

1. Assumptions of large-scale earthquakes in the program for resilience of oil supply infrastructure (Presentation of opinions)

Agency for Natural Resources and Energy
18,780.31 million yen (Background amount)

Outline of construction works under the program for resilience

Evaluation of earthquake resistant performance

Implementation of countermeasures

Safety stop measures for facilities
(Reinforcement of emergency shutdown valves in piping)

Earthquake, liquefaction, and tsunami countermeasures
(Back revetments, premises piping)

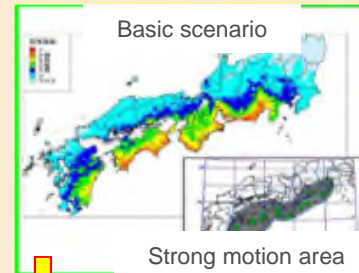
Capacity increase of receiving/shipping facilities
(e.g., Increase of lorry shipment capacity)

(Excerpt from the Ministry of Economy, Trade and Industry website)

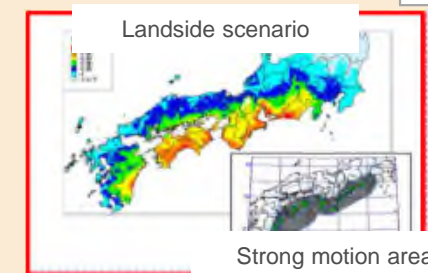
- Amounts of the government subsidies pertaining to earthquake countermeasures
32,902.97 million yen (FY2014 to FY2019)

Assumption of a Nankai Trough earthquake is insufficient (for 10 of 12 oil refineries in Kinki area)

Earthquakes occurring in almost the same places of the past earthquakes

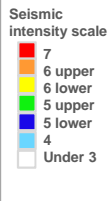


Earthquakes occurring furthest from the sea within the possible range



Earthquake resistant performance is evaluated based on the "basic scenario"

Source: material of the working group for countermeasures against Nankai Trough Earthquake



Assumption of a Tokyo inland earthquake is insufficient (2 of 8 oil refineries in Kanto area)

Report by
Expert examination committee on Countermeasure for an inland Tokyo earthquake

July 2005
Expert examination Committee on Countermeasure for an inland Tokyo earthquake,
Central Disaster Management Council

Largest possible earthquake
Latest scientific knowledge

Report on the source fault model, distribution of seismic intensity, tsunami height of M7 class earthquake hitting the metropolitan area, M8 class earthquake along the Sagami Trough

December 2013
Study Group on an inland Tokyo earthquake model

Evaluated earthquake resistant performance based on the 2005 report on earthquakes possibly hitting the Tokyo metropolitan area

Presentation of opinions

- Instruct oil companies to adopt the most severe scenario by using the latest earthquake data when evaluating earthquake resistant performance.
- Instruct oil companies to evaluate earthquake resistant performance of the 12 oil refineries, as described above and to take earthquake countermeasures again.

1. Assumptions of large-scale earthquakes in the program for resilience of oil supply infrastructure (Presentation of opinions)

Agency for Natural Resources and Energy

18,780.31 million yen (Background amount)

Outline of the Program

- ✓ The program of oil companies to **enhance resilience of oil supply infrastructure** by implementing countermeasures for earthquakes, liquefaction and tsunamis for receiving/shipping facilities of refineries in each area, **in preparation for risks such as large-scale earthquakes**, with the aim of **establishing a system that can sustain stable oil supply** at normal times and at the time of disaster.
- ✓ “A system that can sustain stable oil supply” means a system where oil companies maintain the minimum receiving and shipping functions provided in their business continuity plans.
- ✓ In their business continuity plans, oil companies stipulate that the minimum receiving and shipping functions include an ability to ship one-half of their normal land-based shipping volume by tank truck.
- ✓ When evaluating an earthquake resistant performance, oil companies are expected to obtain “the data of ground motion acceleration (acceleration) of the earthquake engineering base (strong ground deep underground)” (the earthquake data) from the Cabinet Office and estimate an acceleration on the ground surface.

Audit Results

- ✓ In the evaluation of earthquake resistant performance, assumptions of large-scale earthquakes varied among oil refineries and some of them were **insufficient in light of the purpose of the Nankai Trough Report and the Metropolitan Area Earthquake Report.**
12 oil refineries in total
 - In the evaluation of earthquake resistant performance in the event of **a Nankai Trough earthquake**, some oil refineries estimated accelerations of the ground surface, based on accelerations of the earthquake engineering bases of both the basic scenario and landside scenario, and **adopted the basic scenario even though the landside scenario had a higher maximum acceleration of the ground surface**; other oil refineries **estimated an acceleration of the ground surface based on the basic scenario only** even though the landside scenario had a higher maximum acceleration of the earthquake engineering base than the basic scenario. **10 oil refineries**
 - In the evaluation of seismic performance in the event of **a Tokyo inland earthquake**, some oil refineries **evaluated earthquake resistant performance based on the earthquake data of “the 2005 report** on earthquakes possibly hitting the Tokyo metropolitan area”, even though **“the 2013 report” had a higher maximum acceleration of the earthquake engineering base than the 2005 report.** **2 oil refineries**

1 . Assumptions of large-scale earthquakes in the program for resilience of oil supply infrastructure (Presentation of opinions)

Agency for Natural Resources and Energy

18,780.31 million yen (Background amount)

Presentation of Opinions

Instruct oil companies to:

- ✓ **use the latest earthquake data** for evaluation of earthquake resistant performance in the future and to **adopt the most severe scenario** if there are several cases in which the earthquake data are available; and if **it is difficult** to ensure the earthquake resistant performance for the most severe scenario, **consider also other measures to establish a system that can sustain stable oil supply by establishing a system for backup supply.**
- ✓ **evaluate the earthquake resistant performance as in the case above for the 12 oil refineries; to ensure earthquake performance of the facilities that are found to have insufficient earthquake resistant performance by taking earthquake countermeasures again; and if it is difficult** to ensure the earthquake resistant performance for the most severe scenario, **consider other measures to establish a system that can sustain stable oil supply.**

2. Anti-inundation measures for private power generators at disaster base hospitals (Demand for measures)

(IAA) National Hospital Organization / (IAA) Japan Community Health care Organization / (IAA) Japan Organization of Occupational Health and Safety
11,056.06 million yen/ 3,194.62 million yen / 21,318.98 million yen
(Background amount)

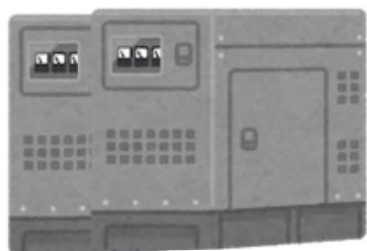
(Note: This slide describes 2) of the Outline of Selected Audit Findings and similar issues the Board found in the audit of other two organizations.)

Disaster base hospitals



Hospitals with advanced medical care functions for critical care of critically ill emergency cases that occur frequently at a time of disaster.

Private power generators



Secure power source for the equipment necessary to maintain basic functions of the hospital.



In the light of the importance of their role at a time of disaster, disaster base hospitals need **anti-inundation measures** to secure power necessary to continue to provide medical care at a time of flooding that has been frequent in recent years.

Audit results

Lacking or insufficient inundation measures

	Number of hospitals	Number of private generators	Number of UPS systems
National Hospital Organization	2	4	2
Japan Community Health care Organization	1	2	3
Japan Organization of Occupational Health and Safety	3	4	5
Total	6	10	10

Demand for measures

- ✓ **6 disaster base hospitals** should decide temporary measures for the private power generators installed in a place with a risk of flooding, and **formulate plans to relocate the generators or install watertight doors or water stops** depending on the situations of the buildings where the generators are installed
- ✓ **3 organization headquarters** should **establish a system** to check the status of anti-inundation measures described above

2. Anti-inundation measures for private power generators at disaster base hospitals (Demand for measures)

(IAA) National Hospital Organization / (IAA) Japan Community Health care Organization / (IAA) Japan Organization of Occupational Health and Safety

11,056.06 million yen/ 3,194.62 million yen / 21,318.98 million yen
(Background amount)

Outline of Disaster Base Hospitals

- ✓ **Disaster base hospitals** have advanced medical care functions to **provide critical care in critically ill emergency cases that occur frequent at a time of disaster** and are designated by prefectures.
- ✓ 63 hospitals (37 hospitals of **National Hospital Organization**, 13 hospitals of **Japan Community Health care Organization**, and 13 hospitals of **Japan Organization of Occupational Health and Safety**) were designated as disaster base hospitals.
- ✓ According to the notification from the Ministry of Health, Labour and Welfare, **disaster base hospitals should possess the private power generators** which have a capacity to cover 60% of the power generation capacity in normal times, and **secure power supply from the private power generators** for the facilities necessary to maintain the basic functions of the hospitals in normal times.

Audit Results

- ✓ 23 Disaster base hospitals are **located in areas at risk of flooding**.
- ✓ **10 private generators and 10 UPS systems at 6 disaster base hospitals: some had not taken any anti-inundation measures**, and others **installed water stops whose heights were not high enough to prevent flooding**.
 - ▶ **There was a risk that flooded generators could not operate and the hospitals could not secure power necessary for continued provision of medical care** when commercial power supply stopped due to flooding.

Demand for Measures

- ✓ Regarding the private power generators installed in places at risk of flooding, **6 disaster base hospitals should decide temporary measures and formulate plans to relocate the private power generators or install watertight doors, etc. depending on the situations of the buildings where the generators are installed**.
- ✓ **3 organization headquarters should establish a system** to check the status of anti-inundation measures described above.

3. Implementation of childcare for sick children at nurseries established by using subsidy for development of company-led childcare services project (Demand for measures)

Cabinet Office

64.81 million yen (Improper amount)

Audit whether nurseries, etc. for sick children (including nurseries for sick children and temporary childcare rooms) established in company-led childcare facilities by using subsidy are used and how the Foundation for Child Well-being examines subsidy applications from the perspective of effectiveness

Audit results of 25 facilities* of 25 service providers

*Selected from 1,116 facilities

11 facilities of 11 service providers

are not providing childcare for sick children

(Equivalent to over 64.81 million yen subsidy for establishment of nurseries, etc. for sick children)

- 8 facilities were not providing childcare for sick children at all.
- 3 facilities had discontinued childcare for sick children and do not plan to resume the service

Failure to secure the necessary number of nurses due to insufficient **planning**

The initial cost-and-profit **analysis** was too optimistic and the operation was found impossible

Response of the Foundation was checked.

Foundation for Child Well-being (subsidized entity)

- The Foundation **did not demand submission of** a plan pertaining to a childcare for sick children implementation system when examining subsidy applications to ensure appropriate examination **nor examine whether the applicants were able to secure necessary personnel,**
- **did not fully inform the implementation requirements** of the respective business models including different assignment of nursery teachers, and
- **did not establish a system to assess the status of use** of the established nurseries, etc. for sick children and **to give instruction** as needed.

<Industry-sponsored childcare services>

Cabinet Office

Subsidy

Foundation for Child Well-being (subsidized entity)

Subsidy

service providers

Establishment and operation

Company-led childcare facilities

Usual childcare

Nurseries, etc. for sick children (dedicated space)

Demand for measures to the Cabinet Office

Cabinet Office

Have the subsidized entity establish the following systems to:

- make every service provider familiar with the implementation requirements when they apply for the subsidy and to make them submit a plan pertaining to a childcare for sick children implementation system **to ensure appropriate examination,**
- sufficiently **assess the status of use** of nurseries, etc. for sick children established by service providers and instruct to service providers who have established nurseries, etc. for sick children but are not providing childcare for sick children

Make the implementation requirements known

Subsidized entity

Appropriate examination

Assessment of the status of use

Instruction

Service providers

3. Implementation of childcare for sick children at nurseries established by using subsidy for development of company-led childcare services project (Demand for measures)

Cabinet Office

64.81 million yen (Improper amount)

Outline of the Project

- ✓ The Cabinet Office established company-led childcare service project in FY2016.
- ✓ A subsidized entity selected through public offering (from FY2016 through FY2018: **the Foundation for Child Well-being**) implemented the company-led childcare services by **granting subsidies to** entities which provide the services (**service providers**) to cover setting up and operation costs for company-led childcare facilities.
- ✓ **The company-led childcare services include childcare services for sick children and temporary childcare services (childcare for sick children)**, and facilities for the services are set up in accordance with the content of the services to be implemented.

Audit Results

- ✓ **Audit results of 25 facilities** that were reported in a project completion report to **have nurseries for sick children and temporary childcare rooms (nurseries, etc. for sick children)** set up to provide childcare for sick children
→ **11 facilities: childcare for sick children was not provided.**
 - **8 facilities:** service providers did **not provide any childcare** for sick children for more than one year after setting up the facilities (Equivalent to over 47.72 million yen subsidy for establishment of nurseries, etc. for sick children).
 - **3 facilities:** service providers used to provide childcare for sick children but **discontinued childcare for sick children and do not plan to resume the service** as of April 1, 2020 (Equivalent to over 17.08 million yen subsidy for establishment of nurseries, etc. for sick children).
- ✓ The Foundation **did not demand submission of a plan** on a childcare for sick children implementation system when examining subsidy applications nor examine whether applicants were able to secure necessary personnel to implement childcare for sick children.
- ✓ The Foundation did not fully inform the implementation requirements of the respective business models including different assignment of nursery teachers.
- ✓ The Foundation did not establish a system to assess the status of use of the established nurseries, etc. for sick children and to give instruction as needed.

3. Implementation of childcare for sick children at nurseries established by using subsidy for development of company-led childcare services project (Demand for measures)

Cabinet Office

64.81 million yen (Improper amount)

Demand for Measures

Cabinet Office should have the subsidized entity establish the following system to:

- ✓ make every service provider familiar with the implementation requirements of the respective business models, and **to make them submit a plan pertaining to a childcare for sick children implementation system to ensure appropriate examination** when they apply for the subsidy.
- ✓ **sufficiently assess the status of use of nurseries, etc. for sick children** by service providers and **instruct service providers who have established nurseries, etc. for sick children but are not providing childcare for sick children** to use their nurseries, etc. for sick children for childcare for sick children.

4. Calculation of the amount of national treasury benefits to specific health checkups and health guidance of national health insurance (Presentation of opinions and demand for measures)

Ministry of Health, Labour and Welfare (MHLW)

682.60 million yen (Improper amount)

20,425.78 million yen (Background amount)

Overview of benefits and specific health checkups



- **Specific health checkups** are conducted for hypertension, hyperlipidemia, etc. caused by accumulation of visceral fat.
- **Basic checkup items:** height, weight, abdominal girth, blood pressure, liver function, blood lipid, blood sugar and urine test
- **Detailed checkup items:** anemia, cardiac electrogram and fundoscopy found necessary by a doctor based on the criteria provided by the public notification
- **If checkups are conducted at medical institutions that have checkups centers,** application for benefit is made under the category of **group checkups.**

Method Checkup item	Group checkups		Individual checkups	
	Taxable households	Tax-free households	Taxable households	Tax-free households
Only basic checkup items (Basic unit price)	4,190 yen	5,390 yen	5,490 yen	7,060 yen
Both basic and detailed checkup items (Basic/detailed unit price)	5,080 yen	6,530 yen	6,600 yen	8,500 yen

- **Detailed checkup items:** Implementation of any of the 3 items is considered as implementation of detailed checkup and basic/detailed unit price is uniformly applied to calculation of base amount.

Issue 1 Validity of the amount of benefits cannot be confirmed.

Validation was impossible because the municipalities did not keep basic data after correction, which served as basis of the calculation of the amount of benefits, after preparing implementation reports.

The Board of Audit conducted analysis as far as possible by using re-output data submitted by the municipalities.

Report by the municipalities

a **Detailed checkups** were implemented for 2,127,443 examinees in total

b Implemented through **individual checkups**

Examinees did not meet the criteria for detailed checkup: 712,994 in total

Checkup was conducted at medical institutions that have checkup centers: 574,334 examinees in 1,730 institutions

Analysis by the Board

Not basic/detailed unit price but basic unit price could be applied to a, and not the unit price of individual checkup but rather that of group checkup could be applied to b. However, it is not verifiable whether totaling of the number of examinees is appropriate, because correction to basic data made by the municipalities cannot be verified.

Demand for measures

MHLW should inform every municipality that they are required to appropriately organize and keep data and documents that were collected and used as evidence of the number of examinees when calculating the base amount of benefits.

Issue 2: Basic/detailed unit price was not based on the status of implementation of detailed checkup items.

Implementation status of detailed checkup items was examined for a total of 1,414,449 examinees which was calculated by deducting 712,994 examinees who did not meet the criteria for detailed checkup from 2,127,443 examinees who received detailed checkup.

1 item: 1,349,504 examinees (implementation rate: 95.4%)
(of which 1,322,584 received anemia test)

2 items: 53,417 examinees (implementation rate: 3.7%)

3 items: 11,528 examinees (implementation rate: 0.8%)

Most of the examinees received only anemia test, whose unit price is the lowest.

Assumption of MHLW

$$\text{Basic/detailed unit price} = \text{basic unit price} + \frac{\text{unit price of anemia test} + \text{unit price of electrogram} + \text{unit price of fundoscopy}}{3}$$

Implementation rate of individual items is not considered. When implementation rate of a low-price item is significantly higher than the rate of other items, it causes a big difference between the unit price and the actual cost.

As a result of estimation of the amount equivalent to the benefits based on the unit prices of the 3 items, which were used for calculation of basic/detailed unit price from FY2020, and number of examinees of individual items, a difference of 682.60 million yen was found between the estimated amount and the actual amount equivalent to the benefits provided for specific health checkups.

Presentation of opinions

MHLW should check the implementation status of each item of the detailed checkup, and consider measures to decide the basic/detailed unit price based on the results.

4. Calculation of the amount of national treasury benefits to specific health checkups and health guidance of national health insurance (Presentation of opinions and demand for measures)

Ministry of Health, Labour and Welfare (MHLW)
682.60 million yen (Improper amount)
20,425.78 million yen (Background amount)

Outline of National Treasury Benefits

- ✓ The Benefits are provided to municipalities to pay part of the cost for their implementation of **specific health checkups and health guidance**.
- ✓ **Specific health checkups** are conducted for hypertension, hyperlipidemia, etc. caused by accumulation of visceral fat.
- ✓ **Specific health checkups cover basic checkup items** (height, weight, abdominal girth, blood pressure, liver function, blood lipid, blood sugar and urine test) and **detailed checkup items** (anemia, cardiac electrogram and fundoscopy found necessary by a doctor based on the criteria provided by the public notification).
- ✓ **The amount of benefits** is to be calculated by **multiplying the base amount** specified in the payment guidelines **by one third as a benefits rate**.
- ✓ **The base amount for specific health checkups** is to be calculated by **multiplying the base unit price** specified for each implementation method **by the number of examinees** and by totaling the results.
- ✓ **Base unit prices are segmented** into several unit prices on the basis of ①implementation method (**group checkups or individual checkups**) and ②**the basic unit price** (for implementing **only basic checkup items**) or **the basic/detailed unit price** (for implementing **both basic** checkup items and one or more **detailed** checkup items).

Audit Results

- ✓ **Audit** results of the **amount equivalent to the benefits payment** for the specified health checkups to **942 municipalities in 23 prefectures**, which calculated the payment based on the base amount, totaling **over 20,425.78 million yen** in FY 2008 and FY 2009.
- ✓ **Validity of the amount of benefits cannot be confirmed** because **the municipalities did not keep basic data for calculating base amounts as documentary evidences**.
- ✓ **Basic/detailed unit prices were not based on the status of implementation** of detailed checkup items.
- ✓ When **revising the basic/detailed unit prices based on the implementation status** of individual detailed checkup items and **estimating** an amount equivalent to benefits by using the revised unit prices, **a difference of over 682.6 million yen** was found between the estimated amount and the actual amount equivalent to benefits.

4. Calculation of the amount of national treasury benefits to specific health checkups and health guidance of national health insurance (Presentation of opinions and demand for measures)

Ministry of Health, Labour and Welfare (MHLW)
682.60 million yen (Improper amount)
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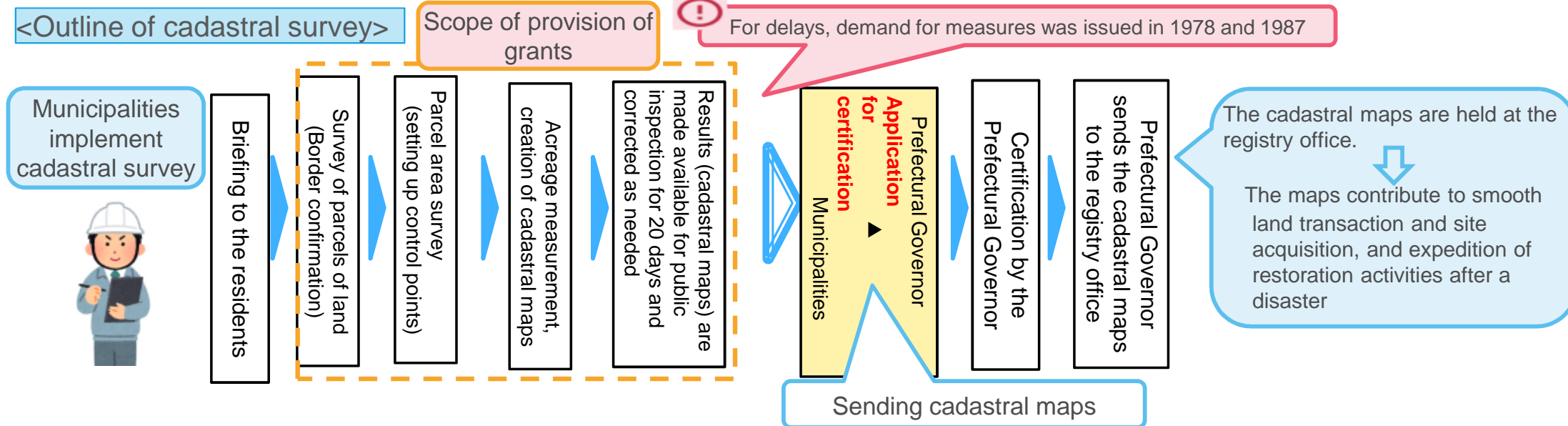
Demand for Measures

MHLW should:

- ✓ **inform every municipality** that they are required to **appropriately organize and keep data and documents** that were collected and used **as evidence of the number of examinees** when calculating **the base amount of benefits**.
- ✓ **check the implementation status of each item of the detailed checkup**, and **consider measures to decide the basic/detailed unit price** based on the results.

5. Early implementation of application for certification of cadastral maps created under the cadastral survey project (Demand for measures)

The Ministry of Land, Infrastructure, Transport and Tourism (MLIT)
4,333.99 million yen (Improper amount)



<Audit results>

- (1) Application for certification was not made despite confirmation of borders of all parcels in the surveyed district, due to:
 - a. delay in administrative procedures for application for certification (169 projects by 66 municipalities of 14 prefectures)
 - b. assumption that application for certification may not be made without confirmation of viewing by all landowners (59 projects by 30 municipalities of 11 prefectures)
 - c. assumption that application for certification may not be made without certification of an adjacent district whose control point was used in the survey. (43 projects by 23 municipalities of 13 prefectures)
- (2) Application for certification was not made due to the unconfirmed borders of some parcels in the surveyed district. (233 projects by 73 municipalities of 12 prefectures)

<Demand for measures>

- Show **municipalities clearly that the guidelines do not require confirmation that the landowners actually viewed the original draft maps.**
- Thoroughly inform that **application for certification may be made by including the control points set up in the survey of uncertified adjacent district** in the results of the surveyed district, and that, when some borders are not confirmed, it is expected that the process will be advanced **by creating maps with unconfirmed borders.**
- **Set the standard period from creation of cadastral maps to application for certification**, and thoroughly inform municipalities that they are expected to issue a public notice for viewing of prepared draft maps publicly and offer them for inspection without delay and, after preparation of cadastral maps, to **apply for certification within the standard period mentioned above.**
- **Regarding the cadastral survey project where cadastral maps have been created but application for certification is not made yet**, give the municipalities technical advice to enable them to examine the propriety of application for certification and to **apply for certification without delay** for appropriate

5. Early implementation of application for certification of cadastral maps created under the cadastral survey project (Demand for measures)

The Ministry of Land, Infrastructure, Transport and Tourism (MLIT)
4,333.99 million yen (Improper amount)

Outline of the Project

- ✓ **MLIT provides grants for cadastral surveys and integrated Grants for Comprehensive Infrastructure Development, to prefectures that bear the cost for cadastral survey municipalities conduct, for the purpose of clarifying cadastres.**
- ✓ **Municipalities implement cadastral survey projects by ; ①conducting a survey of parcels of land and confirming their borders, ②creating original maps based on acreage measurement, and ③making the original maps available for public inspection and preparing cadastral maps.**
- ✓ **Municipalities send cadastral maps to prefectural governors and apply for their certification.**
- ✓ **After cadastral maps are certified by prefectural governors, the cadastral maps are sent to the registry office, and used as official cadastral maps.**

Audit Results

- ✓ The Board audited **522 cadastral survey projects** implemented by 151 municipalities of 16 prefectures, where original maps and cadastral maps had been created from FY2014 through FY2018, and application for certification was not made to prefectural governors as of March 31, 2020 (total project cost: 8,843.33 million yen, of which 4,432.19million yen was granted).
 - ⇒ **Application for certification was not made despite confirmation of borders of all parcels in the surveyed district:** 271 projects by 104 municipalities of 16 prefectures (total amount of grants: 2,109.03million).
 - ⇒ **Application for certification was not made due to the unconfirmed borders of some parcels in the surveyed district:** 233 projects by 73 municipalities of 12 prefectures (total amount of grants: 2,224.96million).

5. Early implementation of application for certification of cadastral maps created under the cadastral survey project (Demand for measures)

The Ministry of Land, Infrastructure, Transport and Tourism (MLIT)
4,333.99 million yen (Improper amount)

Demand for Measures

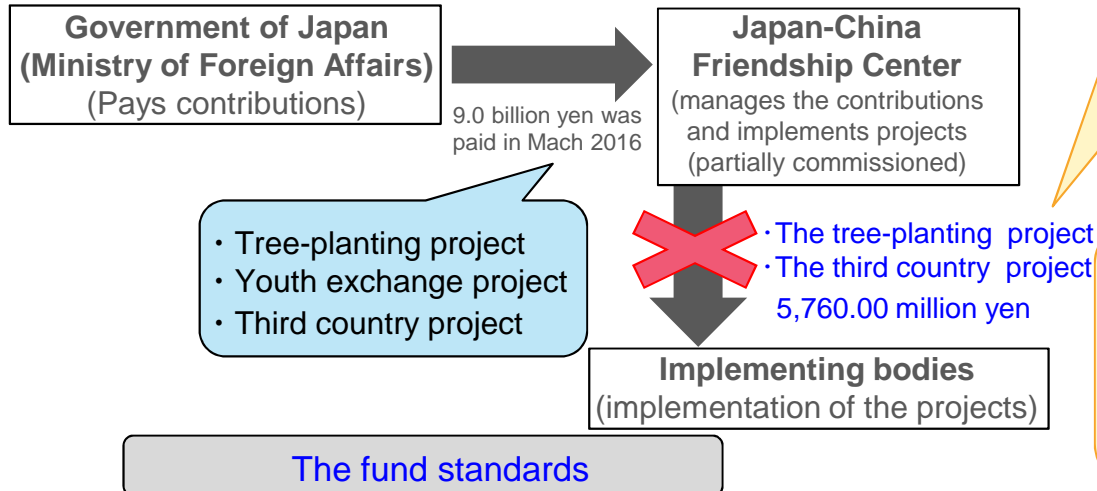
- ✓ MLIT should show municipalities clearly that **the guidelines do not require confirmation that the landowners actually viewed the original draft maps** and that **when some borders are not confirmed, it is expected that the process will be advanced by creating maps with unconfirmed borders.**
- ✓ MLIT should **set the standard period from creation of cadastral maps to application for certification**, and thoroughly inform municipalities that they are expected to **issue a public notice for viewing of prepared draft maps publicly and offer them for inspection without delay** and, after preparation of cadastral maps, to **apply for certification within the standard period mentioned above.**
- ✓ MLIT should regularly check the status of application for certification by municipalities, and give the municipalities that **have created cadastral maps but have not yet applied for certification** technical advice to enable them to **apply for certification without delay for appropriate cases.**

6. Implementation of International Solidarity projects (Measures taken)

Ministry of Foreign Affairs (MOFA)
5,760.00 million yen (Improper amount)

Audit results

Flow of the contributions



- The youth exchange project had been implemented every year since FY2016, but
- **The tree-planting project and the third country project had not been implemented. 5,760.00 million yen (equivalent to the contributions) planned for both projects was not used at the end of FY2019.**
- **the situation where the funds were not utilized had continued.**

MOFA paid the contributions to the Center for implementation of the projects in multiple fiscal years. However, MOFA was not aware that the provided fund is subject to the standards for funds because the fund is named "contribution." As a result, MOFA did not provide instruction and supervision under the standards **to make the Center examine treatment of the funds that are not likely to be used.**

The fund standards

"Standards for funds created by granting of subsidy" (Cabinet Decision in August 2006) (excerpt)

3 Establishment of funds and Instruction and supervision of fund projects

(4) Standards for funds that are not likely to be used

a. Fund corporations holding funds that fall under the criteria below (hereinafter referred to "funds that are not likely to be used") should study treatment of the funds at the time of periodical review, which includes returning the government subsidies that are source of the funds to the national treasury.

"Guidelines for government project review" (Council on Administrative Reform in April 2013) (excerpt)

Part 3 Inspection of funds

Individual ministries and agencies should ensure transparency of their funds **every fiscal year through the following efforts** and **carry out strict inspection** pertaining to possible surplus funds. (omitted)

1 Fund sheets (fund inspection sheets)

(1) Preparation and publication of fund sheets (omitted)

Status of review based on the "Standards for funds created by granting of subsidy"

(Cabinet Decision in August 2006) should be clearly indicated in the fund sheet.

Measures taken by MOFA

MOFA revised the guidelines in September 2020 to

- ① implement **the tree-planting project and the third country project after reviewing their content**
- ② review the project's content in the light of the operation of the projects **by providing instruction and supervision and inspection based on the fund standards**
- ③ **have the Center study treatment of the funds that are not likely to be used** and, return funds with no prospect of use to the national Treasury

6. Implementation of International Solidarity projects (Measures taken)

Ministry of Foreign Affairs (MOFA)

5,760.00 million yen (Improper amount)

Outline of the Projects

- ✓ **MOFA** formulated guidelines and project implementation plans to implement the Japan-China International Solidarity Projects for Afforestation and Tree Planting, and **contributed 9,000 million yen as Japan-China tree planting and tree planting international solidarity project contributions (contributions), to Japan-China Friendship Center (a public interest incorporated foundation; the Center)**, in order to further improve relations with China by addressing environmental problems in China, such as yellow sand that may come to Japan, raising environmental awareness and further promoting understanding of Japan through exchange of young people, and contributing to the prevention of desertification, and to strengthen a strategic mutually beneficial relationship by addressing issues of the international community.
- ✓ According to the guidelines, **the Center was to utilize the contributions to implement the following projects: (1) tree-planting project in China (tree-planting project), (2) youth exchange project and (3) tree-planting project in third countries (third country project).**
- ✓ In 2006, **the government made a cabinet decision on “Standards for funds created by granting of subsidy” (the fund standards)** which **set standards** for ministries and agencies **to instruct and supervise fund corporations that implement projects for two years or more using funds** created by subsidies from the ministries and agencies.
- ✓ **Individual ministries and agencies prepares and publishes fund sheets**, and **carry out an inspection** pertaining to possible surplus funds, based on “Guidelines for government project review” (the guidelines).

Audit Results

- ✓ The youth exchange project had been implemented every year since FY2016, but **the tree-planting project and the third country project had not been implemented** and 5,760.00 million yen (equivalent to the contributions) planned for both projects **was not used** at the end of FY2019.
- ✓ **MOFA** paid the contributions to the Center for implementation of the projects in multiple fiscal years. However, MOFA was not aware that the provided fund is subject to the fund standards because the fund is named “contribution” and as a result, **did not provide instruction and supervision under the fund standards to make the Center examine treatment of the funds that are not likely to be used, nor inspect the funds based on the fund standards by the fund sheet.**
- ✓ **It was improper that the situation where the funds were not utilized had continued** without instruction and supervision under the fund standards, and both projects have no plan to implement for four years after the contributions was made.

Measures taken by MOFA

- ✓ **MOFA revised the guidelines** in September 2020 to **implement the tree-planting project and the third country project after reviewing their contents, to review the projects’ contents in the light of the operation of the projects by providing instruction and supervision and inspection based on the fund standards, and to have the Center study treatment of the funds that are not likely to be used** so that the Center return funds with no prospect of use to the national treasury.
- ✓ In September 2020, **MOFA issued a notice to the Center to inform that projects should be implemented based on the above guidelines**, and also **issued a notice to the relevant divisions to inform that the same situation will not be repeated** in cases where voluntary contributions are made to a fund corporation that implements projects for multiple fiscal years, in the future.

7. Implementation of subsidy program for purchase of non-step buses (Measures taken)

MLIT

422.37 million yen (Improper amount)

<<Non-step buses>> (low step buses)

Bus whose floor height from the ground surface is under 30cm



Photo from the website of Tohoku Transportation Bureau

<<Calculation method of subsidy amount>>

Upper limit:
1.40 million yen

(Cost eligible for subsidy – price of ordinary vehicle) × 1/2 = subsidy amount

Body price after price discount (price of the vehicle body and on-board equipment)

Average price of one-step buses (survey by MLIT)

Special specification price of color coating of the vehicle body and sheet material is not eligible for the subsidy



<<Audit results>>

1,436 vehicles of 65 subsidized entities

- ✓ Average discount rate of special specification price (83.1%) is higher than average discount rate of body price (13.3%)
- ✓ Average discount rate of body price of vehicles with subsidy amount 1.4 million yen (1,134 vehicles) is lower than that of vehicles with subsidy under 1.4 million yen (302 vehicles), but average discount rate of special specification price of the former is higher than the latter.

		Vehicle A (10 thousand yen)	Vehicle B (10 thousand yen)
Body price (before discount)	(a)	2514	2515
Discount for body price (discount rate)	(b)	△228 (9.1%)	△486 (19.3%)
Body price after discount (= cost eligible for subsidy)	(c = a + b)	2286	2029
Special specification price (before discount)	(d)	295	290
Discount for special specification price (discount rate)	(e)	△293 (99.3%)	△29 (10.0%)
Purchase price (after discount)	(c + d + e)	2288	2290
1/2 of the difference between the cost eligible for subsidy and the price of ordinary vehicle	(f = (c - 18.80 million yen)/2)	203	74
Subsidy amount	f or 1.4 million yen, whichever lower	140	74

There was a difference in the amount of subsidy because cost eligible for subsidy increased or decreased depending on how the discount had been provided for the body price and special specification price.

Almost the same

Nearly double difference

7. Implementation of subsidy program for purchase of non-step buses (Measures taken)

MLIT

422.37 million yen (Improper amount)

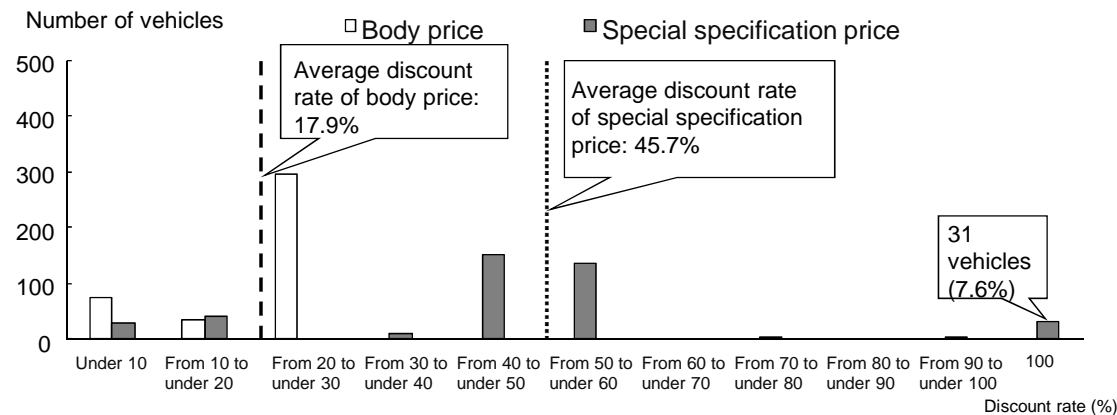
<Analysis by the Board of Audit>

1,134 vehicles with 1.4 million yen as subsidy

- ✓ Estimated cost eligible for subsidy by adding the discount of special specification price to the discount of the body price

Analysis by dividing the 1,134 vehicles into 405 vehicles that maintain 1.4 million yen and 729 vehicles whose subsidy decreases, after recalculation of the subsidy

Group with the same subsidy (1.4 million yen)

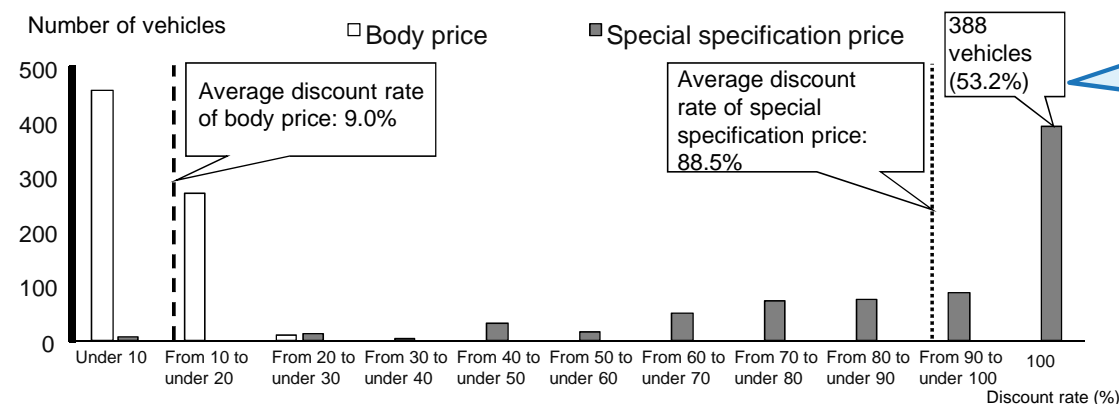


- ▶ Most vehicles of the group with lower subsidy were provided 1.4 million yen as subsidy because the discount on the special specification price is large while the discount on the body price is small.

❗ In light of the purpose of the subsidy, it is inappropriate that there were differences in the amount of subsidy depending on how the discount had been provided for the body price.

Costs eligible for subsidy of the 1,436 vehicles were recalculated based on the average discount rate of the body price according to the survey on discounts regarding non-step buses conducted by MLIT (including vehicles that were not eligible for the subsidy.). The resulting deviation of subsidy was **422.37 million yen**.

Group with lower subsidy



Concentration of 388 vehicles (53.2%) on the "discount rate 100%" is unnatural

<<Measure taken by MLIT>>

The payment guidelines were revised in September 2020 to **decide the reference discount rate** based on annual survey on the actual discount rate of the vehicle body **and use the reference rate for vehicles with a lower discount rate**

7. Implementation of subsidy program for purchase of non-step buses (Measures taken)

MLIT

422.37 million yen (Improper amount)

Outline of the Program

- ✓ To encourage widespread use of non-step buses, MLIT **provides** bus operators who purchase non-step buses (or low-floor buses) with **subsidies equivalent to one-half of the difference between the body price (price of the vehicle itself and on-board equipment) and the ordinary vehicle price** (average prices of one-step buses based on MLIT's examination) (subsidy **ceiling** per vehicle: **1.4 million yen**).
- ✓ **Cost eligible for the subsidy is the body price only; special specification price (price for additional special specifications, etc.) is not eligible for subsidies.**
- ✓ **When purchasing buses, it is common that a discount is offered to one or both of the body price and the special specification price.**

Audit Results

- ✓ The Board audited 1,436 vehicles purchased by 65 subsidized entities (subsidies granted: 1847.21 million yen).
- ✓ **An average discount rate to the special specification price (83.1%) is higher** than that of the body price (13.3%).
- ✓ The Board found that **some buses of the same model that had almost the same prices before and after discounts were provided with different amounts of subsidies because different discount rates were offered to their body prices and special specification prices.**
- ✓ **It was considered that many vehicles might have received a maximum subsidy of 1.4 million yen, as a result of large discount rate on the special specification price and small discount rate on the body price.**
- ✓ For further analysis, the Board divided 1,134 buses which have received a maximum subsidy of 1.4 million yen, into 405 vehicles that would still receive 1.4 million yen as a subsidy when recalculating their subsidies by deducting both discounts for their body prices and special specification prices from their body price, and 729 vehicles that would receive less than 1.4 million yen.
 - ▶ **It was found that the latter group had larger discount rates for their special specification prices (88.5% on average versus 45.7% of the former group) and smaller discount rates for their body prices (9.0% versus 17.9%).**
- ✓ A situation in which **costs eligible for subsidy increased or decreased depending on how discounts were provided for the body prices** and amounts of the subsidy increased or decreased accordingly, was **inappropriate** in light of the purpose of the program to provide a subsidy based on the difference between the purchase price of non-step buses and the price of ordinary vehicles.

Measures taken

- ✓ The payment guidelines were revised in September 2020 to **decide the reference discount rate** based on annual survey on the actual discount rate of the vehicle body and **use the reference rate for vehicles with a lower discount rate, and the contents of the guidelines were informed.**

8. Allowances to persons completing vocational training (Measures taken)

Ministry of Health, Labour and Welfare
(MHLW)
3,287.24 million yen (Background amount)

Extended
training
allowances

- "Allowances for the period of waiting for training"
- "Allowances for the period of receiving training"
- "Allowances for a fixed period after the end of training" : Allowances after the end of training

Percentage of payment of allowances after the end of training by Labour Bureau = number of the initial recipients of allowances after the end of training / number of the initial recipients of extended training allowances

36 Labour Bureaus: under 3.3%

(Prefectural Labour Bureaus of 47 prefectures in Japan)

11 Labour Bureaus: 29.9%~45.9%

312 public employment security offices
in the service area of the 36 Bureaus

122 offices in the service area of the 11
Bureaus

It was judged that in the light of the favorable employment situation, persons completing training do not fall under persons with considerable difficulty in employment in principle.



It was judged that only persons completing training who are deemed especially needful of support based on their job search activities (e.g. multiple applications for job vacancies) fall under persons with considerable difficulty in employment.



It was deemed that persons completing training fall under persons with considerable difficulty in employment only for the reason that they don't have a job at the end date of training.



Among 4,978 random samples from persons completing training who obtained positive grant decisions regarding the allowances → 789 were confirmed to have applied for multiple job vacancies in the 4 weeks until the end date of training

In the law amendment in 2003 eligible persons are changed to persons with considerable difficulty in employment, but
→ the guidelines remained unchanged and did not specify concrete requirements for confirming that persons completing training fall under persons with considerable difficulty in employment.

❗ The situation where items of the examination to determine whether a person completing training falls under persons with considerable difficulty in employment varied was not appropriate because fairness among persons completing training was not ensured.

MHLW amended the guidelines in August 2020 and specified concrete requirements for confirming that a person completing training falls under persons with considerable difficulty in employment (e.g., multiple applications for job vacancies in the occupation pertaining to the training content in the 4 weeks until the end date of the training). The amendment was applied to persons who completed training after the same month.

8. Allowances to persons completing vocational training (Measures taken)

Ministry of Health, Labour and Welfare
(MHLW)

3,287.24 million yen (Background amount)

Outline of the Program

- ✓ In cases where basic allowances with the ordinary duration under **the Unemployment Insurance** are not sufficient for recipients due to a severe employment situation, those who are eligible for extended training allowances **can be provided with basic allowances for an extended duration**.
- ✓ **Extended training allowances** are provided to recipients who are receiving public vocational training, etc. designated by the chief of the public employment security office and include the following three types: “**allowances for the period of waiting for training,**” “**allowances for the period of receiving training,**” and “**allowances for a fixed period after the end of training (Allowances after the end of training).**”
- ✓ **Allowances after the end of training** are provided to **recipients who complete training and are approved by the chief of the public employment security office as persons with considerable difficulty in employment only for the reason that they don't have a job at the end date of training**. The recipients are **provided with basic** allowances for more than the number of days prescribed for the basic allowance, up to 30 days from the day after the training ends.
- ✓ In **the law amendment in 2003**, eligible persons for **allowances after the end of training** are limited to **those with considerable difficulty in employment**, as mentioned above.

Audit Results

- ✓ The proportion of recipients who are provided with the first payment of allowances after the end of training to those with the first payment of all extended training allowances (**proportion of allowances after the end of training**) ranged from 0% to 45.9% among Prefectural Labour Bureaus, and was **under 3.3% in 36 Prefectural Labour Bureaus** and **between 29.9% and 45.9% in 11 Prefectural Labour Bureaus**.
- ✓ **The public employment security offices varied in items of the examination to determine whether a person completing training falls under persons with considerable difficulty in employment.**
- ✓ **The guidelines, which prescribed the detailed regulations on allowances after the end of training, remained unchanged, not in accordance with the law amendment in 2003, and did not specify concrete requirements for confirming that persons completing training fall under persons with considerable difficulty in employment.**
- ✓ **Fairness** among persons completing training **had not been ensured**.

Measures taken

- ✓ **MHLW amended the guidelines in August 2020 and specified concrete requirements for confirming that a person completing training falls under persons with considerable difficulty in employment.**
- ✓ **The amendment was applied** to persons who completed training **after the same month** of the amendment of the guidelines in August 2020.

9. Financial management pertaining to installation of large cages for chimpanzees (Improprieties)

(National University Corporation) Kyoto University

1,128.23 million yen (Improper amount)

- Field audit of Kyoto University in December 2018 and suppliers in May 2019 found inappropriate financial management (e.g., non-delivery) regarding multiple contracts for large cage facilities for chimpanzees in the Primate Research Institute.
- In June 2020, Kyoto University published an inspection report (Kyoto University Report) that indicated misuse of 506.69 million yen for the cage facilities.



The Board of Audit audited 100 contracts for cage facilities (contract amount: 1,212.37 million yen) .



■ Audit results: Improper financial management in 8 aspects in 55 contracts with a total payment of 1.12 billion yen

1

Researchers of the Primate Research Institute had suppliers create false estimates and statements of delivery by instructing fictitious transaction, and prices were paid for the fictitious transaction.

15 cases 49.85 million yen

2

General public bidding was avoided by deliberately dividing contracts with the same work contents, point and time limit of delivery against the intent of provisions of accounting rules.

15 cases 52.48 million yen

3

According to the Agreement on Government Procurement, the procuring organization should not have suppliers who are directly involved in the planning of specifications participate in the bidding procedure, and this is publicly notified. However, bidding by suppliers who were directly involved in the arrangement of specifications was not made void and contracts were concluded with the said suppliers. Further, **Researchers of the institute informed the budget amount of the project only to a specific supplier and had the said supplier participate in general bidding.**

12 cases 970.19 million yen

4

Proper estimate comparison was not made in discretionary contracts as researchers of the institute had a specific supplier collect quotations of other suppliers and pretended to have individually collected quotations from these suppliers.

18 cases 75.26 million yen

5

Contracts were not modified to reduce the contract amount although material change was made in the contents of the contracts such as a reduction in quantity of materials used.

9 cases 624.23 million yen

6

Some parts were lacking in the delivered goods, which did not meet the specifications, but researchers of the institute made them pass the acceptance inspections, and the prices were fully paid.

2 cases 60.83 million yen

7

Purchase prices of the goods delivered in the previous year were paid as goods delivered after the contract conclusion in the current year, and **purchase prices of the products delivered in the succeeding year were paid as price of goods delivered in the current fiscal year.**

3 cases 54.97 million yen

8

Acquired goods were used for other purposes.

1 case 470 thousand yen

- There are overlapping contracts in the numbers of cases and amounts among the 8 cases.
- Highlights in red are not included in the Kyoto University Report.**

9. Financial management pertaining to installation of large cages for chimpanzees (Improprieties)

(National University Corporation) Kyoto University

1,128.23 million yen (Improper amount)

Outline of the Procurement Procedures

- ✓ The Primate Research Institute, Kyoto University made contracts pertaining to installation of large cage facilities for chimpanzees.
- ✓ Contracts for procurement are required to be made properly in accordance with procedures stipulated based on the accounting regulations.

Audit Results

- ✓ Researchers of the Primate Research Institute had suppliers create false estimates and statements of delivery by instructing fictitious transaction, and prices were paid for the fictitious transaction.
- ✓ General public bidding was avoided by deliberately dividing contracts with the same work contents, point and time limit of delivery against the intent of provisions of accounting rules.
- ✓ As researchers of the institute informed the budget amount of the project only to a specific supplier, general biddings were not conducted appropriately.
- ✓ Proper estimate comparison was not made in discretionary contracts as researchers of the institute had a specific supplier collect quotations of other suppliers and pretended to have individually collected quotations from these suppliers.
- ✓ Contracts were not modified to reduce the contract amount although the amount of material change was made in the contents of the contracts such as a reduction in quantity of materials used.
- ✓ Some parts were lacking in the delivered goods, which did not meet the specifications, but researchers of the institute made them pass the acceptance inspections, and the prices were fully paid.

Cause

- ✓ Researchers of the Primate Research Institute significantly lacked basic recognition of proper financial management.
- ✓ Officers in charge of accounting did not sufficiently verify the contents of the contracts and conduct acceptance inspection.
- ✓ Kyoto University did not instruct sufficiently that researchers of the Primate Research Institute and officers in charge of accounting should conduct procurement properly in accordance with provisions of accounting regulations.

10. Appropriate implementation of inspection of contracts for purchase of properties based on accounting laws and ordinances (Measures taken)

MLIT

4,860.27 million yen (Improper amount)

In November 2019, MLIT disclosed that **officials of the responsible section** of Tokyo Regional Civil Aviation Bureau **had given instructions to create documents stating completion of the delivery of 3 contracts concluded** by the bureau in FY2018 (contract amount is 60.93 million yen) **even though some equipment was not delivered by the deadline and the prices had been paid.**

〈Flow of inspection to be carried out by inspection officers〉

① Completion of construction and delivery of goods

Inspection officers

② Verifies completion of provision of services or goods at the construction site or the point of delivery of the goods

③ Creates inspection records

④ Submission

Appointment

Officers responsible for actions authorizing expenditures

❗ **The inspection officers did not implement inspection at the construction site.**
They determined completion of delivery based on the check of documents submitted by the party to the contracts or check with personnel of the government offices where the goods were delivered.

3 cases above

were audited in detail

❗ Tokyo Regional Civil Aviation Bureau reported that inspection officers had verified completion of delivery by June 2019. However, the verification was made by the inspection officers based **on telephone report by site personnel**. As of November 2019 when field audit was conducted, **inspection** by inspection officers on the construction site **was not implemented**.

Audit results

Even though **neither** inspection officers nor delegated inspection officers **verified** that the services or goods provided conformed to the terms of the contracts **at the construction site or the point of delivery of the goods**, inspection officers created inspection records and the contract prices were paid based on the records.

91 cases 4,786.41 million yen

Measures taken by MLIT

- ✓ **In order to inform the importance of inspection thoroughly, provide training in accounting laws and ordinance** to inspection officers and comprehensively appointed inspection officers
- ✓ **In order to ensure appointment of inspection officers suitable for the contract content, clearly indicate the scope of inspection**, such as content and place of inspection, for each inspection officer, **in the appointment form** of inspection officers in the guidelines, and **inform** officers responsible for actions authorizing expenditures of their revision

10. Appropriate implementation of inspection of contracts for purchase of properties based on accounting laws and ordinances (Measures taken)

MLIT

4,860.27 million yen (Improper amount)

Outline of the System

- ✓ Based on **accounting laws and ordinances**, the **officers responsible for actions authorizing expenditures** should **implement inspections** to verify the completion of provision of services or goods either personally or by assigning an assistant.
- ✓ According to **Cabinet Order on Budgets, the Settlement of Accounts, and Accounting**, the **officers responsible for actions authorizing expenditures** or **inspection officers** should **create inspection records** after completion of inspections, and **contract prices should not be paid unless based on inspection records**.
- ✓ According to **the guidelines of Tokyo Regional Civil Aviation Bureau**, **inspection officers should implement the inspection on the construction site or the point of delivery of the goods**. Also, **the verification of the goods** should be **implemented by comprehensively appointed inspection officers** (who are a staff member of local airports, etc. and comprehensively appointed by the officers responsible for actions authorizing expenditures as an inspection officer) or **inspection officers** (who are designated by a comprehensively appointed inspection officer as a delegated inspection officer).

Audit Results

- ✓ The Board audited **767 contracts (contract amount: 59,522.00 million yen)** which were made from the fiscal year 2014 through November 2019.
- ✓ Even though **neither** inspection officers **nor** delegated inspection officers **verified that the services or goods provided conformed to the terms of the contracts at the construction site or the point of delivery of the goods**, inspection officers created inspection records and the contract prices were paid based on the records. **(91 cases: 4,786.41 million yen)**
- ✓ Although completion of provision of services or goods was not verified appropriately because comprehensively appointed inspection officers **did not submit acceptance inspection reports to the officers responsible for actions authorizing expenditures**, inspection officers created inspection records and the contract prices were paid based on the records. **(9 cases: 80.88 million yen)**

10. Appropriate implementation of inspection of contracts for purchase of properties based on accounting laws and ordinances (Measures taken)

MLIT

4,860.27 million yen (Improper amount)

Measures taken by MLIT

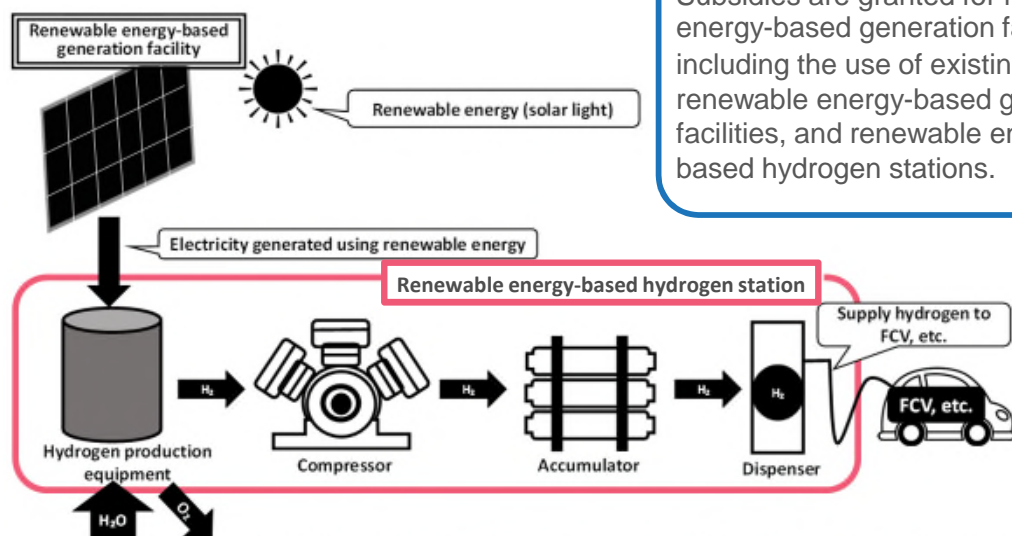
- ✓ In order to inform the importance of inspection thoroughly, MLIT **provided training** in accounting laws and ordinances to inspection officers and comprehensively appointed inspection officers by the end of June 2020, and continuously will provide the training.
- ✓ In **the appointment form** of inspection officers and comprehensively appointed inspection officers, **some cautions were indicated**, including the caution that inspections should be implemented at the construction site or the point of delivery of the goods, and a copy of the appointment form and the cautions thereon are to be **provided to the appointees**.
- ✓ It was **clearly stated in the guidelines** that comprehensively appointed inspection officers should **submit acceptance inspection reports** to the officers responsible for actions authorizing expenditures **after verifying goods at the point of their delivery** without fail, and that inspection officers **create inspection records after reviewing the contents of the acceptance inspection reports**.
- ✓ In order to ensure appointment of inspection officers suitable for the contract content, it was **clearly indicated** that **the scope of inspection**, such as content and place of inspection, for each inspection officer, should **be described in the appointment form of inspection officers**.

11. Implementation of the Regional Renewable Energy-Based Hydrogen Station Introduction Project (Measures taken)

Ministry of the Environment

1,932.66 million yen (Improper amount)

Conceptual Diagram of Renewable Energy-based Hydrogen Station



(Note) An example of generating hydrogen from water with electricity using photovoltaic energy

Subsidies are granted for renewable energy-based generation facilities including the use of existing renewable energy-based generation facilities, and renewable energy-based hydrogen stations.

Requirement for subsidies

All of the electricity necessary for producing hydrogen (the necessary amount of electricity) **is covered by renewable energy-based generation.**

Audit results

- With regard to the requirement for subsidies, **examination of applications for subsidies and checking of the performance after the implementation of projects were not sufficient.**
- Most of the introduced renewable energy-based hydrogen stations **failed to satisfy the aforementioned requirement.**
- The necessary amount of electricity **was not able to be clearly ascertained.**
⇒ There are **technical challenges** to be resolved for appropriately implementing the project.

The status of electricity generated using renewable energy against the total necessary amount of electricity for introduced renewable energy-based hydrogen stations

(1) 7 projects wherein renewable energy-based generation facilities were newly established

In 5 projects (government subsidies: 585.96 million yen), only part of the necessary amount of electricity was covered by renewable energy-based generation (45.4% on average).

(2) 12 projects wherein existing renewable energy-based generation facilities were utilized

In 12 projects (government subsidies: 1,346.69 million yen), all of the necessary amount of electricity was covered by purchased electricity.

Measures taken by the Ministry of the Environment

Fundamental reviews

- Decided to **abolish this project**
- Decided to conduct **technical validation with the aim of contributing to similar projects in the future**

11. Implementation of the Regional Renewable Energy-Based Hydrogen Station Introduction Project (Measures taken)

Ministry of the Environment

1,932.66 million yen (Improper amount)

Outline of the Project

- ✓ Since FY2015, the Ministry of the Environment has granted subsidies for the introduction of hydrogen stations that generate hydrogen through solar photovoltaic generation or other renewable energy-based generation (**renewable energy-based hydrogen stations**) and supply generated hydrogen to Fuel Cell Vehicles (FCV), etc.
- ✓ Renewable energy-based hydrogen stations aim to **comprehensively low-carbonize by curbing CO2 emissions in the process of generating hydrogen**, in addition to curbing CO2 emissions from driving automobiles.
- ✓ For receiving subsidies, it is required that all electricity necessary for generating hydrogen (**the necessary amount of electricity**) is covered by **renewable energy-based generation** (temporary purchase of electricity is permitted).

Audit Results

- ✓ With regard to the requirement for subsidies that the necessary amount of electricity should be covered in full by renewable energy-based generation, **the Ministry did not sufficiently examine applications for subsidies nor check performance after the implementation of projects.**
- ✓ An analysis of the year-round status of introduced renewable energy-based hydrogen stations revealed that most of the projects (17 out of 19 projects) **failed to cover all the necessary amount of electricity by renewable energy-based generation** (government subsidies granted to these projects amounted to 1,932.66 million yen).
- ✓ In light of the existence of technical challenges in that the amount of electricity necessary for a renewable energy-based hydrogen station has yet to be clearly ascertained, **a fundamental review including consideration of whether or not to continue the project** is required.

Measures taken by the Ministry

- ✓ As a result of a review by hearing opinions of experts and collecting technical information, **the Ministry** concluded that **it was difficult to appropriately ascertain the necessary amount of electricity and assume the optimal scale of the renewable energy-based generation facilities** based on the technical knowledge available at this point in time, and decided to **abolish the Regional Renewable Energy-Based Hydrogen Station Introduction Project in FY2020.**
- ✓ In order to contribute to the effective implementation of similar projects in the future, the Ministry decided to conduct **a technical validation to appropriately ascertain the necessary amount of electricity** by such means as utilizing renewable energy-based hydrogen stations introduced under the project.

12. Implementation status of projects using subsidies for promotion of energy-saving investments (projects to support businesses working on rationalization of energy use) (Demand for measures)

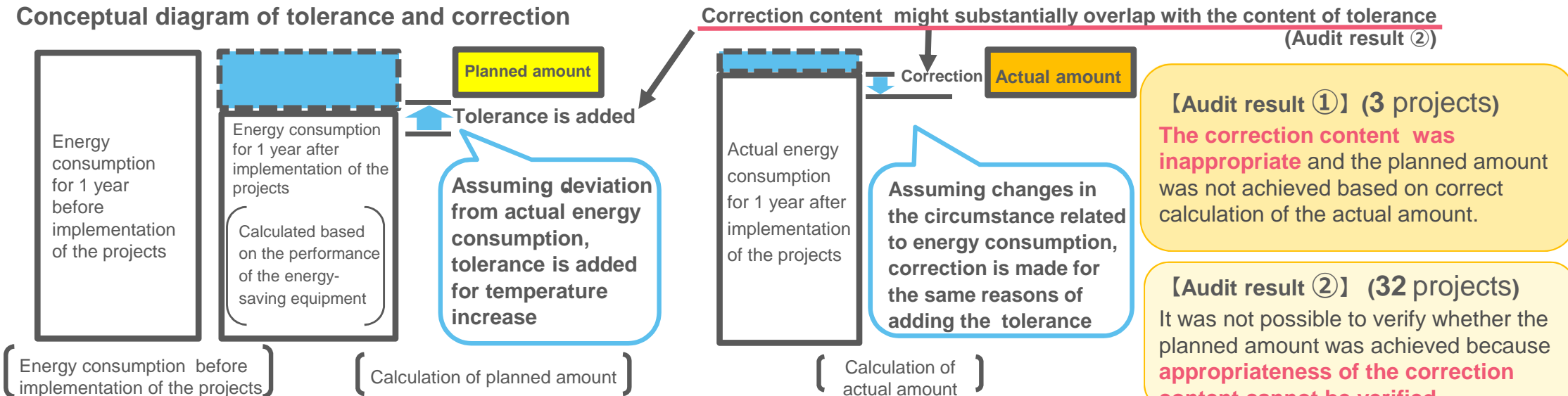
Agency for Natural Resources and Energy
59.88 million yen (Improper amount)
3,424.04 million yen (Background amount)



Projects to support businesses working on rationalization of energy use

- When private businesses as service providers replace existing equipment with energy-saving equipment, a part of the expense is subsidized.
- If service providers cannot achieve the planned value, the service providers should take measures and report the actual energy-saving amount for 1 year.
- If it is found difficult to achieve the planned amount, service providers may be required to return the subsidy.

Conceptual diagram of tolerance and correction



Energy management measures

- When service providers **conclude** an energy management support service contract with 3 or more contract years with a business (**energy management business that proposes additional improvements to obtain further energy saving based on the energy-saving record**) that implements energy-saving measures jointly with the service provider, and implement more effective energy-saving **measure (energy management measure)**, a higher upper limit is set for subsidy rate.

Demand for measures (excerpt)

Agency for Natural Resources and Energy should instruct the subsidized entity to:

- ✓ have the 3 service providers that made correction using inappropriate data for calculation of actual amount report the energy saving amount again, and to consider making them return the subsidy for rationalization if the planned amount cannot be achieved.
- ✓ specify in application guidelines handling of tolerance and correction in order to avoid their substantial overlapping
- ✓ clearly show in application guidelines the need for operation improvement adopting proposals for energy management measures made by energy management businesses



12. Implementation status of projects using subsidies for promotion of energy-saving investments (projects to support businesses working on rationalization of energy use) (Demand for measures)

Agency for Natural Resources and Energy
59.88 million yen (Improper amount)
3,424.04 million yen (Background amount)

Outline of the Projects

- ✓ The Agency for Natural Resources and Energy (ANRE) granted government subsidies to the Sustainable Open Innovation Initiative (SII) as the subsidized entity to have SII provide private businesses as service providers with subsidies for projects for rationalization of energy use (rationalization projects), in order to promote the energy-saving in the industrial sector.
- ✓ Service providers describes the calculated planned amount of the energy saving which would be achieved in one year after implementation of the rationalization project (planned amount) in the application form. For the calculation of the planned amount, a “tolerance” is added assuming deviation from actual energy consumption.
- ✓ Service providers calculates an actual energy consumption for one year after implementation of the projects (actual amount) and reports it to SII. In cases where circumstances related to energy consumption change during the project, service providers make “correction” in the calculation of an actual amount so that it is calculated under the same operating condition as when the planned amount was calculated.
- ✓ If the planned amount is not achieved, service providers should take improvement measures for operation and report an actual energy saving amount for another one year.
- ✓ When service providers conclude an energy management support service contract with three or more contract years with a business (energy management business) that implements energy-saving measures jointly with the service provider, and implement more effective energy-saving measure (energy management measure), a higher upper limit is set for subsidy rate.

Audit Results

The Board audited 186 projects and found the followings:

- ✓ The correction content was inappropriate and the planned amount was not achieved based on correct calculation of the actual amount. (3 projects)
- ✓ It was not possible to verify whether the planned amount was achieved because appropriateness of the correction content cannot be verified. (32 projects)
- ✓ Service providers did not make operation improvement through energy management measures. (33 projects)

12. Implementation status of projects using subsidies for promotion of energy-saving investments (projects to support businesses working on rationalization of energy use) (Demand for measures)

Agency for Natural Resources and Energy
59.88 million yen (Improper amount)
3,424.04 million yen (Background amount)

Demand for Measures

ANRE should instruct the subsidized entity to:

- ✓ have the 3 service providers that made correction using inappropriate data for calculation of actual amount report the energy saving amount again, and to **consider making them return the subsidy for rationalization if the planned amount cannot be achieved.**
- ✓ **inform the service providers and energy management businesses about ensuring appropriate calculation of the actual amount.**
- ✓ **specify in application guidelines handling of tolerance and correction in order to avoid their substantial overlapping.**
- ✓ **clearly show in application guidelines the need for operation improvement adopting proposals for energy management measures made by energy management businesses and to have service providers report the contents of operation improvement.**

13. Use of a system to develop an earthquake disaster reconstruction medical system to provide medical information support jointly with multiple universities (Improprieties)

(National University Corporation)
Saga University

279.82 million yen (Improper amount)

- Outline of the project - established in FY2013 and scheduled to start its operation in April 2015

At normal times

Mapping works are required for forecasting

[Demand forecasting]

Prescribed dose of drugs

Analysis

Information obtained through demand forecasting

Occurrence of disasters

On disasters

Reconstruction

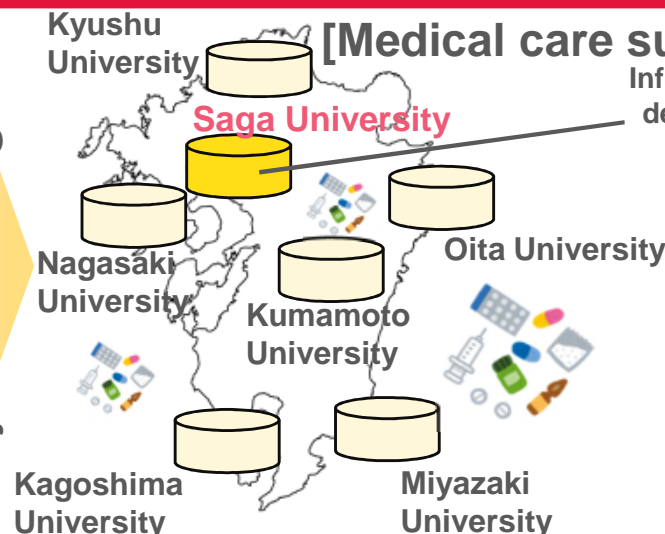
[Medical care support]

Information obtained through demand forecasting project



Provide the Information obtained through demand forecasting to the participating universities

Provide support to ensure effective distribution of medicine to afflicted area



Saga University makes a request to the participating universities for mapping works. Saga University and the participating universities carry out the work.

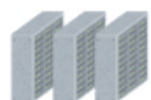
Local codes

Standardization code



Mapping works

Medical data of national universities in Kyushu are concentrated to Saga University



Audit results

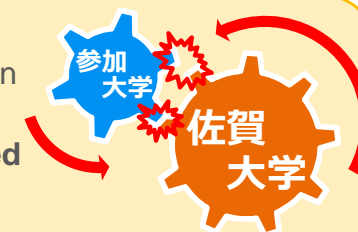
- ✓ 5 of the participating national universities excluding Kyushu University **did not complete mapping works.**
- ✓ Saga and Kyushu Universities completed mapping works but Saga University **did not carry out demand forecasting due to failure to import medical data to the earthquake disaster medical system.**
- ✓ **Saga University** deemed that it was difficult to carry out the work necessary for operation in the future and **gave up demand forecasting with the earthquake disaster medical system.**
- ✓ The earthquake disaster medical system had not been used at all since its delivery with no prospect of use in the future, and therefore this was improper.



Cause

Saga University lacked the following awareness:

- ✓ **to need to formulate an implementation plan for concrete mapping works based on sufficient consensus building on concrete implementation methods of the mapping works that Saga University and other universities need to carry out respectively, and division of their roles, not sharing the recognition with the participating universities regarding the need for demand forecasting sufficiently**
- ✓ **to operate the established earthquake disaster reconstruction medical system appropriately**



13. Use of a system to develop an earthquake disaster reconstruction medical system to provide medical information support jointly with multiple universities (Improprieties)

(National University Corporation)
Saga University

279.82 million yen (Improper amount)

Outline of the Project

- ✓ An earthquake disaster reconstruction medical system (**earthquake disaster medical system**) is a system that collects **medical information (medical data) on patients with chronic diseases held by Saga University and 6 National University Corporations (participating universities)** that have affiliated hospitals in Kyushu area, and medical data are accumulated at **Saga University**, aiming to carry out the following medical supports:
 - **Saga University** analyzes the accumulated data and implements a **research project of forecasting a demand** for doses of drugs prescribed and tests conducted at medical consultation “at normal times.”
 - By providing information obtained through the demand forecasting project at normal times to the participating universities, Saga University provides **support to ensure that medicines are effectively distributed to afflicted areas “at the time of disaster.”**
- ✓ **Saga University developed an earthquake disaster reconstruction medical system and carried out procurement of necessary devices such as a server on November 2013 (contract amount: 279.82 million yen).**
- ✓ **Since medical data are given a distinct code (local codes) by each medical institution, it is essential to match local codes and an code created by Medical Information System Development Center, General Incorporated Foundations (standardization code) to help information exchange among medical institutions (mapping works), in order to import medical data to the earthquake disaster medical system and carry out demand forecasting.**

Audit Results

- ✓ Five of the participating national universities excluding Kyushu University **did not complete mapping works.**
- ✓ Saga and Kyushu Universities completed mapping works but Saga University **did not carry out demand forecasting due to a failure to import medical data to the earthquake disaster medical system.**
- ✓ **Saga University** deemed that it was difficult to carry out works necessary for the operation of the earthquake disaster medical system in the future and **gave up the demand forecasting by the system.**
- ✓ **The earthquake disaster medical system had not been used at all since its delivery with no prospect of its future use, and therefore this was improper.**

Cause

Saga University lacked the following awareness:

- ✓ **to need to formulate an implementation plan for concrete mapping works based on sufficient consensus building** on concrete implementation methods of the mapping works that Saga University and other universities need to carry out respectively, and division of their roles, **not sharing the recognition with the participating universities regarding the need for demand forecasting sufficiently.**
- ✓ **to operate the established earthquake disaster medical system appropriately.**