

Audit Report for FY2018: Outline of Selected Audit Findings

The Audit Report for FY2018 covers a wide variety of cases in different categories. The following is an outline of the audit findings on matters of great interest to the public, which features the characteristics of the report.

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1) Provision of guidance and advice to owners of buildings that have undergone evaluation of seismic capacity under the program to form a safe stock of housing and buildings

<Category>

Presentation of opinions and/or demand for measures (Ministry of Land, Infrastructure, Transport and Tourism)

<Objectives of audit>

Audit conducted mainly with the objective of effectiveness

The Ministry of Land, Infrastructure, Transport and Tourism (MLIT) provides Grants for Comprehensive Infrastructure Development and Disaster Prevention /Safety (hereinafter referred to as “the grants”) to local governments which provide subsidies to private business operators that implement seismic diagnoses, seismic retrofitting and reconstructions under the Projects for forming Safe Housing and Buildings Stock in order to improve seismic safety of houses and buildings.

The Act on Promotion of Seismic Retrofitting of Buildings (Act No. 123 of 1995, hereinafter referred to as “APSRB”) states that competent administrative agencies (hereinafter referred to as “the agencies”) may provide guidance and advice to the owners of existing buildings which are seismically ineligible in order to ensure appropriate implementation of seismic diagnoses and seismic retrofitting. In addition, in the Basic Policy for Promoting Seismic Diagnoses and Seismic Retrofitting of Buildings, MLIT states that the agencies should make efforts to provide guidance and advice based on the APSRB to the owners of existing buildings which are seismically ineligible. However, with regard to the existing seismically ineligible buildings—including buildings listed in safety assurance plans, large-scale buildings which require urgent safety assurance and specified existing seismically ineligible buildings (hereinafter referred to as “buildings which require seismic diagnoses”)—which are not assured the quality of seismic safety after seismic diagnoses were conducted utilizing grants, the Board found that some agencies had not provided any guidance or advice to owners, even though they were aware that no seismic retrofitting had been implemented, or some agencies did not know the implementation status of the seismic retrofitting.

Therefore, MLIT should take the following measures:

- A. To instruct the agencies to regularly grasp the implementation status of seismic retrofitting on existing seismically ineligible buildings, including buildings which require seismic diagnoses, and their seismic safety do not meet standards properly after seismic diagnoses have undergone; and to instruct the agencies to proactively provide guidance and advice to the owners if seismic retrofitting of their buildings has not been implemented.
- B. To check regularly whether the agencies are providing guidance and advice, and if they do not provide guidance and advice, after hearing the reason, and to provide them with technical advices.

Improper amount: 816.55 million yen

Background amount: 1,176.76 million yen

The amount of grants provided to the owners of the buildings, those of which the agencies do not grasp the status of seismic retrofitting implementation after seismic diagnoses.

2) Setting of prices for medical examinations related to the secondary health examination benefit

<Category>

Presentation of opinions and/or demand for measures (Ministry of Health, Labour and Welfare)

<Objectives of audit>

Audit conducted mainly with the objective of regularity

In order to promote the prevention of the occurrence of cerebrovascular disease and heart diseases resulting from an employment-related causes, in accordance with the Industrial Accident Compensation Insurance Act (Act No. 50 of 1947), the Ministry of Health, Labour and Welfare (MHLW) provides secondary (follow-up) health examination benefits to workers who have undergone blood pressure tests, blood tests or other tests, which are specified by an Ordinance of MHLW, and were diagnosed as showing abnormalities in the findings for all items in those tests in their latest medical examination conducted by their employers under the Industrial Safety and Health Act (Act No. 57 of 1972). MHLW pays the expenses required for secondary medical examinations and specific health guidance (hereinafter referred to as “examination expenses” for such expenses and “secondary examinations” for such examinations and guidance) to medical institutions or Rosai hospitals (Industrial Accident Compensation Hospitals) which conducted follow-up examinations.

The Regulations of Industrial Accident Compensation Insurance Secondary Medical Examination Benefits (hereinafter referred to as “benefit regulations”) stipulates that examination expenses are paid by the amount pursuant to unit prices for medical examination (hereinafter referred to as “examination unit prices”) prescribed in the benefit regulations depending on the combinations of test items in the secondary examinations and whether or not specific health guidance was conducted. The examination unit prices are composed of expenses for tests and specific health guidance.

However, the Board of Audit found following issues:

- In determining examination unit prices, MHLW calculated the amount higher than the one properly calculated based on the points prescribed in the Appended Table 1: “Medical Fee Points” (hereinafter referred to as “Health Insurance Point Table”) of

the “Calculation Method for the Amount of Expenses required to Medical Treatment Pursuant to the provisions of the Health Insurance Act” (“Calculating Method for Medical Fees” as called after 2008).

- MHLW has not ever conducted review of the amount of the expenses for tests based on the revised “Calculation Standards for Industrial Accident Treatment-Related Medical Expenses” (hereinafter referred to as “Calculation Standards”) and the Health Insurance Point Table.
- MHLW calculated the amount of the expenses for tests including those that were not conducted.
- MHLW calculated the expenses for guidance without specific base for calculation, as specific standards for implementation of specific health guidance were not prescribed.

Therefore, with regard to examination unit prices, MHLW should revise the benefit regulations and take the following measures:

- A. To calculate expenses for tests based on the points prescribed in the Health Insurance Point Table.
- B. To review the amount of the expenses for tests based on the revised Calculation Standards and the Health Insurance Point Table.
- C. To avoid calculating the amount of the expenses for tests that were not conducted.
- D. To develop standards for implementation which stipulates specific contents, period, guideline of time required for specific health guidance and to review expenses for the specific health guidance based on the said standards.

[Improper amount: 36.58 million yen
Background amount: 291.44 million yen
[The payment amount equivalent to the expenses for specific health guidance which were calculated without specific base for calculation.]]

3) Procurement of defense equipment via Foreign Military Sales (FMS)

<Category>

Special report on audit requested by the Diet

<Objective of audit>

Audit conducted mainly with the objective of effectiveness

The Board conducted an audit on the state of procurement of defense equipment via Foreign Military Sales (hereinafter referred to as “FMS”) in response to a request from the House of Councillors.

The Board found the following issues:

- With respect to the publicized information including the selection of two defense equipment, no specific contents of analysis of alternative procurement measures have been published.
- No procedures for completion of the transactions involving reimbursement of initial investment costs based on the Cooperative Logistics Supply Support Agreement (hereinafter referred to as “FMSO I Case”) have been established.
- The FMS Contract Administration Services Surcharge, which is additional fee to cover expenses such as quality assurance and tests, has not been exempted or reduced.
- The deliveries of some defense equipment have not yet been completed, although the scheduled shipping date have passed.
- The unsettled amount for delivered defense equipment has grown large for some reasons such as reimbursement has not been completed.
- Some of procured defense equipment have not been recorded in the goods management books.
- Requests for refunds of the amount that can be returned to Japan from the FMS Trust Fund (hereinafter referred to as “Trust Fund”) have not been made.
- Receiving final Billing Statements takes long time even after the introduction of the new account settlement system, which aims to settle the accounts within two years after deliveries.

Therefore, it is important that the Ministry of Defense, by asking the U.S. government for their cooperation when necessary, should pay attention to the followings, and implement more proper FMS based procurement:

- To properly fulfill its accountability for defense equipment selection procedures
- To review procedures related to completion of FMSO_I cases

- To consider any possible means to reduce the contract amount by way of a reduction and exemption of the FMS Contract Administration Services Surcharge
- To continue to coordinate with the U.S. government to expedite the shipment of items which have not yet been delivered though the scheduled shipping date had passed.
- To endeavor to reduce the unsettled amount, which has grown large, by asking the U.S. side to send the Billing Statement promptly.
- To record the procured defense equipment in the goods management books promptly and keep the records appropriately
- To check the balance of the Trust Fund and request immediately refunds to the U.S. government as necessary
- To continue to urge the U.S. government to complete the reimbursements steadily by using the new account settlement system

The Board of Audit will continue to audit from various perspectives whether FMS-based procurement of defense equipment is implemented appropriately.

4) Imposition of consumption tax in the event that sole proprietors have closed their business

<Category>

Measures taken (Ministry of Finance)

<Objectives of audit>

Audit conducted mainly with the objective of effectiveness

At the consumption tax return hearings, since no methods for confirming assets other than inventories were set, the National Tax Agency did not appropriately check deemed transfers of assets other than inventories owned by sole proprietors who discontinued their business operations by effectively utilizing their business discontinuance notices and financial statements.

Background amount: 1,185.42 million yen

The total amount of undepreciated balance of assets other than inventories owned by sole proprietors, which were not highly likely to be appropriately taxed on deemed transfer of assets.

5) Scale of government contribution to the type 2 credit guarantee fund held by the Organization for Small & Medium Enterprises and Regional Innovation, Japan

<Category>

Presentation of opinions and/or demand for measures
(Ministry of Economy, Trade and Industry,
Organization for Small & Medium Enterprises and Regional Innovation, Japan)

<Objectives of audit>

Audit conducted mainly with the objective of effectiveness

The Independent Administrative Agency the Organization for Small & Medium Enterprises and Regional Innovation, Japan (hereinafter referred to as “the Organization”) was established in July 2004, and took over the loan guarantee service by the dissolved Industrial Infrastructure Development Fund, and the Organization receives government contribution as its resource for its loan guarantee service implemented by using the Type 2 Credit Fund (hereinafter referred to as “Type 2 Fund”). The Ministry of Economy, Trade and Industry (METI) calculates the amount of government contribution required for the Organization to fulfill its loan guarantee service using the Type 2 Fund when a new loan guarantee system is established; as of the end of 2017, METI calculated the necessary amount of government contribution as slightly over 37,548.74 million yen, and the Organization retains this amount. However, the Board found that utilization of the loan guarantee service has been extremely low, and capital contribution by the government in the Type 2 Fund has not been used effectively. Therefore, METI and the Organization should take the following measures:

- A. At METI, to review the amount of government contribution actually needed by taking into account previous year’s use of the loan guarantee service, the ratio of provision for loss on guarantees, and stability of the service; and at the Organization, to pay back immediately the amount that can be recognized as exceeding the required amount of government contribution held at the Organization to the national treasury, in accordance with the Act on General Rules for Incorporated Administrative Agencies.
- B. At METI and the Organization, to review the necessary amount of government contribution in a timely and appropriate manner by fully sharing information on use of the loan guarantee service and the ratio of provision for loss on guarantees in order to prevent recurrence of a similar situation; and to build a system to promptly pay back to the National Treasury the assets related to capital contribution by the government that are recognized as exceeding the required amount and as unnecessary assets.

(Improper amount: 20,261.03 million yen)

6) Financial management related to the implementation of the Basic Survey on Wage Structure

<Category>

Presentation of opinions and/or demand for measures (Ministry of Health, Labour and Welfare)

<Objectives of audit>

Audit conducted mainly with the objective of regularity

The Ministry of Health, Labour and Welfare (MHLW) implements the Basic Survey on Wage Structure (hereinafter referred to as “wage census”), one of the Fundamental Statistical Surveys based on the Statistics Act (Act No. 53 of 2007). According to the survey plan approved by the Minister for Internal Affairs and Communications, the wage census is implemented by MHLW headquarters and Prefectural Labour Bureaus (hereinafter referred to as “Labour Bureaus”), and the Census must be conducted by the method that the officials of Labour Bureaus and the enumerators visit business offices to be surveyed, distribute questionnaires and collect the completed ones. As for the budgets at the Labour Bureaus to be spent for expenses related to conduct the wage census, MHLW instructs 47 Labour Bureaus to use the budget in the following items: -“Allowance for Enumerators”, and “MHLW Survey Expenditures” of “Prefectural Labour Bureaus’ Shared Expenditures” of “Prefectural Labour Bureaus” under “General Accounts.” However, at some Labour Bureaus, the Board of Audit found that the wage censuses are often conducted via postal mail instead of enumerators’ visits and the cost of wage census was expensed not from expenditure items under “General Accounts” as instructed by MHLW headquarters but was expensed as followings:

- Expensed from expenditure items under “Labour Insurance Special Account,” which is separately managed from General Accounts.
- Expensed from expenditure items of General Accounts which were allocated to implement projects other than wage census.
- Expensed from another items of “Allowance for Enumerators” of “Prefectural Labour Bureaus’ Shared Expenditures” instead of “MHLW Survey Expenditures” of the same items as instructed.

Therefore, MHLW headquarters should take the following measures:

- A. At both MHLW headquarters and the Labour Bureaus, to make sure relevant officials fully comply with accounting laws and regulations through trainings so that they can execute the instructions for budget and financial management relating to statistical surveys properly in accordance with accounting laws and regulations.
- B. To check the status of budget executions related to the statistical surveys implemented by the Labour Bureaus, and to examine whether or not there are

deviations from budget estimations; if a deviation is found, to analyze its cause, consider measures based on the analysis to ensure appropriate implementation of the statistical surveys, and to build a system to appropriately estimate necessary budgets to implement surveys.

([Improper amount](#): 37.10 million yen)

7) Fabrication of fuel elements used in the JMTR testing and research reactor

<Category>

Measures taken (Japan Atomic Energy Agency)

<Objectives of audit>

Audit conducted mainly with the objective of economy

In manufacturing fuel elements used in nuclear reactors for testing and research at Japan Materials Testing Reactor (JMTR), due to lack of recognition of the necessity of issuing an order to manufacture fuel elements, taking into account the status of compliance with new regulatory standards, operation plans and stock quantities of fuel elements, the fuel element manufacture was not suspended even after September 2012 though it was recognized that there was no prospect of restarting operation, resulting in generation of unused fuel elements which require treatment or disposal.

([Improper amount](#): 1,096.75 million yen)

8) Implementation status of projects undertaken with subsidies for information and communication technology utilization and application projects

<Category>

Presentation of opinions and/or demand for measures (Cabinet (Cabinet Secretariat), Ministry of Internal Affairs and Communications)

<Objectives of audit>

Audit conducted mainly with the objective of effectiveness

The National Strategy office of Information and Communication Technology, which was established inside the Cabinet Secretariat, is responsible for the overall management of utilization of IT. Based on the “Government Information System Development and Management Standardization Guidelines” (hereinafter referred to as “Guidelines”) developed by the liaison group of Chief Information Officers (CIO) of Ministries and Agencies was enforced in April 2015. Based on the Guidelines, the IT

governance system was established within each ministry and agency, as well as the government-wide, to manage individual projects related to the development and management of the government IT system as a whole and appropriately. Also, based on the “Implementation of Emergency Measures” issued in July 2015 (instructed by the chair of the Cybersecurity Promotion Board (an liaison committee of CISO)), the Ministry of Internal Affairs and Communications (MIC) developed an off-line environment with high IT security standards called the “Secure Zone” for the government’s IT systems operating on the Government Shared Platform (hereinafter referred to as “Platform”), and started its operation in April 2017. However, the Board of Audit found the followings:

- MIC did not grasp the demand, review the scale of use and cost-effectiveness, and sufficiently coordinate with ministries and agencies before developing the Secure Zone, and thus, the Secure Zone was not used for its original purpose until it was abolished in March 2019, and the project effect was not observed.
- The Cabinet Secretariat did not sufficiently perform the necessary surveys and adjustments for budgets and as a result of it, IT governance was not working sufficiently.

Therefore, the Cabinet Secretariat and MIC should take the following measures:

- A. At MIC, to establish procedures for understanding of demand, a review of the scale of use and cost-effectiveness, and coordination with ministries and agencies in a timely and appropriate manner before developing the Platform or adding functions to it.
- B. At the Cabinet Office, in order to strengthen government-wide IT governance, especially when implementing projects, such as developing the government information system with supplementary budget to cope with urgent matters such as developing information security measures, to set out in the standard guideline the procedures for checking implementation status and project management in a unified manner and to fully notify each ministry and agency.

([Improper amount](#): 1,887.09 million yen)

(Notes)

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

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