



State of Israel

State Comptroller  
and Ombudsman of Israel

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Audit Reports on  
Local Government | 2022

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Abstracts



Jerusalem | July 2022

Catalogue Number 2022-L-001

ISSN 0793-1948

This report also appears at the  
State Comptroller's Office web site  
[www.mevaker.gov.il](http://www.mevaker.gov.il)

Graphic Design: Shoshana Shahar Studio



# Table of contents

## Abstracts

|                 |   |
|-----------------|---|
| <b>Foreword</b> | 5 |
|-----------------|---|

## Chapter 1 | Systemic Audit

|   |    |
|---|----|
| Prevention of Embezzlement and Fraud in Local Authorities | 13 |
| Local Authorities' Treatment of Hazardous Buildings       | 25 |
| Collection and Burial of Waste in Local Authorities       | 37 |
| Local Authorities' Engagements in Tender-Exempt Processes | 47 |
| Tourism Management in Local Authorities                   | 57 |

## Chapter 2 | Financial Audit

|  |    |
|--|----|
| Budget Management in Local Authorities     | 69 |
| Extraordinary Budgets in Local Authorities | 79 |

## Chapter 3 | Social Audit

|  |     |
|--|-----|
| Regulation of the Community Welfare Services Provision by Local Authorities                      | 91  |
| Local Authorities' Activities to Identify Dropout Students and Prevent and Manage School Dropout | 103 |
| Local Authorities' Treatment of Drugs and Alcohol Abuse Within Their Jurisdiction                | 113 |



## **Chapter 4 | Information Systems Audit**

|  |     |
|--|-----|
| Management of Information Systems in Local Authorities                           | 125 |
| Local Government – Central Government Work Interface and the Use of Digitization | 135 |

## **Chapter 5 | Follow-up Audit**

|   |     |
|---|-----|
| Regulation of Electric Bicycles and Two-Wheeled Vehicles Use in the Urban Space – Follow-Up Audit | 147 |
| Legislation of By-Laws of Local Authorities – Follow-up Audit                                     | 159 |
| Procurement and Engagements in Local Councils – Follow-Up Audit                                   | 171 |
| Establishment of Harish – Follow up Audit   | 183 |



## Foreword

**The Local Government Audit Report for 2022** deals with a variety of topics that are at the core of the local authorities' work. Local government has a key role in shaping the lives of residents and in providing public and additional services. The local authority serves as a public trustee in all its actions, and as such it is obliged to exercise its authority in accordance with the provisions of the law.

In accordance with the State Comptroller and Ombudsman's vision, we are working to position the State Audit as an action-motivating audit, an innovative, relevant and effective audit, dealing with the core areas of the audited body and focusing both on issues of a social nature and service to the citizen as well as on the significant risks affecting the activities of the audited bodies. This is in addition to topics related to good governance and integrity.

The chapters of the report bring to the public agenda important audit findings concerning a variety of areas, including: individual welfare, information systems, engagements and budgets, and hazardous buildings. Following is an overview of some of the chapters included in this report:

There are 257 local authorities in Israel, managing budgets of about NIS 71 billion and employing about 165,000 workers. The authorities manage many financial processes – such as procurement processes, collection of property taxes and payment of wages – as well as manage property and equipment. For the first time in the State Comptroller's Office, we conducted an audit on the topic of **prevention of embezzlement and fraud in local authorities**. In an international survey from 2020 concerning about 2,500 embezzlement cases exposed worldwide, it was estimated that the loss from such embezzlements stands at about USD 3.6 billion, and that organizations around the world lose about 5% of their revenue each year due to fraud, embezzlement and financial irregularities. The risk of embezzlement and fraud is inherent in the activities of every organization. In recent decades, professional knowledge about the prevention of embezzlement and fraud has developed in the world, and principles have been formulated for its regulation as well as guidelines for improving the control and risk management environment. However, the audit found deficiencies in the Ministry of Interior's regulation in this matter. This is reflected in the lack of guidelines for action in all aspects of the prevention of embezzlement and fraud at the pan-organizational level and regarding the control environment, in the lack of reporting and drawing of conclusions and in the scarcity of audits focused on this area. The audit of the 21 largest authorities in terms of the scope of their budget raised that they do not implement many pan-organizational actions which, according to international standards and professional literature, are effective in mitigating the harm from embezzlement and fraud and their quick exposure. In the audit of the four municipalities that were examined in depth, deficiencies were found, such as a scarcity of audits by the Ministry of Interior and of the authorities' auditors regarding the prevention of embezzlement and fraud. It was also found that as a rule, the municipalities



that have been examined in depth implement preventive and locating controls in the areas examined, however there are individual work processes that require improving, and individual controls should be added and some of the controls tightened. As public trustees, local authorities are obliged to manage their financial affairs and assets carefully and take steps to maintain the integrity of the assets and public funds. The Ministry of Interior should work towards a comprehensive regulation of the matter, and local authorities should formulate policies on the subject and implement actions and controls to prevent embezzlement and fraud and to protect public funds. Actions to prevent embezzlement and fraud are an expression of the aforesaid duty, and ensure good governance and integrity.

The intelligent development of the tourism industry and its proper management can contribute to the economy of the state, the region and the local authority – bring about growth and prosperity by creating jobs and increasing consumption; Increase local government revenue sources from business property taxes and contribute to reducing social and cultural disparities. The audit on the topic of **tourism management in local authorities** raised that until the outbreak of the Covid-19 pandemic in March 2020, the tourism sector in Israel was growing, and that in 2019 about 4.9 million tourists entered Israel – an all-time record, but still less than the estimated potential of 17.9 million tourists. The Covid-19 pandemic caused a crisis in the industry – in 2020, revenues from tourism in Israel fell by about 67%, and the volume of tourists entering Israel fell by about 82%. Despite this, analysts predict that the industry may recover almost completely by 2025. Therefore, from a forward-looking perspective, it is important that local authorities analyze the state of tourism and the possibilities for improving the industry's infrastructure and the potential for its development, so that they are suitably prepared for tourists visiting after the passing of the Covid-19 pandemic. The Israeli government and five of the audited local authorities have invested about NIS 670 million in the development of tourism areas over the last eight years. Alongside this investment, maintenance deficiencies and a low level of cleanliness were found. The audit further indicated that the management of tourism in the local authorities is not regulated. There are also disparities between the audited municipalities in the level of management, its scope and its consistency. To prepare for the day after the Covid-19 pandemic and realize the potential inherent in the tourism industry, it is advisable to characterize the required management and planning bodies, determine their powers, formulate guidelines for the desired working methods and define standards and control mechanisms for the quality of service to tourists and the quality of the public tourism expanse, its maintenance and cleanliness. It is recommended that the elected ranks at the local authorities be more involved in overseeing the management, promotion and development of tourism, and that the development and promotion of tourism be anchored in comprehensive and effective urban planning of the localities.

One of the essential services that every local authority is obligated to provide to its residents is the disposal of waste from the public domain and removal of household waste, pruned branches and scrap in its jurisdiction. The report includes a chapter on **Collection and Burial**



**of Waste in Local Authorities.** The audit raised that some of the audited local authorities had a long-term contract with one disposal contractor, although in the tenders for waste disposal published by those authorities, bids were submitted by several disposal contractors; and that in 2019, the average waste weight per capita in Israel was 680 kg – more than the average waste weight per capita in OECD states, which stands at 538 kg per capita. In the last decade, the growth rate of waste production in Israel was about 2.6% in average per year; This increase requires local authorities to plan the waste disposal system and use technological tools to collect relevant data on the matter and provide residents with efficient and quality service. The average rate of landfilling in Israel (83%) is very high compared to the average rate in the OECD states (42%), in the United States (53%) and in OECD Europe (35%); Landfill sites in Israel are shrinking, although the amount of waste is increasing. The shortage of landfill sites is leading to an increase in waste disposal costs for local authorities and may lead to waste dumping in unregulated areas. The crisis created due to the shortage of landfill sites requires all relevant parties, led by the Ministry of Environmental Protection, to work together to find solutions to the crisis and implement them. Local authorities should reduce the quantities of waste production and to reduce the amount of waste transferred to landfills.

Hazardous buildings endanger human lives. A concrete example of this is the collapse of a residential building in Holon in September 2021, an event that ended without any casualties as the building's occupants were obligated to evacuate it about a day before it collapsed due to the danger it posed to their lives. The audit on **Local Authorities' Treatment of Hazardous Buildings** raised that the combination of circumstances of hundreds of thousands of structures built in Israel not according to a binding earthquake resistance standard, the aging of the structures, the difficulty of maintaining them and the lack of comprehensive regulation of the field of maintenance – creates the potential for many hazardous structures in Israel. Hazardous structures that are not maintained can be a "ticking bomb" posing a threat to everyone around them and also exposing the occupants, owners and local authorities to significant consequences they are not always prepared for. The audit raised that in 2021 the number of housing units built before 1980, which may not meet the earthquake resistance standard for buildings was estimated at 610,000; The number of buildings declared dangerous in the 44 audited local authorities was 4,840; In 89% of the audited local authorities the authority's council did not hold discussions on hazardous structures; 77% of the audited local authorities did not conduct a mapping or survey of potentially hazardous buildings or neighborhoods. At the time of the audit, the central government bodies, mainly the Ministry of Interior and the Ministry of Housing, did not promote the treatment of hazardous buildings by the local authorities nor addressed the economic and social consequences they entail. These bodies, as well as the local authorities, have not taken proactive action to locate hazardous buildings, and this may prevent giving attention to life-threatening structures. The constant concern of an earthquake in Israel, along with the collapsing of unmaintained old buildings, similar to the events that occurred in 2021, and their considerable potential for damage, highlight the need to regulate the treatment of



hazardous buildings and reduce disparities between authorities in this area. Local authorities should exhaust the means at their disposal, while carrying out proactive mapping and supervision actions, to ensure the effective treatment of hazardous buildings and the elimination of the safety hazard posed to their occupants and the public, without unnecessarily harming building owners.

Drugs and alcohol are psychoactive substances, which affect the body and mind and change the user's attitude to occurrences around him, without the ability to control the change. The report includes a chapter on **Local Authorities' Treatment of Drugs and Alcohol Abuse Within Their Jurisdiction**. According to an estimate by the Ministry of Welfare and Social Affairs, in 2020 the number of people found on the spectrum of drug and alcohol use in Israel was about 120,000; The number of drug and alcohol addicts known to the local authorities and the various treatment bodies was about 27,000, and the number of patients in all the wards for the treatment of addictions in the local authorities was 15,243. The Ministry of Welfare' total budget for the treatment of addictions in 2020 was about NIS 88 million, and it was fully realized. The audit raised that the local authorities and relevant government ministries did not map and collect data on the extent of the drug and alcohol phenomena, and in fact, no entity in the country has a complete and updated database. It was further raised that in the absence of a database, government ministries and local authorities find it difficult to contend optimally with the phenomena regarding prevention and information, detection, treatment and enforcement actions.

The State Comptroller's Office recommends that local authorities increase cooperation with those involved in the struggle against the phenomena of drugs and alcohol, including the Ministry of Welfare, the Israel Authority for Prevention of Alcohol and Drug Abuse, the Israel Police and the Ministries of Education and Health. This, to improve their prevention, information, detection, treatment and enforcement actions, to provide a response for drug and alcohol users and addicts. It is also recommended that local authorities conduct periodic surveys and the Israel Authority conduct an epidemiological survey, to obtain a comprehensive and updated situation report of the extent of the phenomena at the national and local levels.

The spread of drug and alcohol use and addiction to them can also adversely affect the society at all levels, and therefore requires attention to each of the circles surrounding the individual, with a systemic effort by local authorities, government ministries, especially the Ministry of Welfare, Ministry of Education and Ministry of Health, Israel Police, the Israel Authority and relevant bodies in the third sector.

Monitoring the rectifying of deficiencies raised in previous reports is an important tool whose aim is to verify that the audited bodies have indeed rectified what was required. We have therefore expanded the scope of follow-up audits and refine the manner in which they are conducted. This report presents the findings of four follow-up audits **Regulation of Electric Bicycles and Two-Wheeled Vehicles Use in the Urban Space; Legislation of By-**



**Laws of Local Authorities; Procurement and engagements in local councils; The establishment of Harish.**

The report covers a wide range of topics, and this introduction deals only with a few of the chapters in it. Each and every chapter of the report opens to the public, including decision-makers, a window into the activities of local government in Israel. Thus, it helps all of us to ensure the appropriateness of the public service in the Israel and significantly increase the efficiency, savings and integrity of the audited bodies and maintaining the rules of good governance.



**Preparing the report required considerable effort by the personnel of the Local Government Audit Division and by employees at the Headquarters of the State Comptroller's Office. All of them have worked hard to prepare it with the utmost professionalism, thoroughness, fairness and meticulousness, and they fulfill their public duties out of a sense of true dedication. They have my gratitude.**

It is the duty of the audited bodies to act in a swift and effective way to rectify the deficiencies raised in this report to promote public service in Israel and thus also improve the quality of life of Israeli residents.

**Matanyahu Englman**State Comptroller  
and Ombudsman

Jerusalem, July 2022





State Comptroller of Israel | Local Government Audit | 2022

## Chapter 1

# Systemic Audit





State Comptroller of Israel | Local Government Audit | 2022

Systemic Audit

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# **Prevention of Embezzlement and Fraud in Local Authorities**





## Prevention of Embezzlement and Fraud in Local Authorities

### Background

In Israel, 257 local authorities manage budgets of about NIS 71 billion and employ about 165,000 workers. They manage numerous financial processes, such as procurement processes, collection of property taxes and payment of wages, and managing property and equipment. As public trustees, local authorities should manage their financial affairs and assets carefully and maintain the integrity of the assets and public funds. Preventing embezzlement and fraud is an expression of the previously mentioned duty, and it ensures good governance and integrity. Professional knowledge about preventing embezzlement and fraud has developed in recent decades, and principles have been formulated. An international survey from 2020 of about 2,500 embezzlement incidents exposed worldwide raised that the loss due to such embezzlements is estimated at USD 3.6 billion and that organizations worldwide lose about 5% of their revenue each year due to fraud, embezzlement, and financial irregularities.



## Key figures

**NIS 71  
billion**

local authorities total budget in 2019; That year they employed about 165,000 workers

**32%**

of the embezzlements and frauds exposed in government organizations around the world in 2019 were in local authorities

**68%**

of the embezzlement and fraud incidents investigated by accounting firms in Israel in 2018–2019 were of employee embezzlement

**43%**

of the embezzlement incidents were exposed following reports from within the organization – according to a 2019 survey by the International Association of Certified Fraud Examiners – ACFE. The median loss due to embezzlement caused to organizations with a hotline mechanism was 50% lower than that of entities with no such mechanism

**14**

local authorities out of the 21 audited reported at least one incident of embezzlement or fraud that was perpetrated and exposed in 2015–2021. A total of 21 embezzlement incidents were exposed

**about NIS  
9.3 million**

the estimated financial damage caused to 14 local authorities and another authority (**Jisr az-Zarqa**) that reported exposed embezzlement and fraud incidents in 2015–2021

**2**

number of local authorities out of the 21 audited (**Eilat** and **Be'er Sheva**) whose managements conducted a risk survey and derived work plans therefrom

**9**

number of local authorities out of the 21 audited formulated a code of ethics. Six of them implemented it





## Audit actions



From April 2021 to January 2022, the State Comptroller's Office examined embezzlement and fraud prevention in 21 local authorities that manage the most significant budgets: **Eilat, Ashdod, Ashkelon, Be'er Sheva, Bnei Brak, Bat Yam, Herzliya, Hadera, Holon, Haifa, Jerusalem, Kfar Saba, Modi'in-Maccabim-Reut, Netanya, Petah Tikva, Rishon Lezion, Rehovot, Ramat Gan, Ra'anana and Tel Aviv-Yafo** municipalities and the **Mateh Binyamin** Regional Council (local authorities audited). The regulations of the Ministry of Interior were also examined.

In addition, in four municipalities, **Be'er Sheva, Haifa, Petah Tikva, and Rishon Lezion**, an in-depth audit was conducted (local authorities audited in depth) on individual actions taken to prevent fraud and embezzlement in core processes in five areas.

## Key findings



**The regulator's actions** – the Ministry of Interior has not established pan-organizational guidelines to prevent embezzlement and fraud. In addition, the audits it conducted in the local authorities do not directly address these aspects. It should be noted that Australia, for example, uses a program to prevent embezzlement and fraud at the local level. In 2018, the United Nations published a guide to contend with corruption in local authorities. The guide includes, among other things, a corruption risks examination, and a design of a supportive organizational culture for preventing, monitoring, and reporting corruption.





**Reporting and conclusion drawing mechanisms** – the 21 local authorities audited were asked to report to the State Comptroller's Office on embezzlement and fraud incidents that occurred therein and were exposed between January 2015 and May 2021. Two-thirds of them (14) reported 21 incidents of embezzlement and fraud exposed. Eight reported a single incident, and six reported more than one incident. Seven incidents were of the education departments' activities, five embezzlement incidents were of inventory management, and the rest were of various processes. Nine of the 21 embezzlement incidents exposed and reported by the local authorities were over NIS 50,000, and two incidents were – NIS 1.2 million or more. The cumulative sum of all the incidents exposed and reported was estimated at NIS 6,000,000.


It was found that the local authorities in Israel are not instructed to report to the Ministry of Interior embezzlement or fraud incidents discovered, and the Ministry of Interior has no internal procedure for handling them. It was further found that, as a rule, the Ministry




of Interior does not conclude from embezzlement or fraud incidents in the local authorities it has learned of, nor does it publish consolidated information to all local authorities about conclusions drawn from such embezzlement and fraud, and the necessary action to take. Haifa District of the Ministry of Interior, which concluded from an embezzlement incident at the **Jisr az-Zarqa** Local Council in 2016, is commended. In this embezzlement incident, an external accountant who provided services to the council for NIS 3.3 million was convicted of theft by changing suppliers' bank account details to his associates' account details. However, the conclusion drawn from the embezzlement in **Jisr az-Zarqa** was not shared with local authorities outside the Haifa district.

 **Conducting and updating a risk survey** – five of the 21 auditors of the local authorities audited did not conduct a risk survey, and three conducted a risk survey in some municipal departments. In three of the municipalities that prepared a risk survey, more than five years have passed since it was completed. The Ministry of Interior has not set surveys updating guidelines for local authorities. As for conducting a risk survey by the management of the local authority, it was found that except for two municipalities – **Eilat** and **Be'er Sheva** – the local authorities' management did not conduct a risk survey or use it.

 **Appointing a responsible entity to prevent embezzlement and fraud in the local authority** – only one of the 21 local authorities audited appointed an accountable body to prevent embezzlement and fraud.

 **Procedures, training program, and means for anonymous reporting (hotline)** – the 21 local authorities audited have no dedicated process to anchor prevention of embezzlement and fraud policies, incorporate the actions required to prevent embezzlement and fraud, report mechanisms and methods of handling embezzlement incidents discovered. In addition, the 21 local authorities audited do not have a pan-organizational and dedicated training program on the prevention of embezzlement and fraud, and there are no means for anonymous reporting (hotline) on suspicions of embezzlement and fraud to the management.

 **Rotation between functionaries and surprise inspections** – 20 of the 21 local authorities audited do not implement rotation between employees in positions affiliated with financial matters or the management of the authority's resources due to organizational difficulties and limitations; **Ra'anana** municipality is the only one that implements rotation in positions affiliated with salary and human capital management. **Be'er Sheva** municipality reported that it implements rotation in specific departments, such as the property tax department. As for surprise inspections – 14 local authorities out of the 21 audited do not conduct surprise inspections; seven – conducted surprise inspections – most at the municipal coffers or on a specific issue.



- 
**Prevention of embezzlement and fraud related to payments to suppliers** – it was raised that the Ministry of Interior has no guidelines to manage the payment process to suppliers and the controls required to prevent embezzlement and fraud. The Ministry of Interior addressed, in the audits it conducted, only one aspect, which is the failure to reconcile accounts with banks, credit card companies, and major suppliers, from among the various aspects included in the contracting process with a supplier. It was also found that the local authorities audited in depth – **Be'er Sheva, Haifa, Petah Tikva, and Rishon Lezion** – reduced those risks. Still, it is recommended they also implement preventive, warning, locating controls, such as rotations between officials, reliability of data input controls when opening and updating a supplier card, adding computerized controls on the supplier data to prevent duplication or improper engagements and creating an interface between the financial and logistics systems.
- 
**Prevention of embezzlement and fraud related to human capital management** – as a rule, the four audited in-depth local authorities – **Be'er Sheva, Haifa, Petah Tikva, and Rishon Lezion** – implement controls enabling the mitigation of the risks of embezzlement and fraud in human capital management. However, there are further actions and controls they should implement. For example, the four above-mentioned local authorities reported that some employees were given sweeping permission to handle all the data of the local authority employees, thus increasing the risk of embezzlement; they do not implement rotations between positions due to organizational difficulties and do not require employees in sensitive positions to take continuous leave; the controls for entering the data when opening a new employee card are not optimal and lack control over changes in the master files of employees and retirees and over the processes of removing an employee from the computer systems.
- 
**Prevention of embezzlement and fraud related to wage payments** – it was found that the local authorities audited in depth, as a rule, implement controls to prevent risks of embezzlement and fraud in wage payments to employees. However, **Haifa** municipality does not have a separate payroll control department, and employees in the Payroll Department perform the control; **Be'er Sheva** municipality has begun setting up a payroll control unit, but by the audit end, the process has not been completed. In addition, payroll accountants in the audited authorities can enter payroll entitlements for other payroll accountants or change details for employees whose employment with the local authority has ended. In **Be'er Sheva** and **Haifa**, payroll accountants can also enter entitlements for themselves and their relatives who work for the municipality. In addition, in **Be'er Sheva, Haifa, and Rishon Lezion** municipalities, controls to detect improper changes made to the master files of the employee data generated in the Human Resources Department are not performed.
- 
**Prevention of embezzlement and fraud related to the imposition of property taxes and their collection** – as a rule, the audited in-depth local authorities implement controls that prevent risks of embezzlement and fraud in property taxes.



Thus, for example, they all reported that they periodically review the compatibility between the classification codes in the computer systems and those outlined in their property tax order and require that at least two different functionaries be involved in changing the classification of a property, writing off debts or restoring funds paid in excess. However, in some processes, the controls are unsatisfactory: **Petah Tikva** municipality has not regulated the procedure for authorizing users in the municipal collection system; **Haifa, Petah Tikva, and Rishon Lezion** municipalities do not conduct analytical controls over the number of changes made to properties in the municipality to detect unusual actions and suspicions of embezzlement.



**Prevention of embezzlement and fraud in the management of municipal inventory** – **Be'er Sheva, Haifa, and Petah Tikva** municipalities cannot ascribe in the designated computer systems the inventory items to the employees who received them. This was especially important during the Covid-19 pandemic as many employees were loaned laptops since they transitioned to remote work. It was also found that **Be'er Sheva** and **Haifa** municipalities do not apply analytical controls on inventory losses.



**Code of Ethics** – nine out of the 21 local authorities audited have a code of ethics; six of the nine also carried out actions for its implementation.

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## Key recommendations



**The regulator's actions** – it is recommended that the Ministry of Interior examine the systemic and organizational issues of embezzlement and fraud prevention in local authorities, according to the knowledge development on the subject. Accordingly it should establish guidelines regarding control environment characteristics, risk assessment, control measures, information and communication within the organization and monitoring actions, and instruct their accountants to conduct audits on this subject at a frequency to be determined by it. As part of the audit, it is recommended to refer to the knowledge and principles that have developed in the field and to international experience.



**Conducting a risk survey by the internal auditors and the managements of the local authorities** – the local authority internal auditors of **Bnei Brak, Bat Yam, Haifa, Rehovot** and **Tel Aviv-Yafo** who have not yet conducted a risk survey, should do so, as required by the Director General of the Ministry of Interior Circular, and the auditors of the **Ashdod, Hadera** and **Holon** should complete the partial risk survey they conducted to a full survey. It is recommended to update surveys conducted more than five years ago. It is also recommended that the Ministry of Interior establish guidelines for local authorities to update the surveys. Moreover, that local authority managements



conduct risk surveys and derive therefrom multi-year work plans to mitigate the risks that arise therefrom.



**Pan-organizational preparations for the prevention of embezzlement and fraud** – it is recommended that the audited 21 local authorities conduct pan-organizational actions to prevent embezzlement and fraud and thus mitigate the related risks. Among the actions required are: appointing a responsible entity, formulating a dedicated procedure for anchoring policy, formulating a pan-organizational and dedicated training plan, employing means for anonymous reporting (hotline) to the authority's management on suspicions of embezzlement and fraud and informing employees of its existence, implementing, to the extent possible, of rotation mechanisms in positions whose core occupation is managing funds, resources and assets of the local authority and conducting surprise inspections on material topics.



**Prevention of embezzlement and fraud related to payments to suppliers** – it is recommended that the Ministry of Interior publish guidelines and controls on the payment process to suppliers to prevent embezzlement and fraud. It is further recommended that the Ministry of Interior conduct audits on other aspects in local authorities besides failing to reconcile accounts with banks, credit card companies, and major suppliers. It is recommended that **Be'er Sheva, Haifa, Petah Tikva, and Rishon Lezion** map all the controls they perform in payment to suppliers and rectify the deficiencies found in the audit. Such as the control of two officials over the input of data when opening a supplier card, adding computerized controls on supplier data to locate duplications and to prevent improper engagements and the creation of an interface between the financial and logistical systems.



**Prevention of embezzlement and fraud related to human capital management** – it is recommended that **Be'er Sheva, Haifa, and Petah Tikva, and Rishon Lezion** which were audited in depth – formulate internal procedures or guidelines regarding the lack of controls in core processes and uphold the principle of segregation of duties by reducing sweeping privileges to employees. It is also recommended to introduce compulsory continuous leave for employees in sensitive positions and to improve controls over opening an employee card.



**Prevention of embezzlement and fraud related to wage payments** – it is recommended that **Be'er Sheva, Haifa, Petah Tikva, and Rishon Lezion** maintain the segregation of duties principle; thus, payroll accountants cannot enter salary entitlements for their colleagues in the accounting division or change details of employees whose employment has ended. It is further recommended that the **Be'er Sheva** and **Haifa** municipality accountants will not be able to enter entitlements for themselves and their relatives working for the authority. It is also recommended that the local authorities implement controls to detect improper changes made to the master files generated in the Human Resources Department.



**Prevention of embezzlement and fraud related to the imposition of property taxes and their collection** – it is recommended that **Petah Tikva** municipality regulate the authorization procedure for users of the municipal collection system and that **Haifa, Petah Tikva** and **Rishon Lezion** municipalities implement analytical controls on the number of changes made to properties.



**Prevention of embezzlement and fraud in the management of municipal inventory** – it is recommended that **Haifa** and **Petah Tikva** ascribe in the computer systems the inventory items to the employees who received them. It is also recommended that **Be'er Sheva** and **Haifa** municipalities apply analytical controls on inventory losses.

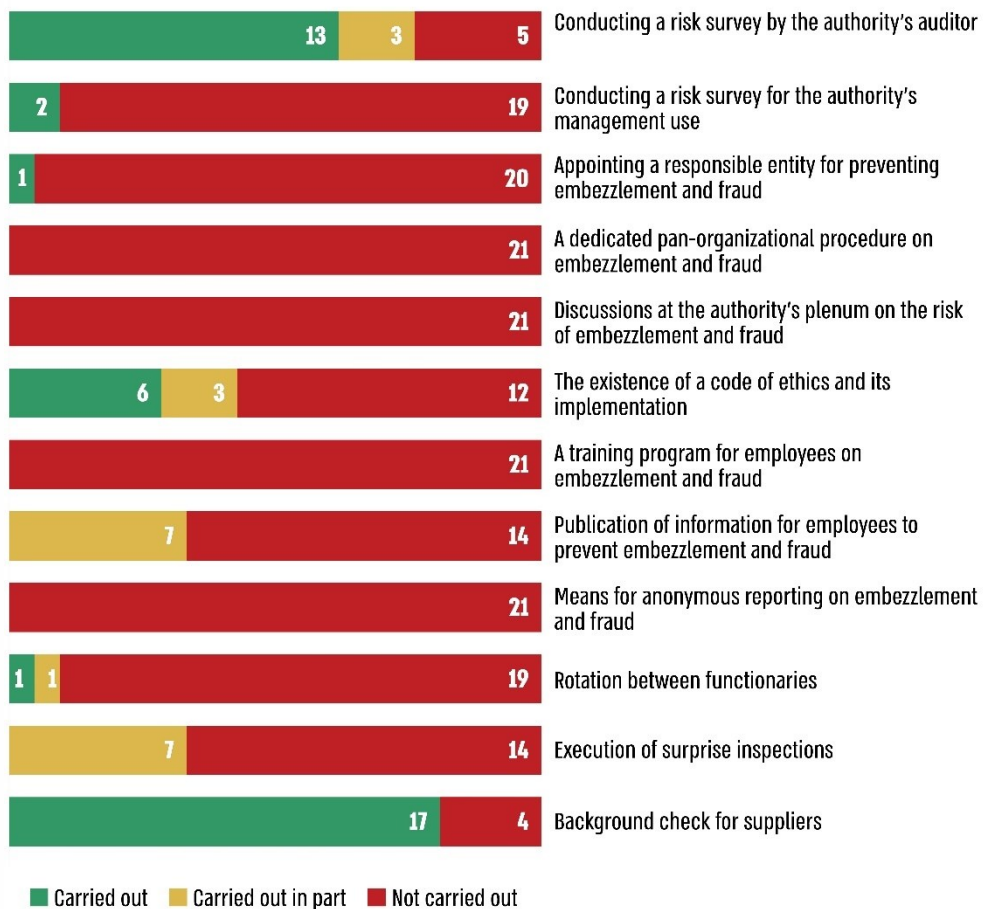
### Management of embezzlement and fraud risks according to the COSO organization model\*



\* Committee of Sponsoring Organizations of the Treadway Commission.



### Distribution of local authorities audited according to the state of execution of pan-organizational actions for the prevention of embezzlement and fraud



## Summary

The risk of embezzlement and fraud is inherent in the activities of any organization. In recent decades, professional knowledge about the prevention of embezzlement and fraud has developed in the world, and principles and guidelines have been formulated for improving the control and risk management environment. However, the audit found deficiencies in the



Ministry of Interior regulations. This is reflected in the lack of guidelines in preventing embezzlement and fraud at the pan-organizational level and regarding the control environment, in the absence of reporting and drawing of conclusions, and the scarcity of audits focused on this area.

The audit of the 21 most prominent local authorities with the most significant budgets raised that they do not implement many pan-organizational actions, which international standards and professional literature found to be effective in mitigating the embezzlement and fraud damage and in their quick exposure.

Deficiencies were found in the audit of the four audited in-depth authorities, such as a scarcity of audits by the Ministry of Interior and of the authorities' auditors of embezzlement and fraud prevention. It was also found they implemented preventive and locating controls in the areas examined. However, there are individual work processes that require improvement, and individual controls should be added and some of the controls tightened.

As public trustees, local authorities should manage their financial affairs and assets carefully and maintain the integrity of the assets and public funds. The Ministry of Interior should form a comprehensive regulation, and local authorities should formulate policies and implement actions and controls to prevent embezzlement and fraud and to protect public funds.





State Comptroller of Israel | Local Government Audit | 2022

Systemic Audit

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# **Local Authorities' Treatment of Hazardous Buildings**





# Local Authorities' Treatment of Hazardous Buildings

## Background

Hazardous buildings endanger human lives. A concrete example of this is the collapse of a residential building in Holon in September 2021. This event ended without any casualties as the building's occupants were evacuated a day before it collapsed due to the danger it posed to their lives. The combination of circumstances of hundreds of thousands of buildings built in Israel not according to a binding earthquake resistance standard, the aging of the buildings, the difficulty of maintaining them, and the lack of comprehensive regulation of maintenance – creates the potential for many hazardous buildings in Israel. Hazardous buildings that are not maintained can be a "ticking bomb", endangering everyone around them and exposing the occupants, owners, and local authorities to significant consequences for which they are not always prepared.



## Key figures

**610,000**

estimated number of housing units built before 1980, which may not meet the earthquake resistance standard for buildings, as of 2021<sup>1</sup>

**41,626**

number of housing units granted permits under a national outline plan for the reinforcement of existing buildings against earthquakes (NOP 38) in 2005 – 2020<sup>2</sup>

**7%**

housing units rate which were granted permits under NOP 38 up to 2020 compared to the number built before 1980

**4,840**

number of hazardous buildings in the 44 local authorities audited (4 were audited in depth and 40 sampled by questionnaire)<sup>3</sup> as of the audit date

**49 (19%)**

number/rate of local authorities out of 257 that do not have hazardous buildings by-laws

**24 (55%)**

number/rate<sup>4</sup> of audited local authorities that did not establish a procedure for handling hazardous buildings

**39 (89%)**

number/rate<sup>5</sup> of audited local authorities that did not discuss hazardous buildings in their council plenum

**34 (77%)**

number/rate<sup>6</sup> of audited local authorities that did not map or survey potentially hazardous buildings or neighborhoods

## Audit actions



From June to November 2021, the State Comptroller's Office examined local authorities' handling of hazardous buildings. An in-depth audit was conducted in four local authorities – **Beer Sheva, Bat Yam, Kiryat Yam, and Tel Aviv-Yafo** – focusing on the treatment of hazardous buildings by-laws and procedures, declaring and treating hazardous buildings procedures, hazardous public buildings treatment; assistance to owners of hazardous buildings or those occupying them. Completion audits were conducted at the local planning and building committees of **Beer Sheva, Bat Yam, the Krayot, and Tel Aviv-Yafo**. In addition, a questionnaire was sent to another 40 local authorities and

<sup>1</sup> Data provided by the Israel Builders Association to the audit team in September 2021.

<sup>2</sup> Government Authority for Urban Renewal, Urban Renewal Report for 2020 (April 2021).

<sup>3</sup> There were dozens of other buildings treated by hazardous buildings units in these authorities that were not declared hazardous buildings.

<sup>4</sup> These data refer to both the 40 local authorities sampled in the questionnaire and the four local authorities examined in depth.

<sup>5</sup> See footnote 4 above.

<sup>6</sup> See footnote 4 above.



nine local (regional) planning and building committees. Additional completion examinations were conducted at the Prime Minister's Office, the Ministry of Interior, the Ministry of Construction and Housing (the Ministry of Housing), the Ministry of Welfare and Social Affairs, the Ministry of Education, and other relevant bodies.

## Key findings

-  **The treatment of hazardous buildings by-laws** – the Sample By-Law for the Treatment of Hazardous buildings, published by the Ministry of Interior 50 years before the end of the audit (in 1972), is not detailed. However, the Ministry of Interior has not updated it and has not issued a new by-law recommended for use by local authorities. Of the 208 local authorities with a hazardous buildings by-law, about 86% have outdated by-laws enacted before 2010. Disparities were found in the by-laws of **Beer Sheva, Bat Yam, Kiryat Yam, and Tel Aviv-Yafo** concerning basic definitions indicating differences between their handling manner of hazardous buildings and the rights and obligations of the residents of the local authority who occupy or own hazardous buildings.
-  **Hazardous buildings treatment procedures** – **Kiryat Yam** municipality does not have a procedure for hazardous buildings. The procedures of **Beer Sheva, Bat Yam, and Tel Aviv-Yafo** municipalities do not define a "hazardous buildings" using criteria for distinguishing between different levels of danger and do not fully define the work procedure required by all the local authority parties for handling hazardous buildings and the manner of cooperation between them.
-  **Monitoring and control discussions on hazardous buildings** – **Beer Sheva** municipality and the **Beer Sheva, Bat Yam, Krayot, and Tel Aviv-Yafo local planning and building committees** did not discuss hazardous buildings; **Kiryat Yam** municipal council held a single discussion on hazardous buildings after the collapse of the building in Holon; **Bat Yam** municipal council discussed, among other things, the amendments approval to the hazardous buildings by-law; **Tel Aviv-Yafo** municipal council discussed the by-law approval of buildings.
-  **Hazardous structure treatment unit** – the Ministry of Interior has not established regulations requiring the establishment of a dedicated unit for hazardous buildings treatment and of the needed manpower for their treatment, depending on the size of the local authority or other characteristics to be determined by the Ministry. The Ministry of Interior has not issued guidelines regarding the threshold conditions for those handling hazardous buildings and their required training. The Ministries of Interior and Housing did not provide training and instruction for local authorities employees in hazardous buildings. The employees who handle hazardous buildings in **Beer Sheva,**



**Bat Yam, Kiryat Yam, and Tel Aviv-Yafo** include engineers or practical engineers were not trained or instructed in hazardous buildings before beginning their work. Moreover, they do not participate in ongoing training on this topic.



**Initiated inspections to locate hazardous buildings** – the Ministries of Interior and Housing did not instruct the local authorities to survey buildings, including details of how the survey should be prepared, the frequency of preparation required, and the identity of the inspecting entity. Of the 40 local authorities sampled in the questionnaire, 35 (87.5%) did not formulate work plans for locating and treating hazardous buildings. **Beer Sheva, Bat Yam, Kiryat Yam, and Tel Aviv-Yafo** did not survey hazardous buildings or prepare work plans for locating hazardous buildings. Moreover, the central government bodies examined – the Ministry of Interior, the Ministry of Housing, the Planning Administration, and the Land Enforcement Authority (formerly the National Unit for Enforcing Planning and Construction Laws) – did not map the areas with the potentially buildings at risk.



**Carrying out an on-site inspection after receiving a suspicion inquiry of a hazardous building** – out of 40 authorities sampled, 24 (60%) did not set a maximum time for an on-site engineering inspection from the date of suspicion inquiry receipt of a hazardous building. From January 2015 to June 2021, 92 buildings in **Bat Yam** (13% of the buildings for which on-site inspections were carried out) were inspected 60 days or more after the inquiry date (467 days was the maximum period); 2 buildings in **Beer Sheva** (0.16% of the buildings for which on-site inspections were carried out) were inspected 60 days or more after the inquiry date (68 days was the maximum period); 48 buildings in **Tel Aviv-Yafo** (1.4% of the buildings for which on-site inspections were carried out) were inspected 60 days or more after the inquiry date (313 days was the maximum period) – much longer than the determined time in the by-laws and procedures.



**Declaration of a hazardous building and the treatment thereof** – the central government bodies examined – the Ministry of Interior, the Ministry of Housing, the Planning Administration, and the Land Enforcement Authority – have no data on the buildings declared by the local authorities as hazardous and on the status of the treatment thereof. **Beer Sheva, Bat Yam, Kiryat Yam, and Tel Aviv-Yafo** have not set detailed criteria for declaring a "hazardous building" in their jurisdiction. The percentage of hazardous buildings declared from all the buildings in **Kiryat Yam**, and **Beer Sheva** is significantly lower, 0% and 1%, respectively, than their share in **Bat Yam** and **Tel Aviv-Yafo**, 13% and 20%, respectively. **Kiryat Yam** municipality did not declare any building within its jurisdiction as a hazardous building, but instead sent warning letters to the owners and did not monitor the warning letters, nor has consolidated data on them.



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**Management of enforcement proceedings and imposition of fines for the treatment of hazardous buildings** – in **Bat Yam**, 654 active cases are being handled by the Hazardous buildings Unit and 363 cases by the municipal prosecution, some of which have been open for about a decade. Currently, they are still handled and pose a danger. **Beer Sheva** municipality has 18 active hazardous buildings case files handled by the Hazardous buildings Unit and seven active cases handled by the municipal prosecution, one case has been open for five years, and another has been open for about four years. **Tel Aviv-Yafo** municipality has 681 open cases handled by the Hazardous buildings Department and 59 open cases handled by the municipal prosecution, two open cases from 2019, nine from 2020, and 48 from the first half of 2021. **Kiryat Yam** municipality did not transfer cases for handling to the municipal prosecution. **Beer Sheva, Kiryat Yam, and Tel Aviv-Yafo** did not impose fines on owners of hazardous buildings who did not repair the defects as required. **Bat Yam** municipality did not take steps to empower it to impose a fine on the subject and did not impose such fines.
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**Publication of information on hazardous buildings** – the Ministry of Interior did not instruct the local authorities regarding the information they must publish about hazardous buildings being handled by them, and the format of information publication or its transfer to the building files. 39 of the 40 local authorities sampled in the questionnaire (97.5%) do not publish the list of buildings to the public on their website, including local authorities that have hundreds and even thousands of hazardous buildings. 37 local authorities (92.5%) do not have an information layer about the dangerousness of the buildings in their geographical information system.
- 
**Educational institutions** – although the Ministry of Education has set detailed obligations for compliance with safety requirements and for carrying out various safety inspections in educational institutions, it has not imposed to check the stability of educational buildings occasionally, in particular – depending on the age of buildings, even though hundreds of children pass through them every day.
- 
**Assistance means for owners and occupants of hazardous buildings** – none of the 40 local authorities audited extend assistance grants to residents for repairing defects in hazardous buildings, and 37 of them (92.5%) do not assist through loan grants. **Bat Yam, Tel Aviv-Yafo, Kiryat Yam, and Beer Sheva** have not set up a dedicated fund to assist apartment owners in financing renovation work and repairing defects in hazardous buildings, whether by grants or loans. The assistance the Association of Better Housing provides to renovate buildings can be given to only 12.5% of the housing units in the country, whose owners pay for their membership in the Association. In the four local authorities examined, the Association's assistance was provided to homeowners in 90 buildings in 2015–2021 out of 4,424 hazardous buildings declared in those years. The Ministries of Housing and of Welfare and Social Affairs do not have dedicated programs to help apartment owners remediate dangers in their homes or help tenants suddenly



forced to vacate their homes. The Ministry of Interior does not have a procedure that enables and instructs local authorities to assist tenants in an emergency.



**Tel Aviv-Yafo assistance in building facades renovation** – the state comptroller's office commends the activity of **Tel Aviv-Yafo** municipality through Ezra & Bizaron Housing Co. Ltd., providing a solution for tenants unable to finance the renovation work and remediate hazards in their buildings. This activity also addresses the barrier of reluctant tenants, who sometimes undermine the promotion of building renovation projects.

**Promoting the treatment of hazardous buildings and their consequences** – following the collapse of the building in Holon, several government ministries, at the initiative of the Prime Minister's Office, took steps to promote the treatment of hazardous buildings. Consequently, a professional team was established, consisting of representatives from the Ministries of Housing, Interior and Justice, the Urban Renewal Authority, the Planning Administration, the National Planning Council at the Ministry of Interior, the Budget Division at the Ministry of Finance, and the Home Front Command. The team's goal is to study the matter and recommend policy steps in the short and long term.

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## Key recommendations



It is recommended that the Ministry of Interior consider, following the international review presented in the report, the institutionalization of provisions and additional mechanisms required to empower local authorities to optimize the treatment of hazardous buildings. It is also recommended that all local authorities promulgate and update hazardous buildings by-laws.



It is recommended that the local authorities audited, and all local authorities, establish procedures and prepare orderly work plans for the inspection of the buildings in their jurisdiction according to criteria to be determined, to locate hazardous buildings or those suspected of being hazardous within their jurisdiction. It is recommended that the Ministry of Interior instruct local authorities to apply procedures and increase uniformity between local authorities in their handling of hazardous buildings. It is further recommended that the Ministry of Interior, in cooperation with the Ministry of Housing, consider promoting the recommendation to periodically inspect buildings, guide local authorities to survey, identify hazardous buildings, and instruct them to prepare multi-year work plans on the matter.








As the classifications of a building as a hazardous are not clear, it is recommended that local authorities establish detailed and transparent criteria for declaring a building as hazardous, and accordingly examine the buildings and ensure that the hazard is





removed, among other things, through external factors. The Ministries of Interior and Housing should instruct the local authorities regarding the criteria for declaring a building as hazardous, its treatment and the rescinding of the declaration – among other things regarding the classification of the buildings' degree of danger, depending on the nature of the buildings, the risk arising therefrom or the urgency.

-  The local authorities audited, and all local authorities, should act transparently and publish information on all declared hazardous buildings within their jurisdiction, including the update date, among other things to ensure that the emergency and rescue authorities, including fire and rescue, police and MDA can be updated on the list of hazardous buildings regularly. It is recommended that the Ministry of Interior instruct local authorities to publish information on hazardous buildings, including the details required, the method and the publication procedure.
-  The State Comptroller's Office recommends that the Ministry of Housing and the Urban Renewal Authority promote urban renewal projects in districts where the number of construction starts as part of urban renewal is low or where there are almost no such projects, and consider promoting urban renewal projects that will provide a response to hazardous buildings.
-  It is recommended that the Ministries of Interior and of Housing distribute to the local authorities guidelines of public buildings handling methods – their inspection and treatment of buildings suspected of being hazardous. As there are many activities in the educational institutions attended by hundreds of children every day, the State Comptroller's Office recommends that the Ministry of Education consider establishing provisions for a periodic inspection of the stability of educational institutions.
-  It is recommended that the Ministries of Housing and of Interior consider increasing assistance for the renovation of hazardous building, whether through the establishment of a government mechanism or by increasing the assistance of the Association of Better Housing in financing the renovation of hazardous buildings. Moreover, they should publish a guiding procedure on the matter for local authorities. It is also recommended that local authorities consider the establishment of dedicated funds to assist, whether through a grant or a loan, to repair hazardous buildings by criteria to be determined.
-  It is recommended that the Ministry of Housing nationally map safety hazards buildings, including buildings defined by the local authorities as hazardous, and formulate a nationwide multi-year plan to treat these buildings, especially in peripheral areas, to promote the treatment thereof. The professional government team should promote the issue and regulate policies for local authorities and property owners to deal with hazardous buildings, including assisting populations worthy of promotion – especially in peripheral areas, as the concentration of such occupants in hazardous buildings exacerbates the difficulty in coping with the building's hazardous nature and with the



remediation of hazards. It is recommended that the team consider establishing an integrating body, which will serve as a central guiding body for the local authorities and oversee their detection and treatment of hazardous buildings. It is recommended that the team examine mechanisms formulated in different countries worldwide for treating hazardous buildings and maintaining condominiums through the prism of the international review presented in the report.

### The residential building in Holon that collapsed in September 2021



To the right - is a photograph of the audit team from September 2021;  
To the left - is a photograph from a document of the Hod Hasharon Municipality from October 2021, prepared for a discussion on hazardous buildings in the municipality following the collapse of the building in Holon.

## Summary

As stipulated in the legislation, the local authority's mandate to handle hazardous buildings does not specify how to exercise it. At the audit time, the central government bodies, mainly the Ministries of Interior and of Housing, did not promote hazardous buildings treatment by the local authorities nor address the economic and social consequences it entails. These bodies, as well as the local authorities, have not proactively located hazardous buildings, even though they may be life threatening. The constant concern of an earthquake in the State of Israel, along with the concern over a collapse of unmaintained old buildings, similar to the



events in 2021, and the considerable damage potential of hazardous buildings, highlight the need to regulate hazardous buildings and reduce disparities between local authorities. Local authorities should exhaust the means at their disposal to ensure the effective treatment of hazardous buildings and the removal of the safety hazard looming over their occupants and the public while carrying out proactive mapping and supervision actions without unnecessarily harming building owners.





State Comptroller of Israel | Local Government Audit | 2022

Systemic Audit

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# **Collection and Burial of Waste in Local Authorities**





## Collection and Burial of Waste in Local Authorities

### Background

One of the essential services each local authority must provide to its residents is waste collection from public space and collection of household waste, trimmings and junk within its jurisdiction. The local authority's employees or contracted workers remove waste from the containers to the transfer station by designated trucks. Waste screening and volume reduction are performed at the transfer station and then the waste is transferred to landfills or recycling facilities. The waste volume generated in Israel per year, relative to population size, is considerably higher than the volume of waste other countries generate every year. The local authorities deal with growing amounts of waste and bear considerable waste collection expenses.



## Key figures

**680 kg**

average waste weight per capita in Israel in 2019. The average waste weight per capita in Israel is greater than the average waste weight per capita in OECD countries – 538 kg per capita

**12%–30%**

range of waste collection price increase paid by the audited authorities as part of their engagement with a new waste collection contractor

**83%**

of the waste in Israel is buried as opposed to 42% of the waste in OECD states 53% in the United States and 35% in OECD countries in Europe

**NIS 2.8–35.7 million**

range of waste collection expenses paid by the five audited authorities in 2020

**16,407 complaints**

of **Beit Shemesh, Hod HaSharon** and **Yavne** residents related to waste. In the Municipality of **Rahat** and the Local Council of **Zemer** there was no record of residents' complaints that year

**approx. NIS 886 million**

were allocated as part of three government resolutions related to regulation of waste management in non-Jewish local authorities. Out of which the Ministries of Environmental Protection and Interior approved supports amounting to NIS 792 million (89%). The local authorities used NIS 385 million (43% of original allocations and 49% of approved supports)

**68%**

of the waste generated in Israel is buried in the south. In 2020, 3.15 million tons of waste, out of 4.66 million tons collected across Israel, were buried in the south


**15 out of 257**

local authorities published a by-law of excess waste collection from business sources







## Audit actions






 From June to December 2021, the State Comptroller Office audited waste collection management from 2018 to 2020 within the jurisdiction of five local authorities (the audited local authorities): **Beit Shemesh**, **Hod HaSharon**, **Yavne** and **Rahat** and the Local Council of **Zemer**. Supplementary examinations were conducted at the Ministry of Environmental Protection, Ministry of Interior and the West Negev cluster of local authorities. The audit included five main domains: service provided to residents and advancement of service quality in the local authorities; waste collection gaps between Jewish and non-Jewish authorities and action taken to minimize gaps; waste burial; innovation in waste collection; by laws related to collection of excess waste generated by business sources.

## Key findings


-  **Rate of waste burial in Israel** – the average rate of waste burial in Israel (83%) is significantly high compared to the average rate in OECD countries (42%), in the U.S. (53%) and in European OECD countries (35%).
-  **Lack of competition between waste collection contractors** – it was found that although in some of the audited local authorities several contractors submitted bids to waste collection tenders, the local authorities were engaged with a single contractor for years<sup>1</sup> (**Beit Shemesh** – 14 years and 10 years, **Hod HaSharon** – 8 years, **Yavne** – 15 years and **Zemer** – 8.5 years). It was further found that in tenders initiated by **Beit Shemesh** there was no actual competition between waste collection contractors, because in some cases only one contractor placed a bid and in other cases a second contractor placed a bid but the bid was rejected because it did not meet tender requirements. It was found that following each of the tenders, the service cost in the audited authorities increased by 12% – 30%. Amongst the reasons for price increase: lack of sufficient competition between waste collection contractors and landfills and transfer stations owned by contractors.
-  **Fines imposed by the local authorities on waste collection contractors** – in 2020, **Hod HaSharon** imposed fines amounting to NIS 43,743 which were offsetted from the total cost of waste collection (NIS 24.86 million) and **Yavne** offsetted fines amounting to NIS 428,560 from the total cost of waste collection (NIS 24.41 million). **Beit Shemesh** and **Rahat** did not force the contractor to pay the fines and in the Local Council of **Zemer** there was no enforcement.


<sup>1</sup> Referring to terms of engagement which are sometimes continuous and when a contractor wins the tender process.




-  **Waste management regulation in non-Jewish local authorities** – the three government resolutions made in recent years to assist the non-Jewish authorities advancing their waste management programs and the significant budgets the Ministries of Environmental Protection and Interior allocated for the improvement and regulation of waste management were not fully implemented. The local authorities implemented the budgetary allocations at a rate of 43% of the original allocations and 49% of the approved supports. Out of NIS 886 million that were allocated for the three resolutions, the ministries approved supports amounting to NIS 792 million (89%) and the local authorities used approx. NIS 385 million.
-  **Residents' satisfaction** – none of the five audited local authorities (**Beit Shemesh**, **Hod HaSharon**, **Yavne** and **Rahat** and the Local Council of **Zemer**) conducted a waste collection satisfaction survey amongst its residents.
-  **Municipal call center** – 100 local authorities (half of which are non-Jewish local authorities) out of the 257 local authorities in Israel do not operate a municipal call center.
-  **Remaining land resources available for waste burial in Israel** – in 2020, 4.66 million tons of waste were buried in landfills in Israel and the remaining waste burial volume at the end of 2020 amounted to 14.41 million ton/cube. Thus, five landfills are expected to close down in the course of 2022 and in three to four years there will be no approved land resources for waste burial in Israel.
-  **Entry fee to landfills and waste transfer** – the gaps between entry fees to the various landfills might reach 300%. Moreover, the entry fees the landfills charge different clients – local authorities included – vary and the difference might reach a 100%. In 2020, 68% of the waste generated in Israel was buried in the south of Israel. While examining the routes of waste transfer, it was found that amongst the audited local authorities, there were significant differences in terms of distance and routes. **Yavne** and **Rahat** transfer their waste to landfills located 31 km and 21km away (respectively) – while **Hod HaSharon** and the Local Council of **Zemer** transfer their waste to landfills located at a distance of 139 km and 227 km. **Beit Shemesh** was forced to transfer its waste to the E'eh Landfill located at a distance of 131 km, (instead of the Ganey Hadas Landfill located at a distance of 77 km) which added another 54km to the route. The municipality could have transferred the waste to the Dudaim Landfill, which is adjacent to the Ganey Hadas Landfill, but the entry fee to Dudaim is NIS 171.27 per ton of waste, which is NIS 98.27 higher (135%) than the entry fee to Ganey Hadas which is NIS 73 per ton. Waste transfer from different locations in Israel and waste burial in the south have a high financial price as well as environmental price reflected in traffic congestion and emissions of pollutants.



 **Supervision of prices charged by waste collection contractors and of transfer station fees entry** – not all the local authorities have the privilege of selecting the transfer station, due to the limited number of adjacent transfer stations. The local authorities are "trapped" by those transfer stations and are forced to pay the entry fees dictated by them. Although the Supervision Order states that both transfer stations and waste collection contractors must submit a report pertaining to their fees and revenues to the Ministry of Environmental Protection, the Ministry has not formed its final recommendations regarding transfer stations yet. As for the waste collection contractors, the Ministry of Environmental Protection did not collect data from 2019 and 2020, under the Supervision Order, and did not form relevant recommendations.

 **Usage of technological tools in waste management** – the Local Council of **Zemer** does not use technological tools (such as waste management system and application, cameras and detection sensors attached to the trucks) to improve waste management in its jurisdiction and monitor the work performed by waste collection contractors. **Rahat** almost does not use waste management technological tools, however, as of the audit completion, it was in the midst of preparing a tender for the assimilation of such tools. **Beit Shemesh** does not perform initial weighing<sup>2</sup> of trucks operated by the waste collection contractor who collects waste across the new neighborhoods despite the requirement indicated in the contract.

 **By Laws regarding excess waste generated by business sources** – 15 (approx. 6%) out of the 257 local authorities have completed the by-law approval process and published it. Yavne published the by-law. The four additional audited municipalities did not publish the by-law; **Beit Shemesh** and **Hod HaSharon** have submitted their calculations to be approved by the Ministry of Environmental Protection; the Municipality of **Rahat** and the Local Council of **Zemer** have not advanced the by-law.



**Services provided to residents and advancement of service quality in local authorities** – the State Comptroller Office commends the actions taken by the Human Capital Development Department in the Ministry of Interior in cooperation with Mifam Emek Yizrael and Mifam Ma'ale Adumim and the training they provide. The purpose of the training is to increase awareness of the importance of the quality of service provided to residents and to improve and optimise the level of service the local authorities provide to their residents.

**Waste management collaboration** – the Association of Cities Act, 1955, allows local authorities to associate and form an association of cities, which is a cluster of local authorities, to encourage regional development and advancement of different types of collaboration amongst the members of the association. The State Comptroller Office

<sup>2</sup> Weighing the waste collection vehicle as it enters the local authority at the start of every workday.



commends the collaboration between the Municipality of **Rahat** and West Negev Cluster and the actions taken to improve the waste collection unit in general and the establishment of the enforcement unit in particular.

## Key recommendations



**Service provided to residents and advancement of service quality in the local authorities** – it is recommended that all local authorities, and the local audited authorities in particular, conduct occasional satisfaction surveys amongst the residents regarding all the services provided to them, including waste collection. The survey findings may be useful for the authority's management and advance improvement of such services. It is recommended that the Human Capital Development Department in the Ministry of Interior help the local authorities that do not operate a municipal call center, to establish one to improve the services provided to their residents. Such call centers will document residents' calls, reported hazards, the way those hazards are handled and the time it takes to handle them.



**Waste collection gaps between Jewish and non-Jewish local authorities** – it is recommended that the Ministries of Environmental Protection and Interior examine improved ways of handling support requests from non-Jewish authorities, to take advantage of the supports they are entitled to expand the financial resources available to them and to minimise waste management related gaps between Jewish and non-Jewish authorities.



**Mixed waste management Sites** – the Ministry of Environmental Protection should find regional solutions for waste management, so that waste management and waste volume reduction actions are performed close to the area where waste is generated. Such solutions might reduce local authorities' expenses related to waste transfer and minimize environmental damages. The Ministry of Environmental Protection should cooperate with the Planning Administration and Israel Land Authority to expand burial sites in the short term until the burial minimization strategy is implemented in the long term. The Ministry of Environmental Protection should implement its strategic plan. It should recruit the local authorities, which are an important factor concerning plan implementation and adhere to the milestones that were set while ensuring the deadlines are met. Full implementation of the plan will significantly improve waste management in Israel, which will be then positioned alongside developing countries in Europe.



**Landfills entry fees and competition between waste collection contractors** – the Ministry of Environmental Protection in cooperation with the Competition Authority should examine the rate of entry fees charged by landfills, the broader picture of waste collection tenders initiated by all local authorities and the cross ownerships between the



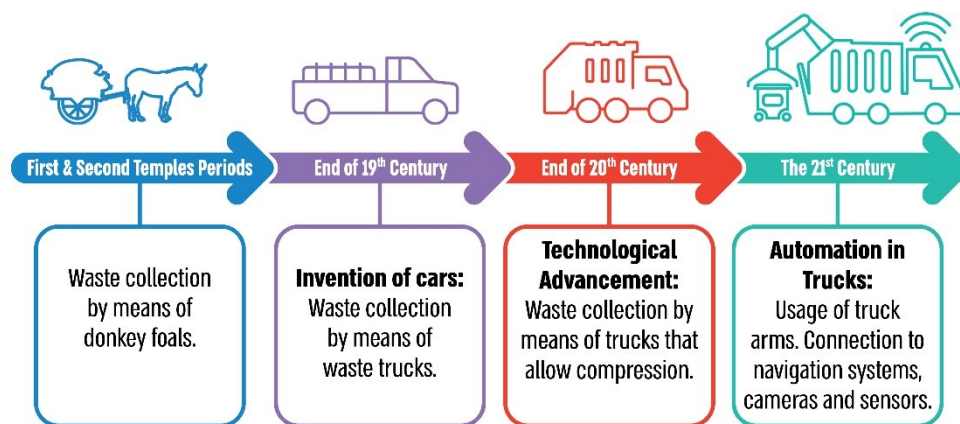
contractors and the stations, to help the local authorities minimize the costs of these services.



**Beit Shems and shortage of burial sites – Beit Shemesh**, with the help of the Ministry of Environmental Protection, should advance immediate solutions for waste burial. It should reach some understandings with the landfills regarding the volume of waste it is allowed to bury and the entry fees to each of the landfills. At the same time, the municipality and all other local authorities should initiate educational activities for the residents, emphasizing the importance of minimizing the volume of waste to be buried in the end.



**Monitoring waste collection contractors by means of technological tools** – it is recommended that the Local Council of **Zemer** require that waste collection contractors install detection sensors in the trucks as specified in the contract to monitor the contractor's work. It is recommended that **Hod HaSharon, Yavne** and **Rahat** and the Local Council of **Zemer** consider installing cameras in the trucks. It is recommended that **Beit Shemesh** performs initial weighing and that the Local Council of **Zemer** operates a municipal weighing station and supervises waste weighing when trucks enter and exist its territory to make sure that the charges comply with the amounts that were collected



## Summary

In the past decade the rate of waste generation growth has been approx. 2.6% per year on average. Such growth rate means that the local authorities should plan their waste management and use technological tools to collect data and provide high quality, efficient services to their residents. It should be noted that the level of waste management services in non-Jewish authorities is lower than in Jewish ones. In recent years some decisions were



made by the government and budgets were allocated to help these local authorities advance their waste management systems, however, the decisions were not fully carried out. Burial sites in Israel are becoming scarce while waste amounts constantly grow.

The shortage of burial sites leads to an increase in waste collection costs and might lead to burial of waste in undesignated areas.

The crisis caused by the shortage of burial sites means that all relevant factors, led by the Ministry of Environmental Protection, should join forces to find and implement solutions. The local authorities should reduce the amount of waste generation and the amount of waste transferred to burial.



State Comptroller of Israel | Local Government Audit | 2022

Systemic Audit

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# **Local Authorities' Engagements in Tender- Exempt Processes**







## Local Authorities' Engagements in Tender-Exempt Processes

### Background

The local authority serves as a public trustee in its activities, and its resources should be distributed in an orderly and transparent procedure to prevent their unequal allocation. To ensure the fulfillment of this obligation by local authorities, the legislature established, among other things, arrangements for the operation of the local authority to distribute its resources. Thus, the legislature determined that, as a rule, a local authority's engagement in a contract for the transfer of a real estate or goods, for the ordering of goods, or for the performance of work will be through a public tender. The need to create mechanisms to improve the ability of local authorities to operate efficiently and effectively and allow the local authority operational and functional flexibility has led to the legislation that allows the local authority to be exempted from the need to hold a public tender, when the conditions set out therein are met. Including, an engagement in a lower amount than the one determined by the legislature to hold a tender (exemption cap); engagements for urgent work; engagements with a single supplier or a single expert in the country; engagements to perform professional work that requires special knowledge or expertise or a special relationship of trust; engagements with the state; engagements with government corporations; and engagements with non-profit organizations.



## Key figures

**about 200**

number of engagements with suppliers in various fields in the five local authorities audited in 2018–2020

**about 50%**

the rate of engagements through a tender-exempt process out of all the new engagements of the audited local authorities in 2018–2020

**about 33%**

the rate of engagements through a public tender out of all the new engagements of the audited local authorities in 2018–2020

**about 11%**

the rate of engagements through a minor tender out of all the new engagements of the audited local authorities in 2018–2020

**about NIS 143,000**

the tender exemption cap (excluding VAT) for a municipality or regional or local council with more than 20,000 residents as of June 2021

**about NIS 71,000**

the tender exemption cap (excluding VAT) for a regional or local council with less than 20,000 residents as of June 2021

**about NIS 400 million**

the average annual financial scope of engagements with suppliers in 2018–2020 in Kiryat Gat (the most significant scope examined)

**about NIS 23 million**

the average annual financial scope of engagements with suppliers in 2018–2020 in Rekhasim Local Council (the smallest scope examined)

## Audit actions



From June to October 2021, the State Comptroller's Office examined the engagements of local authorities in tender-exempt processes with suppliers<sup>1</sup> in 2018–2021. The audit examined whether they followed the provisions of the legislation fairly and equitably, including the regulation of the engagements in tender-exempt processes, their preparations for the engagements, and their engagements under the various exemption arrangements. The audit was conducted in five local authorities: **Hod Hasharon**, **Ma'alot-Tarshiha**, and **Kiryat Gat** municipalities, in **Gilboa** Regional Council and **Rekhasim** local council (the audited local authorities).

<sup>1</sup> In the course of the audit, data were collected regarding the manner in which local authorities engaged with suppliers and service providers in 2018–2021 in excess amount of NIS 50,000 per annum, and selected areas in which engagements in tender-exempt processes were entered into were examined.



## Key findings



**Regulating the engagement in tender-exempt processes** – in three of the audited local authorities (**Hod Hasharon, Ma'alot-Tarshiha and Gilboa Regional Council**), the most common way of engagement was through a tender-exempt process. This is especially noticeable in the distribution of engagements of **Hod Hasharon** and **Gilboa Regional Council** – approximately 53% and about 51% (respectively) of their engagements during the period audited were through a tender-exempt process. It was found that there are differences in the arrangements for engagements in tender-exempt processes between the central and local governments. For example, the obligation to observe the tender principles, even in an engagement through a tender-exempt process, determining an annual cumulative exemption cap for contracting with a supplier, and the obligation to publish the intent to engage with a single supplier.



**Promotion of social arrangements in engagements with suppliers** – as of November 2021, in the Municipalities Regulations (Tenders), 1987 (the Tenders Regulations), in the Fourth Schedule to the Local Councils Order, 1950 (the Fourth Schedule), and in the Second Schedule to the Local Councils Order (Regional Councils, 1958 (Second Schedule)), an obligation of the local authority to prioritize women-controlled businesses in tender-exempt engagements or small businesses in tender-based or tender-exempt engagements was not stipulated. Accordingly, in **all the audited local authorities (Hod Hasharon, Ma'alot-Tarshiha and Kiryat Gat municipalities, Gilboa Regional Council and Rekhasim Local Council)**, no priority was given to women-controlled businesses in tender-exempt engagements, nor to small businesses; and they do not collaborate with organizations for incentivizing small business to integrate small businesses in tender-exempt engagements.



**Preparations of the audited local authorities for engagements in tender-exempt processes – internal procedures** – there is no uniformity in the regulation procedures of the audited local authorities' engagements through tender-exempt processes. Some have regulated parts of the process, such as, making an estimate, contacting suppliers and the number of suppliers reached depending on the financial scope of the requested engagement. **The manner of contacting suppliers:** there is no uniformity in the way the audited local authorities turn to suppliers for quotations to engage in tender-exempt processes; in all the audited local authorities it was found that the suppliers' lists were outdated; they are not published, nor used when the local authorities engage in tender-exempt processes. **Management of accumulated experience with suppliers:** in all the audited local authorities, no orderly procedure was done, backed by relevant documents and procedures, for reciprocal updates



between local authority departments and their procurement departments, on the experience garnered with their suppliers and the quality of service provided to them.



**Transparency and publicity – Ma'alot-Tarshiha Municipality, Gilboa Regional Council, and Rekhasim Local Council** do not meet their publish obligation regarding the transparency of their activities by making information accessible to the public as required by the Tenders Regulations and the Ministry of Interior Circular 8/2016, and they do not publish their contracts Committee decisions as required. **Kiryat Gat Municipality, Gilboa Regional Council, and Rekhasim Local Council** do not comply with the directives of the Ministry of Interior's Director General's Circular 8/2016 nor publish updated lists of bidders on their websites. **Gilboa Regional Council and Rekhasim Local Council** also do not publish an annual report of the bidders with whom they engaged, including the type of work and the financial scope of each engagement.



**Using online tools to manage engagement** – the audited local authorities did not use online tools to manage engagements in tender-exempt processes with suppliers (except for responding and submitting bids by e-mail), such as the option to submit forms through an online system. It was found that all the audited local authorities did not have a structured online bidding form that could contribute to their ability to compare bids.




**Deficiencies in the local authorities' engagements according to the various exemption arrangements – tender exemption cap amounts** – in the audited years, the Ministry of the Interior's publications of the updated monthly amounts had no uniformity concerning VAT rate addition to the amounts displayed. There is no reference to VAT in all the monthly publications from 2021 until the audit end; **Hod Hasharon, Ma'alot-Tarshiha, Kiryat Gat, and Rekhasim Local Council** engaged with the same suppliers in tender-exempt processes in nine engagements (out of about 160 engagements examined) for over a year. For example **Hod Hasharon municipality** engaged in 2018–2021 with a sound and lighting equipment supplier for events and paid it in 2018 about NIS 178,000 and in 2019 about NIS 85,000, and it also engaged with a communications services provider and paid it in 2018–2021 about NIS 1 million. **Ma'alot-Tarshiha municipality** engaged in 2019 with an advertising and graphics services provider in 2019–2020 and paid in 2020 approximately NIS 187,000. **Kiryat Gat municipality** engaged in 2018 with a supplier to purchase gift coupons and paid it about NIS 438,000. **Rekhasim Local Council** engaged in 2020–2021 with an earthworks supplier and paid it about NIS 229,000 in 2020.




**Estimates before deciding to engage in tender-exempt processes** – in **Hod Hasharon, Ma'alot-Tarshiha, and Kiryat Gat**, three engagements were found from the selected ones (one in each of the said local authorities), where an estimate absence led to engaging in a tender-exempt process, not according to the Tender Regulations. The same was with **Hod Hasharon's** engagement in 2020 with a geodesic services



provider, **Ma'alot-Tarshiha** engagement in 2018 with a supplier for felling trees, and the **Kiryat Gat** engagement in 2018 with a supplier for the purchase of gift coupons. In **Rekhasim Local Council**, in 14 engagements out of 18 examined, the council did not prepare an estimate before it engaged with suppliers in tender-exempt processes, nor complied with its procedures.

 **Increasing the scope of engagements with suppliers – Ma'alot-Tarshiha municipality**, in one engagement, and **Gilboa Regional Council**, in six engagements with one supplier, expanded the scope of the engagement without a tender at rates higher than those permitted by the Regulations and Council Orders; In three engagements of **Rekhasim Local Council**, the scope of the engagements was increased without obtaining the necessary approvals.

 **Engagements for the performance of professional work that requires special knowledge and expertise – Ma'alot-Tarshiha municipality and Rekhasim Local Council** contracted with consultants in tender-exempt processes under Section 3(8), but not according to the directives of the Director General' Circular 8/2016. Thus, in **Rekhasim Local Council**, the Contracts Committee decided on the execution of seven engagements with project management companies without obtaining the Legal Advisor's opinion and without the Contracts Committee examining whether it was justified and reasonable to execute the requested engagements without a tender.







 **Consolidation of contracts and procurement procedures – Kiryat Gat Municipality, Gilboa Regional Council, and Rekhasim Local Council** engaged with seven suppliers in tender-exempt processes in several contracts to perform work. However, there was room to consider them as one job. For example, **Kiryat Gat Municipality** – an engagement in 2018 for sealing work at NIS 171,000; **Gilboa Regional Council** – an engagement in 2018 for the supply of security gates to the local authorities at NIS 315,000; And **Rekhasim Local Council** – an engagement in 2019 with renovations service provider for accessibility works in kindergartens at NIS 94,000. Although the financial scope of each contract was lower than the exemption cap in the said engagements, the total scope of the contracts attributable to the same work exceeded the exemption cap.



**Determination of internal procedures** – the audited local authorities contended with situations where no regulation was determined, among other things, by adopting procurement procedures and determining internal procedures. This includes determining preconditions for contacting suppliers in an engagement process, determining the hierarchy of internal authority approvals, and adopting internal labeling lists for tracking their engagements. Thus, they provided a complementary framework for increasing the fairness and transparency of the tender-exempt engagement process, streamlining work processes, and improving engagement results with suppliers and service providers.



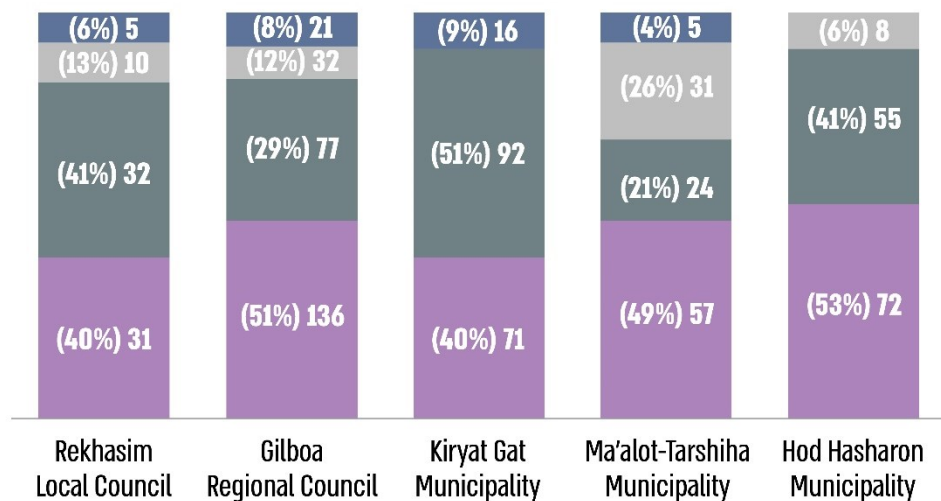
## Key recommendations

-  It is recommended that the Ministry of Interior consider regulating the engagement manner of local authorities in tender-exempt processes, similar to the Mandatory Tenders Regulations regarding similar engagements carried out by government ministries.
-  It is recommended that the Ministry of Interior consider adding rules in collaboration with local authorities to prioritize encouraging small businesses and domestic produce in local authority engagements with suppliers in tender-exempt processes. It is further recommended that the audited local authorities consider implementing social arrangements in all their engagements to encourage women-controlled businesses and small businesses, including in tender-exempt processes engagements. It is recommended that the Ministry of Interior consider prioritizing women-controlled businesses and engagements in tender-exempt processes conducted by local authorities.
-  Given the differences in the manner local authorities contact suppliers in tender-exempt processes engagements, it is recommended that after consulting with the local authorities, the Ministry of Interior consider regulating the tender exemption procedure from its onset, as the local authorities ask for quotations from suppliers. As it had regulated in the Director General' Circular 8/2016 the engagements in tender-exempt processes under Regulation 3(8).
-  It is recommended that **Hod Hasharon, Ma'alot-Tarshiha, and Rekhasim** Local Council consider forming a procedure documenting their accumulated experience with suppliers and incorporating it into their procurement procedures. It is further recommended that these local authorities create reciprocal updates procedures between the local authority departments regarding the quality of service received from their suppliers and the possibility of removing them from the suppliers' lists due to unsatisfactory service.
-  The audited local authorities should act according to the provisions set forth in the Tenders Regulations and the Ministry of Interior's Director General's Circular 8/2016 and upload information to their websites as required. **Ma'alot-Tarshiha, Kiryat Gat, Gilboa Regional Council, and Rekhasim** Local Council should publish on their websites the decisions of the Contracts Committee within 15 days. **Kiryat Gat Municipality, Gilboa Regional Council, and Rekhasim** Local Council should upload their websites updated lists of bidders. **Gilboa Regional Council and Rekhasim** Local Council should publish on their websites an annual report of the bidders with whom they engaged, including the work and the financial scope of each engagement.
-  It is recommended that **Hod Hasharon, Ma'alot-Tarshiha, Kiryat Gat, and Rekhasim** Local Council engage through tenders when they order for years from suppliers a cumulative annual service that exceeds the exemption cap.



Given the increased use of online means – both as a tool to reinforce contact with residents and as a tool to increase the efficiency of local authority operations, and even more so since the outbreak of the Covid-19 pandemic, it is recommended to expand local authorities' use of online tools in general and in particular use tools for managing engagement processes.

### Distribution of engagements in the audited local authorities, by engagement type, 2018–2020 (in percentages)\*



■ Engagements through tender exempt (Total)   
 ■ Engagements through public tenders (Total)  
■ Engagements through minor tenders (Total)   
 ■ Engagements through Mashcal (Total)

According to data from local authorities audited and processed by the State Comptroller's Office.

\* The number in each box indicates the number of such engagements for the period.

## Summary

The primary purpose of the public tender is to enable the administrative authority to obtain the best bid in terms of quality and price while maintaining the rules of fair competition and providing equal opportunity for all. The legislature balanced the obligation of the public tender – the main route for the local authorities' engagement with suppliers – with the need to give



the local authorities functional and operational flexibility when they contract suppliers. Accordingly, arrangements have been established in the legislation that allows local authorities to engage through a tender-exempt process with suppliers without holding a public tender.

The audit raised deficiencies in the audited local authority engagements. Among other things, they did not comply with their procedures for an engagement through a tender-exempt process; they had no lists of suppliers to contact them equally; and they contracted suppliers through a tender-exempt process even when the engagement deviated from the permissible exemption cap. Furthermore, engagements with suppliers were unlawfully increased without tender, and works that could be considered one job were split into several engagements and not performed as part of a public tender. The local authorities contending, in various ways, with the situations for which regulation was not determined is commended. Among other things, by forming internal procedures for regulating their engagement with suppliers in tender-exempt processes. The local authorities should rectify the deficiencies and consider the audit's recommendations.





State Comptroller of Israel | Local Government Audit | 2022

Systemic Audit

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# **Tourism Management in Local Authorities**





## Tourism Management in Local Authorities

### Background

The development of the tourism industry and its management may contribute to the state, region, and local authority's economy. It may bring about growth and prosperity through additional jobs and increased consumption, increase local authorities' income sources from business municipality tax and minimize social and cultural gaps. Before the COVID-19 crisis, in March 2020, the tourism industry was growing in Israel – in 2019, approx. 4.9 million tourists entered Israel – a record, but the estimated potential of approx. 17.9 million tourists had not been met yet. The COVID-19 pandemic led to a crisis – in 2020, the revenues from tourism dropped by approx. 67%, and the number of tourists entering Israel dropped by approx. 82%. Nevertheless, analysts believe that the industry may almost fully recover by 2025. Thus, with a forward-looking view, it is essential that the local authorities analyze the situation, the possibilities to improve tourist infrastructures, and their development potential to be well prepared for the tourists after the COVID-19 crisis.

### Key figures

|  |   |  |   |
|--|---|--|---|
| <b>4.9 million</b>   | <b>17.9 million</b>   | <b>NIS 33.5 billion</b>  | <b>NIS 425 million</b>  |
| number of tourists who entered Israel in 2019. In 2020 the number dropped by approx. 82% | the potential number of tourists from eight main countries from which tourists arrive in Israel | the added value of the tourism industry in 2019  | the total municipality taxes imposed on hotels by 109 local authorities   |
| <b>25,000</b>  | <b>55,618</b>   | <b>NIS 670 million</b>   | <b>2</b>  |
| number of short-term rental of active assets in 2019 (estimate)                          | number of hotel rooms in tourist hotels in 2019   | the sum the government and five local authorities invested in upgrading and developing tourism areas within their boundaries from 2013 to 2021 | number of local authorities out of the seven audited that have a valid tourism master plan; three had an emergency preparedness file related to tourism |



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## Audit actions



From June 2021 to January 2022, the State Comptroller Office conducted an audit in 2017–2021 on tourism management in **Haifa, Tiberias, Jerusalem, Nazareth, Safed, Ramla, and Tel Aviv – Jaffa (the audited local authorities)**. The audit focused on the following: tourism management mechanisms in local authorities, marketing and branding, tourist services, emergency preparedness, and cleanliness and maintenance of tourist areas.

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## Key findings



**Regulation of tourism management mechanism in local authorities** – the Ministry of Tourism has not regulated tourism management in local authorities. The Ministry of Interior – the local authorities' regulator, has not established desirable tourism management mechanism guidelines. Nevertheless, the Ministry of Interior had completed strategic work by the audit completion, and published a job description for the head of the tourism department in local authorities, including prerequisites for the position.









**Tourism management mechanism in local authorities** – not all the audited local authorities employ a designated official in charge of comprehensive management of tourism: **Tiberias** only started establishing such a role; in **Nazareth**, there is an external consultant, but there is no municipal unit with such a designation and attempts to find a suitable candidate to lead it have failed; in **Safed**, the head of tourism has been replaced repeatedly; in **Jerusalem**, there is a statutory authority for that purpose in addition to the municipality, and in **Haifa, Ramla and Tel Aviv – Jaffa** there are municipal associations alongside other entities that operate in this field. Due to the organizational structure of the local authorities and the distribution of powers within them and between the municipal corporations, the managerial entities do not handle nor are authorized to handle all the development activities, particularly touristic sites' maintenance, upgrading, and cleanliness, which fall under the responsibility of other municipal units.




**Authority's council activities** – except for the Municipal Council of **Tel Aviv – Jaffa**, which held a single discussion on systemic tourism management and occasional discussions on touristic events and current affairs, and except for the Municipal Council of **Tiberias**, which occasionally discussed tourism issues and the establishment of the tourism management unit, other municipal councils do not discuss systemic tourism management, and only discuss specific matters, such as queries on particular projects and the approval of budgets.



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**Establishment and function of a tourism committee** – the Municipal councils of **Haifa, Tiberias, Nazareth, and Safed** have not appointed a tourism committee. On the other hand, **Jerusalem, Ramla, and Tel Aviv – Jaffa** municipal councils did appoint tourism committees. The Tourism Committee of **Tel Aviv – Jaffa** convened twice in 2019–2021. The Tourism Committee of **Ramla** convened once in 2019 and once in 2020 but did not convene in 2021, and in **Jerusalem**, the committee did not convene in 2019 and convened twice in 2020 and twice in 2021.
- 
**Local authorities master plans** – the Ministry of Tourism has not established guidelines or principles for the formation of touristic master plans, their contents, and upgrading. Five of the seven audited local authorities – **Haifa, Tiberias, Jerusalem, Safed, and Ramla** – do not have a touristic master plan for the near future. Moreover, it was found that the existing master plans level is not uniform.
- 
**Tourism as part of the Local Master Plan** – **Nazareth, Safed, and Ramla** do not have approved comprehensive master plans. **Safed and Ramla** are in the initial stages of developing their master plans. **Jerusalem** does not have an approved comprehensive master plan. In the early 2000's, the local authority started to form a master plan setting the principles of its development, but the plan was not authorized or validated. Nevertheless, the plan serves as a policy document. **Haifa** has a comprehensive master plan approved in 2019, **Tiberias** has a master plan approved in 2014, and **Tel Aviv – Jaffa** has a comprehensive master plan approved in 2016.
- 
**Measuring marketing effectiveness** – **Haifa, Jerusalem, Nazareth, and Tel Aviv – Jaffa** measure their marketing activities' effectiveness. However, **Tiberias and Ramla** stated that they do not conduct such measurements, and **Safed** has not presented any measurements.
- 
**Satisfaction surveys** – **Tel Aviv – Jaffa** has conducted satisfaction surveys amongst tourists; **Haifa, Tiberias, Jerusalem, Nazareth, Safed, and Ramla** have not conducted such surveys, although these surveys can monitor opportunities for improvement or preservation.
- 
**Making websites accessible** – the law requires that public services entities adjust their websites to enable all their content to be accessible to disabled people. The audited local authorities' touristic websites were not made fully accessible for blind people as required by law. In addition, deficiencies were found in the information these websites contain and the option of phone assistance. These undermine disabled people's ability to exercise their right to equality. It was further found that **Nazareth's** website was unavailable in languages other than Hebrew and that **Safed's** website included only a short introduction in English. The other local authorities – **Haifa, Jerusalem, Tiberias, Ramla, and Tel Aviv – Jaffa** had, at least, bilingual websites. None of the local authorities had translated its website into Arabic.



 **Preparedness for handling tourists on emergencies** – three local authorities – **Haifa, Jerusalem, and Tel Aviv – Jaffa** had preparedness files to handle tourists in emergencies, but the files were incomplete and lacked some specific information, such as a list of measures at their disposal – vehicles, pamphlets and means of information for tourists. **Tiberias, Nazareth, Safed, and Ramla** have no preparedness files. **Tiberias** stated that it prepared an emergency preparedness file following the Audit.

 **Level of maintenance and cleanliness of tourism areas** – over the past eight years, the Israeli Government and five of the audited local authorities invested approx. NIS 670 million in the development of tourism areas. Despite the investment, some maintenance deficiencies and a low level of cleanliness were evident – defective signposts, tiling-related hazards, piles of waste, rubbish stains on sidewalks, and sloppy fencing of construction sites, particularly in tourist areas in **Tiberias, Safed, Nazareth, and Ramla**. Monitoring the number of waste items on tourism areas tours indicates that in six out of the seven audited local authorities – **Haifa, Tiberias, Nazareth, Safed, Ramla, and Tel Aviv – Jaffa** – a relatively large number of waste items were found compared with a clean area with none or only a few items are found. In **Nazareth**, an average of 33 waste items per 100 meters were found in addition to eight massive waste hazards; in **Ramla** – an average of 27 waste items and 10 waste hazards were found; in **Safed** – an average of 23 waste items and 8 waste hazards; in **Tiberias** – 20 items and 12 hazards; in **Haifa** – 14 items and 10 hazards; in **Tel Aviv – Jaffa** – 13 items and 1 hazard; and in **Jerusalem** – 9 items and 2 hazards.



**Tourism master plan** – amongst the audited local authorities, **Tel Aviv – Jaffa** is the only one that has a tourism master plan for the near future and an updated comprehensive local master plan, which is consistent with the tourism master plan.

**Cleanliness of tourism areas in Jerusalem** – the lower number of waste items per 100 meters (nine) and a low number of waste hazards were found in **Jerusalem** city center and **Ein Karem**.



## Key recommendations

- 💡 **Tourism management mechanism** – it is appropriate that the Ministry of Tourism, along with the Ministry of Interior and the local authorities for which tourism is relevant, examine the current situation and form, based on strategic work and comparison with the situation around the world, principles, guidelines or recommendations for the heads of tourism departments in local authorities and their coordination with other entities. It is appropriate to consider establishing managerial bodies or other integrative bodies to serve several local authorities, and in particular, smaller, adjacent ones.
- 💡 **Discussions held by the council and the tourism committee** – it is appropriate that the audited local authorities' council plenums discuss systemic tourism management at least once a year. It may help to advance tourism in the area, strengthen the coordination between different entities and make strategic decisions. It is appropriate that tourism committees convene frequently in general, and in particular during crises, to ongoing support tourism management in the city, to review plans and projects and to follow up on their implementation.
- 💡 **Development of tourism master plans and their anchor in Comprehensive Local Master Plans** – it is recommended that **Haifa, Tiberias, Jerusalem** and **Safed** develop tourism master plans for the near future and that **Ramla** completes the plan it has started to develop. It is appropriate that the plans cover all the aspects, including preparedness for crisis and emergencies, coordination mechanisms between different entities and update mechanisms, and report and control of the plan implementation. It is recommended that the local authorities, with no comprehensive master plans, form such plans since these plans are the statutory basis outlining the direction for development of the local authority in various fields, including tourism, based on a comprehensive perspective. It is further appropriate that the Ministry of Tourism, along with the Ministry of Interior, review the need for guidelines and principles for local authorities or clusters of authorities (association of cities) form tourism master plans and offer a model to be used by the various authorities thus saving costs of developing individual plans.
- 💡 **Measuring effectiveness of marketing** – it is recommended that **Tiberias, Safed,** and **Ramla** measure their marketing activities' effectiveness to optimize and adjust them.
- 💡 **Satisfaction surveys** – it is recommended that **Haifa, Tiberias, Jerusalem, Nazareth, Safed,** and **Ramla** conduct satisfaction surveys amongst tourists and visitors to monitor opportunities for improvement or preservation and conclude from them. It is



appropriate to consider conducting surveys addressing tourists who did not visit tourist information centers or participate in tours.



**Making websites accessible** – the audited local authorities should significantly advance their websites' accessibility by consulting with an accessibility specialist as needed. It is recommended that the Ministry of Tourism, in coordination with the Commission for Equal Rights of Persons with Disabilities and the Ministry of Interior, develop guidelines and share them with all the local authorities that operate websites.



**Emergency preparedness** – **Nazareth, Safed, and Ramla** should complete the preparation of emergency planning files according to the guidelines. The lack of such essential information can disrupt the proper handling of tourists in emergencies and Israel's image and foreign relations. **Haifa, Jerusalem, and Tel Aviv – Jaffa**, where most tourists visit, should complete all is necessary for their emergency planning files.



**Maintenance and cleanliness of tourism areas** – it is appropriate that the audited local authorities examine the cleanliness of tourism areas and the hazards found in them and take advantage of the crisis period to improve the maintenance and appearance of these areas. Due to the differences between the local authorities and areas' level of cleanliness and appearance, it is appropriate that they implement peer learning, learn from each other's experience, and consider effective ways to improve the appearance of public space in general and tourism areas in particular. Thus the resources invested by the local authorities are used effectively. It is further recommended that the Ministry of Tourism examine a model of allocating budgets for developing tourism infrastructure, including funding for ongoing maintenance for several years. Hence, the investments would be sustainable, and tourism sites would remain well-maintained and clean for the long term.





### The change in the number of hotel rooms in the audited local authorities and across the country and the change rate from 2015 to 2020.

| Across the Country | Tel Aviv – Jaffa | Safed | Nazareth | Jerusalem | Tiberias | Haifa |
|--------------------|------------------|-------|----------|-----------|----------|-------|
|--------------------|------------------|-------|----------|-----------|----------|-------|

|        |        |      |      |        |      |     |
|--------|--------|------|------|--------|------|-----|
| +4,997 | +1,360 | -50  | +295 | +1,079 | +374 | +63 |
| +10%   | +18%   | -14% | +27% | +11%   | +9%  | +4% |



According to data from the Central Bureau of Statistics, processed by the State Comptroller Office.

## Summary

The audit raised that tourism management in local authorities is not regulated. In addition, there are differences between the audited local authorities' level, scope, and management consistency. Following are the current situation deficiencies: lack of powers and uncertainty regarding coordination mechanisms between relevant entities, lack of long-term planning, and low maintenance and cleanliness in tourism areas.

To prepare for the day after the COVID-19 crisis and reach the potential of the tourism industry, it is appropriate to define the managerial and planning bodies and their powers, to form desirable working methods, guidelines, and standards and controls over the quality of services provided to tourists and the quality, maintenance, and cleanliness of the public touristic space. It is appropriate that the elected echelon in local authorities considerably engage in supervising tourism management, in advancing and developing tourism and that the development and advancement of tourism are anchored in comprehensive, valid master plans.





State Comptroller of Israel | Local Government Audit | 2022

## Chapter 2

# Financial Audit





State Comptroller of Israel | Local Government Audit | 2022

Financial Audit

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# **Budget Management in Local Authorities**





## Budget Management in Local Authorities

### Background

The local authorities must manage their financial activity based on an annual budget and plan their economic activity according to it. Their budget must be balanced and divided into the current budget, intended for funding ongoing activities, and a specific extraordinary budget intended for, among other things, financing development projects. The achievement of their activities depends, among other things, on planning their economy and efficiency. The local authorities' budget is the primary tool to follow-up and control over meeting annually and budgetary objectives

### Key figures

**3.44**  
NIS billion

the net accumulated deficit of all local authorities at the end of 2019, an increase of approx. 3% compared to a deficit of NIS 3.34 billion at the end of 2016

**174.76**  
NIS million

the local authorities' current deficit budget in 2019

**71.71**  
NIS billion

local authorities' revenues in the current budget in 2019. Their expenses were NIS 71.89 billion

**58%**

rate of local authorities' internal revenues out of their current budget in 2019

**41%**

the rate of local authorities that ended the 2019 budget year with a current budgetary deficit, an increase of approx. 25% compared to 2015, with a rate of approx. 34%

**9**

the number of local authorities that ended the 2019 budget year with a current deficit of over 10%

**3**

in 2021, three local authorities did not approve their budget at the local authority council; in 2020, four; in 2019, two; in 2018, one

**19**

the number of local authorities whose budget for 2021 was not approved by the Ministry of Interior (as of November 2021)



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## Audit actions



From June to November 2021, the State Comptroller's Office examined various aspects of current budget management in local authorities (the budget). The audit focused on the budget formulation process, the local authorities' budget management across the year, and the interaction with Ministry of Interior districts that serve as supervision and regulation entities. The audit was conducted in **Baqa al-Gharbiyye, Yokneam Illit, Modi'in Illit, Kiryat Malakhi, Rosh Ha'ayin, and Ramat HaSharon** municipalities (the audited local authorities). Moreover, the audit was conducted in the Center for Local Government in the Ministry of Interior and the Central and Haifa districts of the Ministry of Interior and included a supplementary audit in the following Ministry districts: North, Tel Aviv, Jerusalem, South, and the Department of Israeli Settlements in Judea and Samaria.

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## Key findings








**The rate of internal revenues by social clusters for 2019** – it was found that the higher the authority is classified on the socio-economic cluster, the higher its internal revenues are. For example, the average rate of internal revenues of local authorities classified in socio-economic cluster 1 is 17.5%, and the average rate of internal revenues of those classified in socio-economic cluster 10 is 80.7% – 4.5 times higher.



**Total expenses per resident in the audited local authorities and gaps in education** – there is a significant difference between the six audited local authorities' scope of expenses on local and state services per resident. For instance, the most significant expenditure on local services per resident was executed by the Municipality of **Ramat HaSharon** – NIS 2,189 in 2019, more than four times higher (approx. 454% higher) than the lowest parallel expense executed by **Modi'in Illit** municipality, which was NIS 482. The difference in expenditure per resident for state services is lower – the gap between **Ramat HaSharon** (NIS 4,956) and **Modi'in Illit** (NIS 2,622) municipalities is 189%. In addition, significant gaps were found between the audited local authorities regarding the rate of internal financing of educational services. For example, in **Ramat HaSharon** municipality, classified high on the socio-economic scale (9), the internal funding rate of educational services in 2019 was 48%. In **Baqa al Gharbiyye** municipality, which is classified low (3), the rate of internal financing was 12%.





-  **Strategic plans and budget-related plans – Baqa al-Gharbiyye, Yokneam Illit, and Ramat HaSharon** municipalities did not prepare strategic plans for the upcoming years, such as plans that focus on future city development, demographic growth, and revenue increase estimations, and they do not have budget-related work plans.
-  **Ministry of interior guidelines to prepare annual budget** – the guidelines for submitting a budget framework for the 2020 budget year were published at the end of December 2019 by the Ministry of Interior. Those for 2021 were published at the beginning of December 2020, i.e., around the beginning of the year budget, when the local authorities' budget was supposed to be ready, following submission to the local authority council.
-  **Submission of Budget Proposal to Council members – Baqa al-Gharbiyye, Yokneam Illit, Modi'in Illit, Kiryat Malakhy, Rosh Ha'ayin, and Ramat HaSharon** municipalities submitted the budget proposals for discussion to the members of the council later than required by law: **Baqa al-Gharbiyye** – the budget proposal for 2020 was submitted to members of the council four months after the due date. The municipality has no references to summons sent to members of the council discussing annual budgets for 2018 and 2019; **Yokneam Illit** – budget proposals for 2018–2021 were submitted to council members between 46 to 102 days after the due date; **Modi'in Illit** – budget proposals for 2018–2021 were submitted to council members between 48 to 109 days after the due date; **Kiryat Malakhi** – the budget proposal for 2021 was submitted to council members two months after the due date. **Kiryat Malakhi** municipality has no references to summons sent to members of the council for discussing annual budgets for 2018–2020; **Ramat HaSharon** – budget proposals for 2018–2021 were submitted to council members between 79 to 214 days after the due date; in **Rosh Ha'ayin** – budget proposals for 2018–2021 were submitted to council members between 42 to 97 days after the due date.
-  **Finance Committee meetings – Baqa al-Gharbiyye, Modi'in Illit, Kiryat Malakhi, and Ramat HaSharon** municipalities did not convene their finance committees at least once every quarter as specified in the Ministry of Interior guidelines. The Finance Committee in **Baqa al-Gharbiyye** convened once in 2018 and 2020 and twice in 2019 and 2021; the committee in **Modi'in Illit** convened once in 2018, three times in 2019, and twice in 2020 and 2021; the committee in **Kiryat Malakhi** convened once in 2018 and three times in 2021; in **Ramat HaSharon**, the committee convened three times in 2018 and three times in 2021 by the audit completion.
-  **Local authority council budget approval** – according to information from the Ministry of Interior, in 2018–2021, several local authorities operated throughout the year without an approved budget: in 2018 in **Nazareth**, in 2019 in **Tiberias**, and in Local Council of **Yarka**; in 2020 in **Or Akiva**, the Local Council of **Gush Halav**, the Local Council of **Dabburiya** and the Local Council of **Kfar Manda**; in 2021, **Or Akiva**,



the Local Council of **Peki'in** and the Local Council of **Kfar Manda**. In 2021, approx. 35% of the local authorities in the southern district of the Ministry of Interior did not approve their budgets on time. By the end of the first half of 2021, approx. 16% of all local authorities in Israel (40 local authorities) did not approve their budgets at the local authority council. However, they were supposed to do that by the beginning of the new budget year.




**Reserve Budget approval (approval of the additional budget in the year) by the local authorities and the Ministry of Interior – Yokneam Illit and Ramat HaSharon** municipalities did not approve reserve budgets for 2018 and 2019. However, they exceeded their approved budget for these years and did not ask the Ministry of Interior to approve the deviations as prescribed by law. **Modi'in Illit** approved the first reserve budget for 2018 at its council at the end of August 2018 and the second reserve budget at the beginning of 2019 (after the end of the budget year). It approved the reserve budget for 2019 at the end of November 2019. The Ministry of Interior approved the final reserve budget for 2018 a month after the end of the budget year, and the Ministry approved the final reserve budget more than two months after the budget year. **Kiryat Malakhi** approved its reserve budget for 2018 and 2019 by its council on the last day of the budget year in each of these years. The Ministry of Interior approved the budget for 2018 three months after the end of the budget year, and the reserve budget for 2019 was approved five months after the end of the budget year. According to some Ministry of Interior Districts, they find it difficult to adhere fully to the provisions of the law regarding approval of budgetary changes throughout the year due to a lack of necessary resources. It should be noted that approval of the reserve budget by the local authority council around the end of the budget year and the approval by the Ministry of Interior after the end of the budget year, or even several months afterward, is a technical action with no practical significance since the approval is given in retrospect and does not allow the Ministry of Interior and supervision entities from within the municipality, such as the municipality council and the finance committee, to monitor the municipality's financial activities effectively.



**Ministry of Interior supervision of local authorities' budget management** – the Ministry of Interior's Department of Supervision and Budgeting held only one annual supervision meeting that focused on local authorities' budgetary management (chaired by the Ministry of Interior director general) in each of the years 2018, 2019 and 2020. In 2021 until November, no supervision meetings were held, although the department stated that such meetings should be held every quarter. In addition, no meeting protocols were found. **The Local Authorities Audit Department in the Ministry of Interior** – the local authorities' audited financial statements for 2019 were prepared by accountants appointed by the Department up to seven months after the due date set by the Ministry. It was further raised that in three of the local authorities (**Kiryat Malakhi, Rosh Ha'ayin, and Ramat HaSharon**), the statements were prepared more than a



year after the end of the fiscal year. In early August 2021, about seven months after the end of the 2020 fiscal year, the Department appointed accountants to audit 150 local authorities (58% of 257 local authorities). As of October 2021, ten months after the end of the fiscal year, no audited statements had been submitted to the Ministry of Interior.

 **Approval of local authorities' budgets by the districts** – as of the end of the first half of 2021, the **Ministry of Interior's** districts approved the budget of 57% of local authorities, i.e., as of that date, 43% of the local authorities operated without an approved budget. As of November 2021, a month before the end of the budget year, there were 19 local authorities whose budgets had not been approved by the Ministry of Interior, including **Kiryat Malakhi**. The municipality's budget for 2018–2020 was approved by the Ministry of Interior 6–8.5 months after the beginning of the budget year, and the municipality's budget for 2021 was only approved in mid-December 2021. In 2020 and 2021, the state budget was not approved. Thus, during those years, there was no option of imposing the legal sanction of dispersing the councils of the authorities that did not approve their budget on time.

 **Publishing local authorities' budgets** – **Baqa al-Gharbiyye** did not publish its budgets for 2018–2021 on its website.



**Encouraging authorities to increase their internal revenues – the Ministry of Interior** held diverse activities to encourage local authorities to increase their internal revenues, including the creation of geographical committees<sup>1</sup>; Making Several Governmental Decisions for the sake of Empowering and strengthening "weakened" local authorities<sup>2</sup>; Implementing the "Mirror" Plan intended to assist local authorities to advance improvements related to their organization conduct and their ability to create

- 1 Changing municipal boundaries of local authorities and the request of local authorities to advance revenue distribution from adjacent authorities or to change their municipal status require a recommendation from the Ministry's director general and Minister of Interior's approval. To make a decision, the Minister of Interior must receive a recommendation through a public committee. From the Ministry of Interior's Website – <https://www.gov.il/he/departments/topics/geographical/govil-landing-page>.
- 2 Amongst Government Resolutions: Resolution 959, **Plan for Development and Empowerment of Druse and Circassian Towns for 2016–2019** (January 2016); Resolution 922, **Government's Actions for Economic Development amongst Minority Populations for 2016–2020** (December 2015) (in October 2020 the plan was extended by one year as part of Government Resolution 468); Resolution 1480, **A Governmental Plan for Empowerment and Economic – Social Strengthening of Bedouin Towns in the North for 2016–2020** (June 2016) (in October 2020 the plan was extended by one year as part of Government Resolution 469); Resolution 2397, **Social and Economic Development – a five-year plan for the Bedouin Sector 2017–2021** (February 2017); Government Resolution 2262, **Economic Development of the Northern District and complementary actions for the city of Haifa** (January 2017).



additional sources of income to improve the level of municipal services they provide to their residents.

**Publishing of authorities' budget – Kiryat Malakhi, Rosh Ha'ayin, and Ramat Hasharon** municipalities published detailed and accessible information about their budget on their websites.

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## Key recommendations



It is recommended that the Ministry of Interior and the Ministry of Education examine educational services budgeting in local authorities to minimize the gaps between the different local authorities. **Baqa al-Gharbiyye, Yokneam Illit, Kiryat Malakhi, Rosh Ha'ayin, and Ramat Hasharon** municipalities should approve their budgets before the beginning of a budget year, according to the law and the Ministry of Interior guidelines. It is further recommended that **Baqa al-Gharbiyye** and **Yokneam Illit** municipalities develop a strategic plan and that **Ramat HaSharon** completes the preparation of the plan. Moreover, **Yokneam Illit, Modi'in Illit, Kiryat Malakhi, and Ramat HaSharon** should operate under an approved budget. If needed, they should approve a reserve budget at the municipality's council and have it approved by the Ministry of Interior.



It is recommended that the **Ministry of Interior** examine tools to ensure that all local authorities submit their budgets for approval as early as possible, examine ways of improving follow-up and supervision over budgetary changes requested by local authorities in a budget year, publish guidelines for budget preparation as early as possible to enable the local authorities to prepare their budgets as early as possible and approve it at their councils, clarify its guidelines for the accountants who audit the authorities' financial statements regarding deviations from approved budgets without an arrangement as part of a reserve budget, track the financial and budgetary situation of the local authorities quarterly, document the key findings and the decisions that were made and shorten the time frames for completion of the local authorities' audited statements.



**Kiryat Malakhi** should adhere to the provisions of different laws and the Ministry of Interior guidelines when managing its budget. It is recommended that the **Ministry of Interior** examine the various options to act vis-a-vis local authorities that do not adhere to the provisions of the law and its guidelines, including taking gradual action.

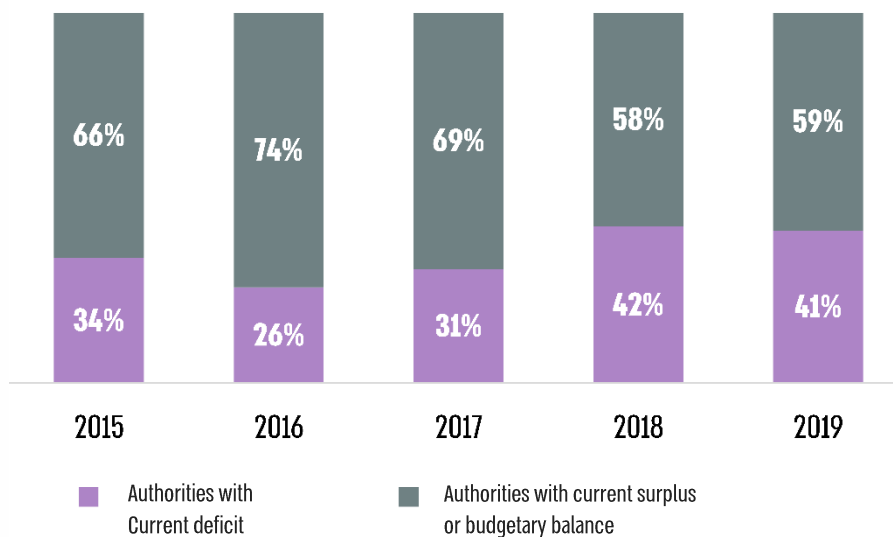


It is recommended that the **Ministry of Interior** consider the regulation of sanctions that might be used whenever there is no approved state budget so that it can act vis-a-vis the local authorities and make sure they operate according to their budget. In



addition, it is recommended that the Ministry form specified working procedures that focus on supervision of the authorities' budget approval and management throughout the budget year to assist all relevant entities in the Ministry that deal with budgets, including the Ministry's districts.

**Division of local authorities into two groups. The local authorities that had a surplus or budgetary balance and those that had a budgetary deficit at the end of the budget year, 2015–2019.**



According to data from the Local Authorities Audit Department in the Ministry of Interior, processed by the State Comptroller Office.

## Summary

Each local authority is required to operate using an annual budget, which is the financial manifestation of its work plan and is supposed to reflect its objectives and priorities. The importance of the local authority's budget lies in its being the primary tool for planning the authority's activities and for conducting follow-up and supervision over meeting annual and budgetary objectives. The audit's findings raised some deficiencies in local authorities budget management. In addition, deficiencies were found in the Ministry of Interior supervision over



the authorities' conduct. To improve the local authorities' conduct and efficiency of financial matters and budget, the **Ministry of Interior** and the local authorities should rectify the deficiencies, approve and manage the local authorities' budgets according to the law and examine ways to optimize budgetary planning processes and allocation of budgets by the authorities. Moreover, it is recommended that the **Inter-ministerial Power Distribution Committee** and the **Ministry of Interior's Power Distribution Committee** examine the key findings and recommendations in this report as part of forming their recommendations regarding the distribution of powers in local authorities.



State Comptroller of Israel | Local Government Audit | 2022

Financial Audit

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# **Extraordinary Budgets in Local Authorities**







## Extraordinary Budgets in Local Authorities

### Background

The extraordinary budget (extraordinary or development budget) is generally used by the local authority to finance different projects related to development and are defined as investments. According to local authorities regulations, an extraordinary budget is "a municipality budget designated for a one-time use or a specific field of operation and includes assessment of receipts and payments for that use or for that field of operation and funds that were legally designated for purposes not included in the regular budget." The sources of receipts in an extraordinary budget include internal revenues and owner's participation<sup>1</sup>, ministries and public institutions, donations, and loans. Regarding the allocation of public resources, including extraordinary budgets, the local authority is free to use its discretion. When public resources are distributed, the local authority must properly serve all its residents and ensure proper management. Allocation of public resources must correspond with principles of reasonability and proportionality by fair, equal, practical, and transparent criteria.

<sup>1</sup> Revenues deriving from owners' participation in development works including fees, taxes, participation in road, sidewalks and sewage infrastructure development, drainage and pipeline projects, etc.



### Key figures

**approx. NIS  
19.6 billion**

local authorities' total extraordinary budgets in 2019, compared to about NIS 8.7 billion in 2010 (an increase of 125%). About 20% of the total budget

**approx. NIS  
1.76 billion**

the temporary annual deficit in extraordinary budgets in 2018, the municipal elections year, compared to the previous year's surplus of NIS 706 million in 2017

**approx.  
40%**

out of the total local authorities development works financing derived from government ministries in 2019

**approx. 50%**

of local authorities accumulated a total of approx. NIS 614 million finite deficits in extraordinary budgets by the end of 2019

**NIS 1,583**

the average annual of a local authority budgets per capita in 2010–2019

**91%**

the audited local authorities' extraordinary budgets (in the scope of NIS 561 million) were approved by council members in 2020 with no details given at the council meetings

**21**

local authorities began using extraordinary budgets in 2019 before the head of the district in the Ministry of Interior approved them

**1,088 and  
1470 days  
(approx. 3 and  
4 years)**

the duration between the opening of the extraordinary budget (designated for the construction and development of educational institutions) and the completion of works in Neve Midbar and Ness Ziona, respectively

## Audit actions



From June to November 2021, the State Comptroller's Office examined local authorities' different development budget aspects. The audit was conducted in six local authorities: **Or Yehuda, Nof HaGalil, Ness Ziona, Sakhnin, and Kiryat Ono municipalities and the Regional Council of Neve Midbar** (the audited local authorities) and in the Ministry of Interior Headquarters and the Northern, Central and Tel Aviv Districts. Supplementary audits were conducted in the Ministry of Education and the Ministry of Construction and Housing.



## Key findings



**Extraordinary budgets' deficits** – opposed to the approved balanced budget and the Ministry of Interior guidelines, 127 (approx. 50%) local authorities had accumulated NIS 614 million, finite deficits in their extraordinary budgets by the end of 2019. Moreover, the major temporary annual budget deficit was accumulated during municipal election years (2013 and 2018), about NIS 1.15 billion and NIS 1.76 billion, respectively, compared to temporary surpluses in the extraordinary budgets in regular years.



**Master plans and local master plans as a basis for extraordinary budgets** – local authorities' development directions derive from their policy and planning documents. Hence, statutory and strategic plans serve as the basis for development plans. It was found that three out of the six audited local authorities: **Or Yehuda, Ness Ziona, and Sakhnin**, do not have an updated, approved master plan; that two local authorities (**Neve Midbar and Nof HaGalil**) do not have master plans and that three local authorities (**Or Yehuda, Sakhnin and Kiryat Ono**) have two or three master plans for specific issues.



**Annual and multi-annual work plans** – four out of the six audited local authorities: **Nof HaGalil, Ness Ziona, and Sakhnin** municipalities and the Regional Council of **Neve Midbar** do not have annual and multi-annual work plans, which include Key Performance Indicators (KPI's); **Kiryat Ono** municipality prepared a multi-annual work plan, which includes performance indicators, for 2021 only for the City Beautification Department, although that year, extraordinary budgets were approved for other departments as well. The multi-annual work plan of **Or Yehuda** municipality did not include performance indicators.








**Reporting multi-annual development plans to the Ministry of Interior** – in 2018–2021, **Nof HaGalil and Sakhnin** municipalities did not report their development plans to the Ministry of Interior; **Or Yehuda and Kiryat Ono** municipalities reported their development plans to the Ministry of Interior, but the plans did not include all the necessary details; the Regional Council of **Neve Midbar** reported all the essential information except for estimated completion time.



**The approving process of an extraordinary budget by the finance committee and local authority council** – it was found that the finance committees of **Or Yehuda, Nof HaGalil, and Sakhnin** approved the extraordinary budgets, though minimal details were presented about most of the extraordinary budgets (124 out of the 133 that were approved in 2020). In the audited local authorities, members of the council used to approve extraordinary budgets for development works, although about 91% of the extraordinary budgets (371 out of 407), approved in 2020, in the scope of



NIS 561 million, out of NIS 671 million, were approved with no detailed explanations presented in council meetings.

-  **Performing development works before extraordinary budget approval and deviations from approved budget** – in 2015–2019, 7%–26% of local authorities carried out projects before receiving approval from the Ministry of Interior as required. At that time, about 84 (33%) of local authorities used extraordinary budgets while deviating from the approved budgetary framework.
-  **Work processes at the ministry of Interior headquarters (Department of Supervision, Budgeting, and Development of Local Authorities) and the districts** – the Ministry of Interior Headquarters has no designated, general work policy regarding extraordinary budgets. The Headquarters focuses its supervision efforts on auditing the finite deficits of local authorities and does not review the overall operation of local authorities regarding extraordinary budgets unless the Ministry finances the extraordinary budget or when the budget is funded by loans (as part of the supervision required for loan approval). The districts have not always acted according to the policies established by them; the Central District does not keep data about the date on which applications are made and closed, or the time it takes to handle them; the Tel Aviv and Central Districts do not have a regulated work plan for auditing local authorities, and they do not audit the local authorities within their jurisdiction.
-  **Extraordinary budgets' management computerized system** – two out of the seven Ministry of Interior Districts (Tel Aviv and Central Districts) have not implemented, or only partially implemented, "Zavit Mekomit," the system that is used for extraordinary budgets' management, thus, the Ministry of Interior Headquarters does not have a complete picture of the extraordinary budgets of all local authorities. It was further found that the Ministry of Interior Headquarters does not use the "Zavit Mekomit" system and has not submitted requests to the computerized system to issue various reports for performing follow-up and analyzing data related to the districts that have implemented the computerized system. The Ministry of Interior stated that its Information Systems Department has been developing a new unified system designated to handle all regulation policies, including the submission of extraordinary budgets.
-  **Handling requests for development loans** – the Ministry of Interior Headquarters and the audited Districts do not review the total loan interest rates every now and then to ensure optimal mix. In addition, no rules have been established regarding receiving credit vis-a-vis future funding resources that can be used for loan repayment (such as neighborhood populating and collecting fees and taxes).
-  **Handling loan applications** – the Ministry of Interior Headquarters and one audited district out of the three (Central District) operate with no policy regulating the loan approval process.



**Audits conducted by the northern district regarding extraordinary budgets** – the State Comptroller Office commends the Northern District for preparing a plan for auditing local authorities concerning extraordinary budgets and rapidly handling local authorities' requests for approval of extraordinary budgets.

**The proportion of loans in funding development budgets** – the State Comptroller Office commends the positive trend of decreasing the proportion of loans (which put pressure on the local authorities to repay them) in funding development budgets over the years. It might increase the quality and diversity of services the local authorities provide to their residents and improve their well-being.

## Key recommendations



It is recommended that the audited local authorities: **Or Yehuda, Nof HaGalil, Ness Ziona, Sakhnin, and Kiryat Ono** municipalities and the Regional Council of **Neve Midbar** prepare annual and multi-annual plans, which include performance indicators and act upon them. The audited local authorities should follow the guidelines and report their development plans to the Ministry of Interior as required. It is further recommended that all the local authorities publish their development plans on their website to be accessible to the public.



It is recommended that the audited local authorities conduct a regulated process of initiating and selecting extraordinary budgets based on a comprehensive vision of development while setting long-term and short-term objectives, a process that relies on the analysis of the needs of the authorities and their residents while allocating resources according to equal, practical and transparent criteria and considering funding resources. The initiation should include written criteria for selecting extraordinary budgets and setting performance indicators. Moreover, the local authorities should document the process in writing.



The local authorities should ensure they begin development works only after receiving the relevant approvals. They should ensure that the costs of development works do not exceed the approved budget.



It is recommended that the Ministry of Interior Headquarters review the process of approving extraordinary budgets in the different districts, set criteria for supervising extraordinary budgets, and examine them and the use of designated funds. It is further recommended that the Ministry of Interior form a unified policy for its headquarters and districts' work to allow unity and optimization of operation modes and grant binding



validity to the way the districts handle identical requests to approve extraordinary budgets made by different local authorities.

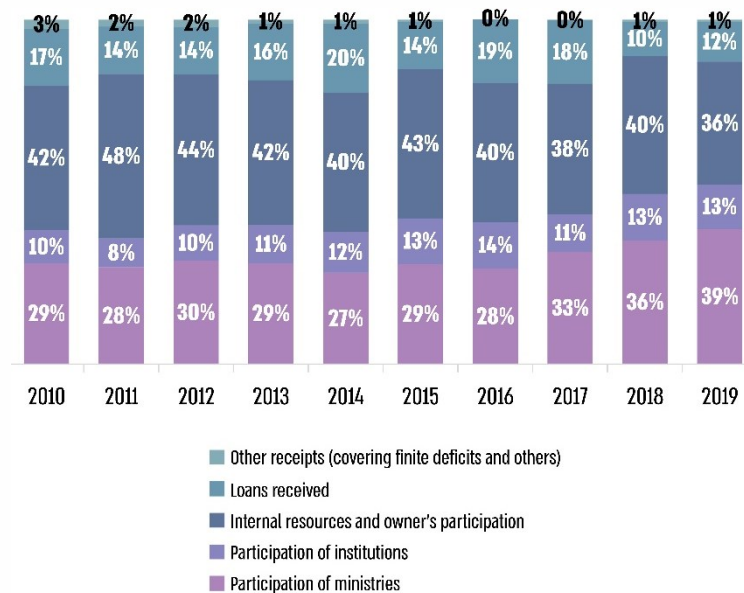


As a regulator, it is recommended that the Ministry of Interior ensure a comprehensive information collection mechanism, which is also used in case of extraordinary budgets of resilient local authorities.



It is recommended that the Ministry of Interior form a policy for handling loans, to be used by its Department of Supervision, Budgeting, and Development to exercise the Ministry's power regarding loans given to local authorities in a unified, efficient manner. Moreover, the policy refer, among other things, to loan eligibility, the process of taking loans, and supervision of their use. It is further recommended that the Ministry of Interior consider forming guidelines for the local authorities and develop supervision tools over loan recycling possibilities according to changes in inflationary expectations and interest rates and form rules for the approval of credit vis-a-vis future funding resources that might be used for repaying loans.

### Distribution of local authorities' annual revenues in extraordinary budgets, according to their resources in 2010–2019



According to data from the Ministry of Interior and the audited annual financial statements of all local authorities, processed by the State Comptroller Office.



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## Summary

The extraordinary budget is an essential resource through which the local authority increases, optimizes, and develops its public assets for its residents. This report raises that development is managed through an extraordinary budget through separate projects and that the entire process is not viewed as a whole. Initiation of an extraordinary budget and its management, performed in a planned, regulated manner, at the level of the Ministry of Interior and the level of the local authority, and according to multi-annual planning, will bring about development which is beneficial for the residents and improves their well-being while maintaining cost-effectiveness principles. It is recommended that the local authorities and the Ministry of Interior rectify the deficiencies and review the recommendations specified in this report.







State Comptroller of Israel | Local Government Audit | 2022

## Chapter 3

# Social Audit





State Comptroller of Israel | Local Government Audit | 2022

Social Audit

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# **Regulation of the Community Welfare Services Provision by Local Authorities**





# Regulation of the Community Welfare Services Provision by Local Authorities

## Background

Personal welfare services promote the most vulnerable groups in society. Most recipients receive the services they are entitled to in the community. The Local Authorities mainly provide personal welfare services in the community, a sizable portion of them via outsourcing while bearing the responsibility for their proper provision in the required scope and quality. The authority determining the professional criteria of personal welfare services provision, their supervision, and their financing is vested upon the Ministry of Welfare and Social Affairs (the Ministry of Welfare). However, the local authorities also have leeway when implementing the national level policy according to local needs, including the range of services, the methods of their provision – whether directly or outsourced – and the local funding sources to be used.



## Key figures

|  |  |  |  |
|--|--|--|--|
| <b>about NIS<br/>1.8 billion</b>   | <b>of them,<br/>about NIS<br/>1.4 billion</b>  | <b>of them,<br/>about NIS<br/>400 million</b>  | <b>about 80%<br/>(about<br/>230,000)</b>   |
| the Ministry of Welfare and the local authorities annual average expenditure corresponding to the financing method for the operation of the framework and the provision of personal welfare services in the community in 2017–2020 | the annual average financial scope of community welfare services provided by local authorities using the corresponding financing method in 2017–2020 | the annual average financial scope of community welfare services provided by the Ministry of Welfare using the corresponding financing method in 2017–2020 | the average rate of recipients of social services in the community of all recipients of personal welfare services; Of them, about 195,000 (about 84%) are recipients of community welfare services from local authorities in 2017–2020 |
| <b>about NIS<br/>685 million</b>   | <b>about 81%</b>   | <b>about 320</b>   | <b>of them,<br/>about 20<br/>(about 6%)</b>  |
| the annual average financial scope of community welfare services provided by local authorities via outsourcing using the corresponding funding method in 2017–2020   | the average rate of local authorities that provided outsourced welfare services in 2017–2020   | the average number of organizations that provide personal welfare services in the community for local authorities via outsourcing in 2017–2020             | the average number of organizations that provided about 54% of outsourced community welfare services for local authorities (about NIS 370 million) in 2017–2020  |



## Audit actions



From December 2020 to November 2021, the State Comptroller's Office examined local authorities' provision regulation of community welfare services. An in-depth audit was conducted in **Be'er Sheva, Modi'in Maccabim Reut** (Modi'in), **Nahariya**, and **Tel Aviv-Yafo** (Tel Aviv) municipalities; In the local councils of **Immanuel** and **Jisr az-Zarqa**; And in the **Upper Galilee** Regional Council. The audit also includes a questionnaire sent to 30 local authorities, including those mentioned above, in July 2021<sup>1</sup>. Questionnaires were also sent to nine non-profit organizations, associations, and companies, which provide services, among other things, to the above-mentioned local authorities. Completion audits were conducted at the Ministry of Welfare and its districts, the Ministry of Interior, the Federation of Local Authorities and the Ministry of Education. The audit was also conducted through public participation meetings of parents of at-risk children and youth who receive services from the social services departments, both among the Jewish and Arab communities.




## Key findings



**Methodical collection of data on those entitled to receive welfare services in the community** – local authorities do not methodically manage and analyze data on welfare populations living within their jurisdiction entitled to personal welfare services, whether exercised or not. They do not methodically collect data on welfare populations whose entitlements are not exercised and do not hold data regarding these populations. The Ministry of Welfare does not enable access to its information regarding those entitled by the local authorities, in particular persons with disabilities, nor does it make the data held by other government bodies regarding those entitled to welfare services (such as the Ministry of Health, the National Insurance Institute and the Ministry of Social Equality) accessible. This information is necessary for local authorities to form an integrative and educated plan for the welfare services they wish to provide their residents.

<sup>1</sup> The local authorities to which the questionnaires were sent, including the authorities in which an in-depth audit was conducted, were selected taking into account the administrative districts in which they reside; Their municipal status; Their socio-economic cluster; The peripheral index to which they are associated; The sector to which most of their residents belong; And their number of residents.



-  **Development of community welfare services by small and peripheral authorities** – in small local authorities, which are often also peripheral, the range of welfare services provided to their residents is more limited. Therefore, their residents might not receive certain services they are entitled. A Ministry of Welfare data analysis indicates that when a small local authority does not provide a particular service within its jurisdiction, its residents are less likely to be referred to nearby local authorities to receive the services than residents of medium size and large authorities. For example, small authorities are the majority among the authorities that do not provide services in their jurisdiction and do not refer residents to receive services in sheltered occupational centers for persons with intellectual-developmental disabilities (about 62%), sheltered occupational centers for persons with physical disabilities or borderline intelligence (about 63%) and in 'Bayit Cham' centers (Warm Home) for girls and young women (about 61%).
-  **Provision of welfare services in the community by the Ministry of Welfare** – the Ministry of Welfare operates community welfare services using the corresponding financing method with an average annual financial scope of about NIS 400 million, out of about NIS 1.8 billion expenditure on community welfare services (in 2017–2020). An analysis of the Ministry of Welfare data indicates that it does not methodically decide regarding the frameworks it will operate (via outsourcing) and not through the local authorities (directly or via outsourcing). Sometimes it operates services or frameworks alongside those operated by the local authorities (such as in 'Bayit Cham' (Warm Home) for girls, sheltered occupation for persons with physical disabilities or with borderline intelligence and rehabilitative day care centers for persons with physical disabilities or with borderline intelligence). Furthermore, the Ministry of Welfare's decision to operate specific frameworks does not guarantee access to most local authorities, particularly to residents of small and peripheral local authorities who struggle to provide various welfare services. The rate of these local authorities among those that do not refer at all to frameworks is not negligible.
-  **Centralization of the outsourcing of community welfare services** – out of the 320 organizations that provide community services for local authorities via outsourcing, 20 organizations (about 6%) provided about 54% of the services (at the cost of about NIS 370 million on average in 2017–2020). In addition, by the data for 2020, 96 (about a third) of the organizations provided services to more than two local authorities simultaneously, and 30 organizations provided services to at least five local authorities simultaneously. By the local authorities' responses to the questionnaires, more than a third of them do not increase competition in the provision of community welfare services at the tender stage (by bringing the tender to the attention of potential bidders, regardless of the actual publication of the tender, or by removing possible barriers to the participation of new bidders). About two-thirds of them do not preserve the competition at the end of the tender procedures and during the provision of the services





(by allowing service recipients to choose between different service providers or by selecting additional qualifiers as tender winners).



**Drafting of the tenders published by local authorities for the provision of welfare services in the community** – about a third of the tenders and engagement agreements examined, including a tender issued by the **Tel Aviv**, did not state that the service provider is prohibited from employing sex offenders. In half of the tenders and engagement agreements examined, including tenders published by **Modi'in**, **Nahariya**, and **Tel Aviv**, bidders were not prohibited from entering into an engagement with local authority employees, council members, including the head of the authority, and their relatives or associates. In addition, about 40% of the tender documents and engagement agreements examined did not specify all the requirements outlined in the Public Entities Transactions Law, 1976, or only some of the conditions outlined in the law were set. Only two of the authorities to which the questionnaires were sent – **Lod** and **Kiryat Gat** – included in their tenders a requirement regarding compliance with the provisions of the Equal Rights for Persons with Disabilities Law, 1998, ensuring adequate representation for persons with disabilities. The audit also found that the Ministry of Welfare had decided not to approve the outcome of a tender for the operation of daycare centers for children and youth at risk published by the **Jisr az-Zarqa** Local Council, as the tender documents lacked material conditions regarding the provision of the services.



**Control and enforcement mechanisms in local authorities' engagement agreements with outside service providers for the provision of community welfare services** – the provisions that local authorities include in tender documents and engagement agreements for the supervision and control of outside service providers are usually general and do not address the areas in which supervision will be carried out or the control tools to be employed in the course of the engagement; More than half of the authorities whose agreements were examined (59% of them), including **Modi'in** and **Nahariya**, the **Jisr az-Zarqa** Local Council and the **Upper Galilee** Regional Council, did not include an obligation to report exceptional events, most (71% of them), including **Modi'in** and **Nahariya** and the **Upper Galilee** Regional Council, did not include in their agreements an obligation for periodic reporting regarding the scope of the services and activities provided, and although the level of services depends mainly on adequate funding of the services, about two-thirds (65%) of them, including **Nahariya** and the **Upper Galilee** Regional Council, did not include an obligation for periodic reporting on budgetary matters. It was also found that almost all the contract agreements examined, including the agreements of **Modi'in** and **Nahariya**, did not include provisions for the service provider's obligations to document and retain documents on the services provided and that most agreements did not include provisions for the service provider's obligation to orderly provide the local authority, with data and information after the end of the engagement. The in-depth audit of **Be'er**



**Sheva, Modi'in, and Nahariya** and the **Upper Galilee** Regional Council raised that they did not include in their engagement agreements detailed monitoring, control, and enforcement mechanisms nor did they adequately monitor whether the outside service providers' comply with their obligations; Furthermore, if the service providers did not meet their obligations, the local authorities did not enforce those obligations on them.



**Use of satisfaction surveys of supervision and control processes of outside service providers** – 23 (about 80%) of the local authorities that responded to the questionnaires, including **Be'er Sheva, Modi'in, Nahariya**, and **Tel Aviv**, the Jisr az-Zarqa local council and the **Upper Galilee** Regional Council, do not conduct satisfaction surveys among welfare service recipients to control services provided to them by outside service providers.



**Information security and privacy protection requirements in outsourcing engagements** – about 65% of the local authorities who responded to the questionnaires formed a procedure for information security in the Department of Social Services, and about a quarter of them distributed the procedure among outside service providers; A few of them (19%) performed monitoring to ensure they were complying with said obligations; And not one of those local authorities generated a report after the inspection. These authorities do not even ensure that the winner of the tender will meet these requirements during the engagement period and upon its termination.



**The physical infrastructure for the provision of the services** – five (about 17%) of the local authorities that responded to the questionnaires considered the allocation of physical infrastructure as a significant challenge regarding the provision of welfare services in the community. Among most responding local authorities that provide outsourced services (20 local authorities), one of the considerations in deciding whether to provide the services directly or via outsourcing is the local authority's difficulty in allocating a structure for the provision of the services. The audit found that when the local authority transfers the responsibility to allocate a structure for the service provision to the outside service provider, and the cost involved is not grossed-up in the payment made to it, the service provider might allocate a building at a lower price, that is not suitable for the provision of the services, or try to minimize the rest of its expenditure, grossed-up in the fixed uniform tariff set by the Ministry of Welfare, according to which the Ministry finances the provision of services, which is not necessarily subject to close supervision.



**Providing data on those eligible for community welfare services to the local authorities** – during the audit, the Ministry of Welfare began to distribute once a month among the directors of the social services departments a dashboard of local authority data (the "Michlol").



**Determining indices for evaluating the level of services provided to welfare service recipients** – as of 2019, the Ministry of Welfare is promoting a quality index program for welfare frameworks to improve the services provided, introduce uniformity in evaluating inputs, processes, and results and allow a methodical examination of the compatibility between the service provided and the policy of the Ministry of Welfare regarding the service.

## Key recommendations

- 💡 It is recommended that all local authorities maintain reliable and updated data on the needs of all welfare populations in their jurisdiction, including the needs of residents not known by social services departments, and collect this data from internal or external sources. It is recommended that the Ministry of Welfare database be made available to local authorities also includes data held by it or by other public bodies (such as the Ministry of Education, the Ministry of Health, the National Insurance Institute, the Ministry of Social Equality and the Rehabilitation Division at the Ministry of Defense) regarding residents of local authorities who are not known to the social services departments.
- 💡 It is recommended that the Ministry of Welfare examine the barriers small and peripheral authorities confront in developing services in certain areas of care or referral for receipt of the services in nearby local authorities. It is also recommended that the Ministry of Welfare examine the possible incentives to ensure those eligible for the services receive the best response.
- 💡 It is recommended that local authorities that provide outsourced welfare services, including **Be'er Sheva, Modi'in, Nahariya, and Tel Aviv**, the **Jisr az-Zarqa** Local Council, and the **Upper Galilee** Regional Council, include detailed supervision and control mechanisms in the engagement agreements, an orderly methodology regarding the mechanisms employment; to the issues they will deal with; to inputs and outputs control indices; to the frequency of the controls; and to the control, and tools to be used for this purpose. It is also recommended to stipulate in the agreement precise enforcement tools to advance the engagement objectives and avoid harming the service recipients.
- 💡 Given the challenges in creating competition in tenders of local authorities in welfare services, in particular small authorities and authorities whose socio-economic index is low, and given the benefit of creating cooperation between local authorities in this context, it is recommended that the Ministry of Welfare, in cooperation with the Federation of Local Authorities, the Ministry of Interior and the regional clusters, encourage such collaborations. This, among other things, by creating a platform for

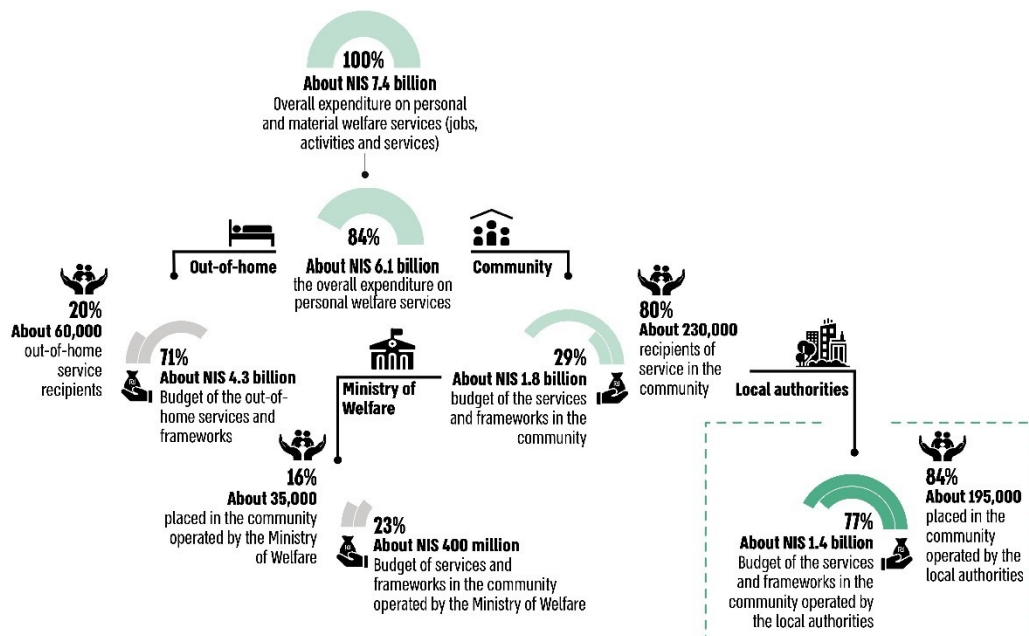


ongoing cooperation between local authorities and sharing relevant information, such as tender drafts, engagement agreements, and control findings of the Ministry and local authorities inspectors regarding service providers providing services to the Ministry of Welfare or several local authorities.



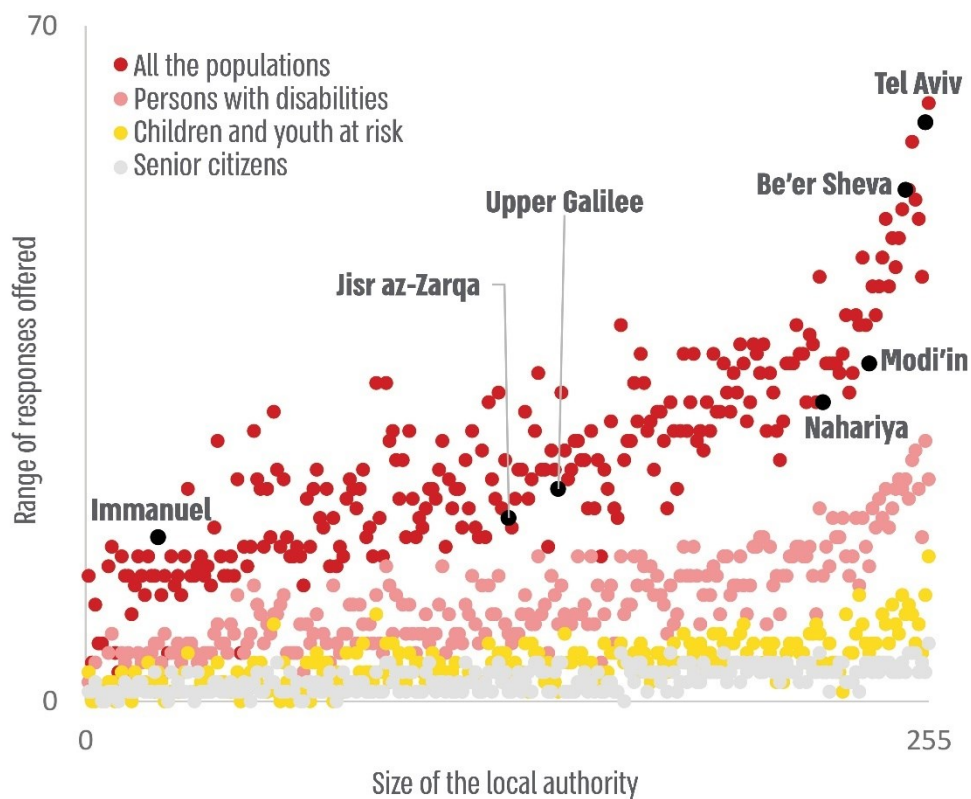
All local authorities, including **Be'er Sheva, Modi'in, and Nahariya**, the **Jisr az-Zarqa** Local Council, and the **Upper Galilee** Regional Council, should act according to the provisions of the Social Work Regulations; Protection of Privacy Law, 1981; And the Protection of Privacy (Information Security) Regulations, 2017; and under the other instructions of the Registrar of Databases, to find out whether outside service providers meet the information security requirements, the local authority procedures and the provisions of the law, and to appropriate ensure that the service provider will meet these requirements during and at the end of the engagement period.

### Number of recipients of welfare services and scope of average expenditure of the Ministry of Welfare and local authorities on community and out-of-home welfare services in 2017–2020



According to data from the Ministry of Welfare, they are processed by the State Comptroller's Office.

**The range of responses offered by local authorities in the community, according to the size of the local authority and the population receiving the service, cumulatively, 2017–2020**



According to data from the Ministry of Welfare, processed by the State Comptroller's Office.

## Summary

Most personal welfare services are received in the community, and are provided by local authorities – directly or via outsourcing. To ensure they optimally function, the local authorities should be provided with all the information necessary for the optimal planning of services, and barriers that might hamper small and peripheral local authorities to develop services without regional cooperation are identified and mapped.



To reduce the adverse effects of outsourcing the provision of personal welfare services and to enable local authorities to enjoy its benefits, including improving the quality of services they provide, they should carefully formulate the rules of entering into an engagement and adequately employ the supervision, control and enforcement mechanisms available to them.



State Comptroller of Israel | Local Government Audit | 2022

Social Audit

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# **Local Authorities' Activities to Identify Dropout Students and Prevent and Manage School Dropout**







# Local Authorities' Activities to Identify Dropout Students and Prevent and Manage School Dropout

## Background

Similar to educational systems around the world, one of the complex phenomena the Israeli educational system contends with is school dropouts. Dropout rates are an accepted measure for assessing students' academic success and the educational system ability to hold on to its students.

Regular, consistent students' attendance at school and their integration within the academic, educational and social sphere (regular attendance) are a basic condition to proper school functioning and academic success. Mandatory attendance in a recognized educational institute where students are exposed to basic curriculum is intended to provide students with basic knowledge, education, learning skills, life skills and shared life values.

The outbreak of COVID-19 around the world in late 2019 and the shift to e-learning intensified the phenomenon of covert dropout amongst students.

Based on the Compulsory Education Law and its regulations, the Ministry of Education has established the Regular Attendance and Prevention of Dropout Department. The department operates through attendance officers and its role is to ensure an appropriate institute for all students and optimal support at school and within the community for maintaining educational continuity and persistence. In addition, the department is in charge of transferring students from one educational institute to another as necessary.



## Key figures

**2,356,000**

number of Israeli students in educational system (ages 3–18) in 2019–2020

**5.17%**

the rate of high school students not registered in any educational institute in Israel in 2018, compared with 7.65% in OECD states

**628.7**

number of attendance officers positions in Israel in 2019–2020. 622 of them are manned

**approx. 90,000**

number of students in Israel educational system treated by attendance officers in 2020–2021

**100**

the desired number of students to be treated by an attendance officer according to the Ministry of Education

**114–169**

the average number of students treated by an attendance officer in 4 out of 11 audited local authorities

**12**

number of local authorities for which the Ministry of Education did not allocate attendance officers' positions in 2020–2021

**1.7% & 2.2%**

the dropout rate in **Al-Kasom Regional Council and Bnei-Brak**, respectively, in 2019–2020, compared with a national average of 0.5%

## Audit actions



From May 2021 to November 2021, the Office of the State Comptroller examined the local authorities' activities to identify school dropouts and to prevent and manage dropouts. In addition, it examined the entities responsible for dropout identification and prevention, the primary responses to dropouts, and the means of supervision and control used by attendance officers. These aspects were also examined across the ultra-orthodox sector and the Bedouin society in the south of Israel.






The audit was carried out in 11 local authorities (**Bnei-Brak, Lod, Ness Ziona, Nazareth, and Kiryat Shmona municipalities; Local Councils of Kfar Manda, Rekhasim, and Shlomi; Regional Councils of Al-Kasom, Mateh Yehuda and Menashe**)<sup>1</sup>. Supplementary audits were conducted in Department A – Education of

<sup>1</sup> The local authorities that were audited were selected based on the following parameters: the administrative districts the local authorities were part of; their municipal status; the socio-economic cluster; their peripheral measure; the sector they were part of; the sector most of their residents were part of and the number of residents.



Children and Youth at Risk in the ministry of Education, the ministry's districts, the ministry of Economy and Industry, the Directorate General of Labor, and the Department of Vocational Training and Manpower Development.

## Key findings

-  **Entities supervising regular attendance** – by the audit end, the ministry of Education had not defined the characteristics of covert dropouts in students' records.
-  **Attendance Officers positions** – despite the 8% increase in the number of students in educational systems from 2015–2016 to 2019–2020, the number of allocated positions for attendance officers increased only by about 0.8%. It was further found that in four audited local authorities, the average number of students treated by attendance officers was over 100 – the desired average (in **Lod** – 8 attendance officer positions with an average of 169 students per officer; in **Mateh Yehuda** – 4 attendance officer positions with 114 students per officer; in **Menashe** 3.25 attendance officer positions with 167 students per officer and in **Rekhasim** 1 attendance officer position who handles 126 students).
-  **Persistence Committees** – the persistence committees in **Nazareth and Kiryat Shmona**, which help educational institutes handle students throughout the dropout process, did not discuss students treated by attendance officers who were transferred to external frameworks. It was further found that there were no persistence committees in the **regional council of Al-Kasom and the local council of Rekhasim**; the persistence committee in the local council of **Kfar Manda** convened appropriately in 2019 and 2021, but did not convene in 2020; **Kiryat Shmona** convened its persistence committee appropriately in 2019, but in 2020 it was convened only once and in 2021 it was not convened at all; in **Bnei-Brak**, persistence committees convened only in some of the schools.
-  **Attendance Officers' activity in Ultra-Orthodox and Bedouin authorities** – in **Bnei-Brak, Local Council of Rekhasim, and Regional Council of Al-Kasom**, the school dropout rate in 2019–2020 was 2.2%, 0.6%, and 1.7% respectively. In some schools in the above three authorities, attendance officers were not part of the inter-professional team, and the details of students who were frequently unjustified absent were not shared with them.
-  **Identification of students who are at risk of dropping out** – the attendance officers work reactively – they rely on reports sent by school staff of students who do not attend school regularly and of covert dropouts. The attendance officers in **Bnei-Brak, Lod, and Ness Ziona, the Local Councils of Kfar Manda, Rekhasim, and**



**Shlomi, and the Regional Councils of Al-Kasom, Mateh Yehuda, and Menashe**

do not initiate visits to identify students, except for visits along the way to schools or at schoolyards. Moreover, they do not actively identify youth at risk of dropping out even in the arenas where they are present – the authority's streets and the virtual environment.



**Entry permits to the attendance officers network for departments of education directors** – the ministry of Education does not grant departments of education directors privileges to review the information on the Attendance Officers Network, although they receive reports from school principals of irregular attendance and various dropouts and actively participate in finding appropriate solutions for students who are at risk of dropping out.



**The Attendance Officers Network** – although in all local authorities in most schools, students' attendance is managed through computerized systems (approved by the Ministry of Education), including student attendance documentation, the Attendance Officer Network does not have any direct interfaces with these systems. It was further raised that the Ministry of Education has not implemented a new computerized system and has not made the necessary improvements in the existing one, despite repetitive malfunctions that undermine the attendance officers' ability to document the process of treating the students.



**The extent to which information is updated and "Closing of students' records" in the Attendance Officers Network** – in **Nazareth, the Local Authorities of Rekhasim and Shlomi, and the Regional Councils of Al-Kasom, Mateh Yehuda and Menashe**, no interventions or reports on students' condition were documented for over six months or over a year of over 10% of the students. It was further found that in 50% of the students sampled in **Mateh Yehuda, Nazareth, Menashe, Al-Kasom, and Bnei-Brak**, the reports were unclear and did not help to understand the student's condition.



**Interfaces and collaboration between departments of education and departments of welfare** – collaboration and information exchange regarding covert or overt dropouts took place in the audited local authorities; however, it was not regulated under the Ministry of Education and the Ministry of Welfare guidelines, not anchored in procedures nor documented.



**Budgeting of the Dropout Prevention Program** – in 2020, the Ministry of Education did not grant the budget above to any local authority since the state budget was not approved that year. However, there was an increased need for such a program because of the COVID-19 pandemic. In 2021 the authorities were given a budget of NIS 40,000–100,000 per authority, but no budget was granted to **Bnei-Brak Municipality**.



**The ministry of Economy and Industry's Vocational Training Institutes** – in 2019–2020, the average rate of overt dropout from vocational training institutes under the responsibility of the Ministry of Economy was 9.73% (there was a 20% dropout rate in three schools and no dropout whatsoever in four schools). This rate is relatively high for technological institutions supervised by the Ministry of Education, where the dropout rate used to be 2.6%. The audit found that, unlike the attendance officers' involvement in Ministry of Education schools regulated under the Ministry circular, the interface with the educational staff in vocational training institutes is not officially regulated.



**Training and professional development of Attendance Officers** – the Ministry of Education has established a professional development program for the training of attendance officers, which includes, among other things, courses, seminars, and study days that focus on relevant topics. It was found that all attendance officers participate in the professional development program.

## Key recommendations



It is recommended that the Ministry of Education examine the 7% gap between the growth rate in the number of students and the growth rate in the number of attendance officers from 2014 to 2020 and its effect on the burden imposed on the officers and the effectiveness of their work. If needed, it is recommended that the Ministry increase the number of attendance officer positions in local authorities.



It is recommended that the Ministry of Education upgrade the Attendance Officers Network and enable interfaces between the schools' computerised attendance systems and the Attendance Officers Network for a better tracking and identification of covert dropout.



It is recommended that attendance officers in the audited local authorities actively attempt to identify youth at risk of dropping out in the environments where they are present – schools, streets and virtual environment. Moreover that the Ministry of Education consider updating the circular's guidelines and the attendance officers' regulations of reaching out strategies, and provide up-to-date tools, such as, social network monitoring by attendance officers.



It is recommended that the Ministry of Education and ultra-orthodox local authorities (including **Bnei-Brak and the Local Authority of Rekhasim**) form a methodology and modus operandi to identify students who study in ultra-orthodox schools and are at risk of dropping out; provide them with suitable solutions; and regulate attendance

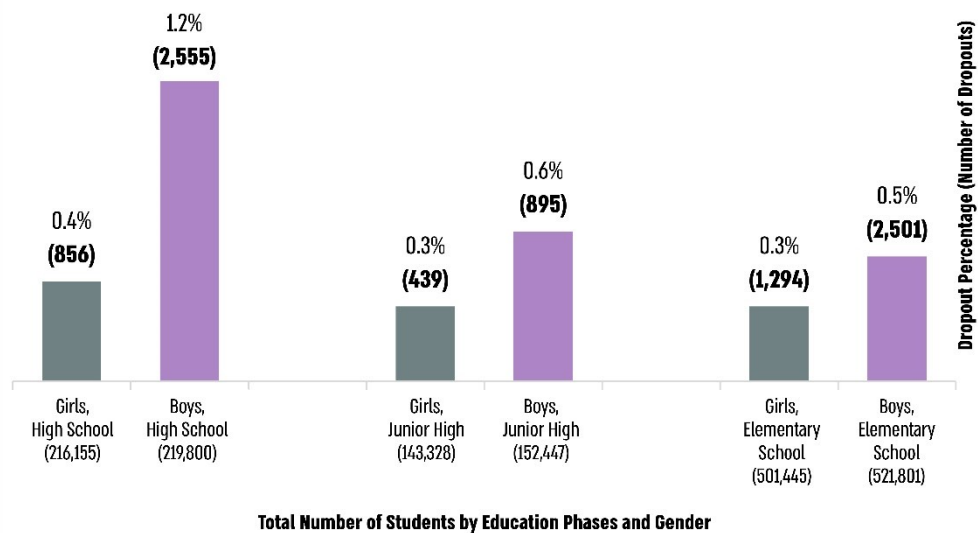


officers' activity and entry to all educational institutes and religious schools (Yeshivas – for 13–18-year-old students) in particular.



It is recommended that the Ministry of Education, and the local authorities that handle the Bedouin population in the Negev, form designated plans for identification and treatment of covert dropouts amongst Bedouin students in the Negev. It is further recommended to identify students who are at risk of dropping out and students who are not registered in any educational institute and try to integrate them into suitable institutions.

### Distribution of dropout rate by educational phases and gender, 2019–2020



According to the Ministry of Education data processed by the State Comptroller Office.



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## Summary

Education is a right to which all children living in Israel are entitled, and it is a significant milestone in every student's life. Dropping out of school is considered a significant cause of social gaps; it is a risky behavior and has a negative effect on dropouts and society, the economy, and employment in general. The state should ensure all students have access to educational institutes, that they can study in an institute that enables them to meet their potential and that they are provided with the optimal support they need from the school and the community. Enabling optimal access and better solutions and services to students at risk of dropping out would increase their likelihood of integrating into society and living normative life as grownups.







State Comptroller of Israel | Local Government Audit | 2022

Social Audit

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# **Local Authorities' Treatment of Drugs and Alcohol Abuse Within Their Jurisdiction**





## Local Authorities' Treatment of Drugs and Alcohol Abuse Within Their Jurisdiction

### Background

Drugs and alcohol are part of the psychoactive substances group, which affect the body and mind and change the user's attitude to occurrences around him without the ability to control the change. Social work regulations define addiction as a process of deterioration a person goes through in which he becomes dependent on a substance, altering mood or behavior to the point of impairing a significant part of the main functions in his life. There is an addiction continuum depending on users' frequency and amount of psychoactive substance consumption, from initial experience, casual or occasional use, abuse, and up to addiction. Treating people on the addiction continuum to psychoactive substances requires holistic treatment, including medical and psychosocial treatment.



## Key figures

**120,000**

the Ministry of Welfare and Social Affairs' estimate of the people in drug and alcohol abuse continuum in Israel in 2020

**about 27,000**

number of drug and alcohol addicts known to local authorities and various treatment bodies in Israel in 2020

**15,243**

number of patients in all the local authorities' Addiction Treatment Units in 2020

**36 million**

number of drug addicts worldwide in 2019, according to the UN estimate

**2.9**

number of addicts in the general population in Israel per thousand persons in 2020

**7.2%, 10.2%**

alcoholic beverages intoxication rate among students in the tenth until twelfth grades and the rate of students in these classes who have used cannabis at least once in the last 12 months in 2019 – respectively

**929**

number of adolescents aged 12–18 patients of local authorities addiction treatment units in 2020

**about NIS 88 million**

the Ministry of Welfare and Social Affairs total and fully realized budget for addictions treatment in 2020

**about NIS 117 million**

the Israel Authority for the Prevention of Alcohol and Drug Abuse budget allocated to the local authorities in 2020, after a 25% cut from the budget in 2019, which was about NIS 157 million

**134**

number of local authorities with no addiction treatment unit (out of 255) in 2020; The total number of patients therein was 1,846

**140**

number of local authorities in which 213 parent patrols operated in 2020



## Audit actions



From May to October 2021, the State Comptroller's Office examined the local authorities' treatment of drugs and alcohol abuse within their jurisdiction. The audit was conducted in seven local authorities: **Haifa, Tira, Nof HaGalil, Rishon Lezion, and Ramat Gan municipalities; In the Mate Asher Regional Council and the Yarka Local Council** (the Authorities Examined). Completion audits were conducted at the Israel Authority for the Prevention of Alcohol and Drug Abuse (the Israel Authority); At the Addiction Treatment Service at the Ministry of Welfare and Social Affairs (Ministry of Welfare); In the Unit for the Prevention of the Use of Drugs, Alcohol and Tobacco in the Psychological Counseling Service Division in the Ministry of Education (Ministry of Education); In the Israel Police; And in the Federation of Local Authorities in Israel.

## Key findings



**Data mapping** – all the local authorities audited (**Haifa, Tira, Yarka, Mate Asher, Nof HaGalil, Rishon Lezion, and Ramat Gan**) do not orderly work to complete the data for the establishment of a comprehensive and updated data on drug and alcohol users within their jurisdiction. Moreover, the data collected by the Israel Authority from all parties involved in the struggle of drugs and alcohol do not provide a comprehensive and updated situation report of the extent of drug and alcohol use in the country. It was found that no entity holds data on the entire potential population needing the service it provides. Thus, while the Ministry of Welfare estimated that 120,000 people were on the drug and alcohol use continuum in Israel in 2020, the number of persons known to local authorities and treatment bodies was 26,549, and the number of patients in all addiction treatment units in the local authorities was 15,243 this year, including 929 adolescents.







**The Israel Authority budget allocation to the local authorities** – the cut in the budget allocated to the local authorities due to the state budget absence resulted in the local authorities without an activities budget except for staffing in 2019–2020. **Haifa and Rishon Lezion and the Mate Asher Regional Council**, classified high in the socio-economic index, paid from their budgets to preserve the personnel contending with addiction. The Israel Authority's program workers in **Nof HaGalil and Tira** municipalities were given unpaid leave or diverted to another position. In **Yarka** local council, the scope of employment and wages of workers in the field have been cut.




**The Ministry of Welfare's contractual engagement termination with non-profit organizations** – at the end of June 2019, the Ministry of Welfare terminated its contractual engagement with two non-profit organizations (NGOs) that treated





adolescents and adults on the drug and alcohol use continuum: NGO A, which at that time treated about 300 adolescents on the addiction continuum, and NGO B, which treated about 660 adults under the contract with it. The Ministry of Welfare and the local authorities have not been able to bridge the gaps created following the termination of the contract with the NGOs and still have difficulty manning all of the positions required to perform the work done by the NGOs.

-  **Patients in addiction treatment units** – at the end of 2020, 134 of the 255 local authorities in Israel, with 1,846 patients, including 76 adolescents, did not have an addiction treatment unit. It was found that 81 of the local authorities that do not have an addiction treatment unit are Jewish authorities, and 53 are Arab authorities. Following the contractual engagement termination with the NGOs in 2019, in 2020 there was a decrease compared to 2018 of 715 patients who came to addiction treatment units, of which about 250 were adolescents, and the number of patients was 15,243, of which 929 were adolescents.
-  **Training of social workers in the field of addictions** – in 2018–2019 and 2021, the number of participants in the Ministry of Welfare's basic course did not meet the scope required for training social workers treating drug victims, according to the regulations on Institutions treating Drug Users. Hence, the course waiting number was high, in 2021 stood at 118, and was close to the number of participants – 135. In 2020, the Ministry of Welfare did not conduct basic course; therefore, in 2021, there was a great demand for the course, which increased the number of those waiting.
-  **Committee for Combating the Dangerous Drugs Problem** – **Tira** municipality and **Yarka** Local Council did not establish this committee, **Mate Asher** Regional Council established the committee, but it did not convene in 2019–2021, and in **Haifa** and **Nof HaGalil** municipalities, the committee did not convene as often as required by law.
-  **Protection instructors** – in 2020, 581 protection instructors were employed in 110 local authorities. The instructors work within the school as adult figures in the student environment and engage in preventing violence and in advocacy against it or in preventing the use of psychoactive substances and detecting student involvement in these activities. In two local authorities out of seven with an ultra-Orthodox population, eight protection instructors were employed, 1.3% of the total instructors. It was also found that it is challenging to preserve the employment of protection instructors when schools are closed, and the instructors are forced to go on unpaid leave and sometimes are even fired. These difficulties mainly affect local authorities classified low in the socio-economic index. It was found that following the Covid-19 pandemic in 2020, the protection instructors in the **Tira** municipality went on unpaid leave and returned to work in September 2021 in some schools. In **Nof HaGalil** municipality, they were fired. In contrast, local authorities classified high in the socio-economic index manage to preserve their protection instructors even in such times.



 **Detection within the school grounds** – school leaders are charged on behalf of the Ministry of Education, and their role is to coordinate the treatment of tobacco, alcohol, and drug use on the school grounds. It was found that only in **Yarka** local council were school leaders appointed in all schools; In the other local authorities audited, some schools did not appoint any school leaders. Thus, for example, in 2020–2021, there was some improvement in the appointment of school leaders compared to the previous two years, but some local authorities had no school leaders: **Mate Asher** and **Nof HaGalil** – one school, **Haifa, Tira, and Ramat Gan** – two schools, and **Rishon Lezion** – three schools. Moreover, in 2020 about one-fifth of the school leaders promoted, to a minimal extent, actions to locate students involved in alcohol and drugs and steps for their treatment.

 **Detection by Welfare Departments** – in 2020, only 12 out of the 255 local authorities operated units for detecting youth on the addictions continuum, which serve the communities in which they operate, and found 859 adolescents who were users.

 **Enforcement of the sale of alcoholic beverages and hazardous substances in kiosks** – the audit raised that **Nof HaGalil, Yarka, Tira, and Mate Asher** did not supervise and enforce business licensing laws for drugs and alcohol in their jurisdictions. **Haifa** and **Ramat Gan** have not made enforcement themselves and were satisfied with the police enforcement actions in their jurisdictions.



The State Comptroller's Office commends the initiative of **Ramat Gan** to prepare a program for detection, prevention, and advocacy among adolescents and young people on the addiction continuum and the action of **Rishon Lezion** to involve youth in advocacy and prevention activities.

## Key recommendations



It is recommended that the Israel Authority and the other parties involved: the Ministry of Welfare, the Ministry of Health, and the Israel Police, act in accordance with their responsibility and authority, to complete the data on all drug and alcohol users and to create a uniform and coordinated regularly updated database. Thus, a comprehensive and updated database will be built and reflect the reality for decision-makers as reliably as possible. It is also recommended that the Israel Authority and local authorities conduct an epidemiological survey and periodic surveys, respectively, to map usage rates and trends at the national and local levels.



The State Comptroller's Office recommends that the Ministry of Finance consider creating budgetary certainty to address the struggle against drug and alcohol addiction and anchor the budget allocated to local authorities in the budget base of the government ministry entrusted with the activities of the Israel Authority and establish a budget update mechanism, based on a mapping of the needs.



It is recommended that the Ministry of Welfare conduct a conclusion-drawing procedure following its decision to terminate the contractual engagement with NGOs A and B and examine its impact, especially on local authorities that fail to provide an appropriate solution for patients within their jurisdictions.



**Yarka** and **Rishon Lezion** should train social workers in the basic course, and all local authorities should formulate in cooperation with the Ministry of Welfare a multi-year plan for training all social workers in the addiction treatment units in the basic and advanced courses.



It is recommended that the Israel Authority, in cooperation with the Ministries of Education, and of Interior, and the Federation of Local Authorities in Israel, appoint protection instructors in all local authorities, examine ways to preserve their employment and reinforce their status by regulating the position and anchoring it in the occupation analysis file, while setting binding threshold conditions of education and experience.

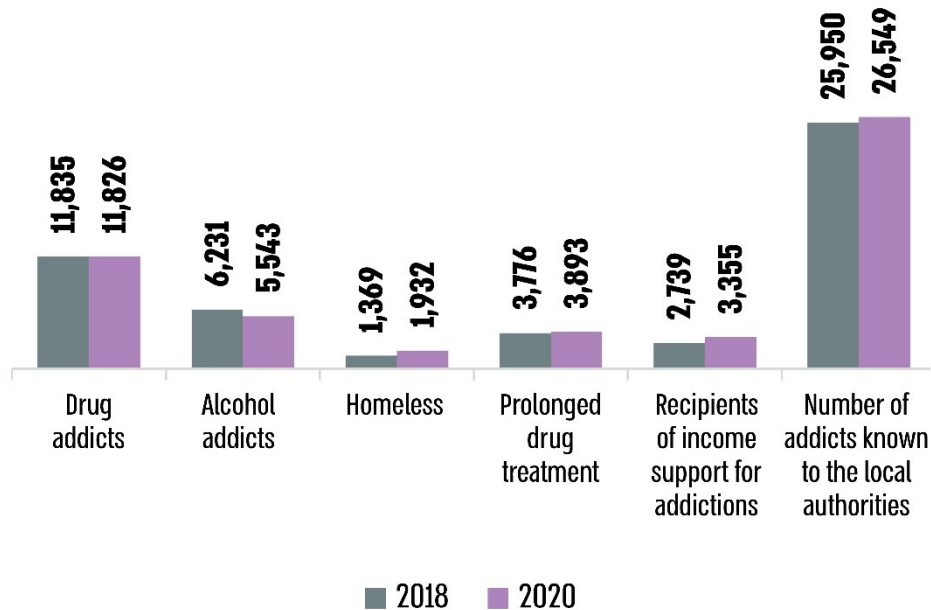


**Haifa, Tira, Yarka, Mate Asher, Nof HaGalil, and Ramat Gan** should enforce the business licensing laws in their jurisdictions, supervise, and enforce the sale of alcoholic beverages and hazardous substances in kiosks within their jurisdictions.





### Mapping of drug and alcohol addicts in 2018 and 2020



The database prepared by the Israel Authority for the years 2018 and 2020 was processed by the State Comptroller's Office.

## Summary

Substance abuse and drug and alcohol addiction harm the individual's health, emotional and physical condition and functioning, and their family and environment, leading to systemic destruction at the functional, occupational, economic, and health levels. The spread of these can also harm society at all levels. Therefore, it necessitates giving attention to each of the circles surrounding the individual and systemically combining an effort by local authorities, government ministries, especially the Ministry of Welfare, Ministry of Education and Ministry of Health, Israel Police, the Israel Authority, and relevant factors in the third sector.

The local authorities and relevant government ministries did not map and collect data on the extent of drug and alcohol abuse. No entity in the country has a comprehensive and updated database. Without a database, government ministries and local authorities find it difficult to optimally prepare and address the prevention and advocacy, detection, treatment, and enforcement actions.



The State Comptroller's Office recommends that local authorities increase cooperation with those involved in the struggle against drugs and alcohol, including the Ministry of Welfare, the Israel Authority, the Israel Police, and the Ministries of Education and Health, to improve their prevention, advocacy, detection, treatment, and enforcement efforts, to provide a response to users and addicts. It is also recommended that local authorities and the Israel Authority conduct periodic surveys and epidemiological surveys, respectively, to obtain a comprehensive and updated situation report on the extent of the abuse at the national and local levels.



State Comptroller of Israel | Local Government Audit | 2022

## Chapter 4

# Information Systems Audit





State Comptroller of Israel | Local Government Audit | 2022

Information Systems Audit

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# **Management of Information Systems in Local Authorities**





# Management of Information Systems in Local Authorities

## Background

Using IT (Information technology) systems to manage the local authorities' affairs has become a fundamental and essential need. Among other things, the local authorities also use databases that contain residents' personal information and of different entities engaged with the local authorities. The local authorities accumulate residents' personal information, such as names, addresses, ID numbers, phone numbers, medical information, welfare-related information, details about their chosen methods of payment, and unfiltered information, such as license plates, facial features, location data, and movement habits. Local authorities face different risks, including loopholes in their information security systems and cyber threats. Their information systems have become an attraction for hackers and cyber offenders. Thus, it is essential to safeguard their information systems to ensure operational resilience, which is focused on the continuity and recovery of critical business processes of the local authorities, data and information leakage from their databases, and their exposure to unauthorized entities.



### Key figures

**67%**

rate of local authorities (87 out of 130) whose achievement in the cyber resilience test conducted by the Cyber Department in the Ministry of Interior was below 60

**61%**

rate of local authorities with no cyber-event recovery plan upon DRP/BCP (36 out of 59 that answered this question in the questionnaire)

**108**

the accumulated number of queries submitted by 32 local authorities to the Cyber Emergency Response Team (CERT) (at the National Cyber Directorate) in 2019–2021

**41%**

rate of local authorities that experienced cyber events (successful or failed ones) in 2019–2021 (24 out of 59 that answered this question in the questionnaire)

**34%**

rate of local authorities that did not appoint a Chief Information Security Officer (CISO) (21 out of the 61 that answered this question)

**64%**

rate of local authorities with no information security procedure (37 out of the 58 that answered this question)

**18%**

rate of local authorities that did not appoint a CISO (11 out of the 61 that filled in the questionnaire)

**49%**

rate of local authorities that did not conduct Penetration Tests (PT) in 2019–2021 (30 of the 61 that filled in the questionnaire)

## Audit actions



From July to November 2021, the State Comptroller's Office examined information system management in local authorities. The audit was conducted at eight local authorities, considering their administrative districts; their municipal status; their socio-economic status; their peripherally status; the sector most of their residents belong to, and the number of residents in their jurisdictions. In five municipalities – **Haifa, Yokneam, Netivot, Rosh Ha'ayin, and Shfaram**, in two local councils – **Gedera and Ein Mahil** and in the regional council of **Mateh Binyamin** (the audited local authorities). Supplementary audits were conducted in the Ministry of Interior – at the Emergency Services Administration and Mifam Emek Yizrael, the Center for Local Government, and the National Cyber Directorate under the Prime Minister's Office (the Cyber Directorate). Moreover, questionnaires were sent to 63 local authorities, and 61 (97%) of them filled in the questionnaire.





## Key findings



**Tests conducted by the Ministry of Interior Cyber Department** – it was found that by August 2021, the Ministry of Interior Cyber Department had completed basic tests in 130 out of 257 local authorities. It was further raised that 87 (approx. 67%) out of the 130 achieved a grade lower than 60, only 11 (8%) achieved a grade higher than 80, and the average grade was 48. Therefore, the level of information security and cyber threat preparedness of most local authorities (67%) is low, and the local authorities examined by the Ministry of Interior significantly differ in their preparedness for cyber-attacks.



**Reports to the CERT (at the Cyber Directorate)** – the Cyber Directorate data regarding local authorities' queries indicate that in 2019 there were 32 queries by 14 local authorities. In 2020, there were 40 queries made by 25 local authorities, and in 2021, there were 36 queries made by 19 local authorities. Overall, in 2019–2021, there were 108 queries made by 32 local authorities (out of 257).



**Defining the areas of responsibility of the Ministry of Interior and the Cyber Directorate** – the Ministry of Interior and the Cyber Directorate have not completed to define the roles and responsibility regarding regulation and professional guidance for local authorities on information security and privacy protection. In addition, the Ministry of Interior has not prepared a policy to guide local authorities in this area. As a result, as of the audit completion date, the local authorities had not appointed an official in charge of information security and protection against cyber threats. For years, the local authorities have been operating without concrete professional guidelines in this area, and each local authority has made its own decisions.







**Information Systems work plans** – **Gedera, Yokneam, Mateh Binyamin, Netivot, Ein Mahil and Shfaram** have not prepared multi-annual, strategic work plans related to information systems or annual budget-dependent work plans according to their long-term objectives. It was further found that **Haifa and Rosh Ha'ayin**, that determined strategic plans information systems, did not allocate budgets for that purpose, thus, the plans were not carried out.



**Appointing a Chief Information Security Officer (CISO)** – 21 (approx. 34%) out of the 61 local authorities that answered the relevant question in the questionnaire do not employ a CISO as required, and amongst the audited local authorities, **Gedera** and **Ein Mahil** do not employ a CISO.



-  **Information security policy** – amongst the audited local authorities, A,C,and E did not formulate an information security procedure as specified in the information security regulations. Local authorities D,F, and H had only prepared a procedure drafts that had not been approved by the audit completion date.
-  **Backup procedure formation and implementation** – it was found that amongst the audited local authorities, A,C,D,E, and G do not have a backup policy as required. Local authorities F, and H have backup procedure drafts, which have not been approved yet. No records of proper backup history were found in local authorities C,D, and H.
- Authorization Management** – local authorities C,D,and E do not have written rules about granting or denying authorization permissions. Local authority A has a policy that came into effect in June 2021. Local authorities F,and H have procedure drafts (from July 2020 and July 2021, respectively) that had not been approved by the audit completion date.
-  **Cyber Event Recovery Plan** – 36 (approx. 61%) of local authorities that answered the question on recovery plans stated they have no regulated mechanism that allows continuous computer function in a cyber-event. The audited local authorities – A,B,C,D,E,G and H – have not formed any recovery plans. Local authority F had developed a draft plan, which, as mentioned, had not been approved by the date of audit completion.
-  **Security Risk Assessments and Penetration Tests or Periodic Audits** – local authority E has conducted a Security Risk Assessment to identify information security risks in 2020 but did not conduct database Penetration Tests (PTs). Local authority F conducted a Security Risk Assessment in 2019 but did not conduct Penetration Tests (PTs). Local authorities C,D, and H, which are not required to conduct Penetration Tests (PTs), did not conduct Security Risk Assessments or periodic audits. It was further found that local authority A did not conduct Penetration Tests (PTs) or Security Risk Assessments but instead relied on a private company that provides them IT services.



The State Comptroller Office commends local authorities B,F, and G for conducting Penetration Tests (PTs) or Security Risk Assessments in 2019–2021.



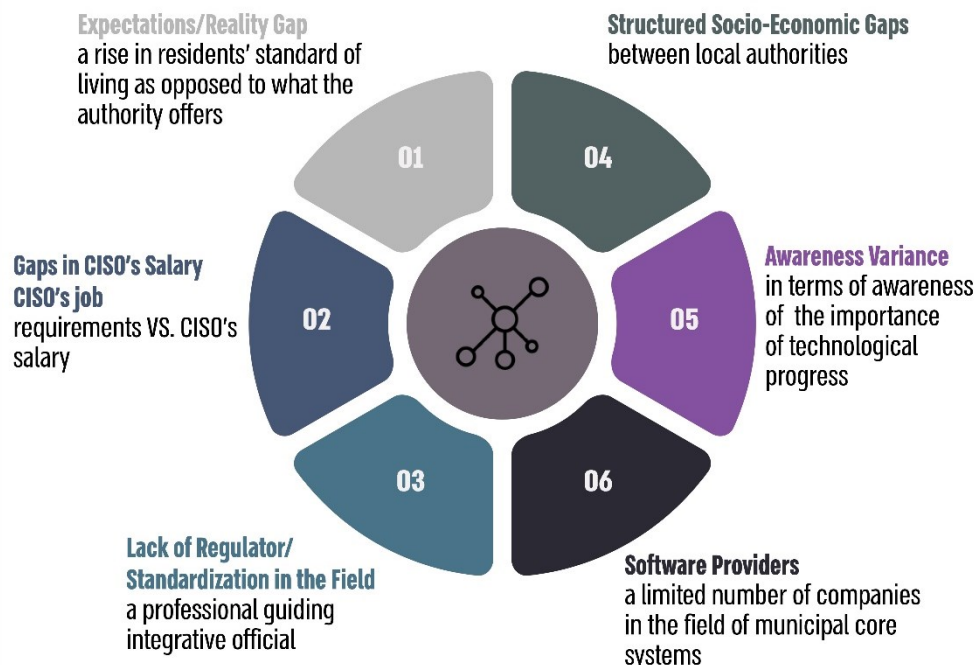
## Key recommendations

- 💡 It is recommended that the Ministry of Interior and the Cyber Directorate work together and consider the local government's uniqueness and divide the powers between them to carry out Government Resolution no. 2443. Thus, a leading regulator will be appointed to regulate local authorities' preparedness for cyber threats and set relevant procedure to regulate their function. It is further recommended that the Cyber Directorate of the Ministry of Interior Cyber Department increase awareness of the importance of reporting the CERT cyber events the local authorities are exposed to and the possibility to consult with the Cyber Directorate.
- 💡 The Local Authorities of **Gedera, Yokneam, Mateh Binyamin, Netivot, Ein Mahil, and Shfaram** should form a strategic work plan as a basis of annual work plans, submit it to the authority's management for discussion, ensure it corresponds with its budget, and implement it.
- 💡 Given the local authorities are obliged to appoint a CISO, all local authorities who have not appointed one, including **Gedera** and **Ein Mahil**, should do so. It is recommended that the Ministry of Interior guide the local authorities, which did not appoint a CISO to do so, and complete defining a CISO's job description and terms of employment, together with the Center for Local Government.
- 💡 Local authorities A,B, and E should prepare an information security policy as required. Moreover, local authority A should ensure that its company's information security policy is approved and, if needed, adapted to the authority's needs. Local authorities D,F,and H should approve the procedure and indicate the date on which it comes into effect.
- 💡 Local authorities A,C,D,E,F,G, and H should set a valid backup procedure and perform the backup as specified in the policy.
- 💡 local authorities C,D,E should establish the rules for granting authorization to new employees and employees who leave the authority. Local authorities F, and H should approve the draft procedure and act upon them.
- 💡 Given the importance of preparing a Disaster Recovery Plan (DRP), the State Comptroller Office recommends all local authorities, including the audited local authorities A, B, C, d, E,G and H, to prepare a Disaster Recovery Plan (DRP) adjusted to the authority's needs, according to the Cyber Directorate guidelines. It is recommended that local authority F complete the preparation of the Disaster Recovery Plan (DRP).



Local authorities C,D and H should conduct periodic audits, preferably as part of Security Risk Assessments, to map and identify information security risks and mitigate them. It is further recommended that the local authorities C,D,F and H conduct Penetration Tests (PTs) even if their databases require a medium level of security.

## Main challenges in the information system management in local authorities



## Summary

The local authorities use of IT systems to manage their affairs has become fundamental and essential, but it also involves cyber threats. In addition, the local authorities' databases contain, among other things, the personal information of residents and of different entities engaged with the local authorities, which requires ensuring database security for privacy protection.



In the audited local authorities, various cyber protection and information security deficiencies were found, which derive, among other things, from a lack of strategy and guidance from the entities in charge. Due to the importance of this subject, it is recommended that the Cyber Department in the Ministry of Interior, together with the Cyber Directorate, guide the local authorities to clarify their duties and the recommended modus operandi needed to improve information security. It is further recommended that the local authorities use their available tools to set a general strategy for managing IT systems and improving information security. All local authorities should use all tools available to optimize their IT system management and to enhance their ability to protect sensitive information to ensure operational resilience, focused on the continuity and recovery of their function.





State Comptroller of Israel | Local Government Audit | 2022

Information Systems Audit

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# **Local Government – Central Government Work Interface and the Use of Digitization**







## Local Government – Central Government Work Interface and the Use of Digitization

### Background

The relationship between local and central government is complicated and Israel is widely perceived as one of the most centralized countries in the western world. The 255 local authorities are relatively autonomous regarding some domains but in some other domains their autonomy is limited and they serve as a branch of the central government. Many of the local authorities' activities are regulated and budgeted by ministries and auxiliary units. The regulation is expressed in numerous rules and instructions the ministries applied to the local authorities and in complicated work interfaces which require multiple resources. Throughout the years, several governmental decisions were made to relieve the regulatory and bureaucratic burden, but those were used to help civilians and business owners and no objectives were set to relieve bureaucratic burden from the local authorities. The main way to relieve the regulatory and bureaucratic burden is to establish digital interfaces between central government and local authorities and improve the ones that already exist, since integration of advanced information systems into the work processes will reduce resources and HR costs, optimize and accelerate transfer of information and budgets and prevent errors in databases. In November 2021, the government passed resolution 675 – "Decentralizing powers to local government and reduction of excessive regulation." Accordingly, the Ministry of Interior composed in November a team to examine and write recommendations under the jurisdiction of the Ministry of Interior. In addition, an inter-ministerial committee was formed in December 2021 to form recommendations about decentralization of powers for local authorities in the areas of activities of the various ministries.



## Key figures

**44%**

of the local authorities' revenues in 2019 – NIS 28 billion, are from government budgets; moreover, the central government sets over 95% of the local authorities taxes

**42**

central government bodies that budgeted local authorities in 2020

**approx. 51%**

of local authorities submitted, from March 2020 to October 2021, applications to approve by-laws through "Zavit Mekomit", the Ministry of Interior's online system

**25**

out of 250 of the Ministry of Education's computerized systems used as part of its interaction with local authorities

**295**

proposals calls for financial support published by central government entities for local authorities in 2021 (compared with 41 calls published in 2013)

**over 50%**

of the local authorities that filled in the questionnaire, purchased external systems for the identification of calls for proposals; moreover, more than 50% of the local authorities employ a designated employee for this purpose

**approx. 88%**


of the local authorities in 2019 with low socio-economic status, scored low on the 2020 "Digilocally Index," which measures the range of digital services provided to citizens and businesses in local authorities

**12**

out of the total local authorities, with no interface with the Population & Immigration Authority's databases in 2020




## Audit actions


 From May to December 2021, the Office of the State Comptroller examined the work interfaces between the ministries and auxiliary units and the local authorities through questionnaires, interviews, digital systems review, correspondence, and various documents. Questionnaires to collect detailed information about work processes and digital interfaces were sent to 25 ministries, auxiliary units, and 30 local authorities.


In addition to the findings from the questionnaires, some in-depth audits were conducted in **Ofakim, Eilat, Jerusalem, Rishon le Zion, Daliyat al-Karmel, and Yavne'el** local authorities; and in the Ministry of Interior, Ministry of Education and Ministry of Welfare and Social Services (Ministry of Welfare). Moreover, audits were conducted in the information system departments of the Ministry of Transportation and Road Safety (Ministry of Transportation), in the Population & Immigration Authority, and a supplementary audit was conducted in the Accountant General Department in the Ministry of Finance. Supplemental information was collected from two private entities that provide computing services to local authorities.

## Key findings








 **Regulation of relationships between central and local government** – by the audit completion, the relationships are not regulated by consolidated legislation but are based on a combination of mandatory legislation, different laws and specific agreements accumulated over the years. It is particularly important to note that the decentralization process in Israel has not been consistent and relied on formal arrangements which remained centralized.

 **Alleviating the burden of regulation and information sharing** – the regulation reduction processes advanced by the government, including the RIA and the Regulation Authority forming, do not refer to the local authorities as regulated entities, and representatives of local authorities or the Center for Local Government have not attended the relevant discussions. However, central government authorities intensively regulate their activities. Moreover, it was found that the Ministry of Health and the Ministry of Environmental Protection have not shared with **Ofakim** municipality information that might have helped it deal better with the outbreak of Leishmania disease.




 **Digitization between the central government and local government** – it was found that there was no official policy regarding digitization in local government in general and concerning the reduction of regulatory and bureaucratic burden on local government through digitization in particular. Moreover, the Ministry of Interior has not



advanced the establishment of a central, professional integrative body for advancing central-local government system interfaces, such as the e-Government Unit, in different ministries and the ICT Authority. In addition, the questionnaires have shown that 76% of local authorities claimed they do not collaborate with the central government to form new interfaces.

-  **A Leading, representative digitization body for local authorities** – it was found that, similar to the findings of previous State Comptroller's audits, the local authorities lack a leading representative digitization body in charge of advancing internal digitization, minimizing the gaps between different local authorities and the digitization of local – central government work interfaces.
-  **Correlation between the ranking of local authorities on the socio-economic index and their ranking on the "Digilocally Index"** – 88% of local authorities with low socio-economic status in 2019 scored low on the 2020's "Digilocally Index," which examines the range of digital services provided to residents and businesses in local authorities.
-  **The Ministry of Interior's circular and other ministries' guidelines** – it was found that as of the audit's date, the local authorities are subject to 300 circulars from different periods on various topics that are binding regulatory guidelines. The guidelines are not categorized, and the Ministry of Interior's search engine, for locating specific guidelines, is not user-friendly and does not provide accurate results, which makes it more difficult for the local authorities to study all the relevant, binding instructions. Moreover, there are numerous guidelines and instructions from additional ministries.
-  **Ministry of Interior – local authorities work interfaces related to human capital management** – this domain's primary six work interfaces are still mainly managed through email or forms rather than digital systems.
-  **Ministry of Education – local authorities work interfaces** – the audit raised that although the local authorities are required to use digital systems developed by the Ministry of Education, they cannot use the systems consistently and efficiently. For example, the Attendance Officers' Net in local authorities has various faults. It is inconvenient, has a slow response time, shuts off frequently, cannot be used to cross information with other systems, and has limited capabilities of finding and updating information. These faults undermine the ability of attendance officers to dedicate their time to the students who need their help. It was further found that the Assistants' Net does not issue useful reports to the local authorities and does not enable effective follow-up and control regarding payments transferred by the Ministry of Education and assistant hours financed by the local authority. Moreover, it was found that the special education eligibility and characterization committee causes unnecessary bureaucracy since it is not adapted to the local authorities work.



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**Ministry of Welfare – local authorities work interfaces** – despite the Ministry of Welfare attempts to promote the use of the "Tik Lakoah" (customer record) system, which saves information about the customer (treated individual) and shares the information with various care entities in different welfare bodies, it was found that many work interfaces, such as filing applications for the exceptions committee and service eligibility issues, have not been incorporated into the system and that not all local authorities use it sufficiently.
  
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**Calls for proposals for local authorities** – since 2013, there has been growing use of calls for proposals by public entities for local authorities, and in 2021, there was a total of 295 calls (compared with 41 calls published in 2013). It was found that different public entities publish calls for proposals independently, using other platforms. The Ministry of Interior has established a reservoir of calls for proposals. However, it does not include all the calls published by public entities. Some local authorities still use private entities' systems to locate calls for proposals, or alternately, employ a designated employee who locates relevant ones and files support applications. The questionnaires filled in by the local authorities indicate that they differ from one another in terms of their response to calls for proposals published by the central government – some local authorities, such as **Drom HaSharon** regional council, do not respond to calls, while others, such as the municipalities of **Or Akiva, Eilat, and Jerusalem** respond to hundreds of calls. The local authorities of **Ofakim, Beit She'an, Kuseife, and Kfar Yona** wrote in the questionnaire that since 2018, some years they avoided filing applications for support as part of a call for proposals because of technical complexities involved in the filing process. It was further found that filing applications for support as a response to calls for proposals take the local authorities between 5 to 200 working hours and involves collecting and feeding multiple data even when the body that published the call already has that information. Thus, for example, the regional council **Lev HaSharon** invested 200 working hours in collecting data and 50 hours in submitting them in response to the "Protection of Open Spaces" call for proposals by the Israel Land Authority. **Rishon le Zion** municipality also invested many hours in collecting and submitting data related to new immigrants receiving support. However, the Ministries of Aliyah and Integration and Education know the number of new immigrants in it.
  
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**Information about municipality tax discount eligibility** – information about residents that are eligible for discount is scattered across multiple entities (Ministry of Defense, Ministry of Aliyah and Integration, The National Insurance, Ministry of Welfare, Holocaust Survivors' Rights Authority) and to obtain information, the local authorities are forced to interact with the different entities through various types of work interfaces since there is no unified platform where all the relevant information can be found.



**Ministry of transportation payment collection** – the Ministry of Transportation charges the same rate from local authorities and private entities in return for the information they need to provide services. Thus, the Ministry imposes expenses on the local authorities in return for the essential information they need to offer services to their residents. For instance, in 2020, **Tel Aviv** paid the Ministry of Transportation more than NIS 4.7 million, and **Jerusalem** paid approx. NIS 1.4 million for the information obtained throughout the year.



**Ministry of Interior's computerized systems** – the Office of the State Comptroller commends the "Zavit Mekomit" and "Rotem" computerized systems launched by the Ministry of Interior from 2018 to 2021.

**Inclusion of local authorities' representatives in the development of computerized systems** – the State Comptroller commends the Ministry of Welfare for the inclusion of local authorities' representatives and software companies in steering committees for the development of central modules in the "Tik Lakoah" system, as they are the main beneficiaries of the system.

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## Key recommendations



It is recommended that central government entities, including the Prime Minister's Office, the Ministry of Interior, the ICT Authority, and Digital Israel Headquarters, advance a comprehensive national program that includes a digitalization strategy for local-central government work interfaces.



It is recommended that the Ministry of Interior gather all the relevant norms scattered across the different circulars to enable the local authorities to follow all binding instructions. Meanwhile, it is recommended that the Ministry of Interior improves the circular search engines to enable more accurate identification of all the different norms applied to local authorities. It is further recommended that the Ministry of Interior examines ways to alleviate the burden imposed on local authorities' resources during the search for calls for proposals and cooperate with all relevant public entities to gather all publications of calls for proposals under one roof and that the Human Capital Management Department in the Ministry of Interior advances digitization in this field to reduce the regulatory and bureaucratic burden imposed on local authorities.



It is recommended that the Ministry of Education upgrade its information systems that will also reduce bureaucracy and that it assemble, as much as possible, the different systems in one single digital platform, working together with all local authorities to get periodic feedback on systems performance.

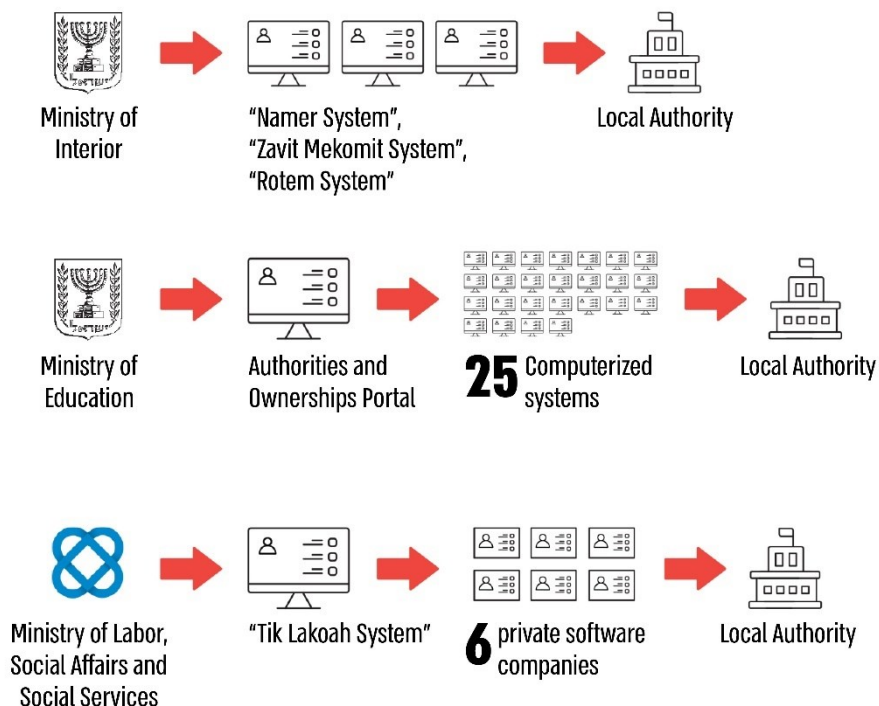


It is recommended that the Ministry of Welfare optimize the "Tik Lakoah" system to present a complete description of care continuity to the local authority and the Ministry of Welfare. In addition, it is recommended that all forms used by welfare workers are computerized and that additional systems through interface will be connected through with the "Tik Lakoah" system as necessary. Moreover, it is recommended that the system will supports communication between the Ministry and the local authority, to optimize the process and allow efficient follow-up on activities.



It is recommended that the Ministry of Interior consider building a digital platform, like the one created by the Water Authority, including information on all residents eligible for municipality tax discount, from all relevant central government entities – Ministry of Defense, the National Insurance, Holocaust Survivors' Rights Authority and the Ministry of Aliyah and Integration – and compose a list of eligible individuals in each of the 255 local authorities which will be sent online to the local authorities' information systems.

### Characterization of the digital systems of three significant ministries that interact with local authorities





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## Summary

Government discourse does not refer to local government as a customer regarding alleviating the regulatory burden and using digital measures to improve and optimize services and reduce bureaucracy. Thus, there is no comprehensive national program that outlines a strategy for the digitization of central-local government work interfaces and the alleviation of the regulatory and bureaucratic burden imposed on local authorities.

The government resolution "Decentralizing powers to local government and reduction of excessive regulation" and the establishment of an inter-ministerial committee for that purpose are the very first steps towards a comprehensive regulation of the relationships between central and local government and they facilitate the acknowledgment of local government as a significant partner in pursuing government objectives of multiple aspects at the local level.

It is recommended that the inter-ministerial committee examine the audit's findings and that the Ministry of Interior and all other ministries plan to reduce the regulatory burden imposed on the local authorities and the costs involved. Thus reduce bureaucracy and make it easier for local government to interact with the central government for the best interests of the citizens and residents of Israel.





State Comptroller of Israel | Local Government Audit | 2022

## Chapter 5

# Follow-up Audit





State Comptroller of Israel | Local Government Audit | 2022

Follow-up Audit

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# **Regulation of Electric Bicycles and Two- Wheeled Vehicles Use in the Urban Space – Follow-Up Audit**





## Regulation of Electric Bicycles and Two-Wheeled Vehicles Use in the Urban Space – Follow-Up Audit

### Background

Bicycles and electric two-wheeled vehicles are alternative means of private car transportation. Using these vehicles has many benefits, including relieving traffic congestion, shortening travel times, and reducing air pollution. However, with the increased use of these vehicles, and regulation gaps in supervision and enforcement, dedicated infrastructure, and education, there is also an injury risk increase, to riders, pedestrians and other users of the public space.

### Key figures

**3,089**

injured persons in 2018–2020 in electric bicycles, electric scooters and scooters accidents, 2,846 of them are the riders

**55**

fatalities in 2018–2020 of electric bicycles, electric scooters and scooters riders

**over 400,000**

electric bicycles have been imported to Israel from April 2010 to October 2020

**about 38,000**

traffic tickets issued by the Police in 2020, for riding electric bicycles, electric scooters and scooters without a helmet about two-thirds of the total number which is 58,000

**80**

traffic tickets issued by the Police in 2020 to electric vehicle riders who made structural alterations therein, 0.1% of the total tickets, 58,000

**about 40%**

from 2015 to August 2021, the local authorities realized the budget, about NIS 151 million, allocated by the Ministry of Transport for bicycle paths construction

**about 8 km**

of bicycle paths were constructed as part of the 'Ofnidan Project', out of about 150 km planned in the project. About NIS 128 million out of the total budget of NIS 700 million

**about 7%**

of 10<sup>th</sup> graders in the Ultra-Orthodox sector study traffic education, compared to 77.3%, the general average among all pupils



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## Audit actions



From June to November 2021, the State Comptroller's Office conducted a follow-up audit of the rectification of the primary deficiencies raised in the previous audit regarding the central government and local government use and supervision regulation of electric bicycles and two-wheeled vehicles. In addition, the State Comptroller's Office audited issues not included in the previous audit report and expanded on some of the issues mentioned in the previous audit report. The audit was conducted at the Ministry of Transport and Road Safety (Ministry of Transport), at the Ministry of Public Security at the Israel Police, at the Police Traffic Division (PTD), at the Ministry of Economy and Industry (Ministry of Economy), at the National Road Safety Authority (NRSA), at the Ministry of Education and Ramat Gan Municipality. Completion examinations were conducted at the Israeli Standards Institute, the Israel National Center for Trauma and Emergency Medicine Research at the Gertner Institute (National Center for Trauma Research), and the 15<sup>th</sup> Forum of Local Authorities in Israel.

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## Key findings



### **Data on casualties in accidents involving electric bicycles and two-wheeled vehicles held by the Police**

– PTD data show that in 2012–2020, 73 riders of electric bicycles, electric scooters, and scooters were killed in accidents, of which 60 in 2017–2020. Moreover, there was an increase of about 55% in 2019–2020 in the number of children under the age of 16 who were injured in an accident (from 138 to 214) while riding electric bicycles, electric scooters, and scooters (in contravention of the prohibition on riding stipulated in the regulations regarding these ages). The previous audit noted that figures held by the Police on casualties are lower than the data in the National Center for Trauma Research. The follow-up audit found that the deficiency had not been rectified – according to Police data, in 2018–2020, 1,438 riders were injured in electric bicycles, electric scooters, and scooters accidents, compared to 2,846 according to the National Center for Trauma Research. I.e., the difference rate between the figures is about 98%. Thus, the Police continue to use casualty figures that is lower than the actual data, which may affect policy setting in the fight against road accidents involving electric bicycles and two-wheeled vehicles. In addition, the Police does not have figures on minor injuries caused by bicycle accidents nor investigates them.








### **The Police enforcing traffic offenses of electric two-wheeled vehicles**

– the previous audit noted that in 2013–2014 the Police exercised little enforcement on cyclists, riders of electric bicycles, electric scooters, and scooters and that it issued only 66 tickets. In 2015–2016, the number of tickets increased to 12,356. The follow-up audit found that the deficiency was largely rectified – in 2020, the Police issued about 58,000



tickets to riders of those vehicles. It should be noted, however, that most of the tickets were issued for riding without a helmet offense (38,000 out of 58,000), alongside only a few dozen tickets issued for riding through a red light and against traffic direction offenses.

-  **Enforcing upgrades and structural alterations in two-wheeled vehicles** – there was an increase of about 74% (in 2020 – 57,744, in 2018 – 33,174) in the total tickets issued by the Police to riders of bicycles and two-wheeled vehicles in 2018–2020. However, in 2018–2020 the Police issued only 80, 53, and 31 tickets, respectively, for upgrades and structural alterations made out of the 58,000 tickets it issued to riders on vehicles. In addition, the Ministry of Transport did not enforce structural alterations under its authority by Traffic Regulations defining the riders as “road users”.
-  **Supervision and enforcement of electric bicycles import and market** – the previous audit noted that the Ministries of Economy and Transport were at odds regarding the ministry responsible for supervision and enforcement over importing and marketing electric bicycles. The follow-up audit found that the deficiency had been rectified, they decided that the responsibility is of the Ministry of Transport. However, regarding the supervision and enforcement of shops with no trade license and in toy stores or chains, the deficiency has not been rectified – it was found that the Ministries of Economy and Transport did not supervise and enforce location of vehicles that did not meet the requirements. However, structural alterations in electric two-wheeled vehicles may be made even before they are sold to riders or in the store immediately after the sale.
-  **Licensing and registration of electric bicycles and scooters** – the previous audit noted that the Ministry of Transport had changed its position several times about the need for licensing and registration of electric two-wheeled vehicles. The follow-up audit found that the deficiency has not been rectified – the Ministry of Transport has not yet formulated its policy on the subject. It should be noted that at the end of the follow-up audit, a senior deputy director of the Ministry of Transport informed the State Comptroller's Office that “these days [November 2021] the Ministry is formulating its policy on the subject, and is considering the registration of these vehicles”.
-  **The powers of local government regarding the regulation and enforcement of users of electric bicycles and two-wheeled vehicles** – the council of Haifa, Hadera, Rehovot, Holon, and Herzliya municipalities did not approve the implementation of the law to streamline municipal supervision and enforcement and did not give traffic wardens enforcement powers, and in any event enforcement tickets were not issued by the traffic wardens. Be’er Sheva qualified 60 traffic wardens but did not issue tickets.
-  **The 'Ofnidan Project'** – the previous audit noted that before the Ministry of Transport began promoting the project, it did not examine the willingness of local authorities to



plan 'feed paths' and their preparation for it. The follow-up audit found that the deficiency had not been rectified – the Ministry of Transport did not examine with the local authorities in whose jurisdiction the Ofnidan Project is underway, their willingness and ability to establish feed paths for the Project and to finance the planning and construction costs of the trails or part thereof. It was also found that in September 2021, 8 km of trails of the 22 km under construction were completed (and of the 150 km planned), at the cost of about NIS 128 million out of NIS 700 million budgeted cumulatively for the Project.



**Construction of bicycle paths by local authorities** – the previous audit noted that the Ministry of Transport does not have information on bicycle path infrastructure independently constructed by the local authorities and does not have information on paths under construction or in the planning process. The follow-up audit found that the deficiency had not been rectified – the Ministry of Transport does not keep information about paths constructed and paths planned or under construction by the local authorities, whether or not it co-financed them. It was also raised that the budget utilization rate by the local authorities from 2015 to August 2020 for the construction of bicycle paths was 39.8% (NIS 151 million out of NIS 379 million).



**10<sup>th</sup>-grade traffic education in the Ultra-Orthodox sector** – 10<sup>th</sup>-grade students in all sectors should study the traffic education program. The national average of tenth-graders studying the subject is 77.3% of all tenth-graders, compared to the Ultra-Orthodox sector rate of tenth-grade classrooms studying the traffic education program, which is only 7% of all tenth-graders in the Ultra-Orthodox sector.








**Construction of bicycle paths by Ramat Gan municipality** – the previous audit noted that Ramat Gan Municipality had built 300 meters of bicycle paths. The follow-up audit found that the deficiency has been largely rectified – there is progress in the paving of bicycle paths by Ramat Gan Municipality, and as of October 2021, 4.5 km of trails have been constructed, and another ten trails with a total length of 7.8 km are being planned.

**The NRSA work plan on electric two-wheeled vehicles** – the previous audit noted that the NRSA does not have a work plan for electric two-wheeled vehicles. The follow-up audit found that the deficiency had been rectified – the NRSA had prepared such a plan for 2021.







## Key recommendations

-  It is recommended that the Police address the partial data in its possession so that the data will serve it in formulating its enforcement policy.
-  It is recommended that the Ministry of Transport formulate a professional and unambiguous diagnostic tool at the evidential level for examining alterations in electric two-wheeled vehicles. Moreover, given the danger to the public from these alterations, it is recommended that the Police increase enforcement against riders of electric two-wheeled vehicles that have altered their vehicles. In addition, it is recommended that the Ministry of Transport enforce riders who have made upgrades and alterations, according to the authority vested in it under the Transport Regulations.
-  It is recommended that the Ministries of Transport and Economy regulate between them the supervising and enforcing responsibility over shops with no trade license that sell electric two-wheeled vehicles and that the Ministry of Transport formulates its policy on licensing electric two-wheeled vehicles, as decided in Government Resolution 4188 and in the Ministerial Committee Resolution of November 2021.
-  It is recommended that the Ministry of Transport and the local authorities examine the construction of the bicycle paths, their activities, and plans for the construction of the Ofnidan feeding paths and locate the barriers that delay the implementation of the Project. In addition, it is recommended that the Ministry of Transport collect data on all bicycle paths within the local authorities.
-  It is recommended that the local authorities that have not yet done so, particularly the municipalities of Hadera, Rehovot, and Herzliya, consider applying the law to streamline enforcement procedures in their jurisdiction regarding the use of electric two-wheeled vehicles. It is recommended that Be'er Sheva Municipality, which has adopted a decision in the council to apply the law to streamline supervision and enforcement and has qualified traffic wardens to do so, begin enforcement actions throughout the city after completing the advocacy activities.






**The extent of rectification of the main deficiencies noted in the previous audit.**

| The Audit Chapter  | The Audited Body | The Deficiency/ Recommendation in the Previous Audit Report   | The extent of Rectification of the Deficiency noted in the Follow-Up Audit           |                    |                        |                      |
|--|------------------|---|--|--------------------|------------------------|----------------------|
|  |                  |   | Not Rectified  | Slightly Rectified | Considerably Rectified | completely Rectified |
| Enforcement actions by the Israel Police of electric two-wheeled vehicles offenses | Israel Police    | There is a significant gap between the National Center for Trauma Research data and the PTD data in the Police regarding the number of people injured in accidents involving two-wheeled electric vehicles. The figures held by the Police are lower.                               |    |                    |                        |                      |
| Enforcement by the Israel Police of electric two-wheeled vehicles offenses         | Israel Police    | The previous audit noted that in 2013–2014 the Police exercised little enforcement on cyclists, riders of electric bicycles, electric scooters, and scooters and issued only 66 tickets. In 2015–2016, there was an increase in the number of tickets, and they amounted to 12,356. |  |                    |                        |                      |



| The Audit Chapter   | The Audited Body                    | The Deficiency/ Recommendation in the Previous Audit Report   | The extent of Rectification of the Deficiency noted in the Follow-Up Audit |                    |                        |                      |
|---|-------------------------------------|---|--|--------------------|------------------------|----------------------|
|   |                                     |   | Not Rectified  | Slightly Rectified | Considerably Rectified | completely Rectified |
| Supervision and enforcement of importing and marketing of electric bicycles | Ministries of Transport and Economy | The Ministries of Economy and Transport were at odds over the ministry responsible for supervising and enforcing the import and marketing of electric bicycles.   |  |                    |                        |                      |
| Licensing and registration of electric bicycles and scooters                | Ministry of Transport               | The Ministry of Transport has changed its position several times regarding the need for licensing and registration of electric bicycles and scooters and has not set a clear policy.  |  |                    |                        |                      |
| Development of bicycle paths  | Ministry of Transport               | The Ministry of Transport did not have information on bicycle path infrastructure established by the local authorities independently, nor regarding paths under construction or planning. Regarding the planning and construction of paths co-financed by the Ministry of Transport, it was found that the Ministry did not have complete information on their construction status or about their |  |                    |                        |                      |



| The Audit Chapter                    | The Audited Body       | The Deficiency/ Recommendation in the Previous Audit Report   | The extent of Rectification of the Deficiency noted in the Follow-Up Audit           |                    |                         |                      |
|--------------------------------------|------------------------|---|--|--------------------|-------------------------|----------------------|
|                                      |                        |   | Not Rectified  | Slightly Rectified | Consider-ably Rectified | completely Rectified |
|                                      |                        | connectivity within or outside the authority.   |  |                    |                         |                      |
|                                      |                        | Regarding the Ofnidan Project, before the Ministry of Transport promoted the project, it did not examine the willingness of local authorities to plan feed paths and their preparedness for it. |     |                    |                         |                      |
|                                      | Ramat Gan Municipality | Within the city, there was one bicycle path about 300 meters long.  |  |                    |                         |                      |
| Education and information activities | NRSA                   | The NRSA did not establish a policy for the safety of cyclists and electric two-wheeled vehicles and did not discuss the formulation of such a policy for preparing work plans.                 |  |                    |                         |                      |



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## Summary

Using bicycles and electric two-wheeled vehicles has many benefits, including relieving traffic congestion, shortening travel times, and reducing air pollution. However, with the increase in the use of these vehicles, there is also an increased risk of injury to riders, pedestrians, and other users of the public space. Hence, to enable efficient and safe use of these vehicles, a systematic regulation of the issue regarding the urban area is required.

The audit noted deficiencies regarding the use regulation of bicycles and electric two-wheeled vehicles in the government ministries, including the Ministry of Transport, the Ministry of Economy, and the Ministry of Public Security, as well as the Police. For example, the Police and the Ministry of Transport did not enforce structural alterations offenses to the said vehicles, which increased their speed up to 90 km/h (instead of the 25 km/h permitted by law), and since the previous audit until the follow-up audit completion, disagreements between the Ministries of Transport and Economy over the body responsible for supervising shops without a trade license have not yet been settled.

Given the casualties number in accidents with the said vehicles and since the regulation directly affects the riders' and users' safety in the public space, along with the recognition that this regulation also affects the quality of life, such as green transportation and reduced traffic congestion – the relevant government ministries and the Israel Police should rectify the deficiencies indicated in the previous audit report and have not yet been rectified, and the additional deficiencies raised in the follow-up audit.





State Comptroller of Israel | Local Government Audit | 2022

Follow-up Audit

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# **Legislation of By-Laws of Local Authorities – Follow-up Audit**







## Legislation of By-Laws of Local Authorities – Follow-up Audit

### Background

The local authority council enact By-laws, to fulfill its functions, under its powers and regulate the operations of its departments providing services to residents living within its jurisdiction. In addition, by-laws allow the local authority to obligate property owners or occupants to perform certain actions on those assets and to refrain from other actions, to protect the public interest, health and safety. By-laws authorize the local authorities to impose various payments on the residents (levies, fees, participation fees and expense payments) to fund certain services.



## Key figures

**2,384**

number of by-laws enacted by local authorities, according to the data of the computerization Division of the Ministry of Interior as of November 2021

**13%**

rate of by-laws (71 of 535) which were processed by the Legal Bureau of the Ministry of Interior for more than nine months before they were approved for publication

**6 months**

the Ministry of Interior's lag time in updating local authority by-law records on its website

**27 local authorities**

enacted up to 10 by-laws: Harish and Majdal Shams (10 by-laws); Al Batuf, Basma, Zemer and Hura (9); Abu Ghosh, Arvot HaYarden and Mazra'a (8); Bustan al-Marj, Mas'ade and Kiryat Ya'arim (7); Migdal Tefen and Ein Qiniyye (6); Buq'ata, Mevo'ot HaHermon, Megilot, Ar'arat an-Naqab (5); Mount Hebron (4); Baqa al-Gharbiyye, Jatt and Ghajar (3); Kaseifa and Lakiya (2); Ka'abiyye and Neve Midbar (1); al-Kasom (0)

**48 local authorities**

did not enact any by-laws for the demolition of hazardous structures

**36%**

of the "non-delay" notices were sent more than a hundred days after the date on which the local authorities forwarded their requests for approval of the by-laws to the Ministry of Interior

## Audit actions






In 2016, the State Comptroller's Office published an audit report on the enactment of by-laws by local authorities (the Previous Audit)<sup>1</sup>. From May to November 2021, the State Comptroller's Office audited the actions of local authorities and the Ministry of Interior to rectify the key deficiencies mentioned in the Previous Audit. The follow-up audit was conducted at the Ministry of Interior and five local authorities: The municipalities of **Kfar Yona, Lod and Rehovot, Binyamina-Givat Ada** Local Council and **Hof Hasharon** Regional Council. In addition, a questionnaire was sent to the seven additional local

<sup>1</sup> The State Comptroller's Office, **Audit Reports on Local Government for 2016** (November 2016), "Legislation of By-Laws of Local Authorities", pp. 529 - 596.



authorities audited in the Previous Audit<sup>2</sup>, regarding rectifying their deficiencies mentioned in the Previous Audit.

## Key findings


-  **Sample by-laws and recommended version for by-laws** – the Previous Audit found that all sample by-laws<sup>3</sup> were published decades ago (the last one in 1988), and that the Ministry of Interior did not update them over the years despite changing circumstances. The follow-up audit raised that the Ministry of Interior did not update the sample by-laws and did not publish new sample by-laws; although its policy prefers formulating recommended versions<sup>4</sup> than promulgating sample by-laws – since the publication of the Previous Audit, it has published one recommended version for a by-law.
-  **The Ministry of Interior Economic Unit handling by-laws** – in the Previous Audit, the State Comptroller's Office recommended that the Ministry of Interior anchor in the procedures, instructions or guidelines the examinations that the Economic Unit is required to perform. The follow-up audit found that no above-mentioned procedures were established regarding the by-laws submitted to it, nor are there any guidelines or tables in the Economic Unit to compare fee rates approved by various local authorities.
-  **The Ministry of Interior Economic Unit handling by-laws** – the Previous Audit found that the Ministry of Interior does not have detailed information on the rate of fees and levies charged by the various local authorities from their residents. The follow-up audit found that the deficiency had not been rectified, and that the Ministry of Interior's new computer system did not include detailed information on the rate of fees and levies charged by local authorities.
-  **The local authorities' engagement with companies and offices calculating tariff** – the Previous Audit found that Rehovot municipality contracted consultants to prepare the levies calculations without a competitive procedure. The follow-up audit found that Rehovot municipality continued to engage consultants to prepare the levies calculations without conducting a competitive procedure.


<sup>2</sup> The municipalities of Hod Hasharon, Kfar Saba, Kafr Qassem and Sderot, the local councils of Ka'abiyye-Tabbasha-Hajajre and Mazra'a and the Hof Ashkelon Regional Council.


<sup>3</sup> A sample by-law is a law published by the Minister of Interior in the Official Gazette, and the local authority may adopt it without changes. The adoption of a sample by-law by the local authority is beneficial in several respects, including in terms of resource saving, the quality of the by-law and the uniformity of the arrangement.


<sup>4</sup> To assist local authorities seeking to enact by-laws, the Ministry of Interior has decided to formulate recommended standard versions of five by-laws that the local authority may adopt and make changes to, unlike the sample by-laws, which are adopted as is by the local authority.



 **Local authorities publication of by-laws on the internet** – the Previous Audit found the following deficiencies: 20 local authorities did not launch a website; 139 authorities that had websites did not publish by-laws in them; 64 authorities referred to the Ministry of Interior website, which had quite a few errors. The follow-up audit of the 12 local authorities examined in the Previous Audit found that seven of them published on their website all the by-laws they had enacted. However, the remaining five did not publish as required 18 laws out of 89 laws.

 **Local authorities that have enacted a small number of by-laws** – the follow-up audit found 27 local authorities that have enacted up to 10 by-laws.

 **Protection levy** – the Previous Audit found that the Ministry of Interior did not have basic information on the protection expenses of most local authorities, the actual collection rate of all charges and the number of employees whose employment was financed by the levy money. The follow-up audit found that the Ministry of Interior has no data on the revenues of local authorities from protection levies and on their expenditures in this area. In addition, it does not have data on the actual collection rate in each local authority and on the number of employees in this field whose employment was funded by the levy funds.

 **By-laws in a consolidated local authority** – the Previous Audit found that at the time of the audit, more than 12 years after the consolidation of the local councils in Binyamina-Givat Ada, five of the 25 by-laws were by-laws of the consolidated council. The two local authorities separately before the consolidation enacted the other 20 by-laws, of which nine are identical laws. At the time of the follow-up audit, about 18 years after the consolidation and about five years after the Previous Audit, it was found that the consolidated local council had enacted one additional by-law, and that the consolidated authority has 39 by-laws applicable to residents of one of the two authorities.









**Duration of processing of by-law proposals by the Legal Bureau at the Ministry of Interior** – the Previous Audit found that 74 of the 355 by-law proposals whose processing was completed (21%) were processed by the Legal Bureau for more than nine months. The follow-up audit found that the Legal Bureau processed 71 of the 535 (13%) by-laws approved by the Ministry of Interior for more than nine months.

**The Ministry of Interior's engagement with companies for checking calculations** – the Previous Audit examined the calculation examination of 42 out of 256 by Company A (16%), and found that most of them took three to five months, and that some took about a year. The follow-up audit found that only 10% of the calculations took more than four months.







## Key recommendations

-  It is recommended that the Ministry of Interior complete its examination on decentralization of powers, including in the field of by-laws, and examine ways to help local authorities regulate their powers to make redundant the enactment of by-laws, or alternatively enact by-laws in an uncomplicated way, reducing bureaucracy, according to the authorities' needs. It is further recommended that upon completion of the examination, the Ministry of Interior will update and remove from the website past versions of sample by-laws that are no longer relevant according to the Ministry's position.
-  It is recommended that the Ministry of Interior examine the delays causes in handling by-laws and minimize them to the extent possible. It is also recommended that the Ministry of Interior instruct the local authorities to formulate by-laws within periods to be determined by it and to limit the entire procedure up to one year.
-  It is recommended that the Ministry of Interior maintain in the computerized system an updated database of fees and levies charged by the various local authorities to examine the applications submitted to it by local authorities for approval of their by-laws. It is further recommended to include alerts to the local authorities reminding them to update the by-laws every five years in the computerized system.
-  Local authorities that have enacted a small number of by-laws should enact by-laws in all areas necessary to fulfill its functions, including by-laws that will allow them to collect amounts required for their development. The Ministry of Interior should encourage the local authorities to enact by-laws to improve their situation and provide their residents with services as required, including as part of the formulation and approval of recovery plans.
-  It is recommended that Rehovot municipality contact other bidders for quotations before contracting consultants to prepare the calculations, even when pertaining to a contract that is exempt from tender, so that the selection of consultants will be carried out in a competitive procedure.
-  The municipalities of **Lod, Kafr Qassem and Sderot** and **Ka'abiyye-Tabbash-Hajajre** local council should update their websites for the public. In addition, **Mazra'a** local council should launch a website, operate it according to the law and publish its by-laws therein.








It is recommended that Binyamina-Givat Ada local council repeal the by-laws that apply only to one of the consolidated authorities and promote the enactment of new by-laws by the consolidated council.


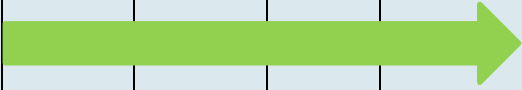
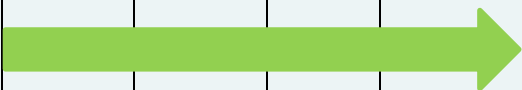


### The extent of rectification of the main deficiencies noted in the previous audit

| The Audit Chapter  | The Audited Body     | The Deficiency / Recommendation in the Previous Audit Report  | The extent of Rectification of the Deficiency noted in the Follow-Up Audit           |                    |                         |                      |
|--|----------------------|---|--|--------------------|-------------------------|----------------------|
|  |                      |   | Not Rectified  | Slightly Rectified | Consider-ably Rectified | Completely Rectified |
| Update of sample by-laws                                       | Ministry of Interior | The Ministry of Interior has not updated the sample by-laws.  |    |                    |                         |                      |
| Recommended versions for by-laws                               | Ministry of Interior | Apart from the recommended versions of four by-laws, the Ministry of Interior has not published any other recommended versions. |  |                    |                         |                      |
| The Economic Unit of the Ministry of Interior Handling by-laws | Ministry of Interior | No procedures have been established for the examinations that the Economic Unit is required to perform regarding by-laws.       |   |                    |                         |                      |
| Handling by the Economic Unit of the Ministry of Interior      | Ministry of Interior | There are no guidelines or tables in the economic unit to compare tariff.   |   |                    |                         |                      |




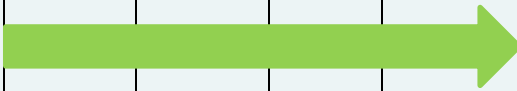
| The Audit Chapter   | The Audited Body     | The Deficiency/ Recommendation in the Previous Audit Report   | The extent of Rectification of the Deficiency noted in the Follow-Up Audit           |                    |                         |                      |
|---|----------------------|---|--|--------------------|-------------------------|----------------------|
|   |                      |   | Not Rectified  | Slightly Rectified | Consider-ably Rectified | Completely Rectified |
| Handling by the Economic Unit of the Ministry of Interior                 | Ministry of Interior | The Ministry of Interior does not have detailed information on the amounts of fees and levies charged by the various local authorities.   |     |                    |                         |                      |
| Handling by the Legal Bureau of the Ministry of Interior                  | Ministry of Interior | The Legal Bureau at the Ministry of Interior often sent a notice of non-delay to the local authority many days after the lapse of the 60 days, although no approval was required. |     |                    |                         |                      |
| Duration of the Legal Bureau's handling of by-laws                        | Ministry of Interior | The Legal Bureau has processed 74 of the 355 proposals for by-laws whose processing has been completed (21%) for more than nine months.   |  |                    |                         |                      |
| Local authorities' contracting with companies for tariff calculations     | Rehovot municipality | The municipality contracted consultants to prepare the calculations of the levies without a competitive procedure.  |   |                    |                         |                      |
| Ministry of Interior contracting with companies for checking calculations | Ministry of Interior | The company's processing of most by-laws lasts three to five months, and the processing of some of them lasts about a year.   |  |                    |                         |                      |



| The Audit Chapter  | The Audited Body     | The Deficiency/ Recommendation in the Previous Audit Report   | The extent of Rectification of the Deficiency noted in the Follow-Up Audit           |                    |                         |                      |
|--|----------------------|---|--|--------------------|-------------------------|----------------------|
|  |                      |   | Not Rectified  | Slightly Rectified | Consider-ably Rectified | Completely Rectified |
| Publication of by-laws on the internet by the Ministry of Interior | Ministry of Interior | Lag in updating the records in the Ministry of Interior's database of by-laws on the internet.  |     |                    |                         |                      |
| Publication of by-laws on the internet by the Ministry of Interior | Ministry of Interior | The database contains 11 local authorities that have been abolished, dismantled or merged.  |    |                    |                         |                      |
| Publication of by-laws on the internet by the Ministry of Interior | Ministry of Interior | 19 by-laws of Hod Hasharon municipality were repealed in 1997 but on the website of the Ministry of Interior they were still listed as effective laws.  |  |                    |                         |                      |
| By-laws for the demolition of hazardous structures                 | Local authorities    | 62 local authorities have not adopted the sample by-law and have not enacted their own by-law.  |  |                    |                         |                      |
| Enforcement of by-laws by local authorities                        | Lod municipality     | The municipality does not enforce 15 of the by-laws it has enacted.<br><br>The municipality has not enacted fine offense orders in its by-laws, and in any event has not enforced the by-laws through such order. |  |                    |                         |                      |





| The Audit Chapter | The Audited Body                  | The Deficiency/ Recommendation in the Previous Audit Report  | The extent of Rectification of the Deficiency noted in the Follow-Up Audit          |                    |                         |                      |
|-------------------|-----------------------------------|--|---|--------------------|-------------------------|----------------------|
|                   |                                   |  | Not Rectified   | Slightly Rectified | Consider-ably Rectified | Completely Rectified |
|                   | Hof Hasharon Regional Council     | The council has not enacted fine offense orders in by-laws relating to the demolition of hazardous structures, clearing of plots and preservation of streets, and therefore there was no enforcement in these areas. |    |                    |                         |                      |
|                   | Binyamina-Givat Ada Local Council | The local council did not enforce most of its by-laws by issuing fines, as it did not enact fine offense therein.  |   |                    |                         |                      |
|                   |                                   |  |  |                    |                         |                      |

## Summary

The findings of this audit indicate that the deficiencies noted in the Previous Audit regarding the publication of by-laws on the internet by the Ministry of Interior have been rectified, except for the deficiency of lag in updating the records in the database. However, some deficiencies have not yet been rectified: no procedures have been established regarding the inspections that the Economic Unit in the Ministry of Interior is required to perform and no guidelines have been set for comparing tariffs; the Ministry of Interior has no detailed information on the total fees and levies charged by the various local authorities; no-delay notifications to local authorities is delayed by the Legal Bureau at the Ministry of Interior; the Ministry of Interior did not set minimum and maximum prices for certificates of approval; the Ministry of Interior did not issue instructions regarding signs or advertisements and the components to consider determining the signage tariff rate. In addition some deficiencies have been partially rectified: one recommended version of a by-law has been published; the processing time of the Legal Bureau at the Ministry of Interior of proposals for by-laws and the process of examination of the calculation of the by-laws has been shortened; some of the authorities that in the Previous Audit did not have a by-law for the demolition of hazardous structures, have enacted this by-law in recent years.



Regarding the five local authorities audited – in some of them the procedure for processing proposals for by-laws took too long, at times more than two years; **Rehovot** municipality contracted consultants to prepare the calculations of levies without a competitive procedure, though the procedure is exempt from tender; Out of the five authorities audited, **Hof Hasharon** Regional Council has two by-laws for which the calculations are not up to date.

It is recommended that the Ministry of Interior examine ways to optimize the legislative mechanism for by-laws to reduce the bureaucratic procedures required for the enactment and updating of thousands of by-laws in local authorities.



State Comptroller of Israel | Local Government Audit | 2022

Follow-up Audit

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# **Procurement and Engagements in Local Councils – Follow-Up Audit**





## Procurement and Engagements in Local Councils – Follow-Up Audit

### Background

The local authority<sup>1</sup> serves as a public trustee in all its activities. The local authority has a key role in affecting its resident's lives in education, welfare, environment, planning and construction, transportation, sanitation, and many other areas. The law regulating the operation of local councils is the Local Councils Order, 1950 (the Local Councils Order).

Local authorities engage with contractors and suppliers to carry out development work within their jurisdiction, and they order services and purchase goods as part of their every day operations. The legislature has established arrangements for the distribution of resources by local authorities to maintain the principles of good governance, including fair competition and equal opportunity for all<sup>2</sup>.

1 Local authorities include municipalities, local councils and regional councils.

2 See the State Comptroller, **Audit Reports on Local Government for 2015** (2015), "Employment of External Consultants by Local Authorities", p. 13.



### Key figures

**1,761–  
6,560**

number of residents in six audited local councils at the end of 2019

**13–50 NIS  
million**

the audited local councils budget for 2019

**6–25**

number of tenders held in the audited local councils in 2019–2021

**2–4**

the peripheral index<sup>3</sup> range of the audited local councils

**13**

number of years in which Yesod HaMaala Local Council has engaged a collection consultant, with no valid agreement or a competitive procedure

**90%**

of the purchase orders examined in Hurfeish Local Council in 2020–2021 were placed according to the single quote received

**3**

number of meetings held by the Procurement Committee in Hurfeish Local Council in 2019–2021, despite hundreds of purchase orders that required its convening (for example, in April – May 2021, about 150 purchase orders were placed)

**7**

days were allotted to submit a bid in a tender for garbage collection in Eilabun Local Council, from the date of the tender publication in Hebrew language newspaper until the bids submission deadline. A single bid was submitted, and selected as the winning bid

## Audit actions



In 2018, the State Comptroller's Office published a report regarding the engagement procedures of six local councils (**Hurfeish, Yesod HaMaala, Migdal, Mazra'a, Eilabun, and Peki'in**) with contractors and suppliers to carry out development work in their jurisdictions and for ordering services and purchasing goods<sup>4</sup> (the Previous Audit). From August to December 2021, the State Comptroller's Office conducted a follow-up audit of the said local councils, rectifying the primary deficiencies noted in the Previous Report.

<sup>3</sup> Peripheral Index – The index characterizes and ranks the local authorities in Israel according to their geographical location in relation to the concentration of the population. A peripheral local authority is defined as a local authority remote from markets, places of employment, trade, education, leisure and the like.

<sup>4</sup> The State Comptroller's Office, **Audit Reports on Local Government for 2018** (2018), "Purchasing and Engagements in Local Councils", pp. 77–137.



## Key findings



**Accounting services engagement** – in the previous audit, deficiencies were raised regarding the examination of **Eilabun** Local Council tenders committee of the bids submitted to it in a minor tender<sup>5</sup> for accounting consulting services it had issued in April 2017. The follow-up audit found that the deficiency noted had not been rectified – the council continued the employment of the accounting services provider 16 months after the expiry date of the engagement contract it had signed with him. The Council issued a tender during the follow-up audit and selected a new franchisee.



**Engagement with a garbage collection contractor** – the previous audit noted that **Eilabun** Local Council postponed the contractor agreement regulation and signing of the agreement. As a result, almost a year has elapsed from the council plenum decision to engage with the contractor until the actual execution. The follow-up audit found that the deficiency had not been rectified – the council signed a contract in 2018 with a garbage collection contractor who won the tender being the sole bidder. The contract period was set for one year retrospectively. Thus the contractor has been working for a year without an engagement contract being signed with it; In September 2021, the Council issued a new tender for garbage collection – a tender of a sizeable financial scope of about NIS 1.8 million per annum and set a tight seven-day deadline for the submission of bids, which also included a contractors' tour. The date for the contractors' tour was scheduled on a Jewish sector sabbatical. Three contractors participated in the contractors' tour, and eventually, a single bid was submitted by the contractor working with the Council, and it was selected as the winning bid.



**Engagements with service providers for an extended time with no tender or a competitive procedure** – the previous audit noted that **Yesod HaMaala** Local Council entered into a 12-month engagement with a property tax collection consultant in January 2009. The Council extended the contract with the collection consultant without signing a new agreement with him and without conducting a tender or other competitive procedure for receiving the collection consulting services. The follow-up audit found that the deficiency had not been rectified – the Council continues the engagement with the collection consultant according to the agreement it signed with him in 2009, without conducting a tender nor other competitive procedure and without a valid contract. In each of the years 2018–2021, the Council paid the collection consultant about NIS 110,000.

<sup>5</sup> In the process of a minor tender, the local council is not obliged to make the tender public, but it must contact a certain number of suppliers and contractors, whose names are on a pre-determined list, and invite them to bid in the tender.



**Goods and services purchase procedures** – the previous audit noted that the purchase orders at **Hurfeish** Local Council were made through the Purchasing Manager, subject to budgetary approval and approval by the Council Treasurer and Council Chairman, but without the Procurement Committee's approval. The follow-up audit found that the deficiency had not been rectified – in 2019–2021 **Hurfeish** Local Council Procurement Committee convened only three times, though hundreds of purchase orders were placed. There is no documentation of inquiries made by the Purchasing Manager with additional suppliers as part of the purchase orders based on a single bid.



**The infrastructure for engagements through a minor tender** – the previous audit noted that the six audited local councils did not prepare a suppliers' list or address how to add service providers to the database. The follow-up audit found that the deficiency had not been rectified in **Peki'in** Local Council – the Council did not prepare a suppliers' list and did not issue a call on its website to be registered in its supplier database. It was further found that the deficiency was partially rectified in Hurfeish, Migdal, and Yesod HaMaala local councils: **Hurfeish** Local Council issued a tender in 2019 inviting service providers and suppliers to register in the Council's suppliers' database. 34 suppliers from various fields purchased the tender brochure at the cost of NIS 500 and were required to submit their bids at the Council offices. Hence, the Council did not allow bids to be submitted online and at no cost or a low cost. Migdal Local Council has prepared lists of suppliers, including the details of planners and electrical consultants only; **Yesod HaMaala** Local Council issued a call during the audit to join the Council's consultants and planners' database.



**Engagements with service providers for an extended time with no tender or a competitive procedure** – the previous audit noted that from 2009 to 2017, **Hurfeish, Yesod HaMaala, and Peki'in** local councils contracted, in succession, accounting firms for ongoing accounting services and extended those engagements, every year, without conducting a tender or another competitive procedure. The follow-up audit found that the deficiency was completely rectified in Hurfeish, **Yesod HaMaala, and Peki'in** local councils – they issued new tenders and signed engagement agreements with the accounting firms as required.

**The infrastructure for engagements through a minor tender** – the previous audit noted that the six audited local councils did not prepare a suppliers' list or address how to add service providers to the database. The follow-up audit found that the deficiency in **Mazra'a and Eilabun** local councils had been completely rectified – they prepared a suppliers' list. They updated it through a call on their website, inviting suppliers to join their suppliers' database.





## Key recommendations

- 💡 **Yesod HaMaala and Migdal** local councils should complete the procedure for setting criteria for reasonable deviation from estimates in the tenders they issue, a fair scale to elect the reasonable bids received, and thus allow disqualification of bids that unreasonably deviate from the set estimate.
- 💡 It is recommended that **Eilabun** Local Council sign agreements to map all its engagements, and conduct tenders on time to avoid deviation from the set deadline. It is also recommended that Eilabun Local Council increase the number of bidders in its tenders and consider entering into agreements via a tender issued through the Kineret Amakim Local Authorities' Cluster<sup>6</sup>, in which the Council is a member, or through the Local Government Economic Services Company. In addition, the Ministry of Interior should examine whether the garbage collection tender in **Eilabun** Local Council includes competition between the contractors.
- 💡 It is recommended that **Yesod HaMaala** Local Council refrain from employing a collection consultant for an extended time, without conducting a tender or other competitive procedure and without a valid agreement.
- 💡 It is recommended that **Hurfeish, Yesod HaMaala, and Migdal** local councils expand the suppliers' list and include suppliers from other fields the council engages in on an ongoing basis, such as office equipment suppliers, electrical equipment suppliers, cleaning equipment suppliers, and pest control. It is also recommended that **Hurfeish** Local Council examine whether adjustments can be made to enable the participation of small, medium, and very small businesses in the supplier database.
- 💡 It is recommended that **Yesod HaMaala, Migdal, and Peki'in** local councils regularize the phrasing of their contracts with service providers through a contract or order that will anchor the material details of the engagement, the parties' obligations and rights and the remedies available to them.
- 💡 It is recommended that **Hurfeish** Local Council contact several bidders in writing when placing orders for goods or services, depending on the costs of the order, and document the requests for quotes.




<sup>6</sup> A local authorities' cluster is a voluntary association of neighboring local authorities to encourage regional development while promoting a comprehensive regional point of view on a variety of topics, including streamlining the provision of municipal services, by pooling resources and taking advantage of size.








### The extent of the rectification of the main deficiencies noted in the previous audit

| The Audit Chapter   | The Audited Body        | The Deficiency/ Recommendation in the Previous Audit Report  | The extent of Rectification of the Deficiency noted in the Follow-Up Audit |                    |                        |                      |
|---|-------------------------|--|--|--------------------|------------------------|----------------------|
|   |                         |  | Not Rectified  | Slightly Rectified | Considerably Rectified | Completely Rectified |
| The criteria for reasonable deviation from estimates in tenders | Peki'in, Mazra'a        | Councils should set criteria for reasonable deviation from estimates in tenders they issue, thus setting a fair scale for electing a reasonable bid received and allowing disqualification of bids that unreasonably deviate from the set estimate.  |  |                    |                        |                      |
|   | Yesod HaMaala, Migdal   |  |  |                    |                        |                      |
|   | Hurfeish                |  |  |                    |                        |                      |
| Consolidated and updated listing of engagement contracts        | Hurfeish, Yesod HaMaala | Councils should maintain an updated contracts list that reflects all of the engagements and contracts they enter into with service providers to properly monitor and control their renewal date and give advance notice of the contracts' expiration and other changes requiring re-examining the engagements. |  |                    |                        |                      |
|   | Mazra'a, Peki'in        |  |  |                    |                        |                      |



| The Audit Chapter   | The Audited Body                 | The Deficiency/ Recommendation in the Previous Audit Report  | The extent of Rectification of the Deficiency noted in the Follow-Up Audit           |                    |                        |                      |
|---|----------------------------------|--|--|--------------------|------------------------|----------------------|
|   |                                  |  | Not Rectified  | Slightly Rectified | Considerably Rectified | Completely Rectified |
| Engagements with service providers  | Eilabun                          | The State Comptroller's Office notes the Council on the postponement in the agreement regulation with the contractor resulting in almost a year delay from the decision in the council plenum on the engagement with the contractor until its signing. |     |                    |                        |                      |
| Engagements with service providers for an extended time without a tender or competitive procedure | Hurfeish, Yesod HaMaala, Peki'in | The engagement of an accountant for extended periods without a competitive proceeding is inconsistent with the rules of good governance, violates the principle of equality, and creates a dependency relationship.                                    |  |                    |                        |                      |
| Engagements with service providers for an extended time without a tender or competitive procedure | Yesod HaMaala                    | The engagement of a collection consultant for such an extended period, without conducting a tender or other competitive procedure and without a valid agreement, is inconsistent with the rules of good governance.                                    |   |                    |                        |                      |



| The Audit Chapter  | The Audited Body                | The Deficiency/ Recommendation in the Previous Audit Report   | The extent of Rectification of the Deficiency noted in the Follow-Up Audit           |                    |                        |                      |
|--|---------------------------------|---|--|--------------------|------------------------|----------------------|
|  |                                 |   | Not Rectified  | Slightly Rectified | Considerably Rectified | Completely Rectified |
|  |                                 | The council should appoint a Council Engineer who is an employee of the council.  |  |                    |                        |                      |
| The infrastructure for engagement through a minor-tender – suppliers' list | Mazra'a, Eilabun                | Since they did not keep a suppliers' list, the local councils could not engage lawfully in minor tender, so their tender committees should prepare a suppliers' list.             |    |                    |                        |                      |
|  | Hurfeish, Yesod HaMaala, Migdal |   |   |                    |                        |                      |
|  | Peki'in                         |   |   |                    |                        |                      |
| Procurement and Wear & Tear Committee                                      | Hurfeish                        | The council should convene the procurement committee as often as required to carry out the council's procurement orders.  |  |                    |                        |                      |
| Procurement Procedure  | Hurfeish, Peki'in               | The councils should prepare a procurement procedure and implement it, as good governance means, among other things, conduct according to known, transparent, and equitable rules. |   |                    |                        |                      |



| The Audit Chapter                | The Audited Body | The Deficiency/ Recommendation in the Previous Audit Report   | The extent of Rectification of the Deficiency noted in the Follow-Up Audit |                    |                        |                      |
|----------------------------------|------------------|---|--|--------------------|------------------------|----------------------|
|                                  |                  |   | Not Rectified  | Slightly Rectified | Considerably Rectified | Completely Rectified |
| Purchase of services engagements | Migdal           | Ordering services and works by work orders do not substitute an agreement to which the local authority is bound, does not comply with good governance, and may infringe its rights if disputes arise between the parties. |  |                    |                        |                      |
|                                  | Yesod HaMaala    |   |  |                    |                        |                      |

## Summary

Local authorities are obligated under the tender laws to manage their engagements on fair competition, allowing suitable candidates to compete equally and receive equal and fair treatment, and promoting the principles of saving and efficient use of public funds deposited to them.

The follow-up audit raised that the audited six local authorities rectified some of the deficiencies noted in the previous audit but should complete the rectification of all deficiencies according to principles of transparency and equality while maintaining the efficiency and effectiveness of their activities for the benefit of their residents.





State Comptroller of Israel | Local Government Audit | 2022

Follow-up Audit

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# **Establishment of Harish — Follow-up Audit**







## Establishment of Harish — Follow-up Audit

### 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 – an accumulated surplus of NIS 41 million by December 31<sup>st</sup>, 2019, following the reception of grants. 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

<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".



growth and development and perpetuate its deficit for years to come. The follow-up 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 is 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 residents 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 of rectification of the main deficiencies noted in the previous audit

| 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   | Slightly Rectified | Considerably Rectified | Completely 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   | Slightly Rectified | Considerably Rectified | Completely 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 state grants to provide services to |   |                    |                        |                      |



| 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   | Slightly Rectified | Considerably Rectified | Completely Rectified |
| Employment Areas  | Ministry of Interior | its residents even after 2019.<br><br>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.