



State Comptroller of Israel | Local Government Audit | 2021

Social Audit

Budgeting the Activities of Recognized Non- State Educational Institutions and their Supervision by the Local Authorities



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Background

The right to education has been recognized as a basic right of every person since the dawn of the State of Israel's existence, and in light of this, the existence of educational institutions has been imposed jointly on the state and local authorities. The local authorities, in their role as local education authorities, serve as a key factor in managing and regulating the budgeting of the education system in their territory, which also includes recognized non-State institutions (RNS institutions). Most of the budgetary dealings with the educational institutions in their territory are managed by the local authorities, whether through transfer funds or through budgeting and grants. RNS institutions are not owned by the State, but have accepted a certain degree of supervision by it, and accordingly some are budgeted at a lesser rate than that given to the official State educational institutions. The obligation of local authorities to participate in the budgeting of RNS institutions in their territory is set forth in law, and it was provided that it be proportional to their participation in the budgeting of similar state institutions in their territory - according to the rate determined by the Ministry of Education – and that the local authority has the power to set a higher budgeting rate for the RNS institutions in its boundaries.



Key figures

698

The number of RNS regular elementary schools in the 2018–2019 school year.

217,325

The number of students in RNS regular elementary schools in the 2018–2019 school year.

**65%–
75%**

The rate of compulsory participation of local authorities in the budgeting of an RNS institution in relation to a similar State institution.

**Approx.
22%**

The proportion of students of elementary school age who studied in RNS regular schools in the 2018–2019 school year.

**NIS 2.2
billion**

The budget of the Ministry of Education for the education system in the five local authorities examined in the 2018–2019 school year.

**NIS 54
million**

The budget of the Ministry of Education for the RNS elementary schools in the five local authorities examined in the 2018–2019 school year.

4,600

The number of students in the RNS elementary schools in the 2018–2019 school year in the five local authorities examined.

**NIS 4.57
million**

The scope of the financial investment from the sources of the five local authorities examined in the RNS schools in their territory in 2019.

Audit actions



From July to October 2020, the Office of the State Comptroller examined the budgeting of the activities of RNS institutions in elementary education by the local authorities. Issues related to the following aspects were examined: the manner and scope of budgeting; the inventory of the buildings and infrastructure in which the RNS institutions operate; and the way in which the local authorities monitor the use of the funds they transfer. The audit also examined how the local authorities allocate property for the activities of the RNS institutions in their territory and the licensing of these institutions. The audit was carried out in the municipalities of Be'er Sheva, Raanana and Shfaram, and in the local councils of Zichron Yaakov and Pardes Hanna-Karkur. Completion examinations were conducted at the Ministry of Education.



Key findings



Comparison of the Financial Investment in a Student Resident of the Local Authority Versus a Student in an RNS Institution in its Territory – The average investment per student in the five local authorities examined amounted to an average of NIS 1,000 to NIS 6,000 per student in the local authority, compared to an average investment of NIS 257 to NIS 2,567 per RNS student who is a resident of the local authority. The level of investment was affected by the size of the local authority and its socio-economic status. It should be noted that the average investment of the local authority in all the students from among its residents included budgeting of activities for special education students and secondary education as well as other educational activities that made up some of the aforementioned gaps.



The RNS Institutions – Buildings and Infrastructures – There are gaps in the inventories of the buildings and infrastructures in which the RNS educational institutions operate in the local authorities examined. Some of the RNS institutions do not have sports fields, and most of them do not have gyms and computer classrooms. Permission was given to the RNS institutions to use community facilities, such as community centers and public libraries, in the local authorities that were examined and which have such facilities, but the facilities were not adjacent to those institutions.








Institutionalization of the Obligation of the Local Authorities to Budget RNS Institutions in their Territory – Although there was uncertainty about the scope of the local authorities' obligation to budget RNS institutions in their territory, no guidelines were established for local authorities regulating the actual implementation of legislation and clarifying the existing legal situation.



Mechanisms and Criteria for Budgeting the RNS Institutions – The budget of the local authorities examined, which also includes the budget for the RNS institutions, was approved within the framework of the overall approval of the local authority's budget. However, the policy accepted by the local authority to provide budgeting beyond the established budget was not brought to the local authority's plenum for approval. A mechanism was not established by which the local authority will operate when determining the supplementary budget with respect to RNS institutions in its territory, in a manner that will promote equality and transparency in the distribution of public budgets. Despite the government's resolution on the matter, the Ministry of Education did not collect information online or publish information in an annual report to the public regarding all the resources transferred by local authorities and the costs of education for all the institutions in their territory, including for the RNS institutions.







-  **Budgeting the RNS Institutions in the Local Authorities Examined** – The examined local authorities acted in different ways when budgeting the activities of the RNS institutions in their territory: the **Municipality of Be'er Sheva** – funds that the municipality was obligated to transfer as budgeting were transferred through provision of grants; **the Municipality of Shfaram and the Pardes Hanna-Karkur Local Council** – did not budget the RNS institutions for their part in financing ancillary services as required; **the Zichron Yaakov Local Council** did not budget any RNS educational institution in its territory despite its obligation to do so.
-  **Fees for External Students – The Municipalities of Be'er Sheva and Raanana, and the Zichron Yaakov and Pardes Hanna-Karkur Local Councils** did not charge fees for external students who studied in the RNS institutions of the (Jewish) ultra-Orthodox education networks in their territory, neither from the sending local authority nor from the students' parents; fees whose basic amount per student in an elementary school for the 2018 – 2019 school year and the 2019 – 2020 school year were set at a total of NIS 670 and NIS 680, respectively. They also did not alternatively establish arrangements to transfer authority to the educational institutions for the collection of fees for external students.
-  **Supervision and Monitoring of Budget Use** – It was found that all the local authorities examined required improvement in the supervision and monitoring of the use of the supplementary budget transferred to the RNS institutions in their territories. The **Municipality of Be'er Sheva and the Zichron Yaakov Local Council** transferred funds earmarked for RNS institutions in their territory to non-profit organizations that are not registered as beneficiaries in the Ministry of Education's records.
-  **Allocation of Property** – Deficiencies were found in the conduct of some of the local authorities examined when allocating real estate property to RNS educational institutions operating in their territory: the **Municipality of Be'er Sheva** – until the end of the audit, not all real property allocation procedures had been completed as required for three properties, including signing contracts with the property users and their approval by the council's plenum; the **Municipality of Raanana** – a municipal property was transferred to a non-profit organization without documentation that this was conducted in accordance with the real estate allocation procedure and without the municipality having a signed valid contract with the non-profit organization regulating the allocation of the property and its use; **Zichron Yaakov Local Council** – the local authority's properties were transferred to a non-profit organization without documentation that this was conducted in accordance with the real estate allocation procedure.
-  **Licensing and Safety** – Only half of the RNS educational institutions examined have a long-term license for five years; the other nine institutions have a short-term license only.



The local authorities examined, with the exception of the Zichron Yaakov Local Council and the Municipality of Shfaram, budgeted all the RNS elementary education institutions within their territory at a rate of 100%.

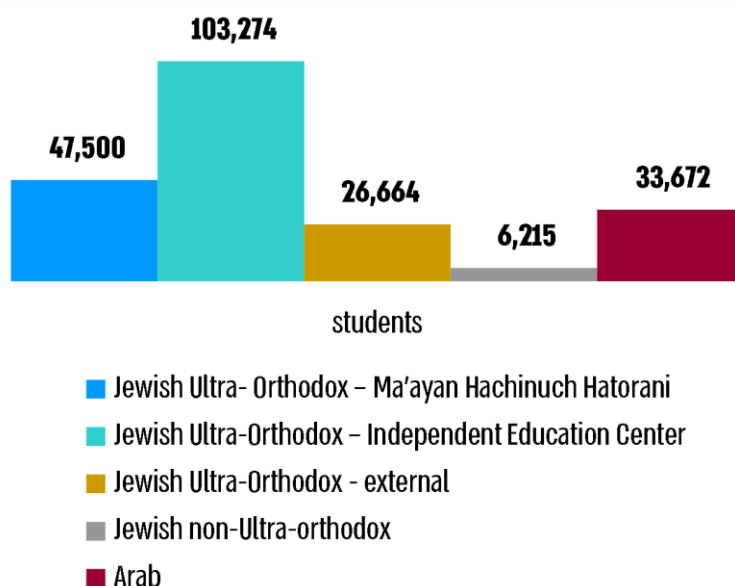
The **Municipality of Be'er Sheva** acted during the audit to obtain the approval of the City Council for its decision on the budgeting policy of the RNS institutions in its territory.

Key recommendations

-  It is recommended that the Ministry of Education, in collaboration with the Ministry of Interior, examine the need to regulate and clarify the rules applicable to local authorities when budgeting the RNS institutions and instruct local authorities to establish a supplementary budgeting mechanism that will promote equality and transparency in allocation of public budgets to RNS institutions in their territory. It is recommended that as part of the regulation and clarification of the rules, the Ministries of Education and Interior consider a format for online reporting by local authorities about their participation and the participation of school owners in the budgeting of all educational institutions within their territory.
-  Local authorities must act to gain approval of their policy for budgeting the RNS institutions in the plenum of the local authority's and ensure that the budgeting of the RNS institutions complies with their policy.
-  Local authorities must act in accordance with the tools at their disposal to improve the supervision and monitoring of the additional budgets they transfer to the RNS institutions operating in their territory and ensure that the sums reach their destination and are used for the purposes for which they were allocated.
-  It is recommended that local authorities examine the gaps in the buildings and infrastructure inventories in which the RNS educational institutions operate when formulating the local authority's programs for the deployment of public buildings adjacent to schools.



Number of Students in RNS Institutions, Divided into Sectors, 2018–2019 School Year



According to data from the Ministry of Education (students in regular education and special education), processed by the Office of the State Comptroller.

Summary

The right to education is a fundamental right, and the recognition that the state must give the opportunity, to those who wish to do so, to educate their children in their own way, and that the state must be responsible for budgeting the education of children studying in non-state educational frameworks, was established in law, out of a desire to preserve the balance and distinction between the official State educational institutions and the RNS educational institutions.

The budgeting of the RNS institutions in its territory is part of the obligation of the local authority, and must be done in accordance with the law and in a manner that ensures equal treatment of all students that reside in the local authority, including those studying in RNS institutions. The local authority must act in a way that ensures that it budgets the RNS institutions in accordance with clear rules and criteria, transparency and equality.