

# **State Comptroller Report**

May 2024 | 74B, 74C

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A b s t r a c t s





**State of Israel**

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## Foreword

The State Comptroller's Annual Audit Report of May 2024 was submitted to the Knesset under the State Comptroller Law, 1958 [Consolidated Version]. The report includes two parts: The first part consists of an audit of the defense system; the second, an audit of government ministries and state institutions.

On the morning of Saturday, "Shemini Atzeret" and "Simchat Torah" holiday, October 7th, 2023, the terrorist organization Hamas launched a murderous surprise attack on the communities surrounding Gaza and nearby areas, alongside a heavy barrage of thousands of missiles and rockets on southern and central Israel. In the terror attack, 256 Israelis were abducted: 124 were released or escaped, and 132 remain captive; from the massacre until mid-April 2024, 1,542 Israelis were killed, including 604 IDF soldiers, and 15,140 injured. In the days following October 7th, 2023, tens of thousands of residents from communities surrounding Gaza were evacuated from their homes, while still coping with the severe traumas many of them experienced that day. Following the escalation of hostilities on the northern front, tens of thousands of residents from northern border communities were also evacuated from their homes.

As previously announced, our office is conducting a comprehensive audit, addressing several issues related to the massacre on October 7th, 2023, and the "Iron Swords" war. In my opinion, there is a public and moral obligation to conduct an audit that will examine the functioning of all echelons on the day of the massacre, both during the period preceding it, and in its aftermath.

In tandem with the audit on the war issue, our office continued to fulfill its role and conducted audits in other areas as well. The following is an overview of some of the chapters in the report:

The budget authorization to commit of the Ministry of Defense is the maximum amount to which the ministry can commit in a given year, enabling it to carry out multi-year contracts in amounts of tens of billions of shekels per year. In the audit of **The Planning and Control of the Ministry of Defense's Budget Authorization to Commit**, deficiencies were found in the activities of the Ministry of Finance and the Ministry of Defense as part of the planning processes of the Ministry of Defense's budget authorization to commit. It was noted that the Budget Division in the Ministry of Defense does not plan the allocation of the budget authorization to commit to entities and update it optimally throughout the year. Typically, although the budget authorization to commit does not cover all the entities' needs, in about 40% of the programs budgeted in 2017–2022 (except for 2021), execution rates of up to 40% of their updated budgets were recorded, and in a quarter of the programs, execution rates of up to 20% were recorded. Furthermore, about 15% of the programs were allocated budget supplements during the year that were entirely unutilized, between NIS 58 million to



NIS 2.2 billion. In addition, the audit by the Ministerial Committee for Procurement raised a lack of a comprehensive status report, thoroughly examining the budgetary implications of conducting a defense project on the defense budget in the coming years. This is despite the State Comptroller's Office estimate that the defense system will have a budget leeway of several billion NIS on average per year in 2023–2027 (based on an expanding assumption), only about 10% of the estimated sources for these years. Furthermore, discrepancies were found in the Ministry of Defense's reporting to the Joint Committee in the Knesset on quarterly changes in the budget authorization to commit, the cumulative amount of which in the period from quarter A 2017 to quarter B 2022 was NIS 68.5 billion. Given the necessity of the budget authorization to commit for the functioning of the defense system and the significant amount involved, as well as its impact on the inflexibility of the defense budget, the State Comptroller's Office recommends that the Ministry of Finance and the Ministry of Defense improve the planning processes for the budget authorization to commit. They should formulate the budget proposal based on the multi-year commitments in NIS and foreign currency aid and expand the scope of information presented to the Ministerial Committee for Procurement as it proceeds to examine the budgetary implications of implementing defense projects. In addition, it is recommended that the Ministry of defense and the Ministry of Finance, in coordination with the Joint Committee of the Knesset, improve the quality of quarterly reporting on changes in the defense budget.

This audit was conducted prior to the outbreak of the "Iron Swords" war. It should be noted that the deficiencies and recommendations presented in the audit become even more important given the expected increase in the defense budget, including the budget authorization to commit, as well as the multi-annual commitments in the defense budget that will be required during and after the war.

The State Comptroller's Office also conducted a systemic audit on **The Security of Civil International Aviation to and From Israel**. The audit examined international aviation security leaving Ben Gurion Airport; Israeli aviation security abroad; and the security of foreign civilian and private aircraft entering Israeli airspace. The State Comptroller's Office recommends that the National Security Council (NSC), conduct staff work in collaboration with the Ministry of Transportation, the Ministry of Finance, the Civil Aviation Authority, the Israel Security Agency, (ISA), and the Police, addressing the entire spectrum of civil aviation security in Israel, including aviation departing from Israel, Israeli aviation abroad, and incoming foreign aviation. In addition, the relevance of government and security cabinet decisions on the subject, some of which were made as early as the 1970s, should be examined. Furthermore, it is recommended that at the conclusion of the work, the NSC advise the Prime Minister and the security cabinet on how to regulate responsibility for the issue and allocate resources, thus ensuring an integrated vision. The State Comptroller's Office recommends the Prime Minister, the Minister of Transportation, and the Minister of Finance to address and formulate comprehensive aviation security policy. It should be noted that the Subcommittee of the Knesset State Audit Committee decided not to disclose this chapter to the Knesset and publish only the main audit actions and excerpts from its summary, to safeguard national security,





under Section 17(a) of the State Comptroller Law, 1958 [Consolidated Version]. In addition, the committee decided to impose confidentiality for three months on the following reports:

- The IDF's Preparedness and Readiness for Warfare in the Electromagnetic Spectrum Domain
- Cyber Defense of Unmanned Aerial Vehicles (UAVs).
- Cyber defense: Aspects of regulation and protection of information and computing systems at Rafael Advanced Defense Systems Ltd.
- Protection against cyber threats to Home Front Command's means of command and control.

As stated, the report includes audit chapters on government ministries and state institutions, and the following is an overview of some of them.

According to Section 19 of the State Comptroller Law, **the Financial Statements of the State of Israel were Examined as of December 31, 2022, with Emphasis on Fixed Assets**. The total assets presented in the financial statements of the state as of December 31, 2022, was about NIS 2,009 billion, compared to about NIS 799 billion – total assets as of December 31, 2021. This represents growth of about 151%, resulting from the first-time inclusion of state-owned land assets as a surplus in the balance sheet. The total fixed assets, plus the total land held by the state, account for about 85% of the total assets. Fixed assets are tangible items held for the production or provision of goods or services, or for lease to others or for administrative purposes, which are expected to be used for over one period. Fixed assets are of great importance of the state's asset inventory and have a significant impact on all of its financial statements; therefore, it is important that the recognition of fixed assets, their registration, and their accounting measurement be conducted properly. In the audit, it was found that in 2022, progress was made regarding the above registration – land assets were included for the first time in the balance sheet, but the data on fixed assets were still not fully presented in the state's financial statements. These include many qualifications and lack significant components, such as data on assets of the Ministry of Defense, some assets abroad and some intangible assets, as well as data on contingent assets for royalties from natural resources at about NIS 34.8 billion. In addition, several deficiencies were found in the statements of the Ministry of Health, the Ministry of Foreign Affairs, and the Ministry of Transportation concerning the presentation of fixed assets and the integrity of the data. Regarding the method of measurement of fixed assets in the financial statements of the government ministries examined (Ministry of Construction and Housing, Ministry of Health, Ministry of Foreign Affairs, and Ministry of Transportation), it was found that in their statements, these ministries present fixed assets according to the cost method. Thus, the real value of the fixed assets is not presented in their financial statements. The audit also found that there are items of property whose useful life is not shown at all in Israel's financial statements, for example: Cultural and heritage assets, as well as aviation assets, as opposed to some comparable countries (Canada, Australia, and New Zealand) where this data is



presented. It was also found that there are comparable countries, such as New Zealand, whose financial statements include more detailed information than those of the State of Israel; for example, regarding fixed assets such as roads, the electricity grid, and the railway network.

The Accountant General should complete the mapping of state-owned fixed assets, including the mapping of the property held by the Ministry of Defense, for its accounting registration and proper presentation in the state's financial statements. Moreover, he should ensure that the deficiencies raised in this report regarding the presentation of fixed assets and completeness of the data are rectified. In addition, the Accountant General should continue to improve land data to present them fully and comprehensively in the state's financial statements.

Football is one of the most popular sports in the world, and Israel is no exception. Football, like other sports, is also an educational and social tool contributing to the development and nurturing of the generation of children and youth – according to the values of sports and the promotion of health, teamwork, responsibility, and discipline. This report includes an audit of **The Budget Control Authority of the Football Association**. Given the difficult economic situation of football clubs in Israel and to maintain their financial stability, the association established the Authority in 1992. A review of about 22 years from the 1999/2000 season to the 22/23 season demonstrate that the deficit in the aggregate capital of the professional league clubs did not decrease and even increased – from NIS 237 million to NIS 281 million (a real increase of about 18.5%, according to the May 2023 index). The audit included analysis of the financial statements of 28 teams in the Premier League and National League for the 22/23 season, subject to regulatory control, and it was found that 19 of them had negative equity in this season, of about NIS 326 million. This is contrary to the expected, given the establishment of the authority, as it was established against the backdrop of the difficult economic situation of football clubs in Israel, to maintain their financial stability. Thus, the authority has not fulfilled the purpose for which it was established. The international trend led by UEFA in its club licensing regulations is to improve the financial state of the clubs participating in its organized competitions, while setting financial thresholds and goals for them. According to the Budget Control Regulations (established by the Israeli Association), a club that fails to meet the criteria for reducing past debts or decreasing the deficit in its equity can participate in the league. It is recommended that the association, encourage clubs to improve their financial resilience, including making the clubs' participation contingent upon reducing their equity deficit or improving predetermined financial ratios, such as the current ratio. In its regulations, the Association should set rules to ensure that revenue from youth departments is channeled to their intended purpose and not diverted to other activities, and that control is maintained over this. Such action is essential to prevent harm to investment in and development of the youth department. It is recommended that the association demand to receive from the authority aggregate financial information at least about all the groups together, according to various indices and financial ratios; it is also recommended to publish this information on the association's website.



The Central Unit for Enforcement and Investigations at the Ministry of Agriculture is of great importance given its law enforcement function in public health, animal health and welfare, and protection of agricultural crops from pests. The audit on **The Central Unit for Enforcement and Investigations at the Ministry of Agriculture** ("the Unit") indicate that in 2018–2022, about 20,000 incidents were opened in the Unit, in about 21% of which (about 5,000) investigations were opened. During those years, the Ministry of Agriculture imposed administrative fines at about NIS 23 million in areas where the Unit was entrusted with their enforcement. In 2019–2022, about 39,000 transfers of plant products were documented, from the Palestinian Authority (PA) to Israel through the goods crossings between Israel and the Judea and Samaria region. The audit raised deficiencies that enable uncontrolled transfer of goods between Israel and the PA, including inadequate physical infrastructure at the goods crossings, lack of information sharing and synchronization of information systems between the entities operating at the crossings – the Land Crossings Authority (RAMIM) in the Ministry of Defense, Customs, and the Unit. In this state of affairs, it is extremely difficult to prevent smuggling and laundering of agricultural produce, a black economy, and cruelty to animals. In addition, in a wide-ranging sampling, 40% of the samples taken in 2022 raised abnormalities of pesticide residues in the plant produce transferred from the Palestinian Authority to Israel. The Unit, RAMIM, and Customs should intensify their collaboration to ensure that the goods crossings can fulfill their purpose – preventing uncontrolled transfer of agricultural goods between Israel and the PA and ensure that the Unit has the necessary tools to perform its function. In addition, the Ministry of Health, the Ministry of Agriculture, RAMIM, and the defense system should examine the existing mechanism for the transfer of plant produce from the PA to Israel, and reduce the extent of abnormal pesticide residues found in the produce transferred from the PA. The audit also presented misconduct by employees and managers in the Unit and, that over the years, several disciplinary proceedings were conducted against them in the Civil Service Commission. In practice, this has also led to the shutdown of the Unit's intelligence apparatus for over three years, followed by its re-establishment in a limited and ineffective form. The Minister of Agriculture and Director-General of the Ministry of Agriculture should introduce substantial changes in the Unit: regarding its management, ensuring compliance with its work procedures, eradicating recurring disciplinary incidents, and setting its priorities and organizational structure. Appointment of a new director for the Central Unit for Enforcement and Investigations at the Ministry of Agriculture as in September 2023, along with additional required actions including setting work objectives for the unit, ongoing supervision and control of their implementation, and examination and implementation of recommendations from an external consulting firm, may assist the Ministry of Agriculture in applying the necessary changes in the work and output of the Unit. Hence, the unit can optimally perform its functions, particularly safeguarding public health and the health and welfare of animals, as well as protecting vegetation.

This report consists of three chapters relating to the Covid-19 pandemic that broke out globally at the end of 2019: **Vaccination of the Population Against Coronavirus** was one of the main tools for dealing with the virus and Israel, led by the Ministry of Health, was among the



first countries in the world to vaccinate. Thus, significantly contributing to saving thousands of Israelis lives. The vaccination campaign launched by the healthcare system, especially in its first months, prevented harm to public health and have saved the lives of many, especially those defined as high-risk populations – the elderly and those who suffered from serious comorbidities. It also ensured the return of the economy to full activity. It was noted that the Ministry of Health collected data on side effects from several reporting channels, and medical officials transmitted most of the reports through an interface to the ministry's computerized system – the Israel National Medical Record ("Nachlieli") system. The audit raised that due to technical malfunctions in the interface to the Nachlieli system, a significant portion (82%) of the reports transmitted by medical officials were not recorded. In addition, the Ministry of Health failed to analyze about 33,000 reports received from the public in 2021. In the end, only about 55,000 of the reports submitted by medical professionals were recorded and improved, and most of them concerned mild symptoms, such as colds and pain at the injection site. The audit also indicated that due to the Covid-19 pandemic, the parents' rate (participating in a survey conducted by the State Comptroller) expressing concern about permanent damage caused to their children from routine vaccinations increased from about 46% in 2016 to about 57% in 2022. In addition, the children rate vaccinated with all routine vaccines decreased in 2022 compared to 2017 by about 3 to 12 percentage points. Public trust in the healthcare system, concerns about Covid-19 vaccine side effects, and the dissemination of misinformation regarding Covid-19 vaccinations were among the factors that may have affected population vaccination rates. Increasing public trust in the healthcare system; drawing lessons from the Covid-19 crisis regarding population vaccination, particularly in formulating a strategy and tactics to combat misinformation; and future preparedness for dealing with pandemic events – all are crucial to the Ministry of Health's ability to ensure that Israeli citizens receive necessary vaccinations to protect their health.

**Covid-19 Vaccines and Testing in the Education System** – towards the 2021–2022 academic year, in early September 2021, the government decided to reopen all schools after about a year in which the education system operated remotely due to lockdowns or hybrid learning combining remote and frontal studies. The main challenge faced by the education system at that time was to allow students to return to frontal learning in schools and maintain a regular study routine. According to government decisions and Ministry of Health guidelines, the main measures designed to enable a full return to school were vaccinating students in schools and conducting rapid antigen tests to assist in detecting student and education staff illnesses and isolate them. The audit raised that only a small proportion (4%) of students, across all age groups, were vaccinated under the school vaccination programs. This figure reflects that the vaccination programs failed to meet their targets. Similarly, the contribution of the testing programs was low, reflected both in the low rate of participation in these programs (12% of schools participated in the "Education Shield" program, and 13% of classes participated in the "Green Classroom" program) and in the low parent rate declarations submitted under the testing programs. For example, in the "Check and Learn" program, the average rate of parents who submitted declarations on the day the program was launched was 21% of all parents required to do so. In addition to the limited contribution of the testing



and vaccination programs, the audit raised several deficiencies related to their implementation, including Ministry of Education guidelines for schools to operate vaccination and Covid-19 testing programs, distribution of antigen kits, parental declarations regarding students' Covid-19 testing, advocacy, and encouragement of vaccination. The Ministry of Education, in collaboration with the Ministry of Health, should draw conclusions from the students' testing and vaccination plans implementation in the 2021/2022 academic year, rectify the deficiencies, and implement the recommendations. This should be done with a forward-looking perspective, to enhance the effectiveness of testing and vaccination guidelines in preparation for a potential resurgence of Covid-19 or another pandemic outbreak.

**Operation of Array of the Institutional Antigen Testing and Recognizing it as Diagnostic Tests for Covid-19** – the Covid-19 outbreak in Israel began in March 2020. Establishment of the testing array for diagnosing Covid-19 infection and its operation were central components in dealing with this virus, both globally and in Israel. The ability to rapidly deploy antigen testing stations as required, to provide the public with efficient, equitable, and high-quality service has gained increased importance since this involved providing services that affected the entire population, impacted daily life, and enabled a return to normal alongside the pandemic. The audit raised that despite the increase in the spread of the pandemic from wave to wave, it took the Ministry of Health until January 2022 to expand the number of daily Covid-19 diagnostic tests by adding institutional antigen tests to PCR tests, resulting in suboptimal deployment of sampling stations and waiting lines. Establishing infrastructure that will enable the Ministry of Health to provide a rapid and quality response in emergency is essential for the health system to cope with future emergencies.

This report also includes findings from three follow-up audits – **The Burial System in Israel; Advanced Imaging Tests; Classified Information – Securing it in Archives and Preventing its Publication**. Following the rectification of deficiencies raised in previous reports is an important tool to ensure that the audited bodies have indeed addressed the required issues. Therefore, year by year, the volume of follow-up audits we conduct increases, and their level of execution improves.

**Preparing this report required a significant effort on the part of State Comptroller Office employees, who worked diligently to prepare it – with professionalism, thoroughness, fairness, and meticulousness. The office employees fulfill their public role with a true sense of mission and deserve our gratitude.**

This report covers various and diverse topics. Each chapter open to the public, as well as decision-makers, a window into the activities of the audited bodies. Thus, assisting in ensuring the integrity of the public service in the Israel and significantly contributing to enhance efficiency, savings, and integrity in the audited bodies while maintaining good governance principles.



## Foreword

Many of the audited bodies performed positive actions, the most prominent of these according to the State Comptroller's Law were expressed proportionately in the report, thus providing a full situation report of the key findings. Nevertheless, it remains the duty of the audited bodies to swiftly and efficiently address the deficiencies raised in this report.

We shall continue to pray and hope for the victory of the IDF and the defense system in this challenging war imposed upon us by our enemies who seek to destroy us as a nation and a country, for the return of the abductees to their homes, and for peaceful and tranquil days.

A handwritten signature in blue ink, reading 'Matanyahu Englman'.

**Matanyahu Englman**  
State Comptroller and  
Ombudsman of Israel

Jerusalem, May 2024