



State Comptroller of Israel | Local Government Audit | 2022

Follow-up Audit

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# **Establishment of Harish – Follow up**





## Establishment of Harish – Follow up

### Background

In December 1990, the government approved the "Shivat HaKohavim" plan to develop community-suburban settlements that would form a continuum of communities along the axis of hills and the Trans-Israel Highway. The plan included, among other things, the construction of the town of Harish within the Menashe Regional Council, located at the western end of Wadi Ara, south of highway 65 and east of highway 6. In 2007 the Ministry of Construction and Housing (Ministry of Housing) started to develop a master plan for an ultra-orthodox town in Harish. In September 2008, the Special Committee for Planning and Building of Harish (the Special Committee)<sup>1</sup> was established. In 2012, Harish became a Local Council (the Council). At the end of 2012, the Ministry of Housing decided to market the plots in Harish to all sectors of the population. From 2012 to 2015, the Special Committee approved master plans for constructing 12,684 housing units in Harish. Government resolution 870 from December 2015 to "assist in the building of Harish" by including Harish in the national priority area and adopting the recommendations of the Director Generals Committee to implement a plan to advance and develop Harish, which is expected to become a city. At the end of 2020, 22,280 residents lived within the boundaries of the Council of Harish<sup>2</sup>. In 2016, Harish reached cluster three in terms of its socio-economic character; in 2017, it reached cluster five.

<sup>1</sup> The appointment of the special committee was extended by three additional years as part of the Planning and Construction Order (Harish Special Planning Area) (extension), 2018. The above order came into effect on November 27<sup>th</sup>, 2018 and expired on November 27<sup>th</sup>, 2021. In January 2022, the order was extended by two additional years, from February 1<sup>st</sup>, 2022 to February 1<sup>st</sup>, 2024.

<sup>2</sup> In accordance with the council's estimation and based on municipality tax and water usage data.



## Key figures

**approx.  
22,280**

residents in Harish at the end of 2020<sup>3</sup> compared with the prospect of 57,000 residents. The population projection for the end of 2023 is 47,000 residents

**approx.  
7,080**

occupied housing units at the end of 2020 compared with a projection of 12,800 housing units

**approx.  
70,000  
square  
meter**

commerce and employment areas registered in the council's billing system in June 2021

**approx.  
500,000  
square meter**

a total of municipality tax areas out of employment areas needed for the development of economic independence<sup>4</sup>

**approx.  
114.7 NIS  
million**

transferred to Harish by the Ministry of Interior as part of the Economic Stabilization Plan by the end of 2020

**approx. 31.4  
NIS million**

the accumulated surplus in the ordinary budget at the end of 2020

**approx.  
83.4 NIS  
million**

the accumulated budgets deficit at the end of 2020 if no grants were given as part of the Economic Stabilization Plan

<sup>3</sup> In accordance with the council's estimation and based on municipality tax and water usage data.

<sup>4</sup> According to an economic opinion from November 2020 prepared by a company hired by the council to "examine potential development of employment in the city needs vis-a-vis employment supply and demand".



## Audit actions



In 2016, the State Comptroller Office published a report on "The Building of Harish – Municipal Aspects" (previous audit)<sup>5</sup>. From June to July 2021, it examined the activities of the Local Council of Harish, the Ministry of Interior, the Ministry of Housing, and the Ministry of Transportation and Road Safety (Ministry of Transportation), to rectify the primary deficiencies noted in the previous audit. The audit focused on the unique organizational process of evolution from a council to a municipality, the council's financial management, and the ministries' involvement in planning employment areas and providing transportation solutions (follow-up audit). Supplementary audits were conducted at the Special Committee for Planning and Building of Harish.

## Key findings



**Population projection** – in December 2015, the Ministry of Housing estimated that approx. 57,000 residents would live in Harish by the end of 2020. In fact, according to the council's estimation, only 22,000 residents lived in Harish at the end of 2020.



**Appointment and assembly of mandatory committees** – the previous audit raised that the council's plenum formed only seven mandatory committees. It did not form an immigration absorption committee<sup>6</sup>. The audit further raised that the council did not convene its committees as frequently as needed. The follow-up audit found that the council's plenum appointed ten mandatory committees as required; however, seven were not convened every three months as specified in the ordinances and order. Thus, in 2018–2020, the following committees were not convened as required: the Audit Committee, the Emergency Economy Committee, the Committee for Commemoration of Victims of Hostile Activities, the Environmental Protection Committee, the Anti-Drug Committee, the Anti-Violence Committee, and the Immigration Absorption Committee.




**Enacting by-laws** – by the previous audit completion, the council had not updated all of the old by-laws nor completed the approval of the new ones. The follow-up audit raised that in September 2015, three by-laws about street paving, public open space, and canal system were published. Moreover, from 2016 until the follow-up audit completion, the council approved five by-laws related to its main fields of operation: three by-laws about environmental protection and hazard prevention, security services, and vehicle parking were published, and two additional by-laws about business opening


5 See State Comptroller, **Reports on Local Authorities Audits** (2016), chapter on "The Building of Harish – Municipal Aspects", pages 601-649.


6 An immigration absorption committee is mandatory if at least 10% of the residents immigrated to Israel after January 1<sup>st</sup>, 1990.




and closing and ads and signposts are awaiting the approval of the Ministry of Interior. The audit further raised that in March 2017, the council plenum approved the Harish By-Law (certificate fee). However, it was not found that the by-law had been submitted to the Ministry of Interior for approval.

 **Tolls and fees rate as part of by-laws** – by a comparative analysis, the rates of the Local Council of Harish road paving tolls are approx. 7%–105% higher than the rates of Ariel and Kiryat-Shmonah municipalities, and the canal system rates are approx. 8%–70% lower than the rates of the municipalities of Modi'in-Maccabim-Re'ut and Kiryat Shmonah.

 **Billing restriction** – in July 2021, about a year and a half after the billing restriction in by-laws of canal system and street paving expired, and two years and a half after the billing restriction in the by-law of public open space expired, the previous by-laws that include an updated billing restriction and rates were published.


 **The council's financial situation** – by the previous audit, in the absence of an employment area serving as the council income source, there is concern that the council would not be able to balance its budget based on its resources and that it would depend on state grants to provide services to its residents even after 2019. The follow-up audit found that according to the audited financial reports in 2016–2019, the council ended the year with a budgetary surplus following the reception of grants and an accumulated surplus of NIS 41 million by December 31<sup>st</sup>, 2019. It was further found that without the grants, the council would have had a budgetary deficit in each of those years and an accumulated deficit of NIS 67 million by December 31<sup>st</sup>, 2019. According to the council's data, the deficit at the end of 2020 was NIS 16.3<sup>7</sup>million. That year, the council received grants of NIS 6.5 million as part of the Economic Stabilization Plan. The Economic Stabilization Plan formed by the Ministry of Interior, the grants that were given, and the surpluses accumulated by the council of Harish helped it throughout the years the plan was executed and in 2020 as well, but no solution was found for the structural deficit in its budget; thus, the Local Council of Harish might suffer from an on-going deficit and be dependent on state grants to balance its budget. There is concern that it will not be able to conduct ongoing activities and provide its residents with optimal services.


 **Employment areas** – by the previous audit, an employment area was not part of Harish master plans. Upon the previous audit completion in February 2016, the specified plans for Harish neighborhoods included approval of 53,865 square meters for commerce and 183,615 square meters for employment, which might harm the city's growth and development and perpetuate its deficit for years to come. The follow-up

<sup>7</sup> The summary of ordinary budget figures for the fourth quarter of 2020 submitted by the council included the Economic Stabilization Plan grant of NIS 6.5 million on the revenues side as "grant for covering accumulated deficit" and on the expenses side as "transfer for covering accumulated deficit".



audit found that although some progress had been made from the previous audit regarding the planning employment areas for Harish, like the employment area in Harish Darom Neighborhood, there is still no solution to increase the Local Council of Harish self-revenues. As of the audit completion, there is a shortage of 430,000 square meters of generating employment areas: the employment areas included in the council's billing system and for which municipality tax is charged was 70,000 square meters, while the generating employment areas required for Harish economic development, as stated in the economic opinion from November 2020, are 500,000 square meters.

 **Income distribution** – the follow-up audit found that in September 2016, the Ministry of Interior appointed an inquiry committee to deal with the unification of local authorities, changing boundaries, income distribution, and changing municipal status in the Haifa area (The Haifa Geographical Committee). It was decided, among other things, that the committee would focus on changing boundaries and income distribution. The committee's recommendations about boundaries change were submitted to the Minister of Interior for approval, and in November 2021, the minister signed it<sup>8</sup>. However, by the follow-up audit completion, the Geographical Committee had not completed the discussions about Vered Quarry income distribution and had not submitted its recommendations.

 **Provision of transportation solutions** – the previous audit noted that despite the urgent need for paving the new road 444 (from Harish Junction to the intersection with road 9) and road 611, serving as a transportation solution for traffic around Harish in 2020, the Ministry of Housing and the Ministry of Transportation approved only the planning. The follow-up audit found that some progress has been made regarding transportation solutions for the residents of Harish. Still, the transportation projects have not been completed yet, and no decision has been made regarding the direct connection to road 6 as follows: Mishmar HaGvul Interchange – under construction, to be completed by February 2022, estimated project cost approx. NIS 580 million; the first section of road 611 – preliminary planning has been completed, the project is before specified planning, and there is no budget for execution – the estimated overall cost of the first section is approx. NIS 357 million; the southern and eastern sections – statutory planning has not started, and no budget has been allocated; the estimated overall cost of the two additional sections is approx. NIS 450 million; road 444 is at the statutory planning stages and expected to be completed in 2024<sup>9</sup>, with no budget for preliminary and specified planning and execution; the estimated cost of the road and railway project is approx. NIS 4.5 billion.

<sup>8</sup> The minister of Interior approved a transfer of 651 dunams from the Local Council of Harish to the Regional Council of Menashe as well as a transfer of 2,618 dunams from the Regional Council of Menashe to the Local Council of Harish.

<sup>9</sup> Estimated completion date of statutory planning.



**The organizational structure** – the previous audit noted that the Council Of Harish has not formed an organizational structure for itself nor discussed the recommendations of the consulting firm it hired for this purpose. The follow-up audit found that the council decided on an organizational structure for 2019 and 2020.

**Manpower recruiting and job staffing** – the previous audit noted that the council had not formed a regulated plan for manpower recruitment as was approved in phases A and B and only partially implemented them on the set dates despite the approval of a designated budget for that purpose. The follow-up audit found that the Local Council of Harish hired staff for jobs approved in the phases above. The head of HR notified the audit team that as of the audit completion, the council's manpower quota, based on the organizational structure set by the council, was 381.75 positions (100% position) for the entire council, and except for one position, all positions were staffed.

**Manpower work procedures** – the previous audit noted that the manpower field had not been adequately regulated in the Local Council of Harish. For instance, the council had not established work procedures for internal and external manpower tenders, recruitment and promotion of employees, accumulation of sick days and vacations, vehicle assignment, payment for extra hours, and employee mobilization. The follow-up audit found that the council established additional procedures for manpower and prepared a "manual for new employees," which includes information on different matters such as working hours, vacations, absences, and social benefits.










**Council plenum** – the previous audit noted that the council plenum had not convened as frequently as required in 2014–2015. The follow-up audit found that the council plenum convened as needed in 2018–2020.

**Managing public queries and establishing a call center** – the previous audit noted that the Council of Harish had not managed public queries appropriately since it had no call center. The public queries had not been documented, and the council had not published any guidelines and procedures for managing queries. The follow-up audit found that in 2016 the council established the "Residents' Service Center" to manage public queries. In 2019, the council established the Resident Relations Department, which includes the Residents' Service Center. The council established and updated six working procedures to regulate the activity at the Residents' Service Center. In addition to the services provided at the Residents' Service Center, the council provides its residents with various online services through its websites, such as water and municipal services and registration for schools, childcare facilities, and extra-curriculum activities. The state comptroller's office commends the Council of Harish for establishing the Residents' Service Center and conducting satisfaction surveys to improve and optimize the services provided to the residents.





## Key recommendations

-  It is recommended that the Ministry of Housing analyze the gap between population projections and the actual number of people living in it and contend with the barriers to growth regarding the number of housing units and residents to conclude and meet its population objectives. It is recommended to form an updated population projection to plan further and develop Harish.
-  The Council of Harish should convene its mandatory committees as specified in the ordinances and the order and document meeting dates and the decisions made. The head of the council is also the chair of some committees, should ensure they convene, and should exercise his powers to summon the rest of the committees as frequently as needed.
-  The council should ensure that the by-laws approved by its plenum are approved by the Ministry of Interior and published under the law to collect tolls and fund its activities. The council of Harish should advance additional by-laws as needed.
-  It is recommended that the Ministry of Interior examine the gap in road paving and canal system tolls at the national level as part of the approval of by-laws and the effect of the above gaps on the level of development and the cost of apartments in different local authorities.
-  The Council of Harish should extend the expiration of by-law-based billing, conduct updated calculations of various tolls and update by-laws rates as needed before billing restrictions expire, to charge and collect legally.
-  It is recommended that the Council of Harish update and publish standard time for handling residents' queries on all types of services it provides to its residents. It is further recommended that the council plenum discuss public services.
-  It is recommended that all relevant entities continue to plan and advance employment areas to contribute to Harish's development and economic growth.
-  It is recommended that the Ministry of Interior complete its boundaries change processes and form mechanisms for income distribution related to Vered Quarry.
-  It is recommended that the Ministry of Transportation and the Ministry of Housing advance the planning and execution of the intercity road network and public transportation systems that are supposed to serve Harish and thus provide transportation solutions for traffic congestion in the area.



**The extent to the primary deficiencies noted in the previous audit were rectified**

The Audit Chapter	The Audited Body	The deficiency noted in the previous audit	The extent of the deficiency rectification, as noted in the follow-up audit			
			Not Rectified	Rectified to a small extent	Rectified to a significant extent	Fully rectified
Organizational Structure	Local Council of Harish	The council has not formed its organizational structure.				
Manpower Recruitment and Job Staffing	Local Council of Harish	The council has not formed a regulated plan for manpower recruitment as approved in phases A and B, which were only partially implemented, although a designated budget had been approved for that purpose.				
Manpower Work Procedures	Local Council of Harish	The Council has not adequately regulated the manpower field. For instance, the council has not formed work procedures for internal and external manpower tenders, recruitment and promotion of employees, accumulation of sick days and vacations, vehicle assignment, payment for extra hours, and employee mobilization.				



The Audit Chapter	The Audited Body	The deficiency noted in the previous audit	The extent of the deficiency rectification, as noted in the follow-up audit			
			Not Rectified	Rectified to a small extent	Rectified to a significant extent	Fully rectified
Council Plenum and its Committees	Local Council of Harish	In 2014–2015, the council plenum did not convene as frequently as required.				
		The council has not appointed all mandatory committees under the law nor convene its committees as frequently as required.				
Enacting By-Laws	Local Council of Harish	By the previous audit completion, the council had not updated all of the old by-laws nor approved the new ones.				
Managing Public Queries and Establishing a Municipal Call Center	Local Council of Harish	The Council had no public complaints department; it did not manage public complaints as required and did not document public queries. The council did not publish guidelines and work procedures to handle queries.				
Council's Financial Situation	Ministry of Interior	In the absence of a foreseeable solution for an employment area as a source of income for the council, there is concern that the council would not be able to balance its budget based on its resources and that it would depend on				



The Audit Chapter	The Audited Body	The deficiency noted in the previous audit	The extent of the deficiency rectification, as noted in the follow-up audit			
			Not Rectified	Rectified to a small extent	Rectified to a significant extent	Fully rectified
		state grants to provide services to its residents even after 2019.				
Employment Areas	Ministry of Interior	By the previous audit, the employment area was not included in Harish master plans and upon the previous audit completion in February 2016, the specified plans for Harish neighborhoods included the approval of 53,865 square meters for commerce and 183,615 square meters for employment, which might harm its growth and development and perpetuate its deficit for years to come.				

## Summary

The establishment of Harish, where tens of thousands of residents are supposed to reside, is a mission at the national level and, as such, requires exceptional preparedness on the part of many ministries and collaboration between them and the council's leadership. The follow-up audit found that the Council of Harish had rectified most of the deficiencies noted in the previous audit and examined in the follow-up audit. The council should rectify the remaining deficiencies. The follow-up audit further found that despite some progress made regarding planning employment areas, no solutions were given to the absence of such areas or



transportation problems. In addition, in want of a solution for the self-revenues problem, Harish will continue to have a structural deficit in its ongoing budget.

All relevant entities – the council and ministries, including the Ministry of Interior, Housing, and Ministry of Transportation – should join forces to advance and develop Harish, according to government resolutions concerning, among other things, municipal, financial, employment and transportation.