



Office of the State Comptroller  
Annual Report 71B | 2021

# **Netivei Israel – Engagements with Vendors and Employee Recruitment**

Abstract



# Netivei Israel – Engagements with Vendors and Employee Recruitment

## Background

Netivei Israel – National Transport Infrastructure Company Ltd. (Netivei Israel or the Company), is the government company engaged in the planning and execution of hundreds of transportation infrastructure projects in Israel. The Company designs, develops, and maintains inter-city roads, bridges, tunnels, junctions, road and traffic signs, and road lighting.

Organizational changes in the company in recent years in addition to new projects assigned to the company like the development of railroads tracks and the planning of the international airport, required the recruitment of many new employees. The Company operates as a management company that employs external personnel for its core activities, including vendors like planners, project managers, consultants, and contractors.

## Key facts

**8,000 km**

Length of the roads the Company maintains, supervises, and manages traffic in them.

**1,300**

Bridges and tunnels maintained and managed by the Company.

**NIS 51.9 Billion**

The Company's multiannual budget for the years 2017-2021.

**3,000**

Number of engagements between the Company and vendors in 2017-2019.

**NIS 1.268 Billion**

Value of the Company's engagements with vendors in 2017-2019.

**417**

Number of employees in the company in 2019.


**211**

Number of new employees recruited by the company in 2016-2019.

---

---





## Audit actions

-  From September 2018 until March 2020, alternately, the State Comptroller examined the process of recruiting employees in Netivei Israel and its engagements with vendors. Supplementary audits were conducted at the Government Companies Authority and the Ministry of Transport and Road Safety (MOT).


---

## Key findings





### Engagements with vendors

-  **Definition of a minimum quality score** – in 13 framework agreements out of 21 tenders published between 2016 and 2019, the Company failed to define a minimum threshold for the quality component.
-  **Experience required from Project managers' in tenders** – discrepancies were found between the instructions of the MOT's Infrastructures and Coordination Administration and the experience the company required from candidates for the position of project managers compared to project size. The Company failed to adhere to the categories set in the instructions, requiring more years of experience for small projects than established.
-  **Evaluations of project managers in tender processes** – the information provided by the Company to the State Comptroller, indicates that in framework tenders for the recruitment of project managers, the Company did not utilize the experience gained from working with the existing project managers and the quality evaluations these project managers underwent, to score the bids.
-  **External legal advisors** – the Company employs eight legal firms for long periods of time of more than ten years. This period of engagement deviates from the limitation of six years set by the Government Companies Authority. The latter continued to approve the employment of these firms in some cases, explaining that the firms are familiar with the Company or a relevant case. In addition, the audit found that unequal payments were made to different firms based on the Company's mechanism for allocating its workload.

### Appointments

-  **Employees' retirement** – in 2017-2019, 86 employees retired from the Company (out of an average of 413 total employees for those years), out of which 62% left voluntarily.
-  **Adequate Female representation** – in 2018-2019, the Company determined a target percentage of women employees in senior managerial positions (27%) but filled

only 26%. In addition, in three out of six tenders for senior employees in 2018 that were audited, there were no women in the Nominations Committee, contrary to the guidelines of the Companies Authority and the Company's procedures.

-  Adequate representation of Ethiopian and Druze populations – out of 439 employees in 2019, 4 employees are Ethiopian and 4 are Druze. Contrary to the decision of the Board of Director's (BOD) Human Resources (HR) Committee, the Company did not publish designated positions for Ethiopians and Druze.
-  Employment of people with disabilities – despite of the increase in the number of employees with disabilities employed in 2016-2019 (from 3 to 9), the percentage of people with disabilities in the Company in 2019 was only 2%, not in accordance with the required rate of 5% defined by Equal Rights of Persons with Disabilities.
-  Recruitment of senior personnel – the recruitment procedure that includes the Company's criteria for professional experience and skills for senior positions was not approved by the Government Companies Authority. The audit found three cases in which the Nominations Committee did not follow the guidelines for preventing conflicts of interest and for reasoning decisions regarding rejected candidates. In one case, the preference of a (female) candidate with similar skills to the candidate selected was not considered.
-  Implementation of the procedure to prevent conflicts of interest in promotion and recruitment – in three out of ten cases audited, deficiencies were found in adherence to the Company's procedures relative to conflicts of interest.



## Engagements with vendors

**Adoption of a code of ethics** – Netivei Israel wrote and adopted a code of ethics that was implemented among all Company employees and external entities.






**Reduction in the number of exceptions in tenders and process automation** – the Company's Engagement and Tender Division reduced the number of exceptions in tenders from 904 exceptions in 2017 to 478 in 2019. The Company also established an IT system for distribution of work among vendors.

## Professional training and appointments





**Employee training** – in 2017-2019, the Company reduced the number of employees who did not participate in training from 88 to 43.

**Appointment of a Compliance Office** – following the request of the Companies Authority, in 2014 Netivei Israel appointed a Compliance Officer. In 2017-2019, the officer sampled the recruitment process of junior employees; it was found that the Company resolved most of the deficiencies found by the officer.

## Key recommendations

-  It is recommended that the Company consider including a threshold for vendor quality in its framework tenders. This will enable the Company to select the best vendors for each of the areas in which they are involved.
-  It is recommended that the Company review, from time to time, the tenders' categories for the selection of project managers against the requirements determined by the MOT. This will enable new management companies, especially in lower-value projects, to be included in the Company's pool of vendors, thereby increasing competition, and to offer projects to more companies.
-  It is recommended that the Company complete the validation of vendor's evaluations, and that it relies on these evaluations in future vendor-selection processes.
-  It is recommended that the Company utilize its size and strength as a key employer in the sector to add new legal firms to its pool in a way that will increase the number of legal advisors while complying with the principles of work distribution in fair cycles between senior and new legal advisors. Furthermore, the Companies Authority should implement guidelines to prevent situations whereby only a very small number of legal advisors provide services to the Company.
-  According to the instructions of the Companies Authority, the Company should schedule a discussion of the BOD to formulate its position on the use of inspection and investigation tools. The Company should establish a procedure for using these tools, which should be based on a legal opinion.

## Appointments

-  The Company should implement the guidelines for adequate representation of women and act to appoint women to the Nomination Committees. It should also achieve its objectives relative to women recruitment, in particular in senior management. It is recommended that the Company will work proactively to identify women candidates for management positions.
-  The Company should publish designated positions for Ethiopians and Druze to comply with the requirements of the Government Companies Law and the decisions of the BOD.
-  The Company more people with disabilities, inter alia by publishing designated positions for these populations. This will enable the Company to comply with the objectives of the Commission of Equal Rights of Persons with Disabilities of hiring 5% of employees with disabilities.
-  The Company should submit its procedure for appointing senior personnel to the approval of the Companies Authority. The latter must ensure that the procedure

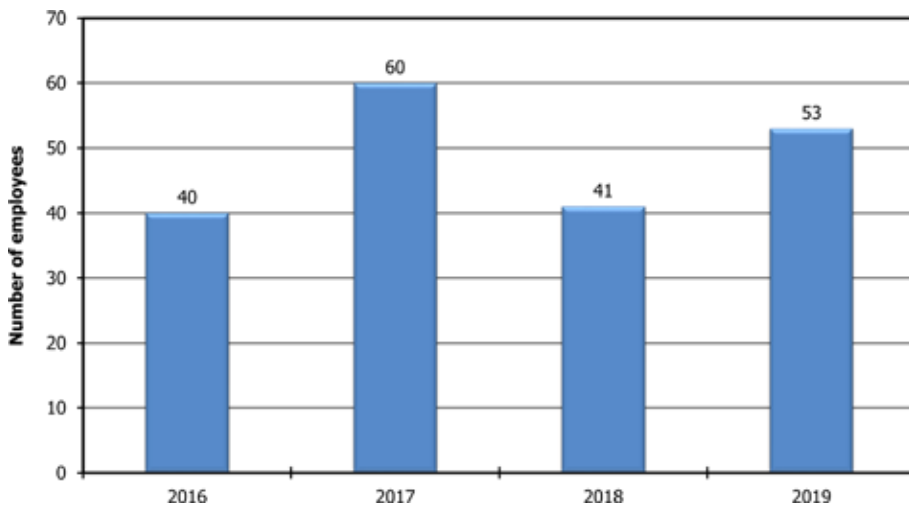


is submitted for its approval. In the procedure, the Company should address all deficiencies found regarding the appointment of senior personnel, including the issue of members of the Nominations Committee being acquainted with candidates. Further, the procedure should set quantitative and qualitative threshold conditions for candidates, explain changes in candidate scores and how they are ranked, refer to the results of tests by assessment companies, and ensure compliance with the appointments regulations and the Women's Equal rights law.



The Company should ensure its procedures to prevent conflicts of interest are implemented. The HR Division should clarify to candidates the importance of reporting in advance all issues regarding conflicts of interest.

### Employees recruited – 2016-2019



Source: Netivei Israel

---

---

## Summary

Netivei Israel is the executive arm of the government in everything related to vital national transportation, economic and social projects. These projects are of high importance, in transportation, economic and social aspects, as they l, shorten travel times significantly, and improves the ways available for residents of the periphery to reach the center of the country. As a government company, Netevei Israel executes hundreds of projects in parallel, for which it engages hundreds of vendors. It must therefore be efficient, transparent, and cost conscious.

The audit found deficiencies in the Company's engagements with various vendors, in the evaluation of vendors, and in the management of its pool of legal advisors. The audit also found deficiencies in the recruitment process of senior employees, most of whom were recruited after the crisis in 2015, when the Company operated without a proper management structure. In light of the deficiencies found, the Company's management and the Companies Authority should ensure engagements with vendors and recruitments procedures are held in accordance with the Company's procedures and guidelines, in full transparency, while maintaining the principles of equality good governance.