Foreword

**The annual audit report** submitted today to the Knesset is the State Comptroller's annual report presenting the audit findings of the audited bodies for 2023.

This report was presented to the Prime Minister and the Chairman of the State Audit Affairs Committee on August 15, 2023, and was scheduled for publication following the 2023 Tishrei (New Year) holidays.

On Saturday morning, 'Shemini Atzeret' (the Eighth day of Assembly holiday), October 7, 2023, the Hamas terrorist organization launched a murderous surprise attack on the Communities near the Gaza Strip and the surrounding area, along with heavy firing of thousands of missiles and rockets at the south of the country and its center. The Israeli government declared the "Swords of Iron" War, and the IDF and Israel security forces entered combat in the southern arena in Gaza, as well as in the northern arena. Since then, IDF soldiers and security forces have been fighting day and night to protect the residents of Israel.

In coordination with the Speaker of the Knesset and the Chairman of the State Audit Affairs Committee, the date for placing these reports before the Knesset has been postponed, as well as the date for their publication. However, three months after the massacre I saw fit to publish the report dealing with important issues on the agenda to motivate the correction of deficiencies in these areas as well.

The report mainly deals with audits on economy and national infrastructures, significantly impacting daily life of the country's citizens and the economy's development in the future years. The audit focus on important and diverse issues, also considered the public perspective.

The report also includes an audit of the defense establishment on several issues, including a special report on the 'Nefesh Achat' (One Soul) Reform – the Ministry of Defense's treatment of the disabled from the IDF and the Israel security forces. The audit raised that the cumulative implementation of the 'Nefesh Achat' reform budget in 2021–2022 was only about NIS 443 million, about 30% of the total approved budget; The budgetary implementation in the areas of response to people suffering from post-trauma was about NIS 66 million out of the NIS 461 million that was budgeted (14%), and this is due to low rates of exhaustion of rights by the disabled from the IDF; It was further raised that the items regarding all benefits, with the exception of vehicles and housing, have not yet been finalized, and the process of revising the Persons with Disability Law has not been completed. A questionnaire distributed by the Office of the State Comptroller among the disabled from the IDF indicates that the average satisfaction score of all respondents with the attitude and service they receive from the Rehabilitation Division is low and stands at 53 out of 100.

The shortcomings and disparities detailed in this chapter, which as mentioned, are correct for the time before the outbreak of the "Swords of Iron" War, make the importance of completing the implementation of the 'Nefesh Achat' reform in general, and at this time in particular in view of the expected increase in the disabled population from amongst the IDF and the security forces, all the more compelling.

This report includes audit findings on the **Occupational Health in the IDF – Follow-up Audit; and** **the Approval of Protected Spaces by the Home Front Command and the Control Institutes as part of the Process for Issuing Building Permits.** In recent years, and even more so during the current campaign – the Iron Sword War, the threat of missile and rocket fire in Israel has materialized, and the citizens in different parts of the country have been called to enter protected spaces at different times. The construction laws and regulations in Israel require that a protection appendix be approved by the Home Front Command or those authorized by it, as an integral part of the receipt of a building permit. The audit raised that in 2022 the scope of applications for approval of a protection appendix approved by the Home Front Command was about 53% higher compared to 2019, and the number of amendments in the applications (iterations) required for approval of these applications was about 200% higher. Moreover, the process of approving them as part of the building permit process lasts 3$-$4 months, even though the Home Front Command has defined a period of 18 days for processing an application. The Home Front Command is aware of this situation, is examining proposals and is taking measures to improve it. However, despite the intention to expand the integration of the control institutes in the design control process under the existing legislation, according to the planned expansion contents, in the coming years the extensive Home Front Command involvement in the process will not be significantly reduced. As a regulator in the protection guidelines and the certification of inspectors for the control of protection appendixes, it is recommended that the Planning Administration and the Home Front Command, in cooperation with the control institutes, consider expanding the activity of the institutes so that they handle most of the building permit applications in which a protected space is required, and the certification of those authorized (architects and engineers) for self-certification of protection appendixes, on the other hand.

Following is an overview of some of the audit reports in the fields of national economy and infrastructure

In recent years, the State Comptroller's Office has been required to submit several reports on the reduction of private vehicles travel and the air pollution resulting from means of transportation. The use of road for transportation has significant external effects, including noise, road congestion and mainly air pollution and greenhouse gas emissions. In the audit of **the Government's Actions to Reduce Vehicles Air Pollution and the Preparation for the Transition to Electric Vehicles**, it was raised that air pollution is the most significant environmental cause of mortality and morbidity in the State of Israel. It was also found that the of air pollution cost from the use of road for transportation in 2018 was about NIS 7.2 billion, and the share of the cost of air pollution arising from heavy vehicles out of this was estimated at 61%. Nevertheless, despite the large share of trucks weighing over 4.5 tons and of buses in the costs of air pollution – the purchase tax on these vehicles is 0%. The audit also raised that the processes of reducing vehicles powered by gasoline and diesel fuel air pollution and the preparation for the widespread entry of electric vehicles into Israel require systemic solutions for the regulation of the various fields, including handling of heavily polluting vehicles, the arrangement of charging stations in condominiums and public charging stations for electric vehicles, the preparation of the electricity sector for the demand increase for electricity due to the expected increase in the number of electric vehicles in the coming years, the preparation of the tax system for the entry of electric vehicles, including changes and optimization of the rates of fixed costs and variable costs in the composition of taxes and the internalization of the various external effects of electric vehicles and vehicles with an internal combustion engine. The Ministries of Transport, Finance, Environmental Protection, Energy and Interior, the Tax Authority, the Electricity Authority, the Noga Company and the Israel Electric Company, should cooperate with the local authorities, who have an important role in initiating operations in their jurisdiction, to rectify the deficiencies noted in this audit. The implementation of the recommendations may help reduce air pollution from transportation, improve the internalization of the negative external costs of the use of transportation and promote preparation for the introduction of electric vehicles and other advanced technologies, concurrently with the continuation of the government's actions to promote public transportation and expand use thereof.

In a resolution from 2006, the government stated that the fight against serious crime and organized crime and their consequences is a long-term national goal. In 2019, the fictitious invoices were prioritized within the framework of the integrated policy for enforcement in the serious and organized crime. The audit on the **Tax Authority's Handling of the Phenomenon of Fictitious Invoice** raised that the total collection from tax assessments related to fictitious invoices in 2019$-$2022 was only about NIS 180 million, even though the minimal damage to the state treasury resulting from non-payment of VAT due to the use of fictitious invoices was estimated at NIS 2.51 billion per year; It was also found that in 59% (598) of the 1,019 assessment cases regarding fictitious invoices for which a crime detection report was opened, no indictments were filed and no ransom levy was imposed. The total assessment charges in these cases was about NIS 3.2 billion; Moreover, 66% of System A's alerts on suspected tax deductions from fictitious invoices were not handled by the VAT offices and the tax assessors' offices in 2017$-$2022. Over the last decade, the Authority found a computerized solution to this wide-ranging phenomenon, but the solution has not been completed, and in practice there is no holistic solution that combines prevention at the earliest possible stage with quick detection and effective enforcement after the distribution and deduction of fictitious invoices is discovered. The prolonged delay in establishing computerized systems for prevention, thwarting and control to be done on the basis of the information obtained through them, and the partial addressing of the distributors of fictitious invoices and those using them for deductions, have over the years caused the state treasury damage at NIS billions, as well as a loss of deterrence against tax offenders and the establishment of criminal organizations that use fictitious invoices for money laundering and for disguising their criminal activities. The Tax Authority should rectify the deficiencies raised by the audit. It is proposed that the Tax Authority recruit the State Attorney's Office and the Police to unite forces for a systemic addressing of the phenomenon of fictitious invoices. All this, to eradicate the phenomenon and prevent further harm to the public economy, to the state governance and the necessary war against money laundering and criminal organizations.

Public authorities are meant to serve the public, and ensure efficient, equitable and quality service provision. Due to the significant importance I attach to the public service, my office examined **the Public Service at the Israel Electric Company Ltd.** IEC provides about 3 million customers with a supply of electricity and ancillary customer service through various service channels. The audit raised deficiencies in the reliability of electricity supply to end consumers. Thus, for example, in 2017$-$2021, the reliability of supply deteriorated, reflected in an increase in the minutes of non-supply of power (an increase of 43 minutes) resulting from multiple breakdowns and an increase in the duration to restore power. It was also found that there are considerable gaps in the reliability of the electricity supply and the duration of restoring power between the districts. In the Negev District, for example, the average non-supply per customer was 241 minutes in 2013$-$2021 – 4.1-fold the average in the Gush Dan District in those years, which was 59 minutes. The average restoration time for 2020$-$2021 in the Negev District was about 70 minutes – 2.9-fold the average restoration time in the Jerusalem District, which was about 24 minutes. It was further raised that about 158,000 eligible persons (out of approximately 471,000 eligible persons) do not receive discounts on the electricity bill, including Holocaust survivors and lone soldiers. The rate of utilization is particularly low in the eligibility group of families with four children. Most of the eligible persons who do not receive the discount are not registered as the Company's customers. It was also found that the level of service at IEC's 103 call center has been on a downward trend for several years, and the increase in activity on the Company's digital channels is not enough to reduce the burden on the 103-call center. The Electric Company should improve the reliability of supply and reduce the gaps between the districts, reduce the burden of inquiries at the 103-call center to raise the level of service thereof, improve the handling of public complaints and consider increasing the eligibility exhaustion rate to a discounted tariff.

In my opinion, the types of State Comptroller's Office audits should be diversified, and the financial audit should be promoted. In this framework, we performed a financial audit of the **Israel Natural Gas Lines Company**.

Follow-up audits are an important tool for strengthening the influence of the state audit, to motivate the audited body to rectify the deficiencies raised by the audit and to prevent their recurrence. Therefore, according to my policy, our office expands the scope of follow-up reports every year. This report includes the following follow-up audits: **The Water and Sewage Corporations – Regulation, Management and Supervision**; **Planning and Promotion of Public Transportation**; And the findings of an extended follow-up audit on **the Country's Preparedness for an Earthquake – National Infrastructures and Buildings**, by which, the five years that have passed since the previous report were not utilized to improve in earthquake preparedness, and that the country is still not adequately prepared for an earthquake event. A strong earthquake in Israel is a matter of time. Therefore, preparing for it is of the utmost importance, given events that occurred in other countries, in which advance preparation had a decisive effect on the ability to protect human life and mitigate damage to infrastructure, buildings and property. The Prime Minister, the Minister of Defense, the Minister of Construction and Housing, and all the ministers who are members of the Ministerial Committee for Civilian Emergency Preparedness, in cooperation with the National Security Council and the Inter-ministerial Steering Committee for Earthquake Preparedness, should accelerate all activities to increase the State of Israel's preparedness to deal with an earthquake, through the formulation of long-term action plans and the allocation of a multi-year dedicated budget to realize the goals defined therein – the sooner the better.

**Finally, I wish to thank the employees of the State Comptroller's Office, and in particular at the Division for the Audit of the Economy and National Infrastructures and at the headquarters, for their hard work to examine and audit in a thorough, professional and fair manner and for the publication of clear, effective and relevant audit reports.**

I am aware that many of the audited bodies, have taken positive actions, and under the State Comptroller's Law, the more notable of these actions were expressed in the audit report. At the same time, it is the duty of the audited bodies to rectify the deficiencies noted in this report to optimize their activities and to improve the service to the public in Israel.

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State Comptroller and

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