

# 1. Execution status of budget, etc. regarding measures for COVID-19 (Report on specific matters)

Ministries, agencies in charge

## Background of the Audit

- ✓ **A significant part of the budget was spent for the following 5 measures related to COVID-19, which were decided in FY2019 and FY2020.**
  - FY2019 (Amounts indicated in the decision by the Novel Coronavirus Response Control Headquarters, including a reserve fund)
 

· Emergency Response Measures against COVID-19 (Emergency Response Package 1 <sup>st</sup> )	Govt. decision on Feb 13, 2020	15,300 million yen
· Emergency Response Measures against COVID-19 (Emergency Response Package 2 <sup>nd</sup> )	Govt. decision on Mar 10, 2020	430,800 million yen
· Emergency Measures to Respond to Life Concerns (Emergency Measures)	Govt. decision on Mar 18, 2020	10,400 million yen
  - FY2020 (supplementary budgets in the General Account, including reserve funds, and new countermeasures projects calculated as additional expenses after the decision by the Cabinet for the Emergency Economic Measures)
 

· Emergency Economic Measures to Cope with COVID-19 (Emergency Economic Measures)	April 7, 2020 (partially revised on April 20) Cabinet decision	
1st supplementary budget: 25,565,400 million yen	2nd supplementary budget: 31,817,000 million yen (including the new countermeasures projects)	
· Comprehensive Economic Measures to Secure People's Lives and Livelihoods toward Relief and Hope (FY2020 Comprehensive Economic Measures)	Cabinet decision on Dec 8, 2020	
	3rd supplementary budget 19,176,100 million yen	
- ✓ **Large amounts of reserve funds, including specific-purpose reserve funds for COVID-19 set up in FY2020 (9,650,000 million yen after 3rd supplementary budget)**

## Status of the Audit

- ✓ The Board analyzed 854 projects related to COVID-19, including the 5 measures. (For the FY2020 Comprehensive Economic Measures, projects were chosen for their relevance with COVID-19 measures.)
- ✓ **For a total of 770 projects in which the implementation of the budget related to COVID-19 measures is separately managed, the Board analyzed the status of the budget implementation by the 5 measures, expense items, ministries/agencies, and projects, and found that there was a large amount of carry-over and unused amounts.**
- ✓ In the analysis of the budget implementation by expense items, the Board set up an expense item for each project based on its purpose, and analyzed the implementation status of the budget from FY2019 through FY2020.
 

"COVID-19 prevention measures"	301 projects	Total budget: 9,650,000 million yen	Carry-over: 3,008,400 million yen	Unused: 358,700 million yen
"Economic and employment measures"	296 projects	Total budget: 46,152,900 million yen	Carry-over: 13,036,100 million yen	Unused: 539,900 million yen
"International cooperation"	141 projects	Total budget: 281,300 million yen	Carry-over: 6,200 million yen	Unused: 2 million yen
"Temporary subsidy for COVID-19"	3 projects	Total budget: 7,879,200 million yen	Carry-over: 5,264,000 million yen	Unused: 700 million yen
- ✓ **Analysis on the implementation status of the whole actual amounts of budget items for which reserve funds were allocated**
  - Number of budget items with a carry-over amount larger than or equal to the allocated reserve fund: 9 items in FY2019 / 19 items in FY2020
  - Number of budget items with an unused amount larger than or equal to the allocated reserve fund: 17 items in FY2019 / 3 items in FY2020
- ✓ **For budget items in which the allocated reserve funds accounted for more than half of the actual budget amount (16 items in FY2019 / 10 items in FY2020), based on the assumption that the budget was executed by prioritizing the use of the allocated reserve fund, the Board conservatively estimated the amount equivalent to unused amounts related to the allocated reserve funds, and found that the number of budget items where there are amounts equivalent to the unused amounts related to the allocated reserve fund is 7 items in FY2019 (61,100 million yen) and 0 item in FY2020.**

## Findings

- ✓ Ministries/agencies **should provide sufficient information to the public on the large amounts of carry-over and unused amounts** in order to push forward with measures related to COVID-19, ensuring the understanding and cooperation of the people.
- ✓ Ministries/agencies **should analyze the causes** of the large amounts of carried-over and unused amounts of the projects related to COVID-19, **make an effort to execute the projects in a timely and appropriate manner**, and **provide the public with information on the implementation status of budgets for the projects.**

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## Relations between measures related to COVID-19 and budgets appropriated by the government in FY2019 and FY2020

FY	Measure	Content of measures	Budget related to measures
FY 2019	<b>Emergency Response Package 1st</b>	Strengthening measures against domestic infections: 6,500 million yen Strengthening quarantine policies: 3,400 million yen Support for Japanese people returning from abroad: 3,000 million yen Strengthening international cooperation, etc.: 1,800 million yen	15,300 million yen (of which, allocated reserve funds were 10,300 million yen)
	<b>Emergency Response Package 2nd</b>	Supporting families with children amid tentative closure of schools: 246,300 million yen Protecting employment and keeping businesses viable: 119,200 million yen	430,800 million yen (of which, allocated reserve funds were 271,400 million yen)
	<b>Emergency Measures</b>	Expansion of exceptional cases such as emergency small loans for individuals, etc.: 10,400 million yen Deferred payment of national taxes and social insurance premiums	Reserve funds were allocated: 10,300 million yen
FY 2020	<b>Emergency Economic Measures</b>	Protecting employment and keeping businesses viable: 19,490,400 million yen Measures to prevent the spread of infection, build medical care provision systems, and develop pharmaceuticals: 1,809,600 million yen Recovery of economic activities through public and private cooperation: 1,848,100 million yen <b>Reserve funds to cope with COVID-19: 1,500,000 million yen</b>	Of the first supplementary budget in FY2020, expenses for emergency economic measures were 25,565,400 million yen
		Enhancing responses of financing: 11,639,000 million yen <b>Reserve funds to cope with COVID-19: 10,000,000 million yen</b> Strengthening medical provision systems: 2,989,200 million yen Expanding temporary subsidies for regional revitalization against COVID-19: 2,000,000 million yen Strengthening responses of sustainability subsidies: 1,939,900 million yen	Of the second supplementary budget in FY2020, expenses related to COVID-19 control were 31,817,000 million yen
		Establishing rent support benefits: 2,024,100 million yen Establishing the support fund for the leave forced to be taken under the COVID-19 outbreak (tentative name): 171,000 million yen	
		Promoting structural change and virtuous economic cycle for post-COVID-19 era: 11,676,500 million yen Measures to prevent the spread of COVID-19: 4,358,100 million yen Ensuring safety and security by promoting disaster prevention/mitigation and national resilience: 3,141,400 million yen	Of the third supplementary budget in FY2020, expenses related to FY2020 Comprehensive Economic Measures were 19,176,100 million yen
	<b>New support project</b>	Temporary support fund: 249,000 million yen Special benefits for Supporting Families with Children: 217,400 million yen Student support emergency benefits: 53,100 million yen	Reserve funds were allocated
	<b>FY2020 Comprehensive Economic Measures</b>		

For FY2019, **reserve funds as well as the approved budgets** were used to implement the measures related to COVID-19

For FY2020, part of the **initial budget, and the 1<sup>st</sup> to 3<sup>rd</sup> supplementary budgets and reserve funds** were used to implement the measures related to COVID-19.

A significant part of the **budget was appropriated for the 5 measures and the new support projects**

Note 1: For FY2020, only the budget amount for General Accounts is listed.

Note 2: "New support projects" were additionally included in the budget and implemented by ministries and agencies after the Cabinet decision on emergency economic measures.

The **Reserve Fund for COVID-19** was established separately from the general reserve fund, to be only used for paying expenses for preventing the spread of COVID-19 and other related urgent expenses. (see the marking in red. 1,850,000 million yen was reduced in the third supplementary budget.)

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As main financial resources for the 5 measures and the new support projects, supplementary budgets were set and reserve funds were allocated. However, the supplementary budgets and the allocated reserved funds were combined with the initial budgets to be spent in the implementation phase of the measures and projects. Thus, it is basically not possible to identify financial resources for individual expenses paid to implement the measures and projects.

## <<Analysis by the Board>>

(1) Ministries and agencies subdivided the 5 measures and the new support projects into projects based on certain conditions, separately from budget items under laws and regulations. In many cases, they managed the use of budget for each of such projects. **The Board identified 854 projects out of those of the 5 measures and the new support projects based on the above management, and analyzed 770 projects for each of which ministries and agencies managed the use of the budget for the portion related to COVID-19, by the 5 measures and the new support projects, expense items (See table below), ministries and agencies, and project.**

Execution status of budgets by expense items in total from FY2019 thorough FY2020

(Unit: projects, million yen, %)

Expense item	Number of projects	Total budget amount (A)	Expended amount (B)	Carry-over amount	Unused budget	Execution rate (B/A)
Large category						
Measures to prevent COVID-19	301	9,650,003	6,282,639	3,008,436	358,770	65.1
Economic and employment measures	296	46,152,950	32,576,855	13,036,100	539,994	70.5
International cooperation	141	281,389	275,111	6,276	2	97.7
Temporary subsidy for regional revitalization for COVID-19	3	7,879,208	2,614,470	5,264,026	711	33.1
Other	31	1,464,913	822,475	465,176	177,261	56.1
Net total (deducting duplicates per expense item)	770	65,416,529	42,560,298	21,779,684	1,076,390	65.0

The Board categorized the 5 measures and the new support projects into expense items for analysis.

**Significant carry-over and unused amounts**

(Reference) Budget execution status by expense item / subcategory (down of the left table)  
Selected only subcategory items with a total budget of 1 trillion yen or more.

Partial breakdown of the left table)

(Unit: projects, million yen, %)

Large category	Subcategories	Number of projects	Total budget amount (a)	Expended amount (b)	Carry-over amount	Unused budget	Execution rate (b/a)
Measures to prevent COVID-19	Expenses related to the development of medical provision systems, etc.	121	6,828,941	4,617,856	2,071,125	139,802	67.6
	Expenses related to the development of pharmaceuticals and vaccines, etc.	30	1,920,174	1,128,254	787,726	4,192	58.7
Economic and employment measures	Expenses related to financial support measures, etc.	35	16,985,618	8,107,131	8,865,526	12,961	47.7
	Expenses related to support for small and medium-sized enterprises	32	13,244,860	10,078,683	3,058,566	107,610	76.0
	Expenses related to people in need	30	24,236,621	17,626,289	6,257,778	352,553	72.7
	Expenses related to tourism, cultural and artistic projects, etc.	34	2,936,426	1,028,100	1,905,884	2,441	35.0

(2) For the **reserve fund**, the Board analyzed the implementation status of the whole actual amounts of budget items for which reserve funds were allocated.

→ Number of budget items with a carry-over amount larger than or equal to the allocated reserve fund: 9 items in FY2019, 19 items in FY2020 / Number of budget items with an unused amount larger than or equal to the allocated reserve fund: 17 items in FY2019, 3 items in FY2020

For budget items in which the allocated reserve funds accounted for more than half of the actual budget amount (16 items in FY2019 and 10 items in FY2020), **based on the assumption that the budget was executed by prioritizing the use of the allocated reserve fund, the Board conservatively estimated the amounts equivalent to unused amounts related to the allocated reserve funds.**

→ Number of budget items with amounts equivalent to unused amounts related to the amounts of the allocated reserve funds: **7 items and 61,100 million yen in FY2019** and 0 items in FY2020

## Findings

Ministries and agencies **should provide sufficient information to the public on the large amounts of carry-over and unused amounts** in order to push forward with measures related to COVID-19, ensuring the understanding and cooperation of the people, **and analyze the causes of the carry-over and unused amounts, make an effort to execute the projects in a timely and appropriate manner, and provide the public with information on the implementation status of budgets for the projects.**

## 2. Financing support for SMEs, etc. in measures related to COVID-19 control (Report on specific matters)

Ministries, agencies in charge

### Background of the Audit

- ✓ Since March 2020, in accordance with the government's emergency response measures, etc. Japan Finance Corporation (JFC), Shoko Chukin Bank (SCB), and Credit Guarantee Corporations (CGC) have been working on projects such as **special loans and other loans to cope with COVID-19, credit guarantee related to effectively interest-free and unsecured loans by private financial institutions (zero-zero loans), and special interest subsidies** as financing support for SMEs that experience temporary declining performance due to the spread of COVID-19.
- ✓ For implementing this financing support, the government prepared a large budget, and related ministries and agencies repeatedly called upon JFC and other institutions to make an effort and other institutions to simplify and accelerate examinations of applications so that they can respond quickly to the demand for funds by enterprises.

### Status of the Audit

- ✓ **Financing support provided** by JFC and other institutions consisted of **15,540,100 million yen in loans to SMEs, 30,934,600 million yen in permitted credit guarantees, and 145,100 million yen in interest subsidies.**
- ✓ The government's financial support included loans (financial loan fund: 14,709,200 million yen, investment: 2,726,900 million yen), credit guarantees, etc. (investment: 1,412,000 million yen, subsidies: 2,039,800 million yen), and interest subsidies (subsidies: 1,849,700 million yen).
- ✓ Regarding special loans and other loans to cope with COVID-19, the volume of outstanding loans have become larger, and the number of loans has significantly increased.
- ✓ In order to expedite decisions on loans, JFC and SCB established temporary relaxation measures to simplify the collection of documents from loan applicants and to omit on-site investigations for loan applicants' stores as necessary.
- ✓ There was quite a few number of special loans and other loans to cope with COVID-19, whose first repayment had not been due as of the end of FY2020.
- ✓ Regarding credit guarantees, when estimating the repayment schedules of the zero-zero loans, 63.4% of the loans will have their first repayments after FY2021.

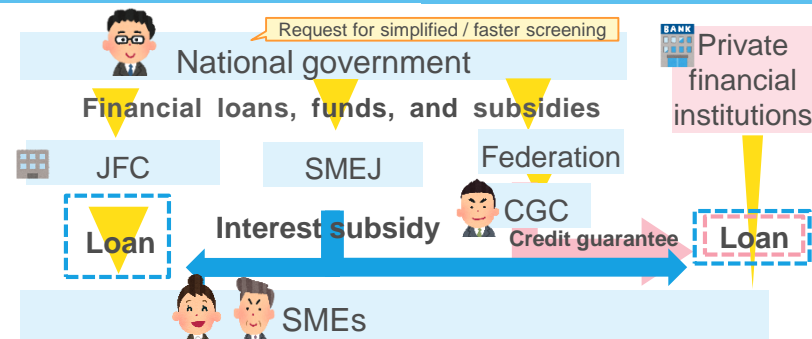
### Findings

- ✓ JFC and SCB **should continue to understand the status of loan applicants efficiently and appropriately**, considering that the number of loans related to special loans and other loans to cope with COVID-19 significantly increased, and that unusual methods and systems are used for implementing special loans and other loans to cope with COVID-19, such as temporary relaxation measures for examination procedures which are applied as necessary.
- ✓ JFC and SCB **should continue to understand the status of debtors efficiently and appropriately**, considering the fact that there are quite a few loans that have not started repayments.
- ✓ The Small and Medium Enterprise Agency (SMEA) **should supervise CGC appropriately** by receiving reports from CGC in a timely manner and paying attention to the CGC's work for understanding the status of debtors in cooperation with private financial institutions, considering that there is a substantial amount of zero-zero loans that have not yet started repayments.

## 2. Financing support for SMEs, etc. in measures related to COVID-19 control (Report on specific matters)

Ministries, agencies in charge

- Since March 2020, JFC, SCB, CGC, SME Support Japan (SMEJ), and other institutions have provided **financing support to SMEs** which have experienced temporary declining performance due to the spread of COVID-19.
- The government prepared a large budget and called upon JFC and other institutions to make an effort to simplify and accelerate examinations of applications so that they can respond quickly to the demand for funds by enterprises.



### <Financing support from JFC and other institutions to SMEs>

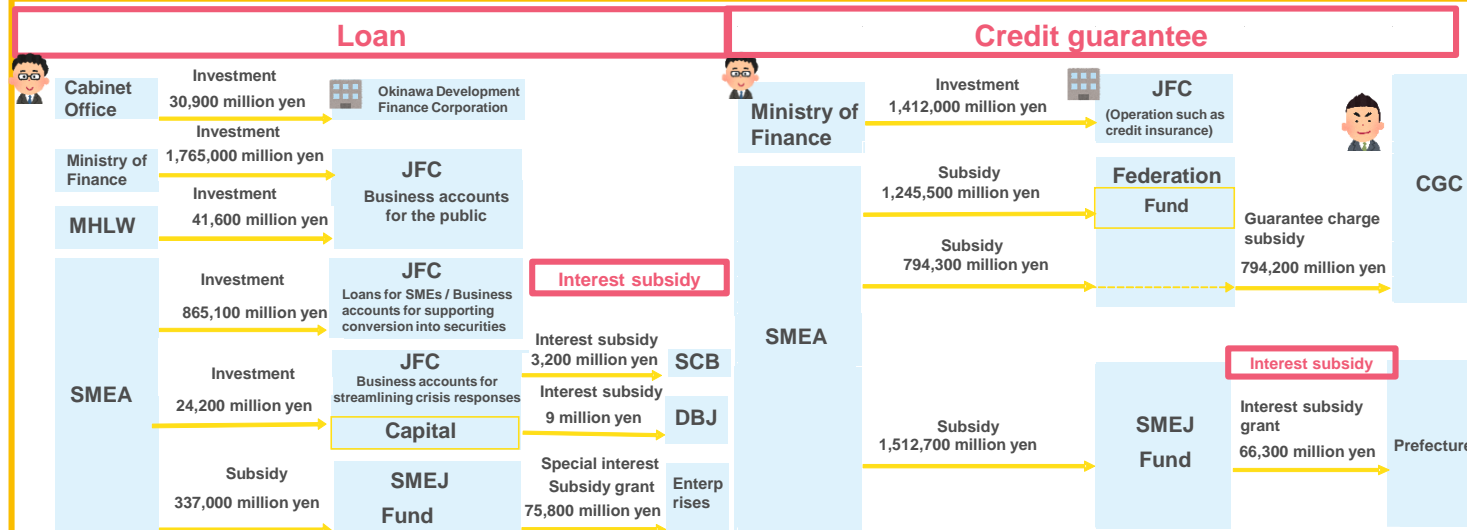
Loan	Credit guarantee	Interest subsidy
15,540,100 million yen	30,934,600 million yen	145,100 million yen

Special Loans and other loans to cope with COVID-19, credit guarantee related to effectively interest-free and no collateral loans by private financial institutions (zero-zero loans), special interest subsidies, etc.

### Status of national financial support

Financial resources for the financial support provided by JFC and other institutions include their own resources, fiscal loan resources based on Fiscal Investment and Loan Program (FILP) Plan, and investment and subsidies from the national government.

### Status of investment etc. and flow of financing support



### National financial support

- Loans from financing funds such as JFC: 14,709,200 million yen
- Investments for special loans and loans for crisis response by SMEs: 2,726,900 million yen
- National financial support for credit guarantees  
Investments: 1,412,000 million yen  
Subsidies: 2,039,800 million yen
- National government's subsidies for interest subsidies  
Loans, etc.: 337,000 million yen  
Credit guarantees, etc.: 1,512,700 million yen



## 2. Financing support for SMEs, etc. in measures related to COVID-19 control (Report on specific matters)

Ministries, agencies in charge

### Status of financing support related to COVID-19 that JFC and other institutions provided to SMEs

The cumulative total of special loans and other loans to cope with COVID-19 provided by JFC as of the end of March 2021: **15,540,100 million yen** (927,567 loans). The total amount of outstanding loans have become larger, and the number of loans has significantly increased.

Major loan	Cumulative total up to March 2021 Loans (qty.)	Outstanding loans at the end of 2020 (qty.)
JFC's special loans (Micro Business and Individual Unit)	8,444,500 million yen (776,332 loans)	7,960,200 million yen (742,237 loans)
JFC's special loans (SME unit)	3,827,200 million yen (46,437 loans)	3,681,500 million yen (47,005 loans)
Crisis response loans by SCB	2,157,000 million yen (32,330 loans)	1,941,700 million yen (30,918 loans)

#### Status of the repayments

Number and proportion of loans that are scheduled for repayments to start after FY2021

JFC's special loans (Micro Business and Individual Unit )	518,808 loans (66.8%)
JFC's special loans (SME unit)	34,968 loans (75.3%)
Crisis response loans to SMEs by SCB	25,643 loans (79.3%)

There was quite a few number of loans, which did not start repayments at the end of FY2020.

#### Status of impact on risk management loans and bad debt reserves

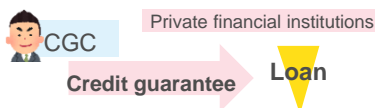
Status of risk management loans and bad debt reserves in JFC and other institutions at the end of FY2020  
(compared to FY2019)

	Risk management loan	Bad debt reserve
JFC (Micro Business and Individual Unit )	510,100 million yen (13,900 million yen reduction)	282,500 million yen (164,700 million yen increase)
JFC (SME unit)	794,800 million yen (268,700 million yen increase)	474,100 million yen (171,800 million yen increase)
SCB	327,200 million yen (9,800 million yen reduction)	180,000 million yen (2,800 million yen increase)

#### Status of measures for simplifying and accelerating examinations

In order to expedite decisions on loans, JFC and SCB established **temporary relaxation measures to simplify the collection of documents from loan applicants** as necessary and **dispatched support personnel** to branches with an increased number of loan applications.

### Credit guarantees, etc. by CGC for loans from private financial institutions



As the number of guarantee applications increased significantly due to the launch of zero-zero loans program, the number of guarantee acceptances and outstanding balance of guaranteed liabilities significantly increased in FY2020 from the previous fiscal year. When estimating the repayment schedules of the zero-zero loans based on loan disbursement dates and the deferment periods, there are quite a few zero-zero loans where repayments did not start at the end of FY2020 (63.4% of the total).

#### Findings

The outstanding balance of guaranteed liabilities, such as credit guarantees by CGC for loans from private financial institutions, also increased. (41,981,600 million yen at the end of FY2020)

- **JFC and SCB should continue to understand the status of loan applicants efficiently and appropriately**, considering that the number of loans related to special loans and other loans to cope with COVID-19 significantly increased, and that unusual methods and systems are used, such as temporary relaxation measures for examination procedures which are applied as necessary.
- **JFC and SCB should continue to understand the status of debtors efficiently and appropriately**, considering that there are quite a few loans that have not started repayments.
- **SMEA should supervise CGC appropriately** by receiving reports from CGC in a timely manner and paying attention to the CGC's work for understanding the status of debtors in cooperation with private financial institutions, considering that there is a substantial amount of zero-zero loans that have not yet started repayments.

### 3. Implementation of fabric mask distribution project (Report on specific matters)

Ministry of Health, Labour and Welfare (MHLW)  
Ministry of Education, Culture, Sports, Science and Technology (MEXT)

#### Background of the Audit

- ✓ **The fabric mask distribution project was**  
A project in which the national government **purchased and distributed reusable fabric masks in bulk to deal with the shortage of masks**, based on the "COVID-19 Emergency Response Package" and other measures established by the government after February 2020.
- ✓ Fabric mask distribution project classified by distribution target  
**The Ministry of Health, Labour and Welfare (MHLW):** Project for distributing fabric masks to all households in Japan (Distribution project for all households);  
Project for distributing fabric masks to users and employees of nursing care facilities (Distribution project for nursing care facilities); and  
Project for distributing fabric masks to pregnant women (Distribution project for pregnant women)  
**The Ministry of Education, Culture, Sports, Science and Technology (MEXT):** Project for distributing fabric masks to students, teachers, and school staff  
(Distribution project for schools)
- ✓ MHLW began distributing fabric masks to pregnant women on April 14, 2020, but MHLW and MEXT **suspended fabric mask distribution** on around April 16 and April 20 of the same year, respectively, following **reports that some of the distributed fabric masks had problems such as dirt being adhered to them**. (Defective product problem)

#### Status of the Audit

- ✓ **MHLW and MEXT concluded contracts for procurement of fabric masks between March and June 2020 for a total of 44,263.38 million yen (318.11 million masks).** All of the contracts were negotiated contracts because of the urgent situation, for securing a large number of masks as early as possible amid a tight supply.
- ✓ **MHLW did not prepare the specifications** or clarify the size and quality standards of the fabric masks in a document.  
**MEXT prepared written specifications**, only specifying that formaldehyde should be below detection criteria.
- ✓ Regarding **the defective product problem**, MHLW received reports from 635 municipalities that 60,000 (12.5%) out of 490,000 fabric masks distributed to pregnant women were defective such as containing hair.
- ✓ Because MHLW and MEXT **did not specify a measure to take if a defective product is detected in the conclusion of contracts to procure fabric masks**, they had to take ex-post responses.
- ✓ **MHLW stores a total of 82.72 million fabric masks as inventory as of March 31, 2021.**  
Storage cost (including delivering cost) from August 2020 to March 2021: 600.96 million yen

#### Findings

- ✓ In the future procurements of sanitary goods such as masks, MHLW and MEXT should:
  - **prepare specifications that clearly establish quality criteria and other information** based on public standards, **even in the emergency; and**
  - **specify in a contract measures to take if a defective product is detected** when concluding the contract.
- ✓ MHLW **should consider selling and transferring the stored fabric masks** while making effective use of them and reducing the storage cost..

### 3. Implementation of fabric mask distribution project (Report on specific matters)

Ministry of Health, Labour and Welfare (MHLW)  
Ministry of Education, Culture, Sports, Science and Technology (MEXT)

#### Outline of the fabric mask distribution project

Project name	Responsible ministry	Distribution target	Planned distribution timing	Originally planned number of masks to distribute	Distribution method
Distribution project for all households	MHLW	All households in Japan	From mid-April to end of May in 2020	2 masks per address	Direct distribution to households
Distribution project for nursing care facilities		Users and employees of nursing care facilities	End of March 2020	1 mask per person	Distribution to nursing care facilities in principle Nursing care facilities distribute masks to their users and employees
Distribution project for pregnant women			From April to September, 2020	1 mask every month per person	
Distribution project for schools	MEXT	Pregnant women	From April to September, 2020	2 masks every month per person	Distribution to municipalities in principle Municipalities distribute masks to pregnant women
		Students, teachers, and school staff	Two times in April and May (or a later month), 2020	1 masks per person at a time	Distribution to schools in principle Schools distribute masks to students, teachers, and school staff

#### Status of the Audit

##### [Procurement contract]

<MHLW> 17 companies; amount paid: **39,978.49 million yen (287.41 million pieces)**

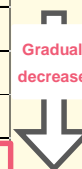
<MEXT> 3 companies; amount paid: **4,284.88 million yen (30.7 million pieces)**

**All of the contracts were negotiated contracts** because of the urgent situation, for securing a large number of masks as early as possible amid a tight supply.

→ Statistics on production and supply volume of masks for households showed that the supply and demand for masks were tight at the time.

##### [Average unit price of a mask] (unit: million)

Contract month	Total amount paid (yen)	Number of purchased masks (pieces)	[Average unit price of a mask] (yen/piece)
	A	B	A/B
2020			
March	3,135.55	22.19	141.24
April	14,303.35	100.65	142.10
May	18,447.72	134.04	137.62
June	8,376.74	61.22	136.81
Total	44,263.38	318.11	139.14





### 3. Implementation of fabric mask distribution project (Report on specific matters)

Ministry of Health, Labour and Welfare (MHLW)  
Ministry of Education, Culture, Sports, Science and Technology (MEXT)

#### Status of the Audit (1)

##### [Specifications, etc. concerning the procurement contracts for fabric masks]

- **MHLW:**  
MHLW did not prepare the specifications and clarify the size and quality standards of the fabric masks in a document.
- **MEXT:**  
MEXT prepared the specifications, only specifying that formaldehyde should be below detection criteria.

MHLW considered that the size of 9.5 cm × 13.5 cm is appropriate on the basis of samples provided by companies in advance

→ Flat-shaped fabric masks are sold mainly for home use, and most of them for adults were 9.5 cm x 13.5 cm in size.

#### Finding (1)

MHLW and MEXT should prepare specifications that clearly establish quality criteria and other information based on public standards, etc., even in the emergency, because sanitary goods such as masks need to be procured with clear quality criteria, etc. for sanitary reasons.

#### Status of the Audit (2)

##### [Contracts for inspection, etc. after defective products occurred]

- MHLW suspended distribution and collected the masks following reports from 635 municipalities that 60,000 (12.5%) out of 490,000 fabric masks distributed to pregnant women were defective such as containing hair.
- Separately from the inspection by suppliers, MHLW and MEXT concluded an agreement with Miyaoka Co., Ltd. for inspection and other work on April 2020 (total cost: 700.75 million yen).
- MHLW: 1,680,000 out of 10,890,000 pieces that were not accepted as a good product  
MEXT: 8,223 out of 180,000 masks that were not accepted as a good product  
→ They could not have the suppliers repair and replace the unacceptable masks at the suppliers' expense.
- Kyowa Co., Ltd. requested both ministries not to pursue defect liability after delivery in the procurement contract between the ministries and the company.  
→ The two ministries accepted the request, saying that they would prefer to procure fabric masks promptly.  
→ According to the two ministries, all of the defective masks provided by the company do not fall under latent defects, and were replaced at the sole expense of the company.

#### Finding (2)

In concluding a contract, MHLW and MEXT should specify in the contract measures to take if a defective product is detected, such as having suppliers repair, replace and take other necessary measures at the suppliers' responsibility and expense.

### 3. Implementation of fabric mask distribution project (Report on specific matters)

#### Status of the audit (3)

#### [Number of procured fabric masks, number of masks in stock, etc.]

Responsible ministry	Project name	Number of masks procured	Number of masks in stock As of March 31 2021	Status of distribution and storage
MHLW	Distribution project for all households	130.04 million	4.05 million	<ul style="list-style-type: none"> <li>121.83 million masks were distributed from April 17 to June 20 in 2020</li> <li>Masks were not distributed to places confirmed to be vacant. → 4.05 million masks were stored as stock.</li> </ul>
	Distribution project for nursing care facilities	157.36 million	78.66 million	<ul style="list-style-type: none"> <li>A total of 60.62 million masks were distributed in two installments between March 26 and May 31 in 2020.</li> <li>Batch distribution was stopped in July, based on the opinions from related organizations around July 2020 that the distribution of masks was recovering in general.</li> <li>A total of 10.49 million masks were distributed to nursing care facilities that requested them between August 2020 and March 2021. → Part of the masks were stored as stock because there were few requests.</li> </ul>
	Distribution project for pregnant women			<ul style="list-style-type: none"> <li>0.49 million masks were distributed in the first distribution (between April 14 and April 30, 2020)</li> <li>In the 2nd to 4th distributions, a total of 6.39 million masks were distributed in the desired quantity reported from municipalities in principle. → Part of the masks were stored as stock because there were few requests.</li> </ul>
	Total	287.41 million	82.72 million	
MEXT	Distribution project for schools	30.70 million	Approx. 0.008million	<ul style="list-style-type: none"> <li>A total of 30.72 million masks were distributed in two installments on April 11 and June 15 in 2020. (Items returned due to unknown addresses were distributed to other schools.)</li> </ul>

- MHLW stored a **total of 82.72 million** masks as stock (their proportion to a total of 287.41 million masks procured: 28.7%)
- MHLW's **storage cost** for the masks in stock (including delivery cost) from August 2020 to March 2021: **600.96 million yen**

#### Management of goods

#### State-Owned Goods Management Act

- Goods that cannot be used or disposed of can be sold after a decision is made to not use them

#### Act on Free Loans and Gifts of State-Owned Articles

- When transferring daily living necessities, medical goods, sanitary materials, and other relief items to disaster victims or other people who require first aid, the goods can be transferred to people who are not the national government.

#### Finding (3)

**MHLW should consider selling and transferring the stored fabric masks while making effective use of them and reducing the storage cost.**

## 4. Provision of employment adjustment subsidies, etc. (Report on specific matters)

Ministry of Health, Labour and Welfare (MHLW)

### Background of the Audit

- ✓ In response to workers taking leave, etc., due to the impact of COVID-19, **various exceptions such as raising the subsidy rate (10/10 if no dismissals) for employment adjustment subsidies that provide assistance for the equivalent amount of leave allowance paid by the employer, and easing requirements such as the scale that leave is carried out** (special treatments for COVID-19) were introduced. **Emergency employment stability grant-in-aid (referred to as employment adjustment subsidies, etc., collectively with the other subsidy)** was established to make workers who do not have employment insurance also subject to measures.
- ✓ Establishment of a leave support grant and benefit system to provide relief for workers who are on leave but who are not paid a leave allowance

### Status of the Audit

- ✓ **The expenditure on employment adjustment subsidies, etc. was 3,190,441.91 million yen in FY2020**
- ✓ Employment insurance finances were tight due to a decrease in the balance of the employment stability fund and borrowing from reserve funds for unemployment benefits, as well as large expenditures (961,384.96 million yen) made from General Accounts.
- ✓ Although the system of the Public Employment Security Office (Hello Work) has been improved to enable retroactive registration of information related to applications for employment adjustment subsidies, etc., MHLW did **not develop a prospect on using the added functions or completing retroactive registration**
- ✓ The following are the risks to be noted in future follow-ups by the Ministry of Health, Labour and Welfare (MHLW)
  - **Situation in which 96.73 million yen in employment adjustment grants, etc. was received fraudulently by people submitting applications for employment adjustment subsidies, etc. that stated false information**, such as by employers falsely claiming to have an employment relationship with a person when in fact they do not
  - Situation in which companies were deemed to have received employment adjustment subsidies, etc. **by making an adjustment between the companies so that the same person is eligible for benefits for each of business suspension at multiple companies within multiple labour bureaus**
- ✓ **The amount for employment adjustment subsidies exceeded the amount paid for leave allowance (the excess amount: 1,199.29 million yen)**, and the excess amount has not aligned with the role of grants for leave allowance

### Findings

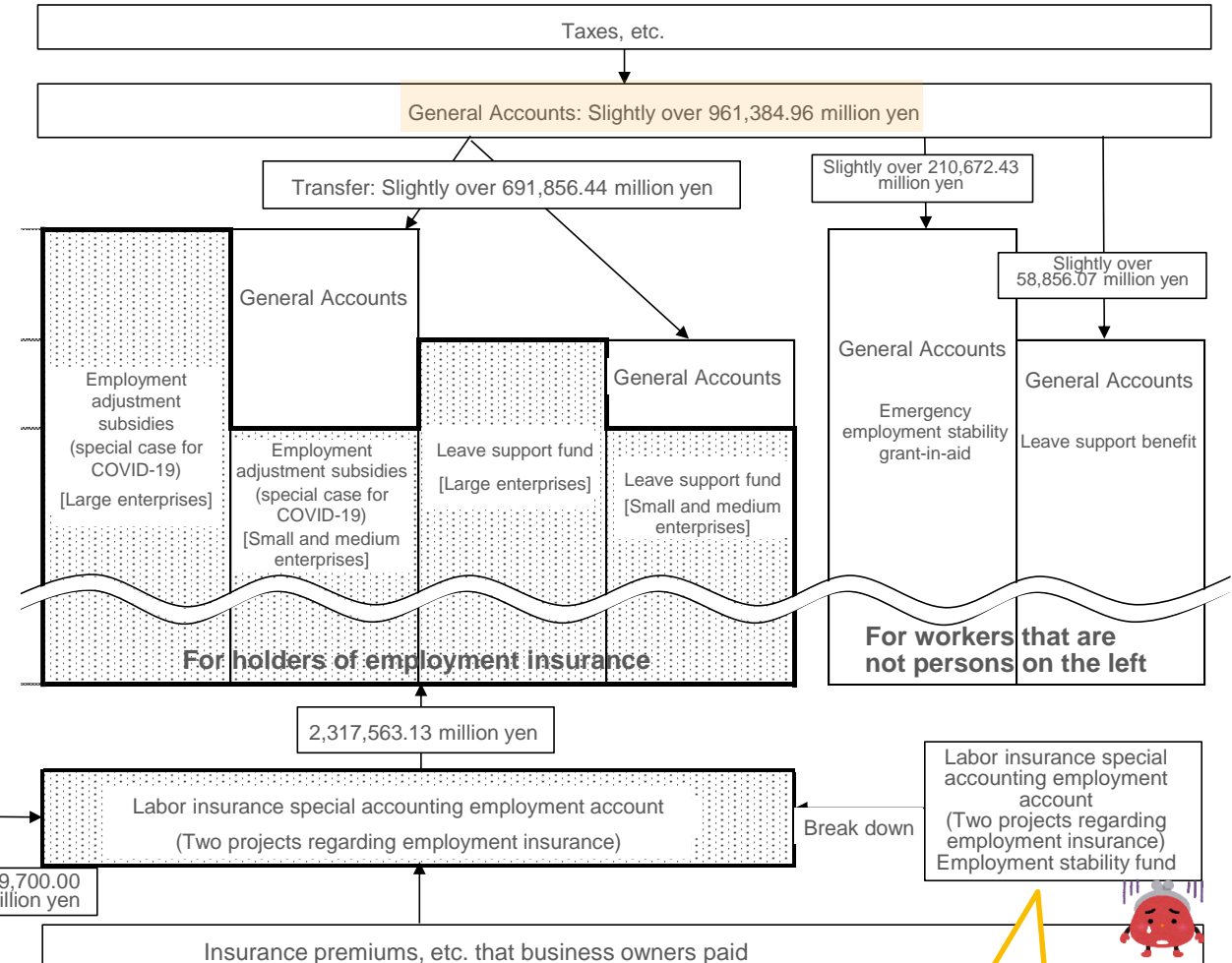
- ✓ When carrying out **the retroactive registration of information on applications for employment adjustment subsidies, etc. with the Hello Work system**, MHLW should appropriately plan and implement it, taking into account costs, time frame, etc.
- ✓ In examining the appropriateness of employment adjustment subsidies, etc. in the future follow-ups, **MHLW should consider sharing among labour bureaus the knowledge and experience gained in investigating fraudulent cases, and other ways to make use of them**
- ✓ **MHLW should consider measures to address the situation in which companies were deemed to have received employment adjustment subsidies, etc., by making an adjustment between the companies so that the same person is eligible for benefits for each business suspension at multiple companies within multiple labour bureaus**
- ✓ **MHLW should improve the calculation method for the employment adjustment subsidy** such as by revising the calculation method for the equivalent amount of the leave allowance, to prevent the employment adjustment subsidy amount from exceeding the amount paid for leave allowances as far as possible

## Ministry of Health, Labour and Welfare (MHLW)

## Status of funds for employment adjustment subsidies, etc. and leave support grant and benefit (FY2020)

- Leave support grant: 29,650.10 million yen
- Leave support benefit: 58,856.07 million yen

- Large expenses from General Accounts  
(961,384.96 million yen)
- Tight financial conditions of employment insurance



4,413,200.00 million yen (end of FY2019) → 2,142,200.00 million yen (end of FY2020)

1,389,000.00 million yen (end of FY2019)  
→ 86,600.00 million yen (end of FY2020)

## 4. Provision of employment adjustment subsidies, etc. (Report on specific matters)

Ministry of Health, Labour and Welfare (MHLW)

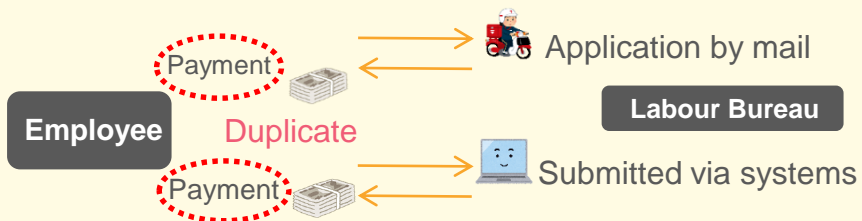
### Status of the Audit

- Follow-ups by MHLW are important to cope with fraudulent cases, etc.
- The Board audited 49 employers in the jurisdiction of 8 labour bureaus to understand risks that MHLW should note in its future follow-ups.

(1) Five employers illegally received a total of 96.73 million yen of employment adjustment subsidies, etc. by **falsely claiming** that:

- a person had an employment relationship even though he/she did not;
- an employee was absent from work even though he/she was not; and
- leave allowance was paid even though it was not.

(2) **Employment adjustment subsidies, etc. were redundantly paid** for leave by the same worker during the same period.



(3) For employment adjustment subsidies provided for the training of workers, **the application content was different from confirmation documents** in 6,158 out of 30,041 man-days of self-teaching training at home. (1 employer)

(4) An adjustment was deemed to be made between companies so that the same person is eligible for benefits for each business suspension at multiple companies (See the table)

Labour Bureau1		Labour Bureau2		Labour Bureau3	
Company a		Company b	Company c	Company d	
Workers on leave 1	Workers on leave 1	Workers on leave 1	Workers on leave 1	Workers on leave1	
Workers on leave 2	Workers on leave 2	Workers on leave 2	Workers on leave 2	Workers on leave 2	
Workers on leave 3	Workers on leave 3	Workers on leave 3	Workers on leave 3	Workers on leave 3	
⋮	⋮	⋮	⋮	⋮	

Number of leave hours = 25 hours in total per day

### Findings

- ✓ For (1), **MHLW should consider** sharing among labour bureaus the knowledge and experience gained in investigating fraudulent cases, **and other ways to make use them**
- ✓ For (2), **follow-ups should be conducted**, taking note of the duplicated payments
- ✓ For (3), **received training on applications should be thoroughly verified by checking confirmation documents, in the follow-ups.**
- ✓ For (4), **measures to address the situation should be considered.**

## 4. Provision of employment adjustment subsidies, etc. (Report on specific matters)

Retrospective registration of information related to applications for employment adjustment subsidies, etc. into the system of Public Employment Security Office (Hello Work)

- Information related to the applications were entered into the Hello Work System by using a certain function
- In order to promptly provide employment adjustment subsidies, etc. under the special treatments for COVID-19, **the information entered into the Hello Work System was limited**
- On the other hand, MHLW **concluded a system improvement contract for 98.94 million yen to enable retrospective registration of items that had not been entered**. The improvement was completed on March 31, 2021.



### Status of retroactive registration (as of July 2021)

MHLW told us that, considering that the number of applications for employment adjustment subsidies, etc. remained high, **a prospect on using functions added under the improvement contract or completing retrospective registration had not been developed.**

### Findings

When carrying out the retroactive registration of information on applications for employment adjustment subsidies, etc. with the Hello Work System, **MHLW should appropriately plan and implement it**, taking into account cost, time frame, etc.

### Method for calculating the amount of employment adjustment subsidies

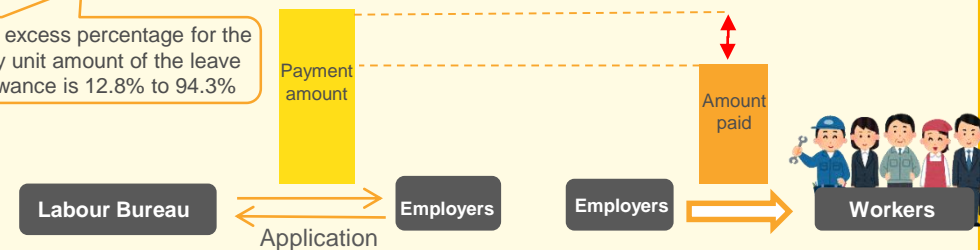
Payment amount  
= amount equivalent to a leave allowance × grant rate  
× number of man-days of leave, etc.



The following situation occurred due to raising the grant rate under a special treatments for COVID-19

Employment adjustment subsidy amount > Amount paid for leave allowance  
(amount equivalent to a leave allowance × grant rate (3/4 to 10/10) × man-days)

The excess percentage for the daily unit amount of the leave allowance is 12.8% to 94.3%



**The total excess of 1,199.29 million yen in 37 employers**

### Findings

The Board found that the amount of employment adjustment subsidies exceeded the amount paid for leave allowances for some employers due to the special treatments for COVID-19, and the excess was not aligned with the role of grants for leave allowances. Therefore, **MHLW should improve the calculation method for the employment adjustment subsidy by revising the calculation method for the equivalent amount of the leave allowance and other ways**, to prevent the employment adjustment subsidy amount from exceeding the amount paid for leave allowances as far as possible.



## 5. Project to stimulate consumption in the service industry (Go To Campaign project) (Report on specific matters)

Ministry of Agriculture, Forestry and Fisheries (MAFF)  
Ministry of Trade of Economy, Trade and Industry (METI)  
The Small and Medium Enterprise Agency (SMEA)  
Japan Tourism Agency (JTA)

### Background of the Audit

- ✓ The spread of COVID-19 throughout the world since January 2020 **has significantly reduced demand for tourism**
- ✓ The government **implemented the Go To Campaign project (Travel, Eat, Event, and Shopping District projects)** to stimulate consumption in the tourism/transport, food/beverage, and event/entertainment industries which suffered a significant impact on their sales or profits and to support campaigns to restore activity in shopping streets and other areas.

### Status of the Audit

- ✓ **Of the actual budget amount of 2,747.00 billion yen for FY2020, the amount spent was 943.10 billion yen (budget use rate: 34.3%).** The government **carried forward a significant part of the budget (1,803.90 billion yen) into FY2021** and extended project periods with the view to resume business operations in the future.
- ✓ In its work as a Go To Eat campaign main office, The Ministry of Agriculture, Forestry and Fisheries (MAFF) told us it had concluded contract changes for 144 Eat projects by the end of March 2021 for consignment contracts with 64 enterprises, but **did not prepare written contract changes for 85 of these projects as of July 2021 when our audit was conducted.**
- ✓ **The 0.40 billion yen difference** between the benefit of **621.20 billion yen** paid by Japan Tourism Agency (JTA) (project operator) to the Go To Travel campaign main office (the Travel office) and the benefit of **620.70 billion yen** paid by the Travel office to travel agencies and stores dealing with region-specific coupons **was still in possession of the Travel office as of September 2021.**
- ✓ The examinations conducted by JTA and the Travel office revealed that 83 travel products were not eligible for the Travel project (as of June 24, 2021). The amount used for region-specific coupons in relation to "no-show" (a guest does not use accommodation without cancelling a reservation, whereas using provided coupons on the reservation date) was 21.14 million yen (as of the end of March 2021).
- ✓ **JTA had no idea on how the cancellation fee-related expenses** paid to travel agencies **were distributed from the travel agencies to hotels and tourism-related business operators.**

### Findings

- ✓ When resuming the Go To Campaign project in the future, the 4 ministries and agencies should appropriately implement the project while making sure to endeavor to maximize the effectiveness of each project in relation to its objectives, and accumulate knowledge in preparation for the implementation of similar projects in the future.
- ✓ When implementing similar projects to the Go To Eat campaign, MAFF should **review implementation methods and systems for carrying out appropriate and efficient work**, considering that the ministry was very busy carrying out the work while its direct control over the entire project reduced consignment costs.
- ✓ Considering that the Travel office is still in possession of the difference between the benefit paid by JTA to the Travel office and the benefit paid by the Travel office to travel agencies and stores supporting region-specific coupons, JTA **should establish rules for the treatment of benefits in such cases.**
- ✓ JTA **should endeavor to set up appropriate standards for benefits allocated to travel agencies, discount rates for travel fees, and travel products covered by the Travel project, and to establish a system for the payment of benefits** considering cases of illegal use of region-specific coupons.
- ✓ JTA **should verify** that the cancellation fee-related expenses paid to travel agencies **were appropriately distributed among affected tourism-related operators.**

## 5. Project to stimulate consumption in the service industry (Go To Campaign project) (Report on specific matters)

Ministry of Agriculture, Forestry and Fisheries (MAFF)  
Ministry of Trade of Economy, Trade and Industry (METI)  
The Small and Medium Enterprise Agency (SMEA)  
Japan Tourism Agency (JTA)

### Go To Campaign Project

- Of the actual budget amount of 2,747.00 billion yen for FY2020, the amount spent was 943.10 billion yen (budget use rate: 34.3%).
- A total of 1,803.90 billion yen was carried forward to FY2021.

Go To Campaign Project	FY2020 amount spent (yen)	Budget use rate (%)	Subcontractor that oversees entire projects	% of re-consignment expenses (as of the end of March 31 2021)
Travel project [JTA]	819,120.70 million	34.6	Tourism Industry Joint Proposal Body (Travel office)	19.2%
Eat project [MAFF]	116,885.51 million	46.4	—	—
Events project [METI]	6,728.75 million	5.6	Hakuhodo Inc. (Event office)	64.4%
Shopping District project [SMEA]	394.70 million	4.8	Hito-Machi-Mirai Shopping District Promotion Consortium (Shopping District office)	8.6%

### Public solicitation of a campaign main office to carry out the Go To Campaign project

When the four projects were planned to be outsourced to one office, the maximum consignment expense was 309.50 billion yen, which was criticized as expensive.

→ The 4 ministries and agencies decided to select a contractor for each of the projects. As a result, the maximum consignment expense of all the projects turned out to be 292.80 billion yen (16.60 billion yen reduction \*)



MAFF

\* This is because MAFF did not outsource its project and carried out supervision of the Eat project by itself.

(The number of staff for the Go To Eat Campaign Preparation Office of MAFF increased from 9 to 20)

### Status of the Audit

MAFF told us that it had concluded contract changes for 144 Eat projects by March 2021 for consignment contracts with 64 enterprises, but **did not prepare written contract changes for 85** of the 144 projects as of July 2021, saying that it required time for checks and other work because a large number of enterprises were involved and contents and numbers of contract changes varied among enterprises.

### Findings

When implementing similar projects to the Eat project in the future, MAFF **should review implementation methods and systems for carrying out appropriate and efficient work**, considering that the ministry was very busy carrying out the work due to a large number of consignment contracts, etc., while its direct control over the entire project reduced consignment costs.

## 5. Project to stimulate consumption in the service industry (Go To Campaign project) (Report on specific matters)

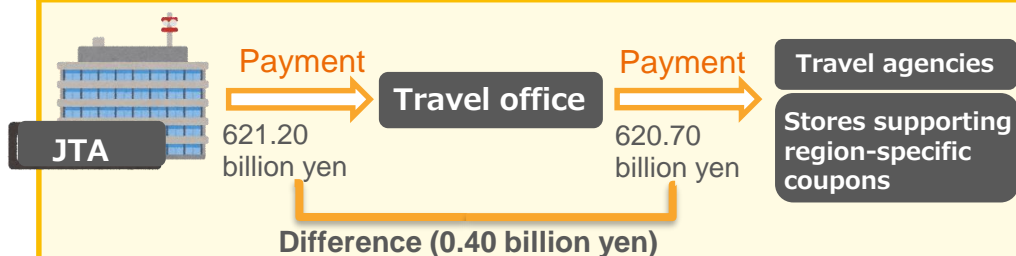
Ministry of Agriculture, Forestry and Fisheries (MAFF)  
Ministry of Trade of Economy, Trade and Industry (METI)  
The Small and Medium Enterprise Agency (SMEA)  
Japan Tourism Agency (JTA)

### Payment of benefits, etc.

JTA paid benefits to travel agencies and stores supporting region-specific coupons via the Travel office



### Status of the Audit



- The Travel office's possession of the difference is due to the fact that the office received benefits on behalf of tourists and accidentally applied for duplicate benefits for the same trips and received the benefits again.
- Any difference which is not expected to be paid to travel agencies and stores supporting region-specific coupons must be promptly resolved.**

### Findings

Considering that the Travel office is still in possession of the difference between the benefit paid by JTA to the Travel office and the benefit paid by the Travel office to travel agencies and stores supporting region-specific coupons, JTA **should establish rules for the treatment of benefits in such cases.**

### Criteria to clarify the scope of trips to be supported by the Travel project

(Published on October 30, 2020)

- Main purpose is sightseeing
- Value of goods and services included in the travel product does not exceed standard accommodation rates

### Region-specific coupons

- Electronic coupons can be used before lodging procedures after 3pm on the date of the stay



### Status of the Audit

- The examinations conducted by JTA and the Travel office revealed that **83 travel products were not eligible for the Travel project**, including those that did not meet the criteria **(as of June 24, 2021).**
- Electronic coupons were used on the date of the stay despite guests not using accommodation without cancelling the reservation ("no show")  
**(Coupon use amount: 21.14 million yen (as of the end of March 2021))**

### Findings

JTA should endeavor to **set up appropriate standards and ideas for benefits allocated to travel agencies, discount rates for travel fees, and travel products covered by the Travel project, and to establish a system for the payment of benefits** considering cases of illegal use of region-specific coupons.



## 5. Project to stimulate consumption in the service industry (Go To Campaign project) (Report on specific matters)

Ministry of Agriculture, Forestry and Fisheries (MAFF)  
Ministry of Trade of Economy, Trade and Industry (METI)  
The Small and Medium Enterprise Agency (SMEA)  
Japan Tourism Agency (JTA)

### Status of accommodation discounts by region and price range (July to December 2020)

Figure 1 Number of nights per month

The analysis was conducted based on data entered into systems regarding the number of guest and travel cost discounts, which were submitted by the Travel office(as of July 2021).

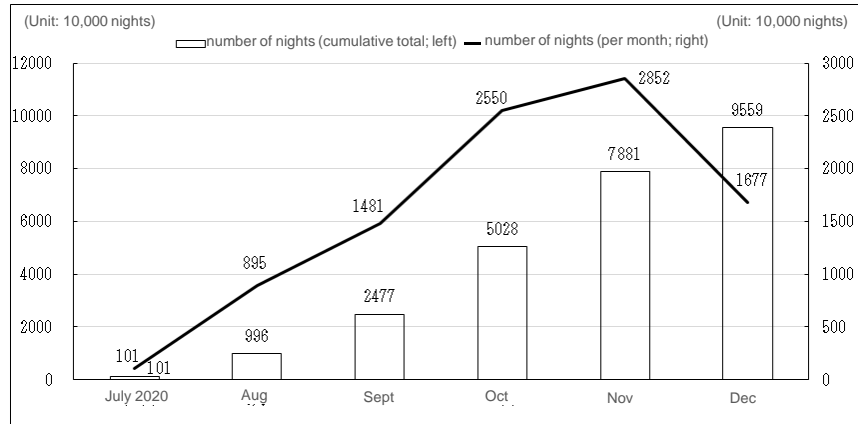
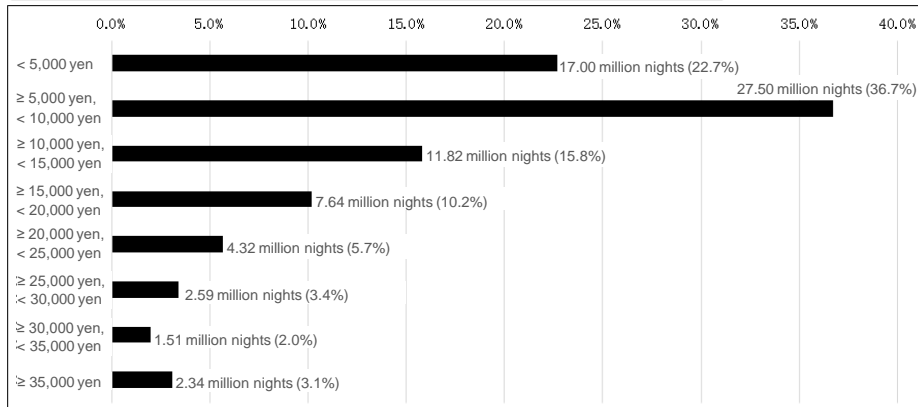


Figure 2. Distribution of price ranges related to travel expenses



(Note) Data include items that have not yet been paid by the Travel office to travel agencies, and do not include items that are under scrutiny of their content (Figures 1 to 4). Number of nights in each month is calculated using the month to which the start date of a trip belongs (Figure 1). Percentages in the parentheses are percentages of the total (Figures 2 to 4). For trips to multiple prefectures, the destination is a prefecture to which the first night's accommodation belongs, and for trips with more than one person, the tourist's place of residence is the place of residence of the representative of the group (Figures 3 and 4)

Figure 3 Number of nights by travel destination and by tourist's place of residence

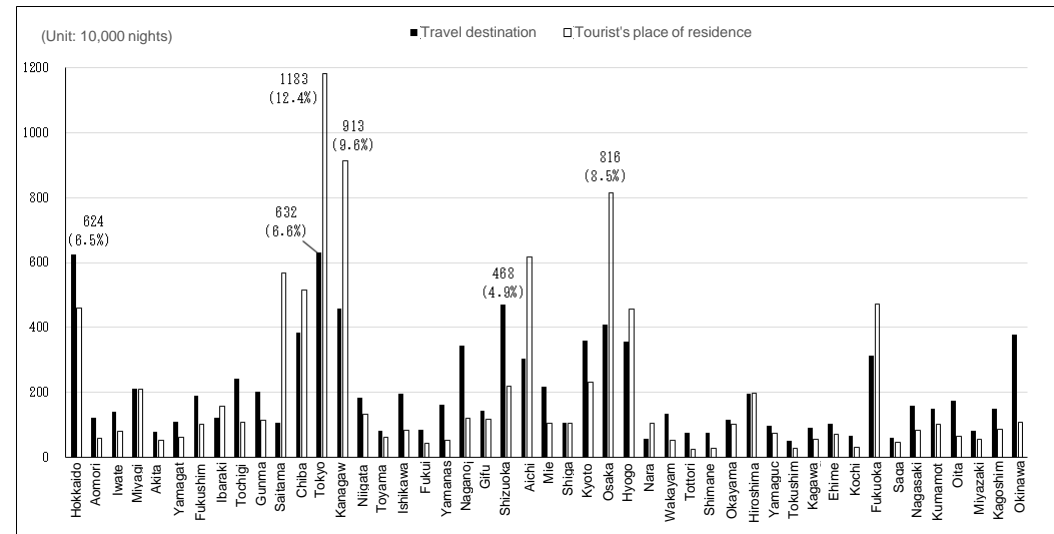
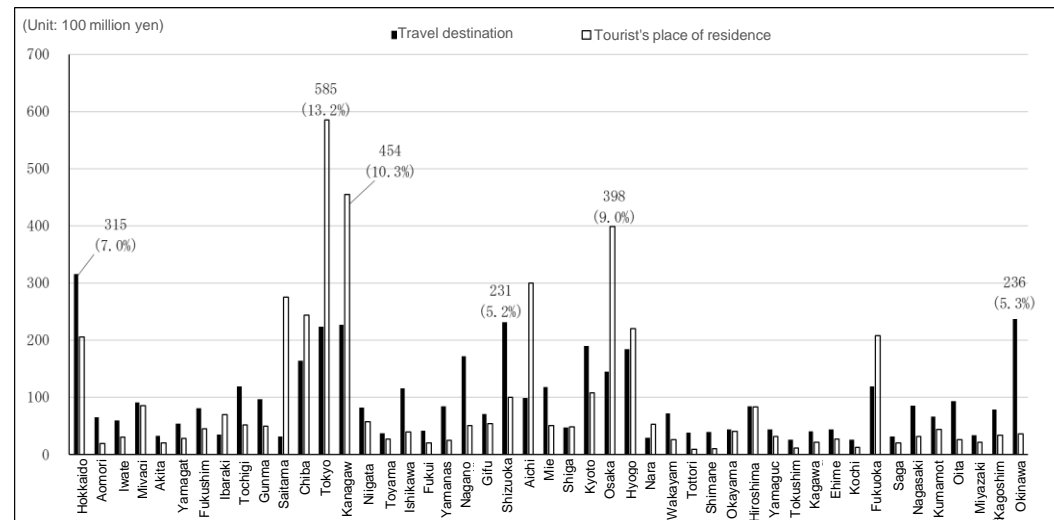


Figure 4 Discount by travel destination and by tourist's place of residence



## 5. Project to stimulate consumption in the service industry (Go To Campaign project) (Report on specific matters)

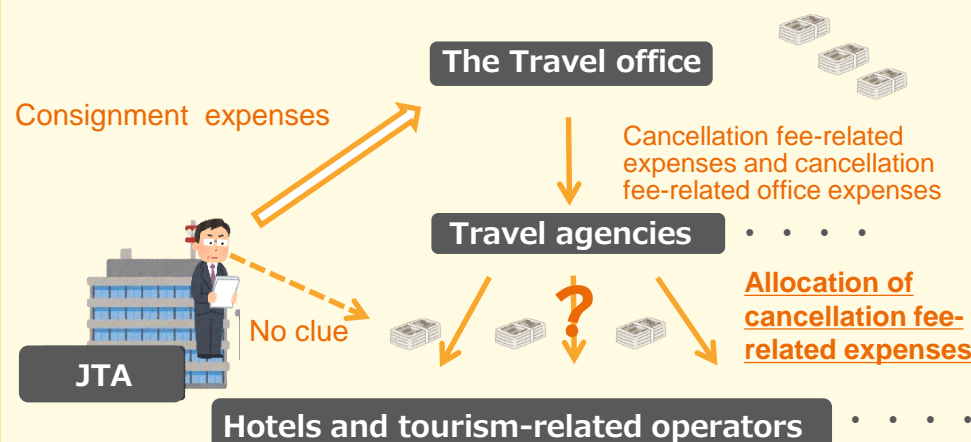
### Allocation of cancellation fee-related expenses among tourism-related business operators

- Under the suspension measures for travel in the 5 cities, and in the entire country during the New Year holidays and during the state of emergency, **the cancellation fee-related expenses paid by the Travel office to travel agencies between February and July of 2021 was 115.70 billion yen.**
- JTA thought that the cancellation fee-related expenses **should be fairly distributed among all affected tourism-related business operators**, and requested travel agencies to fairly distribute the expenses to accommodation and other operators.
- JTA had paid the Travel office 11.50 billion yen by the end of March 2021 as **cancellation fee-related office expenses** with the amount equivalent to administrative expenses for adjustments of business operators involved in distribution.  
**The Travel office had paid 8.10 billion yen to travel agencies by July 2021 as cancellation fee-related administrative expenses.**



### Status of the Audit

**JTA had no idea of how the cancellation fee-related expenses (115.70 billion yen) paid to travel agencies were distributed** from the travel agencies to hotels and tourism-related business operators.



### Findings

JTA **should verify** the cancellation fee-related expenses paid to travel agencies **were appropriately distributed** among affected tourism-related operators, because they should be fairly distributed and cancellation fee-related office expenses for travel agencies' distribution work were paid.

## 6. Implementation of the sustainability subsidy project (Report on specific matters)

### Background of the Audit

- ✓ In FY2020, the Small and Medium Enterprise Agency (SMEA) **provided** SMEs which were heavily affected by the spread of COVID-19 **with sustainability subsidies** that can be widely used for general operations in order to support the continuation of business.
- ✓ SMEA held a bidding by open tender for administrative work necessary for granting the subsidy using a scoring auction and in April 2020, it **concluded the contract** for the entrustment of business with the Service Design Engineering Council (SDEC) for **76,902.08 million yen (subsidy administrative project 1)**.
- ✓ According to The Ministry of Economy, Trade and Industry (METI)'s **guideline on the contract for the entrustment of business**, hearing opinions from multiple private enterprises **before an invitation to bidding (solicitation process) is considered very important**.
- ✓ According to the guideline on the contract for the entrustment of business, in the event that a contractor recommissions the work contracted by the national government, the contractor shall provide the name of the low-tier subcontractor in a written paper and obtain approval when considered appropriate. The procedure is also applicable for the commission of subsidy administrative projects.
- ✓ According to the guideline on the contract for the entrustment of business, **planning and management work cannot be recommissioned, and if the ratio of the recommission cost exceeds 50%, the reason must be checked at the time of concluding the contract**.

### Status of the Audit

- ✓ SMEA had granted **5,514,742.97 million yen for 4.23 million cases** by the end of March 2021. It took **within 2 weeks from application to payment for 2.89 million cases (68.4% of total)** and over 2 weeks for 1.33 million cases (31.6%).
- ✓ SMEA **did not record the details of communications with some private enterprises to solicit their opinions** before bidding for the subsidy project 1. SMEA **only requested Service Design Engineering Council (SDEC) and one entity for the solicitation process**, and **only one another private enterprise who requested SMEA for the process**.
- ✓ **The proportion of the recommission expenses to the total commission amount was 99.8%** when concluding the contract for subsidy project 1, which **was significantly higher** than others, but SMEA **did not specify in a written document what kind of work was considered planning and management that could not be recommissioned**, and the Board was not able to examine details of consideration by SMEA regarding the necessity of the recommission since there were not related records. The total number of enterprises that participated in the project was 723, including ninth-tier subcontractors for the recommission.
- ✓ SMEA had identified 591 cases (a total of 589.58 million yen of benefits) as **illegal receipts** by September 2021, but all or part of **illegally received subsidies in 222 cases was not returned to the national treasury** as of September 2021 (221.08 million yen).

### Findings

- ✓ **In the event of a solicitation process with a particular private enterprise, etc., METI, including SMEA, should record the communications in detail** to avoid any doubt that fair competition is hindered. METI also **should consider making business outlines public in advance** and other systems to ensure that entities other than private enterprises for whose opinions METI solicits **will get the same information as well**.
- ✓ When concluding a contract, METI **should define the range of operations whose recommissions are prohibited** and **check whether a contracted party is not attempting to recommission such operations**. If the proportion of the recommission cost is expected to be **significantly high**, METI **should carry out a process for approving the recommission**, and **record the results of the process**. METI also should endeavor to **ensure that the main operations will be implemented only by project participants whom the contractor (national government) can easily manage**.
- ✓ METI **should demand illegal recipients to return money** that has not been paid to the national treasury. METI also **should endeavor to prevent inappropriate receipts from being overlooked**, by speeding up work for identifying unauthorized recipients and other measures..



## 6. Implementation of the sustainability subsidy project (Report on specific matters)

### Outline of subsidy administrative project 1, and the status of payment, etc. of the sustainability subsidy (as of the end of March 2021)

- Outline of subsidy administrative project 1  
Contract amount: 76,920.80 million yen  
Contracting party: Service Design Engineering Council (SDEC)
- Number and amount of subsidy payments: 4.23 million payments; 5,514,742.97 million yen
- Period from application to payment: within 2 weeks: 2.89 million cases (68.4% of total payments)  
Over 2 weeks: 1.33 million cases (31.6% of total payments)

#### Status of the solicitation process subsidy administrative project 1

- Guideline on the contract for the entrustment of business:  
hearing opinions from multiple parties is important.
- 

#### METI

June 2020: A "study group on the procurement, etc." was established, consisting of external experts.  
In a report compiled by the study group in January 2021, it suggested that **more fairness and transparency be ensured in a solicitation process** for a contract of over 1,000 million yen.

→ Following the report, **guidelines and other documents were revised** in January 2021.

#### Status of the return of unauthorized receipts (as of the end of Sept 2021)

(Unit: cases; thousand yen)

Item	Date	End of March 2021	End of April	End of May	End of June	End of July	End of August	End of September
(1) Cumulative number of identified unauthorized receipts		12	28	30	130	252	390	591
(2) Payments related to (1)		12,000	28,000	30,000	129,888	251,626	390,168	589,586
(3) Number of unreturned benefits in (1)		11	13	6	59	118	134	222
(4) Benefit amount related to (3)		11,000	13,000	6,000	58,888	117,726	133,530	221,082
(5) Number of cases in (3) where recipient names were disclosed		-	-	2	5	5	13	31
(6) Benefit amount related to (5)		-	-	2,000	5,000	5,000	12,988	30,988

Number and amount of identified unauthorized receipts: 591 cases, 589.58 million yen

Number and amount of unauthorized benefits that were not returned to the national treasury: 222 cases, 221.08 million yen

#### Findings

In the event of a solicitation process with a particular private enterprise, etc., METI, including SMEA, should record the communications in detail to avoid any doubt that fair competition is being hindered. METI also should make business outlines public in advance and other systems to ensure that entities other than private enterprises for whose opinions METI solicits will get the same information as well.

#### Findings

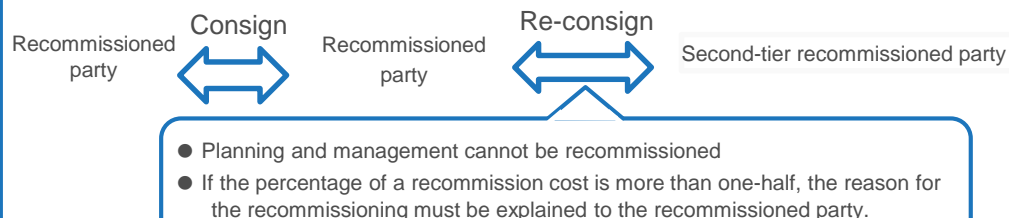
METI should demand illegal recipients to return money that has not been paid to the national treasury. METI also should endeavor to prevent inappropriate receipts from being overlooked, by speeding up work for identifying unauthorized recipients and other measures.

## 6. Implementation of the sustainability subsidy project (Report on specific matters)

Status of the proportion of the recommission expenses to the total commission amount and implementation system for subsidy administrative project 1

### Recommission procedures for commissioned projects

#### Guide for recommission contracts



#### Status of the proportion of the recommission cost to the total commission amount

Contract amount: 76,920.80 million yen  
Recommission amount: 76,713.91 million yen

**Proportion of the  
recommission cost: 99.8%**

Very high

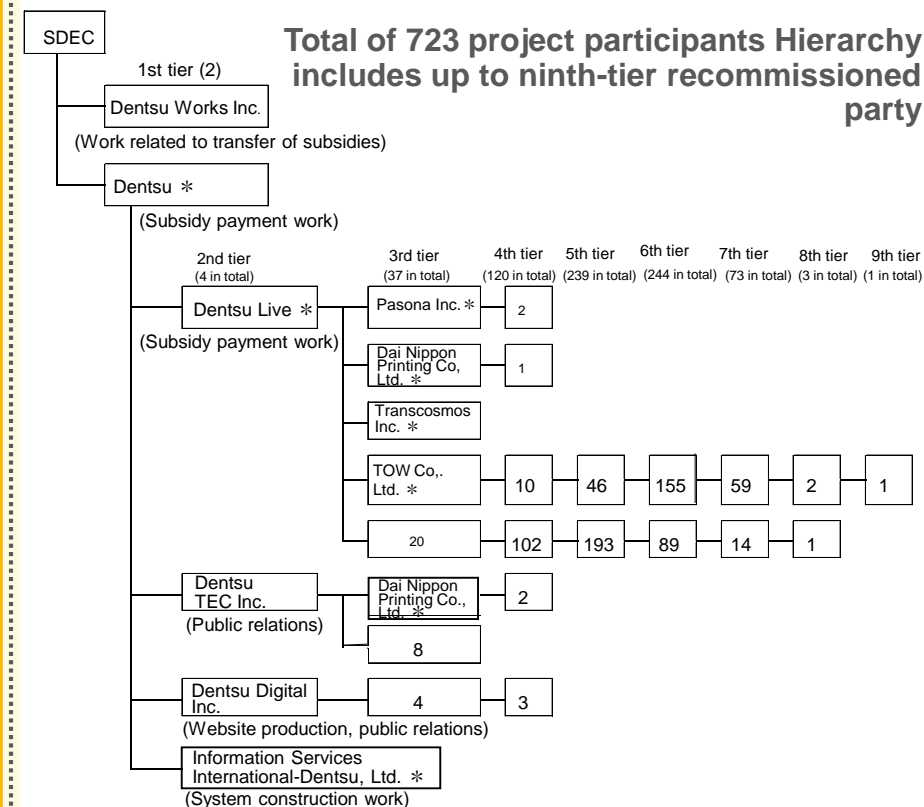
While the proportion of the recommission cost is well above 50% (standard value), SMEA **did not specify what kind of work was considered planning and management that could be recommissioned**, and the Board **was not able to examine details of consideration by SMEA regarding the necessity of the recommission**, since it there were not related records.

Average proportion of the recommission cost: 54.6%  
(Other 61 projects by METI)

### Findings

When concluding a contract, METI should define the range of operations whose recommissions are prohibited and check whether a contracted party is not attempting to recommission such operations. If the proportion of the recommission cost is expected to be significantly high, METI should carry out a process for approving the recommission, and record the results of the process. METI also should endeavor to ensure that main operations will be implemented only by project participants whom the contractor (national government) can easily manage.

### Final implementation system



Note: Project participants who are employees or members of the Service Design Engineering Council (SDEC) are marked with " \* ".

## 7. Implementation of a support policy package for airlines and airport-related companies and the status regarding revenue of airport improvement account and the income of three airport companies (Report on specific matters)

Ministry of Land, Infrastructure, Transport and Tourism (MLIT), 3 international airport companies —

### Background of Audit

- ✓ Since the demand for aviation significantly decreased due to the impact of COVID-19, **there is a severe financial condition regarding airline companies**
- ✓ The Ministry of Land, Infrastructure and Transport (MLIT) **compiled a variety of support measures in the "Support measure package for management base reinforcement of airlines/airports in COVID-19 era"** in October, 2020, in order to reinforce a management base for airline/airport-related companies and to maintain the aviation network by supporting activities such as improving the fiscal balance of airline/airport-related companies (revised in December 2020).
- ✓ In case that the demand for aviation decreases significantly, it will have a significant impact on the amount of revenue of the Special Account for Motor Vehicles Safety (Airport improvement account) and the operating profit of the three airport companies (Narita International Airport Corporation, New Kansai International Airport Co., Ltd., and Central Japan International Airport Co., Ltd.).

### Status of Audit

- ✓ In order to maintain the aviation network, MLIT reviewed the requests received from the 3 airport companies and the Scheduled Airlines Association of Japan and carried out consultations/coordination with the three airport companies and business operators of a concession system of airports. Following this, **MLIT implemented various support measures, compiled as a support measure package.**
- ✓ **The three airport companies also determined and implemented support measures** in order to reduce the cost burden on airline companies and business operators in airports, etc.
- ✓ **The settlement account for airport fee income, etc., in the revenue of airport improvement account in FY2020 significantly decreased compared to the initial budget.**
- ✓ **The decreased amount in revenue was 186.10 billion yen** (the reduction amount for landing and parking charges was 4.20 billion yen, estimated by the Board). **The amount not received in FY2020 revenue**, totaling the decreased revenue and FY2020 payment deferrals, **is 296.90 billion yen.**
- ✓ In the airport improvement account, an approximate reduction of 10 billion yen in financial resources is expected to occur annually from FY2025 to FY2036 due to the redemption of 117.8 billion yen of debt from fiscal investment and loan program (FILP). **If the impact of COVID-19 continues in the future, the fiscal balance may vary greatly depending on the income of airport fees, etc.**
- ✓ **The settlement amount of operating profit of the three airport companies in FY 2020 has decreased significantly compared to the revenue and expenditure budget.**
- ✓ **The decrease in operating profit: 85.00 billion yen** (of which, the reduction in operating profits due to the support measures for airline companies, etc. was 8.60 billion yen) **for Narita International Airport Corporation, 52.80 billion yen** (0.80 billion yen) **for Central Japan International Airport Co., Ltd. was, and 3.50 billion yen for New Kansai International Airport Co., Ltd.**
- ✓ The three airport companies have issued FILP agency bonds, which is funds for their operation such as business expenses, and they are under the burden of redemption and interest payments. Narita International Airport Corporation and Central Japan International Airport Co., Ltd. have decided to continue to support airline companies, etc. in the event that COVID-19 continues to have an impact in the future. Thus, **the fiscal balance in future may continue to remain in a severe situation.**

### Findings

- ✓ In order to maintain the airline network, MLIT and the 3 airport companies **should continue to pay close attention to the trends regarding the demand for aviation, and when implementing support measures for airlines and airport-related companies, should provide clear explanations to the public**, in light of the fact that these measures temporarily accompany a reduction in revenue of the airport improvement account, and **take note of the influence of the support measures on the airport improvement account and operating profit, etc. of the three airport companies.**

## 7. Implementation of a support policy package for airlines and airport-related companies and the status regarding revenue of airport improvement account and the income of three airport companies (Report on specific matters)

Ministry of Land, Infrastructure, Transport and Tourism (MLIT), 3 international airport companies

### ○ Implementation of the support measure package

#### ● Support measures related to revenue of airport improvement account

Reduced/exempted amount of landing and parking charges

Reduction/exemption of landing charges, parking charges, navigation assistance facility charges and aviation fuel tax

Payment deferral of airport fees

Payment deferral of the installment amount for operating right consideration, etc.

Approval of no dividend payment for Narita International Airport Corporation

Payment deferral of the use fee for administrative assets at airports, etc.

#### ● Support measures related to expenditure of airport improvement account

Loan without interest for the business operators of concession airports (\*)

Loan without interest for Narita International Airport Corporation

#### ● Support measures related to the three airport companies

Approval of no dividend payment for the Narita International Airport Corporation (see above)

Loan without interest for Narita International Airport Corporation (see above)

Authorization of advanced issuance of government-guaranteed bonds for Central Japan International Airport Co., Ltd.

Authorization of issuance of government-guaranteed bonds for Central Japan International Airport Co., Ltd..

Use of fiscal loan fund at New Kansai International Airport Co., Ltd.

#### ● Other support measures

Extension of airport operation business period at concession airports (\*)

Mitigation of major performance obligations under the operation contract at concession airports (\*)

Early purchase of a facility for reinforcing disaster prevention functions by New Kansai International Airport Co., Ltd..



With regard to **the landing charge at national airports** (excluding concession airports), on the premise that **the collection system shall be revised** from the system based mainly on aircraft weight **to a system based on airline's passenger numbers** in March, 2021, **a uniform reduction of 45% was implemented for landing and parking charges of domestic passenger flights** from August, 2020 to February, 2021, in order to obtain the same **reduction effect (estimated 5.50 billion yen)** as the revised collection system.

For FY2021, **reductions/exemptions for landing charges, parking charges, navigation assistance facility charges and the aviation fuel tax for a total 120.00 billion yen** was implemented.

**The due date of payment of airport fees** for all international and domestic airlines from August, 2020 to January, 2021, was extended from the one set within 20 days after the issuance of the written payment notice that is issued approximately two months after the month of operation, **to approximately one year after the issuance of the written payment notice.**

#### \* Concession airport

- Airports that have introduced a concession system (a system where an operation contract is concluded between the national government, etc. and a private business operator, with the said private business operator acting as the operating right holder, integrating the management of air transportation business related to airport operation (excluding air traffic control service) and non-air transportation business related to terminal buildings, etc.).

## 7. Implementation of a support policy package for airlines and airport-related companies and the status regarding revenue of airport improvement account and the income of three airport companies (Report on specific matters)

Ministry of Land, Infrastructure, Transport and Tourism (MLIT), 3 international airport companies

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### ○ Decreased revenue in airport improvement account (FY2020) (Unit: million yen, %)

Revenue items	FY2020 initial budget amount A	Determined collection amount in FY2020 settlement amount B	Amount of decreased revenue (A-B) C	Percentage (C/A)
(Clause) Airport fee income	249,874	85,753	164,121	65.7
(Item) Income from landing charges, etc.	88,184	21,887	66,297	75.2
(Item) Income from navigation assistance facility charges	161,689	63,865	97,823	60.5
(Clause) Receipt from General Accounts	54,661	32,661	22,000	40.2
Total	304,535	118,414	<b>A 186,121</b>	61.1

FY2020 settlement amounts for "(Item) Airport fee income" and "(Item) Receipt from General Accounts" **decreased significantly compared to the FY2020 initial budget amounts (Decrease in revenue: 186.10 billion yen).** **A**

Of 186.10 billion yen, **the reduction/exemption amount for landing and parking charges from August, 2020 to January, 2021 was 4.20 billion yen (estimated by the Board).**



### ○ Amount of revenue not received in FY2020 (Unit: million yen)

Revenue items	Amount of decreased revenue C	Reduction/exemption amount F	Amount of decreased revenue due to decreased demand for aviation G	FY2020 Payment deferral amount, etc. H	Amount of revenue not received in FY2020 (C+H) I
(Clause) Airport fee income	164,121	4,232	159,889	45,058	209,179
(Item) Income from landing charges, etc.	66,297	4,232	62,065	10,562	76,860
(Item) Income from navigation assistance facility charges	97,823	-	97,823	34,496	132,319
(Clause) Receipt from General Accounts	22,000	-	22,000	21,000	43,000
Total	186,121	4,232	181,889	66,058	252,179
(Clause) Dividend income				7,534	7,534
(Clause) Miscellaneous income (part)				37,273	37,273
(Item) Land and water surface rent				17,468	17,468
(Item) Building and object rent				1,829	1,829
(Item) Income for consideration of operating rights regarding public facilities, etc.				17,976	17,976
Total				44,807	44,807
Total	<b>A 186,121</b>	4,232	181,889	<b>B 110,866</b>	<b>C 296,987</b>

Because the due date of payment of airport fees, etc. was extended from FY2020 to FY2021 and beyond, **a temporary decrease occurred due to the amount not received within FY 2020 for revenue of the airport improvement account.**  
**(FY2020 Payment deferral amount, etc.: 110.80 billion yen)** **B**



Amount of revenue that was considered not received in FY2020, mainly due to the impact of COVID-19

**Total**  
**296.90 billion yen** **C**

In addition, in the FY2021 budget for the airport improvement account, **117.80 billion yen will be borrowed from a fiscal investment and loan program (FILP)**, and it is estimated that a new interest burden will occur.

In the airport improvement account, **an approximate reduction of 10 billion yen per year in financial resources** is expected to occur annually from FY2025 to FY2036 due to the redemption of the debt from FILP.





## 7. Implementation of a support policy package for airlines and airport-related companies and the status regarding revenue of airport improvement account and the income of three airport companies (Report on specific matters)

Ministry of Land, Infrastructure, Transport and Tourism (MLIT), 3 international airport companies

\* Decrease in operating profit amount . . .

Calculation is made by comparing the non-consolidated revenue and expenditure budget in the project plan with the operating profit in the non-consolidated settlement amount.

### ○ Decrease in operating profit for Narita International Airport Corporation (FY2020) Decrease in operating profit: 85,000.00 million yen

(Unit: million yen)

Items	Balance budget (A)	Amount in the settlement account (B)	Decrease in operation profit amount (reduction rate) (C)=(A)-(B)	Amount for support measures taken by company	Decrease in operation profit amount due to decreased demand for aviation
Airport fee income	33,908	20,480	13,428 (39.6%)	2,115	11,313
Income from passenger facility fees	35,093	2,036	33,057 (94.2%)	-	33,057
Income from oil service facility fees	12,256	6,953	5,302 (43.3%)	-	5,302
Other income	68,811	35,541	33,270 (48.3%)	6,493	26,776
Total (operation profit)	150,070	65,012	85,058 (56.7%)	8,608	76,449

- Landing charges, parking charges, building rents, business operation fees, etc. were discounted/exempted as support measures for airline companies, etc. (support measures amount: 8,600.00 million yen)

- In FY2020, corporate bonds were issued to additionally raise 17,000.00 million yen due to the impact of COVID-19.

- The Corporation will be burdened with a total 1,100.00 million yen in interest from FY2021 to FY2040 (maturity).

### ○ Decrease in operating profit for Central Japan International Airport Co., Ltd. (FY2020) Decrease in operating profit: 52,800.00 million yen

(Unit: million yen)

Items	Balance budget (A)	Amount in the settlement account (B)	Decrease in operation profit amount (reduction rate) (C)=(A)-(B)	Amount for support measures taken by company	Decrease in operation profit amount due to decreased demand for aviation
Facility fee income	37,864	13,288	24,575 (64.9%)	882	23,692
Sales amount of the product	27,331	1,014	26,316 (96.3%)	-	26,316
Other sales	2,483	554	1,928 (77.6%)	-	1,928
Total (operation profit)	67,678	14,858	52,819 (78.0%)	882	51,936

- Building rents and business operation fees, etc. were discounted/exempted as support measures for airline companies, etc. (support measures amount: 800.00 million yen)

- In FY2020, FILP agency bonds were issued to additionally raise 19,500.00 million yen due to the impact of COVID-19.

- The Company will be burdened with a total 200.00 million yen in interest from FY2021 to FY2030 (maturity)

### ○ Decrease in operating profit for New Kansai International Airport Co., Ltd. (FY2020) Decrease in operating profit: 3,500.00 million yen

(Unit: million yen)

Items	Balance budget (A)	Amount in the settlement account (B)	Decrease in operation profit amount (reduction rate) (C)=(A)-(B)	Amount for support measures taken by company	Decrease in operation profit amount due to decreased demand for aviation
Airport business operation profit	61,227	59,220	2,006 (3.3%)	-	2,006
Railway business operation profit	4,371	2,847	1,523 (34.9%)	-	1,523
Total (operation profit)	65,598	62,068	3,529 (5.4%)	-	3,529

- Kansai and Osaka International Airports are operated by a concession system. New Kansai International Airport Co., Ltd. did not implement support measures such as discounts/exemptions for landing fees, so there was no support measures amount.

- In FY2020, no fund was raised in order to compensate for the reduced income due to the impact of COVID-19.

**Findings** In order to maintain the airline network, MLIT and the three airport companies should continue to pay close attention to the trends regarding demand for aviation, and when implementing support measures for airlines and airport-related companies, should provide clear explanations to the public, in light of the fact that these measures temporarily accompany a reduction in revenue of the airport improvement account, and take note of the influence of the support measures on the airport improvement account and operating profit, etc. of the three airport companies.



## 8. Method of managing funds for overseas Supply Chain (SC) contributions, etc. (Measures taken)

Ministry of Economy, Trade and Industry (METI)

512.54 million yen (Improper amount)

### Outline of Overseas SC Project

- ✓ With the spread of COVID-19, the vulnerability in Japan's supply chain has become apparent.  
→ The Ministry of Economy, Trade and Industry (METI) contributed a total of 35,166.37 million yen as **an AEM-METI Economic and Industrial Cooperation Contribution (overseas SC contribution)** to the AEM-METI Economic and Industrial Cooperation Committee Secretariat (AMEICC Secretariat) in FY2020, **for the purpose of supply chain enforcement through diversifying production, etc. especially in the Asia area.**
- ✓ METI requested the AMEICC Secretariat to **implement subsidy projects**, etc. by introducing facilities, etc. to help diversify overseas supply chains (**overseas SC projects**). METI also instructed the AMEICC Secretariat and the Association for Overseas Technical Cooperation and Sustainable Partnerships (AOTS) who manages contributions from METI, etc. on behalf of the AMEICC Secretariat to have **a trust-based fund management** in order to assure fund security and firm fund management, and **to prioritize fund security and not to carry out fund investments.**
- ✓ AOTS has **established funds** and commissioned the business of the review and selection of overseas SC projects and decision of the amount of subsidies to the Japan External Trade Organization (JETRO), **and concluded a trust contract for fund management with a Japanese trustee bank (trust bank).** The trust fund is divided into a fund for subsidies to be paid, and a fund for the payment of a trust remuneration to the trust bank, etc., and cannot be used for any other purposes.

### Audit Results

- ✓ With regard to subsidy projects for domestic supply chain diversification (**domestic SC projects**), METI **did not restrict the fund management method** to a trust-based fund management. As the result, the fund was managed by an alternative method which is not a trust.  
→ **There was no payment of management expenses for managing funds to financial institutions, such as trust remuneration** in overseas SC projects
- ✓ In overseas SC projects, the overseas SC contribution amount is large and significantly exceeds the total amount of AOTS assets. Therefore, METI told us that **the fund management method is restricted to a trust-based fund management assuming that AOTS's bankruptcy or financial institution's insolvency, etc. may occur.**  
→ Considering that the funds are managed by a Japanese financial institution that is subject to the Banking Act, etc., for the purpose of which is to protect depositors, etc., and METI itself can select the legal entity where the fund is established, **it cannot be considered that trust-based fund management was the only possible measures to mitigate risks.**
- ✓ From these results, it cannot be considered appropriate that in overseas SC projects, **a fund (512.54 million yen) was separated in advance for the payment of trust remuneration to a trust bank, and said fund was not able to be allocated to granting subsidies, which is the operating expense of overseas SC projects**

### Measures Taken

- ✓ In June 2021, METI issued instructions to the AMEICC Secretariat and AOTS **on overseas SC contribution, etc., to proceed with the necessary procedures to terminate the trust contract by the end of July 2021**, and also to proceed with the necessary procedures to transfer the balance of the trust fund to the account of deposits newly opened by AOTS.  
→ **AOTS changed its fund management method for overseas SC contribution, etc.** in July 2021 in accordance with the instruction of METI.

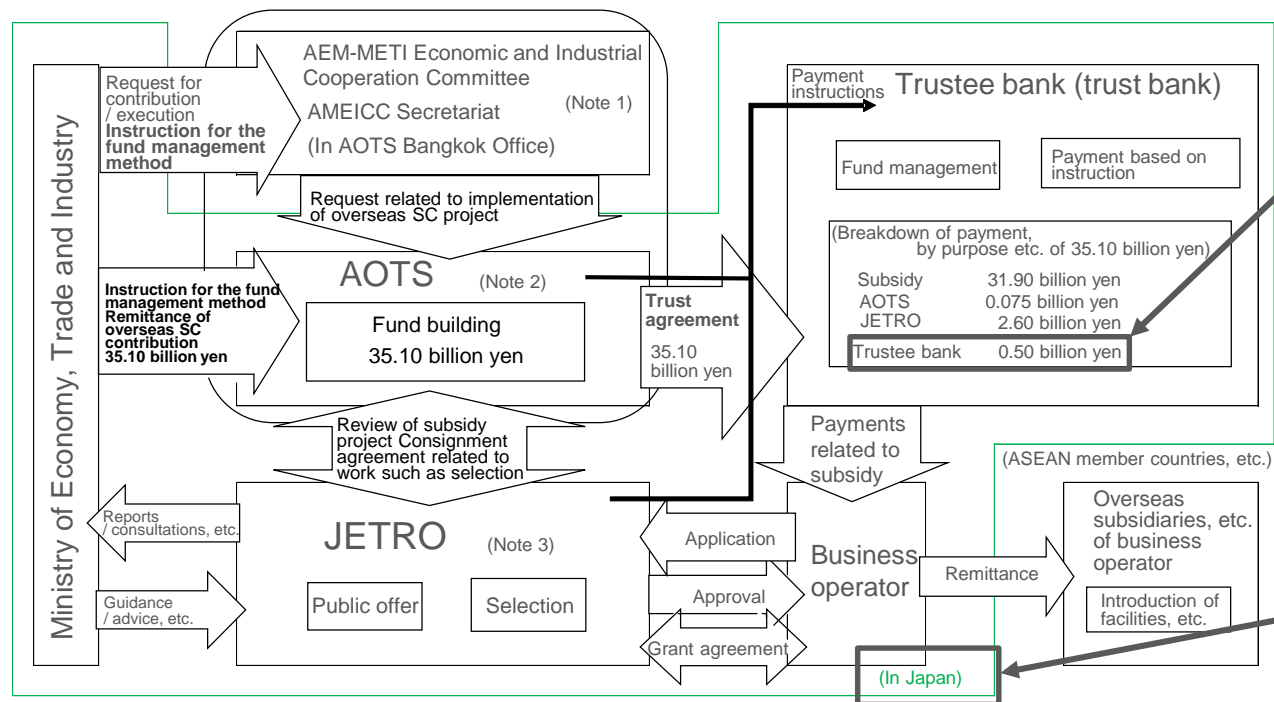
## 8. Method of managing funds for overseas Supply Chain (SC) contributions, etc. (Measures taken)

Ministry of Economy, Trade and Industry (METI)

512.54 million yen (Improper amount)

### Outline of overseas SC project

- METI provided the AEM-METI Economic and Industrial Cooperation Contribution (Overseas SC Contribution) for the purpose of supply chain enforcement through diversifying production, etc. in Asia area
- METI requested the AMEICC Secretariat to implement subsidy projects, etc. introducing facilities, etc. to help diversify overseas supply chains (overseas SC projects).



(Note 1) AMEICC is a AEM-METI Economic and Industrial Cooperation Committee  
 (Note 2) AOTS is an Association for Overseas Technical Cooperation and Sustainable Partnerships  
 (Note 3) JETRO is a Japan External Trade Organization

### Audit Results

- With regard to subsidy projects for domestic supply chain diversification implemented by METI (domestic SC projects), the fund is managed by the method other than a trust-based management.

There was no payment of management expenses to financial institutions, such as trust remuneration in overseas SC projects

- In overseas SC projects, the overseas SC contribution amount is large and significantly exceeds the total amount of AOTS assets. Therefore, the fund management method is restricted to a trust-based fund management assuming that AOTS's bankruptcy or financial institution's insolvency, etc. may occur.

Since the funds are managed by a Japanese financial institution that is subject to the Banking Act, etc., whose purpose is to protect depositors, etc., and METI itself can select the entity where the fund is established, it cannot be considered that a trust-based fund management was the only possible measures to mitigate risks.

### Measures Taken

In June 2021, METI issued instructions to the AMEICC Secretariat and AOTS on overseas SC contributions, etc., to proceed with the necessary procedures to terminate the trust contract by the end of July 2021, and also to proceed with the necessary procedures to transfer the balance of the trust fund to the account of deposits newly opened by AOTS.

➡ AOTS changed its fund management method for overseas SC contributions, etc. in July 2021 in accordance with the instruction of METI.

## 9. Development and maintenance of COVID-19 Contact-Confirming Application (COCOA) (Demand for measures)

Ministry of Health, Labour and Welfare (MHLW)

380.88 million yen (Background amount)

### Outline of COCOA

- ✓ The introduction of the COVID-19 Contact-Confirming Application (COCOA) for smartphones was considered as an effective tool for measures against COVID-19, and the Ministry of Health, Labour and Welfare (MHLW) has implemented its development and subsequent maintenance.
- ✓ The contract related to the development and maintenance, etc. of the “Health Center Real-time Information-sharing System on COVID-19” (HER-SYS) which MHLW concluded with Persol Process & Technology Co., Ltd. (Persol Co., Ltd.) was modified to include the business service for the development/maintenance, etc. of COCOA (COCOA business service).
- ✓ According to the above contract, even after a delivered product has been validated in the delivery inspection and is received, if MHLW recognizes that the delivered product **does not conform to the conditions of the contract** and notifies the said matter to Persol Co., Ltd. within one year, MHLW **may choose either to have Persol Co., Ltd repair the delivered product at its responsibility and expense or immediately discount its price.**
- ✓ **The main function of COCOA is to notify if a user (contact-confirmed person) has been in continuous close contact** (approx. 1 m or less) **with a person who has tested positive for COVID-19** for 15 minutes or more within a certain period of time (**contact-confirming function**)
- ✓ In February 2021, MHLW announced that a situation occurred where **no notification was provided to contact-confirmed persons** when the app was used on certain terminals (**the defect**) after COCOA was updated in September 2020.

### Audit Results

- ✓ Because specific details for conducting testing or contents which the contractor should report were not included in the specifications, the contact-confirming function, which is **a key function of COCOA, had not been tested properly.**
- ✓ The COCOA source code was published on a website for software development, for the purpose of obtaining opinions from a wide range of people and for improving the function of the app. However, MHLW did not provide clear instructions to Persol Co., Ltd. regarding the management procedure when external opinions were posted on the said website. Thus, even though **indications related to the defect were posted in November, 2020** which would enable MHLW to recognize the defect, **MHLW had not been able to recognize the occurrence of the defect for a long period of time.**
- ✓ With regard to the defect, no request to repair or discount to the price was made to Persol Co., Ltd. based on the contract. MHLW should have Persol Co. Ltd. submit appropriate materials for their invoice and should verify the repair expense related to the defect not being included in the invoice amount. However, MHLW considered that the repair was carried out at the expense of Persol Co. Ltd., **without verifying it.**

### Demand for Measures

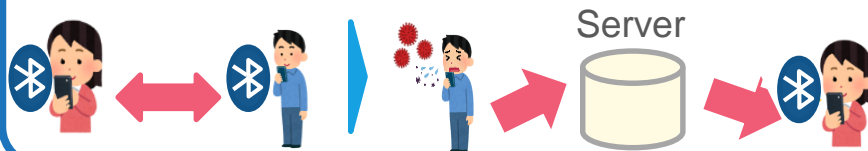
- ✓ In order to ensure that tests on the major functions of various systems are conducted properly, MHLW should clearly specify **details for the test to be described in the specifications** and contents that should be reported from the contractor for gaining a sufficient understanding of the implementation of the test, and thoroughly inform these points to the relevant personnel through the preparation of manuals, etc.
- ✓ MHLW should consider measures to **properly manage external indications, etc., and make use of them in the work,** and thoroughly inform them to the relevant personnel through the preparation of manuals, etc.
- ✓ **In order to clarify who is responsible for repair costs, etc.** in the event that a delivered product does not conform to the terms of the contract, MHLW should thoroughly inform relevant personnel of the need to have a contractor submit the appropriate materials and **to validate** that the invoice amount does not include repair costs, etc. by issuing a written notification, etc.

## 9. Development and maintenance of COVID-19 Contact-Confirming Application (COCOA) (Demand for measures)

Ministry of Health, Labour and Welfare (MHLW)


380.88 million yen (Background amount)

### Outline of COCOA



- An application that uses smartphones' short-range communication function (Bluetooth) to notify and record contact between people
- The main function is to notify if a user has been in continuous close contact (approx. 1 m or less) with a person who has tested positive for COVID-19 for 15 minutes or more within a certain period of time (contact-confirming function)

### Chronology of COCOA-related events

- |               |   |
|---------------|---|
| May, 2020     | Added COCOA work by modifying the contract with Persol Co., Ltd.  |
| September     | Source code was published on the website<br>The defect occurred after the version was updated   |
| November      | Indications related to the defect were posted on the website<br> |
| January, 2021 | Persol Co., Ltd. reported the defect to MHLW  |
| February      | The defect was resolved   |

### Audit Results

- MHLW did not specify any specific matters for implementing testing in the specifications
  - MHLW did not provide clear instructions regarding the management procedure when external opinions were posted on the website
- (1) The contact-confirming function, which is a key function of COCOA, **was not tested properly**
  - (2) Even though indications posted would enable MHLW to recognize the defect, **MHLW was not able to recognize the occurrence of the defect for a long period of time**
  - (3) MHLW did not have Persol Co., Ltd. submit appropriate materials and **did not validate** that the invoice amount charged by Persol Co., Ltd. did not include the repair costs associated with the defect

### Demand for Measures

- **MHLW should clearly specify details for the tests**, and thoroughly inform them through the preparation of manuals, etc.
- **MHLW should consider measures to make use of external indications, etc. in work**, and thoroughly inform them through the preparation of manuals, etc.
- **In order to clarify who is responsible for repair costs, etc.** in the event that a delivered product does not conform to the terms of the contract, MHLW should thoroughly inform the need to have a contractor submit the appropriate materials and **to validate** that the invoice amount does not include repair costs, etc., by issuing a written notification, etc.

## 10. Maintenance of pieces of mechanical equipment for river management facilities (Measures Taken)

Ministry of Land, Infrastructure, Transport and Tourism (MLIT) ,  
5 Regional Development Bureaus, 8 Prefectures

143.34 million yen (Improper amount)  
2,653.59 million yen (Background amount)

### Outline of maintenance of mechanical equipment

- ✓ The Ministry of Land, Infrastructure, Transport and Tourism (MLIT) prepared a manual that clarifies **preventive maintenance methods**, in order to promote the introduction of preventive maintenance for upkeep of functions through preventive repairs at an early stage.
- ✓ In order to **reduce the total cost of maintenance and to level out budgets**, river management authorities shall formulate or review the "machinery maintenance plans", by
  - 1) **conducting** regular (annual/monthly) and other **inspections** of pieces of mechanical equipment,
  - 2) **evaluating soundness based on the inspections**, and
  - 3) **prioritizing maintenance, renewal and other actions** for pieces of mechanical equipment.
- ✓ As **the standard period for the replacement and renewal of machines** (including parts), there is **an average period** (years of use to be used as an indicator for the preventive maintenance in the machinery maintenance plan above) and **a reliable period** (years of use after which soundness of a machine need to be monitored with greater care; approx. half of the average period).
- ✓ In the case of a critical machine failure, an urgent measure shall be taken to restore it (**emergency maintenance**).

### Audit Results

- ✓ The Board conducted an audit of **499 river management facilities in 22 project** implementing entities which underwent annual inspections, renewal of machines and other actions in FY 2017 to FY2019.
- ✓ The total cost of maintenance could not be reduced appropriately because **the soundness of machines were not evaluated** and maintenance, renewal and other actions were not prioritized. (12 entities, 256 facilities)
- ✓ Using reliable periods as the standard period in machinery maintenance plans, **the replacement and renewal of machines were determined only after the reliable periods had passed** without evaluating their soundness, **leading to unnecessarily too early replacement and renewal of machines**, which did not reduce and level out costs for maintenance and renewal. (**6 entities, 13 facilities**)
- ✓ Some critical machines that had been found to have functional defects in annual inspections did not undergo emergency maintenance based on the manual for over a year. It is **necessary to ensure the reliability of pieces of mechanical equipment so that they can operate when needed**, by carrying out emergency maintenance timely based on the result of annual inspections and preventing the malfunction of the pieces of mechanical equipment. (**6 entities, 12 facilities**)

### Measures Taken

MLIT informed implementing entities:

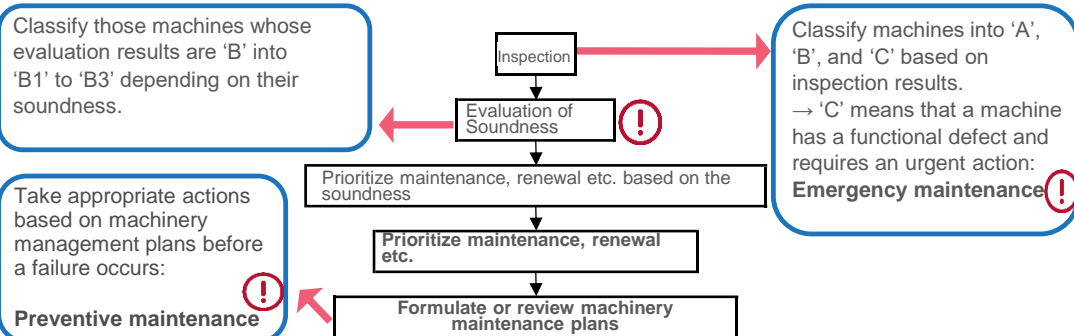
- ✓ That they **should formulate and periodically review machinery maintenance plans, after evaluating soundness of machines annually** based on annual inspection results and **prioritizing their maintenance and renewal**, in accordance with the manual.
- ✓ That they **should use average periods** as the standard period for replacement and renewal of machines in machinery maintenance plans and determine whether to replace or renew machines, **based on the evaluation of soundness and other factors**.
- ✓ That they **should promptly carry out emergency maintenance** based on the manual for critical machines that are found to have a functional defect as a result of annual inspections or other checks.



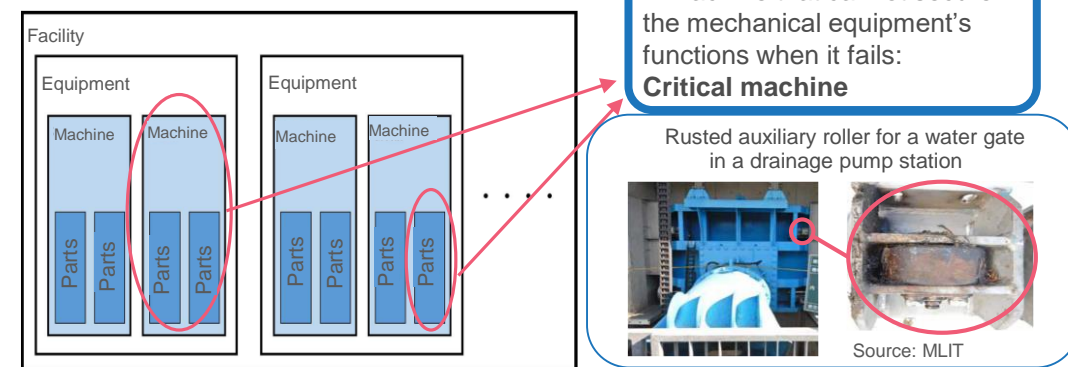
## 10. Maintenance of pieces of mechanical equipment for river management facilities (Measures Taken)

Ministry of Land, Infrastructure, Transport and Tourism (MLIT),  
5 Regional Development Bureaus, 8 Prefectures  
143.34 million yen (Improper amount)  
2,653.59 million yen (Background amount)

### Procedures from inspection to formulating machinery maintenance plans



### Outline of mechanical equipment



### Audit Results

- ✓ **The total cost of maintenance could not have been reduced appropriately because the soundness of machines were not evaluated** and maintenance, renewal and other actions were not prioritized.  
(Projects implemented by the National Government: 223 facilities in 7 entities;  
Grant projects: 33 facilities in 5 entities)
- ✓ Using reliable periods mistakenly as the standard period, **the replacement and renewal of machines were determined only after the reliable periods had passed**, which did not reduce and level out costs.  
(Projects implemented by the National Government: 5 facilities in 2 entities;  
Grant projects: 8 facilities in 4 entities)
- ✓ Some critical machines **did not undergo emergency maintenance timely** in view of the result of annual inspections, based on the manual.  
(Projects implemented by the National Government: 2 facilities in 1 entity;  
Grant projects: 10 facilities in 5 entities)

### Measures Taken

- Implementing entities should formulate and periodically review machinery management plans, **after evaluating soundness of machines annually** based on annual inspection results and **prioritizing maintenance and renewal**, in accordance with the manual.
- Implementing entities **should use average periods as the standard period for replacement and renewal** of machines in machinery maintenance plans and determine whether to replace or renew machines, **based on the evaluation of soundness and other factors**.
- Implementing entities **should carry out emergency maintenance** based on the manual promptly for critical machines that are found to have a functional defect as a result of annual inspections or other checks.



## 11. Grant amounts of insurance foundation stability payment for national health insurance (Demand for Measures)

Ministry of Health, Labour and Welfare (MHLW)

14.09 million yen (Improper amount)  
50,681.32 million yen (Background amount)

### Outline of the Payment

- ✓ The national government has introduced the Support Program for Financial Stabilization of the National Health Insurance, which covers the equivalent amount of reductions in insurance premiums for persons with low income by public expenses, and further established the insurer support portion, which covers a designated ratio of average premiums by public expenses, according to the number of persons with low income. Municipalities transfer funds for the insurer support portion, which is calculated based on the number of persons with low income and other factors, from general accounts to special accounts, and the national government bears one-half of the transferred funds.
- ✓ The amount of funds to be transferred is obtained by calculating the average insurance premium (a total of billed insurance premiums divided by the number of general insured persons) and multiplying this by the number of general insured persons in households with reduced insurance premiums, and a prescribed ratio. The numbers of households and general insured persons, insurance premiums, and other data are based on **the status of the date for assessment of insurance premiums (on April 1 each year), which was known by October 20 of the relevant fiscal year.**
- ✓ Of the total of billed insurance premiums, **the total of per-capita based charges is equal to the amount obtained by multiplying the number of general insured persons and a per-capita based charge, and the total of per-capita (per household) charges is equal to the amount obtained by multiplying the number of households and a per-capita (per household) charge.**
- ✓ According to the preparation guidelines, **the amount of funds to be transferred shall be calculated by entering** the numbers of households and general insured persons, the total of billed insurance premiums into a calculation base table as of the date of assessment, **which were known by October 20 of the relevant fiscal year**, and the amount to be granted **shall be calculated by multiplying this by one-half.**
- ✓ Municipalities **have introduced their own systems to manage data such as the numbers of households and general insured persons. They extract relevant data by setting criteria, such as the timing of extraction, in their systems**, enter aggregated figures into a calculation base table, and calculate the amounts of funds to be transferred and the amount to be granted.

### Audit Results

- ✓ **In 111 municipalities in 19 prefectures, a total of per-capita based charges and/or a total of per-capita (per household) charges did not tally** with the amount obtained by multiplying the number of general insured persons by a per-capita based charge and/or the amount obtained by multiplying the number of households by a per-capita (per household) charges. Therefore, the total of transferred amounts and **the total of granted amounts (63,707.64 million yen; from FY2016 to FY 2019) were not appropriately calculated.**
  - This was because of **wrong criteria applied for extracting** the numbers of households and general insured persons, and the total of billed insurance premiums, to be entered into calculation base tables, and other reasons.
  - The 19 prefectures **did not confirm** whether the total of per-capita based charges was equal to the amount obtained by multiplying the number of general insured persons and a per-capita based charge, and whether the total of per-capita (per household) charges was equal to the amount obtained by multiplying the number of households and a per-capita (per household) charge in calculation base tables, in the review of performance reports on granted amounts.
- ✓ For 30 municipalities in 12 prefectures, the appropriate transferred and granted amounts were able to be recalculated. **12 municipalities of them were over-granted 14.09 million yen.** For 84 municipalities (granted amounts: 50,681.32 million yen) in 19 prefectures, **these amounts cannot be appropriately recalculated**, because relevant data for the past fiscal years cannot be extracted **due to data overwriting and data disposal during system updates.**

### Demand for Measures

- MHLW should:
- ✓ Require the 12 municipalities that had been over-granted funds **to immediately return the over-granted amounts**, and the 84 municipalities for which appropriate amounts to be granted **cannot be recalculated to recalculate them properly using currently available documents, and to immediately return funds if over-granted.**
  - ✓ **Inform municipalities thoroughly of extraction criteria**, such as the timing of data extraction, for calculating amounts to be transferred and granted.
  - ✓ **Inform prefectures and municipalities about checking whether granted amounts are calculated based on appropriate transferred amounts.**
  - ✓ **Inform municipalities about organizing and storing data** necessary for recalculating granted amounts.

# 11. Grant amounts of insurance foundation stability payment for national health insurance (Demand for Measures)

Ministry of Health, Labour and Welfare (MHLW)

14.09 million yen (Improper amount)

50,681.32 million yen (Background amount)

## Information to be entered in the calculation base table

- Of the total of billed insurance premiums, the total of per-capita based charges and the total of per-capita (per household) charges are expressed as the equations below.

$$\text{The total of per-capita based charges} = \text{a per-capita based charge} \times \text{Number of general insured persons}$$

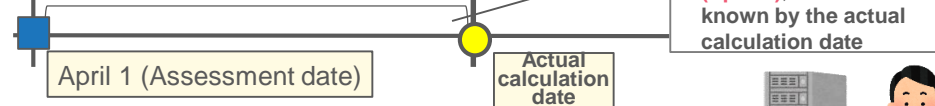
$$\text{The total of per-capita (per household) charges} = \text{a per-capita (per household) charge} \times \text{Number of households}$$

- Criteria for extracting information that are entered into the calculation base table

- Information such as the numbers of households and general insured persons, and the total of billed insurance premiums



- Criteria for extracting the total of billed insurance premiums in the preparation guideline applied before FY2015



Individual municipalities have introduced their own systems to manage data such as the number of general insured persons and extract relevant data.



## Audit Results

- The Board checked calculation base tables and found that **the right and left sides of the equations for the total of per-capita based charges and/or the total of per-capita (per household) charges did not match**, and therefore, the totals of transferred and granted amounts were not appropriately calculated. **(111 municipalities in 19 prefectures, a total of granted amounts: 63,707.64 million yen)**

- The 19 prefectures did not confirm in their review whether the right and left sides of the equations matched.

### Causes (78 municipalities in 16 prefectures)

- Extracted information **as of October 20** by mistake
- Extracted information on the date of **the actual calculation date**, which was the criteria applied before the guideline was revised.

Re-calculation

30 municipalities in 12 prefectures

As a result of recalculation of amounts to be granted based on properly extracted information, it was found that 14.09 million yen was over-granted for 12 municipalities.

84 municipalities in 19 prefectures (granted amounts: 50,681.32million yen)

Amounts to be granted cannot be appropriately recalculated.

### Causes

- Overwriting of data, such as the number of households, stored in their systems
- Disposal of data during system updates

## Demand for Measures

- Require the 12 municipalities that have been over-granted funds to immediately return the over-granted amounts, and the 84 municipalities for which appropriate amounts to be granted cannot be recalculated **to recalculate them properly using currently available documents, and to return funds if over-granted.**
- Inform municipalities **thoroughly of extraction criteria, such as the timing of data extraction**, for calculating amounts to be transferred and granted.
- Inform prefectures and municipalities **about checking whether granted amounts are calculated based on appropriate transferred amounts.**
- Inform municipalities **about organizing and storing data** necessary for recalculating granted amounts.

## 12. Procurement of portable terminals (Demand for Measures)

Japan Pension Service (JPS) HQ  
113.77 million yen (Improper amount)  
65.72 million yen (Background amount)

### Outline of portable terminals

- ✓ For the implementation of pension consultation and administrative work for the national pension, the Japan Pension Service (JPS) procures laptop PCs and peripheral devices (**portable terminals**) that can be connected to the social insurance online system to access personal pension information. **JPS distributes the portable terminals to pension offices, and leases them to municipalities free of charge.**
- ✓ With the service life of portable terminals ending, JPS concluded consignment contracts, including leasing and maintenance of portable terminals in 2018 and 2019 (the 2018 contract and the 2019 contract), and **procured a total of 3,226 portable terminals.**
- ✓ For portable terminals loaned to municipalities under the 2019 contract, **the procured quantity was calculated** based on the result of the February 2018 survey on municipalities' intentions of lease by MHLW (**the MHLW survey**), and **the recipients and leased quantity were determined** based on the result of the May 2019 survey on municipalities' requests for lease by JPS (**the JPS survey**).

### Audit Results

- ✓ Of the 3,226 portable terminals procured under the 2018 and 2019 contracts, **a total of 1,003 terminals have not been distributed or leased, and are held in the JPS HQ and branch offices.**
- ✓ **111** out of 426 portable terminals distributed to pension offices, and **209** out of 1,646 leased to municipalities **were not used at all.** The Board looked into the background and found the following issues.
- ✓ The procured quantity for the 2018 contract was determined based on **the number of terminals to be distributed that included 257 terminals (36.25 million yen)** to renew the same number of terminals that had been distributed in anticipation of **a temporary increase in the number of consultations** in 2017. This was made, however, without carefully considering the necessity of the renewal.
- ✓ The procured quantity for the 2019 contract **included 471 terminals (63.09 million yen) which corresponded to the number of portable terminals that had been already procured** under the 2018 contract and their spares, and **220 terminals (29.47 million yen)** for 220 municipalities **that did not respond to the MHLW survey.**
- ✓ Although **the number of procured portable terminals** under the 2019 contract **included 165 terminals (22.10 million yen) for 106 municipalities that requested a lease in the MHLW survey**, portable terminals procured under the 2019 contract **were not leased out** to the 106 municipalities, because they were not covered by the JPS survey.
- ✓ Although 209 portable terminals (28.58 million yen) leased to municipalities were not used at all, **JPS did not check why they were not used or review the necessity of continuing the lease.**

### Demand for Measures

JPS should:

- ✓ Inform thoroughly related departments that the procured quantity needs to be calculated by **carefully examining the necessity of renewal** in anticipation of changes in the number of consultations, **fully confirming other procurement contracts of portable terminals**, and **taking into account the status of requests by municipalities.**
- ✓ **Perform a request survey** for municipalities that were not covered by the JPS survey and lease portable terminals based on the survey's result.
- ✓ Establish a system **to check the reason why** portable terminals leased to municipalities have not been used for a long period of time and **review the necessity of continuing the lease**, and consider using terminals that do not need to be leased successively, for other purposes.

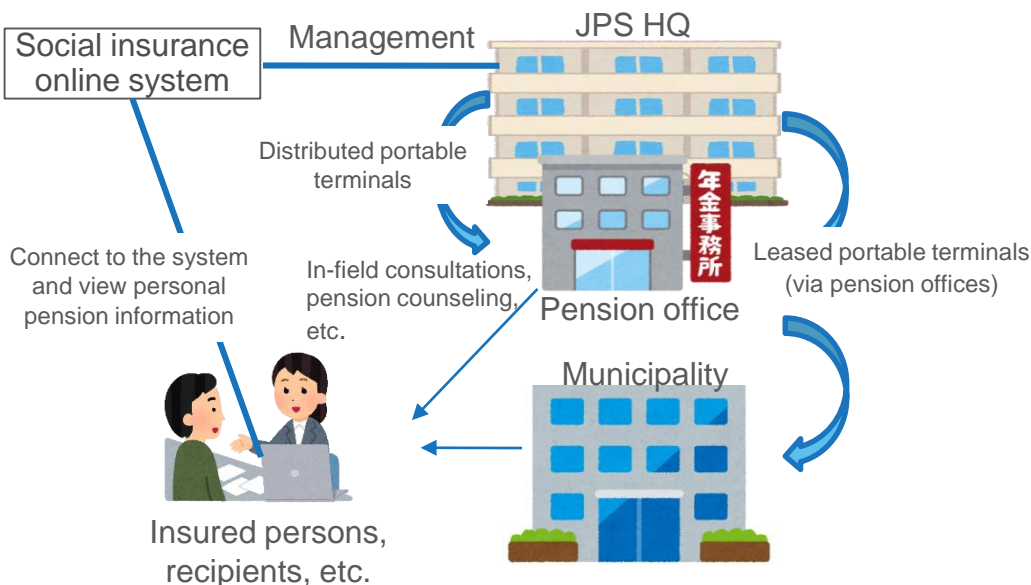
## 12. Procurement of portable terminals (Demand for Measures)

Japan Pension Service (JPS) HQ  
113.77 million yen (Improper amount)  
65.72 million yen (Background amount)

### Outline of portable terminals

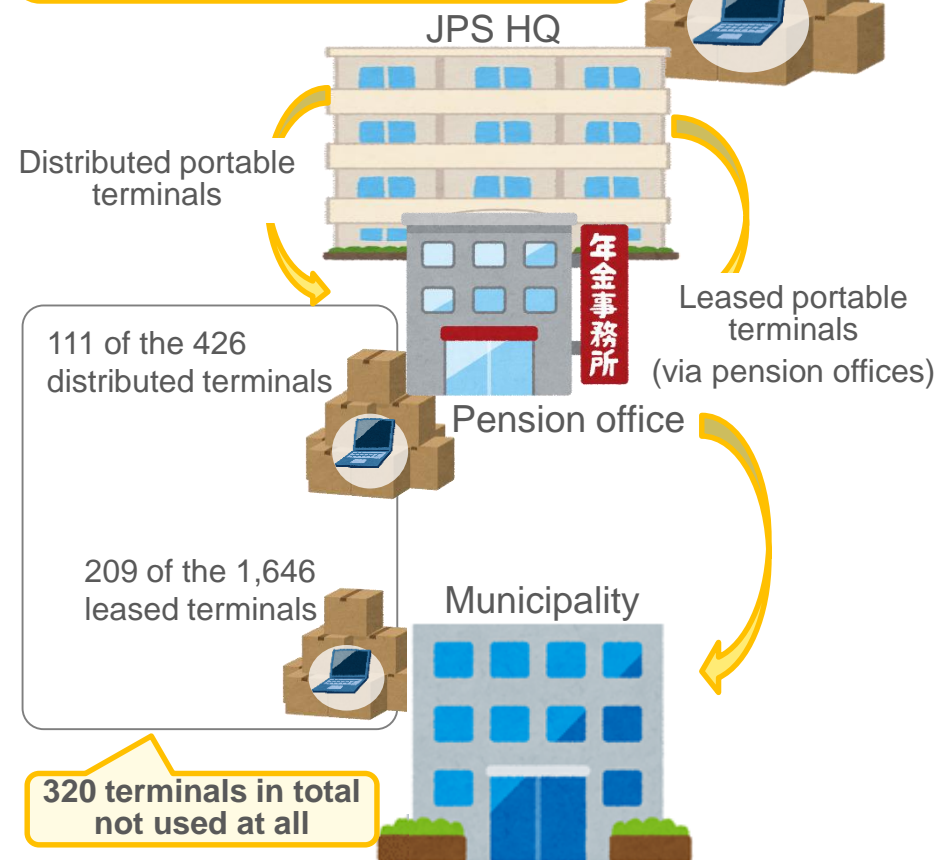
#### Portable terminals

- Laptop PCs and peripheral devices
- Used for pension consultation work and administrative work
- JPS concluded consignment contracts, including leasing and maintenance of portable terminals, in 2018 and 2019 (the 2018 contract and the 2019 contract), and procured a total of 3,226 portable terminals.
- For portable terminals loaned to municipalities under the 2019 contract, **the procured quantity was calculated** based on the result of the February 2018 survey on municipalities' intentions of lease by MHLW (**the MHLW survey**), and **the recipients and leased quantity were determined** based on the result of the May 2019 survey on municipalities' requests for lease by JPS (**the JPS survey**).



### Status of distribution and lease of portable terminals

Of the 3,226 portable terminals procured, **a total of 1,003 terminals have not been distributed or leased, and are held in the JPS HQ and branch offices.**



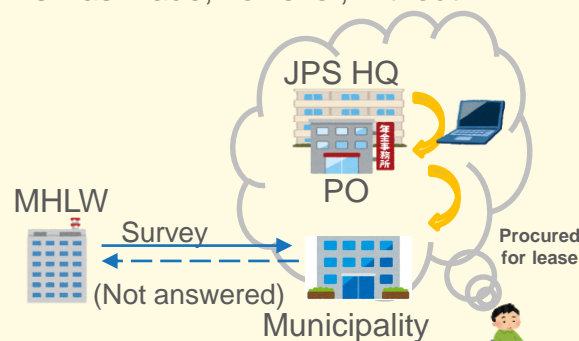


## 12. Procurement of portable terminals (Demand for Measures)

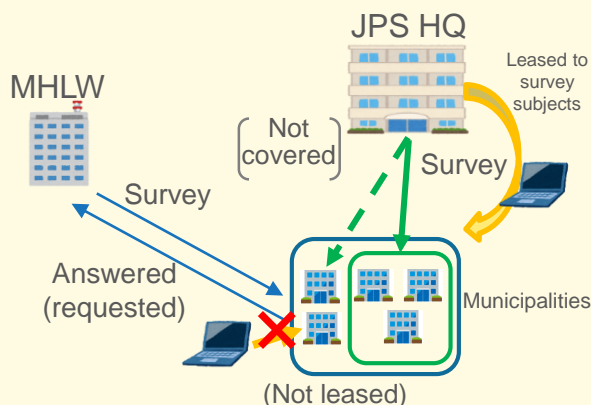
Japan Pension Service (JPS) HQ  
113.77 million yen (Improper amount)  
65.72 million yen (Background amount)

### Audit Findings

- The procured quantity for the 2018 contract was determined based on **the number of terminals to be distributed that included 257 terminals (36.25 million yen)** to renew the same number of terminals that had been distributed in anticipation of **a temporary increase** in the number of consultations in 2017. This was made, however, without carefully considering the necessity of the renewal.



- The procured quantity for the 2019 contract included **471 terminals (63.09 million yen)** which corresponded to **the number of portable terminals that had been already procured** under the 2018 contract and their spares, and **220 terminals (29.47 million yen)** for 220 municipalities that did not respond to the MHLW survey.



- Although the number of procured portable terminals under the 2019 contract **included 165 terminals (22.10 million yen)** for 106 municipalities that requested a lease in the MHLW survey, portable terminals procured under the 2019 contract **were not leased** to the 106 municipalities, because they were not covered by the JPS survey.

- Although 209 portable terminals (28.58 million yen) leased to municipalities were not used at all, JPS **did not check why they were not used or review the necessity of continuing the lease**.

### Demand for Measures

- Inform thoroughly related departments that the procured quantity need to be calculated by **carefully examining the necessity of renewal** in anticipation of changes in the number of consultations, **fully confirming other procurement contracts of the portable terminals, and taking into account the status of requests** by municipalities.
- **Perform a request survey for municipalities that were not covered by the JPS survey**, and lease portable terminals based on the survey's result.
- Establish a system to review the necessity of continuing **the lease of portable terminals that have not been used** by municipalities **for a long period of time**.

### 13. Status of farmland consolidation by the cultivation condition improvement project (Demand for Measures)

Ministry of Agriculture, Forestry and Fisheries (MAFF),  
5 Regional Agricultural Administration Offices  
1,710.22 million yen (Improper amount)

#### Outline of the Project

- ✓ To strengthen Japan's agricultural competitiveness, the Ministry of Agriculture, Forestry and Fisheries (MAFF) develops agricultural production infrastructure such as expansion of farmland partitions and development of multipurpose paddy fields, and promotes consolidation of farmlands to business farmers in collaboration with Farmland Intermediary Management Institutions (Farmland Banks).
- ✓ MAFF provides the subsidy for the cultivation condition improvement project to implementing entities, including municipalities and land improvement districts, that implement regional farmland consolidation projects (consolidation project) **to promote farmland consolidation to business farmers within the regions by providing timely support for improving detailed cultivation conditions.**
- ✓ Implementing entities that carry out the consolidation project must **prepare** a regional farmland consolidation promotion plan (**promotion plan**) **that includes a farmland consolidation target for each region where the consolidation project is implemented.** After completing the consolidation project, the implementing entities must **prepare** a project achievement report (**achievement report**) **on the achievement of the farmland consolidation target.**
- ✓ With regard to the farmland consolidation target, consolidated areas of business farmers before and after the consolidation project in a region are written.
- ✓ The farmland consolidation target is expected to be achieved to a considerable extent after implementation of the consolidation project.

#### Audit Results

- ✓ 7 entities in 9 districts **did not prepare appropriate promotion plans**, including plans which did not identify farmlands expected to be consolidated. Further, these entities failed to include in achievement reports the actual figures of consolidated farmlands that were comparable to the promotion plans, and did not understand the achievement status of the farmland consolidation targets established in the plans. (Grant amount: 258.48 million yen)
- ✓ 41 entities in 56 districts **achieved a figure as low as below 50% of the farmland consolidation targets.** This was because they did not thoroughly check the willingness of business farmers involved in farmland consolidation when they created promotion plans. (Grant amount: 1,451.73 million yen)
- ✓ 23 entities in 32 districts out of the 41 entities in 56 districts above **did not make any efforts to promote farmland consolidation after implementing consolidation projects**, despite the farmland consolidation targets not having been achieved. (Grant amount: 856.04 million yen)

#### Demand for Measures

MAFF should:

- ✓ **Clarify in project implementing guidelines that implementing entities must identify farmlands to be consolidated and include farmland consolidation targets** in promotion plans, and state, in achievement reports, the realized records related to the farmlands to be consolidated set in the promotion plans.
- ✓ **Instruct implementing entities via prefectures to thoroughly check the willingness of farmlands' lessors and lessees, who are parties concerned in farmland consolidation,** to lend and borrow farmlands after the consolidation project are implemented, when the implementing entities create promotion plans.
- ✓ **Instruct implementing entities via prefectures to make an effort to achieve farmland consolidation targets** if they have not been achieved even after they implemented the consolidation projects.



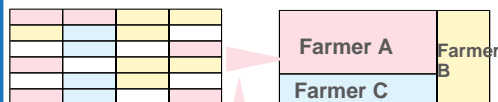
# 13. Status of farmland consolidation by the cultivation condition improvement project (Demand for Measures)

Ministry of Agriculture, Forestry and Fisheries (MAFF),  
5 Regional Agricultural Administration Offices  
1,710.22 million yen (Improper amount)

## Outline of the Project

### <Farmland consolidation >

Expand farmland used by business farmers



Farmland owners (lessors)

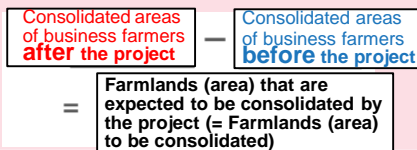
establish the right of use of farmlands to business farmers (lessees).

### <Cultivation condition improvement project>

Promote consolidation of farmlands to business farmers within regions in collaboration with Farmland Banks, by providing timely support for improving detailed cultivation conditions, such as expansion of farmland partitions by removing dikes and developing production infrastructure including culvert drainage (consolidation project).

The consolidation project aims to improve cultivation conditions, which is a challenge in farmland consolidation, and expects farmland consolidation targets to be largely achieved after the project.

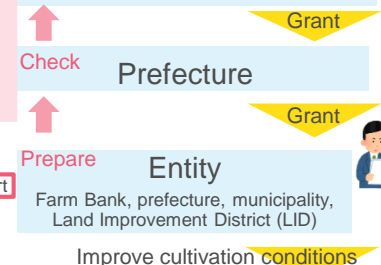
Promotion Plan: includes farmland consolidation targets



After project completion:  
Achievement status of farmland consolidation targets

Promotion plan  
Achievement report

Regional Agricultural Administration Offices



## Audit Results

Promotion plans were not properly prepared  
(7 entities in 9 regions)

7 entities (total grant: 258.48 million yen) did not identify farmlands to be consolidated when they prepared promotion plans, and their consolidation targets had no concrete bases. They prepared achievement reports that were not based on actual results, and did not understand the status of achievement of the farmland consolidation targets.

Poor achievement of farmland consolidation targets

(41 entities in 56 regions) Total grant: 1,451.73 million yen

In 56 districts (approx. 20% of the total), the ratio of "consolidated areas" to "areas to be consolidated" (achievement percentage) was less than 50%.

Achievement percentage	100%	≥ 50%, < 100%	< 50%	≥ 10%, < 50%	< 10%
Number of districts	164 districts	61 districts	56 districts	30 districts	26 districts

### Reason for poor achievement

Entities failed to check the willingness of business farmers involved in farmland consolidation (lessors and lessees) when creating promotion plans, among other things.

23 entities in 32 districts out of the 41 entities in 56 districts did not continue to work on individual business farmers to promote farmland consolidation after implementing the projects, despite the farmland consolidation targets not having been achieved. (Total grant: 856.04 million yen)

## Demand for Measures

To clarify in project implementing guidelines that implementing entities must identify farmlands to be consolidated and include farmland consolidation targets when they create promotion plans

To instruct implementing entities to thoroughly check the willingness of the farmland consolidation parties to lend and borrow farmlands after the projects are implemented, when entities create promotion plans.

To instruct implementing entities to make an effort to achieve farmland consolidation targets if they have not been achieved even after they implemented the projects.

## 14. Effective use of gold bullion possessed in the reserve fund for collection of coinage (Measures Taken)

Ministry of Finance (MOF)

160,197.76 million yen (Improper amount)

### Outline of the system

- ✓ **The reserve fund for collection of coinage (the fund)** was established to secure issuance, exchange, and collection of coins by the government) and to contribute to maintaining trust in coinage, in accordance with the Act on Reserve Fund for Collection of Coinage.
- ✓ **Bullion** possessed in the fund (**fund bullion**) contains coins collected from the market, and **used as materials for manufacturing coins**.
- ✓ Fund bullion **can be granted to Japan Mint (an incorporated administrative agency)** as metal used for manufacturing coins.
- ✓ According to the Ministry of Finance, **fund bullion can be sold if it will not be used as materials for manufacturing coins**, from the viewpoint of efficient management of fund bullion.
- ✓ **Gold bullion** held at the fund **has been used as materials for manufacturing commemorative coins**.
- ✓ At the end of FY2019, **gold bullion** held in the fund amounted to **129.49 tons** at a book value of **256,708.89 million yen**, accounting for **approx. 92% of the total book value of fund bullion (279,194.64 million yen)**.

### Audit Results

- ✓ From FY2014 to FY2019, the amount of gold bullion possessed in the fund **increased by 4.54 tons to 129.49 tons**
- ✓ **In the 6 years from FY2014 to FY2019, the largest amount of granted gold bullion was 1.78 tons** in FY2018, and **the 129.49 tons possessed** at the end of FY2019 was **72.7 times larger than the granted amount**.
- ✓ The 129.49 tons of gold bullion held in the fund at the end of FY2019 was significantly larger than the collected and granted amounts for the 6 years from FY2014 to FY2019, and the amount of gold bullion used (calculated value) after 1997 was smaller than 1993 and before. Thus, **some of the gold bullion** held at the end of FY2019 was **not expected to be used as materials for manufacturing commemorative coins**. It was considered inappropriate to retain such amount of gold bullion and **the situation should be improved by continuing efforts to review its utilization such as selling it**.

### Measures Taken

- ✓ After determining the amount of gold bullion required for manufacturing commemorative coins in the future, the Ministry of Finance sold **80.76 tons of gold bullion at a book value of 160,197.76 million yen**, which were not expected to be used for manufacturing commemorative coins and were deemed appropriate for sale, to the Foreign Exchange Fund Special Account in March 2020. **The sales price of 542,031.48 million yen** was transferred to the fund, and **the same amount was transferred to the General Accounts**.
- ✓ The Ministry also determined that the amount of gold bullion held in the fund should be reviewed in a timely manner in view of the past events and **if gold bullion is not expected to be used as materials for manufacturing commemorative coins, it shall be utilized, for example by reviewing its sale**.

# 14. Effective use of gold bullion possessed in the reserve fund for collection of coinage (Measures Taken)

Ministry of Finance (MOF)

160,197.76 million yen (Improper amount)

## Outline of the System

- The reserve fund for collection of coinage (the fund) was established to secure circulating coins (issuance, exchange, and collection of coins by the government) and to contribute to maintaining trust in coinage.
- Gold bullion held in the fund is used as materials for manufacturing commemorative coins.
- Fund bullion can be granted to Japan Mint (an incorporated administrative agency) as materials for manufacturing coins, and can be sold if it will not be used as materials for manufacturing coins.
- At the end of FY2019, gold bullion held in the fund amounted to 129.49 tons at a book value of 256,708.89 million yen, accounting for approx. 92% of the total book value of fund bullion (279,194.64 million yen).

## Audit Results

- The 129.49 tons of gold bullion held in the fund at the end of FY2019 was 72.7 times larger than 1.78 tons which was the largest volume of gold bullion (FY2018) granted in 6 years from FY2014 to FY2019, and the amount of gold bullion increased by 4.54 tons in the 6 years.

[Amounts collected, granted, and possessed of gold bullion from FY2014 to FY2019] (Unit: tons)

Category	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Possessed amount at the beginning of FY	124.95	126.20	127.67	129.08	130.37	129.87
Collection amount	1.95	1.46	1.41	1.29	1.28	1.25
Grant amount	0.70	—	—	—	1.78	1.62
Amount in possession at FY end	126.20	127.67	129.08	130.37	129.87	129.49

Largest grant

72 times

4.54 ton increase

- The amount of gold bullion used (calculated value) after 1997 was smaller than 1993 and before

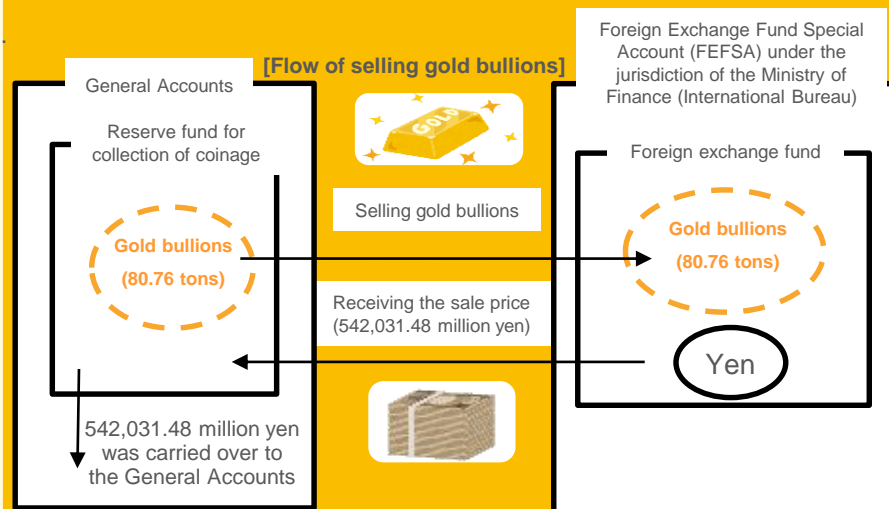
[Amount of gold bullion used for commemorative coins]

Year	Commemorative coin's name	Face value (yen)	Exchange value and selling price	Issued amount (A)	Weight per commemorative coin (B)	Contained amount of gold bullions (calculated)(A × B)
1986	The 60th year of the Emperor on the throne	100,000	100,000	10 mil	20.0 g	200.00 t
1987	The 60th year of the Emperor on the throne	100,000	100,000	1 mil	20.0 g	20.00 t
1990	The enthronement of the Emperor	100,000	100,000	2 mil	30.0 g	60.00 t
1993	The Wedding of His Imperial Highness the Crown Prince	50,000	50,000	2 mil	18.0 g	36.00 t
1997,98	Nagano Olympics (Series 1 to 3)	10,000	38,737	165,000	15.6 g	2.57 t
1999	The 10th year of the Emperor on the throne	10,000	41,000	200,000	20.0 g	4.00 t
2002	2002 FIFA World Cup Korea/JapanTM	10,000	40,000	100,000	15.6 g	1.56 t
2004	The EXPO 2005 AICHI JAPAN	10,000	40,000	70,000	15.6 g	1.09 t
2009	The 20th Anniversary of His Majesty the Emperor's Enthronement	10,000	80,000	100,000	20.0 g	2.00 t
2015	The Great East Japan Earthquake Reconstruction Project (the 1st to 4th series)	10,000	95,000	45,000	15.6 g	0.70 t
2018, 19, 20	Olympic Games Tokyo 2020 /Paralympic Games Tokyo 2020 (1st, 3rd and 4th)	10,000	111,112	123,000	15.6 g	1.91 t
2019	The 30th Anniversary of the Enthronement of His Majesty the Emperor	10,000	127,778	50,000	20.0 g	1.00 t
2019	Rugby World Cup 2019TM	10,000	111,112	10,000	15.6 g	0.15 t
2019	The Enthronement of His Majesty the Emperor	10,000	127,778	50,000	20.0 g	1.00 t

Decreased in usage  
After 1997

## Measures Taken

- After determining the amount of gold bullion required for manufacturing commemorative coins in the future, the Ministry of Finance sold 80.76 tons of gold bullion at a book value of 160,197.76 million yen, which were not expected to be used for manufacturing commemorative coins and were deemed appropriate for sale, to the Foreign Exchange Fund Special Account in March 2020. The sales price of 542,031.48 million yen was transferred to the fund, and the same amount was transferred to the General Account.
- The Ministry also determined that the amount of gold bullions held in the fund should be reviewed in a timely manner in view of the past events and that if gold bullion is not expected to be used as materials for manufacturing commemorative coins, it shall be utilized, for example by reviewing its sale.



## 15. Lease contract for properties that do not meet specifications (Improprieties)

(IAA) Japan Sport Council (JSC)

381.23 million yen (Improper amount)

### Outline of the lease contract

- ✓ **The Japan Sport Council (the Council) manages and runs the Prince Chichibu Memorial Sports Museum and Library** (the Museum), **which collects and conserves items** such as approx. 60,000 articles related to sports history in Japan (including more than 2,000 items deposited by individuals and organizations), and approx. 160,000 reports and documents on the past Olympic Games.
- ✓ Because the former Japan National Stadium where the Museum existed was being demolished, the Council **concluded a lease contract for a warehouse** located in Ayase, Adachi Ward, Tokyo (**the Ayase Warehouse**) with **Nippon Express (NE)** through general competitive bidding (**duration**: 6 years in the initial contract) in February 2014 with the aim of temporarily storing the collected items. The council extended the contract for one year in March 2020.
- ✓ According to the accounting rules of the Council, it must issue a public notice about a lease contract and make it open to competition. When concluding a contract with a successful bidder, **the contract must be concluded with the publicly announced specifications.**
- ✓ **If a successful bidder does not enter into the contract with the specifications, the Council must modify the specifications, issue a public notice, and put the contract out for bid again.**

### Audit Results

- ✓ Since **the Council** stores special items (museum/library materials), it issued **a public notice for bid with the specifications below on locational conditions for a lease property.**
  - **Within a 5 km radius** of Yoyogi National Gymnasium (to ensure coordination with storage areas in the Gymnasium)
  - **Outside the flood hazard area** (to protect collected items from flood damage)
- ✓ After NE won the bid, it informed the Council that it was not able to rent a warehouse that met the specifications on the locational conditions and would rent the Ayase Warehouse instead. **The Council concluded the initial contract, even though the Ayase Warehouse is approx. 16 km away from the Gymnasium and is within the flood hazard area of Adachi Ward, Tokyo.** The Council extended the contract for one year.
- ✓ **The Council should not have concluded the contract with NE for ensuring fairness of open bidding, competitiveness and economy, and should have issued a public notice and put the contract out for bid again with the modified specifications.**
- ✓ If an expected flood occurs, the Ayase Warehouse may suffer inundation damage. Further, commercial power supply's suspension may cause its elevators to shut down, making it impossible to carry in/out collected items, and its air conditioners to shut down, damaging collected items in conditions of high humidity.

### Causes

- ✓ The Council lacked awareness that contract procedures should be followed appropriately in accordance with its accounting rules, when concluding a lease contract.

## 15. Lease contract for properties that do not meet specifications (Improprieties)

(IAA) Japan Sport Council (JSC)

381.23 million yen (Improper amount)

### Outline of the lease contract

#### Prince Chichibu Memorial Sports Museum and Library

(Located in the former National Stadium)



- Approx. 60,000 articles related to sports history in Japan
- Approx. 160,000 reports and documents on the past Olympic Games are collected and conserved

Because the former Japan National Stadium where the Museum existed was being demolished, the Council concluded a lease contract for the Ayase Warehouse with Nippon Express (NE) (duration: 6 years in the initial contract), with the aim of temporarily storing the collected items.

- ❗ According to the Council's Accounting Rules:
  - A contract must be concluded with the specifications in the public notice; and
  - If a successful bidder does not enter into the contract with the specifications, the Council must modify the specifications, issue a public notice, and put the contract out for bid again.

### Audit Results

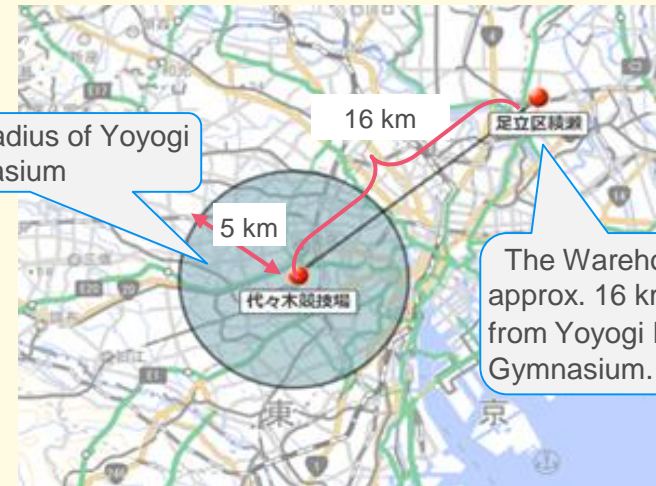
The specifications for the initial contract stated locational conditions for a lease property, including:

- **Within a 5 km radius** of Yoyogi National Gymnasium; and
- **Outside the flood hazard area**

The Council concluded the initial contract (and extended it for one year), even though the Ayase Warehouse is approx. 16 km away from the Gymnasium and is within the flood hazard area of Adachi Ward, Tokyo (expected inundation depth was 2 m to 5 m according to the hazard map as of the conclusion of the initial contract).

▶ **The Council should not have concluded the contract with NE for ensuring fairness of open bidding, competitiveness and economy, and should have issued a public notice and put the contract out for bid again, with the modified specifications.**

Within a 5 km radius of Yoyogi National Gymnasium



The Warehouse is approx. 16 km away from Yoyogi National Gymnasium.

Source: Prepared by modifying a map on the Geospatial Information Authority website.

▶ If an expected flood occurs, the Ayase Warehouse may suffer inundation damage, and commercial power supply's suspension may make it impossible to carry in/out collected items and damage collected items.



## 16. Improper retaining wall design (Improprieties)

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

7.78 million yen (Improper amount)

### Outline of the Project

- ✓ In a disaster prevention and safety grant project, Aomori Prefecture built retaining walls and rebuilt roads and sidewalks in order to widen roads and improve intersections.
- ✓ The Prefecture **installed L-shaped retaining walls made of precast reinforced concrete to support road embankment**, adjusting their heights in accordance with deference in height between the road and the private land and waterways along the road.
- ✓ According to the guidelines for designing retaining walls used by the Prefecture:
  - **Durability of structures will be significantly reduced if reinforcing bars inside concrete structures corrode.**
  - **Corrosion of reinforcing bars occurs in an environment where both oxygen and water exist at the same time, and is accelerated** in areas where water such as rain water acts in the air.
  - If concrete **neutralization**(note) **reaches reinforcing bars in reinforced concrete**, the bars will become vulnerable to corrosion.
  - **Reinforcing bars need to be fully covered with concrete to prevent their corrosion.**

(Note) Alkalinity decreasing in concrete as a result of a reaction between carbon dioxide in the air and the main components of the concrete.

### Audit Results

- ✓ The construction was performed in accordance with the following design: L-shaped retaining walls were built whose heights were a few centimeters or more higher than the height difference between the road and private areas or waterways located below the road, and **the projecting parts of L-shaped retaining walls were cut diagonally across the entire length of the road in conformity with the vertical slope of the road**, for aesthetic and other purposes.
- ✓ The Prefecture **did not review** whether reinforcing bars would corrode, **leading to impairing the structural durability of the reinforced concrete**, when the L-shaped retaining walls were cut.
- ✓ In our field audit, it was found that all L-shaped retaining walls were cut across the entire length of the road with **reinforcing bars being exposed** and **not fully covered by concrete**. As a result, the surfaces of reinforcing bars were exposed to oxygen and rainwater directly, and concrete neutralization could easily reach reinforcing bars inside concrete. Actually, **the reinforcing bars exposed** on the cut surfaces **were corroded**.
- ✓ As **the structural durability of the reinforced concrete was significantly poor** due to improper design, **it did not accomplish the purpose of the construction**.

### Causes

- ✓ The Prefecture did not fully understand the guidelines for designing reinforced concrete structures in a way that does not impair their durability.



## 16. Improper retaining wall design (Improprieties)

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

7.78 million yen (Improper amount)

In a disaster prevention and safety grant project to rebuild roads, Aomori Prefecture installed L-shaped retaining walls made of precast(note) reinforced concrete to support road embankment, adjusting the height of the wall in accordance with difference in height between the road and, the private land and waterways along the road.

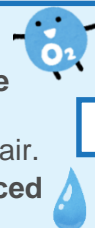
(Note) Precast means made into blocks at a factory.

### Guidelines for designing retaining walls used by the Prefecture

Durability of structures will be significantly reduced if reinforcing bars inside concrete structures corrode.



- Corrosion of reinforcing bars occur in an environment where both oxygen and water exist at the same time, and is accelerated in areas where water such as rain water acts in the air.
- If concrete neutralization reaches reinforcing bars in reinforced concrete, the bars will become vulnerable to corrosion.



Reinforcing rods need to be fully covered with concrete

### Audit Results

- L-shaped retaining walls were built whose heights were a few centimeters or more larger than the height difference between the road and private areas or waterways located below the road, and **the projecting parts of the L-shaped retaining walls were cut diagonally across the entire length of the road in conformity with the vertical slope of the road.**



**The Prefecture did not review whether reinforcing bars would corrode, leading to impairing the structural durability of the reinforced concrete.**

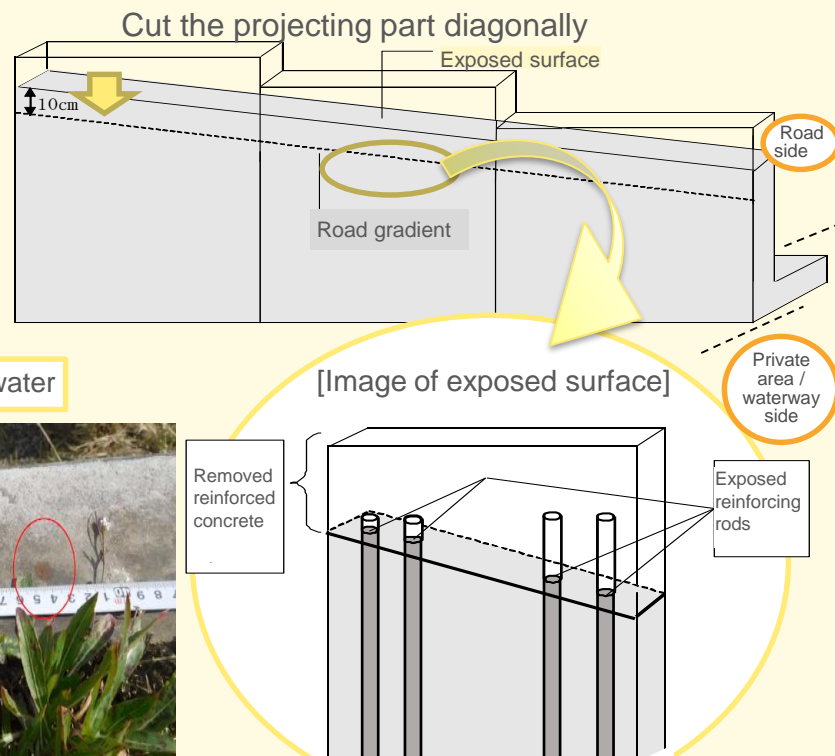
As reinforcing bars were exposed on the cutting surfaces of the walls and **were not fully covered with concrete**, the surfaces of the reinforcing bars **were exposed to oxygen and rainwater directly**, and concrete **neutralization** could easily reach reinforcing bars inside concrete. Actually, **the reinforcing bars exposed on the cut surfaces were corroded.**



Reinforcing rods corroded by rainwater



Source: Aomori Prefecture



## 17. Government debts (Report on specific matters)

### Outline of Government debts

- ✓ The total amount of outstanding government debts continued to grow every year due to expanding social security expenses, among other things, and reached 1,173.2 trillion yen at the end of FY2019. The figure further increased to **1,279.6 trillion yen at the end of FY2020** due to the COVID-19 pandemic.
- ✓ **Construction bonds and special deficit-financing bonds** account for the majority of outstanding government debts, and **are to be entirely redeemed in cash in a 60-year period** in accordance with **the 60-year redemption rule**.

### Status of the Audit

- ✓ The Board analyzed the situation of government debts from FY2008 (when the global financial crisis occurred) to FY2020.
- ✓ **The total amount of outstanding general bonds**, including construction bonds and special deficit-financing bonds, **increased constantly from FY2008 to FY2020**.
- ✓ **Government debt-related expenditures** (for redemption of Japanese government bonds (JGBs), interest payments, etc.) **were on the increase**, and increased by 3.1 trillion yen from 19.1 trillion yen in FY2008 to 22.3 trillion yen in FY2020.
- ✓ **Debt redemption expenses** (for redemption of JGBs) of the government debt-related expenditures **were on the increase from FY2010 onward**, as fixed-rate transfers (which transfer the amount calculated based on the total amount of outstanding JGBs at the beginning of the previous fiscal year, from the General Account to the Government Debt Consolidation Fund Special Account) increased as outstanding general bonds increased.
- ✓ **Interest payment expenses** (for interest payments, etc.) of the government debt-related expenditures **were on the increase up to FY2015**, because "the effect of an increase in outstanding general bonds " was higher than "the effect of a decrease in weighted average of interest rates on general bonds", and **have constantly decreased since FY2016** as the latter has exceeded the former.
- ✓ **The principal resources of the debt redemption expenses are fixed-rate transfers, which decrease and become insufficient to finance debt redemption in cash**, as outstanding JGBs decrease. For this reason, **debt redemption in cash, which is equivalent to the JGB new issuance amount, is complemented with budget fund, a surplus fund, and proceeds from sales of government owned shares**.
- ✓ Regarding the relationship between fixed-rate transfers and debt redemption in cash based on the 60-year redemption rule, our estimation of fixed-rate transfers and cash redemptions for 60 years for a model of JGBs issued in a fiscal year shows that fixed-rate transfers decrease **as outstanding JGBs decrease, which generates gaps between fixed-rate transfers and debt redemptions in cash after certain years pass from the JGB issuance**.
- ✓ Interest payment expenses are affected by the amount of JGB issuance and interest rates (coupon rates) determined at the time of issuance. In FY2020, many short-term JGBs were additionally issued. **If more short-term JGBs will be issued in the future, issuance of refunding bonds will not be curbed every fiscal year. This will result in interest payment expenses being affected by variance in interest rates**.
- ✓ Interest payment expenses have decreased since FY2016, because weighted average of interest rates on general bonds has decreased mainly due to the monetary policy of the Bank of Japan. However, **it is considered that an increase in government debt-related expenditures, shown in an estimate made by the Cabinet Office, is largely affected by an increase in interest payment expenses due to increased interest rates**.

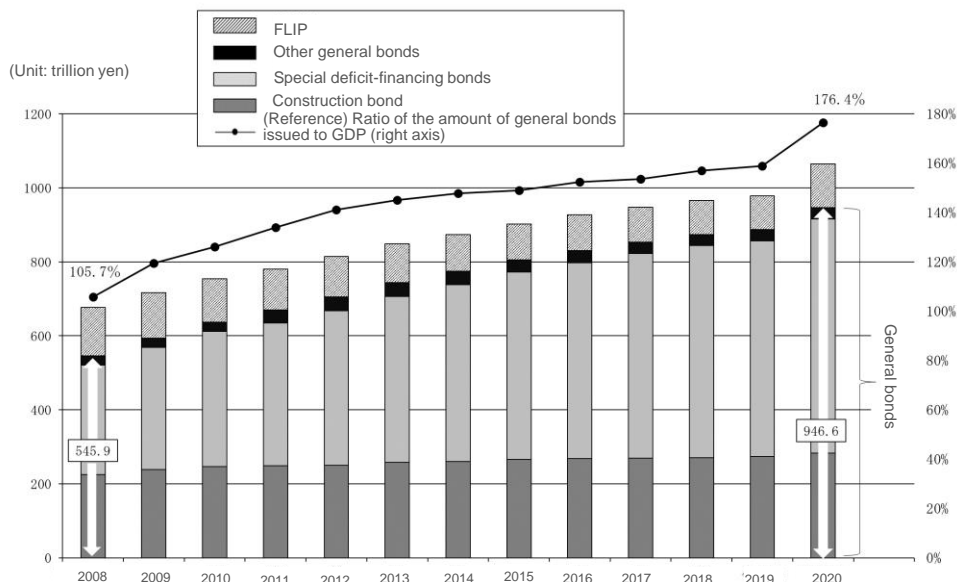
### Findings

- ✓ The government **should make efforts to curb the fiscal burden of government debt-related expenditures on the General Account, considering that the issuance of large amounts of JGBs including refunding bonds is estimated to continue, increasing government debt-related expenditures due to an increase in outstanding JGBs, and that interest payment expenses will be hugely affected by variance in future interest rates**.

## 17. Government debts (Report on specific matters)

- Public bonds account for the majority (83.9%) of government debts at the end of FY2020.
- Results of analysis of the situation of government debts from FY2008 (when the global financial crisis occurred) to FY2020 are as follows.

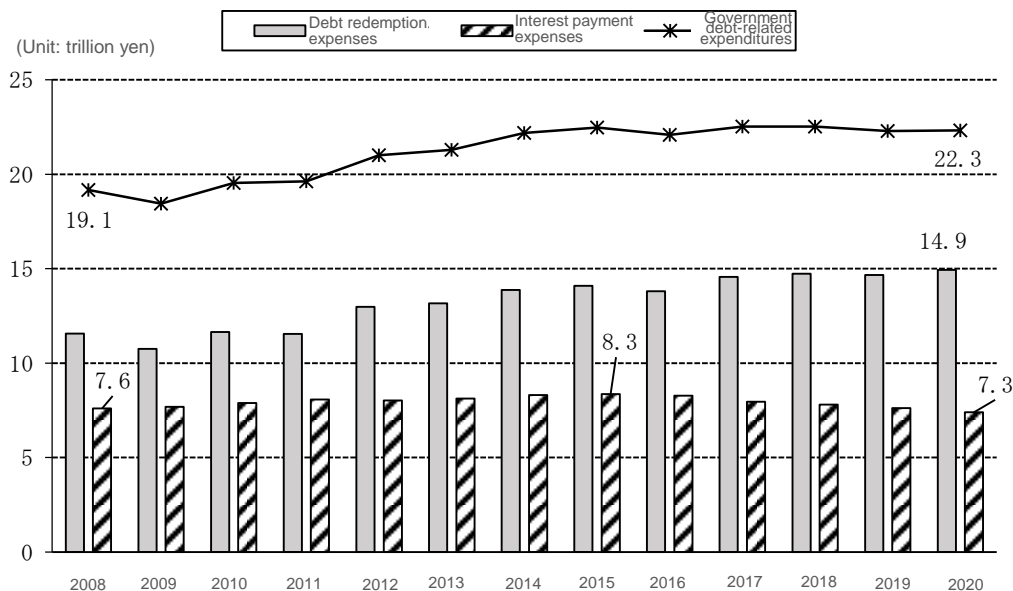
### ○ Amount of outstanding JGBs



**The amount of outstanding general bonds constantly increased.**  
(End of FY2008: 545.9 trillion yen → End of FY2020: 946.6 trillion yen)

**Ratio of the amount of outstanding general bonds to GDP constantly increased.** (End of FY2008: 105.7% → End of FY2020: 176.4%)

### ○ Final accounts of government debt-related expenditures



**Debt redemption expenses were on the increase from FY2010 onward**, as fixed-rate transfers increased as outstanding general bonds increased.

**Interest payment expenses were on the increase up to FY2015**, because "the effect of an increase in outstanding general bonds" was higher than "the effect of a decrease in weighted average of the interest rates on general bonds", and **have constantly decreased since FY2016** as the latter has exceeded the former.

**Government debt-related expenditures**, which combined both debt redemption expenses and interest payment expenses, **were on the increase.**

## 17. Government debts (Report on specific matters)

**60-year redemption rule:** A system where construction bonds and special deficit-financing bonds (excluding special bonds for covering public pension funding) are entirely redeemed in cash in 60 years

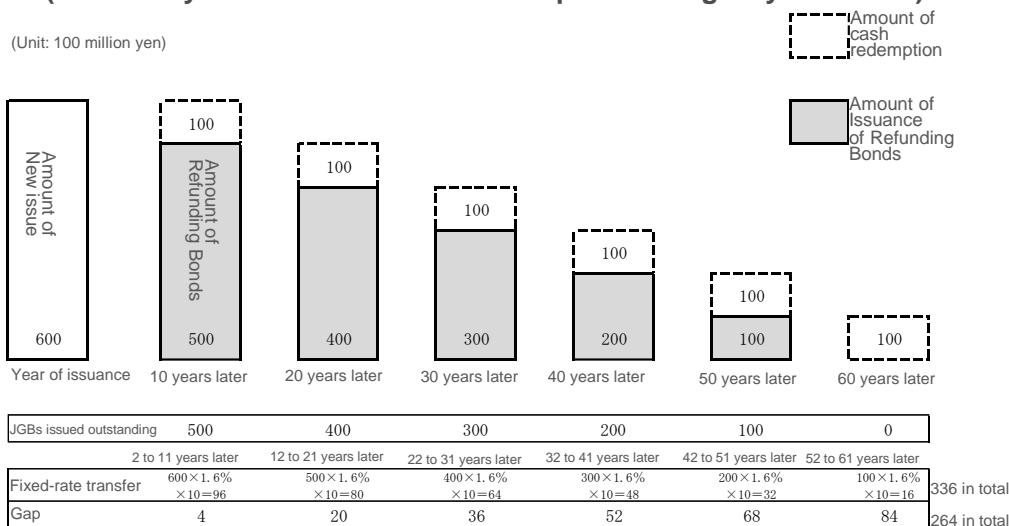
**Cash redemption:** JGB redemption is financed by other resources than the issuance of refunding bonds

**Fixed-rate transfer:** The amount equal to 1.6% of the total outstanding government bonds, including construction bonds and special deficit-financing bonds, at the beginning of the previous fiscal year is transferred from the General Account to the Government Debt Consolidation Fund Special Account.

### <Impact of debt redemption expenses on the national government's finance>

- JGB redemption based on the 60-year redemption rule  
(60 billion yen of debt in fixed-rate coupon-bearing 10-year bonds)

(Unit: 100 million yen)

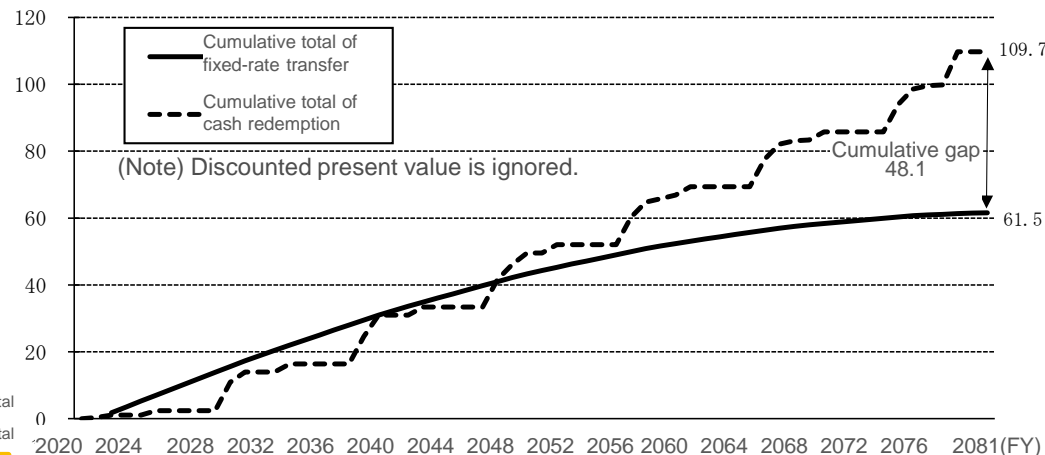


The fixed-rate transfer of each fiscal year is calculated based on the JGB outstanding amount at the beginning of the previous fiscal year, it decreases along with the decrease in the JGB outstanding amount. Thus, fixed-rate transfers become insufficient to finance debt redemption in cash. For this reason, debt redemption in cash, which is equivalent to the JGB new issuance amount, is complemented with budget fund, a surplus fund, and proceeds from sales of government possessed shares.

In the figure above, while the 10-year cash redemption amount (10 billion yen) is constant, the fixed-rate transfer amount is decreasing (9.6 billion yen, 8 billion yen, ..., 1.6 billion yen) and the gap is increasing (0.4 billion yen, 2 billion yen, ..., 8.4 billion yen).

- Cumulative total of fixed-rate transfers and cash redemptions of JGBs issued in FY2020 (estimation based on the 60-year redemption rule)

(Unit: trillion yen)



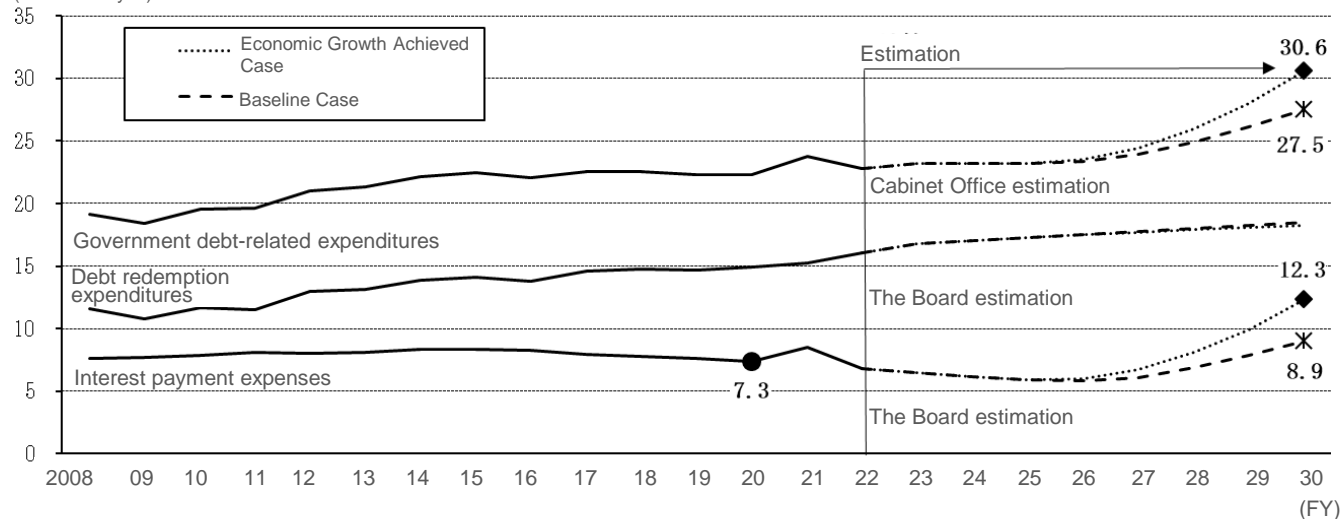
The cumulative total of fixed-rate transfers gradually decreases over time. The annual amount of cash redemptions, on the other hand, is relatively small at an early stage after JGBs are issued because a few of the JGBs reach maturity, but increases as extra long-term JGBs reach maturity over the years. Finally, the cumulative total of cash redemptions become equal to the amount of the issued JGBs.

As a result, the cumulative total of cash redemptions exceeds the cumulative total of fixed-rate transfers, and, according to this estimation, the cumulative total of gaps is 48.1 trillion yen.

## 17. Government debts (Report on specific matters)

### ○ Interest payment expenses (automatic estimation)

(Unit: trillion yen)



The Board estimated changes in interest payment expenses by deducting debt redemption expenses (estimated by us) from the "government debt-related expenditures from FY2022 to FY2030" in the "Economic and Fiscal Projections for Medium to Long Term Analysis" created by the Cabinet Office (submitted to the Council on Economic and Fiscal Policy on July 21, 2021).

**Economic Growth Achieved Case:** a projection in which the government's policy goals of overcoming deflation and economic revitalization show solid results at a feasible pace reflecting the past performance.

**Baseline Case:** a projection in which the economy will shift approximately at the rate of current potential growth.

\* Estimation in "Economic and Fiscal Projections for Medium to Long Term Analysis" by the Cabinet Office.

#### Estimation by the Board

**Debt redemption expenses increase constantly** as more JGBs are issued, because the expenses are appropriated including fixed-rate transfers based on the 60-year redemption rule.

On the other hand, **interest payment expenses are 12.3 trillion yen (Economic Growth Achieved Case) or 8.9 trillion yen (Baseline Case) in FY2030**, which is a **4.9 trillion yen (Economic Growth Achieved Case) or 1.5 trillion yen (Baseline Case) increase from 7.3 trillion yen**, the final accounts amount in FY2020.

According to the estimation by the Cabinet Office, **interest payment expenses increase, as the nominal long-term interest rate increases from 0.0% in FY2020 to 2.7% (Economic Growth Achieved Case) or 1.4% (Baseline Case) in FY2030.**

The future increase in **government debt-related expenditures** in the Cabinet Office estimation is largely impacted by an increase in interest payment expenses due to increased interest rates.

#### Audit Findings

The government should make efforts to curb the fiscal burden of government debt-related expenditures on the General Account, considering that issuance of large amounts of JGBs including refunding bonds is estimated to continue with government debt-related expenditures growing due to an increase in outstanding JGBs, and that interest payment expenses are hugely affected by variance in future interest rates.