request forms submitted or not. As a result,

parking fees had not been properly collected.

(1 case; improper amount: 5.13 million yen)

#### Ministry of Education, Culture, Sports, Science and Technology

- Scope of project expenses to be eligible for the subsidies in the project to promote the improvement of quality of Japanese language education institutions

Regarding the implementation of the project to promote the improvement of quality of Japanese language education institutions, the operating expenses for an examination committee which examined the Japanese language education institutions could have been covered by revenues of the examination certificate fees collected from the Japanese language education institutions. However, the Ministry did not consider as to whether the expenses needs to be eligible for the subsidies or not, and continued to include the operating expenses in the project expenses eligible for the subsidies.

(1 case; improper amount: 51.84 million yen)

- Settlement of the contract amount for the project to promote the cooperation for the preservation of cultural heritages such as world heritages in the Asia and Pacific regions

In outsourcing the project to promote the cooperation for the preservation of cultural heritages such as world heritages in the Asia and Pacific regions, the Agency for Cultural Affairs could predict that there was going to be a big difference between the contract amount and the actual amount because the period of the training and language to be used for the trainees had not been decided in preparing the specification and calculating the target price. However, the Agency concluded the firm contract without proper examinations and understanding of the above. As a result, the difference between actual amount and contract amount had not been settled in case the actual amount was lower than the contract amount.

(1 case; improper amount: 26.23 million yen)

#### Ministry of Health, Labour and Welfare

- Procedures related to approval of use of national properties and collection of rent charges in the Social Insurance Hospitals

The associations to which the management of Social Insurance Hospitals had been outsourced subcontracted the third parties to operate 6 facilities such as a cafeteria in the building of the Hospitals which were administrative properties. However, Regional Social Insurance Bureaus had not approved the use for these facilities or had designated only the kitchen of the cafeteria as a part subject to the approval because the Social Insurance Agency had not clearly defined rules on under what circumstances the approval was necessary for operation of the facilities within the Hospitals and had not notified Regional Social Insurance Bureaus of them. As a result, the Regional Social Insurance Bureaus had not collected the proper amount of rent charges.

(1 case; improper amount: 145.55 million yen)

- Identifying of the income for the households receiving public assistance

Regarding the implementation of social welfare projects, taxation inspections were not performed promptly or subsequent procedures were inadequate partly because planned periods for the taxation inspections had not been clearly defined and partly because the check system by the inspector supervisors had not been sufficiently operated. Therefore, the undeclared income of members of households receiving public assistance had not been properly identified as income for the household. As a result, the state contribution for welfare benefits was overpaid.

(1 case; improper amount: 611.05 million yen)

- Application of dependents of the retired persons on calculating state contributions for the provision of the medical benefits under the national health insurance scheme

Regarding state contributions for the provision of the medical benefits under the national health insurance scheme, medical expenses of the retired persons and their dependents were not eligible for the state contribution. However, since the system for application of dependents of the retired persons without notification to qualify for status of dependents had not been in place, the insurers (the municipalities) did not properly apply status of dependents on calculating state contributions for the provision of the medical benefits. As a result, the state contributions for the provision of the medical benefits were overpaid.

(1 case; improper amount: 1,882.19 million yen)

[This case was reported to the Diet and the Cabinet on July 25 2008, in accordance with the provision of Article 30-2 of the Board of Audit Law.]

- Reclaim of government officials' accident compensation insurance payment illegally received by employees based on the Civil Code

Regarding reclaim of government officials' accident compensation insurance payments illegally received by employees, reclaim was made based exclusively on the Workers' Accident Compensation Insurance Act. Based on the above-mentioned Act, right to claim expenses were extinguished by operation of prescription because two years had already passed at the time of uncovering the illegal reception. Therefore, reclaim was not exercised in accordance with the right to demand compensation of the Civil Code.

(1 case; improper amount: 47.02 million yen)

- Calculation of expenses to support employment which is paid according to employment rate of the trainees who complete the outsourcing training

Regarding the outsourcing expenses related to job training provided by the private education/training institutions, expenses to support employment which is paid according to employment rate of the trainees who complete the outsourcing training had not been calculated properly. For example, without fully considering job security as an objective of the job training, the calculation included short-term employees were in the definition of persons in employment since pattern and length of employment did not matter.

(1 case; improper amount: 742.91 million yen)

- Estimate of target price related to the service contract for joint transaction

Regarding the estimate of target price related to the service contract for joint transaction of National Pension, National Health Insurance, and Employee's Pension Insurance, guidance for uniform calculation for economical estimate had been inadequate. Therefore, unit price of the personnel expenses was calculated on the assumption that all the workers would use computers without taking into consideration the ratio of the manual work to the total work. As a result, the personnel expenses were overestimated.

(1 case; improper amount: 250.56 million yen)

#### Ministry of Agriculture, Forestry and Fisheries

- Examinations of certainty of implementation of the projects to improve facilities related to subsidies to promote utilization of biomass in the local area

Regarding the projects to improve facilities related to subsidies to promote utilization of biomass in the local area, specific procedures to examine the certainty of implementation of the projects had not been defined and survey to measure willingness of the persons concerned to utilize biomass had not been examined properly at the time of preparing project implementation plan. Therefore, the target amount of biomass specified in the plan had not been secured, which resulted in a low usage rate of biomass for the first year of the projects.

(1 case; improper amount: 1,517.19 million yen)

- Criteria for judgment to adopt the works for forestation outsourced by forest owners under the forest environment preservation project

Regarding the implementation of the forest environment preservation project, the criteria for judgment to adopt the works for forestation outsourced by forest owners to implementing bodies such as forest associations had not been clearly defined. Therefore, each forest owner as an employee of the project worked for forestation in his/her own area while the areas outsourced by the other forest owners were not performed for forestation at all. As a result, the project did not meet the purpose of works for forestation outsourced by forest owners so that forest associations should efficiently implement the project in a well-planned manner.

(1 case; improper amount: 358.80 million yen)

- Examination and confirmation of loan for the Coastal Fisheries Improvement Fund Subsidy

Regarding the loans for the Coastal Fisheries Improvement Fund Subsidy, since their examinations and confirmations had not been performed properly, borrowers used equipments eligible for loans for the purpose of business other than coastal fisheries. Furthermore, since the scope of equipments eligible for loans had not been clearly defined, additional devices ineligible for loans had been included in the project expenses eligible for loans.

(1 case; improper amount: 41.10 million yen)

- Telephone bills of fixed telephones used in offices for government-operated land improvement

Regarding telephone bills of fixed telephones used in offices for government-operated land improvement, even though it had been possible to reduce the telephone bills by applying for various discount systems, the offices did not fully understand the systems. Therefore, they did not use these discount systems properly, which resulted in payment for relatively expensive telephone bills.

(1 case; improper amount: 17.35 million yen)

- Accounting for outsourcing expenses separated from the other expenses under the outsourcing projects of the Ministry of Agriculture, Forestry and Fisheries

Regarding the implementation of the outsourcing projects of the Ministry of Agriculture, Forestry and Fisheries, accounting for outsourcing expenses separated from the other expenses had not been clearly defined in the outsourcing contract and the Ministry had not notified the prefectures of the necessity for separated accounting. Therefore, the prefectures had not separated accounting for outsourcing expenses from the other expenses in the outsourcing projects. However, the Ministry continued to pay and settle the outsourcing expenses without fully realizing these accounting transactions by the prefectures.

(1 case; improper amount: 214.06 million yen)

- Calculation of unit price for the basic rice processing related to the outsourcing to process the rice owned by the government

Regarding the outsourcing to process the rice owned by the government, although productivity of rice processing companies had improved following an increase in the processing amount in recent years, the Ministry had not fully realized the improved rice processing productivity. Therefore, the Ministry had not revised the unit price for the basic rice processing and percentage of successful rice processing defined by the Ministry or properly calculated the amount added to the unit price for the basic rice processing. As a result, the added amount was overcalculated.

(1 case; improper amount: 56.21million yen)

- Calculation of mutual aid benefit in the livestock mutual aid project related to cow

Regarding the management of the livestock mutual aid project related to cow, the federation of agricultural mutual aid associations set an extremely low basic unit price since the Ministry had not properly defined guidance as to how to set the basic unit price based on which the mutual aid benefit is paid. As a result, the mutual aid money was overcalculated.

(1 case; improper amount: 71.71 million yen)

- Calculation of the amount of compensation for absence from work to employees after their retirement who have suffered work-related injuries or illnesses

Regarding payment for compensation for absence from work to employees after their retirement who have suffered work-related injuries or illnesses, there were no defined procedures regarding the hours lost due to hospital visits, based on which the amount paid for compensation is calculated, or their examinations and confirmations had not been performed properly. As a result, compensations for absence from work were not paid based on actual hours lost due to hospital visits.

(1 case; improper amount: 97.59 million yen)

#### Ministry of Land, Infrastructure, Transport and Tourism

- Calculation of land rent charges related to permission for occupancy of a temporary parking lot in a national park

Regarding the calculation of land rent charges related to permission for occupancy of a temporary parking lot in a national park, status of the revenues and expenditures related to administration of the temporary parking lot had not been understood. As a result, although the revenues related to administration of the temporary parking lot exceeded those expenditures substantially at the foundations which were permitted for occupancy of temporary parking lots, the amount collected as rent charges did not reflect the actual status.

(1 case; improper amount: 18.70 million yen)

- Accounting for outsourcing expenses separated from other expenses under the outsourcing projects of the Ministry of Land, Infrastructure, Transport and Tourism

Regarding the implementation of the outsourcing projects of the Ministry of Land, Infrastructure, Transport and Tourism, accounting for outsourcing expenses separated from the other expenses had not been clearly defined in the outsourcing contract and the Ministry had not notified prefectures of the necessity for separated accounting. Therefore, the prefectures had not separated accounting for outsourcing expenses from other expenses in the outsourcing projects. However, the Ministry continued to pay and settle the outsourcing expenses without fully realizing these



accounting transactions by the prefectures.

(1 case; improper amount: 57.21 million yen)

- Scope of projects eligible for subsidies under the projects to pay Town Development Subsidies for urban development

Regarding the implementation of the projects to provide subsidies for urban development, since the rules regarding the scope of projects eligible for subsidies had not been clearly defined in the payment guidance for subsidies, understanding as to what project was eligible for subsidies and the scope of projects eligible for subsidies differed from municipality to municipality. As a result, the projects did not ensure their fair and efficient implementation.

[1 case; background amount: 1,573.49 million yen (The amount equivalent to state subsidies for the projects which were understood differently by municipalities as to what project is eligible for subsidies)]

- Scope of project expenses eligible for Town Development Subsidies in case the local governments acquire the land owned in advance by the land development public corporation

Regarding the implementation of a project with Town Development Subsidies, the Ministry of Land, Infrastructure, Transport and Tourism had not properly examined the scope of project expenses eligible for subsidies in case the local governments acquire the land owned in advance by the land development public corporation. Therefore, the difference due to decrease in land price which the state should not have borne had been included in the project expenses eligible for subsidies. As a result, the subsidies were overpaid.

(1 case; improper amount: 2,812.74 million yen)

- Calculation of subsidies related to pilot programs for discounted expressway tolls

Regarding the calculation of the state subsidies to cover a decrease in revenue of the expressway companies due to pilot programs for discounted expressway toll, discounted expressway tolls in the pilot programs was projected to prompt certain number of vehicles to change using from local roads to expressways, which could result in an increase in traffic on the expressways. However, the estimated revenues were calculated without taking the pilot programs for discounted expressway toll into consideration. As a result, the subsidies were overpaid.

(1 case; improper amount: 323.01 million yen)

- Review of penalty clause related to bid-rigging

Regarding penalty clause that bidders who won bids by committing illegal acts such as bid-rigging in the bidding for construction works shall pay a certain percent of the contract amount as penalties, importance of the reviews on the penalty clause in order to promptly help restore

damages had not been recognized properly. Therefore, it became impossible to promptly restore damages based on the penalty clause in case of the contracts with the firms which had been exempted from paying surcharges under the system of reduction or exemption of surcharges.

[1 case; background amount: 3,164.17 million yen (The contract amount with the firms which had been exempted from paying surcharges)]

[This case was reported to the Diet and the Cabinet on July 25, 2008, in accordance with the provision of Article 30-2 of the Board of Audit Law.]

- Efficient and effective operation of road management database system

Regarding the implementation of an operation to update the data in the road management database system, since the scope of what data to be entered into the system had not been clearly defined, electrical communication equipments managed by national highway offices which were necessary for management of the roads had not been entered into the system. As a result, the road management database system was not operated efficiently or effectively.

[1 case; improper amount: 310.55 million yen; background amount: 1,496.80 million yen (The expenses for the operation to update the data in the road management database system)]

- Estimate of maintenance expenses for air traffic control equipment

Regarding the estimate of maintenance expenses for air traffic control equipment, the maintenance services were contracted by each hub airport. However, the maintenance expenses were calculated based on the uniform unit price for labor throughout the country without setting unit price for labour by each region. As a result, maintenance expenses were overestimated.

(1 case; improper amount: 34.80 million yen)

- Estimate of expenses for parts and materials related to service contract to regularly maintain air traffic control radar

Regarding the estimate of expenses for parts and materials related to service contract to regularly maintain air traffic control radar, although many parts in the same standard had been replaced by regular maintenance, system to uniformly and properly calculate unit price of parts in estimate was not established. Therefore, there was a difference in estimated unit price of parts among regional civil aviation bureaus. As a result, expenses for parts and materials were overestimated.

(1 case; improper amount: 22.34 million yen)

#### Ministry of Defense

- Execution of food expenses of the Ground Self-Defense Force

Regarding the food services of the Ground Self-Defense Force, since the Force misunderstood

that the food expenses, which exceeded the total amount usable, could be executed within the total amount of the allocated budget and the amount for food carried over from the previous fiscal year, the food expenses had not been managed on a fixed amount basis. Therefore, the food expenses were executed in spite of exceeding the total amount usable.

(1 case; improper amount: 511.21 million yen)

- Exchange rate related to procurement of ship fuel to be delivered overseas

Regarding the procurement of ship fuel to be delivered overseas, the Board found appropriate exchange rates had not been applied and various expenses had not been certified properly because of the following: i) the system to settle by applying the appropriate exchange rate in accordance with the actual transaction of the contractors had not been properly established due to a lack of full understanding of the actual foreign exchange trading and transactions of various expenses. ii) transparency and competitiveness of contract were not ensured because the applicants had not been notified of terms regarding exchange rates at the time of bidding. iii) since various expenses borne by the contractor had been settled without any supporting documents for the actual amounts, it was difficult to secure fair presentation of the amounts.

[1 case; improper amount: 241.90 million yen; background amount: 39,113.60 million yen (The contract amount to procure the ship fuel to be delivered overseas under the Anti-Terrorism Special Measures Law and the Replenishment Support Special Measure Law)]

- Administration and operation of rescue signal products procured by the Air Self-Defense Force to be stored on the rescue aircrafts

Regarding the administration and operation of rescue signal products procured by the Air Self-Defense Force to be carried on the rescue aircrafts, there were no procedures to provide the rescue signal products expired during storage of the supply depots for the rescue teams to use them for training. Therefore, the rescue signal products expired during storage of supply depots were disposed although rescue teams in service continued to use rescue signal products expired for training. As a result, rescue signal products were not operated for use efficiently.

(1 case; improper amount: 29.01 million yen)

- Reviews of project for construction works of transmission stations which have no prospects for progress

Regarding a project for construction works of a transmission station for which acquisition of the land began in 1988, the Ministry had not reviewed on the policy to make effort to receive understanding and support from the local communities to proceed with the construction works although there were no prospects for starting construction due to the protests from the local communities. Therefore, the acquired land had remained unused for a long period. As a result, investment effect was not realized.

(1 case; improper amount: 3,626.61 million yen)

- Examinations of the subsidized projects for noise-insulation construction works on housing

Regarding the subsidized project for noise-control construction works on housing, the systems to examine the projects were insufficient. Therefore, there had been many cases where the persons who had moved in the houses eligible for subsidies just before beginning of the works and moved back to the previous house during implementation of the works, and there is a strong possibility that the persons who received subsidies intentionally moved in the houses just before beginning of the works in order to increase the number of rooms eligible for subsidies. As a result, the subsidized projects for noise-insulation works on housing had not been properly implemented.

[1 case; background amount: 728.10 million yen (The amount of state subsidies provided for the noise-control construction works where persons moved in just before beginning of the construction works began and moved out during implementation of the construction works)]

Japan Finance Corporation for Small and Medium Enterprise

- Progress status of insuring related to comprehensive debt guarantee insurance contracts

Regarding a contract of change of increasing in the insuring limit of debt guarantee provided by the credit guarantee corporations, although the credit guarantee corporations had retroacted the effective date to the day before the actual amount of debt guarantee provided by the corporations exceeded the insuring limit, the Japan Finance Corporation realized status of the actual amount of debt guarantee compared to the insuring limit of the corporations only as of the end of each month. As a result, the Japan Finance Corporation insured the contracts even during the period when the actual amount exceeded the insuring limit.

(1 case; improper amount: 11,962.74 million yen)

Tokyo Metro Co., Ltd.

- Estimate of material expenses for temporary steels for soil retaining walls used in construction works to improve stations

Regarding estimate of material expenses for temporary steels for soil retaining walls used in construction works to improve stations, the material expenses for the steels had not been estimated in a uniform manner within the Corporation. Therefore, the possibility of using used materials for the steels left in place was not considered, or the material expenses for drawn steels were not estimated based on the rental fees. As a result, material expenses were overestimated.

(1 case; improper amount: 19.90 million yen)

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

- Improvement of drainage pits in advanced resurfacing works and installation of protruding traffic

signs

Regarding improvement of drainage pits in advanced resurfacing works and installation of protruding traffic signs, since the standard specification and standards for calculation which reflected thereby had not been established, the specification and the unit price varied from office to office. Therefore, they were not implemented properly and economically.

[3 cases; improper amount: 28.58 million yen (East Nippon Expressway Company Limited), 30.65 million yen (Central Nippon Expressway Company Limited), 33.97 million yen (West Nippon Expressway Company Limited)]

#### National Printing Bureau

- Reviews of the contract to purchase materials for ink

Regarding the purchase of materials for ink, although the contractor outsourced manufacturing of the materials to another company, the Bureau did not consider the possibility of a direct contract with the subcontractor for a long period and continued the existing contract with the contractor. As a result, the contract amount was overpaid.

(1 case; improper amount: 28.92million yen)

#### Japan International Cooperation Agency

- Confirmation of the basic design specification related to development of the system for dispatching experts

Regarding development of the system to deal with procedures to dispatch experts, since the Agency had not confirmed properly as to whether necessary specifications were specified in the basic design specification, the system had to be modified. As a result, additional expenses and new expenses related to the modification became considerable, causing development of the system to be uneconomical and inefficient.

(1 case; improper amount: 97.74 million yen)

#### Japan Arts Council

- Procurement of the public relations magazine

Regarding procurement of the Council's public relations magazine called "Japan Arts Council News", given the way the magazine was created by the Council, the Council should have published the magazine as publisher by outsourcing the printing and bookbinding for the magazine. However, the Council actually purchased the magazine from a publisher, an incorporated foundation, at the list price since the Council did not fully recognize the necessity to procure the magazine economically, resulting in uneconomical procurement.

(1 case; improper amount: 17.63 million yen)

[This case was reported to the Diet and the Cabinet on July 25, 2008 in accordance with the provision of Article 30-2 of the Board of Audit Law.]

Japan Water Agency

- Review of penalty clause related to bid-rigging

Regarding penalty clause that bidders who won bids by committing illegal acts such as bid-rigging in the bidding for works shall pay a certain ratio of the contract amount as penalties, importance of the reviews on the penalty clause in order to promptly help restore damages had not been recognized properly. Therefore, it became impossible to promptly restore damages based on the penalty clause in case of the contracts with the firms which had been exempted from paying surcharges under the system of reduction or exemption of penalties.

[1 case; background amount: 1,155.35 million yen (The contract amount with the firms which had been exempted from paying surcharges)]

[This case was reported to the Diet and the Cabinet on July 25, 2008 in accordance with the provision of 30-2 of the Board of Audit Law.]

Organization for Small & Medium Enterprises and Regional Innovation, JAPAN

- Estimate of labour expenses related to the contracts for administration of vehicle operations

Regarding estimate of labour expenses related to the contracts for administration of vehicle operations, since the Organization did not properly understand the actual working hours on which monthly salary is calculated and the amount contributed by employers such as health insurance premium, the Organization calculate the amount of monthly salary by multiplying unit price per hour calculated excluding rest hours by the number of working hours including rest hours and duplicating the amount contributed by employers such as health insurance premium related to bonuses. As a result, the labour expenses were overestimated.

(1 case; improper amount: 85.57 million yen)

Japan Atomic Energy Agency

- Bidding system related to lease contracts

Regarding the conclusion of lease contracts by general competitive bidding, since the contractors and the procurement costs had been already decided by examining quotations from several companies prior to the bidding for lease contracts, the fairness and transparency were not secured. As a result, it was impossible to fully ensure benefits by competition.

(1 case; improper amount: 507.21 million yen)

Japan Housing Finance Agency

- Utilization of online requests for certificates of matters registered

Regarding online requests for certificates of matters registered related to registration of incorporation, transaction fees would have been less expensive if the Ministry of Justice's online request system had been used instead of request at the service counter. However, the Agency did not sufficiently consider the online request for certificates of matters registered though the Agency could utilize, and requested the certificates at the service counters. As a result, the payment of transaction fees was uneconomical.

(1 case; improper amount: 29.23 million yen)

University of Tsukuba, Tokyo Medical and Dental University and Research Organization of Information and Systems

- Payment of commuting allowances for employees who use public transportation

Regarding payment of commuting allowances, the government and most of the national university corporations pay commuting allowances for their employees based on the price of more economical six-month commuter pass. However, since the above-mentioned Universities and Organization had not reviewed rules related to salary due to a lack of awareness about this, they paid commuting allowances for their employees based on the price of monthly commuter pass. As a result, the payment of commuting allowances was uneconomical.

(3 cases; improper amount: University of Tsukuba: 40.22 million yen; Tokyo Medical and Dental University: 70.51 million yen; Research Organization of Information and Systems: 11.06 million yen)

Metropolitan Expressway Co., Ltd.

- Estimate of operation expenses of inspection cars for the structure inspection of the large scale bridges

Regarding estimate of operation expenses of inspection cars for the large scale bridges, two work units could have worked simultaneously considering the specifications of the inspection cars for the large scale bridges. However, since the Company did not sufficiently consider economical estimate, the amount of work per day set on the assumption of only one work unit was used on the estimate standard. As a result, operation expenses for the inspection cars were overestimated.

(1 case; improper amount: 92.55 million yen)

Hanshin Expressway Company Limited

- Estimate of expenses for cleaning service of expressways

Regarding the estimate of expenses for cleaning service of expressways, the average labour unit price of cleaning workers had been approximately the same as that of worker on light duty. However, since the Company did not sufficiently consider the estimate in accordance with the actual cleaning service, labour unit price of the regular workers was applied in the estimate,

which resulted in overestimate.

(1 case; improper amount: 34.64 million yen)

Hokkaido Railway Company

- Deployment of guards related to snow removal service at railroad crossings in the double-track sections

Regarding deployment of those who engaged in guard to ensure safety in the snow removal service at railroad crossings in the double-track sections, the Company had not fully notified track maintenance offices, etc. and the companies of snow removal of the compliance with the specifications. Therefore, guards were not deployed on the both tracks as specified in the specifications. As a result, the contract was not performed in accordance with the specifications.

(1 case; improper amount: 181.60 million yen)

Nippon Telegraph and Telephone East Corporation and Nippon Telegraph and Telephone West Corporation

- Reuse of ADSL modems

Since criterion to decide whether collected ADSL modems could be reused or not and the specifications related to cleaning service for reusable ADSL modems had not been clearly defined, ADSL modems, which could have been reused with replacement of some parts, were discarded and new ones were purchased.

[2 cases; improper amount: 226.09 million yen (FY2007), 237.00 million yen (Estimate: FY2004-FY2006) (Nippon Telegraph and Telephone East Corporation), 214.69 million yen (FY2007), 184.00 million yen (Estimate: FY2005 and FY2006) (Nippon Telegraph and Telephone West Corporation)]

Kansai International Airport Facilities Engineer Co., Ltd.

- Method of contract related to maintenance and administration of airport facilities

Regarding a contract related to maintenance and administration of airport facilities, cleaning service at airport terminals could have been implemented by any companies if specifications or manuals had been developed. However, the Company had not sufficiently recognized the importance to ensure competitiveness and concluded negotiated contracts on the grounds that the nature or purpose of the contract did not allow competition. As a result, the contract did not secure competitiveness.

(1 case; improper amount: 1,488.57 million yen)



## Section 5. Audit results of Measures taken concerning improprieties

- (1) Implementation status of remedial measures taken concerning ‘improprieties’ reported in the audit reports

The Board of Audit conducted audits on implementation status of remedial measures taken concerning improprieties reported in the Audit Reports from FY 1946 through FY 2006 as of the end of July 2008.

The Board found out that remedial measures for 465 cases which amounted to 13,180.40 million yen in 29 ministries/agencies had not yet been taken and that among these, 462 cases which amounted to 13,078.78 million yen in 28 ministries/agencies included the necessity to return money in their remedial measures.

The Board found it difficult for the responsible auditees to collect the money because debtor’s fund was insufficient or debtors were missing in some cases for which remedial measures had not yet been taken. However, it is necessary for ministries/agencies to manage credit properly to ensure that remedial measures will be taken appropriately and promptly.

The Board will continue to audit implementation status of remedial measures which have not been taken for improprieties identified in the audit reports.

- (2) Implementation status for improvement concerning ‘measures taken’ by relevant authorities in response to the audit results of the Board

The Board of Audit conducted audits on implementation status for improvement concerning measures taken by relevant authorities in response to the audit results of the Board reported in the audit reports of the past 5 years from FY 2002 through FY 2006.

The Board found that a part of improvement for 7 cases had not been implemented and that among them, 2 cases were reported again as improprieties.

It is necessary for relevant ministries/agencies to notify relevant authorities of such improvement further to ensure improvement will be implemented for cases where improvement has not been implemented.

The Board will continue to audit implementation status for improvement including those reported in the audit report for FY 2007.

## Section 6. Special report to the Diet and the Cabinet (7 cases)

- (1) Measures for improvements demanded regarding the financial stabilization fund related to nursing care insurance to revise the system so that the prefectures could reduce the size of the fund by returning some of the funds to the contributors such as the State Treasury when they deem it appropriate to maintain the proper size of the fund (See page 95)
- (2) Improvements made in the calculation of the state contribution for medical benefits to make sure dependents of the retired persons covered by the National Health Insurance are properly applied (See page 101)
- (3) Improvements made in the procurement of public relations magazine related to the Japan Arts Council to switch from purchasing the public relations magazine to creating and publishing them by itself to ensure economical procurement (See page 109)
- (4, 5) Improvements made regarding the penalty clause related to bid-rigging to claim penalties against vendors who are exempted from paying surcharges under the system of reduction or exemption of penalties (See page 105 and 110)
- (6) Implementation status of public relations services related to the lay judge system

Regarding forums provided by the Supreme Court and the Ministry of Justice as a part of a public relations related to the lay judge system, a newspaper company, which had been in charge of the administration of the forums, recruited participants by paying money to temporary employment agencies or the Supreme Court executed a contract before contract documents had been drawn up. In response to these situations, the Board of Audit conducted the audits on the negotiated contracts through proposal-base competition related to PR services of the lay judge system.

The audit findings were summarized as follows: (1) According to the Board's audit, neither the Supreme Court nor the Ministry of Justice paid the expenses related to the inappropriate recruiting of the participants through the newspaper company. (2) The Supreme Court violated accounting laws by implementing the projects prior to drawing up contracts in all 14 contracts. The Ministry of Justice could have conducted some of their contracts in FY 2005 through competitive bidding. The Supreme Court and the Ministry of Justice set examination standards for selecting vendors differently from each other and did not request estimates from multiple vendors in calculating the target price. Also, the Supreme Court did not unify the cost estimation methods, and in addition, made mistakes in the estimate or its estimate did not reflect the reality. (3) The Supreme Court did not reflect the changes in the contract contents on the amendments to the contract. The inspection reports were made without any clear specifications. Job descriptions of supervision and inspection were not clearly divided. Also,

some of the products prepared were hardly used. (4) The Supreme Court did not have a system to promptly develop the specifications or its internal checks were not working properly. (5) Regarding the implementation of the project, better cooperation between the Supreme Court and the Ministry of Justice could have been promoted on some occasions.

Therefore, the Supreme Court should conduct the proper office procedures including the calculation of the target price. Also, the Ministry of Justice should take necessary measures to ensure competitiveness and transparency related to the procedures negotiated contracts through proposal-base competition and the calculation of the target price.

The Board, in consideration of the fact that public relations will become increasingly important as the implementation of the lay judge system approaches, will continue to verify if improvement measures are taken for sure as well as audit the Public Relations services related to the lay judge system.

- (7) Adoption status of penalty clauses related to bid-rigging in the State and juridical persons more than half of whose capitals are invested by the State

The Board of Audit, in consideration of the fact that there have been many colluding cases recently related to construction works and procurement of goods or services ordered by the State agencies, undertook field audits on adoption status of penalty clauses related to colluding in the State and juridical persons more than half of whose capitals are invested by the State.

The audit findings were summarized as follows: (1) Some agencies had not adopted penalty clauses to force contractors who were confirmed to have committed colluding to pay penalties for all or some of the contract types. Also, since claim conditions of the penalty clauses had not been in accordance with the revision of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade in April 2005, penalties basically could not be paid on some occasions without ordering payment of administrative surcharges. (2) Regarding claim status of penalties, damages caused by colluding were not restored on some occasions because the fact that colluding occurred had not been realized. Also, contracts without penalty clauses took longer to restore damages than those with penalty clauses.

Therefore, the agencies which have not adopted penalty clauses should properly adopt them. Also, penalty clauses should be specified by properly applying the penalty clauses in response to occurrences of colluding so that damages can be restored. Furthermore, it is necessary to promptly and properly grasp the fact that colluding occurred as well as to strive to promptly restore damages when the damages caused by colluding have not been restored due to a lack of penalty clauses in the contracts.

The Board will continue to audit status of adoption and review of penalty clauses as well as

keep close watch on restore status of damages caused by colluding.

## Section 7. Special report on audit requested by the Diet (6 cases)

### (1) Matters related to negotiated contracts conducted by ministries/agencies

In response to the audit request from the House of Councillors, the Board of Audit reported the audit results concerning the negotiated contracts conducted by ministries/agencies in October 2007. Furthermore, the Board conducted field audits to verify if contract procedures were performed properly to ensure fairness, competitiveness and transparency, focusing on audits of status of reviews of the negotiated contracts at ministries/agencies which the Board stated it would continue to audit in the aforementioned report in October 2007.

The audit findings were summarized as follows: ①Although the ratio of the negotiated contracts decreased, the ratio of competitive contracts and negotiated contracts through proposal-base competition where only one vendor had applied for increased. Also, the average successful bidding rate for competitive contracts with only one applicant was higher than that with more than two applicants. ②Some of the competitive contracts, which had switched from the negotiated contracts and had only one applicant, needed to be reviewed to verify if competitiveness had been secured. ③Regarding the contracts with public interest corporations, the ratio of contracts with only one applicant was higher than the corresponding ratio seen in the whole contracts. ④Regarding independent institutions to monitor the contracts, some of the ministries/agencies had not published the outline of examinations on their websites. ⑤Regarding the negotiated contracts with public interest corporations which had employed retired employees from the competent ministries/agencies, the number of the negotiated contracts and the paid contract amount per public interest corporation were higher than those of the other public interest corporations.

Therefore, the ministries/agencies should: ①switch from the negotiated contracts to the competitive contracts unless the nature of the contracts does not allow competition and strive not to conduct the negotiated contracts through proposal-base competition without much thought when competitive contracts are possible, ②strive to ensure essential competitiveness when conducting the competitive contracts and the negotiated contracts through proposal-base competition as well as to ensure further fairness and transparency in conducting the negotiated contracts through proposal-base competition and public bidding, ③strive to ensure substantive competitiveness through switching the negotiated contracts through public interest corporations to the competitive contracts, ④regarding administration of independent institutions, strive to improve transparency in publishing details of their examinations, ⑤strive to ensure fairness, competitiveness, and transparency of the contracts by paying special attention to transparency in contracting with public interest corporations which employ the retired employees from the

ministries/agencies and ensuring full accountability.

The Board will continue to audit the contracts of ministries/agencies from various audit aspects.

(2) Implementation status of sports promotion lottery “toto” of the National Agency for the Advancement of Sports and Health

In response to the audit request from the House of Councillors, the Board of Audit conducted field audits concerning sports promotion lottery called “toto” implemented by the National Agency for the Advancement of Sports and Health (NAASH) in terms of ①status of reviews of the system and administration related to toto, ②transition of sales, debts and loss carried forward of toto, ③operating expenses and development scale of the sales system, and ④status of measures taken to write off loss carried forward.

The audit findings were summarized as follows: ①The Ministry of Education, Culture, Sports, Science and Technology had reviewed the system by taking measures such as abolishing the limit on the total number of combinations so that a wider variety of lotteries could be sold since FY 2005. Also, although NAASH outsourced services such as sales of lotteries to private companies in the first period, NAASH decided to directly administer the system based on know-how gained through the private companies in the second period. ②Since the sales of toto had continued to decrease since FY 2002 and effective improvement measures had not been taken promptly, NAASH posted a large loss carried forward of 29,200 million yen at the end of FY2005. ③Operating expenses and development scale were relatively large since the actual amount of sales had been substantially lower than projected in the first period. Therefore, development scale was reviewed in the second period to substantially decrease operating expenses of the sales system. ④Loss carried forward decreased substantially due to a rapid increase in sales of a new lottery called “BIG” which had been launched in September 2006.

It is necessary for NAASH and the Ministry to implement a system to allow post-verification and post-review of operating expenses and development scale of the sales system to conduct post-reviews as well as to improve a system for the measures against possible losses. Furthermore, NAASH and the Ministry should write off loss carried forward as soon as possible as well as steadily continue to pay money to the State Treasury to secure the necessary funds to contribute to promotion of sports, which is the objective of the system.

The Board will continue to audit toto from various audit aspects to verify if it is administered economically as well as efficiently and if it achieves its objectives specified in the laws.

(3) Implementation status and effects of technical cooperation concerning in Official Development Assistance by the Ministry of Education, Culture, Sports, Science and Technology, the Ministry of Health, Labour and Welfare, the Ministry of Agriculture, Forestry and Fisheries, the Ministry

of Economy, Trade and Industry and the Ministry of Land, Infrastructure, Transport and Tourism

In response to the audit request from the House of Councillors, the Board of Audit conducted audits and surveys (including the field audits) on Official Development Assistance under ①the Ministry of Education, Culture, Sports, Science and Technology, ②the Ministry of Health, Labour and Welfare, ③the Ministry of Agriculture, Forestry and Fisheries, ④the Ministry of Economy, Trade and Industry and ⑤the Ministry of Land, Infrastructure, Transport and Tourism in terms of implementation status and the effects of technical cooperation.

The Board found out that ODA budget had been used for purpose unrelated to ODA, that accounting transactions were not appropriate, that competitiveness and transparency in the process of deciding who was eligible for subsidies and to whom the projects should be outsourced had been insufficient, that technical cooperation had not necessarily been fully effective, and that verification of effectiveness of the cooperation had been insufficient.

Therefore, the above-mentioned five ministries should, in close cooperation with the Ministry of Foreign Affairs, strive to ensure proper implementation and certain effects of technical cooperation by clearly defining a distinction between the ODA and non-ODA budget and executing such budgets separately, performing proper accounting transactions, conducting competitive contracts whenever possible to improve transparency and fairness in implementing technical cooperation projects by outsourcing to or providing subsidies to organizations, grasping the demands in the recipient countries as well as implementing projects in order to optimize the effects of technical cooperation, and properly verifying the effects of the technical cooperation.

The Board will continue to audit from various audit aspects to verify if technical cooperation is implemented properly and assistance is as effective as possible.

(4) Contract bidding procedures related to grant aid and technical cooperation of Official Development Assistance

In response to the audit request from the House of Councillors, the Board of Audit reported in October 2007, the audit results concerning the contracts for construction works implemented by the recipient countries and for procurement of materials related to grant aid in ODA. Furthermore, in 2008 the Board conducted audits on implementation of Japan's assistance implementing bodies' measures to improve competitiveness and transparency of contracts, focusing on technical cooperation, which the Board stated it would continue to audit in the aforementioned report in October 2007, for 13 offices/ministries/agencies, the Japan International Cooperation Agency (JICA) and the public interest corporations under the government offices/ministries.

The Board found out that concerning technical cooperation implemented by the recipient countries and the 13 offices/ministries/agencies, there had been no contracts for both construction works of facilities and procurement of materials overseas. On the other hand, concerning technical cooperation implemented by JICA and the Overseas Fishery Cooperation Foundation of Japan (OFCF), one of the public interest corporations under the offices/ministries, there had been respectively 2,343 cases and 167 cases of such contracts. Concerning the JICA, ①the average successful bidding rate among 323 contracts which had been put up for bidding with the target price set was 83.73% for the contracts to procure materials in Japan, 91.52% for the contracts to construct facilities overseas, and 90.27% for the contracts to procure materials overseas. The successful bidding rate for estimate competition including designated estimate competitive bidding system in order to improve price competitiveness, was not hugely different from that of the contracts which had been put up for competitive bidding. ②Some of the contracts to construct facilities overseas as well as to procure materials overseas had omitted setting the target price without conducting the office procedures specified in the accounting regulations. OFCF had omitted setting the target price for the negotiated contracts and the average successful bidding rate was becoming higher every year.

Therefore, JICA, which has been disclosing the target prices since 2008, should strive to improve competitiveness and transparency of the contracts by taking measures such as continuing to publish the successful bidding rate. Also, it is necessary for JICA to conduct proper office procedures related to the contracts to construct facilities overseas as well as to procure materials overseas. OFCF should strive to improve competitiveness and transparency of the contracts further by taking measures such as setting the target prices for procurement which exceeds a certain amount.

The Board of Audit will continue to audit the proper implementation of the contracts for construction works of facilities and for procurement of materials related to grant aid and technical cooperation from various audit aspects.

(5) Execution status of Official Development Assistance (ODA)

In response to the audit request from the House of Councillors, the Board of Audit reported the audit results concerning Official Development Assistance (ODA) in September 2006 and September 2007. Furthermore, the Board conducted audits and surveys (including the field audits) on the execution status of emergency aid following the Sumatra offshore earthquake, which the Board stated it would be necessary to continue to audit.

The Board found out that because facility construction works under the non-project financial aid projects to disaster-affected countries have made progress 3 years after the granting, the payment percentages (as defined as the ratio of the amount already paid to the grant amount)

were 91.3% in the Republic of Indonesia, 87.7% in the Republic of Maldives, and 89.4% in the Democratic Socialist Republic of Sri Lanka as of the end of March 2008. Also, since there is a difference between the estimated contract amount and the actual contract amount, there will ultimately be an unused amount in the grant amount. The Ministry of Foreign Affairs stated it is currently in discussions with the above-mentioned 3 countries to discuss a plan to use this unused amount to finance a part of expenses for the tsunami recovery project implemented by those 3 countries. On the other hand, since there were cases in which advance payment for contractors of the cancelled/terminated contracts was not returned, the Ministry needs to continuously urge relevant recipient country's government to return the money paid in advance as soon as possible. It is expected that facilities constructed and materials procured under these projects continue to be utilized effectively in order to promote disaster recovery/reconstruction efforts in the affected areas.

Therefore, the Board will continue to audit the mid/long-term effects of the projects based on the post-review which will be conducted by the Ministry upon completion of the projects, including the concrete utilization results of the unused amount.

(6) Status of operation, finance, bidding and contracts of the incorporated administrative agencies

In response to the audit request from the House of Councillors, the Board conducted field audits on status of operation, finance, bidding and contracts of the independent administrative agencies in terms of ①status of operation and finance ②status of contracts of each independent administrative agencies, including contract systems and successful bidding rates.

The audit findings were summarized as follows: concerning ①, the operation, which had been implemented by the agencies consolidated or abolished based on the reviews of the competent ministers, were taken over by the consolidated agencies. Also, the unused amount of the subsidies for the operations, which totaled to 300 million yen and the funds acquired through the disposal of assets whose capital had been invested by the state which totaled to 37,000 million yen, were not refunded to the State Treasury and were retained within the agencies. Concerning ②, the ratio of the negotiated contracts was over 70% of all the contracts and the average successful bidding rate of the negotiated contracts was 7 percentage points higher than that of the competitive contracts. Also, many negotiated contracts should have reviewed the appropriateness of their reasons for conducting negotiated contracts. Furthermore, public interest corporations which had employed retired employees from the ministries/agencies had the higher number of the negotiated contracts and the higher amount of payment than those which had not employed retired employees.

Therefore, it is necessary for competent ministries or/and each agencies to ①implement more vigorous examinations as to if the projects and the office duties each agency conducts are really necessary for the public, properly deal with agencies which have retained the subsidies for the



operations, and promptly take legislative measures related to capital reductions to make it possible to return the funds acquired through the disposal of assets to the State Treasury, ② increase competitive contracts to enhance transparency of the contracts, and pay special attention to ensure transparency when conducting the negotiated contracts with the public interest corporations which have employed retired employees from the ministries/agencies.

Although the Board has not completed reviews related to the status of reviews on the individual negotiated contracts based on the plan to review the negotiated contracts developed in December 2007, the Board will continue to conduct audit, focusing on the un-audited area and report the audit results upon completion.

### **Section 8. Implementation status of audit requested by the Diet (5 cases)**

The Board is conducting audits with much interest on the matters which had been of particular interest to the public even before the audit request by Article 105 of the Diet Law.

- (1) Regarding an outsourcing project related to the creation and delivery preparations of pension coverage special notices, descriptions on specification sheets were inadequate, and proper consideration was not given to directions given to the contractors, necessitating the repeated creation and delivery of pension coverage special notices, which is uneconomical (See page 63)
- (2) Damages caused by illegal acts by employees (See page 57 and 75)
- (3) Opinions presented regarding the use of taxi tickets to comply with matters specified in the rules related to the usage of taxi tickets and clarify usage status to conduct proper administration (See page 93)
- (4) Opinions presented to properly and efficiently execute expenditures in special accounts for road improvement (See page 93)
- (5) Procurement of defense equipment through general import

The Ministry of Defense procures defense equipment both in Japan and through import. Concerning the import, the amount of defense equipment procured through general import reached 132,600 million yen in FY2007 which accounted for about 6% of the total amount procured. There has been a series of cases of padded-billing by the trading companies and this fact compromised propriety of the contracts by the state. In response to these situations, the Board conducted field audits on the contract procedures for procurement through general import and the calculation of the target price.

The audit findings were summarized as follows: ①Concerning the contract method with the trading companies, since the trading companies often have the sale rights of overseas manufacturers in Japan, there have been many cases where only one vendor applied to bid or substantive competition did not take place. ②The Ministry often failed to obtain the estimate issued by overseas manufacturers as certificates of the contract price from the contractor though the Ministry is required to do so as a rule. ③In comparison of the prices of defense equipment in the contracts in which cases of padded-billing had been confirmed with the standard prices specified by the United States Department of Defense (DoD) by using the WebFLIS which stores information on standard prices set by the DoD based on the procurement prices of defense equipment in the United States, some of the prices were higher than the standard prices specified by the DoD. ④The Ministry of Defense is continuing to investigate the cases of padded-billing and taking measures to the issues related to procurement through general import.

Therefore, the Board will continue to conduct audits in terms of ①measures to increase competitiveness of the general competitive contracts, ②methods of examining propriety of estimates submitted to the Ministry, ③methods of effectively utilizing the WebFLIS and ④ investigation status of cases of padded-billing and implementation status of measures against the issues related to general import.

Furthermore, in June 2008, the Board received the audit request from the Diet to report the findings concerning the procurement of defense equipment through general import in terms of ①overall status of procurement of defense equipment including general import, ②status of contract methods, contract procedures and the calculation of the target price related to procurement through general import and ③the Ministry's investigation status of cases of padded-billing related to general import and implementation status of measures against them.

The Board will continue to conduct audits in response to the audit request from the Diet based on the audits in 2008 and report the audit results upon completion.

## **Section 9. Special report on audit implementation (5 cases)**

- (1) Implementation status of capital injection measures through public funds for financial institutions to stabilize the financial system, repayment status of public funds and financial status of the Deposit Insurance Corporation of Japan (DICJ)

The Board of Audit conducted field audits on the public funds of 10,420.9 billion yen which had been injected as capital injection measures based on the “Financial Function Stabilization Law” and “The Law concerning Emergency Measures for Early Strengthening of Financial Functions” in the Financial Service Agency (FSA) and the DICJ. Concerning the repayment status of public funds, the public funds of 8,994.0 billion yen had been repaid by the end of

FY2007 and 1,426.8 billion yen has still been outstanding. Some financial institutions with outstanding amount of public funds have accumulated surplus funds for sources of repayment less than the outstanding balance of the public funds. The DICJ should properly implement the work concerning capital injection measures while continuing the premises of maintaining the sound management of the recapitalized financial institutions and the avoiding of negative impacts to the markets in order to ensure the preferred stocks are disposed of at a price higher than the acquisition price. The FSA should implement a proper supervision of the financial institutions with outstanding public fund to ensure their management can be strengthened and the repayment of public funds can be concluded promptly.

In the case of the Shinsei Bank, all preferred stocks held by the RCC and the DICJ were converted into common stocks. As a result, although both the Resolution and Collection Corporation (RCC) and the DICJ lost the priorities that preferred stocks had to receive preferred distribution of residual property, they should exercise their voting rights of common stockholders properly as a manager of public funds in order not to lose the public funds that should be repaid.

The accumulated profit in the Early Strengthening Account of DICJ has been increasing with the repayment of public funds. As a result, at the end of March 2008, the amount of current assets exceeded the debts with interests (DICJ bonds) for the first time. The probability of the demand of large amounts of funds for the Early Strengthening Account is considered to be low. It is required for the FSA and the DICJ to respond properly to future situations regarding the funds held in the Early Strengthening Account.

The Board, while giving consideration to the changes of the situations surrounding the financial institutions, shall continue to audit the financial status of the DICJ and the public funds yet to be repaid.

(2) Application of special taxation measures (special exemption for blue returns)

Special taxation measures are enacted as exceptions to the basic tax system philosophy of fairness, impartiality, and simplicity as a means to achieve specific policy objectives. Consequently, the Board of Audit conducted field audits concerning the application and verification conditions of special taxation measures (related to special exemption for blue returns). The Board found out that concerning the application of special exemption for blue returns for high income sole proprietorships, while the application rate of blue returns was 93.4%, and the application rate of 650,000 yen special exemption was 83.8%, there were a certain number of white returns. Concerning the status of necessary expenses for the taxpayers filing blue returns (taxpayers eligible for special deduction for blue returns), some taxpayers were paying high amounts of wage for family employees for blue returns or high amounts of entertainment expenses.

With regard to the review of special exemption for blue returns, reviews implemented by the Ministry of Economy, Trade and Industry in order to demand the tax reform, revealed issues such as the one where the policy's target objectives had not been clearly defined. Special exemption for blue returns had not been positioned as specific measures to achieve policy objectives up to FY2007 in the policy evaluations in the Ministry.

Ministry of Economy, Trade and Industry is required to enhance the effectiveness by further reinforcing the contents of the review of special exemption for blue returns. It is also required to achieve the accountability to public. The Ministry of Finance is required to continue to sufficiently review special exemption for blue returns in order to ensure the self-assessment tax system functions properly. Finally but not the least, National Tax Agency is required to strive to take measures to ensure accurate filing of return through accurate bookkeeping.

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

(3) Accounting of office expenses related to the state subsidized projects in the prefectures

The Board of Audit conducted audits in 2007 on the prefectures which had conducted internal investigations and revealed there had been cases of improper accounting in terms of connections between improper accounting and the state subsidies, and reported the audit implementation status in the Audit Report for FY 2006. Furthermore, the Board, in 2008, ①conducted field audits on 12 prefectures which included prefectures which had not conducted internal investigations concerning office expenses related to the state subsidized projects under the Ministry of Agriculture, Forestry and Fisheries and the Ministry of Land, Infrastructure, Transport and Tourism, and ②conducted field audits and in-office document audits on additional 3 prefectures and municipalities which were revealed to have conducted improper accounting transactions as a result of internal investigations concerning connections between the improper accounting and the state subsidies.

The audit findings were summarized as follows: ①12 prefectures paid expenses by conducting improper accounting transactions such as preparing fictitious documents and paid wages and travel expenses for usage not eligible for the subsidies. The total amount equivalent to the state subsidies related to this under the above-mentioned Ministries totaled to 556 million yen. ② The amount equivalent to state subsidies of 61.16 million yen were included in the public funds concerning improper accounting transactions revealed by internal investigations in the 3 prefectures and municipalities.

Therefore, it is necessary for the prefectures and municipalities which were revealed to have conducted improper accounting transactions, should take necessary measures such as returning

the amount equivalent to state subsidies related to the improper situations as well as promote preventive measures such as proper execution of budgets, improvement of internal checks and balances functions related to accounting procedures. Relevant ministries/agencies should take necessary measures such as requiring the prefectures to return the aforementioned money as well as vigorously instruct the prefectures to properly conduct accounting transactions for office expenses related to the state subsidized projects. Furthermore, the prefectures and municipalities and the relevant ministries/agencies should strive to ensure propriety and discipline of accounting transactions of the prefectures and municipalities to improve its transparency. Also, the Ministry of Finance should continue to pay attention to the proper execution of budgets related to the subsidies.

The Board has already begun audits on all the other prefectures based on the fact that all the prefectures audited by the Board in 2008 had conducted improper accounting transactions, and will continue to conduct field audits.

#### (4) Financial status concerning the liquidation of Japanese National Railways

The Japan Railway Construction, Transport and Technology Agency's special service account is used to pay for the pension for former employees of Japanese National Railways (JNR) and to dispose of assets such as land and stocks succeeded from the JNR to finance the pension.

The Board, in consideration of the fact that the amount of surplus funds in the special service account was 1,344.1 billion yen at the end of FY2007, that the amount of debts succeeded by the General Account of the state to pay back the JNR's long-term debts amounted to 24,016.6 billion yen and that the amount of the state subsidies granted from the General Account from FY 1998 through FY2006 was 552.5 billion yen, conducted field audits on the Ministry of Land, Infrastructure, Transport and Tourism and the Agency in terms of a transition of financial status of the special service account.

The Board found out that the special service account was required to deposit all the remaining surplus funds after the calculation of loss and profit as reserve funds, as specified in the Act on the payment of debts by the The JNR Settlement Corporation in order to ensure that pension will be paid to the former employees for more than 50 years to come and there was no provisions concerning the payment of the remaining surplus fund to the State Treasury. However, considering the difficult situations surrounding the State Treasury, the large amount of debts succeeded by the General Account and the large amount of reserve funds deposited, it is necessary for the Ministry and the Agency to take into consideration uncertainties surrounding steady payment of pension, and to establish long-term projection of revenue and expenditure in order to examine the appropriate standard for the reserve funds for the special service account. If it is anticipated that surplus funds are remained, it is necessary to make sure the Agency return the funds to the State Treasury. The Ministry and the Agency should take

measures to facilitate this process.

The Board, in consideration of the large amount of debts inherited by the General Account to pay off the debts of the JNR, will continue to audit the Ministry's and the Agency's measures concerning the reserve funds in the special service account.

(5) Bridge girder collapse during road construction works related to a yen loan project in Vietnam

A part of a girder of the Can Tho bridge(girder length:40m, total length between two spans:80m), which was under construction under the Japanese Official Development Assistance (yen loan) project in Vietnam, collapsed on September 26, 2007 and with heavy casualties. The Vietnamese government published the final report based on the investigation results of the National Accident Investigation Committee in July, 2008, summarizing the main cause of the accident was the unequal differential settlement of supporting columns used for temporary works. In response to these situations, the Board conducted audits on the Ministry of Foreign Affairs and field survey and so on. However, the Board was unable to verify the propriety of the summary of the final report because the Vietnamese side did not provide the Board with the final report and, the basic materials and design documents which led to the final report.

Meanwhile, "Review Meeting on Prevention of the Recurrence of the Can Tho Bridge Collapse", established by the Ministry of Foreign Affairs of Japan, compiled and published "Proposals to improve project monitoring and supervision and to prevent the recurrence of accidents in Japanese ODA loan projects" in July, 2008. The Japan International Cooperation Agency, in response to these proposals, should verify if items of safety measures feasible for this project are implemented for certain as well as continue to closely monitor the construction works which were resumed in August, 2008 to make sure Vietnamese project implementing bodies are taking all possible measures to ensure safety of the construction works.

The Board will continue to conduct audit the project to verify if the procedures to deal with changes in the project such as an increase in the construction costs associated with the resumption, contractual changes such as extension of construction period, and project changes such as extension of project implementation period are performed promptly, if the relevant authorities are requesting the Vietnamese project implementing bodies to pay maximum attention to the safety system, and if the yen loan projects in the future are implemented properly by taking measures to ensure further safety.

## **Section 10. Implementation status of audits the Board carried out for specific issues of public concern**

The audit results on specific issues of public concern reported are divided into the following categories: ①issues related to the negotiated contracts conducted by each ministry/office, ②issues related to surplus funds and assets held by Special Accounts and independent administrative agencies, ③issues related to accounting of independent administrative agencies and public interest corporations, ④issues related to administration of pension programs, ⑤issues related to ODA and ⑥other issues.

Also, apart from the above issues, the implementation status of audit on several major issues of public concern has been reported.

The Board, in order to conduct audits in a manner that measures up to public expectations based on social and economic movements and financial situations, will conduct dynamic and flexible audits timely and properly depending on the situations when dealing with cases such as those deliberated in the Diet, published in the newspapers or other issues of public concern, as well as will continue to audit paying attention to various measures taken for a sound finance of the state.