Country Paper on “Environmental Audit Forum on Featured Practices” SAI Japan

**1. Introduction**

This country paper is prepared by the Board of Audit of Japan (hereafter “the Board”) for “Environmental Audit Forum on Featured Practices”, one of the themes of the 7th Seminar on Environmental Auditing to be held in India in January 2018, according to the guidance sent from CNAO prior to the Seminar.

This paper describes the overview of how the Board conducts audits including the features, implementation system and objectives of audit including environment audit. Then, this paper reviews environmental policies and related budgetsin Japan as well as the policies on managing wastes related to the audit case explained in the later chapter.

**2. Background Information**

(1) Overview and features of the audits by the Board

a. Features of the audit by the Board

The Board conducts audits with the objectives of accuracy, regularity, economy efficiency, effectiveness, or other objectives necessary for the audit according to the provision of article 20, paragraph 3 of Board of Audit Act. The audit with the objective of Economy, Efficiency and Effectiveness is collectively called as ‘3E audit’ which is regarded as equivalent of ‘performance audit’ based on ISSAIs, and the main audit works by the Board. In the context of ISSAIs, the audits by the Board can be categorized as ‘direct reporting engagements’.

An Audit Report, which is prepared in accordance with the provision of the Constitution, shows the results of audits conducted each year. It is sent to the Cabinet with the audited final accounts of the expenditures and revenues of the State. The Cabinet then submits both of them to the Diet. The Audit Report is used for deliberation of the State’s final accounts in the Diet session and for future administration by the financial authorities.

The Audit Report must cover the matters as provided by the Board of Audit Act including i) verification of the final accounts of the expenditures and revenues of the State, ii) whether or not the amounts of final accounts of the expenditures and revenues of the State correspond to the amounts of the statement of accounts of the Bank of Japan, iii) any matters deemed to be in violation of laws and regulations or approved budget, or to be improper, iv) any disbursement from the reserve fund, for which no action has been taken to ask approval of the Diet and so on, and may include other matters which the Board deems necessary.

Audit findings reported in the Audit Report are grouped into mainly the following seven categories, of which those from 1) to 4) are usually called “Improper/ Unreasonable Matters.” (Refer to the table in Appendix 1.)



b. Environment audit by the Board

In order to conduct audits in a more efficient and effective manner on the basis of socioeconomic trends, etc., and to precisely accomplish its missions, the Board annually formulates its “Basic Policy on Audit “. In turn, each audit division prepares its own “audit plan” in accordance with the “Basic Policy on Audit” and systematically implements its audits in line with the plan. “Environmental conservation” has been continuously stipulated as one of the policy areas for the Board to focus its audit activities on every year.

For the purpose of responding to the increasing significance of environment-related measures within the government, the Board established the Environment and Regional Development Audit Division by integrating and upgrading the relevant offices during the organizational restructuring in April 2009, which takes charge of auditing projects carried out by Ministry of the Environment (“MOE”). In addition, aside from environmental conservation measures implemented by MOE, each auditing division audits such measures of each ministry or agency of which the division is in charge. Further, the Board has audit divisions with no specific ministries or agencies subject to their mandatory audit and conduct flexible and cross-cutting audits that have audited the environmental policy across ministries.

**(2) Overview of environmental policies and environmental conservation expenditure in Japan**

The environmental policies in Japan are based on the Basic Environment Act. This act aims to comprehensively and systematically promote measures for environmental conservation to ensure healthy and cultured living for both the present and future generations of citizens as well as to contribute to the welfare of mankind, through articulating basic principles for environmental protection, clarifying the responsibilities of the State, local governments, business enterprises and citizens, and prescribing basic matters pertaining to environmental conservation measures. On the basis of the Basic Environment Act, the State formulates a basic environment plan stipulating the outline of integrated and long-term measures for environmental conservation and sets down nine priority areas including “A sound material-cycle society”.

In Japan, various measures for environmental conservation have been implemented by the MOE and other ministries and agencies including the Ministry of Economy, Trade and Industry (“METI”), the Ministry of Agriculture, Forestry and Fisheries (“MAFF”), and the Ministry of Land, Infrastructure, Transport and Tourism (“MLIT”). MOE coordinates policies applied to ministries’ and agencies’ estimation for budget requests, in order to ensure that environmental conservation measures carried out by them are expanded in an efficient and effective manner as the entire government’s measures, and organizes expenses incurred for the conservation of the global environment, the prevention of pollution, the protection and maintenance of the natural environment as environmental conservation expenditure. The budget for environmental conservation expenditure in FY 2017 is as shown in the table below.

## Table 1: Breakdown of Environmental Conservation Expenditures (Initial Budget for FY 2017)

|  |  |  |  |
| --- | --- | --- | --- |
| Policy Fields | Expense | | Proportion (%) |
| JPY (billion) | USD (million) |
| (1) Conservation of the global environment | 516.6 | 4,696 | 27.5 |
| (2) Conservation and sustainable use of biodiversity | 142.2 | 1,293 | 7.6 |
| (3) A sound material-cycle society | 80.8 | 735 | 4.3 |
| (4) Conservation of water, soil, and ground environments | 87.8 | 798 | 4.7 |
| (5) Conservation of atmospheric environment | 183.6 | 1,669 | 9.7 |
| (6) Establish and promotion of comprehensive chemical substance measures | 4.6 | 42 | 0.2 |
| (7) Prevention from environmental pollution by radioactive materials | 737.1 | 6,700 | 39.2 |
| (8) Policies that form the foundation for respective policies | 126.8 | 1,153 | 6.8 |
| Total | 1,878.4 | 17,076 | 100.0 |

b. Overview of the waste management policies in Japan

After 1990s, waste management policies have been shifted to establish a sound material-cycle society including promotion of 3R (Reduce, Reuse, Recycle) in addition to the original aims of improvement of public health and protection of living environments. Most of the expenditures related to waste management are included in the category of “A sound material-cycle society” above.

Japan’s legal system for establishing a sound material-cycle society is composed of the Basic Act for Establishing a Sound Material-Cycle Society (Basic Recycling Act), which provides the fundamental principles and guidelines for the development of a sound material-cycle society, and specific laws that determine rules required to implement the fundamental policies. The following laws have been developed for the waste management: the Waste Management and Public Cleansing Act (Waste Management Act), which aims to protect living environments and improve public health through waste generation control and appropriate waste treatment; the Act on the Promotion of Effective Utilization of Resources (Effective Resource Utilization Promotion Act), which aims to ensure effective use of resources, to reduce waste generation, and to preserve the environment; etc.

Furthermore, as for disaster waste management, the guidelines are formulated not only under the Waste Management Act but also under the Basic Act on Disaster Control Measures.

3. Audit case: Disposal of disaster waste resulted from the Great East Japan Earthquake (Special Report on Audit Implementation, Audit Report of FY 2011-13 (issued in 2012-14))

**(1) Background Information**

a. Overview of Great East Japan Earthquake and the reconstruction measures from the Earthquake

On March 11, 2011, at 14:46 Japan Standard Time, a magnitude 9.0 earthquake struck east Japan and large tremors hit across a wide stretch of the area. Following the earthquake, tsunami waves were observed in a wide area, and those over 9 meters in height were observed in some places. The loss of power and cooling functions for reactors in Tokyo Electric Power Company’s Fukushima Daiichi Nuclear Power Station (Fukushima Daiichi NPS) caused a serious accident, releasing a large amount of radioactive materials into the air.

　The earthquake and tsunami took the lives of 15,894 people and left 2,558 people missing. The infrastructure and the buildings were also severely damaged. The number of fully-destroyed houses amounted to about 121,000. According to the government, the financial damage to buildings, social infrastructure and others was estimated to have amounted to approximately 16.9 trillion yen (199 billion US dollars).

The national government established ‘‘the Basic Act on Reconstruction in response to the Great East Japan Earthquake’’ in June 2011 and ‘‘the Basic Guidelines for Reconstruction ’’ in July for the reconstruction from the unprecedented greatest earthquake on record.

Budgetary measures concerning reconstruction have gradually been taken sequentially.

　b. Audit Case: Regarding disposal of waste generated by the Great East Japan Earthquake (Special Report on audit implementation FY2013-2015)

i) Disposal of disaster waste generated by the Great East Japan Earthquake

It is estimated that a total of 31.21 million ton of waste were generated by the Great East Japan Earthquake. In particular, Iwate, Miyagi and Fukushima Prefecture (3 Tohoku Prefectures) were left with tremendous amount of waste.

　　　MOE issued “Guideline for Disaster Waste Management after the Great East Japan Earthquake” (Master Plan) and provided the basic plans for disposal of disaster wastes including the roles of each actor (national, prefectural and municipal governments) and fiscal measures through “Operation plan and schedule concerning reconstruction measures” based on “the Act on Special Measures concerning disaster waste management”. Also in the plans, the intermediate treatment and final disposal were supposed to be completed by the end of March 2014.

　　　MOE initially prohibited the movement or disposal of the waste in Fukushima prefecture because of the serious radiation leaking accident in Fukushima Daiichi NPS. Afterward, the government developed laws and regulations so that the national government could directly manage the waste within the designated countermeasure area or on behalf of the disaster-afflicted municipalities. In addition, it was decided that the national government should support the promotion of cross-jurisdictional waste treatment for the disaster waste in Iwate and Miyagi prefectures which requires the treatment outside the disaster-affected area.

　　ii) Outline of the subsidies and budget concerning the measures for the disposal of disaster waste

Considering the severity and extensiveness of the damage caused by the Great East Japan Earthquake, MOE expand the coverage of the national subsidies for disaster waste management (management subsidies) which has been provided before the Earthquake and took special measures for payment by rough estimate etc.

Furthermore, MOE provided the national subsidies for promotion of disaster waste management (promotion subsidies) to the prefectural governments where special disaster-afflicted municipalities were located and prefectural governments created the funds for the support of the treatment measures in the municipalities.

A total amount of the budget related to major disaster waste management including these subsidies from FY2011 to 2013 was approximately 1.3 trillion yen (12 billion USD).

(2）Outline of the audit cases

Considering the targeted completion date of the disposal of disaster wastes was the end of the March 2013, the Board has conducted the audit on the status of the disaster waste management resulted from the Great East Japan Earthquake for 3 years from 2012 to 2014 and reported as special report on audit implementation in the Audit Reports FY2011 (issued in 2012), FY2012 (issued in 2013) and FY2013 (issued in 2014). The audits were conducted also in response to the high public concerns on the status, especially in three Tohoku prefectures that were immensely damaged by the earthquake as well as the necessity to check the huge amount of the budget.

a. Outline of the report in FY2011 Audit Report issued in 2012

i) Objectives and focuses

In 2012, the Board conducted the audits with focuses on the planning of the disaster waste management. The detailed focuses are as follows:

* Whether the planning is appropriate
* Whether the disposal is conducted as scheduled
* Whether the management subsidies and promotion subsidies are timely and properly delivered

ii) Subject and methods

The Board conducted the audit of the disaster waste management implemented in FY 2011 at MOE and 9 municipalities in Iwate and Miyagi Prefecture by field audit. The Board reviewed the documents regarding the progress of the disaster waste management submitted by MOE, documents related to the status of subsidies, implementation plans and application forms of subsidies submitted by two prefectures etc.

　iii) Audit results and findings

On the basis of the audit, the Board reported the following opinions as well as the progress of disaster waste management and implementation status of the subsidies in detail.

* It is expected that the progress of the disposal of the waste that can be managed by the local government will be much improved after the facilities for cement calcination and incineration facilities start full operation. However, there are problems such as how we can secure landfill sites for disaster waste and whether we can find areas which can accept disaster waste outside disaster-stricken areas. The national government needs to continue to provide support for the problem of landfill sites and a cross-jurisdictional treatment of disaster waste including areas outside disaster-stricken area.
* MOE needs to consider a way of reducing paper work by local governments concerning the issuance of subsidies.
* MOE needs to present a new guideline for disaster waste countermeasures.

　 　The Board decided to continue the audit on disaster waste management in the light of the fact that disaster waste management is the fundamental basis of the reconstruction from the Great East Japan Earthquake and requires nation-wide support.

b. Outline of the report in FY2012 Audit Report issued in 2013

i) Objectives and focuses

In 2013, the Board continuously conducted the audits with the objectives of regularity and effectiveness to check whether the progress of the disaster waste management is going on according to the plan and budget execution is appropriate. The Board also focused on the treatment outside of the disaster-stricken areas and the construction of facilities for the waste management.

　ii) Subject and methods

In this year, the Board conducted the audits on waste management projects implemented in the previous two years at 10 prefectures and 44 municipalities as well as MOE. The Board also conducted the field audit at 10 municipalities that received the Grant for a sound material-cycle society concerning the waste disposal facilities for the cross-jurisdictional waste treatment, based on the reports submitted by the auditees on the contracts relating to disaster waste disposal and relevant financial statements.

　iii) Audit results and findings

Audit findings are as follows:

* Disposal of the disaster waste was almost completed except for the three Tohoku prefectures that had suffered enormous damages from the earthquake. Of three Tohoku prefectures, Fukushima prefecture was expected not to complete the disposal within the timeline while Iwate and Miyagi prefecture was expected to complete it. This is mainly due to the influence of the radioactive contamination by the accident of Fukushima Daiichi NPS. To overcome the situation, the government should consider the measures to accelerate and facilitate the waste management in coordinating with countermeasures for radioactive pollution.
* The implementation rate of the disaster waste management under direct control of national government was extremely low and the disposal by the national government on behalf of the affected municipalities was also delayed. As for the delivery of management subsidies for the municipalities, it was found that the process was delayed in the three Tohoku Prefectures.
* Regarding the issuance of Grant for a sound material-cycle society under the budget of reconstruction from the earthquake, the Board could not confirm whether the grant made enough effect for the purpose of the promotion of the disposal outside of the disaster-affected areas. In this regard, MOE needs to validate the policies of the grant and use the results as reference of future implementation.

c. Outline of the report in FY2013 Audit Report issued in 2014

i) Objectives and focuses

In this year, the Board conducted the audit focusing on whether the budget related to the disaster waste management properly executed and whether there are any lessons learned from this disaster waste management, taking into account that the most of the treatment was completed except for the Fukushima Prefecture.

　 ii) Subject and methods

The Board conducted the audits at MOE, Fukushima Office of Tohoku Regional Environment Office and the three Tohoku Prefectures by the field audit. The Board reviewed the submitted documents regarding the disaster waste management under the direct control of the national government and vicarious execution by the national government, and completion reports of the management subsidies etc.

iii) Audit results and findings

The Board reported the results and opinions as follows:

* Except for the Fukushima prefecture, the disposal of disaster waste was completed by the end of the 2014 as scheduled. Iwate and Miyagi prefecture of three Tohoku prefectures that received 98% of the national subsidies for disaster waste management took measures for reducing and recycling of the waste. The Board considered that the large-scale implementation of the cement calcination and granulated solidification of the wastes especially contributed to the completion within the timeline.
* The disaster waste treatment under the direct control of the national government in Fukushima was expected to take long time for completion given the situations such as the shortage of place for final disposal and delay in disposal. This is not simply the problem of disaster waste management but also the complex problem affected by the radioactive contamination. Therefore, it is necessary to coordinate with the relevant measures rerated to the radioactive materials.
* The government should sort out the skills and knowledges such as reducing and recycling the waste and utilization of private sectors etc. as references of future practice. For the purpose, MOE is expected to validate the safety and effectiveness of the methods, skills and knowledges applied to the disaster waste management used for the reconstruction from Great East Japan Earthquake.

**3. Feature of the audit case and lesson learned**

The audit was in response to the high concerns on the matter from the public and the Diet. The Board tried to conduct the audits as efficiently as possible so as not to delay in the implementation of field audits that might result in the loss of opportunity to check the huge amount of reconstruction budget with enough consideration to the disaster-afflicted area where the officials worked so hard for the reconstruction projects. Although it is not limited to the environment audit, through the audit case, we learned that it is important to implement the audit with the best timing and respond to the public expectations even with various constraints to maximize the value of SAIs.

Further, what stands out about the report is that the Board tried to support the facilitation of the projects through the monitoring of the process while the Board has been focused mainly on the audits that aim to point out problem or improper issues of the completed projects. In reconstruction-related audits, the Board conducted the audits from diversified standpoints and aimed the audits to accelerate recovery and reconstruction, in other words, the audits lead to rapid reconstruction from the earthquake and fast improvement of the victims’ living environments.

The Board conducted audits for three fiscal years on each phase of the waste management to respond to the public expectation and support reconstruction, bearing in mind the above objectives. The unique point of the audit case in the last year’s audit is that the Board suggested MOE to validate the disaster waste management experience and utilize the result to the future practice.

Through the experience of the audit, we learned that we need the flexible and mid- to long- term audits including monitoring of the progress when conducting environment audits since a long period of time is required from the planning and implementation stages of environmental policies until the stage where their effects come out.

We would like to continue to make efforts to establish the audit system for that with reference to other SAI’s practices.