

**1st ASOSAI-EUROSAI Joint Conference
Istanbul, Turkey
22 to 24 September 2011**

**Main Theme:
Challenges for Ensuring Transparency and Accountability in Public Financial
Management**

**Sub-Theme 1:
Basic Approaches and Challenges for Ensuring Transparency and Accountability**

**Country Paper Title:
Managing the Challenges in Communication Facilities of SAIs and Strengthening
their Relationship with the Media and the NGOs
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1. Foreword

In order to ensure transparency and accountability in public financial management, it is important for the State to have a Supreme Audit Institution (SAI) which functions well. The effectiveness of audit results can be achieved to the maximum extent when they are reported to the legislature in the form of audit reports and deliberated there, and when they are made widely known to the public through the mass media etc. and ultimately help raise public awareness toward the public financial management. Therefore, it is important to strengthen SAI's communication facilities in order to ensure transparency and accountability in public financial management.

The Board of Audit of Japan (BOA), as the SAI of Japan, assumes the responsibility to check whether public money is used properly, efficiently and effectively on behalf of the public, who is the sovereign.

Thus, BOA endeavors to give sufficient explanation of the SAI's activities and its audit results to the public, as well as carrying out audits surmising the will of the public.

Accordingly, BOA believes that it is extremely important for an SAI to communicate with the legislature (the Diet) representing the public, the media as information providers to the public, and to the public itself.

This country paper reports on how BOA is communicating with these stakeholders and how BOA is striving to improve communication with them, focusing on the measures for strengthening the relationship with the media, while also describing

issues to be addressed for further improvement.

2. Communications with the legislature (the Diet)

2.1 Utilization of the annual Audit Report in the Diet

It is important for an SAI to be independent from any other agencies so as not to have interference by any external bodies such as the auditees.

In this regard, the Constitution of Japan positions BOA as an organ independent from either of the Cabinet, the Diet or the Courts.

In this context, the most important relation between BOA and the Diet lies in the annual Audit Report.

BOA submits the annual Audit Report, which is the compilation of annual audit activities, to the Cabinet each year. The annual Audit Report is then submitted to the Diet through the Cabinet as an attached document to, and will be used as a reference for the deliberation of, the final accounts.

The Diet has a bicameral system which is comprised of the House of Representatives and the House of Councilors. Deliberation of the final accounts is held in the Committee on Audit and Oversight of Administration in the House of Representatives and in the Committee on Audit in the House of Councilors. The effectiveness of audit can be fully achieved only when the annual Audit Report is sufficiently utilized in the Diet, which is the representative organ of the public, and when investigation into the causes and measures for improvement in respect to matters incorporated in the annual Audit Report are thoroughly realized.

The senior officials of BOA responsible for audit of each audited party always attend the above-mentioned deliberations of the Committees to explain the contents of the annual Audit Report or its audit activities and to present BOA's opinion. They also attend the Committee on Budget and other Diet Committees to explain the contents of the annual Audit Report or to express BOA's opinions as required.

2.2 Audit request by the Diet

In 1997, in order to strengthen the Diet's function of monitoring government administration, the Diet Act was amended in such a way that it enables each House or committees of each House to request BOA to conduct audits on specific matters and to report the results thereof (the Diet Act, Article 105). In line with this, the BOA Act was also amended such that when BOA receives a request from the Diet, BOA may conduct the audit upon specific matters requested and report the results (BOA Act, Article 30-3).

In April 1998, BOA received the first audit request from the House of Representatives (Committee on Audit and Oversight of Administration), and BOA

reported the audit result to the Diet in September the same year.

Until 2004, BOA had received only two requests. However, since then, as deliberation of the final accounts in the House of Councilors has got more and more intensive and extensive, the number of audit requests has increased to nine cases in 2005, with several cases being requested each year since then. BOA has steadily been carrying out audits with respect to these audit requests and reported 25 cases in total by 2010.

The matters for which audit requests are made often originate from social topics which lead to issues of public interests and political importance, or are inspired by questions from the Diet members in the committee. However, the customary practice is that an audit request be made with a unanimous resolution as a committee, ensuring that BOA can accept audit requests without compromising its neutrality.

As an example, BOA was recently requested to carry out an audit on “Accounting transactions of diplomatic missions.” BOA's auditors were sent out to diplomatic missions across the world and reported on insufficient functioning of cross-checking systems for accounts transactions as well as improper management of the facilities of these missions.

Whether or not BOA accepts an audit request is decided by collegiate process in the Audit Commission, which is the decision-making organ of BOA. However, there has been no instance in which a request was not accepted until now, as consultations and arrangements with directors of the relevant Diet committee etc. are made with respect to feasibility for the BOA to conduct the audit on the specific matters, prior to an audit request.

When audit requests are made by the Diet, BOA strives sincerely to engage with these requests, with its utmost efforts.

2.3 Special Reports to the Diet and the Cabinet

In November 2005, the BOA Act was amended. Before the amendment, although BOA had already had authority over all ministries and government affiliated agencies to present opinions and to demand measures on an as-needed basis, the opportunities to report to the Diet through the Cabinet on audit results were limited to once a year, in principle at the time of submission of the annual Audit Report. With the amendment of the act, BOA is now able to report the audit results to the Diet and the Cabinet on an as-needed basis, with respect to matters for which BOA presented opinions, demanded measures and other matters which BOA deems particularly necessary even prior to the completion of the annual Audit Report for each fiscal year.

This amendment enabled BOA to report to the Diet and the Cabinet on a timely basis by BOA's own decision through reports other than the annual Audit Report,

when matters to be deliberated in the Diet at an early date are found in audit activities. BOA has issued 27 such “Special Reports” on an as-needed basis in total by 2010.

3. BOA’s Communications with the media and the public

In Japan, the major central newspapers and the NHK (Japan Broadcasting Corporation) have appointed correspondents from their city news sections to cover BOA. As such, interest of the media toward BOA is high. BOA has also established a liaison / public relations office which is a special section combined with staff in charge of the Diet and that in charge of public relations to promote understanding of and support for BOA by the public, and is continuously making efforts to improve our public relations system.

3.1 The media

The relation with the media mostly involves explanations to the media before official announcement of audit results to the public and answers to subsequent queries from the media. In order to widely and correctly publicize the contents of the annual Audit Report, which is a compilation of a year-long audit activities of BOA, to each stratum of the public, the liaison/public relations office explains the contents of the annual Audit Report a few days before the publication to the media based on an abridged edition of the annual Audit Report. Subsequently, each responsible audit division may be interviewed upon requests from the media.

Other than publication of the annual Audit Report once a year, such prior explanations to the media are carried out when (i) opinions or demands of measures to ministries or agencies; (ii) Reports on audit requested by the Diet; and (iii) Special Reports to the Diet and the Cabinet are publicized, as a means to inform at every opportunity the public of the result of BOA’s audit activities.

When the annual Audit Report is submitted to the Cabinet, a briefing of the annual Audit Report is carried out for editorialists of major newspapers and NHK, in order for the results to be properly understood and reported not only in the individual articles but also in editorials and comments on current topics.

3.2 The public

In addition to the communication with the public through the media, BOA is striving to heighten the recognition of and the trust on the SAI of the public by communicating timely and widely with the public in regard to audit activities and audit results, through printed publications such as booklets, BOA's own website and other means.

As for printed publications, BOA prepares digest editions of the audit reports which

describes the audit results briefly and in more understandable way and booklets for public relations which describes BOA's position, authority and activities in plain words.

Considering the progress of dissemination of the Internet to society, BOA set up its own website in 1997, and has started its operations as a new media for publicity and information gathering from the public. All contents of the audit reports after FY1947 can be accessed from the website. Subsequently, we have strived to enhance the content and set up a “Kids page” in 2004 as a site for children.

Furthermore, we have installed an “Opinion Box” on the top page since 2005, and accepted opinions, proposals and audit-related information from each level of the public.

The number of accesses to the top page of the website increased dramatically from 100,000 in 1999 to 1,000,000 in 2009.

Information from external sources that relates to accounting transactions of the State and other affiliated bodies are utilized as a reference for audits. Upon its receipt, such external information is promptly sent to the audit section in charge for examination and analysis, and used as valuable information in audits. Such cases have been increasing in recent years. It goes without saying that BOA implements strict information control for external information for the information provider not to suffer disadvantage.

3.3 Disclosure of “financial benefit” of audit work

With the recent increase in the Diet's and the public expectations for audit functions, since 2002 BOA has examined to what degree the audit purposes have been achieved and what effects have been produced by the audits reported in the Audit Report in comparison with the audit effects of other SAIs, to improve its audit activities through appropriate grasp of the effects of the audit activities and to explain the BOA's activities to the public plainly. Then, since 2007, BOA has calculated and disclosed "financial benefit".

Among various improvements that auditees carry out during the year after the publication of the Audit Report, BOA calculates those that have brought positive financial benefit to the State and other auditees and whose quantity and degree can be expressed as monetary amounts as “financial benefit”. The calculation is based on specific conditions and grasping methods, with cooperation from the auditees in confirming the calculated figures. The amount of “financial benefit” calculated in the most recent year of 2009 was 291 billion yen (654 cases).

Unlike the Audit Report, which is submitted to the Diet via the Cabinet, financial benefit is shown in the press, published on the website of BOA, and sent to the members of the Diet in June every year. Television, newspapers, and other media have reported “financial benefit” when it was published every year, with the result that the

public concern has been increasing.

4. Issues to be addressed

4.1 Enhancement of communications with the Diet

As already described, the audit request system and Special Reporting system enable BOA to conduct audits not only without impairing BOA's neutrality but also based on the interest of the Diet, the representative of the public. BOA considers it desirable that these systems be further utilized through close communication with the Diet.

Accordingly, as well as enhancing the contents of the annual Audit Report, BOA intends to continuously engage actively with audit requests and Special Reporting within the scope of present audit resources by, for example, trying to make BOA's audit activity more agile and flexible. Moreover, BOA considers it important to give detailed explanation on its audit activities and audit results not only to the Diet committees but also to individual Diet members to obtain better comprehension of BOA, and will continue to make such efforts.

4.2 Enhancement of communications with the media and the public

The influence of the media is enormous, and the depth of understanding and familiarity of media-reliant public varies greatly depending on the contents of the articles.

Therefore, BOA considers that the importance of its public relations strategy for the media will increase more and more.

First of all, it is important for BOA to endeavor to have media people write more veracious articles on BOA's activity and its results, by making efforts to present more lucid briefing paper and more detailed explanation to the media.

Next, it is also vital for BOA to strive to equalize the frequency of media announcements all over the year. BOA has currently been striving to secure opportunities for explanations to the media throughout the year, by making as many opinion presentations and measure demands as possible and by issuing as many reports on audit requested and Special Reports as possible other than the annual Audit Report. However, still many audit results are announced around the time of issuance of the annual Audit Report, and as a result, many important audit results are not reported by the media. BOA would like to contrive so as to increase opportunities for explanations to the media, including improving schedule management of audit reporting.

It goes without saying that transmission of information to each member of the public is also important. In particular, as the website is an indispensable media vehicle, BOA would like to strive to increase the number of accesses by increasing transmission of new information, as well as enhancing accessibility to the website.

BOA considers that interactive communication is as important as information transmission, and would like to exert such efforts as making the Opinion Box on the website more user-friendly.

4.3 More appropriate grasp of the effects of the audit activities

BOA calculates only a part of the benefits resulting from its audit activities. Therefore, with regard to the deterrent and ripple effects that cannot be grasped now and the non-financial benefits whose size and degree are difficult to grasp in terms of monetary amounts, BOA should start considering how to grasp and publish them as indicators to fulfill its accountability.

4.4 Conclusion

Keeping the interests of the Diet and public and the reporting trend of media in mind all the time, BOA can establish a timely and appropriate audit plan and prepare better audit reports.

Timely and appropriate explanations of the contents of audit reports to the Diet, media and the public lead to correct understanding of BOA. Based on this, interests in and expectations towards BOA, and in addition, the interests of the public concerning the State's finance are expected to rise. As a result, BOA can step forward to the next audit activities based on such trends of the interests of the public.

We are convinced that better fiscal management of the State will be realized by repeating such a virtuous circle through accumulation of favorable communications between SAI and the Diet, the media, and the public, increasing transparency and accountability in public financial management.