



Part B – The Handling of Illegal Gas Stations and Internal Gas Stations Follow-up Audit

Abstract

Background

In 2013, the Office of the State Comptroller published a report on the handling of illegal gas stations and internal gas stations (hereinafter – the previous report).³ During that year, there were about 100 gas stations in Israel that had been constructed without a building permit and without a business license and sold gas to the public in violation of the law (hereinafter – illegal gas stations). Illegal gas stations are liable to expose the public to safety, health, environmental and transportation risks and cause the State financial losses as a result of nonpayment of taxes. There are also hundreds of gas stations in Israel that serve closed groups of customers (internal gas stations). From January to March 2020, the Office of the State Comptroller audited the government authorities' actions to rectify the main deficiencies reported in the previous report.

Key figures

2

illegal gas stations were
closed by the police in 2019

206,000

liters – the volume of fuel
confiscated from illegal gas
stations from 2017 to 2019

93


enforcement operations
against illegal gas stations
from 2017 to 2019

1





number of pecuniary
sanctions imposed by
the Ministry of Energy on
suppliers of fuel to illegal
gas stations from 2013 to
2019

³ The State Comptroller, **Annual Report 64A** (2013).





Audit actions

-  In 2013, the Office of the State Comptroller published a report on the subject of the handling of illegal gas stations and internal gas stations. From January to March 2020, the Office of the State Comptroller audited the actions taken by the Ministry of Energy, the Israel Police, the Israel Lands Authority and the National Fire and Rescue Authority (hereinafter – the supervisory bodies) to rectify the main deficiencies reported in the previous report.

Key findings

-  **Coordination of monitoring activities** – the previous report stated that, in light of the decentralization of enforcement activities relating to gas stations and the Ministry of Energy's ministerial responsibility for the fuel sector, the Ministry of Energy should lead the effort against illegal gas stations in collaboration with all supervisory bodies involved. This deficiency has been partially rectified. The follow-up audit found that no organized periodic actions are being initiated to lead the effort against illegal gas stations and that the issue is being handled by a number of supervisory and enforcement bodies (the Ministry of Energy, the Ministry of Environmental Protection, the Ministry of Economy, the Ministry of Public Security, the Ministry of the Interior, the Israel Police, the Israel Lands Authority, the local authorities and the planning and building committees). There is only partial coordination among these bodies, and there is no updated map showing the location of the illegal gas stations
-  **Procedures** – the previous report stated that the Ministry of Energy failed to define work procedures for enforcing the Fuel Sector Law (Prohibition of the Sale of Fuel to Particular Fueling Stations), 5765 – 2005 or actions that ministry inspectors are required to perform to prevent the supply of fuel to illegal gas stations when such stations are discovered. This deficiency has not been rectified. The follow-up audit found that the Ministry of Energy has not yet defined procedures for enforcement actions pursuant to this law.
-  **Work plan and manpower training** – the previous report stated that the Ministry of Energy had no work plan defining clear targets for initiated enforcement actions against fuel suppliers to illegal gas stations and for the closure of these stations. The Ministry did not train its employees to monitor illegal gas stations. This deficiency has been partially rectified. In its March 2020 response, the Ministry of Energy advised that, in 2019, inspection and enforcement training was provided to the department's inspectors and investigators, adding that, in 2020, additional training will be provided to supervisors on the subjects of investigations, documenting evidence, preliminary inquiries and more.
-  **Joint database** – the previous report stated that the supervisory bodies do not have






a database on illegal gas stations and internal gas stations that are selling fuel to the public. Field units were not efficiently forwarding information about these stations to the home office. This deficiency has not been rectified. A database, which is needed in order to present an updated integrated report and which would help supervisory bodies and other decision-makers when formulating enforcement plans against illegal gas stations, has still not been compiled.

-  **Enforcement activities initiated by the National Fire and Rescue Authority** – the previous report stated that the National Fire and Rescue Authority had no information about illegal gas stations and that it is not initiating inspections at these gas stations. This deficiency has not been rectified. Methods for forwarding information about illegal gas stations from all supervisory bodies to the National Fire and Rescue Authority have not yet been formulated.
-  **Pecuniary sanctions against suppliers of fuel to illegal gas stations** – the previous report stated that, for a two year period, when approximately 100 illegal gas stations were operating, the Fuel Administration had imposed only four pecuniary sanctions, but failed to collect them; the legal department in the Ministry of Energy had discontinued its handling of the collection of 22 pecuniary sanctions imposed during the years prior to the completion of the previous audit; and the Fuel Administration failed to exercise its powers against parties who are selling or supplying fuel to illegal gas stations. These deficiencies have not been rectified. The Ministry of Energy has not yet defined a procedure for imposing pecuniary sanctions on anyone selling or supplying fuel to illegal gas stations, and has also not yet defined a procedure for collecting the fines levied on them.
-  **Storage of confiscated equipment** – the previous report stated that the Ministry of Energy had allocated a budget for activities relating to the storage of equipment and fuel confiscated from illegal gas stations up to 2006 but that it had stopped budgeting these activities as of 2007. As a result, enforcement bodies stopped demolishing illegal gas stations. This deficiency has been partially rectified. A solution has not yet been found for storing equipment confiscated from illegal gas stations that were built on land not owned by the State. This raises difficulties during enforcement actions against them.
-  **Internal gas stations** – in the previous report, the Office of the State Comptroller stated that the Ministry of Energy should inspect the quality of the fuel at these stations and noted that no authority has a full database on internal gas stations. This deficiency has not been rectified. The Ministry of Energy is not inspecting the quality of the fuel at internal gas stations and has failed to compile a database containing details about internal gas stations that would help it and all other supervisory bodies perform their supervisory activities.


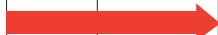











The inspection department in the Ministry of Energy – the number of inspectors in the Ministry of Energy's enforcement department has increased from 15 inspectors in 2013 to 26 inspectors in 2020..

Key recommendations

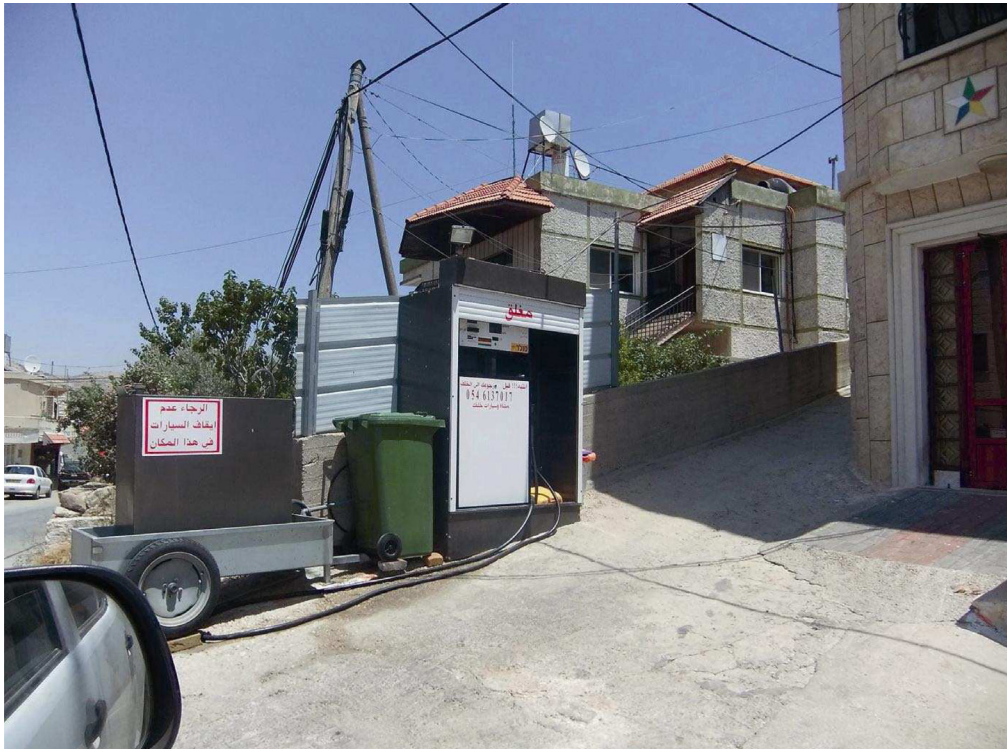
-  It is recommended that the Ministry of Energy should coordinate and lead the efforts to eradicate the phenomenon of illegal gas stations, which are endangering people's lives, and should increase the coordination among the various authorities for the purpose of improving and strengthening inspections, enforcement, mapping and eradicating this phenomenon.
-  It is recommended that the Ministry of Energy should complete the drafting of procedures needed to enforce the Fuel Sector Law (Prohibition of Sale) and procedures for imposing pecuniary sanctions in conformity with the law.
-  It is recommended that the Ministry of Energy should compile a database to be used by all supervisory bodies that will contain updated, integrated full information about illegal gas stations, thereby streamlining monitoring efforts.
-  It is recommended that the Ministry of Energy and the Israel Police should consider methods to regulate the storage of equipment that was confiscated from illegal gas stations operating on land not owned by the State.
-  It is recommended that the Ministry of Energy should compile a database about internal gas stations for the purposes of coordinating inspection activities, and should publicize the findings of fuel quality inspections at these stations and the list of stations that are not cooperating with the ministry.

Status report on rectification of deficiencies

Handling of illegal gas stations and internal gas stations – key findings of the follow-up audit					
Audit item	Deficiencies reported in the previous audit report	Extent of rectification of the deficiency found in the follow-up audit			
		Not rectified	Somewhat rectified	Considerably rectified	Fully rectified
Ministry of Energy HQ activities	Lack of designated manpower who have been trained to inspect and conduct enforcement actions against illegal gas stations.				
	The Ministry of Energy is not leading the battle against illegal gas stations.				
Procedures	The Ministry of Energy failed to define work procedures for enforcing the Fuel Sector Law against illegal gas stations, including procedures for imposing pecuniary sanctions on anyone selling or supplying fuel to them.				
Work plan and manpower training	The Ministry of Energy has no work plan defining targets for initiated enforcement actions against suppliers of fuel to illegal gas stations and for closing these stations.				
Uncoordinated inspection efforts	The flow of information in this regard between field units and district units to HQ units in the Ministry of Energy, in the Israel Police and in the Ministry of Environmental Protection are inefficient.				
Compilation of a joint database	The supervisory bodies have no database on illegal gas stations and on internal gas stations that are selling fuel to the public, and the forwarding of information about these stations from field units to the HQ is deficient.				
Enforcement actions	The Fire and Rescue Authority is not initiating enforcement actions.				
	The supervisory bodies have not found a solution for the storage of equipment confiscated from illegal gas stations located on private land.				
Pecuniary sanctions	The Ministry of Energy is not working effectively according to procedure in order to impose pecuniary sanctions on anyone selling or supplying fuel to illegal gas stations.				
Internal gas stations	The Ministry of Energy is not inspecting the quality of the fuel at internal gas stations.				
	The Ministry of Energy has not compiled a database containing details of internal gas stations, which is needed for monitoring purposes.				

Summary

The operation of illegal gas stations is a phenomenon that must be eradicated since it jeopardizes the safety and health of citizens of the State and causes economic damage. The findings of the follow-up audit indicate that deficiencies still exist, that recommendations have not yet been implemented and that the supervisory bodies are failing to exercise their extensive powers to take action against these gas stations. The Office of the State Comptroller emphasizes that illegal gas stations located in populated areas are a safety hazard that could result in loss of life and therefore, the supervisory bodies are required to fully exhaust all preventive and enforcement actions against this phenomenon. To this end, it is important that a central body manages this effort. The Ministry of Energy should monitor all internal gas stations and ensure that it possesses the tools needed to inspect the quality of the fuel in them. It is essential for the Ministry of Energy to compile a database about internal gas stations for the purpose of managing inspections and to publicize the findings of fuel quality inspections in these stations and the list of stations that are not cooperating with it.



Illegal gas station located adjacent to residential dwelling.