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ABSTRACTS



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Foreword

This report is the third section of Annual Report 70. Its first section (70A) was published in March 2020 and its second section (70B) was published in May 2020. This section deals, mainly, with the Defense Establishment, which takes action to strengthen the security of the State of Israel, and the remainder focuses on Government Ministries and Corporations.

The confidentiality requirements related to the chapters in this report have been reviewed by the Knesset's State Control subcommittee, in accordance with paragraph 17 of the State Comptroller Law, 1958 [combined text]¹. The following is an overview of some topics that were examined:

The Cannon Array is a key component of the order of forces of the IDF's Artillery, and its main function is to assist the maneuvering forces. The audit on the subject of **decision-making processes in the Defense Establishment on the subject of procuring a new cannon** found a number of deficiencies in the strategic work of the IDF General Staff when examining the issue of acquiring new cannons as well as deficiencies in the presentation of the information to the IDF Chief of the General Staff, the Minister of Defense and the State Security Cabinet, which led to decision making on the basis of incomplete information. In view of the deficiencies found by the audit, the Defense Establishment must be rigorous in conducting organized and fundamental strategic work when examining acquisition of significant and highly expensive fighting equipment, and in presenting accurate and complete

¹ Albeit following the above-mentioned process, some parts remains classified, the classification of these parts does not prevent the understanding of the fundamental issues raised in this audit.



information to decision makers. The aim in doing so is to help make optimal decisions and to ensure that the IDF procures fighting equipment that will lead to the required achievements during combat and that will optimally utilize the Defense Establishment's limited resources.

During the round of fighting of recent years, hundreds of missiles and rockets were launched daily towards Israel. According to the reference threat, this number will increase, and tens of thousands of missiles and rockets will be launched against Israel during combat. In December 2016, the Office of the State Comptroller published a report on the **Preparedness to defend the Home Front against the threat of Missiles and Rockets**, which raised deficiencies that could potentially increase the threat to the population during combat. Particularly critical deficiencies were found in settlements along the northern border. In the follow-up audit, conducted in 2019, our Office examined the rectification of the main deficiencies raised in the previous audit and found that authorities of the bodies responsible for managing the home front have not yet been regulated, and that the State Security Cabinet's decision to formulate a multiyear plan for managing the home front has not yet been implemented. It was also found that significant gaps in protection remain: in 2018, for example, around 2.6 residents of Israel (28%) did not have basic protection means near their homes, and 2,494 of 12,601 public shelters (20%) were inadequate. In addition, it was found that there had been an improvement in detection and warning capabilities and in the preparedness of to evacuate population, but the plans for evacuating population have not yet been completed and some are not viable.

Our Office also examined the **preparedness of the Ministry of Defense and the IDF to implement the Memorandum of Understanding (MOU) with the United States for the years 2019–2028 on the matter of Defense Aid.**

The amount the defense aid and the American support of the joint missile defense plans for the years 2019–2028, is 3.8 billion dollars a year (13.8 billion NIS.). The MOU contributes significantly to the Defense Establishments' certainty regarding the resources available to it, improves its multiyear planning and has a strategic impact on the relations between Israel and the US. Nevertheless, a significant reduction in the NIS sources available to the Defense Establishment is expected, especially in 2025. The audit found that the Ministry of Defense (MOD) did not analyze the possible implications of this decrease on the manufacturing independence in Israel and on the IDF's strengthening and the possible impact on the State's security. The MOD, the Ministry of Finance and the Ministry of Economics and Industry should formulate a plan, if required, for the preparedness as a result of implementing the MOU.

In the region of Judea and Samaria, where Israel maintains security and civil authorities, the IDF carries out operational activity for defense and security purposes which include, inter alia, the following actions: the construction of various military facilities, opening or closing of traffic arteries, and placement of security and protective means along the roads used by the IDF and the public. The examination of **aspects of Safety and Responsibility in relation to road maintenance in the Judea and Samaria region** found deficiencies due to the lack of an authority responsible for maintaining roads infrastructures connecting to IDF bases and facilities that serve the general public, even though the matter may endanger road users. The existing tension between the need to ensure operational needs the need to protect the safety of road users in the public space, requires the use of a set of procedures and instructions and tools to coordinate between the various needs, while maintaining checks and balances. The rectification of the deficiencies raised in this report will ensure the public order, security and the safety of road users while ensuring better



coordination between all military and civil authorities responsible for security and also obligated to maintain the safety of road users.

Foreign entities invest in the Israeli economy in various fields, and our Office examined **the foreign companies' involvement in the construction and operation of vital national infrastructure ventures**. The cumulative balance of foreign investments in Israel on 31.12.2017 was estimated to be approximately 129 billion dollars, and the annual sum of foreign investments in Israel in 2017 was about 18 billion dollars. Alongside the economic benefits of foreign investments and their contribution to the development of the Israeli economy, they might have also negative implications. Foreign entities' control over strategic assets could impact a wide variety of national interests, including national security, strategic assets and the competitive capacity in the international arena. The foreign economic involvement in national infrastructure project and in fields having broad economic or national impact must be examined in the future according to national security and business considerations. The Israeli Government must handle this issue, whether through the National Security Council or through any other body it designates.

The Tevel project for upgrading the computing systems in the National Insurance Institute is one of the largest, most complex and expensive computer projects executed in the public sector in recent years. The project's purpose is to improve the services provided to the public through implementation of a central data infrastructure that will provide a comprehensive view of each insured, while focusing on the full exercise of his rights. The project was launched in 2010 and was scheduled to continue until 2020. The audit found that over the years, difficulties in managing the project arose and many delays ensued. For example, out of 31 systems in the core content of the project, over the ten years since its launch, only five systems have been implemented, and even these were only partially implemented,

compared to the original plan. Despite the partial execution of the project's elements, the budget utilized by the audit completion date exceeded the original planned budget by about 58%. The progress in the project is of high importance both because of the need to improve the service to insured and because of additional aspects such as prevention of errors in the exercise of the insured's rights and savings in erroneous payments. The great gaps between the project's implementation plans and the way the systems are being implemented are compelling the National Insurance Institute to continue using old systems in many spheres of activity and do not enable it to upgrade its service to the public in additional benefit categories. The National Insurance Institute should thoroughly examine the project assessment and planning processes and maintain close monitoring of the progress and its milestones at every stage to prevent further delays in implementation.

The audit on the subject of **the project of the construction of a new building for the Prime Minister's office his residence**, which has been on the agenda of the government of Israel for about 25 years alternately, found that on the audit completion date, the project had been stopped, and that its planning had yet to be completed. Needless to say, the construction of the structure has yet to start and its construction in an alternate location is being considered. In 2009, the estimated cost of the project was 650 million NIS, and in 2018 – 1.2 billion NIS, because of, among other reasons, protection requirements. This is a complex and sensitive project, combining design aspects typical of government building projects, security aspects and requirements related to ceremonies and presentations. It would be appropriate for this report to be the basis for drawing conclusions, regarding the continuation of the project management in the coming years, and for the implementation of future complex projects. For this purpose, it would be right to pay attention to a number of weaknesses in the project management,



including making decisions without preliminary checking of all the data and without an updated risk assessment; great fluctuation in decision making and defining the project's content; lack of optimal communication between the parties involved in the project; and lack of preliminary activity and initiative to remove obstacles.

Preparation of the report required a great effort on the part of the employees of the Office of the State Comptroller, who conducted it professionally, with thoroughness, fairness and without bias, and who fulfil their public role with a real sense of mission. They have my heartfelt gratitude.

It has not escaped my notice that audited bodies do execute positive actions and these main actions were expressed in the audit chapters. Alongside, it is the obligation of these bodies to rectify the deficiencies raised in the report in order to strengthen the security of the State and its residents and improve the services given to the public in Israel.

Matanyahu Engelman

State Comptroller
and Ombudsman

Jerusalem, August 2020



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CHAPTER ONE

The Defense Establishment

Abstract



Office of the State Comptroller
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Nationa-Strategic Spheres of Activity

Preparedness to Defend the Home Front against the Threat of Missiles and Rockets (Physical Protection, Warnings and Population Evacuation) – Follow- up Audit

Abstract

Preparedness to Defend the Home Front against the Threat of Missiles and Rockets (Physical protection, Warnings and Population Evacuation) – Follow-up Audit

Background

The State of Israel and the IDF are responsible for civil defense, including defense against a threat of missiles and rockets, with the objectives of: protecting the civilian population and preventing casualties; minimizing property damage; minimizing any adverse impact on the population's sense of security and enabling it to maintain its routine life; and minimizing the impact on the functioning of the economy.

In December 2016, the Office of the State Comptroller published a report on the preparedness for defending the home front against a threat of missiles and rockets ("the previous audit"), which raised deficiencies that could potentially increase the threat to the population during combat. Significant deficiencies were found especially in settlements along the northern border.

Key facts

2.6 million

residents of Israel (28%) have no standard sheltering near their homes (correct to 2018)

300,000

the number of residents that government ministries must be prepared to evacuate according to the government decision

50,000

residents are living in Sderot and Kiryat Shmona, that their evacuation plans have not been completed

50,000

residents of Israel are living up to 9 km from the northern border without standard shelters near their homes (as of 2018)

231,650

residents of Israel are living up to 40 km from the border with the Gaza Strip without standard shelters near to their homes (as of 2018)


17

Settlements adjacent to the border (where approximately 8,000 residents are residing) have no designated site to accommodate the residents in the event of an emergency evacuation

12,601





Public shelters in Israel, out of which 2,494 (20%) are unfit for purpose (correct to 2019)

Audit actions

 From February to June 2019, the Office of the State Comptroller conducted a follow-up audit on the rectification of the main deficiencies that were raised in the previous audit. The audit was conducted in the IDF: in the Home Front Command, in the Operations Directorate in the General Staff, in the Southern Command, in the Northern Command and in the Air and Space Force, as well as in the Ministry of Defense, including in the National Emergency Management Authority. Supplementary examinations were performed up until October 2019 in the National Security Council; in the Ministry of the Interior; in the Ministry of Health; in the Ministry of Labor, Social Affairs and Social Services; in the Ministry of Public Security; and in local authorities throughout Israel.

The subcommittee of the Knesset State Control Committee decided not to submit to the Knesset and not to publish parts of this report for national security reasons, pursuant to section 17 of the State Comptroller Law, 1958 [Consolidated Version]. The classification of these parts does not prevent the understanding of the fundamental issues raised in this audit.

Key findings

-  About 2.6 million residents of Israel (28%) have no standard shelters in proximity to their place of residence.
-  In July 2018, the State Security Cabinet decided that a multiyear plan for protecting the home front and for improving the preparedness for earthquakes will be formulated for the years 2019 – 2030 (“the Northern Shield” Plan). This plan has not yet been formulated and no budgetary source has been allocated to it and therefore, its execution is uncertain.
-  In June 2014, the government passed a resolution to regulate the authorities for managing the home front between the Ministry of Defense and the Ministry of Public Security. This regulation has not yet been completed.
-  Public shelters located in settlements adjacent to the border in which residents may be required to stay in shelter for a prolonged period can be considered adequate according to the Home Front Command, even if they do not fulfill the physical conditions necessary for prolonged sheltering. Furthermore, the expected crowdedness in the shared private shelters won't allow prolonged sheltering. The fact that some of the shelters do not enable prolonged sheltering was not expressed in the review of the inventories of adequate means of protection that the Home Front Command is reporting.



- ❑ According to the determination of the National Emergency Management Authority, the “Melonit” plan for evacuating populations from lines of confrontation is based on false fundamental principles; consequently, it will be difficult to implement this plan. The alternative plan currently being formulated by the National Emergency Management Authority does not address the evacuation of settlements on the northern border.
- ❑ The evacuation plans for Kiryat Shmona and Sderot have not yet been completed.



Since the previous audit, the physical protection of the home front has been improved by the addition of apartment secure spaces for approximately one million residents.

Since the previous audit, the Home Front Command has improved its presentation of the data regarding means of protection to the decision-makers and it does not include means of protection that are unfit for purpose.







In February 2018, the Minister of Defense approved a two-year plan at the volume of about NIS 150 million for protecting settlements within the range of up to 20 km from the Syrian border and from the Lebanese border. Within the framework of this plan, 553 shelters were renovated by the end of July 2019 and renovations of 181 additional shelters will be completed by the end of 2019.

Between 2015 and 2019, the Defense Establishment invested about NIS 400 million in improving the warning system.

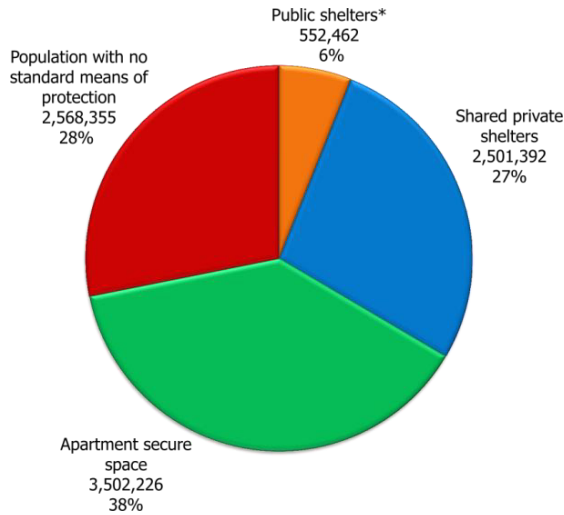
As a result of various actions by the Home Front Command and the IDF Air and Space Force since the previous audit, the warning time before missile attack has been lengthened by a few seconds in settlements around the Gaza Strip, and progress has been made in improving the detection capabilities in the northern border.

Since the previous audit, progress has been made in government ministries' preparedness for population evacuation as deriving from the government resolution “guests hotel.”

Key recommendations

-  It is recommended that the Ministry of Finance, the Ministry of Defense, the Ministry of Public Security and the Home Front Command, whose representatives are members of the interministerial team, should complete the formulation of the plan for protecting the home front at the inclusive cost of NIS 5 billion, pursuant to the State Security Cabinet decision of July 2018.
-  The Ministry of the Interior and the Home Front Command should urge the local authorities to perform their role in regard to enforcing the provisions of the Civil Defense Law in shared private shelters in order to ensure that they are fit for protecting residents during emergencies.
-  The Ministry of Defense and the Ministry of Public Security, in coordination with the National Security Council, should take action to implement Government Resolution 1661 and to submit a proposal for regulating the authorities for management of the home front between the two ministries. Insofar as disagreements arise between the ministries, the National Security Council should submit them for resolution by the Prime Minister and the State Security Cabinet.
-  It is appropriate that, when the Home Front Command is ascertaining which shelters are fit, it should consider whether shelters are adequate for prolonged stays, and it should map, out of all shared public and private shelters, those that do not enable prolonged stays, particularly in regions under threat.
-  It is recommended that the National Emergency Management Authority should finalize the plan for evacuating communities from the lines of confrontation, including the communities around the Gaza Strip and those on the northern border.
-  The IDF, in collaboration with the National Emergency Management Authority and the Evacuation, Relief Aid and Casualties Authority, should finalize the plans for evacuating and accommodating residents of Sderot and Kiryat Shmona and prepare for their implementation.

Status of shelters for residents in Israel, 2018



Source: According to Home Front Command data; processed by the Office of the State Comptroller.

* Public shelters also include standard mass shelters

Summary

During the rounds of fighting in recent years, hundreds of missiles and rockets were launched daily towards Israel. According to the reference threat, this number will increase and tens of thousands of missiles and rockets will be launched towards Israel during combat.

The Office of the State Comptroller examined the rectification of most of the deficiencies that arose in the previous audit and found some improvement in the detection and warning capabilities and in the government ministries' preparedness to evacuate population; however, the plans for evacuating population have not yet been completed and some are not viable. It was also found that the authorities of the bodies responsible for managing the home front have not yet been regulated, that significant gaps in protection remain and that the State Security Cabinet's decision to formulate a multiyear plan for managing the home front has not yet been implemented.



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National-Strategic Spheres of Activity

Preparedness to Defend Essential Facilities against Missiles, Rockets and Other Aerial Threats

Abstract



Preparedness to Defend Essential Facilities against Missiles, Rockets and Other Aerial Threats

Background

The State of Israel is subject to severe and extensive aerial threat, such as missiles and rockets, and it must be appropriately prepared to defend its essential facilities against such threat.

Key facts

Several hundreds of thousands

is the estimated number of aerial threats that can be expected from the enemy in 2020

21,000

rockets and mortar shells were fired from the Gaza Strip into Israel from September 2000 to September 2019

Several dozen

Facilities designated for physical protection are included in the list issued to the National Emergency Management Authority.





Very few

Facilities have been physically protected out of the list of essential facilities approved by the interministerial committee. Physical protection is also planned for additional facilities. Not one facility of specific bodies is among the aforesaid facilities.

Audit actions

- From September 2017 until April 2019, alternately, the Office of the State Comptroller examined the nature of the preparedness of, inter alia, the Ministry of Defense and the IDF for mapping essential facilities and infrastructures in specific bodies and for protecting them against the aerial threat. The audit was conducted in the Ministry of Defense, in the IDF, in the National Emergency Management Authority, in the National Security Council and in additional bodies.
- The subcommittee of the Knesset State Control Committee decided not to submit to the Knesset and not to publish parts of this report for national security reasons, pursuant to section 17 of the State Comptroller Law, 1958 [Consolidated Version]. The classification of these parts does not prevent the understanding of the fundamental issues raised in this audit

key findings

-  **The national infrastructures essential for protection:** failing to implement the May 2011 interministerial committee's decision to prepare the home front for emergencies, the National Emergency Management Authority has not yet submitted a proposed resolution to the interministerial committees¹ regarding the essential facilities. Furthermore, the National Security Council has not proposed to the Prime Minister to discuss in the interministerial committee meetings (today, the State Security Cabinet) the existence and nature of activities by the relevant authorities to protect essential infrastructures in specific bodies.
-  **Promotion of the legislation of the "Home Front Law" for management of the home front during emergencies:** in February 2011, the Ministry of Defense distributed a draft bill in this regard and the last memorandum draft bill in this regard was distributed in June 2016.² The Ministry of Defense submitted an updated draft bill to the Ministry of Justice only in July 2018, after it received comments from various government ministries.³ The legislation has not yet been completed.
-  **Deficient activity of the Ministry of Defense to advance the protection of essential infrastructures:** the Ministry of Defense has not taken action to provide physical protection to essential infrastructures in specific bodies; it has no work plan for providing protection, if needed; and it failed to prepare a threat scenario⁴ for these bodies .
-  **Deficient preparedness of specific bodies for protecting their essential facilities against aerial threats:** one specific body is partially prepared in this regard, and the protection of its facilities is incomplete; another body has been prepared according to the threats in the reviews that it conducted in 2008, 2013 and 2014, although it is doubtful that they adequately reflect the range of threats. Various gaps that were discovered in the reviews and examinations have not been handled.

1 The interministerial committee for preparing the home front for emergencies and the interministerial committee for national security affairs (the State Security Cabinet).

2 The memorandum includes a draft of the bill.

3 The forwarding of the draft bill to the Ministry of Justice by the Ministry of Defense does not constitute confirmation that its version is acceptable to the other relevant government ministries.

4 The threat scenario is the potential war scenario used to derive the force-building goals and the strategic planning and it constitutes a baseline for preparedness and for the formulation of strategies for contending with the threats appearing in the determined threat.







In 2019, the Ministry of Defense performed strategic work to map essential facilities in specific bodies.

During the audit in October 2017, one specific body decided to prepare a “survival” plan designed to ensure functional continuity. In December 2019, the body announced that it had completed the strategic work in this regard.

In 2019, another body began a quantitative analysis to define the risk posed to it considering the aerial threats and the costs involved. In December 2019, that body notified the Office of the State Comptroller that it had completed this analysis.

Key recommendations

-  The National Emergency Management Authority should prepare a draft resolution, as is required pursuant to the interministerial committee’s decision of May 2011 to prepare the home front for emergencies, and a list of essential facilities that their protection is required, and should submit these documents to the State Security Cabinet or to the government. It is recommended that the National Security Council should propose to the Prime Minister to place on the agenda of the State Security Cabinet a discussion of the issue of the relevant authorities’ preparations to provide passive defense solutions for vital infrastructures in specific entities.
-  The Ministry of Defense should promptly complete the strategic work on the subject of essential infrastructures in specific bodies, should validate it from time to time considering the changing threats and should formulate a multiyear work plan that is supported by a defense budget.
-  The Ministry of Defense should take prompt action to formulate a threat scenario for specific bodies and should bring it to their attention.
-  One specific body should continue working in coordination with the Ministry of Defense to augment its functional continuity. Furthermore, another body should continue performing updated strategic work regarding the implications of the impact of aerial threats to its facilities on its operations, and regarding the measures needed to mitigate the expected damages.

Summary

The audit found deficiencies in the activity of the Ministry of Defense, the IDF, the National Emergency Management Authority, the National Security Council and of other relevant bodies – each within its own purview – on the subject of protecting essential infrastructures and facilities in specific bodies. The Ministry of Defense should prepare a work plan for protecting the mentioned essential facilities and should examine the sources for funding it.



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National-Strategic Spheres of Activity

Preparedness of the Ministry of Defense and the IDF to Implement the Memorandum of Understandings with the United States for the years 2019 – 2028 on the Matter of Defense Aid

Abstract



Preparedness of the Ministry of Defense and the IDF to Implement the Memorandum of Understandings with the United States for the Years 2019 – 2028 on the Matter of Defense Aid

Abstract

Background

In September 2016, representatives of the delegations of Israel and the United States governments signed a memorandum of understandings¹ regarding defense aid to Israel in dollars and joint missile defense plans for the years 2019 – 2028. A portion of the aid funds was converted into NIS and is being used for procurements from the defense industries in Israel. According to the MOU, the currency-exchange funds will be gradually reduced, mainly as of 2025, until they are cancelled in 2028.

¹ Memorandum of Understandings – MOU.



Key figures

**USD 3.8 billion
(ILS 13.8 billion²)**

per annum – the total of the defense aid and the American support of the joint missile defense plans for 2019 – 2028

ILS 12 billion

the Ministry of Defense's total annual procurements from the defense industries in "recent years"³

Several billions of NIS

are annually required to implement the Ministry of Defense's procurement policy in NIS

ILS 5.6 billion⁴

will be deducted per annum from the Defense Establishment's⁵ annual NIS sources of funding as of 2028 as a result of the implementation of the MOU.



**USD 815 million
(ILS 3.2 billion⁶)**

per annum were converted into NIS from the aid funds in 2013 – 2018 for procurements from the defense industries in Israel

38%

the ratio of total sales of the three largest defense industries⁷ to the Ministry of Defense to the currency-exchange funds in 2013 - 2018

Audit actions

-  From July 2018 to September 2019, alternately, the Office of the State Comptroller examined the Preparedness of by the Ministry of Defense and of by the IDF for implementing the MOU. The audit was conducted in the Ministry of Defense and in the IDF.
-  The subcommittee of the Knesset State Control Committee decided not to submit to the Knesset and not to publish parts of this report for national security reasons, pursuant to section 17 of the State Comptroller Law, 1958 [Consolidated Version]. The classification of these parts does not prevent the understanding of the fundamental issues raised in this audit.

2 In NIS according to the exchange rate of ILS 3.63/USD 1, which was defined in the State Budget Proposal for 2019.

3 As written in Ministry of Defense documents of December 2017.





4 In NIS according to the exchange rate of ILS 3.63/USD 1, which was defined in the State Budget Proposal for 2019.

5 In this report, the Defense Establishment is the Ministry of Defense and the IDF.

6 In NIS according to the average annual exchange rates of the Bank of Israel.

7 Israel Aerospace Industries Ltd., Elbit Systems Ltd. and Rafael Advanced Defense Systems Ltd.

Key findings

-  **Lack of examination of the implications of implementing the MOU relating to security aspects have not been examined:** the Ministry of Defense has not yet examined the possible implications of the reduction in the Ministry of Defense's procurements from the large, medium-size and small defense industries in Israel resulting from the implementation of the MOU, including on the IDF's strengthening and on the Defense Establishment's preparedness for emergencies, and it did not examine the possible adverse impact on national security resulting from these implications. Furthermore, the Ministry of Defense, in collaboration with the IDF, did not conclude the alternatives to reduce the mentioned procurements.
-  **The Ministry of Defense has not yet defined the specific areas of research and development and manufacturing that should be maintained in the defense industries in Israel:** the Ministry of Defense, in collaboration with the IDF, has not yet determined the specific areas of R&D and manufacturing in the defense industries whose manufacturing independence and functional continuity should be maintained during war and subsequently in order to support the IDF's activities. The IDF has not mapped and has not prioritized the war materials whose manufacturing should be maintained in Israel⁸ and it has not issued its position in this regard to the Ministry of Defense.
-  **Lack of complete information in the Ministry of Defense regarding the expected implications of implementing the MOU on the reduction of the NIS sources of funding that will be available to it:** the Ministry of Defense does not have complete information about the possible implications of implementing the MOU on a possible reduction in the NIS sources of funding that will be available to the Defense Establishment until 2028 for the purpose of procurements from the defense industries in Israel. This is due to a failure to examine alternatives for making NIS sources of funding available and a failure to determine the costs for retaining Israeli production lines and the costs in respect of duplicate production lines⁹ and a "logistics trail."¹⁰ This makes it difficult to discuss solutions for this issue at a national level with all relevant government ministries.
-  **Implementation of the Ministry of Defense policy regarding the procurements from the aid funds:** it appears that, as of 2028, the sum that will be required to implement the policy approved by the Director-General of the Ministry of Defense in February 2019 for retaining the Ministry of Defense procurements in NIS from the defense industries may be higher than the estimated annual sum to be

8 Among the Prime Minister's comments of August 2007 to the State Comptroller's reports it was mentioned that the IDF had reported that in June 2007 it had determined several production lines that should be maintained.

9 The construction and operation of production lines outside of Israel concurrent with the production lines in Israel, in order to retain particular development and manufacturing capabilities in Israel.






10 The possible increase in the NIS procurement costs for the purpose of maintaining war materials.

allocated for such procurements. As for the essential production lines, the Ministry of Defense has not yet determined the NIS sums that will be required to retain them.




The formation of teams in the Ministry of Defense and in the Ministry of Economy and Industry to examine the implications of implementing the MOU: the Office of the State Comptroller commends the formation of a Ministry of Defense team led by the Chief Economist of the Defense Establishment in January 2017 in view of the implications of implementing the MOU. The Office of the State Comptroller also commends the strategic work being performed by a team led by the Director-General of the Ministry of Economy and Industry that was formed in July 2018 to examine the impacts of implementing the MOU on the Israeli economy and industry as a whole, which has not yet been completed.

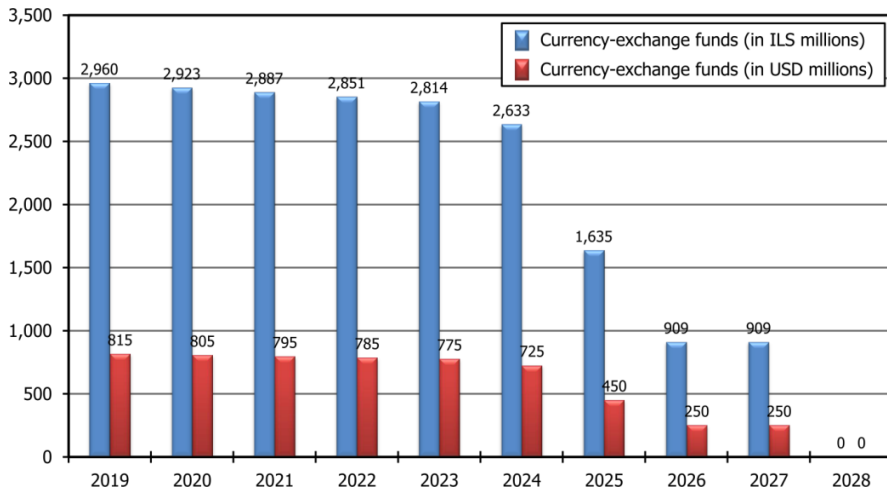
Key recommendations

-  The Ministry of Defense, in collaboration with the IDF, should examine all of the implications of the reduction in procurements, if such reduction occurs, from the defense industries in Israel, according to possible alternatives relating to aspects of the IDF's preparedness and readiness and relating to national security.
-  The Ministry of Defense, in collaboration with the IDF, should examine its ability to contend alone with the possible implications of implementing the MOU and the need to receive support at a national level, and should present a plan, if necessary, to the decision-makers in the Ministry of Defense and in other relevant government ministries for contending with the possible reduction in the NIS sources of funding and its implications, inter alia, on the IDF's future long-range needs, including those included in the multiyear plan currently being formulated in the Defense Establishment.
-  The team led by the Ministry of Economy and Industry and comprised of members from the Ministry of Defense and the Ministry of Finance should jointly determine the implications of implementing the MOU on industries in general and on defense industries in particular, so that it will be possible to take action to minimize the possible adverse impact on Israeli industry as a whole.
-  The Ministry of Defense, in collaboration with the IDF and the government defense industries, should determine the specific areas of essential research and development and manufacturing in the defense industries that should be maintained in Israel, and should determine the budget needed to retain them.
-  The Ministry of Defense, in collaboration with the IDF, should assess the implications of adopting the policy set by the Director-General of the Ministry of Defense to retain NIS procurements and should present to the relevant authorities in the government ministries involved in the matter all of the possible implications

of implementing the MOU, including the budgetary and defense implications that can be expected in the event of a reduction in the Defense Establishment’s procurements in the spheres of activity that the Director-General of the Ministry of Defense determined will continue to be carried out in Israel.

 The Director-General of the Ministry of Defense, in collaboration with the director of the Government Companies Authority, should examine with the three largest defense industries their preparedness in light of the MOU.

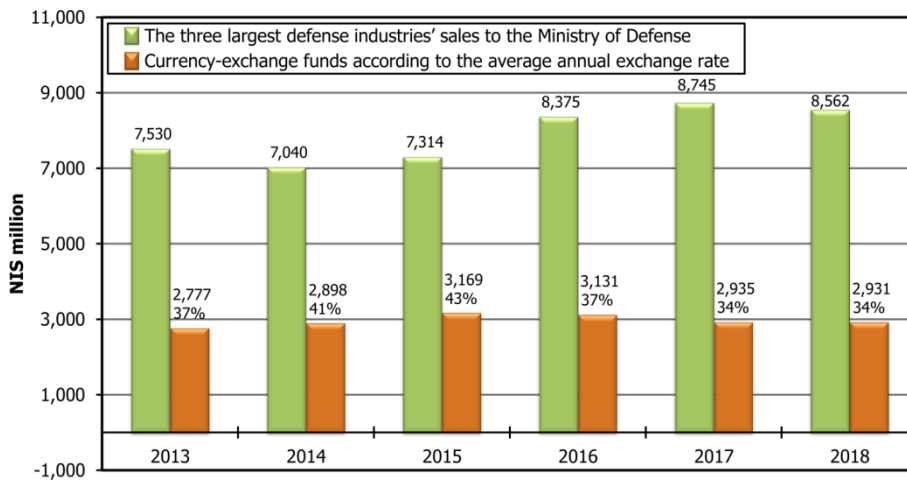
Total annual currency-exchange funds in 2019 – 2028*



* In USD millions, in nominal sums and in NIS according to the exchange rate of ILS 3.63/USD 1, which was defined in the State Budget Proposal for 2019. The sums in NIS serve to clarify the monetary volume of the currency-exchange funds in dollars.

Source: The Memorandum of Understandings for 2019 – 2028; processed by the Office of the State Comptroller.

The three largest defense industries' sales to the Ministry of Defense and the sums of the currency-exchange funds 2013 – 2018 (in ILS millions)



Source: Annual financial statements of Israel Aerospace Industry Ltd., Elbit Systems Ltd. and Rafael Advanced Defense Systems Ltd. for 2013 – 2018; State Budget Proposals for 2013 – 2018; some of the data were converted into ILS according to average annual exchange rates of the Bank of Israel; processed by the Office of the State Comptroller.

Summary

The MOU contributes significantly to the Defense Establishment's certainty with regard to the resources that are available to it, improves its multiyear planning and has a strategic impact on the relations between Israel and the United States. Pursuant to the MOU, a significant decrease is expected in the available NIS sources of funding that will be made available to the Defense Establishment, mainly as of 2025. According to the Ministry of Defense, this can be expected to reduce its procurements from the defense industries in Israel. The Ministry of Defense has not analyzed the possible implications of this reduction on the manufacturing independence in Israel and on the IDF's strengthening, or the magnitude of the possible adverse impact on national security. The Ministry of Defense, the Ministry of Finance and the Ministry of Economy and Industry should formulate a plan, if required, for the preparedness as a result of implementing the MOU.



Office of the State Comptroller
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National-Strategic Areas of Activity

Foreign Companies' Involvement in the Construction and Operation of Vital National Infrastructure Ventures

Abstract

Foreign Companies' Involvement in the Construction and Operation of Vital National Infrastructure Ventures

Abstract

Background

Foreign entities invest in the Israeli economy in various fields. Alongside their economic advantages and their contribution to the development of the Israeli economy, foreign companies' investments and involvement in the Israeli economy are also liable to have negative implications. These implications could be expressed particularly in companies whose controlling shareholders' interests are not aligned with Israeli interests, and when the foreign investments are made in assets and projects of national importance. Consequently, various arrangements were made in several areas to enable State authorities to protect vital interests in appropriate situations.

Key figures


USD 129 billion

Estimate of the cumulative balance of foreign investments in Israel, as of 31.12.17





USD 18 billion

The annual foreign investments in Israel in 2017

Audit actions

 From December 2018 to June 2019, the Office of the State Comptroller examined actions of various entities relating to engagements with parties planning to operate vital national infrastructure. The audit was conducted in the Prime Minister's Office – in the National Security Council and in the National Economic Council; in the Ministry of Defense; in the Ministry of Finance; in the Ministry of Economy and Industry; and in the Ministry of Transportation.

Key findings






-  **The Ministry of Defense was not involved in the staff work during 2013 and 2014 regarding the implications on national security of the identity of the party operating a vital national infrastructure:** the National Security Council did not include representatives of the Ministry of Defense in the preparation work that the Council coordinated in 2013 – 2014, which examined the security directives in preparation for the international tender for an operator of a vital national infrastructure, which addressed, inter alia, the implications of the identity of the operator of the vital national infrastructure on national security.
-  **There is no obligation to consult with the advisory committee:** the mechanism for screening foreign investments does not obligate the regulators to consult with the advisory committee, and consulting is basically left to the regulator's discretion.
-  **There is a concern that the timing of the consultation might be at advanced stages of the engagement process:** referring to the advisory committee at late stages could cause irreversible damage.
-  **Transferring the operation of vital national infrastructure to a company that is not a private company as is required:** participation in a tender by parties under foreign government ownership has not been restricted.



Promoting the setting of a mechanism to screen foreign investments, and a State Security Cabinet decision regarding examinations of the national security aspects of engagements: the National Security Council, in collaboration with the Prime Minister's Office, the Ministry of Defense, the Ministry of Foreign Affairs, the Ministry of Finance, the Ministry of Justice, the Israeli Security Agency, the Mossad, the National Economic Council, the Ministry of Economy and the National Cyber Directorate took action to advance an agreed mechanism in this regard and, in October 2019, a Cabinet resolution was passed that is designed to regulate this matter.



Key recommendations

-  **The advisory committee for examining the national security aspects should examine the resolution implementation methodology, pursuant to article 5 of the Cabinet resolution**, particularly the aspect of the defined consultation format, and should report this matter to the Cabinet in order to prevent material risks to national security that are liable to derive from an engagement entered into without consulting with the advisory committee.
-  **The advisory committee should examine how to distribute to all regulators the relevant information** about consultations held with it as a result of any regulator's inquiry. The Committee should inform all regulators specified in the resolution that, prior to approving a foreign investment for which there is a concern that it might adversely affect national security aspects of Israel's interests, as these aspects are defined in the resolution, they should examine whether it is necessary to apply to the advisory committee and receive a reasoned decision in this regard.
-  **The advisory council should examine the report forwarding timeframe** and incorporate changes in its manual of procedures. This will prevent executing the engagement process including the tender proceeding, at significant cost to the applicant, before all pertinent aspects of the engagement have been examined.
-  **The regulators should present the foreign investment to the advisory committee in a timely manner** in order to avoid a situation whereby the foreign entity's investments will be lost, and its losses might be imposed on the government entity that engaged with it and might adversely affect foreign relations. Examination of the investment in a timely manner will also prevent any compromising of national security that is liable to be caused if the engaging party prefers to refrain from cancelling the engagement that should be cancelled for reasons of national security, due to a concern that it might have to compensate the foreign entity, or due to a concern about harming foreign relations.
-  **Government entities engaging in engagements with foreign companies** – such as the Ministry of Defense, the Ministry of Finance, the Ministry of Transportation and government companies – should ensure that, during future infrastructure projects, the risks in handing over the project to a foreign company – whether privately owned or government owned – should be meticulously examined, including an examination of their ownership structure (the pyramid of holdings) and national security aspects, and the conditions of the early screening for these proceedings should be formulated accordingly.



Summary

Foreign entities' control over strategic assets could adversely impact a wide variety of national interests, including: national security, strategic assets and the competitive capacity in the international arena. Foreign economic involvement in national infrastructure projects and in fields having a broad economic or national impact should be examined in the future according to national security and business considerations. The Israeli government must handle this issue through the National Security Council or through some other entity to be determined.



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Procurement of Key Fighting Equipment

Decision-Making Processes in the Defense Establishment on the Subject of Procuring a New Cannon

Abstract

Decision-Making Processes in the Defense Establishment on the Subject of Procuring a New Cannon

Abstract

Background

The Cannon Array is a key component of the order of forces of the IDF's Artillery Forces, and its main function is to assist the maneuvering forces. In 2009, the Defense Establishment began conducting a strategic work that continued for nearly a decade to examine procurement of new a cannon array which will replace the existing array ("the project"). The strategic work raised several alternatives, including procurement of a German Artillery Gun Module ("AGM") cannon system and procurement of a cannon system manufactured by Elbit Systems Ltd. ("Elbit").

In 2017, the IDF Chief of the General Staff and the Minister of Defense approved the project and in March 2018 the ministerial committee for national security affairs (the State Security Cabinet) approved the procurement of cannons manufactured by Elbit.

Key figures

Several billions of shekels

cost of the procured new cannons, as approved by the State Security Cabinet.

2% - 2.5%

the expected annual savings rate regarding the operation and maintenance of the array of new cannons, out of the cost of the new cannons, according to IDF data.



28%

the cost rate of maintaining the array of existing cannons for 13 years out of the cost of the new cannons, according to IDF data, had the IDF not procured them.

Audit actions

-  From March to December 2018, the Office of the State Comptroller examined, inter alia, the following issues : the IDF's examination of material issues during the process of receiving an in principle approval for the project ; the conduct of the IDF and the Ministry of Defense in preparation for launching the project; and the presentation of the project to the State Security Cabinet for the purpose of obtaining its approval. The audit was conducted at the IDF, the Ministry of Defense, the National Security Council and Israel Aerospace Industries Ltd.
-  The subcommittee of the Knesset State Control Committee decided not to submit to the Knesset and not to publish parts of this report for national security reasons, pursuant to section 17 of the State Comptroller Law, 1958 [Consolidated Version]. The classification of these parts does not prevent the understanding of the fundamental issues raised in this audit.

Key findings

-  The Ground Forces failed to examine material issues during the strategic work examining the procurement of a new cannon array – an array that has long-term operational implications and in which considerable sums of funds are invested – which should have supported the decision-making about launching the project, such as: the necessity of artillery fire during military maneuvers nowadays; the required operational accomplishment of the cannon array and the effectiveness of its operation. The Ground Forces and the IDF Planning Directorate also failed to present these issues during discussions that were held with the Chief of the General Staff and the Minister of Defense for the purpose of receiving their in principle approval for the project.
-  The IDF General Staff committee¹, which should have presented a full picture to the Deputy Chief of Staff and to the Chief of General Staff, failed to present them operational aspects that were specified in the report of the Planning Directorate's Center of Systems Analysis, inter alia, in relation to the operational contribution that would be generated from replacing the cannon array.

¹ A committee appointed in May 2017 by the Deputy Chief of Staff of that period, according to the directive of the Minister of Defense and the Chief of General Staff of that period, in order to examine the decision made by the IDF several months earlier to approve the Ground Forces' procurement of the array of new cannons.



- ❗ The decision of the Directorate of Defense Research and Development (DDR&D) and the Ground Forces from March 2014 to cancel the demonstration of the AGM cannon in Israel was made without holding a discussion of that matter, which should have weighed the meanings of performing the demonstration against cancelling it. This decision ostensibly left the main risk of this alternative which regards to a particular aspect, unanswered.
- ❗ From November 2016 until March 2017, the DDR&D, the Ground Forces and the Planning Directorate presented material requirements relating to particular aspects to the Committee for Selecting and Approving Developers, which operates in the DDR&D (the Developers Committee), even though these requirements were not discussed and were not approved during the process of the Planning Directorate's in principle approval and by the Chief of the General Staff and the Minister of Defense.
- ❗ Although the Developers Committee's use of Regulation 3(2) of the Mandatory Tenders Regulations (Contracts of the Defense Establishment), 5753 – 1993, for the purpose of granting a tender exemption to Elbit was sufficient, the grounds used by the committee and the DDR&D for granting the tender exemption on the basis of Regulation 3(5)2 of the aforementioned regulations, as specified in documents, regarding commercial considerations and an indistinct security interest, were not sufficiently substantiated. Furthermore, the Developers Committee failed to fully present all of the considerations in favor of holding an international tender.
- ❗ The IDF presented an argument to the State Security Cabinet that one of the three main reasons for launching the project is a particular operational aspect. However, there is some ambiguity in this argument; the National Security Council failed to present an analysis to the Cabinet of alternatives other than cannons, including a presentation of the advantages and disadvantages of each of the alternatives, the differences between them and their implications; and the DDR&D presented a price estimate of the AGM cannon to the National Security Council and to the Cabinet that was double the estimate in its possession.

2 Pursuant to the regulation, an exemption from a mandatory tender will be granted for a "transaction whose execution involves the use of a production line, when, due to security considerations, there is an interest in operating the production line continuously, and when it is reasonable to assume that holding a tender in relation to such transactions will cause the production line to be closed."



The Ground Forces performed strategic work close to a decade in preparation for decision-making with regard to the project. The work included, inter alia, an examination of alternatives and their implications (system analysis) and updating operational concepts that were designed to serve as a compass for future force design. In 2017, an IDF General Staff committee was formed in order to examine the decision to procure new cannons. The committee examined material aspects from their “point of origin,” including the necessity of artillery and the alternatives that could provide the most effective and optimal solution to this need.

The Developers Committee discussed the forms of carrying out the project over several months and inter alia, read and analyzed many dozens of documents, reviewed cannon projects in other countries and held meetings and consultations with professionals.

Key recommendations



The IDF should examine what content strategic work should include in preparation for the procurement of a major array of new fighting equipment and should revise its procedures accordingly, particular when at issue is a major budget-intensive array that is designated to serve the IDF for decades. Furthermore, prior to making decisions about advancing such projects, it should also ensure that all aspects required to support the decision-making process are presented to the Chief of General Staff and to the Minister of Defense and that the required examinations are performed in advance, prior to issuing an in principle approval to proceed with projects.



It is appropriate that the Ministry of Defense will define in its procedures, in required instances, regulations regarding the performance of demonstrations of alternatives for fighting equipment systems prior to engaging with potential suppliers.



The IDF and the Ministry of Defense should present all relevant information for decision-making to the State Security Cabinet and must be rigorous in ensuring that the information presented is accurate ; the Ministry of Defense should examine the issue of presenting prices of alternatives to the National Security Council and to the State Security Cabinet so that the prices will be presented based on estimates made according to a unified comparative basis ; and the National Security Council should ensure to include in its presentations an analysis of relevant alternatives and their implications.

Time axis – project milestones



Summary

Changes in the battlefield have occurred in recent years. As a result, and considering the deficiencies raised in this audit, the Defense Establishment must be rigorous in conducting organized and fundamental strategic work when examining the procurements of major budget-intensive fighting equipment and in presenting accurate and complete information to decision-makers. By doing so, it can support making optimal decisions, and ensure that the IDF procures fighting equipment that will lead to the required achievements during combat and that will optimally utilize the Defense Establishment's limited resources.

As a result of the draft audit report, the Deputy Chief of Staff instructed the Planning Directorate to study the report, to hold a discussion of its content and implications and to draw the warranted conclusions.



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Judea and Samaria Region

**Staff Officers in the
Civil Administration
in the Judea and
Samaria Region**

Abstract

Staff Officers in the Civil Administration in the Judea and Samaria Region

Abstract

Background

The Civil Administration is subordinate to the Coordination of Government Activities in the Territories (COGAT), and its mission is, inter alia, to implement government policy in the Judea and Samaria region and to promote the policy in regard to civilian affairs, in coordination with the government ministries, the IDF and the Defense Establishment. Pursuant to the law that is applied in Judea and Samaria, the Civil Administration is tasked with managing civilian affairs in Judea and Samaria for the welfare and benefit of the population and providing and operating the public services, while considering the need to maintain public order and safety. Staff officers, who serve as the government ministries' professional representatives, are engaged in carrying out the Civil Administration's mission.

Key figures

25

staff officers in the Civil Administration serve as professional representatives of the government ministries and are subordinate to both the military echelon and the civilian echelon

314

employees were employed in the Civilian Administration in 2019, 202 of whom were Israeli civil servants and 112 were Palestinian employees

60%

of the real-estate transaction files were scanned without scanning the certification of the transfer of the rights, which is the basis for registration in the land registers

About 4 years

duration of the process of computerizing the land registers in Judea and Samaria, which has not yet been completed.

99,500

the quota of permits to employ Palestinian workers in Israel that were approved by the government in 2018

About 50%

of the wages of a significant portion of Palestinian workers in Israel are transferred by them to "brokers"


1.5 years

have passed since the government resolution to revise the method of employing Palestinian workers in Israel in order to rectify failures discovered in the method of employment, which has not yet been revised







8 years

have passed since the Civil Administration's internal auditor retired and the position has not yet been filled

Audit actions

-  From September 2018 to June 2019, the Office of the State Comptroller examined the activity of the staff officers in the Civil Administration. Organizational matters were examined during the audit and their activity and employment as civil servants were reviewed. The audit focused on activities of the offices of the employment, legal and land registration staff officers and on the planning bureau. During the audit, the Office of the State Comptroller conducted a process that included representatives of the Palestinian population on the subjects of employment, real estate and planning, as well as representatives of the Israeli population residing in Judea and Samaria.

Key findings

- 
-  **Interfaces between the Civil Administration and the Government Ministries** – government ministries have difficulties implementing their authorities and professional responsibility towards the staff officers, and most of them do not maintain professional control over the staff officers who are representatives of their ministries in Judea and Samaria.
 -  **Land registration arrangements are not being promoted with respect to Israeli settlement in Judea and Samaria** – due to the failure to resolve disagreements between the Civil Administration and the Ministry of Justice, land registration arrangements have not been advanced, which affected the Israeli residents of Judea and Samaria with respect to their ability to register real-estate ownership and rights in the land registers in Judea and Samaria, and which intermittently prevented progress in the process of computerization of real estate procedures in Judea and Samaria.
 -  **Trading in Palestinians' work permits** – the persistent phenomenon of trading in the work permits of Palestinians and of unlawfully collecting payments from Palestinian workers by employers and brokers were caused, inter alia, due to the failure to implement a government resolution.
 -  **Failure to fulfill the obligation to enforce the use of work permits for Palestinian workers in Israeli settlements within Judea and Samaria** – the staff officer in charge of employment is not enforcing the use of work permits, notwithstanding the security risk involved in employing Palestinian workers without lawful work permits.
 -  **Lack of a computerized system for the land register in Judea and Samaria** – real estate in Judea and Samaria is being registered using hard-copy registers and consequently, it is exposed to errors, inaccuracies, to deliberate biases in exceptional cases and to a non-optimal level of service.



📌 Palestinian workers who are employed in the land registry unit – although an employee of the land registry, who provides service to the Palestinian population in Judea and Samaria was detained by the Palestinian Authority, nobody in the Civil Administration or another Defense authority examined the expected outcomes and effects of his detention, or the possibility of information being leaked to the Palestinian Authority in additional instances as well.



Backups of real-estate transaction files – in 2013, the Civil Administration recognized the need to back-up the transaction files and land registers and began a backup process for them.

Expansion of the Civil Administration's supervision and control over the staff officers – between 2017 – 2019, the Civil Administration expanded the supervision and control over the staff officers using periodic control reports.

Actions and involvement by the Ministry of Justice relating to real estate in Judea and Samaria – the Ministry of Justice expressed willingness and invested resources to promote the issue of a Register of Authorizations, which may facilitate the residents of the Israeli settlements in the territories of Judea and Samaria.

Key recommendations

- 💡** The head of the Civil Administration and COGAT, in collaboration with the government ministries, should regulate and define the content of the professional directives to staff officers and the scope of the supervision and professional control required in relation to them.
- 💡** The Ministry of Justice and the Civil Administration should take joint action to achieve the targets and accomplish the tasks at hand in relation to improving and optimizing the service being provided to residents of Judea and Samaria and, if there are disagreements between them, they should submit them for the resolution by the COGAT.
- 💡** The authorities responsible for implementing government resolutions and particularly, the Ministry of Construction and Housing, COGAT and the Civil Administration, should take action so that the new employment model relating to the employment of Palestinians in the construction industry in Israel will be implemented as soon as possible.
- 💡** The Civil Administration should improve the supervision of the mode of employment of Palestinians in Judea and Samaria and to fully utilize the enforcement tools available to it on the basis of the resources allocated to it.



💡 The Ministry of Justice and the Civil Administration should accelerate the computerization of the land registration in Judea and Samaria in order to improve the service to residents, to simplify the work processes in the land registries while saving resources, to ensure that the information is preserved and to enable the provision of up-to-date information regarding the status of real-estate rights in Judea and Samaria.

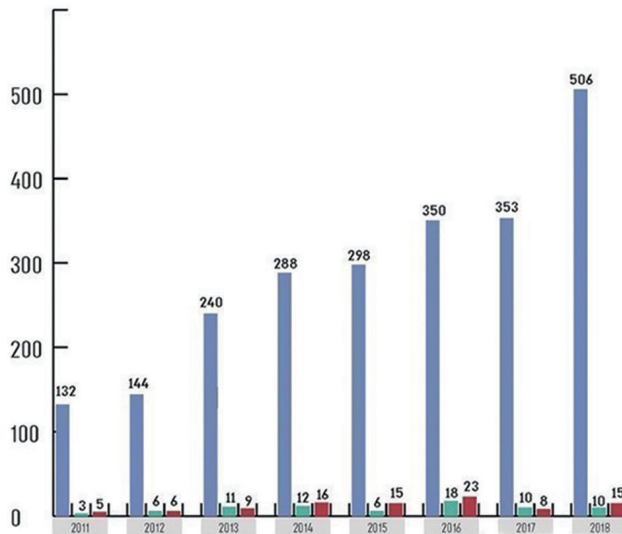
The main deficiencies



Source: according to Civil Administration data; processed by the Office of the State Comptroller.



Number of files discussed by the First Registration of Land Committee (2011 – 2018)



- First Registration of Land Committee's final decisions on local files
- First Registration of Land Committee's final decisions on Israeli files
- Number of files heard

Source: according to Civil Administration data; processed by the Office of the State Comptroller.

Summary

The audit found deficiencies in the Civil Administration's activity and in the activity of the government ministries that are responsible for providing professional guidance to the staff officers in Judea and Samaria. The rectification of the deficiencies raised in the audit, some of which have persisted for many years already, will affect the fulfillment of the Civil Administration's mission and will lead to improved service to the population in Judea and Samaria. The head of the Civil Administration, COGAT and the government ministries should be required to promptly rectify the deficiencies.



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Judea and Samaria Region

Aspects of Safety and Responsibility in Relation to Road Maintenance in the Judea and Samaria Region

Abstract

Aspects of Safety and Responsibility in Relation to Road Maintenance in the Judea and Samaria Region

Background

In the region of Judea and Samaria, in which Israel holds security and civil authorities, the IDF carries out operational activity for defense and security purposes, which include, inter alia, the following actions: the construction of various military facilities, the opening or blocking of traffic arteries and the placement of security and protective means on road infrastructures used by the IDF and by the public.

Key figures

1,500 km

length of the roads in Judea and Samaria (in Area C)¹

73

. Active IDF bases that the responsibility for maintaining the access roads to them is not agreed upon.

120

junctions and access roads to IDF bases in Israel and in Judea and Samaria have safety problems at varying degrees of severity²

272

traffic accidents occurred on roads in Judea and Samaria between 2016 and 2018, due to road deficiencies or collisions with objects

100

concrete barriers being used as protective means, which are positioned on the shoulder of the asphalt or abutting the guardrail, are installed at a nonstandard distance

14




IDF guard posts (pillboxes) that the connection between the access road to them and to the road under the responsibility of National Roads Company, has not been arranged.

-
- 1 Pursuant to the interim agreement signed in September 1995 between Israel and the Palestinian Authority, the Palestinian Authority was granted full security and civil authorities in Area A in Judea and Samaria and most of the civil authorities in Area B. Israel retained the security authorities and most of the civil authorities in Area C.
 - 2 Based on a survey conducted in 2011 by the traffic engineering department of the IDF construction center, in collaboration with IDF traffic safety officers.

Audit actions

From September 2018 to August 2019, the Office of the State Comptroller examined the issue of the responsibility for road maintenance in Judea and Samaria and the issue of the placement of various protective means on the road infrastructure used by the IDF and by the public. The audit was conducted in the IDF (in the Central Command) and in the Civil Administration in Judea and Samaria, in the Ministry of Defense, in the Ministry of Transportation, in the Israel Police, in the National Road Company and in the Ministry of Justice.

Key findings

-  Although the Deputy Attorney-General began his efforts to resolve the disagreements between the Ministry of Defense and the Ministry of Transportation with regard to road maintenance in Judea and Samaria in November 2018, the issue of the authority responsible for maintaining the roads leading to IDF bases in Judea and Samaria has not been resolved, taking into consideration all of the risks involved resulting from a failure to maintain them, including the bridge over the Og stream³ These risks – particularly the safety risks to users of these roads – still remain.
-  The lack of congruence of the geographic data in the information systems being used by the Defense Establishment regarding military facilities may, in some cases, prevent decision-making in relation to the handling of military facilities in general and in relation to maintenance of the roads leading to them in particular.
-  The IDF breakthrough roads or removed road obstacles for security reasons, and placed protective means on the roads that are under the responsibility of the National Roads Company of Israel, without coordinating this with the authorized transportation authorities and without their approval, and sometimes, without using precautions for road users. This was done without complying with the IDF's operational requirement procedure⁴ or the Ministry of Defense directives⁵ and by that endangers the safety of road users to the point of being life-threatening.






3 A road connecting Route 1 to the Nabi Musa training base.

4 The operational requirement procedure serves to regulate the mode of execution of all infrastructure actions that are based on a military operational need in the Central Command area and particularly in Judea and Samaria.

5 Ministry of Defense directives regarding the regulation of real estate and building permits.



Key recommendations

-  In light of the absence of an authority responsible for maintaining roads connecting to IDF bases, which could endanger road users, including users of the bridge over the Og River, and considering that the necessary mode of repair of the bridge has been determined, it is suggested that, until a decision is reached to determine the authority responsible for maintaining these roads, the Ministry of Transportation and the Ministry of Defense should agree specifically on the method of repair of this bridge and should take action accordingly.
-  The Deputy Attorney-General, the Ministry of Defense and the Ministry of Transportation should promptly designate the authority to be responsible for maintaining the access roads to IDF bases in Judea and Samaria.
-  It is appropriate that the Ministry of Defense and the Ministry of Transportation should conduct an updated safety survey of all roads in Judea and Samaria, particularly in relation to those roads under dispute between the Ministry of Transportation and the Ministry of Defense, and should map all of the deficiencies requiring repair. Furthermore, as soon as the decision is made regarding the authority that will bear responsibility for maintaining these roads, it is appropriate that the maintenance priorities should also be determined according to data to be received from the Israel Police and from the Palestinian Authority about Israeli and Palestinian traffic accidents that occurred on these roads, in order to reduce the potential risk to road users .
-  The Central Command and the Civil Administration should take action according to all sections of the operational requirement procedure and should ensure, in collaboration with a traffic consultant, that the repercussions of requested infrastructure actions⁶ are examined in relation to traffic aspects. If the traffic professionals issue guidelines and conditions for carrying out infrastructure actions, they should be followed, while balancing between security needs and the need to maintain the principles of road safety, in order to reduce the risk posed to road users.
-  The Ministry of Defense and the IDF should ensure congruence between the IDF's operational requirement procedure and the existing Ministry of Defense directives so that their purpose may be achieved .

⁶ The placement of security components and various types of protective means on road infrastructures that are also used by the public.

Concrete barrier adjacent to a guardrail with no space for a clear zone*



Source: Findings of an engineering inspection conducted during a police investigation of a fatal traffic accident on Route 57 at road marker 31.7 (the section between Einav and Shavei Shomron).

* "Clear zone" – the space required between the guardrail wall prior to collision and the farthest point of the guardrail after collision.

Summary

In order to enable a response to the operational needs and to ensure order and security in the public space, the IDF is taking action in the territories of Judea and Samaria from a variety of facilities and using various infrastructure and security means. This operational activity is being carried out, inter alia, using access routes and roads that are used by IDF soldiers, some of which are also used by the general public.

The existing tension between the need to ensure operational needs and the need to protect the safety of road users in the public space, requires the use of a set of procedures and instructions and tools to coordinate between the various needs, while maintaining checks and balances.

The rectification of the deficiencies specified in this report will ensure that public order, security and the safety of road users are maintained, while ensuring better coordination between all military and civil authorities responsible for security and also obligated to maintain the safety of road users.

In response to the audit findings, the IDF advised that the findings and the conclusions presented by the State Comptroller were studied, since the subject "has grave safety implications" and that "the Central Command is currently taking action to regulate and collect obstacles and elements that are deployed in the field, all while addressing the safety and security aspects and achieving balance between them."



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Organizational Issues

Classified Information – Securing it in Archives and Preventing Its Publication

Abstract

Classified Information – Securing it in Archives and Preventing its Publication

Background

Background

Every country has information that it must keep from being exposed to its citizens and to others, mainly hostile agents, who are liable to exploit such information for the purpose of harming, inter alia, national security and foreign relations. Various laws define such information inter alia, as “confidential information” or “classified information.” Most of the classified information in the State of Israel is held by entities within the Defense Establishment and, when no further use is needed of it - it is stored in the National Archive of Israel, in its branches and sometimes even in public archives. This classified archival information is disclosed to the public after time has passed, as part of the public’s right to know and pursuant to the Archives Law, 1955.

Key figures

11

archives are considered branches of the National Archive of Israel: seven were defined by law and four were recognized by the State Archivist.

22

public archives exist in Israel and hundreds of private archives

About 2.45 million

Number of classified files in the National Archive of Israel as of November 2019, 300,000 of which remain classified and were not disclosed to the public, despite the expiration of their restriction period

About 981,000

Number of classified files stored in the IDF Archive as of January 2019 which have not yet been disclosed to the public even though their restriction period has expired.



About 10,000

Number of classified files which are disclosed to the public annually, after their restriction period has expired.







About 7,100

Number of classified files disclosed to the public on average each year by the IDF Archive between 2000 and 2016

Audit actions

-  From July 2018 to March 2019, the Office of the State Comptroller conducted an audit regarding the storing of classified materials in all of the archives, and the exposure of classified information to unauthorized parties during the writing and publication of books by incumbent and former elected officials and civil servants. The audit was conducted, inter alia, in the National Archive of Israel and its branches and in additional archives; in the Ministry of Justice; in the Mossad; in the Israel Security Agency; in the IDF and in the Ministry of Defense.
-  The subcommittee of the Knesset State Control Committee decided not to submit to the Knesset and not to publish parts of this report for national security reasons, pursuant to section 17 of the State Comptroller Law, 1958 [Consolidated Version]. The classification of these parts does not prevent the understanding of the fundamental issues raised in this audit.

Key findings

-  **Disclosure of archival materials** – 300,000 classified files in the National Archive of Israel and 981,000 classified files in the IDF Archive were not disclosed to the public, despite the expiration of their restriction period, without requesting permission from the relevant ministerial committee.
-  **Classified materials in archives “constituting part of the National Archive of Israel”** – even though classified materials are stored in such archives, their security has not been regulated and it is unclear whether the Regulation of Security in Public Bodies Law, 1998 applies to these archives.
-  **Classified materials in public and private archives** – classified materials are stored in these archives, even though the security of these archives is not regulated by law. Consequently, there is a risk of exposure of classified information.
-  **Double examination of materials in the National Archive to prevent leaks of classified information** – the examination is performed by both the Publication Department of the National Archive and by the Censorship. This double examination is inefficient and could cause a waste of public resources.
-  **State Archivist’s supervision over public archives** – for years, directors of public archives have not been submitting annual reports to the State Archivists, as stipulated in the Public Archives Regulations.
-  **Disclosures of classified information during the process of writing books** – during the production of books being authored by incumbent and former elected officials and civil servants, people involved in the publishing process are exposed to classified information, even though they have no security clearance to view it.








Action undertaken by the Director of Security of the Defense Establishment in regard to archives– the Office of the State Comptroller commends the action undertaken by the Director of Security of the Defense Establishment (MALMAB) to prevent leaks of classified information stored in various archives, particularly in public and private archives. However, the law has not delegated MALMAB the authority to do so, and its activity is therefore contingent upon the State Archivist's authorization and the consent of archive's directors.

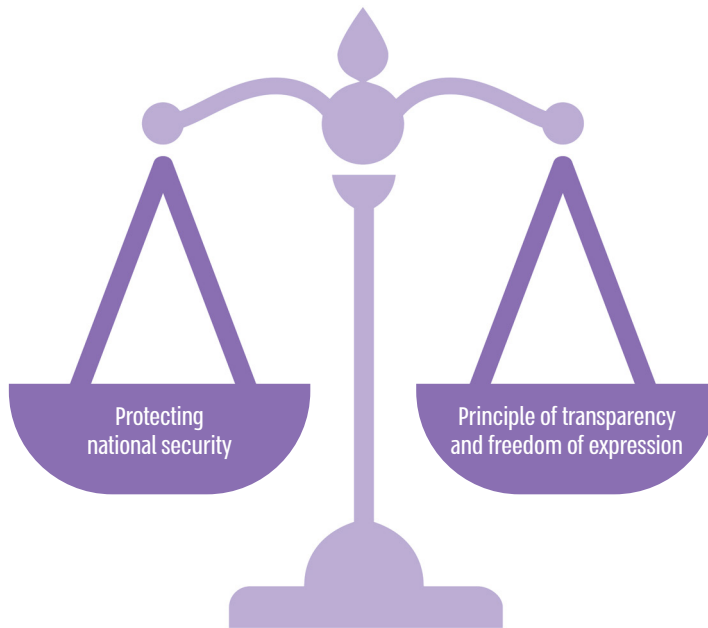
Uploading of digital records and making them accessible to the public on the National Archive's website – the Office of the State Comptroller commends this activity. However, the ability to upload classified digital archival materials is limited.

Team of “ghostwriters” in the Ministry of Justice – the Office of the State Comptroller commends the formation of a team of “ghostwriters” in the Ministry of Justice to prevent the possibility of classified information being disclosed to people involved in the publishing of books authored by incumbent and former elected officials and civil servants. Its work is underway.

Key recommendations

-  The State Archivist, in collaboration with the IDF Archive, the Ministry of Justice, the Prime Minister's Office and the Cabinet Secretariat should act to find a solution for the difficulties in convening the interministerial committee for granting permission to peruse classified archival material, as mandated by the Archives Law.
-  The State Archivist should refer to the Attorney-General the question of whether the Regulation of Security in Public Bodies Law applies to archives “constituting part of the National State Archive.” Alternatively, he should consider how to properly regulate the issue of securing classified materials in these archives.
-  The Israel Security Agency should lead joint work, in collaboration with the Ministry of Public Security, the State Archivist, MALMAB and the Attorney-General, on the issue of classified materials being stored in public and private archives, and decide upon the mode of action to resolve this issue. Until such mode of action is formulated, the Israel National Security Council, in collaboration with other relevant authorities, should continue taking action to advance the delegation of responsibility for handling all classified materials in public and private archives.
-  The State Archivist, in collaboration with the Military Censor and the director of the IDF Archive, should refer to the Attorney-General the dispute over the Military Censor's authority to examine classified archival materials.
-  The Attorney-General should ensure that the team of “ghostwriters” completes its work, and the Ministry of Justice, after examining the team's recommendations, should formulate preventive and enforceable solutions in this regard.

The dilemma between making information accessible to the public and the risk of disclosure of classified information



Summary

In a democratic state, balance must be maintained between the principle of transparency and freedom of expression on the one hand, and safeguarding national security and preventing exposure of classified information on the other hand. Classified materials are being stored in National Archive of Israel and in public and private archives. Classified information is also in the possession of incumbent and former elected officials and civil servants who wish to publish books. The right of the public to peruse archival material and the right of persons to publish books are basic rights, but these rights must be exercised in a manner which allows for the safeguarding of classified information. The audit found gaps in the regulation of the security rules relating to these issues, which pose a risk of leaks of classified information.



Office of the State Comptroller
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Organizational Matters

Master Plan for Construction in the Mossad

Abstract

Master Plan for Construction in the Mossad

Background

In February 2013, the Prime Minister decided “to leave the Mossad headquarters in its place while guaranteeing its ability to function”; in August 2014, a tripartite agreement was signed (between the Mossad, the Ministry of Finance and the Israel Lands Authority) for carrying out Stage 1 of a construction master plan and for financing it; prior to this, the Mossad had formulated the “2040 Master Plan” for fulfilling the Mossad’s construction and infrastructure needs until 2040. The master plan includes a wide-scale, resource-intensive project designed to fulfill the Mossad’s operational needs as deriving from its designated mission.

Key figures

ILS 1.5 billion

cost of the tripartite agreement for the performance of Stage 1 of the master plan




ILS 1.081 billion

the additional cost for Stage 1 of the plan if all of its components are completed



About ILS 2.6 billion




total cost of Stage 1 if the Mossad completes all components of the plan

Audit actions

-  The Office of the State Comptroller conducted an audit of the Mossad's construction master plan. The audit examined the various aspects of the master plan – examination and approval of the plan, validation of the Mossad's needs, work interfaces between various bodies and the planning for its execution. The audit was conducted between August 2016 and May 2018: in the Mossad, in the Prime Minister's Office, in the Ministry of Finance (in the Budget Division and in the Accountant-General's Division), in the Israel Lands Authority, in the Civil Service Commission and in the Ministry of Intelligence Services.
-  The audit focused on the following main aspects: delineating the Mossad's human resources needs as a foundation for the master plan; the decision-making process that led to the formulation of the master plan and the decisions about the partial financing of Stage 1 of the plan (Stage 1 is scheduled to be completed by 2021).
-  The subcommittee of the Knesset State Control Committee decided not to submit to the Knesset and not to publish parts of this report for national security reasons, pursuant to section 17 of the State Comptroller Law, 1958 [Consolidated Version]. The classification of these parts does not prevent the understanding of the fundamental issues raised in this audit.

Key findings


-  **The Mossad did not complete comprehensive work to examine its maintenance costs**, based on a detailed multiyear plan for increasing its human resources, although it stated that it would perform this work as part of its response to Team A's comments on the 2040 Master Plan from March 2012. This examination of the maintenance costs is a basic stage in delineating the requirements that the master plan is intended to provide for the Mossad's needs and requirements in the coming years.
-  **Deficiencies were found in the delineation of the Mossad's human resources needs as a foundation for the master plan**, which is intended to provide a solution for the increase in the number of its employees. The Mossad based its forecasts regarding the expected increase in its human resources on the characteristics of the actual increase in previous years, and did not examine the increase in manpower needed against the missions that they are tasked to carry out. In particular, the audit found that the tasks were not analyzed, the work load imposed on the employees in their various roles was not examined and an analysis of missions was not performed – which should have been used to derive the number of designated officials required to carry out those missions and the required staff and support officials.

-  When approving the project, a solid normative foundation had existed, which should have been used as a compass for the National Security Council in relation to orderly and obligatory conduct during the process of approving the project. **The National Security Council should have served as a watchful eye of the project at the national level**, and that being the case, it should have been a central axis in the decision-making proceeding regarding the Mossad's construction master plan, considering its operational importance and, at the same time, considering its high financial cost.
-  **The construction master plan and the project budget were not submitted for the approval of the Prime Minister as the minister in charge and subsequently, the plan and budget were not submitted for the approval of the interministerial committee** for approving the Defense Establishment's development and procurement plans as is required for projects with estimated costs exceeds the amount of ILS 500 million (in a multiyear budget).
-  **The Mossad did not reach an agreement with the Ministry of Finance on the project's full budget, up until the audit completion date**, even though the plan had initially been budgeted, as stated, at the sum of about ILS 1.5 billion. If the Mossad carries out the full project contents that it presented, then about ILS 1.081 billion will be added to the costs of the master plan, which are expected to total about ILS 2.6 billion.



he Mossad prepared a multiyear master plan for construction in the Mossad. The master plan includes a wide-scale project designed to fulfill the Mossad's operational needs as deriving from its designated mission.

Key recommendations

-  The Office of the State Comptroller recommends that the Mossad should submit major combat-support construction projects at the required costs to the approval of the minister in charge – the Prime Minister – and through the National Security Council for approval by the relevant interministerial committee. The Office of the State Comptroller also recommends that all project costs should be approved prior to launching the projects, even in instances of a budget according to stages.



Summary

The Office of the State Comptroller commends the Mossad for the preparation of a multiyear master plan for construction in the Mossad. The master plan includes a wide-scale, resource-intensive project designed to provide a solution for the Mossad's operational needs as deriving from its designated mission. However, deficiencies were found in the delineation of the Mossad's human resources needs as a foundation for the master plan, in the decision-making proceeding regarding the master plan and in the arrangement of the financing of the execution of the plan.



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CHAPTER TWO

Government Ministries

Abstract



Office of the State Comptroller
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Government Ministries

**The Project of the
Construction of a
New Building for
the Prime Minister's
Office and Residence**

Abstract



The Project of the Construction of a New Building for the Prime Minister's Office and Residence

Background

"Project Almog" (hereinafter – the Project or Project Almog) is an initiative for the construction of a new building for the Prime Minister's Office and an adjacent official residence for the Prime Minister. The main purpose of the Project is to provide security protection and functional infrastructure to the Prime Minister and to core leadership that will ensure their survivability and the continuity of their activity during routine and emergencies. The Project was planned to be constructed in an area within the bounds of the government complex in Jerusalem. The tender proceedings for planning the Project began in 1995 and its planning procedure began in 2000 but its promotion was later suspended. In February 2009, the government decided to resume advancing the Project. In April 2009, the government decided to freeze it due to budgetary considerations, but clarified that some of its planning actions may proceed. In May 2014, the government decided to resume the Project. In October 2018, the promotion of the project has been stopped and, on the audit completion date, construction in an alternative location is being considered.

Key figures

ILS 650 million

the Project's original estimated cost in 2009. The net area of the Project in 2009: 13,670 m².

ILS 1.2 billion

the Project's updated estimated cost in 2018. The net area of the Project in 2018: 13,976 m². The reason for the price increase in the Project was, inter alia, updates to the protection requirements.




ILS 6.5 million

cost of the architectural planning and of advancing the Project's statutory proceeding since the original presentation of the Project to the government and up to 2019.


ILS 50 million

the estimated cost, on the audit completion date, of temporary protection measures for the Prime Minister's official residence until the Project is completed.




Audit actions

-  From April to August 2019, the Office of the State Comptroller conducted an audit with regard to the Project. The following subjects were examined during the audit: the delay in constructing the Project; the strategic work examining the construction in the vicinity of the Project and the Project management. The audit was conducted in the Prime Minister's Office, in the National Security Council, in the Property, Procurement and Logistics Unit in the Accountant-General's Department in the Ministry of Finance and in the Israel Security Agency.
-  Supplementary examinations were conducted in the Cabinet Secretariat, in the Budget Department in the Ministry of Finance, in the Engineering and Construction Department in the Ministry of Defense and in the Office of the Jerusalem Municipal Engineer. The audit focused on the months between December 2015 and August 2019.
-  The subcommittee of the Knesset State Audit Committee decided not to submit to the Knesset's agenda and not to publish parts of this report for national security reasons, pursuant to section 17 of the State Comptroller Law, 1958 [Consolidated Version]. The withholding of parts of this section does not prevent the understanding of fundamental issues in this audit.

Key findings

-  **Delay in the planning and construction of the Project** – on the audit completion date, about four years after the cabinet decision of December 2015 was made, whereby the construction of the residence would be completed by June 2018 and a outline for constructing the office would be presented “shortly,” the design of the Project has not been completed, its construction has not yet started and the feasibility of its construction is cast in doubt – this, despite the professionals' clear position concerning the need for the rapid advancement of the Project. As a result, main national interests are being jeopardized.
-  **Planning changes in the vicinity of the Project were not examined** – from December 2015 and until the end of 2018, the General Security Service formulated its professional position concerning the Project based on the planning information that was correct to 2007, and failed to take into account planning changes that occurred since then, such as the plan for the entrance to the city and the route of the light rail. The Israel Security Agency received an update regarding all of the changes only at the end of 2018, and it became evident that these changes are causing security problems. As a result, the Project was frozen and its construction in an alternate location is being considered. The delay in examining the updated planning information caused precious time to be wasted in the planning and construction of the Project and the wasting of financial and nonfinancial resources.








-  **Delay in examining the Project's updated protection requirements** – although the project team's strategic work updating the Project's planning requirements (the program) began in January 2016, the Israel Security Agency initiated a re-examination of the protection-related planning requirements only in January 2017, and the Head of the National Security Council at that time instructed the Israel Security Agency to submit its requirements only in July 2017. In August 2017, about a year and a half after the strategic work had commenced, the Israel Security Agency submitted most of its requirements, at a financial volume of ILS 270 million. As a result of this delay, strategic work was performed over about a year and a half that was based on outdated protection requirements, which required the performance of about another eight months of strategic work in order to adapt the updated requirements to the defined budget framework.
-  **The architects haven't received complete and updated information** – the Project managers, the Head of the National Security Council at that time and the director of the Property Unit in the Accountant-General's Department failed to ensure that the architects received all of the latest required information in order to design the Project. Furthermore, planning issues in the program and in the security requirements were left unresolved. All these caused a delay in planning the Project.
-  **Lack of activity of The committee for removing obstacles** – from the time the committee was formed in May 2014 and until August 2019, the committee did not convene even once, and not one document was found that documented its activity – despite the fact that material obstacles arose during the process of managing the Project, as well as major differences between the planned timetables and the actual timetables.



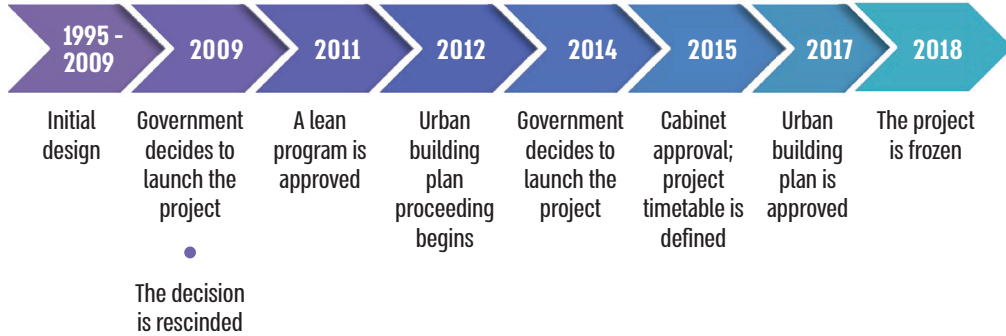
The planning aspect of the Project was advanced – subsequent to the government decision to freeze the Project due to budget considerations in 2009, the Property Unit in the Accountant-General's Department, in collaboration with the Budgets and Projects Unit in the Prime Minister's Office, took action to advance the Project's planning proceedings in order to improve the efficiency of the future management of the Project when the execution budget is approved. The proceedings to approve the urban building plan for the Project began in December 2012 and, in May 2017, the Project program came into effect after it was approved by the District Planning and Building Committee in the Jerusalem District.

Plans for the temporary protection of the current buildings of the Prime Minister's office and residence were prepared – the Security and Emergency Unit in the Prime Minister's Office began advancing the preparation of a plan for the interim protection of the residence in 2019 in order to provide the required solution due to the delay in implementing the Project. The acting Director-General of the Prime Minister's Office approved the plan, but it was only budgeted. At the end of 2019, the acting director-general of the Prime Minister's Office approved another plan for the interim protection of the building of the Prime Minister's Office, but this plan has not yet been budgeted.

Key recommendations

-  **Passing a government resolution regarding the future of the Project** – the acting director-general of the Prime Minister's Office should promptly examine alternative locations for the Project and ensure the submission of the alternatives to the government for decision-making. He should also propose the appointment of one body to be delegated the responsibility for implementing the resolution.
-  **Advancing the interim protection of the existing office and residential buildings** – it is suggested that the acting director-general of the Prime Minister's Office, in collaboration with the Israel Security Agency and other relevant professionals, should ensure that the planned temporary solutions for protecting the office and the residence are implemented as soon as possible.
-  **Regulating the Israel Security Agency's monitoring of the environmental planning aspects of the facilities under its purview** – it is suggested that the Israel Security Agency should create a mechanism that will ensure the organized periodic examination of all planning aspects that are required in relation to the provision of security to the Prime Minister in his existing permanent facilities and in future facilities. It is advisable that this recommendation should also be considered in relation to additional facilities under the purview of the Israel Security Agency.
-  **Coordinating and forwarding of information** – the Property Unit in the Accountant-General's Department should ensure that, when managing unique projects involving complex management, which as this Project, involves many partners and diverse professional disciplines, special attention is paid to the exchange of coordinated, orderly and clear information among all relevant professionals involved.
-  **Removing obstacles** – it is proposed that the acting director-general of the Prime Minister's Office should take action to ensure that an active and effective mechanism is implemented to supervise and control the management of the Project. This mechanism should require compulsory periodic updating regarding the progress of the Project, should ensure conformance to timetables, the resolution of disputes and the removal of obstacles, either within the scope of the activity of the committee tasked with removing obstacles or within some other framework.

Key milestones in Project Almog



Source: Accountant-General's Department, the Prime Minister's Office, government and cabinet resolutions; processed by the Office of the State Comptroller

Summary

This report, which reviews the mode of management of the Project in recent years, has three main purposes. Inter alia, the report presents several deficiencies in the Project management so that they will be used as a basis for drawing conclusions, both for the continuing management of this Project in the coming years and for the implementation of future complex projects. On the audit completion date, the decision-makers are standing at a crossroads in terms of the very construction of the Project, its location and mode of management. This report emphasizes the need for meticulous decision-making that will lay a stable foundation ensuring orderly and efficient action in the near future.



Office of the State Comptroller
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**Ministry of Finance | Israel
Tax Authority**

**Tax Authority's
Supervision of
the Land Border
Crossings**

Abstract

Tax Authority's Supervision of the Land Border Crossings


Background

There are seven international land border crossings at the borders of the State of Israel, which are used by Israel and its neighbors. There are also internal land crossings between the State of Israel and the Palestinian Authority. The role of the Israel Tax Authority at border crossings is, inter alia, to enforce the law as it pertains to the legality of imports and exports and to collect taxes. For this purpose, the Tax Authority must inspect incoming and outgoing passengers, goods and vehicles at Israel's border crossings.






Key figures

7	3.41 million	ILS 5.6 billion	ILS 32.7 billion
land border crossings between the State of Israel and neighboring countries	travelers passed through the land border crossings between the State of Israel and Jordan in 2018	volume of trade between the State of Israel and Jordan in 2018	volume of trade between the State of Israel and the Palestinian Authority in 2018. According to the Tax Authority, about 22% should be added to this sum for unreported trade
1.1 million	ILS 1.25 billion	ILS 1.7 million	802
travelers passed through the land border crossing between the State of Israel and Egypt in 2018	tax loss resulting from smuggling originated in the Palestinian Authority	total administrative fines imposed in 2018 on those smuggling prohibited goods or transferring goods without documentation from the Palestinian Authority into Israel	smuggling of prohibited goods or transfers of goods without documentation from the Palestinian Authority into Israel were caught in 2018

Audit actions

 From August 2018 to February 2019, the Office of the State Comptroller audited the Tax Authority's activities at the land border crossings. The audit was conducted in the Tax Authority Management, in the designated staff unit in the Tax Authority, in the customs units at the border crossings and in the customs units at the internal border crossings in the Judea and Samaria region and in the Gaza Strip region.

Key findings





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-  Particular deficiencies were found in the Jordan River and Allenby customs offices and at the interior border crossings between the State of Israel and the Palestinian Authority.
 -  Employees of the Tax Authority at the Allenby border crossing are exposed to violence directed against them as a result of the lack of presence by the Israel Police there.
 -  The sanctions defined for purposes of enforcement and deterrence from committing offenses, such as an administrative fine and a monetary sanction, are inadequate to deter those who frequently commit these offenses from breaking the law. Instances were found where the value of the smuggled goods reached hundreds of thousands of shekels and, in one major incident, the value of the VAT and purchase tax on the smuggled goods reached ILS 1.8 million.
 -  The State of Israel transfers to the Palestinian Authority all of the import taxes that it collects for imports of goods intended to be sold within the jurisdiction of the Palestinian Authority. The audit found that, in 2018, only 59.1% of the imported cargos intended for the Palestinian Authority passed into its jurisdiction through official border crossings. Consequently, there is a concern that the goods that did not pass through the official border crossings remained in Israel and were sold in Israel. Consequently, Israel lost hundreds of millions of shekels that it transferred to the Palestinian Authority in respect of tax payments for goods that were ostensibly transferred to its jurisdiction – this in addition to the losses of VAT and income tax revenues from the unreported sales of the goods in Israel.



A new inspection station is operating at the Allenby border crossing that enables swift and convenient simultaneous inspections of four vehicles. Additionally, a new and advanced x-ray machine began operating at the Allenby border crossing in January 2018 that x-rays shipping containers, instead of the previous pallet scanner.

In 2017, inspectors in the Tax Authority administration operating in the Judea and Samaria and Gaza Strip regions caught 376 and 296 actions of smuggling prohibited goods or goods without appropriate documentation, respectively, and seized the goods; in 2018, inspectors in the Tax Authority administrations caught 410 and 392 actions of this kind, respectively.

Key recommendations

-  The Tax Authority should regularly use canines to detect drugs and money during inspections at border crossings.
-  The Israel Police should assign a police presence at the Allenby border crossing during all hours of its operation, who will maintain public order and prevent any violence against any officer performing a role at the border crossing on behalf of the State of Israel.
-  The Tax Authority should take action so that the enforcement and sanctions imposed on felons who transfer goods without appropriate documentation, and particularly tobacco and tobacco products, will be proportionate to the number of offenses that they committed and as soon as possible after the offense is committed.
-  The Tax Authority should take action to prevent and deter instances of goods arriving as imports and intended for the Palestinian Authority from leaking into the jurisdiction of the State of Israel. Additionally, the Tax Authority should promote the matter of electronic tracking devices on shipping containers intended for the Palestinian Authority in order to prevent smuggling of goods or transfer of goods other than through border crossings.

Loss of tax revenues to the State as a result of the smuggling of tobacco and cigarettes

Loss of VAT revenues to the State and of purchase tax on cigarettes totalled ILS 1.7 billion in 2017



Every year, 60 million packs of cigarettes are smuggled into Israel at the cost of ILS 1.32 billion

Furthermore, the illegal trade of smuggling of tobacco from the Palestinian Authority reaches about 400 tons of tobacco, out of which 55 million packs of cigarettes may be produced



Summary

The audit by the Office of the State Comptroller raised difficulties preventing the smuggling of goods through the border crossings. According to a Tax Authority estimate, the loss of taxes caused to the State of Israel as a result of smuggling and goods transfers without appropriate documentation is exceedingly high and reaches hundreds of millions of shekels. Some of the failures that were found could also pose a threat to national security. The Tax Authority should initiate a process to prevent smuggling at the border crossings and to enforce the tax laws as required. The Tax Authority should examine its tasks and objectives and ensure that conditions are created that will enable its employees to fully perform their roles.



Office of the State Comptroller
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Ministry of the Interior | Population and Immigration Authority

Control over the Border Crossings

Abstract

Control Over the Border Crossings

Background

The Israel Airports Authority generally operates the air and land border crossings by virtue of its authorities pursuant to the Airports Authority Law, 1977. The Population and Immigration Authority is responsible for the border control at these border crossings and at all other international border crossings. The Population Authority is required to provide efficient service to travelers at the border crossings and to prevent people from entering the jurisdiction of the State of Israel if there are any national security or criminal concern regarding their entry into Israel or if there is a concern that they are seeking to illegally immigrate to Israel, and to prevent people whose departure has been banned by judicial and law enforcement authorities from leaving Israel.

Key figures

29.1 million

Number of entries and exits registered at the border crossings in 2018

80%

Percentage of travelers passing through Ben-Gurion International Airport out of all travelers passing through border crossings

200%

Growth rate in the number of biometric stands placed at the border crossings from July 2017 until July 2019

781%

Growth rate in the number of cases where the State of Israel has denied tourist applications to enter its jurisdiction from 2012 until 2018


800%

Growth rate in the number of police investigations opened from 2017 until 2019 against Israelis passing through Ben-Gurion Airport due to suspicions of violations of the Entry into Israel Law




15 years




The timeframe that has elapsed since the drafting of a legislative amendment to regulate the obtaining and storing of biometric means of identification from foreign workers has begun and not yet been finalized

Audit actions

 From April to August 2019, the Office of the State Comptroller examined the following issues: the waiting time for border inspections at Ben-Gurion Airport; the extent to which the Population Authority is meeting the challenges of the border control array; the control over border inspections; and the infrastructures of the information to identify foreign travelers during border inspections. The audit was conducted at the Population Authority. Supplementary audits were conducted in the Israel Airports Authority, in the National Security Council in the Prime Minister's Office, in the Ministry of Justice and in the Israel Police. It should be noted that the audit engaged only in inspections of the Population Authority conducted to entering and exiting travelers.

Key findings

-  **Preliminary information about foreign travelers** – unlike dozens of other countries, the State of Israel does not usually collect information for the purpose of conducting border inspections, regarding foreign travelers en route to Israel prior to their departure from their country of origin. The border inspection array's lack of preliminary information regarding foreign travelers seeking to enter the jurisdiction of the State of Israel prevents any improvement in the control over their entry, and could also impede the system's ability to prevent entry by people for security or criminal reasons, as well as entry by illegal immigrants.
-  **Inspections of foreigners at the entrance to Israel** – the border inspection system allows some tourists to enter Israel after a very brief inspection, even when at issue are citizens of four countries that high percentage of their citizens are illegally residing in Israel. There is a concern that, although one of the two purposes of the system is being achieved – the provision of swift service to travelers at the border, the achievement of its second purpose is sometimes inadequate – preventing people from entering Israel due to security or criminal concerns or if there is a concern that they are seeking to illegally immigrate to Israel.
-  **Control over border inspections** – the Border Inspection Administration has not conducted a comprehensive supervising process over the border inspection system in more than three years, a period during which there has been an eightfold increase in the number of instances of which suspicion arose regarding illegal entry into Israel through the Ben-Gurion Airport border crossing, and it did not obtain information regarding the way of entry of these foreigners into Israel. Furthermore, the Administration's computerized system is lacking critical reports for the purpose of controlling the border crossings.

-  **Regulation of the authority to take fingerprints from foreign workers arriving to work in Israel and to store them in a database** – a legislative amendment to regulate this issue is being formulated for 15 years, and the process has not yet been finalized. Therefore, as of August 2019, a foreign worker's entry into Israel is contingent upon the documentation of fingerprints, which are being kept/stored in a database containing biometric information regarding half a million foreigners, not by virtue of specified legislated authorization.
-  **Defining the maximum waiting time for a foreign traveler's interview** – the Population Authority has not defined the maximum waiting time of a foreign traveler for an interview, in the event that a suspicion arises that he is seeking to enter Israel for a different purpose than his declared purpose, and the actual waiting time has not been measured. That being the case, it is impossible to know for how long travelers have to wait for this interview, or whether the service to the public in this regard requires improvement.
-  **The area intended for questioning foreigners at Ben-Gurion Airport** – is a small area, and the number of seats in it cannot accommodate all those waiting.







The short waiting time for border inspections – the waiting time for travelers exiting Israel during the summer months between 2015 and 2019 was shorter than the defined target. The Office of the State Comptroller commend the short waiting time for the provision of this service to the public.

Installations of fast-track biometric stands at border crossings – since the Biometric Database Law came into effect on all residents of Israel, the number of biometric stands at border crossings has increased by 200% from June 2017 until August 2019.

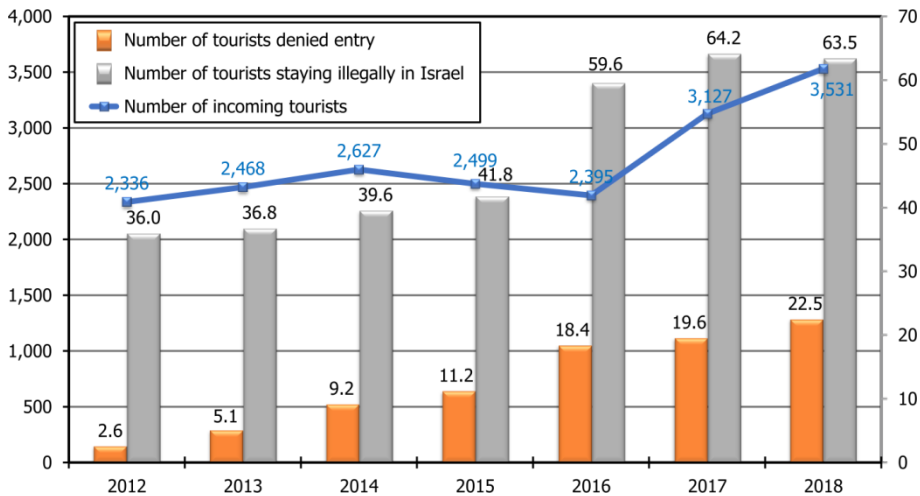
Establishment of advanced information systems for border inspections – the Office of the State Comptroller commend the actions the Population Authority took to establish these systems. However, for reasons of efficiency and savings, the Authority should ensure that there is no redundancy between a project that it is advancing in this regard and a similar project that the National Security Council is advancing.

Key recommendations

-  The Population Authority, in collaboration with the National Security Council, should take action to establish computerized systems to obtain preliminary information about foreign travelers.
-  The Population Authority should ensure that the border inspection system is operating with determination to achieve the two fundamental purposes of its activities: to provide swift service to travelers at the border crossings and to prevent people from entering Israel's jurisdiction for security or criminal reasons or if there is a concern that they are seeking to illegally immigrate to Israel.
-  The Border Inspection Administration should: formulate an annual control program and take prompt action to implement it; consider the possibility of developing management reports in the computerized system to improve the control over the border crossings; and to also use information available in the Enforcement and Foreign Workers Administration regarding the mode of entry of illegal aliens into Israel.
-  The Population Authority should: define the maximum timeframes for all stages of the questioning of tourists at Ben-Gurion Airport; measure the actual duration of the questioning; and ensure that the rules that it sets are being followed. The Population Authority and the Airports Authority should also ensure adequate conditions for travelers who are waiting to be questioned.



Increase in the number of incoming tourists, the number of entry applications that were denied and the number of tourists who stayed illegally in Israel, 2012 – 2018 (in thousands)



Source: the Population Authority; processed by the Office of the State Comptroller

Summary

The border inspection system is designed to achieve two purposes: one – to provide swift service to travelers at border crossings; and two – to prevent people from entering Israel's jurisdiction due to security or criminal reasons or when there is a concern that they are seeking to illegally immigrate to Israel. The set of audit findings raises a concern that, while the first purpose is being achieved, the second purpose is sometimes underachieved.

Considering these findings, it is becoming increasingly important for the Population Authority to perform high-quality, comprehensive control over the border inspection system, and to improve the information infrastructures for identifying foreign travelers. However, deficiencies were found in both areas. The lack of information infrastructure regarding foreign travelers before they reach Israel and a lack of control over the system is liable to endanger the State due to entry of foreigners involved in criminal activities or in terrorist activities to Israel and to expose it to illegal immigration. These deficiencies also might affect Israel's public image and cause inconveniency and unnecessary costs to foreign travelers and if their application to enter Israel is denied.



Office of the State Comptroller
Annual Report 71A | 2020

CHAPTER THREE

State Institutions, Government Companies and Corporations

Abstract



Office of the State Comptroller
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State Institutions, Government Companies and Corporations

Tevel Project for Upgrading the Computing Systems in the National Insurance Institute

Abstract

Tevel Project for Upgrading the Computing Systems in the National Insurance Institute

Background

The Tevel Project for upgrading the computing systems at the National Insurance Institute is one of the largest, most complex and expensive computer projects in the public sector in recent years. The purpose of the project is to improve the service to the public through the implementation of central data infrastructure that will provide a comprehensive view of each insured, while focusing on the full exercise of his rights. The project began in 2010 and was scheduled to continue until 2020. Difficulties arose over the years in managing the project and many delays were caused.

Key figures

ILS 89.2 billion

the total sum of the pension benefits paid by the National Insurance Institute in 2018¹

3.04 million people

the number of pension recipients from the National Insurance Institute in 2018²

47 and 34 years

the ages of the information systems supporting the main pension categories - "old age and dependents" and "general disability," respectively

ILS 123 million

estimate of the annual reduction in overpayments and underpayments to insureds if the Tevel Project is fully implemented³

ILS 755 million



the budget utilized in the project up until the audit completion date,⁴ which reflects an increase of about 58% comparing to the budget approved for the project in 2009 (which was ILS 477 million)

November 2016





the initial operation date of the system in the project: the medical committees system relating to work injuries, which considerably improved the work processes (shift to work using computerized customer files)

- 1 Estimate including administrative expenses, according to the National Insurance Institute's budget proposal for 2019.
- 2 This number does not include 2.7 million children in the "Savings for Each Child" program.
- 3 Based on estimates presented by the project manager to the steering committee in June 2017.
- 4 This sum is based on National Insurance Institute data, whereby the budget utilization totalled about ILS 705 million, and on the Office of the State Comptroller's estimate totalling about ILS 50 million in respect of additional costs (such as direct human resources and consultants).

Audit actions




-  From February to November 2019, the Office of the State Comptroller conducted an expanded follow-up audit of the Tevel Project in the National Insurance Institute. The audit examined mainly the management of the project contents, its budget and work plan, including the rectification of deficiencies that the State Comptroller had pointed out in his report from 2015. Information security aspects of the project and the professional relations with the Government Information and Communication Technology Authority in the of the Prime Minister's Office were also examined.
-  The subcommittee of the Knesset State Control Committee decided not to submit to the Knesset and not to publish parts of this report for national security reasons, pursuant to section 17 of the State Comptroller Law, 1958 [Consolidated Version]. The classification of these parts does not prevent the understanding of the fundamental issues raised in this audit.

Key findings

-  The National Insurance Institute implemented several important and advanced systems within the framework of the project, but it is only a small portion of the systems originally planned in 2009: out of 31 systems in the core content, only 5 systems were implemented after a decade had passed since the launch of the project, and even this, only partially compared to the planning.⁵
-  Notwithstanding the partial execution of the contents, the budget utilized by the audit completion date exceeded the original planned budget by about 58% (about ILS 755 million were utilized, while the original budget approved for the project in 2009 was ILS 477 million).
-  As a result of the crisis that the project encountered in 2017, the National Insurance Institute re-examined its status and delineated the plan for continuing the project until the end of 2019, which included leaner content than in the original planning. It was found that a substantive delay in the planned activities occurred in 2019 due to numerous problems – this after most of the budget approved for the project had already been utilized.
-  It was found that the project budget did not include all of the direct costs attributed

5 The insureds system was implemented in relation to customer data but not in relation to the insurance; a financial services system was implemented in relation to pension benefits but not in relation to collections; a medical committees system was implemented solely in relation to work injuries; and general disability and special services systems (including medical committees) are in deployment stages.

to the project, such as direct human resources and engagements with consultants. These costs totalled about ILS 50 million for 2010 – 2019⁶ (about 7% of the inclusive cost of the project).

-  During the first half of 2019, the National Insurance Institute continued implementing the project without reaching an agreement between the entities involved concerning the existence of a detailed annual work plan. This could damage the performance of the budgetary control over the project as is required.
-  Within the risk survey performed by the National Insurance Institute for all information systems in the organization, some of the teleprocessing and information-security risks were mapped, but the feasibility of each risk and the potential damages were not estimated, even though some of the systems contain sensitive information.
-  The National Insurance Institute performed resiliency tests for one of the Tevel systems more than one year after the system was already activated.




In recent years, there has been significant improvement in the National Insurance Institute's senior management's involvement in the project. This involvement contributed to the resolution of material problems advancing the project and led to an examination and improvement of the work processes.

The National Insurance Institute's decision to form a budget control team headed by its comptroller contributed greatly to improving the individual supervision and control of the project budget.





The involvement of the National Insurance Institute's employees (the system's customers) in the various project implementation proceedings, and mainly in the assimilation stages, is an important component of its success.

Key recommendations

-  The National Insurance Institute should: analyze the reasons for the instances of nonconformance with the timetables and for the problems implementing the content; appoint a senior officer to be responsible for approving the changes in the project; and examine the existing work processes that may be simplified in order to reduce the number of necessary developments. It is also advisable to examine the attribution of all project costs to its budget.

⁶ According to the Office of the State Comptroller's estimate.







-  The National Insurance Institute should make sure that the project will operate according to the detailed annual work plan agreed upon by all stakeholders involved in order to enable optimal allocations of its resources and supervision of its progress.
-  It is advisable that the National Insurance Institute should tighten its professional relations with the Government Information and Communication Technology Authority in relation to the project in order to reap benefit from the authority's experience in finding solutions to problems that arose during the project.
-  It is appropriate that the National Insurance Institute should examine ways to expand its cooperation with the Government Information and Communication Technology Authority and the professional knowledge exchanges between them also in relation to additional teleprocessing issues in order to improve the efficiency of the service to the public. It is also advisable to consider adding the National Insurance Institute to the gov.il website, which assembles all of the government services and information for citizens, and to consider information sharing between the National Insurance Institute and government ministries within the framework of the government resolution of 2016,⁷ which would contribute to promoting the concept of "the insureds are in the center."
-  The National Insurance Institute should regularly and thoroughly manage information-security risks in the Tevel systems during all project stages, should rectify at maximum speed all deficiencies found during the resiliency tests being conducted on these systems and should take action to conduct resiliency tests in every additional system that shall be established in the Tevel Project before it is activated.

⁷ Government Resolution 1933 – "Improving Government Information Transfers and Making Government Databases Accessible by the Public." [30.8.16].

The project's original planning in 2009 and the implementation status in July 2019

According to National Insurance Institute data; processed by the Office of the State Comptroller.
Diagram texts:

	Original planning in 2009	Actual implementation up to July 2019
 Budget	477 ILS million	755 ILS million
 Project completion timetable	11 years until 2020	Unknown
 Core content	31 systems	5 systems*
 HQ content (ERP)	10 modules	3 modules

*partially



Summary

Tevel is a resource-intensive, technologically complex project that is expected to continue for another few years. The progress in the project is of high importance, both in terms of the need to improve the service to insureds and in terms of other aspects, such as preventing errors in the exercise of the insureds' rights and savings in erroneous payments. The extensive implementation gaps compared to the project's implementation plans are forcing the National Insurance Institute to continue using old systems in many spheres of activity, and are impeding the upgrading of the service to the public in additional pension benefit categories. The National Insurance Institute should thoroughly examine the project assessment and planning processes and maintain close monitoring of the progress in achieving the project's milestones at each stage in order to prevent additional implementation delays.



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