



State of Israel  
State Comptroller and Ombudsman  
Audit Reports on Municipalities 2020

# **The Municipality of Ramla - Financial Status and Human Capital Management**

Abstract



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## Abstract

### Background

The city of Ramla is located in the center of Israel. It is classified in Cluster 4 in the socio-economic index and in Cluster 8 in the peripheral index of the Central Bureau of Statistics. At the end of 2018, Ramla had 80,996 residents, out of which 23.3% are Arabs and 19% immigrants that came to Israel after 1990. These populations are considered as populations that deserve to be promoted, which usually requires special investments on the part of the local authority. In 2015, the municipality signed a master agreement with the state for the construction of 7,500 residential units. They are scheduled to be populated in the years 2020 to 2024.

### Key figures

**NIS<sup>1</sup> 546 million**

Ramla Municipality's budget for 2018

**15.6%**

Cumulative deficit of the Ramla Municipality from its income at the end of 2018

**32%**

Expected increase in the population of Ramla in the years 2020-2024 due to new construction

**1,460**

Number of employees employed by the municipality in June 2019

**NIS 213 million**

Salary expenses in 2018

**145**

Number of employees hired by the municipality after 2011 who have a family relationship with other municipality employees

**NIS 13 million**

Overtime expenses of municipality employees in 2018 (86% higher than in 2014)

**NIS 21 million**


Deposits in employee pension funds in 2018

1 As of December 31, 2019 1 US dollar = 3.45 NIS.

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## Audit actions

 From April to November 2019, the State Comptroller's Office audited the financial strength of the Ramla Municipality and the management of its human capital. These topics affect the performance of the municipality in core areas and on the level of services to its residents. The audit also reviewed the information provided to citizens in the municipality's website; supplementary audit activities were conducted at the Ministry of Interior.

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## Key findings

-  **Cumulative deficit** - the municipality's cumulative deficit reached 15.9% between 2014 and 2018, and it did not make financial provisions for covering it.
-  **Income** - the municipality's self-generated revenues as a percentage of total income decreased from 65% in 2014 to 60% in 2018.
-  **Preparations for development processes** - the city's development program requires the municipality to prepare for an increase of 32% in the number of residents, and for an expected reduction of nonresidential areas that pay municipal taxes from 55% to 49%, and even to 37% in the longer run. These preparations must cover both financial and organizational aspects.
-  **Infrastructure for managing human resources** - the organizational structure of the municipality has not been reviewed in over a decade. Deficiencies were found in work procedures and employee training.
-  **Employment of family members** - the mapping of family relationships among municipality employees has not yet been completed. As a result, cases of employment that may constitute a conflict of interest have not yet been addressed by formulating a legal opinion and by referring the matter to a dedicated Ministry of Interior committee.
-  **Human resources management** - human resources management at the municipality is deficient, including control of overtime and standby hours, vacations, additional work permits and employment of substitutes for long periods of time.
-  **Deposits in the pension funds** - the control of the municipality's deposits to its employees' pension funds is not satisfactory. Almost half of the deposits reports sampled by the audit showed that the amounts of the deposits were not fully attributed, which may damage the employees' rights.
-  **Municipality website** - there is a vast amount of information on the website, which is not accessible by the many Arab and Russian speakers in its jurisdiction.








**Collection of property taxes** - since 2017, the percentage of collections in the municipality was higher than 90%. This rate is 3% higher than the average collection rates in all municipalities, and 2% higher than the average rate among medium-size municipalities.

**Loan burden** - the Ramla Municipality's loan burden decreased from 33.6% in 2014 to 25.2% in 2018. This rate is 9% lower than the rate that is considered the benchmark for an economy at risk.

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## Key recommendations

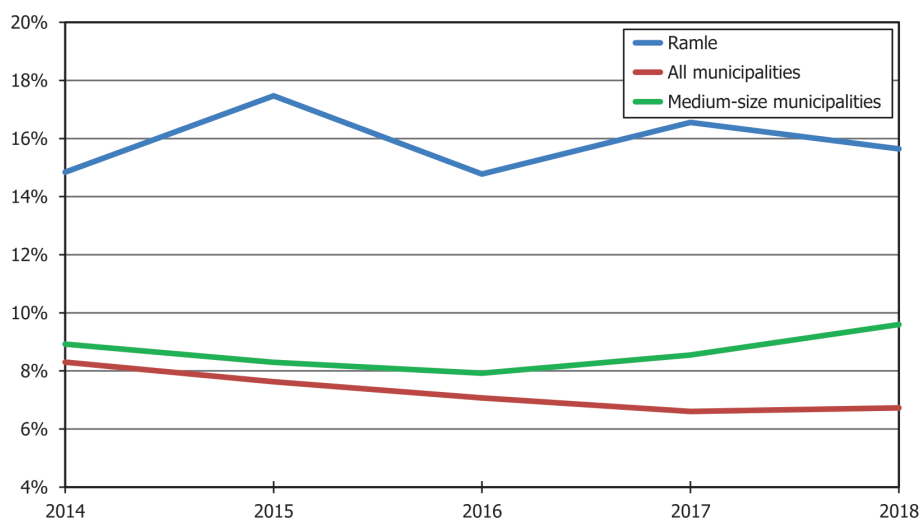
-  The Ramla Municipality must reduce its accumulated deficit and examine ways to generate income to empower its financial strength and reduce its reliance on the federal government.
-  The municipality must assess the expected effects of its development plans on the city's economy and financial strength. The municipality must prepare its organizational structure for the expected changes in the scope of the services it will have to provide. It must also make preparations for deploying them and design a municipal mechanism based on emerging needs.
-  The municipality must improve the infrastructure for managing its human capital so it can cope with the expected challenges and provide appropriate services to its residents.
-  The municipality must implement new controls for the ongoing management of its human capital, including in matters relating to employment of family members, standby and overtime, to ensure compliance with the legislation and with the principles of proper management and savings.
-  The Ministry of Interior must encourage local authorities to assess, from time to time, their debt structure and the feasibility of recycling it. It must also evaluate the selection of the main pension funds for the budgetary pension for authorities' employees. It is also recommended to evaluate ways to control the deposits by local authorities to the pension funds of their employees and formulate relevant guidelines for the municipalities if required.



## Summary

The accelerated pace of development in Ramla requires the municipality to prepare for preserving its financial strength. The State Comptroller's Office recommends that the municipality evaluates its organizational structure, implement a program for the development of human capital, and mechanisms for monitoring its administration in order to improve and optimize the services it provides to its residents.

### Ramla Municipality's accumulated deficit in all municipalities and medium-size municipalities, 2014-2018



### Rate of property tax in collection in Ramla, in all municipalities and in medium-size municipalities

