

# **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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May 2024 | 74B, 74C

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## **A b s t r a c t s**



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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



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## Chapter One

# The Defense System





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The Defense System

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# **Security of International Civil Aviation from and to Israel**






# Security of International Civil Aviation from and to Israel

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## Audit Actions

 From April 2022 to June 2023, the State Comptroller conducted a systemic audit on international civil aviation security from and to Israel. The audit examined aspects of the security of international aviation departing from Ben Gurion Airport; security of Israeli aviation coming from abroad; and security of foreign and private civilian aircraft entering Israel's airspace. The audit was carried out in the Israeli Security Agency (ISA), the Security Division of El Al Airlines, including its stations abroad, the Ministry of Transport and Road Safety (Ministry of Transport), the Israel Airports Authority (IAA), and the National Security Council (NSC). Complementary examinations were conducted at the Israel Police, the Ministry of Finance, the Israel Institute for Intelligence and Special Operations (Mossad), the Civil Aviation Authority, the Directorate of Defense Research & Development in the Ministry of Defense, the Israeli Air Force, and the Israel National Cyber Directorate.

The Subcommittee of the Knesset State Audit Committee decided not to submit the full audit report before the Knesset but rather publish only the main audit actions and excerpts from its summary due to national security under Section 17(a) of the State Comptroller Law, 1958 [Consolidated Version].

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## Summary

The State Comptroller's Office recommends that the National Security Council (NSC), in collaboration with the Ministry of Transportation, the Ministry of Finance, the Civil Aviation Authority, the ISA, and the Police, conduct a comprehensive review addressing the entire spectrum of civil aviation security in Israel, including aviation departing from Israel, Israeli aviation from 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 advises the Prime Minister and the security cabinet about the responsibility arrangement and resource allocation to ensure comprehensive oversight. The State Comptroller's Office recommends that the Prime Minister, the Minister of Transportation, and the Minister of Finance address and formulate comprehensive policies regarding aviation security.







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The Defense System

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# **Planning and Control of the Ministry of Defense's Budget Authorization to Commit**





# Planning and Control of the Ministry of Defense's Budget Authorization to Commit

## Background

The IDF and the Ministry of Defense (Defense System) operate within a budget framework, which includes the budget authorization to commit, approved by the Knesset under the annual budget law. This budget represents the maximum sum the ministry can commit in a given year for executing multi-annual contracts, including orders, agreements, or contracts with suppliers for which payment will occur in the budget year or subsequent years. The budget authorization to commit is essential for the functioning of the defense system, given the nature of its activities, with emphasis on procuring weapons systems and long-term research and development projects that necessitate multi-annual contracts. The ongoing existence and preparedness of the IDF also benefit from multi-annual contracts, which ensure economic viability, supplier certainty, and operational continuity. However, these contracts 'tie up' the defense budget in subsequent years because once the defense system enters into contracts with suppliers, it becomes committed to these obligations, limiting flexibility to address evolving needs, including emergent threats.



## Key Figures

**tens of  
billions  
of NIS**

average annual updated budget authorization to commit (including supplements during the year) in 2017–2022

**73%**

average implementation of the budget authorization to commit from the updated budget in 2017–2022

**hundreds of  
billions  
of NIS**

the cumulative sum of multi-annual contracts issued by the Ministry of Defense in 2017–2022 based on the budget authorization to commit

**54%**

of the total multi-annual contracts in 2017–2022 was designated to three main operational areas

**about  
100%**

of the foreign military financing budget until the last year of the 'American defense aid agreement' (2028) are for uses approved by the defense system. Two-thirds of them were even contractually obligated

**10%**

only on average from the estimate of sources are the remaining budget for leeway in the NIS defense budget in 2023–2027, an average of several billion NIS per year before new expenses will be added

**444**

changes in budget authorization to commit from the first quarter of 2017 to the second quarter of 2022 at NIS 68.5 billion

**65%**

the rate of quarterly petitions<sup>1</sup> submitted to the Joint Committee of the Knesset that were delayed by two to seven months from the first quarter of 2017 to the second quarter of 2022

<sup>1</sup> Petitions submitted every quarter by the Minister of Finance, according to the Defense Minister's proposals, to the Joint Committee of the Finance Committee and the Foreign Affairs and Defense Committee of the Knesset, including requests for advance approval for changes in the defense budget and retrospective reports detailing budget changes implemented by the Ministry of Defense.



## Audit Actions



From August 2022 to June 2023, the State Comptroller's Office examined the planning and control of the budget authorization to commit by the Ministry of Defense. Among other things, the following topics were examined: the process of planning the budget authorization to commit in the Ministry of Finance and the Ministry of Defense; the multi-annual budget commitments; aspects of the defense budget's rigidity, including the impact of this rigidity on the IDF's ability to execute its plans; monitoring changes in the budget authorization to commit, and aspects of the National Security Council's (NSC) staff work. The audit was conducted in the Ministry of Defense – in the Director General's office, the Budget Department, and the Finance Department; in the Ministry of Finance – in the Budget Department and the Accountant General's Department; and the NSC. Complementary examinations were made in the IDF's Multi-Branch Force Buildup Directorate.

The subcommittee of the Knesset State Audit Committee decided not to submit to the Knesset nor publish certain data of this report to safeguard Israel's security under Section 17 of the State Comptroller Law, 1958 [Consolidated Version].

## Key Findings



**Formulating the Ministry of Finance's Proposal for the Ministry of Defense's Budget Authorization to Commit** – the Ministry of Finance has not regulated the formulating of the budget authorization to commit proposal for the Ministry of Defense, at tens of billions of NIS annually. It does not document the discussions it holds with the Ministry of Defense, nor records this process. In addition, it does not conduct an organized and systematic annual process of collecting data and information on the Ministry of Defense's budget authorization to commit from previous years and processing and analyzing them in a structured manner to draw lessons. It has also not developed decision-support tools to improve the process. Thus, the Ministry of Finance's ability to establish a uniform and systematic proposal formulation process, to control it, and to maintain organizational memory within the Ministry of Finance is compromised. In addition, there is a gap between the positions of the Ministry of Finance and the Ministry of Defense regarding the need for the Ministry of Finance to have full access to all layers of information in the Ministry of Defense's computer system. The reports in the computer system allow the Ministry of Finance to view the budget set by the budget law, its changes, and the budget execution at various levels of detail; however, the information in them is limited. The reports do not contain information on orders signed with suppliers,



the content of the orders and the nature of the procurement, payment milestones, the pace of order execution, and more. As a result, the Ministry of Finance finds it challenging to analyze about 20% of the budget authorization to commit. According to the Ministry of Defense, the reports presented in the computer system were characterized in agreement with the Ministry of Finance. They enabled the latter to conduct relevant, consistent, continuous, and long-term control.

**📌 The Detailed Planning of the Budget Authorization to Commit by the Ministry of Defense** – 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. Although the budget authorization to commit does not cover all the bodies' needs, in about 40% of the programs<sup>2</sup> budgeted in 2017–2022 (except for 2021), the execution rates of updated budgets were up to 40%, and in a quarter of the programs, the execution rates were up to 20%. Furthermore, about 15% of the programs were allocated budget supplements during the year, which were not even realized, amounting from NIS 58 million to NIS 2 billion. It should be noted that 54% of the total orders and multi-annual agreements signed by the Ministry of Defense in 2017–2022 were designated to three main operational areas. Suboptimal planning of budget allocation may delay response to the bodies' needs. In addition, it was found that in 2017–2022, there was a discrepancy between the implementation of the Ministry of Defense's budget authorization to commit and its planning. The actual implementation averaged 73% of the updated budget during this period. This means that each year, not all of the budgeted multi-annual commitments were executed. Furthermore, in 2017–2020, the use of the budget authorization to commit was even lower than the original budget before any additional allocations, with implementation averaging 78% of the original budget in those years. In other words, the additional budget authorization to commit allocations given to the Ministry of Defense each year was not utilized.

**📌 The Budget Authorization to Commit Given the Multi-Annual Commitments in the Defense Budget** – the commitment report submitted by the Ministry of Defense to the Budget Department of the Ministry of Finance does not include all financial commitments of the Ministry of Defense as specified in the government decision of 2021. The report includes commitments in NIS only and does not include commitments in foreign military financing. This does not reflect a complete and comprehensive picture of all multi-annual commitments.

**📌 Examination of the Impacts of Defense Projects on the Defense Budget** – the rigidity report prepared by the Ministry of Defense, which was coordinated with the Ministry of Finance, does not reflect a scenario of a forecasted surplus of resources in the defense budget: The report presents the estimated expenditures (utilizations) in the

<sup>2</sup> A program represents a detailed level of the budget. In the defense budget, a program typically reflects the nature of the expenditure.



defense budget, averaging tens of billions of NIS annually from 2023 to 2030; however, it does not address funding sources or even the defense budget in previous years as a reference point. Hence, it does not enable the NSC and the Ministerial Committee for Defense Procurement to examine, based on a detailed and comprehensive information infrastructure, the impacts of executing a defense project on the defense budget in the coming years. It should be noted that according to an estimate by the State Comptroller's Office, the defense system is left with budgetary leeway based on an expansive assumption, from about 6% of its estimated resources in 2023 to about 11% in 2027, this is before new expenses are added over time.

**Payments from the Ministry of Defense to the Major Defense Industries<sup>3</sup>** – at the end of 2022, the Ministry of Defense had a debt of NIS 330 million to the major defense industries, almost all of it (98.5%) to Israel Aerospace Industries (IAI), with the remainder to Rafael. This debt was due to a gap between the Ministry's expenditures and financial resources, which contradicts the principle of timely invoice payment. The delay in payments by the Ministry of Defense to the major industries could lead to delays in their payments to their subcontractors, particularly small suppliers. In addition, from 2020 to 2022, an average of 36% of the total payments in NIS made by the Ministry of Defense to the three major defense industries were paid in the last quarter of each of these years. This was due to clarification of the budget situation and receipt of additional funds for the defense budget at the end of the year.

**Coordination Between the Finance Division and the Budget Division of the Ministry of Defense Regarding the Contract plan<sup>4</sup>** – contrary to the Finance and Economy Provisions on budget execution – budget handling, which instructs the accountants of government ministries to actively participate in preparing their ministry's budget proposal. The Ministry of Defense Finance Division, headed by the Ministry of Defense accountant, appointed by the Accountant General in the Ministry of Finance, does not participate in the Budget Division's planning process of the contract plan. As a result, the Finance Division is not exposed to the implications of the Budget Division's decisions regarding this plan, even though one of its roles is to plan and manage the funding for budget execution. Furthermore, there is disagreement between the positions of the Finance Division and Budget Division in the Ministry of Defense regarding the need for the Finance Division's involvement in the planning processes of the contract plan, its management, and its link to the expenditure budget: According to the Finance Division, its involvement is required to plan the financing for the execution and management of

3 The major defense industries are Israel Aerospace Industries Ltd. (IAI), Rafael Advanced Defense Systems Ltd. (Rafael), and Elbit Systems Ltd. (Elbit).

4 The Budget Division of the Ministry of Defense manages the defense budget vis-à-vis the budgetary bodies in the defense establishment using a method called the contract plan. By this method, the division sets an overall budget framework for annual and multi-annual commitments, derived from the commitment authorization budget and the expenditure and revenue-contingent expenditure budgets, and allocates it to the various bodies. The Ministry of Defense is in charge of ensuring that the total amount of payments made as part of the implementation of the contract plan does not exceed the total available resources at its disposal.



the defense budget. In contrast, according to the Budget Division, the Finance Division's involvement is unnecessary as the Budget Division has the sole authority.

**🔴 Quality of Reporting on Budgetary Changes in the Quarterly Submission to the Knesset** – the quarterly submission prepared by the Budget Division of the Ministry of Defense does not serve as an effective management tool for control by the Ministry of Finance and the Joint Committee on changes in the budget authorization to commit due to the following aspects regarding the reporting quality: (a) failure to indicate whether prior approval was obtained for budget changes; (b) insufficiently detailed explanations regarding budget changes; (c) failure to specify whether the programs affected by changes are in buildup or general areas; (d) lack of advance notice regarding changes exceeding NIS 5 million in the unclassified budget; (e) failure to specify the operational area affected by changes, using only numerical references; (f) failure to meet the deadline for submitting the official quarterly report through the Treasury to the Joint Committee in the Knesset. These findings are consistent with the Ministry of Finance and the Joint Committee in the Knesset's feedback to the State Comptroller's Office regarding the quality of reporting in the quarterly submissions. It should be noted that from the first quarter of 2017 to the second quarter of 2022, 444 changes were made to the budget authorization to commit (including transfers of funds from specific programs to others or budget supplements) at NIS 68.5 billion.

**🔴 Presenting Budget Changes on Unclassified Topics** – the Ministry of Defense fails to transparently present budgetary changes regarding unclassified matters, contrary to the government decision from 2006. It merely provides a one-time presentation of the defense budget proposal on its website without disclosing the changes made in operational areas and unclassified programs, neither in the budget authorization to commit nor in the expenditure budget.

**🔴 National Security Council's Staff Work Preparation for the Defense Ministry's Budget Authorization to Commit** – the NSC encounters difficulty in preparing the staff work for the Prime Minister for the defense budget discussions on the budget authorization to commit, which averaged tens of billions of NIS per year in 2017–2022. This challenge arises because the NSC is not exposed to the discussions held between the Ministry of Defense and the Ministry of Finance on this matter, lacks access to defense budget data, and since this area is entrusted to a single official within the NSC.

**🔴 Approval of Defense Initiatives** – the NSC failed to submit the recommendations of the team established to set additional criteria and examinations for defining defense initiatives to the Ministerial Committee for Defense Procurement, as stipulated in the government decision of 2021. This is due to the failure to reach agreements with all relevant parties regarding the definition of defense initiatives requiring approval from the Ministerial Committee for Defense Procurement. Therefore, the Ministry of Finance and





the NSC are concerned that there may be significant defense initiatives with political and defense implications whose costs are substantial but are not being examined by them.



**Multi-Annual Budget Framework** – the State Comptroller's Office commends the Ministry of Finance and the Ministry of Defense for reaching a multi-annual budget agreement for the defense budget in June 2023. A multi-annual budget will enable the Ministry of Defense to enhance multi-annual planning with a comprehensive and integrative perspective and allow flexibility in expenditures that are rigid in annual budget terms.

## Key Recommendations

- 💡 It is recommended that the Ministry of Finance regulate the proposal for the Ministry of Defense's budget authorization to commit and develop decision-supporting tools for both the framework of the commitment budget and the detailed proposal. This includes a structured and systematic analysis of the budget authorization to commit across operational areas and programs in previous years. Thus, refining the process of formulating the budget authorization to commit proposal, enabling examination not only of contracts and projects with relatively large budgets but also of relatively small programs, yet collectively adds up to billions of NIS annually (average of NIS 6.1 billion per year in 2017–2022).
- 💡 It is recommended that the Budget Division in the Ministry of Defense refine the detailed planning process of the budget authorization to commit at the beginning of each year and update budget allocations throughout the year according to the needs of the bodies within the defense system, thereby increasing certainty regarding the duration and sums of contracts. Thus, achieving optimal budget utilization.
- 💡 It is recommended that the Budget Divisions of the Ministry of Finance and the Ministry of Defense formulate the proposal for the latter's budget authorization to commit to multi-annual commitments in NIS and foreign military financing. This is because, in the coming years, a situation could arise in which there will be no budget source in foreign exchange to help finance additional uses beyond those presented by the Ministry of Defense in the usage plan.
- 💡 The Budget Division of the Ministry of Defense, in coordination with the Budget Division of the Ministry of Finance, should include in the rigidities report presented in discussions on defense initiatives, projections of future revenue sources and expenditures. Thus, the



balance of resources in the defense budget, which essentially constitutes the financial leeway available for decision-making, is illustrated.



It is recommended that the Budget and Finance Divisions of the Ministry of Defense present to the Director-General of the Ministry the existing perceptual differences between them regarding the Finance Division's involvement in the planning processes of the procurement plan and its link to the expenditure budget, and also present tools and mechanisms for improving coordination between them. In addition, it is recommended that the Director General of the Ministry of Defense and the Accountant General of the Ministry of Finance establish schedules for the joint review process to enhance control and supervision over the engagement plan budget and the defense budget. It is further recommended that they discuss the findings and recommendations arising from the examination and implement tools and mechanisms to improve control and supervision over the defense budget.



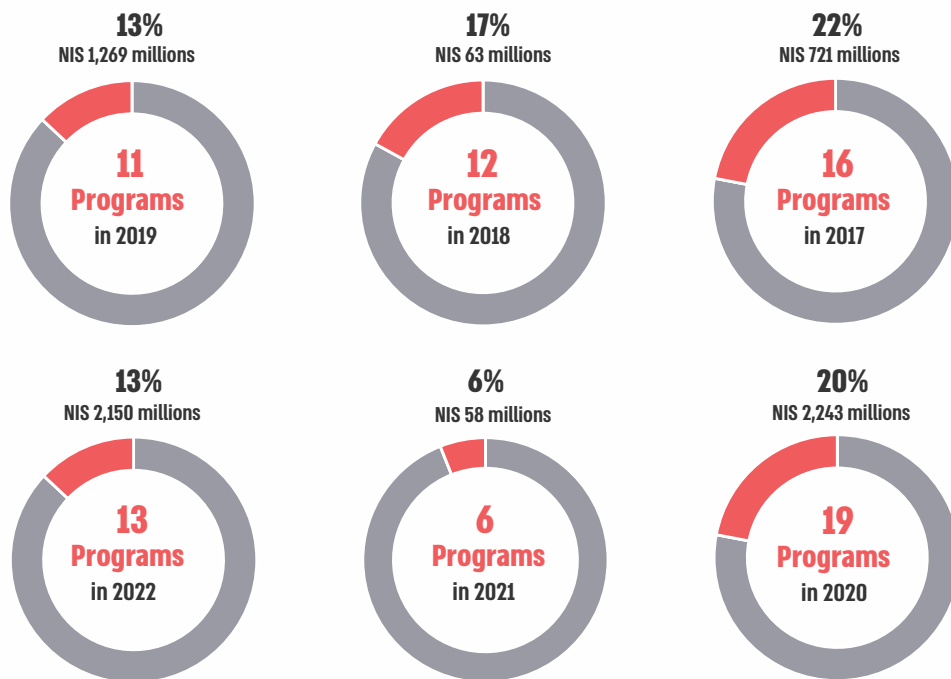
In coordination with the Joint Committee, it is recommended that the Ministry of Defense and the Ministry of Finance establish a standard procedure to outline a clear and structured reporting format for quarterly submissions, specifying the information to be provided and how it should be presented. Furthermore, it is recommended that the Ministry of Defense consider shortening the time required to submit quarterly reports to the Ministry of Finance and the Joint Committee.



It is also recommended that the NSC and the Ministry of Defense jointly consider improving the information available to the NSC regarding the Ministry of Defense's budget authorization to commit and that the NSC enhance its capabilities regarding the personnel reviewing the Ministry of Defense budget. In addition, the NSC should complete the necessary staff work to formulate recommendations regarding additional criteria and examinations for defining defense initiatives and presenting these recommendations to the Ministerial Committee on Procurement, as stipulated by the government decision from 2021. According to the committee's decisions, the NSC is mandated to review relevant defense initiatives and bring them to the committee for approval.



**The Number of Programs that Received Supplements from Budgets Authorization to Commit That Were Not Used, Their Share in the Programs Budgeted in the Same Year, and the Total Sum of These Supplements in 2017–2022 (in millions of NIS)**



According to the Budget Division Data, Processed by the State Comptroller's Office.



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## Summary

The Ministry of Defense's budget authorization to commit is the maximum the ministry can commit in a given year, enabling it to carry out multi-annual contracts at tens of billions of NIS per year. The audit raised deficiencies in the Ministry of Finance and the Ministry of Defense planning processes of the Ministry of Defense's budget authorization to commit. Furthermore, the report indicated that the Ministerial Committee for Defense Procurement is not presented with a full overview that would allow it to thoroughly examine the budgetary impacts of implementing a defense project on the defense budget in the coming years. According to an estimate by the State Comptroller's Office, the defense system has a budgetary leeway of several billion NIS on average per year from 2023 to 2027 (based on an expansive assumption), constituting about 10% of the estimated resources for these years. The audit also highlighted deficiencies in the Ministry of Defense's quarterly reporting to the Joint Committee of the Knesset on changes in the budget authorization to commit, at NIS 68.5 billion from first quarter in 2017 to second quarter in 2022.

Given the necessity of the budget authorization to commit to the functioning of the defense system and the significant sum involved, and its impact on hardening 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 military financing 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 Security 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 before the "Iron Swords" war outbreak. It should be emphasized that the deficiencies and recommendations presented in the audit report are given greater importance given the expected increase in the defense budget, including the budget authorization to commit and the multi-annual commitments in the defense budget that will be required during and after the war.



Report of the State Comptroller of Israel | May 2024

The Defense System

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# **Quality Assurance Inspections for Items Procured for the IDF**





# Quality Assurance Inspections for Items Procured for the IDF

## Background

The Department of Procurement and Production (DOPP) (MANHAR) in the Ministry of Defense is in charge, among other things, for the domestic procurement of products, systems, and maintenance services for the IDF. Engineering bodies in the IDF determine which items procured by the DOPP require inspections as part of quality assurance processes. These inspections are conducted by the IDF'S testing bodies according to the instructions of the engineering bodies or by suppliers whom the IDF's quality assurance bodies have authorized to perform self-inspections on their products and supply the product without inspections of the IDF testing bodies (self-inspection authorization). After the inspections, the testing bodies determine whether the items meet the engineering bodies' requirements and whether the IDF can incorporate them into its inventory and use them. This report deals with the inspections conducted by the Tests and Quality Assurance Unit (TQA Unit) in the Ground Forces Technological Brigade (GFTB) and the inspections conducted by authorized bodies in the Technological Group of the Air and Space Arm (Air Force)<sup>1</sup>.

The TQA Unit conducts First Series Inspections, which are inspections for items manufactured in the initial series intended to approve the serial production of items using the same materials and process. In addition, TQA performs Serial Inspections, which include inspections of all items or a sample inspection of several items from the manufactured series intended for delivery.

<sup>1</sup> Inspections for items purchased in Israel in NIS. This report does not cover inspections for items purchased using the security assistance funds provided by the United States government to the Israeli government (foreign military financing). In addition, this report does not cover other testing bodies in the IDF, such as those in the Navy.



## Key Figures

**about  
NIS 12  
billion**

scope of procurement carried out by DOPP in Israel in 2022

**27%  
(NIS 1.1  
billion)**

the items (defined as not requiring inspection) procurement rate (amount) for the Air Force in 2020–2022 which were not tested within self-inspection authorization or under the inspection of the Liaison and Logistics Unit (LLU)

**7%**

the supplier's rate with self-inspection authorization in the TQA unit in 2020–2022, compared to 59% in the Air Force

**42%–50%**

the failure rate in areas where it is higher than average (35%) in first series inspections: designated equipment, electrical and fire control, and "Northern Vehicles"<sup>2</sup>

**60%**

the failure rate in TQA unit inspections at the Rehabilitation and Maintenance Center (RBC) in 2022 (476 failures out of 788 inspections)

**35%**

the failure rate in TQA unit first series inspections in 2020–2022 (868 failures out of 2,490 inspections)

**15%**

the failure rate in TQA unit serial inspections in 2020–2022 (3,027 failures out of 20,740 inspections)

**29%**


the suppliers' rate in the Air Force in 2023 without renewal of self-inspection authorization for over four years (19 out of 65 suppliers)

<sup>2</sup> Special equipment – cranes, hoists, lifting systems; Northern Vehicles – vehicle items tested by suppliers in the north of Israel.






## Audit Actions


 From August 2022 to July 2023, the State Comptroller's Office audited the quality assurance inspections for items procured for the IDF and the supplier evaluation information system within the DOPP (MANHAR). The audit focused on the: Work processes related to quality assurance inspections performed by the TQA unit and by the Air Force Technological Group, including their supervision of suppliers certified for self-inspection authorization; differences between the Air Force's Technological Group and the TQA unit regarding work processes about quality assurance inspections; and establishment of a supplier evaluation information system in the DOPP. The audit was carried out at the Ministry of Defense: in the DOPP; and the IDF: In the Air Force – the Air Force's Quality Assurance Branch Air Maintenance Unit, and in the Liaison and Logistics Unit in the Technological Group; in the Ground Forces – the TQA unit in the Technology and Logistics Division (TLD). Additional examinations were conducted in the Ministry of Defense's Engineering and Construction Department.

The subcommittee of the Knesset State Audit Committee decided not to submit specific data from this audit report to the Knesset nor publish them, to safeguard the security of the state under Section 17 of the State Comptroller Law, 1958 [consolidated version].

## Key Findings







 **The Failure Rate in the TQA Unit's Quality Inspections and Updating the Engineering Bodies** – in 2020–2022, the TQA unit conducted 2,490 first series inspections, with suppliers failing in 868 inspections (35%), in addition, the unit conducted 20,740 serial acceptance inspections, with suppliers failing in 3,027 inspections (15%). The audit found that the TQA unit is not required to update the engineering bodies of the Ground Forces (who defined the required inspection characteristics), the demanding bodies<sup>3</sup>, or the DOPP regarding inspection failures. Consequently, all the bodies above do not analyze the occurrence of failures in first series inspections and in serial acceptance inspections, including the failure causes.

 **The TQA Unit Monitoring and Documentation of Recurrent Inspections** – in 2020–2022, 80.4% of suppliers that supplied items in this period of time for at least two years, failed in first series inspections, and 72.3% of suppliers failed in serial acceptance inspections. However, the TQA unit does not record whether first series inspections or

3 Entities within the IDF authorized to submit procurement requests to the Ministry of Defense.



serial acceptance inspections are recurrent, does not charge suppliers for recurrent inspections, and does not define a minimum timeframe between inspections. Although repeat inspections put a strain on the TQA unit's resources and may cause supply delays; although the lack of documentation on repeat tests prevents the TQA unit from conducting control and investigation to reduce the number of repeat inspections; and although failure to charge suppliers for repeat inspections suppresses their motivation to improve their quality control mechanisms during production and increases TQA's inspection costs. Moreover, when a supplier fails an inspection, he rapidly turns to TQA to set up a reinspection without allocating sufficient time to rectify the identified defects.

-  **Results of the Inspections at the Rehabilitation and Maintenance Center (RBC)** – RBC failed in 60% of the inspections (476 out of 788) conducted by the TQA unit extension at RBC. The audit found that the TQA unit is not required to update RBC's commanding officer, the engineering bodies in the Ground Forces, or the demanding bodies regarding various aspects of RBC's inspection failures. The failure to update these bodies precludes investigation and extraction of lessons to reduce RBC's inspection failures. In addition, though the information system of the TQA unit extension at RBC records the repeat inspections performed on items, TQA unit does not analyze the data from repeat inspections to raise the issues causing the failures, to the attention of RBC personnel and to the engineering bodies.
-  **Setting Service Norms in the Air Force** – the Air Force Technological Group has not set in its instructions norms regarding the timeframes for conducting supplier inspections. Furthermore, LLU does not record the dates of suppliers' inspection requests and consequently does not measure the time elapsed from the requested date to the inspection date, thus potentially affecting the quality of service.
-  **Frequency of Renewal Inspections for Self-Inspection Authorization Conducted by the Quality Assurance Branch in the Air Force** – the Quality Assurance Branch's 2023 work plan did not include certification renewal inspections for 19 suppliers who have not undergone inspections in the past four years, but rather only for eight of them. Thus, 11 out of 19 suppliers (58%) will not undergo renewal inspections in 2023, deviating from the timeframe stipulated in the Air Force Technological Group's instruction regarding self-inspection certification.
-  **Absence of Supplier Evaluation Information System at the DOPP** – contrary to the Ministry of Defense directive from June 2019, the DOPP has not established a supplier evaluation information system for documenting supplier performance and ensuring ongoing monitoring. Although 75% of the data required for operating the supplier evaluation information system is derived from DOPP systems, the DOPP does not regularly use them for supplier evaluation purposes. Furthermore, the audit found that the characterization for establishing a supplier evaluation system in the DOPP did not include an end-user satisfaction metrics. Therefore, when selecting a supplier, the DOPP



does not generate insights into supplier quality and does not prefer suppliers based on past performance. Supplier evaluation is critical given the extensive procurement volume managed by the DOPP – NIS 12 billion in 2022.

**End-User Evaluation Regarding Suppliers in the Supplier Evaluation Information System of the Engineering and Construction Department in the Ministry of Defense (ECD)** – in 2017, the ECD established an information system for evaluating suppliers in the construction sector (applying mainly to contractors and planners). ECD measures suppliers according to the following criteria: (a) Adherence to schedule – 40%; (b) Quality of work – 30%; (c) Timely submission of documents (such as work schedule and work logs) – 10%; (d) Submission of invoices without reservations, including relevant accompanying documents – 10%; (e) Overall assessment by a supervisor – 10%; (f) Deductions in the overall score due to safety incidents – up to 20% reduction. However, the audit found that ECD's supplier evaluation information system does not include metrics regarding the end-user (initiator and recipient of the construction project) whose needs the infrastructure is supposed to meet. As a result, supplier evaluation is lacking because it does not include variables to measure the end-user's satisfaction level when the project is delivered for use and during the defined usage period (e.g., the inspection period).

**Transfer of Quality Assurance Inspection Data from IDF to DOPP** – despite DOPP's requests, the IDF does not provide it with data regarding acceptance inspection results conducted by IDF inspection units or decisions on whether to approve, renew, or revoke a supplier's self-inspection authorization, based on quality inspections conducted by IDF bodies for suppliers. The absence of this feedback prevents the DOPP from deriving insights regarding the quality level of suppliers and hampers its ability to improve work processes and supplier layout.



**TQA Unit Monitoring on Suppliers with Self-Inspection Authorization** – in 2020–2022, the TQA unit implemented its work plans for quality assurance audits<sup>4</sup> at an average rate of 97% and its work plans for validation tests<sup>5</sup> at an average rate of 93%.







<sup>4</sup> Quality assurance inspection is a review of production processes, conducted on an annual basis.

<sup>5</sup> Verification tests are tests to assess product compliance with engineering requirements, conducted twice a year.



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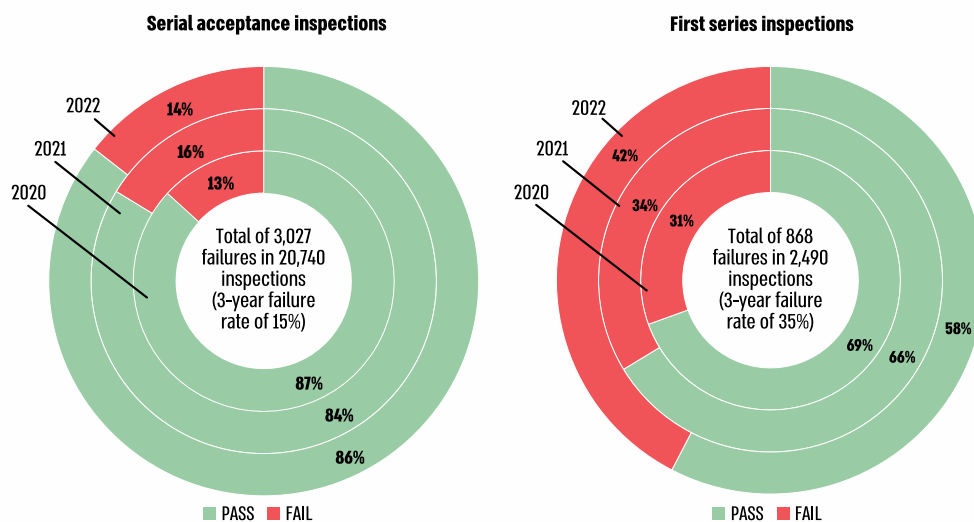
## Key Recommendations

-  It is recommended that the Ground Forces Technological Brigade (GFTB) establish procedures so the TQA unit updates the engineering bodies in the Ground Forces (who define the required inspection characteristics), the relevant demanding bodies, and the DOPP regarding failed inspections and suppliers. Thus, enabling these bodies to analyze and characterize the reasons for failure and work with the suppliers, if needed, for example to improve their process quality control. The results of the inspections can be used by the DOPP to evaluate supplier performance as part of procurement supervision and to optimize the array of suppliers and engagements.
-  It is recommended that the TQA unit document repeat inspections, monitor the rate of repeat inspections among suppliers, and, in collaboration with the DOPP and the Ministry of Defense's Finance Department, consider developing a mechanism to charge suppliers for repeat inspections, and thus incentivize them to improve their quality control processes.
-  It is recommended that the Quality Assurance Branch in the Air Force Technological Group set service norms for suppliers and that the Liaison and Logistics Unit (LLU) record and monitor the dates requests for quality inspection and the inspections' dates to enable control over service times.
-  It is recommended that the Quality Assurance Branch in the Air Force continue the planning of re-certification inspections for self-inspection authorization as required by the Air Force Technological Group's instructions and reduce gaps in this area so that by the end of 2024, no suppliers will remain without a re-certification inspection for over four years. In addition, it is recommended that the Air Force Technological Group examine the alignment between the resources of the manpower invested in self-inspection authorization processes and the requirements for implementing the multi-year plan on this matter.
-  It is recommended that the DOPP establish a supplier evaluation information system while reevaluating the criteria for assessment and score calculation for suppliers as defined in the 2015 technical specification document on the supplier evaluation information system in the DOPP. This includes examining the implications of not including the results of inspections by IDF inspection bodies and the IDF's activity regarding supplier certification for self-inspection authorization as part of the evaluation components. Furthermore, it is recommended that the DOPP consider establishing criteria for end-user evaluation. In addition, it is recommended that the Engineering and Construction Department (ECD) consider incorporating an end-user satisfaction component into its supplier evaluation information system to evaluate projects, not just from the construction field's perspective.
-  It is recommended that the DOPP include data held by the IDF in the supplier evaluation information system and that the Director General of the Ministry of Defense and the Deputy Chief of Staff instruct the DOPP and IDF bodies to implement a joint mechanism for the



systematic and ongoing transfer of data from IDF inspection bodies to the DOPP regarding acceptance inspections and self-inspection authorization processes they conduct for suppliers.

### Pass and Failure Rates in First Series Inspections and Serial Acceptance Inspections Conducted by the TQA Unit in 2020–2022



According to TQA unit data, processed by the State Comptroller's Office.



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## Summary

Quality assurance of items in the IDF encompasses an assemblage of processes in the various branches to ensure that items supplied to the IDF meet its requirements. These processes are implemented, among other means, through the specification of technical requirements for items by engineering bodies and through inspections conducted by IDF inspection bodies and suppliers authorized for self-inspection to detect discrepancies. It should be noted that the IDF can accept only items requiring examination and that have successfully passed inspections. A supplier evaluation information system in the DOPP is needed to encourage suppliers to meet high service standards and select suppliers based on past performance.

The audit found that contrary to the Ministry of Defense directive from June 2019, the DOPP has not set a supplier evaluation information system, and the IDF does not transfer data to the DOPP regarding the results of its quality assurance processes. Furthermore, differences exists between the Air Force Technological Group and the TQA unit regarding the work processes required for quality assurance of procured items.

It is recommended that the DOPP establish a supplier evaluation information system and incorporate IDF data into it; that the Director General of the Ministry of Defense and the Deputy Chief of Staff instruct the DOPP and IDF bodies to implement a joint mechanism for systematic and continuous transfer of data from IDF inspection bodies to the DOPP. In addition, it is recommended that the Deputy Chief of Staff instruct the branches to assess the relative advantages of work processes in each branch regarding quality assurance for procured items.



Report of the State Comptroller of Israel | May 2024

The Defense System

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**Classified**  
**Information – Its**  
**Security in Archives**  
**and Prevention of**  
**Publication –**  
**Follow-up Audit**







# Classified Information – Its Security in Archives and Prevention of Publication – Follow-up Audit

## Background

The State of Israel, like many other countries, possesses information that must remain confidential to safeguard national interests. This is due to the risk of hostile entities misusing the information, jeopardizing national security, foreign relations, and other critical areas. At the same time, archival materials are meant to be accessible to the public under the conditions specified in the Archives Law, 1955, and the Archives Regulations (Access to Archived Materials Held in the Archives), 2010.

Materials from state institutions that are no longer in use, including those containing classified information, are deposited in the Israel State Archives (the State Archives), headed by the State Archivist. The State Archives operates under the Archives Law and its regulations. Classified materials are also deposited in archives within the defense establishment organizations, recognized by the State Archivist as branches of the State Archives. Such as the IDF and Defense System Archives (IDF Archives), the Mossad Archives, and the Israeli Security Agency (ISA) Archives. In addition, classified materials are held in specific archives, public archives, and by private owners.

In August 2020, the State Comptroller published an audit report about "Classified Information – Its Security in Archives and Prevention of Publication"<sup>1</sup> following an audit conducted on this topic from July 2018 to March 2019 (the previous audit). The previous audit raised that the State Archives, specific other archives, and public and private archives contain classified archival materials. Many of these materials are either not subject to national information security arrangements or their compliance with them is questionable. Furthermore, there were deficiencies and delays in making archival materials accessible to the public, even though the limitation period on their disclosure had ended.

<sup>1</sup> According to Section 17 of the State Comptroller Law, 1958 [Consolidated Version], and to protect national security, the Subcommittee of the Knesset State Audit Committee decided not to present data from the previous report to the Knesset or the public.



## Key Figures

**about**

**3 million  
files**

with about 500 million pages of paper, as of September 2023, deposited in the State Archives

**about NIS  
65 million**

the State Archives budget in 2022

**79,533  
files**

not disclosed to the public as of December 2022, are in the State Archives, even though their disclosure limitation has ended

**about  
3 years**

have passed since the "Ghostwriters Team"<sup>2</sup> recommended regarding retired employees in the legal and administrative fields. Nevertheless, the issue of unauthorized access to classified material has yet to be resolved

**about**

**18 million  
classified  
items,**

are in the IDF Archives as of July 2023

**about  
1.1 million  
files**

not disclosed to the public are held in the IDF Archives as of December 2022, even though their disclosure limitation has ended

**1,101  
files (about  
0.1%) only**

disclosed in 2022 in the IDF Archives, from all files whose disclosure limitation period has ended

**public  
archives  
exist<sup>3</sup>**

either owned or managed by a non-profit entity approved by the government, in a notice published in the state's records, as a public archive

<sup>2</sup> In December 2015 the Attorney General decided to establish a team to consider forming a directive regarding the discourse of former senior officials in the Defense system with Ghostwriters or journalists.

<sup>3</sup> As defined by the Archives Law.



## Audit Actions



From February to August 2023, the State Comptroller's Office examined whether and how the previous audit's deficiencies were rectified (the follow-up audit) in the following areas: applicability of the Law for the Regulation of Security in Public Bodies, 1998 (the Security Regulation Law), on specific archives; aspects relating to the disclosure of restricted archival material for security reasons after the end of the limitation period; supervision of archives, both public and private; aspects related to classified materials held in public and private archives; and disclosure of classified information to unauthorized parties in the process of writing books by former elected officials and civil servants. The audit was conducted at the State Archives, the Ministry of Defense – including the IDF Archives and the Director of Security of the Defense Establishment (MALMAB), the Ministry of Justice, the Israel Security Agency (ISA), the IDF Intelligence Directorate – in the Censorship Unit for Press and Communication (Censorship) and the Information Security Department, and the National Security Council (MALAL).

The Knesset State Audit Committee Subcommittee decided not to submit to the Knesset nor publish parts of this audit to safeguard national security under Section 17 of the State Comptroller Law, 1958 [Consolidated Version].

## Key Findings



### **Applicability of the Law for the Regulation of Security in Public Bodies, 1998 to Certain Archives**


– the previous audit raised that specific archives containing classified materials are not included in the Prime Minister's Office units and are not explicitly mentioned in the amendment to the Security Regulation Law. The audited bodies have different opinions on whether the Security Regulation Law applies to them.


**The follow-up audit found that this deficiency had not been rectified.** Although over three years have passed since the previous audit was published, the information security in these archives has not been settled. In addition, as of the end of the follow-up audit in August 2023, an authorized officer does not directly guide these archives, nor approved the appointment of their security supervisor.

Consequently, the employees' positions in these archives have not been assigned a security classification, which could expose classified materials to unauthorized parties. Furthermore, the follow-up audit raised concerns, that the State Archives, the Prime Minister's Office, the ISA, and the Ministry of Justice, in coordination with the bodies in charge of security of the various archives and classified materials in them, did not



implement the previous audit recommendation, and failed to conduct systematic work. The issue was not brought to the attention of the Attorney General to decide whether the Security Regulation Law applies to the archives above.

 **Disclosure of Documents After Expiration of the Limitation Period** – the previous audit raised that many files containing classified materials in the State Archives and IDF Archives, for which the disclosure limitation period had expired, had not been disclosed. This was particularly evident in the IDF archives. **The follow-up audit found that this deficiency had not been rectified.** The number of files that had not been disclosed in the State Archive as of the end of 2022 was 79,353. In 2020–2022, the disclosure rate in the archive decreased from 29% to 16% (a decrease of 45% in the disclosure rate). In addition, it was noted in the follow-up audit that the disclosure rate in the State Archive is low, averaging 21% in 2020–2022. According to the disclosure rate of 2022 (16%), the disclosure period for files that have completed the limitation period is about seven years. In addition, the follow-up audit found that the disclosure rate of materials stored in the IDF archive was less than one-tenth of a percent in 2022, averaging 0.11% in 2020–2022, thereby undermining the public's right to access this material. As of September 2023, about 1.1 million files in the IDF archive were subject to disclosure delays.

 **Confidentiality After Expiration of the Limitation Period Without Approval of the Ministerial Committee** – the previous audit found that in thousands of cases where confidentiality was imposed on archival materials after the expiration of the limitation period, without the approval of the ministerial committee<sup>4</sup> as required by the Archives Law, partly due to difficulty in convening the committee. **The follow-up audit found that this deficiency had not been rectified.** It was found that from the end of the previous audit in December 2019 until the end of the follow-up audit in August 2023, the State Archives prepared a bill for a new Archives Law, which includes an alternative mechanism to the aforementioned ministerial committee. In addition, the Ministry of Justice prepared two opinions to examine the issue. As of August 2023, the end date of the follow-up audit, and as noted in the previous audit, the normative situation has not changed. According to the Archives Law, the ministerial committee is authorized to approve the State Archivist's designation of archival material as classified due to harm to national security or foreign relations and to impose special restrictions on access to this material. However, this committee did not convene during the period reviewed in the audit. Thus, files whose disclosure limitation period has ended are not made public, even though the Ministerial Committee has not designated the materials in these files as classified for reasons of harm to national security or foreign relations.

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<sup>4</sup> The Archives Law stipulates that the State Archivist, with the approval of a committee of three ministers appointed by the government (the ministerial committee), may designate archival material as confidential due to harm to national security or foreign relations and impose special restrictions on access to this material.



**Classified Archival Material Held in Public and Private Archives** – the previous audit noted that, according to MALMAB documents, classified archival materials are held in public and private archives. It was recommended that the ISA lead a staff work on classified archival materials, including those of state institutions, in public and private archives and determine a course of action to address this problem. **The follow-up audit found that the deficiency was slightly rectified.** Since the end of the previous audit in December 2019, there has been no significant change in the handling of classified archival materials held in public and private archives. The audited bodies have not regulated this situation, nor at least designated authorized entities to supervise information security in these archives and handle the matter. The follow-up audit also found that as of the audit's conclusion in August 2023, except for the MALMAB team operating in public archives under the authorization of the State Archivist, no progress has been made in addressing the handling of classified archival materials in public archives. The issue remains unresolved, and classified materials stay in public and private archives.

**Authority of MALMAB to Operate in Public and Private Archives** – the previous audit found that MALMAB's activity in public and private archives (to prevent disclosure of information that could harm national security) is carried out under authorization from former State Archivists and with the consent of archive managers, but is not regulated by legislation. **The follow-up audit found that this deficiency had not been rectified.** There has been no change in the regulation of MALMAB's (Director of Security of the Defense Establishment) responsibility for handling all classified materials in public and private archives at all classification levels. In addition, MALMAB's authority in this context has not been defined, except for the authorization from the State Archivist, which serves as a temporary solution to the lack of legal regulation. Without such regulation, the security of classified information held in public archives could be compromised.

**Disclosure of Classified Information to Unauthorized Parties in the Process of Writing Books by Current or Former Public Officials** – the previous audit found that during the production of books involving 'ghostwriters' who lack security clearance expose them to classified information. **The follow-up audit found that this deficiency had not been rectified.** Although the Ghostwriters Team published a report in September 2020 on "Ghostwriters," which included recommendations in the legal field (including the creation of a legal document that consolidates various legal provisions regarding the protection of defense information, and updating the Attorney General's guidelines on "Declaration of Classified Information under Section 113(d) of the Penal Code"); in the administrative field (including creating and assimilating a training process for elected officials whose roles require exposure to classified information, and reviewing the communication protocols of various bodies with the media); and regarding retired employees (creating guidelines on aspects of maintaining information security and handling of classified information after retirement, holding a specific discussion with all defense bodies and the Prime Minister's Office regarding those who retired following a trans-organizational career path, and formulating a guidelines document for these senior



officials, as well as promoting legislation that establishes post-retirement restrictions). Despite the above, as of the conclusion of the follow-up audit in August 2023, the Ministry of Justice had not formulated a framework to implement the report's recommendations to prevent the exposure of classified material to unauthorized individuals during the writing of books by current and former elected officials and civil servants. As a result, unauthorized parties are still being exposed to classified material, as stated.







**Supervision by the Archivist over Public and Private Archives** – the previous audit raised that managers of public archives failed to submit annual reports to the State Archivist. **In the follow-up audit, it was found that the deficiency was rectified mainly.** In 2022, 10 public archive managers submitted reports as required. However, 11 public archive managers failed to submit reports as needed.

**The Need for Two Procedures (at the stage of disclosing archival materials) – Disclosure and Censorship** – the previous audit raised that archival materials were examined by two entities – disclosure teams from the archive approving the perusal of materials and censorship authorities approving their publication. **In the follow-up audit, it was found that the deficiency was fully rectified.** In December 2020, a joint work procedure was signed for the State Archive and censorship: "Procedure for the Disclosure of Sensitive Defense Material Deposited in the State Archive," and the disclosure procedure was streamlined. The procedure stipulates that the State Archive will recruit employees trained as security expositors, and censorship will be integrated into their training; thus, archival materials will be examined by one entity only.







## Key Recommendations

-  The State Comptroller's Office reiterates its recommendation that the Prime Minister's Office and the State Archives regulate the status of certain archives containing classified material with the assistance of the Ministry of Justice and the ISA. Thus providing a systemic solution for security in these archives and preventing material exposure to unauthorized parties. The latter should focus on information security aspects and security guidelines provided by an officer qualified to classify positions in archives.
-  The Archives Law states that "any person is entitled to peruse archival material deposited in the State Archives; however, this right may be restricted by regulations." The disclosure of archival material after the restriction period is essential in light of the public's right to access this material. The State Comptroller's Office recommends that the State Archivist work with the depositors<sup>5</sup> to increase the disclosure rate, considering the limitations arising from the documents' security classification, to improve public access.
-  The State Comptroller's Office recommends that the Prime Minister's Office and the State Archives, with the assistance of the Ministry of Justice, address the entire issue of disclosure in the new Archives Law proposal, as indicated in the Prime Minister's Office's response to the previous draft report from July 2019. In this context, the public's right to review archival material, as mentioned above, should be considered. The State Comptroller's Office further recommends that the Ministry of Defense, including the IDF Archives, increase the rate of disclosure in the IDF Archives while considering the limitations deriving from the documents' security classification to improve public access to such materials after the disclosure limitation period and to uphold the public's right to access archival materials, including security-related ones, within the necessary constraints.
-  The State Comptroller's Office recommends that the State Archives, with the assistance of the Ministry of Justice, complete the drafting of the proposed law, establish a timeline for finalizing the proposal, and advance it – to prevent the recurrence of extending confidentiality without the approval of the appropriate authorities. The State Comptroller's Office recommends that the Prime Minister submit a proposal to the government to appoint a ministerial committee to approve the State Archivist's recommendations to designate archival material as classified for national security or foreign relations and impose special restrictions on access to this material. This should remain in force until an alternative mechanism is legislated to replace the ministerial committee. Furthermore, until an alternative mechanism to the "ministerial committee" is legislated and after the ministerial committee as mentioned is appointed, the State Archives and IDF Archives should submit for the committee's approval, as required by the Archives Law, the materials whose disclosure limitation period has ended, and which they wish not to disclose, and obtain the

<sup>5</sup> Depositor: a state institution or local authority that has deposited archival material in the State Archives.





committee's approval to designate them as classified or secret and the restrictions that will apply to their access.

-  The State Archivist should ensure to receive annual reports from all public archive managers, as stipulated in the Archives Regulations.
-  The State Comptroller's Office recommends that the Prime Minister's Office and the State Archives, with the assistance of MALMAB, the ISA, and the Ministry of Justice, conduct a thorough review of the presence of classified archival material, including those from state institutions, in public and private archives. This review should determine a course of action for addressing this issue, including identifying the authority handling the matter. Based on the findings of this review, it is necessary to regulate and oversee classified material in public (and private?) archives.
-  Alongside the critical activity carried out by MALMAB under the State Archivist's authorization, it is essential to regulate the handling of all classified material in public and private archives across all classification levels. Therefore, the State Comptroller's Office recommends that the Prime Minister's Office regulate the responsibility for handling such material in collaboration with the Ministry of Justice and the Ministry of Defense.
-  In addition, the State Comptroller's Office recommends that the Attorney General, based on the "Ghostwriters Team" recommendations, develop tools to regulate the sharing of information by retirees with assisting individuals during the writing of books or in similar events. This includes addressing the legal and administrative aspects of formulating guidelines for former elected officials and civil servants regarding information security and the protection of classified information.








The Rectification Extent of the Key Deficiencies Noted in the Previous Audit


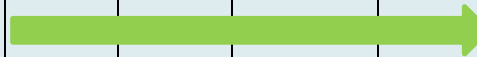

The Audit Chapter	The Audited Body	The Deficiency Noted in the Previous Audit	The Rectification Extent of Deficiencies Noted in the Follow-Up Audit			
			Not Rectified	Slightly Rectified	Significantly Rectified	Fully Rectified
Applicability of the Law for the Regulation of Security in Public Bodies, 1998, to specific archives	Prime Minister's Office, Ministry of Justice, State Archives, ISA	Specific archives containing classified material are not included in the units of the Prime Minister's Office. The supervised bodies have different opinions on whether the Security Regulation Law applies to them.				
Disclosure of documents after expiration of the disclosure restriction period	State Archives, IDF Archives	The State Archives and the IDF Archives have not disclosed many files containing classified materials after the expiration of their disclosure restriction period. This was particularly evident in the IDF archives.				



The Audit Chapter	The Audited Body	The Deficiency Noted in the Previous Audit	The Rectification Extent of Deficiencies Noted in the Follow-Up Audit			
			Not Rectified	Slightly Rectified	Significantly Rectified	Fully Rectified
Confidentiality after expiration of the restriction period without approval of the ministerial committee	Prime Minister's Office, Ministry of Justice, State Archives	In the thousands of cases where confidentiality was imposed on archival materials after the expiration of the limitation period, were done without the approval of the ministerial committee <sup>6</sup> as required by the Archives Law, partly due to difficulty in convening the committee.				
Supervision of the State Archivist over public and private archives	State Archives	Managers of public archives failed to submit annual reports to the State Archivists.				
Classified archival material held in public and private archives	Prime Minister's Office, Ministry of Justice, ISA	Archival material, including classified material, is held in public and private archives.				

<sup>6</sup> The Archives Law stipulates that the State Archivist, with the approval of a committee of three ministers appointed by the government (the ministerial committee), may designate archival material as confidential due to harm to national security or foreign relations and impose special restrictions on access to this material.



The Audit Chapter	The Audited Body	The Deficiency Noted in the Previous Audit	The Rectification Extent of Deficiencies Noted in the Follow-Up Audit			
			Not Rectified	Slightly Rectified	Significantly Rectified	Fully Rectified
MALMAB's authority to operate in public and private archives	Prime Minister's Office, Ministry of Justice, Ministry of Defense, National Security Council	MALMAB's activity in public and private archives to prevent disclosure of information that could harm state security is authorized by former State Archivists and with the consent of archive managers, but is not regulated by legislation.				
The need for two procedures (at the archival material disclosure stage) – disclosure and censorship	State Archives, Censor	Archival material was reviewed by two entities – the archive's disclosure teams that approve access to the materials and officials from the Censor that approve their publication.				
Disclosure of classified information to unauthorized parties in the process of writing books by serving or former elected officials or public servants	Attorney General	In producing ghostwriters' books with the participation of individuals who lack security clearance expose them to classified information.				



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## Summary

The State Archives and its branches, primarily the IDF Archives, contain archival material of various classification levels, including classified material. The follow-up audit found that although issues central to the previous audit were handled by the relevant parties, five out of nine significant deficiencies noted in the previous audit, on which the follow-up audit was focused, remain unaddressed over three and a half years after the State Comptroller submitted the previous audit. In addition, one deficiency was only slightly rectified, one significantly rectified, and two fully rectified.

The State Comptroller's Office recommends that the Prime Minister's Office, the Ministry of Justice, the ISA, MALMAB, the State Archives, and the IDF Archives conduct a comprehensive review to find a systemic solution to the ongoing deficiencies related to the security of classified information held in the State Archives and specific other archives. This includes addressing the disclosure of classified information by current and former public officials to unauthorized individuals while writing books and the disclosure of material from the State Archives and IDF Archives after their restriction period expires. Failure to address and regulate these issues could expose classified information to the public and compromise national security.



Report of the State Comptroller of Israel | May 2024

The Defense System

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# **Prevention of Fraud and Embezzlement at Israel Aerospace Industries Ltd.**





# Prevention of Fraud and Embezzlement at Israel Aerospace Industries Ltd.

## Background

Israel Aerospace Industries Ltd. (IAI or “the Company”) is a government-owned corporation as defined in the Government Companies Law, 1975. IAI, one of Israel's largest defense industries, operates through four business divisions: Missile and Space Systems Division, Military Aircraft Division, Aviation Division, and Military Electronics Division, whose activity is carried out through Elta Systems Ltd., a government subsidiary under full IAI ownership. As of the end of 2022, IAI had about 13,800 employees, 5,100 suppliers, and 46 held corporations, 26 of which were overseas, and its annual revenue was about USD 4.97 billion.

Embezzlement and fraud can cause severe organizational damage, such as financial losses, damage to reputation, regulatory sanctions, and loss of customers. According to an ACFE study<sup>1</sup>, organizations lose about 5% of their annual revenue due to embezzlement and irregularities. Every organization is vulnerable to embezzlements and fraud, and it is impossible to eliminate the risk of their occurrence. However, organizations can mitigate this risk through various measures, including fostering a proper organizational culture and raising awareness among employees and managers at all levels; developing a structured plan for detecting and addressing embezzlement and fraud, as well as preventing them; and implementing dedicated controls and specialized systems within the organization designed to manage these risks.

In January 2020, the Government Companies Authority issued a circular regarding corporate risk management in government-owned companies and subsidiaries (Circular on Risk Management 2020), which stipulates that the risk management of each company should address at least several types of risks noted in the circular, including risks of embezzlement and fraud.

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<sup>1</sup> The Association of Certified Fraud Examiners (ACFE) is an international organization.



## Key Figures

**USD 4.97  
billion**

annual revenue  
turnover of IAI in  
2022

**83**

where fraud and  
embezzlement were  
rated in the latest  
corporate IAI risk  
survey in 2020 out of  
85 risks\*

**26%**

of employees in the  
procurement field  
do not comply with  
company guidelines  
to rotate between  
roles every five  
years

**130**

the internal audit  
recommendations  
received by the  
company's management  
were implemented a  
year behind the time set.  
Among these, 81 were  
implemented with a  
delay of over two years  
(as of December 2022),  
including fraud and  
embezzlement  
recommendations

**about  
34%  
(814)**

respondents (IAI  
employees) to the  
State Comptroller's  
Office  
questionnaire\*\* did  
not know whom to  
approach if they  
wanted to report  
integrity breaches

**about  
23%—  
33%  
(557–787)**

respondents (IAI  
employees) to the  
State Comptroller's  
Office questionnaire  
believed that various  
types of fraud and  
embezzlement can be  
perpetrated in the  
company, including  
misappropriation of  
equipment, supplier  
fraud, and falsified  
attendance reports

**about  
55%  
(1,305)**

respondents (IAI  
employees) to the  
State Comptroller's  
Office  
questionnaire were  
unaware of the  
existence of a  
"hotline" for  
reporting  
complaints openly  
or anonymously

**about 11%  
(264)**

10% of respondents  
(IAI employees) to the  
State Comptroller's  
Office questionnaire did  
not know if they would  
report fraud or  
embezzlement occurring  
in the company if they  
had information about  
it, and about 1% of  
respondents said they  
would not report the  
issue


\* On a scale where "1" reflects the highest risk and "85" the lowest. According to IAI, the corporate risk survey determines risks whose realization could endanger the corporation, and based on the company's experience, instances of fraud do not usually reach significant financial amounts and do not fall into the category of key corporate risks.

\*\* During the audit (in May 2023), the State Comptroller's Office distributed a questionnaire regarding fraud and embezzlement risks among the company's employees.





## Audit Actions


 From January to July 2023, the State Comptroller's Office examined the IAI, the Government Companies Authority, and the Director of Security of the Defense System (MALMAB) regarding fraud and embezzlement at IAI in 2019–2022 (on specific issues, the audit applied to the period ending on June 30, 2023). The audit examined the company's risk management system, focusing on the management of fraud and embezzlement risks: evaluating the control environment for risk management, assessing monitoring and handling the risks, handling cases of fraud and embezzlement by MALMAB, and supervision by the Government Companies Authority on this matter. The audit was conducted at IAI, ELTA, the Government Companies Authority, and MALMAB.

Moreover, (conducted in May 2023), the State Comptroller's Office distributed a questionnaire among 14,126 IAI employees on fraud and embezzlement risks within the company. 2,411 employees (about 17%) fully answered the questionnaire.

The subcommittee of the Knesset State Audit Committee decided not to submit to the Knesset and not publish some data from this audit report to safeguard the security of the state under section 17 of the State Comptroller Law, 1958, [consolidated version].

## Key Findings



 **Management of Fraud and Embezzlement Risks at IAI** – although IAI has formulated a document titled "Fraud and Embezzlement Risk Prevention Policy," the topic is not anchored in a separate procedure. Handling these risks is divided among various factors within the company and defined in numerous regulations. It was found that the division of authority and responsibility defined in IAI's regulations for dealing with fraud and embezzlement risks and incidents is unclear, with overlaps between different factors. Moreover, the required internal reporting mechanisms when such incidents occur, including reporting to the chief risk officer, are ambiguous.

No factor in IAI, including the chief risk officer, has a central comprehensive database of fraud and embezzlement incidents detected within the company in 2019–2022, which can undermine the management and handling of embezzlement and fraud risks.

From January 2019 to June 2023, incidents of fraud and embezzlement occurred at IAI, including cases of false reporting, abuse of authorization for changes in information systems, theft or personal use of company property, and falsification of expense



reimbursements. However, the risks associated with these incidents were not ranked among the top twenty risks in the company's 2021 fraud and embezzlement risk survey, which could cast doubt on the quality of the risk likelihood assessment.

**🔴 Appointment of a Chief Risk Officer and his Responsibility for Managing Fraud and Embezzlement Risks** – according to the Government Companies Authority's 2020 Risk Management Circular, in a government company classified as 9 and above (IAI's classification), the Chief Risk Officer should not hold other positions. Contrary to this circular, and despite the numerous tasks of the Chief Risk Officer as defined in the Risk Management Circular, which require significant attention and resources, the company's board of directors appointed the company's Chief Financial Officer (CFO) as Chief Risk Officer in July 2021. The CFO position is complex by itself and entails responsibility for all financial aspects of the company. This appointment could compromise the independence of the Chief Risk Officer and create a conflict of interest between his different roles.

From 2010 until the end of the audit (July 2023), responsibility for managing fraud and embezzlement risks at IAI was transferred between various factors. Since 2021, this responsibility has been held by the CFO, who also serves as Chief Risk Officer.

**🔴 Meeting of the Board's Risk Management Committee** – in 2018–2022 (except for 2020), the Board's Risk Management Committee failed to meet every quarter as stipulated in IAI's corporate risk management policy document and corporate risk management procedure. In addition, there were periods of time during these years, from six months to a year, at which the committee did not convene, such as from July 2018 to July 2019.

**🔴 Rotation in Sensitive Positions** – one of the main controls that can reduce embezzlement is the rotation of employees in key positions with access to company funds and assets, such as buyers, accounting and finance personnel. Rotating employees in these positions can hinder employees wishing to embezzle company assets. However, IAI has not mapped out sensitive positions for rotation. The procurement area lacks a structured and managed rotation process, and about 26% of procurement employees do not adhere to the rotation logic established by company management guidelines from 2011 and updated in 2017. In addition, no rotation is performed in the finance area, with some employees holding their positions for many years, including 45 employees (about 8% of all finance employees) who have been in their roles for over 15 years.

**🔴 "Hotline" for Submitting Anonymous Complaints and Employee Inquiries on Integrity Issues** – one of the most common methods for detecting irregularities and felonies within a company is through information from various sources such as employees, customers, and suppliers. One mechanism for receiving such information is a "hotline" reporting system, which allows for effortless transfer of information and complaints from within and outside the organization, even anonymously if desired.



However, the State Comptroller's Office survey raised that 55% of respondents were unaware of the existence of the "hotline." Employees in the ELTA and Missile and Space Systems divisions were less aware of the "hotline" than employees in other divisions (37% and 42% respectively, compared to 52%). The engineering sector was less aware of the "hotline" than other sectors (38% compared to an average of about 51%). Furthermore, employees who have been with the company for 6–20 years were less aware of the "hotline" (an average of 38.5% compared to 50%).


**Preventing Conflict of Interest** – according to the company's Conflict of Interest Prevention Procedure, employees in certain positions must sign a conflict of interest declaration form every two years. The list of positions includes, among others, employees of a certain rank and above (department head level), accounting supervisors, members of procurement and tender committees, various employees who engage in business with building contractors, those who determined specifications for suppliers, or members of a negotiation team with suppliers. It was found that IAI is aware that its 2018 Conflict of Interest Procedure does not reflect the actual work process and that the company's process for preventing conflicts of interest among its employees, implemented through a dedicated system first introduced in August 2021, is neither efficient nor effective, hence requiring substantial changes. It should be noted that IAI is revising this procedure, still it was not completed as of July 2023.


**Supervision and Control of Subsidiaries** – at the end of 2022, the Company had 46 subsidiaries, 26 of which are abroad. 17 of these subsidiaries (37%) are wholly owned by the Company, nineteen (41%) are not wholly owned but are consolidated in IAI's financial statements, and ten (22%) are less than 50% owned by IAI. According to IAI's December 31, 2022 financial statement, the Company's most significant subsidiary is ELTA. It was found that only in 2021 did the Company begin to define its control mechanisms for managing risks in its subsidiaries, and in 2022, it started to advance a risk management process in them, as well as a SOX process in four of them. Out of these, the documentation of processes and writing of controls have been completed in two subsidiaries. At the end of the audit (July 2023), gaps exist in IAI's control over some of its subsidiaries, including the failure to adopt a risk management mechanism and insufficient reporting. This is despite IAI identifying gaps in the oversight and control of its subsidiaries in the 2015 fraud and embezzlement risk survey, including those related to fraud and embezzlement risks. These gaps were also noted in risk surveys conducted in 2017 and 2021 and in the company's internal audit reports, which recommended to close these gaps, including the implementation of SOX in the subsidiaries.

**Implementation of Internal Audit Recommendations** – at the end of 2022, 130 internal audit recommendations at IAI had been accepted by company management. However, their implementation was delayed by over a year, of which 81 recommendations were delayed by over two years. Among the recommendations postponed by over a year were those relevant to IAI's corporate risks, including regulatory compliance, business intelligence, intellectual property management, and



compliance program implementation. In addition, there were controls for preventing fraud and embezzlement recommendations, such as authorization and database management.

 **MALMAB's Procedure on Criminal Investigations** – IAI and ELTA are entities guided by MALMAB, in charge of matching the reliability of employees in the defense system and those employed by it, to their duties including in the guided entities, as well as conducting criminal investigations within the defense system entities. IAI must comply with MALMAB's instructions on various issues, including handling criminal incidents that occur within it. Since 2007, the MALMAB criminal investigations procedure in defense system bodies has not been updated, and the MALMAB operates differently from the established procedure. This is reflected in a draft procedure that has yet to be approved. As long as no updated procedure is approved, the decision-making process within MALMAB regarding whether or not to investigate a matter brought before it remains unformalized.

 **Supervision and Monitoring by the Government Companies Authority** – until the end of the audit (July 2023), the Government Companies Authority had partially automated the system it planned to establish in 2022 to support its work processes. Automation of the receipt and monitoring of reports from government companies, including risk management reports such as risk surveys and failure events, has not yet been completed. The Government Companies Authority has not reviewed the implementation of its guidelines in the 2020 risk management circular, following the recommendations of the State Comptroller's report on "Prevention of Embezzlement in Government Ministries and Government Companies" from 2022, nor have these guidelines been updated. In addition, the Authority has not follow-up the implementation of controls in this matter in government companies, nor does it send update notifications to the entities it oversees about discovered embezzlement cases or publish recommendations to reduce exposure to embezzlement risks.





**The Legal Advisor's Activity in Establishing a Forum for Information Sharing on Integrity Issues** – the legal advisor's establishment of a regulators' forum within the company is commended. In addition to the legal advisor herself, this forum includes the internal auditor, the chief risk officer, the VP of Human Resources, and the security officer whose role is to address integrity, improve the flow of information, and provide updates on the various relevant factors within the company.

**Internal Auditor's Enhancement of Risk Management Control in the Company** – the internal auditor's method of developing a risk-based work plan is commended.



## Key Recommendations

-  Given the central role of the company's chief risk officer, who guides and supervises various company risk holders, and the importance of its independence in the main processes conducted within the company, it is recommended that the company's board of directors appoint a chief risk officer who meets the requirements of the Government Companies Authority's circular.
-  It is recommended that IAI review its various procedures, including the Code of Ethics, handling complaints and public inquiries, human resources organization, and the risk management, and make the necessary adjustments. This includes defining the responsibilities and authority of each role in the company handling, reporting, and sharing information about fraud and embezzlement incidents, including of the chief risk officer. It is further recommended that the chief risk officer coordinate all fraud and embezzlement incidents within the company. In addition, given the ethical and organizational importance of integrity, it is recommended that the company management review the criteria defined for ranking the severity of fraud and embezzlement risks, including the handling of embezzlements involving amounts that are insubstantial to the organization, as well as the required controls in these processes.
-  It is recommended that IAI enhance measures to reduce fraud and embezzlement risks, including allowing company management to map sensitive positions for approval by the board. This mapping should encompass roles with access to the company's funds and assets, especially those in procurement and finance. Additionally, a policy regarding rotation within these positions should be developed and enforced. In addition, it is recommended that the company increase awareness among all its employees about reporting through the "hotline," especially in cases of integrity breaches. This is due to the importance that the company attaches to managing complaints and inquiries from employees and the public to improve business management, enhance the controls it implements, and foster its reputation and image. The "hotline" is crucial for detecting irregularities, increasing trust between employees and the company, and deterring employees from engaging in prohibited activities. Furthermore, IAI should continue addressing gaps to prevent conflicts of interest among all relevant employees and prioritize the resolution of these gaps among employees at management levels and unique groups such as procurement staff. It is also recommended that IAI complete the process changes to prevent conflicts of interest among its employees, update its relevant procedures, and assimilate these changes into its information systems.
-  It is recommended that IAI enhance supervision and control over the divisions and directors acting on behalf of the held companies; implement a risk management mechanism in them, as prescribed, including embezzlement and fraud risks; and expand the scope of SOX implementation in additional held companies. In addition, given the centrality of the role of directors in the held companies, including in risk management, it is recommended that



IAI ensure the training of directors appointed by it at a time close to their appointment and provide relevant and targeted training in the subject, including in the prevention of fraud and embezzlement. It is also recommended that IAI examine the directors' ability to perform this role properly in several held entities in addition to their role in the company, emphasizing subsidiary companies.



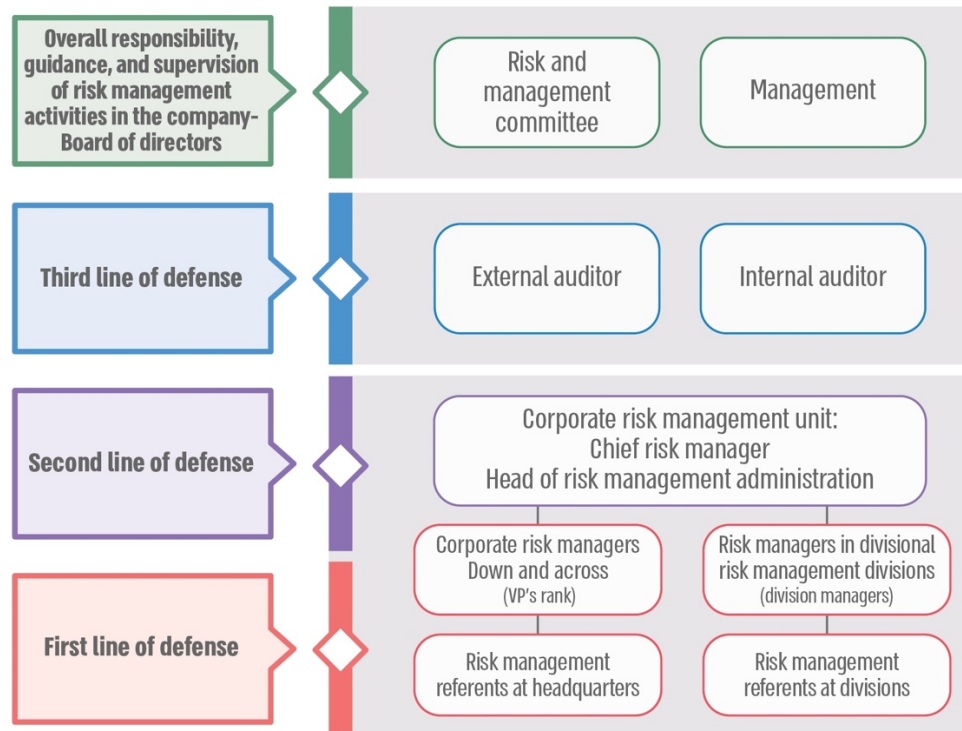
It is recommended that MALMAB promptly approve updated procedures regarding criminal investigations within defense system bodies and bring them to the guided bodies' attention, including IAI. Furthermore, given the urgency of taking steps by the guided body, including internal investigation of the incident and establishing controls to prevent recurrence, it is recommended that the evolving procedure also update the relevant factors in the guided body as early as possible.



It is recommended that the Government Companies Authority complete the automation of work processes and interfaces with government companies, including receiving company reports on risk surveys procedures, failure events, and significant failure events. In addition, it is recommended that the authority expand reporting obligations, including detailing incidents classified as medium or low severity. The Authority should require government companies to immediately report significant failure events, including incidents involving officeholders in the government company. It is also recommended that the Government Companies Authority receive detailed reports from IAI on such events, even if they are not significant in the Israel Securities Authority and do not require reporting to it.



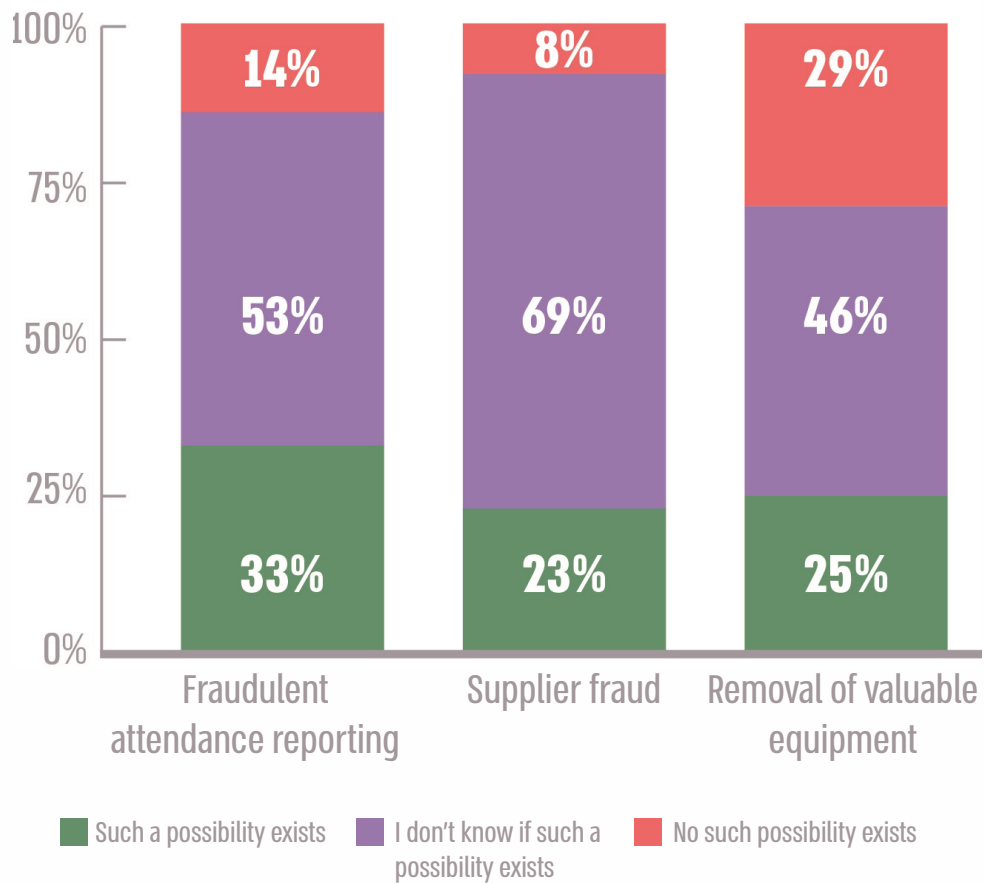
## Mechanism of Authority and Responsibility in Risk Management – Lines of Defense at IAI



According to IAI's 2023 policy document, processed by the State Comptroller's Office.



**Distribution of IAI Employees' Assessments Regarding the Likelihood of Embezzlement and Fraud Events Occurring, by Type**



Based on responses from IAI employees to a State Comptroller's Office questionnaire.





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## Summary

Israel Aerospace Industries (IAI), one of the largest defense industries in Israel, is a wholly state-owned government company. Given the large scale of its financial activity (with revenues of about USD 4.97 billion in 2022), the complexity of its operations, and its large number of employees (around 13,800) and suppliers (around 5,100), it is exposed to embezzlement and fraud risks that need to be managed and mitigated. The audit found deficiencies, including in the appointment of the Chief Risk Officer and the exercise of his responsibilities. Gaps were found in the controls and measures to reduce embezzlement and fraud incidents within the company, including mapping sensitive positions and formulating a rotation policy, supervising conflicts of interest among employees, and supervising and controlling subsidiaries. In addition, an ambiguity was found in the division of authority and responsibility in handling embezzlement and fraud incidents and the prevention of their recurrence.

Embezzlement and fraud incidents can cause financial damage to any company and harm its image and organizational culture. IAI is a government-owned defense company engaged in the core of Israel's defense activity, where the reliability of its employees and suppliers is critical, including from a security perspective. This importance is further heightened given its large number (46) of subsidiaries, its widespread geographical distribution, and its limited control over some of them. To optimally prevent embezzlement and fraud incidents, IAI should improve the necessary controls, including those over the operations of its domestic and international subsidiaries, considering the report's findings and recommendations.





Report of the State Comptroller of Israel | May 2024

## Chapter Two

# Government Ministries and State Institutions





Report of the State Comptroller of Israel | May 2024

Systemic Issues

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# **The Financial Statements of the State of Israel as of December 31, 2022 – Fixed Assets**





## The Financial Statements of the State of Israel as of December 31, 2022 – Fixed Assets

### Background

According to Section 12 of the State Comptroller Law, 1958 [Consolidated Version], every year, at a date set by the state Comptroller, no later than six months after the end of the fiscal year, the Minister of Finance shall submit to the State Comptroller a "comprehensive report on the state's revenues and expenditures for that year." Moreover, at a date set by the Comptroller, no later than nine months after the end of the fiscal year, the Minister of Finance shall submit to the State Comptroller the "balance sheet of the state's assets and liabilities as of the end of the fiscal year." The state's consolidated financial statements as of December 31, 2022, were submitted to the State Comptroller and published on July 16, 2023.

Fixed assets are tangible items kept for use in the production or supply of goods or services, for rental to others, or administrative purposes, which are expected to be used for more than one period. The fixed assets in the state's financial statements are a significant part of the overall financial statements and include, among other things, civilian infrastructure assets, military assets and defense equipment, buildings and assets under construction, public housing assets, machinery and equipment, office equipment and office furniture, vehicles and transportation, hardware and computing systems, and medical equipment and devices. Fixed assets also include state-owned land, although these are presented in a separate section.



## Key Figures

**212**

all bodies<sup>1</sup> whose financial data were included in the state's consolidated financial statements for 2022

**49**

bodies whose financial data were included in the state's consolidated financial statements for 2022 but did not have audited financial statements (23%)

**NIS  
2,009  
billion**

all assets presented in the state's consolidated financial statements as of December 31, 2022

**NIS  
1,166  
billion**

book value of the land item owned by the state, included for the first time in the consolidated financial report as of December 31, 2022

**NIS 532  
billion**

the book value of the fixed assets item (excluding land) as of December 31, 2022, compared to NIS 518 billion as of December 31, 2021 (an increase of about 3%)

**the year  
2006**

the year in which the Government Companies Authority issued a circular on fixed assets. The circular has not been updated since, nor was it found that the authority enforced the obligation to implement it

**125  
years**

the estimated useful life of infrastructure assets for depreciation purposes, which are mainly roads, according to the financial statements of the Ministry of Transportation for 2022, compared to estimates of various government infrastructure companies ranging from 6.67 years to 50 years

**NIS 9.9  
billion**

the budget surplus of government activity in 2022. This is the first year since 1987 in which the government finished with a budget surplus

<sup>1</sup> State authorities, government ministries, auxiliary units, government companies, and more.





## Audit Actions



From March to October 2023, the State Comptroller's Office examined various trends raised in the consolidated financial statements of the state and the financial reports of several government ministries for 2022. The fixed assets item in the financial statements was also examined. The audit was conducted mainly in the Accountant General's Department at the Ministry of Finance and several government ministries, auxiliary units, and other government bodies, including the Ministry of Foreign Affairs, the Ministry of Construction and Housing, the Israel Land Authority, the Ministry of Transportation and Road Safety (Ministry of Transportation), and the Ministry of Health. Supplementary examinations were conducted at the Government Companies Authority.

## Key Findings




### Trends Raised in the State's Financial Statements for 2022


- 2022 concluded with a net accounting surplus of about NIS 72 billion. Compared to 2021, the net accounting deficit decreased by about NIS 207 billion (from a net accounting deficit of about NIS 135 billion to a net accounting surplus of about NIS 72 billion). The net accounting surplus in 2022 was due to increased state revenues and reduced state expenditures compared to 2021.
- The overall decrease in the budget deficit relative to GDP in 2022, by about 5 percentage points compared to the deficit in 2021, is attributed to an increase in state revenues by about 0.6 percentage points of GDP from tax revenues, a reduction in expenditures on the economic program to address the Covid-19 pandemic by about 3 percentage points of GDP, and a decrease in current expenditures by about 1.3 percentage points of GDP.
- In 2022, the state's revenues from direct taxes, indirect taxes, and fees, according to the financial statement data, were about NIS 535 billion – a growth of about NIS 61 billion compared to 2021. The main source of this increase was several large payments due to capital gains, trapped profits, and corporate income tax advances.
- The primary expenditures in 2022 were in the following areas: defense and internal security: about NIS 95.5 billion; the rest of the ministries: about NIS 77.2 billion; education: about NIS 71.9 billion.



### **The Financial Statements Included in the Consolidated Financial Statements of the State of Israel as of December 31, 2022**

- As part of the state's financial statements for 2022, published on July 16, 2023, the financial data of 212 bodies were included. Of these, 49 (about 23%) did not have audited financial statements when the state's financial statements were prepared. Review of the aspect of having an auditor opinion raised that 130 bodies (about 61%) received an unqualified (clean) opinion from their auditors. In contrast, 29 bodies (about 14%) received a qualified opinion, and the auditors abstained from providing an opinion for one body.
- The audit opinion on the financial statements of 23 bodies (about 11%) had not yet been published when the state's financial statements were prepared. Therefore, the information on these bodies is based on bookkeeping data or an unaudited draft. In addition, the information included for ten bodies (about 5%) is based on financial reports from 2021 or earlier, as their 2022 reports had not yet been submitted by the time the state's financial statements were prepared.

 **Audit of the Consolidated Financial Statements of the State of Israel by an External Auditor** – all four compared countries – the United States, Australia, New Zealand, and Canada, present an independent auditor's report on their consolidated financial statements. This report indicates the type of opinion, the basis for the opinion, and key audit points. In contrast, in Israel, the consolidated financial statements are not audited by an external and independent auditor. Unaudited reports result in financial statement users being unable to assess how well the financial condition of the audited body is reflected in the financial reports and the extent to which the reports comply with accepted accounting principles.

 **Completeness of the Asset and Fixed Asset Sections in the State's Financial Statements** – the State of Israel's financial statements should adequately reflect the entirety of its assets and liabilities. The total state assets presented in the financial statements as of 31.12.22 was about NIS 2,009 billion, compared to about NIS 799 billion as of 31.12.21 – an increase of about 151%, from the inclusion of the state's lands for the first time as a balance sheet item in the financial report. These assets do not include many assets whose value or cost is very substantial, such as the state's investments in the defense system, some overseas and some intangible assets, and assets contingent upon proceeds from natural resources at about NIS 34.8 billion<sup>2</sup>.

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<sup>2</sup> Proceeds from natural resources are classified as contingent assets, as defined in Government Accounting Standard No. 19, and are therefore disclosed only in the notes to the financial statements, showing the value of contingent assets.



**Fixed Assets Section in the Financial Statements of the Ministry of Health** – according to the auditors' disclaimer regarding the consolidated financial statements of the Ministry of Health as of December 31, 2022, the cost of fixed assets at about NIS 14,491 million does not fully reflect all the ministry's assets. The cost includes assets that may have been permanently removed from active use and not deducted from the ministry's asset base. Moreover, psychiatric and geriatric hospitals and Ichilov Hospital did not report fixed assets (except for buildings) in their financial statements, and the costs of fixed assets are presented as expenditures when incurred<sup>3</sup>.

**The Fixed Assets Item in the Financial Statements of the Ministry of Foreign Affairs** – the cost of fixed assets in the financial statements as of December 31, 2022, was about NIS 405 million (after completing the identification and measurement of most fixed assets in its ownership in 2022). Fixed assets previously unaccounted for were included at initial recognition based on their fair value estimate. However, it was found that the identification, recognition, measurement, and presentation of certain fixed asset items of the Ministry of Foreign Affairs had not been completed. Consequently, some of the acquisitions of fixed assets in 2022 were included in the financial performance report instead of in fixed assets<sup>4</sup>.

**The Determination Method of the Depreciation Rate on Roads in the Ministry of Transportation's Financial Statements** – no documentation was found at the Ministry of Transportation about the method of determining the depreciation rate of roads, which has been in effect since 2009 at a rate of 0.8% per year (depreciation over 125 years). For comparison, an examination conducted by the State Comptroller's Office in the financial statements of various companies of the depreciation rate on roads and infrastructure raised that:

(a) At Israel Ports Company, the depreciation rate on roads and operational areas is 4%–5% (depreciation over 20 to 25 years);

(b) At Israel Railways, the depreciation rate on infrastructure is 2%–15% (depreciation over 6.67 to 50 years);

(c) At Israel Electric Corporation, the depreciation rate on power stations is 2%–3.33% (depreciation over 30 to 50 years). Another comparison of the valuable life of civil infrastructure assets as listed in the financial statements of the State of Israel compared to benchmark countries showed that in Israel, the depreciation of civil infrastructure assets spans over 20 to 125 years; in Canada, from 10 to 100 years; in Australia from 1

3 The foregoing appears as a disclaimer in the auditors' opinion on the ministry's financial statements as of December 31, 2022.

4 The foregoing appears as a disclaimer in the auditors' opinion on the ministry's financial statements as of December 31, 2022.



to 400 years<sup>5</sup>; and in the financial statements of New Zealand, which are more detailed, it is specified that for foundations of pavement (sidewalks) infrastructure, depreciation spans from 75 to 150 years, for pavement surfaces – from 11 to 14 years, and bridges – from 90 to 100 years.

**🗨 The Measuring Method of Fixed Assets in the Financial Statements of the State and the Examined Ministries** – it was found that all four ministries examined – the Ministry of Construction and Housing, the Ministry of Health, the Ministry of Foreign Affairs, and the Ministry of Transportation, present fixed assets in their financial statements based on the cost method. Therefore, the real value of the fixed assets is not presented in the financial statements. It was also found that the accounting policy applied in the United States and Canada after the item was recognized as a fixed asset is identical to the policy used in Israel based on the cost model. However, Australia and New Zealand apply a different revaluation model.

**🗨 Presentation of Real Estate Investment in the Financial Statements of the Housing Administration** – despite the provisions of Government Accounting Standard No. 16 regarding real estate investment, which requires disclosure of their fair value, the Housing Administration did not include such disclosure in its financial statements for 2022 or previous years. Instead, the financial statements noted that disclosure regarding the fair value of real estate investment was not included due to the scope of assets under the administration's responsibility and its inability to estimate the value of all assets as of the date of the financial statements.

**🗨 Audit Reports on Fixed Assets** – the fixed assets are of substantial proportion out of total assets in the balance sheets of the government ministries audited as of December 31, 2022 (Ministry of Construction and Housing – total fixed assets at about NIS 14,830 million, constituting 94% of total assets in the balance sheet; Ministry of Health – total fixed assets at about NIS 14,491 million, constituting 59% of total assets in the balance sheet; Ministry of Foreign Affairs – total fixed assets at about NIS 405 million, constituting 41% of total assets in the balance sheet; and Ministry of Transportation – total fixed assets at about NIS 148,421 million, constituting 83% of total assets in the balance sheet). However, in recent years, no audit report on fixed assets was prepared either for the Ministry of Construction and Housing or the Ministry of Foreign Affairs. In the Ministry of Health, an audit report was prepared only for laptop computers, and only the Ministry of Transportation has prepared in recent years an internal audit report on fixed assets.


**🗨 Comparison of Depreciation Rates in the State's Financial Statements Relative to the World** – it was found that there is a similarity between Israel and the compared countries (Canada, Australia, and New Zealand) in terms of the useful life of some fixed


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<sup>5</sup> Due to the wide variety of these infrastructure assets, which mainly include communication networks, transportation infrastructure, and electricity, the depreciation period ranges from one to 400 years.



asset items, such as military assets and defense equipment (two to 55 years); however, these countries differ in the useful life of other fixed asset items, such as machinery and equipment (two to 30 years). In addition, there are fixed asset items for which the useful life is not presented in Israel's financial statements. In contrast, this information is presented in some compared countries, such as cultural and heritage assets and aircraft. In addition, it should be noted that there are compared countries, such as New Zealand, whose financial statements present 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.

 **Signs of Impairment in the Fixed Assets Section** – no documentation was found that the accounting departments of the Ministries of Construction and Housing (total fixed assets as of December 31, 2022, at about NIS 14,830 million); Health (total fixed assets in the consolidated report as of December 31, 2022, at about NIS 14,491 million); Foreign Affairs (total fixed assets as of December 31, 2022, at about NIS 405 million), and Transportation (total fixed assets as of December 31, 2022, at about NIS 148,421 million) examined signs of impairment in the value of fixed assets at the end of each year.

 **Supervision and Control by the Government Companies Authority over Fixed Assets in Government Companies** – it was found that the Government Companies Authority circular on fixed assets in government companies, on the supervision and control of assets in these companies, was issued in 2006 and has not been updated since. In addition, the Government Companies Authority does not examine the scope of assets in government companies, including assets that are not in use, assets presented at a symbolic value, or assets not presented at all in the reports.









**Presenting State Lands as Assets in the Balance Sheet** – the State Comptroller's Office commends the progress made in presenting state lands as assets on the balance sheet in the financial statements for 2022, at about NIS 1.166 billion. However, the financial statements still include several reservations regarding the estimated value of the lands, and the completeness and reliability of the data.



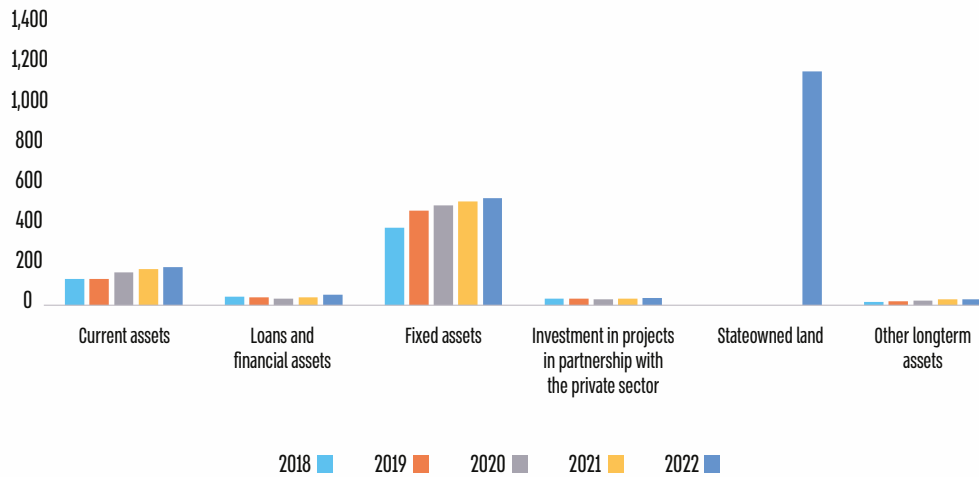
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## Key Recommendations

-  It is recommended that the Accountant General's Department ensure that the consolidated financial statements of the State of Israel are audited by an external auditor to enhance their reliability.
-  It is recommended that the Accountant General's Department cooperate with bodies consolidated in the state's financial statements to address recurring reservations made by auditors in their opinions in the financial statements, particularly in the financial statements of the audited government ministries.
-  The Accountant General should complete the mapping of fixed assets held by the state, including those in the Ministry of Defense, for proper accounting, registration and presentation in the state's financial statements.
-  The Accountant General should improve the land data to present them completely and fully in the financial statements.
-  It is recommended that the Ministry of Health present all fixed assets in the financial statements of hospitals and ensure the proper presentation of fixed assets in its books. In addition, it is recommended that the Ministry of Foreign Affairs complete the process of identifying fixed asset items, and the processes of recognizing, measuring, and presenting them in the Ministry's financial statements as assets. Furthermore, in collaboration with the Chief Accountant, the Ministry of Transportation should review the depreciation rate for roads in the Ministry's financial statements and ensure it aligns with the allocation of funds for road maintenance according to the budget model developed for road maintenance and as is customary in similar bodies.
-  Given that the fixed assets in the audited government ministries are relatively significant compared to the total assets in the balance sheet as of December 31, 2022, it is recommended that the financial auditors in the accounting departments of the Ministries of Construction and Housing, Health, and Foreign Affairs consider, conducting an internal audit on fixed assets, as part of the annual work plan and in collaboration with the Audit Division of the Accountant General.



### Breakdown of State Assets, 2018–2022 (in NIS billions)



According to the state's financial statements for 2018–2022, processed by the State Comptroller's Office.



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## Summary

2022 concluded with a net accounting surplus of about NIS 72 billion. Compared to 2021, the net accounting deficit decreased by about NIS 207 billion (from a net accounting deficit of about NIS 135 billion to a net accounting surplus of about NIS 72 billion). The net accounting surplus in 2022 was due to increased state revenues and reduced state expenditures compared to 2021. Furthermore, the total assets presented in the state's financial statements as of December 31, 2022, was about NIS 2,009 billion, compared to about NIS 799 billion in total assets as of December 31, 2021. This represents an increase of about 151%, due to including the state's lands as a balance sheet item in the financial report for the first time. 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, for lease to others, or administrative purposes, which are expected to be used for over one period. Fixed assets are of great importance in the state assets and significantly impact all of its financial statements; therefore, the recognition of fixed assets, their registration, and their accounting measurement must be conducted properly.

In the audit, it was found that in 2022, progress was made: for the first time, land was included in the balance sheet. However, the fixed asset data are still not fully presented in the state's financial reports; they contain numerous disclaimers and lack significant components, particularly assets of the Ministry of Defense. 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 measurement method 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, fixed assets are presented 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 assets whose useful life is not presented at all in Israel's financial statements, for example, cultural, heritage and, aviation assets, as opposed to some compared countries (Canada, Australia, and New Zealand) where this data is presented. It was also found that there are compared countries, such as New Zealand, whose financial statements present more detailed information than those of the State of Israel, regarding fixed assets such as roads, the electricity grid, and the railway network.

The Accountant General should map the fixed assets held by the state, including those in the Ministry of Defense, for proper accounting registration and presentation in the state's financial statements. In addition, he should rectify the deficiencies raised in this report regarding the presentation of fixed assets and the completeness of the data. In addition, the Accountant





General should improve land data to present them fully and comprehensively in the state's financial statements.





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The Prime Minister's Office

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# **State Archives – Preservation of Archival Material of the State Commission of Inquiry into the Disappearance of Children of Yemeni Immigrants**





## State Archives – Preservation of Archival Material of the State Commission of Inquiry into the Disappearance of Children of Yemeni Immigrants

### Background

The Archives Law, 1955 (the Archives Law), and the regulations promulgated thereunder establish the legal, professional, and administrative framework for handling archival material of government ministries, local authorities, and state institutions. The State Archives – the State Archives of the State of Israel – operates as a unit in the Prime Minister's Office, and among other things, it preserves materials of historical, national and social importance that deserve to be preserved permanently.

In 1995, the government appointed a state commission of inquiry headed by Supreme Court Justice Yehuda Cohen regarding the disappearance of children from among Yemeni immigrants in 1948–1954. In 1999, during the Commission's work, Supreme Court Justice Yaakov Kedmi was appointed to head it (the Cohen-Kedmi Commission). In 2001, the Commission submitted the report. According to the report, given claims that have arisen about the disappearance of babies, the Commission was expected to determine the extent of the disappearance, the reasons for its occurrence, and the ones bearing responsibility for its occurrence. In November 2016, the government decided to allow the publication of the materials of the Cohen-Kedmi Commission.



## Key Figures

**22**

years after the loss of a computer deposited by the Cohen-Kedmi Commission in the State Archives, there is concern that the Commission's documents and data that were stored on it were lost with it

**138**

archive files that were lent to the Archive's employees who no longer work there were not returned

## Audit Actions



In January 2023, the "Echai Forum for the Families of the Kidnapped Children of Yemen, the East, and the Balkans" ("Echai Forum") requested the State Comptroller's Office to investigate the disappearance of archival material of the Cohen-Kedmi Commission deposited in the State Archives. According to the request, in 2020, the forum asked the State Archives to receive, among other things, the Commission's computer that was deposited in the State Archives with the material stored on it. However, the State Archives replied, "The computer was not located." The State Comptroller's Office investigated the matter. The investigation was conducted at the State Archives.

## Key Findings



**Loss of the Cohen-Kedmi Commission Computer and its Contents** – the Cohen-Kedmi Commission deposited in the State Archives, a computer containing the Commission's electronic records which was lost in the archive. For unclear reasons, the State Archives did not save the contents of the computer after it was deposited there. As a result, 22 years after the computer was deposited in the archive, there is concern that the Commission's documents and data stored on the computer were lost with it and will not be released to the public, as required by the government's resolution from November 2016.



**The Procedure for Depositing a Computer** – according to State Archives documents, in January 2022, close to 20 years after the Cohen-Kedmi Commission deposited the computer in the archive, a procedure dealing with the receipt of digital material deposited in the State Archives came into effect, stipulating, among other things, that the material



would undergo a backup procedure, to preserve it. However, the procedure does not address the depositing of the computer itself in the State Archives or its scrapping methods.

**🗨 Storing of Audio-Visual Material in the Archive** – the State Comptroller representatives toured the State Archives building. They found the Cohen-Kedmi Commission's audio-visual archival material in an open container on a table in the corridor, not in an archiving facility, as required by the State Archives procedures.

**🗨 The Borrowing of the Computer** – after the Cohen-Kedmi Commission's computer was deposited in the State Archives, it was lent to one of the State Archives employees without details being completed on the form, such as the date of the borrowing, allowing the tracing of the computer, and it was never returned. It was also raised that the State Archives employees did not notice that the computer had disappeared until receiving a request from "Echai Forum" to review it. When the request was received, the State Archives replied that it could not locate the computer.

**🗨 Borrowing of Archive Files** – 138 archive files lent to the State Archives employees who no longer work there were not returned.

**🗨 Rules for the Return of Borrowed Archival Material** – in an e-mail sent by the State Archivist to the State Archives employees in September 2022, an interim summary regarding the lending of materials to the State Archives employees was included, stating that the lending duration of the files to the State Archives employees would be limited to one month. As of July 2023, following the interim summary distributed by the State Archivist in September 2022 to employees, the State Archives did not regulate lending archival material to State Archives employees, ensuring that materials are appropriately returned. For example, the State Archives did not install a computerized alert regarding material not returned by the time set.

## Key Recommendations

**💡** It is recommended that the State Archives update its procedures and regulate the entire procedure of borrowing and returning archival material, including updating the borrowing and returning in its computerized system.

**💡** The State Archives should locate all archival material deposited in it, borrowed, and returned to the State Archives facilities. It must regulate the deposition of a computer in the State Archives and the preservation of its contents. It must also ensure that all the archival material deposited in the State Archives, including audio-visual material, will be well preserved in the State Archives facilities. It is further recommended that the State Archives computerize the records of borrowing archival material.



## The Archival Material of the Cohen-Kedmi Commission Found in an Open Container



Photographed by the audit team on June 22, 2023.





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## Summary

The State Archives should locate all the archival material deposited in the State Archives and loaned, return it to the State Archives facilities, and ensure that the material will be well preserved in them. Furthermore, the State Archives must regulate borrowing and returning archival material and depositing computers and comply with them. It is further recommended that the State Archives draw lessons from the loss of the Cohen-Kedmi Commission computer, act accordingly, and rectify all the deficiencies noted in this report.





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Ministry of Health

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# **Advanced Imaging Tests – Follow-up Audit**





## Advanced Imaging Tests – Follow-up Audit

### Background

Medical imaging is a field of tests in which internal parts of an examined body are visually depicted using images.

Medical imaging is used for clinical diagnosis, such as detecting severe diseases, planning patient treatment, monitoring their condition, physiological research, and assistance before and during invasive activity.

This report focuses on three advanced imaging tests performed with advanced imaging machines – MRI<sup>1</sup>, CT<sup>2</sup>, and PETCT<sup>3</sup> scanners.

Radiology specialists interpret MRI and CT scans, while PETCT scans are interpreted by nuclear medicine specialists. This report follows up on findings from a previous report published in May 2015 – "Advanced Imaging Tests<sup>4</sup>."

Israel has instituted a policy designed to, among other things, reduce the demand for expensive tests and the financial expenditure associated with them by restricting the supply of medical devices. Among other measures, this is done by limiting licensing for machines based on population size. Public Health Regulations (Special Medical Devices), 1994 were enacted to implement the policy. The Regulations address, among other things, CT, MRI, and PETCT scanners and specify the criteria for licensing and determining the rate of devices per capita.

According to the Public Health Ordinance 1940, the Minister of Health, with the approval of the Minister of Finance and the Health Committee of the Knesset, shall outline the regulations, rules, tests, and criteria for licensing medical devices, subject to various considerations. From the above mentioned, any change in the device quotas specified in the Public Health Regulations (Special Medical Devices), 1994 requires approval from the Ministry of Finance

- 1 Magnetic Resonance Imaging (MRI) – an imaging device based on magnetic resonance. MRI enables imaging and diagnosis of medical conditions without ionizing radiation and with high sensitivity.
- 2 Computed Tomography (CT) – A device using a radiation source that rotates around the patient and passes X-rays through the body at different angles and cross-sections.
- 3 Positron Emission Tomography Computer Tomography (PET-CT) – A device that combines positron (elementary particles in a positively charged atom) emission tomography (PET) and computed tomography (CT). In this test, radioactive substances are injected into the patient, absorbed by target tissues, and used to examine tissue activity, metabolism, and processes within an organ or tissue during illness. The test combines the use of a PET scanner and a CT scanner.
- 4 State Comptroller, Annual Report 65C (2015), "Advanced Imaging Tests", p. 609.



and subsequently from the Health Committee of the Knesset. Since the previous audit, the Public Health Regulations have been updated with increased quotas for the three imaging machines, adding dozens of advanced imaging machines.


### Key Figures

<b>about NIS 2.7 billion</b>	<b>about 512,000, about 1.4 million, about 100,000</b>	<b>56 days and 110 days</b>	<b>60 MRI, 93 CT, 20 PETCT machines</b>
the total national expenditure on imaging tests (MRI, CT, PETCT) in 2022, according to the State Comptroller's Office estimate	the number of tests performed in Israel in 2022 by MRI, CT, and PETCT machines, respectively	waiting times for breast MRI examination at Clalit and Maccabi HMOs, according to Ministry of Health data for 2022	the number of machines in Israel as of 2022. 35 MRI machines, 27 CT machines, and 11 PETCT machines were added compared to the previous audit in 2014. Despite this addition, the quantities remain insufficient to meet the existing shortage and demand



<b>50.8 and 43.6</b>	<b>14–30 working days</b>	<b>only in 5 out of 17 hospitals<sup>5</sup></b>	<b>Six months</b>
number of MRI tests per 1,000 people <sup>6</sup> at Maccabi HMO, compared to Leumit HMO in 2022. The variance in the number of tests was not examined by the Ministry of Health	the maximum time for interpreting an MRI scan set by the nine centers at the follow-up audit. In the previous audit, the time was up to 10 working days	a radiologist interprets chest X-rays and the rest are interpreted by attending physicians	average waiting time for MRI tests under anesthesia for children in the morning in 10 hospitals

## Audit Actions

 In 2015, the State Comptroller's Office published a report on advanced imaging tests (the previous audit). From January to September 2023, the State Comptroller's Office examined the extent to which the main deficiencies noted in the previous report were rectified (follow-up audit): the policy of limiting the number of imaging machines, long-term planning for acquiring imaging machines; their number and geographical distribution; management of the waiting lists for tests; processes for interpreting and pricing imaging tests; and professional workforce in imaging. The audit examined topics not included in the previous audit; hence, the extent of rectification of deficiencies in connection with these topics was not assessed, including the use of artificial intelligence (AI<sup>7</sup>) in imaging tests.

The audit was conducted at the Ministry of Health, in four health maintaining organizations (HMO): Clalit Health Services, Maccabi Healthcare Services, Meuhedet health care organization and Leumit Healthcare Services; in the following hospitals: 11 general government hospitals, seven hospitals of Clalit HMO, Assuta Hospital in Ashdod, and at the Ministry of Finance. Supplementary examinations were conducted at the Israeli Radiological Association, the National Council for Imaging<sup>8</sup>, and the Civil Service Commission.

5 one of which is a children's hospital.

6 A standardized number calculated according to the number of the HMO's members and weighted by the member's age, gender, and distance of his residence from the center.

7 Artificial Intelligence – AI. An attempt to simulate human intelligence through a machine (computer).

8 National councils are professional bodies that advise the Ministry of Health's management on medical matters – in prevention, diagnosis, and treatment. Their recommendations are presented to ministry policymakers for decision-making. Ministry representatives are members of each national council. Currently, 24 national councils operate within the Ministry of Health.



## Key Findings



**The Policy of Limiting the Number of Imaging Machines and the Duration of Processes** – the previous audit raised that the policy designed, among other things, to reduce the demand for expensive tests by limiting the supply of medical machines was implemented in Israel. This is done, among other methods, through limitations imposed on licensing machines based on population size – CON<sup>9</sup>. The Public Health Regulations (Special Medical Devices), 1994 stipulate that a "special device" can be purchased or used only if a license "in writing from the director [Director General of the Ministry of Health or someone authorized for this purpose]" is obtained. The regulations relate, among other things, to CT, MRI, and PETCT machines. They elaborate on the criteria for granting a license and determine the number of machines per population and their distribution. The process of obtaining a license to operate imaging machines takes many years. The Ministry of Finance needed to regulate, with the approval of the Knesset's Labor, Welfare, and Health Committee<sup>10</sup>, the change in the number of machines. At the same time, the Ministry of Health conducted a bureaucratic process leading to the approval of licenses for medical centers. **The follow-up audit found that this deficiency had not been rectified.** The licensing process was not shortened, and the regulations were not amended. The process of obtaining a license to operate imaging machines still takes many years due to various bureaucratic constraints, including the need for the Ministry of Finance's consent and the need to update the regulations. For example, the appendix to the regulations for MRI machines was amended in 2013, 2016, and 2022; whereas the appendix to the regulations for PETCT machines was amended in 2014 and 2019 and has not been changed since.

It was also raised that the Ministry of Health commissioned a study on mechanisms for regulating the purchase and use of expensive imaging technologies in an international comparison. The study indicated three main mechanisms: Regulation – requiring Certificate of Need (CON), licenses or purchase approvals, and restrictions on the number and quality of machines; financial tools – the most common mechanism used, for example, in payment mechanisms, budget limitations, adherence to conditions, and setting income or service caps; and centralized procurement – according to the study, there is a trend of adopting such a mechanism. One of the study's recommendations is to replace the existing CON mechanism in Israel with multi-year plans to be approved by the Ministry of Health or its representative. The study findings were submitted to the

9 Certificate of Need – machine limitation policy.

10 Following the establishment of the Israel's thirty-sixth government, the committee was split into the Labor and Welfare Committee and the Health Committee, which was in charge of these regulations at the time of the follow-up audit.





ministry in January 2022; however, as of the end of the follow-up audit, the ministry had not discussed the findings.

**Multi-Year Plan for Acquiring Imaging Machines** – the previous audit raised that the Ministry of Health lacked a multi-year plan for acquiring various imaging machines and failed to consider future needs. **The follow-up audit found that the deficiency was partially rectified.** In 2015, the ministry prepared a national plan for MRI, setting short-term, medium-term, and long-term goals on medical personnel, technician training, incentives for HMOs to shorten waiting times and increase machine utilization, training radiologists for "sub-specialization" in interpretation, establishing a monitoring and control system, transparency and public reporting, addition of new machines, interpretation procedures, and pricing and accounting processes. However, the plan did not set quantitative targets for the period it referred for acquiring MRI machines, nor did it set a target for the ratio of machines to the population. In addition, the plan was not accompanied by a budget allocation for its implementation. The "index for the number of imaging machines relative to the population" was indeed updated in the Public Health Regulations; however, as of the end of the follow-up audit, the Ministry of Health still does not have multi-year plans for acquiring imaging machines. It was also found that for the years that have passed, essentially since 2013, the Ministry of Health has not submitted a multi-year plan for acquiring imaging machines to the Knesset Health Committee.

**The Number of Machines and Imaging Tests – International Comparison** – since the previous report was published, many imaging machines have been installed (35 MRI machines, 27 CT machines, and 11 PETCT machines). However, they did not keep up with the then considerable shortage, population growth, and the increasing demand for these tests. The number of MRI and CT machines per million people in Israel is still lower than in the 13 OECD countries examined (6.6 MRI machines per million people; 9.8 CT machines per million people). The number of PETCT machines per million people in Israel is higher than in only three countries (Poland, Czech Republic, and Greece) (1.7 PETCT machines per million people). On the other hand, the number of tests per machine in Israel is the highest among the 13 countries examined, i.e., the utilization rate of the machines in Israel is higher than in other countries (10,000 MRI tests per machine per year; 17,000 CT tests per machine; 5,000 PETCT tests per machine). The low number of machines in Israel and the high demand for tests compel imaging centers to operate the machines around the clock. This means that patients are sometimes required to undergo tests at night. The previous report noted in this context that a 2014 document from the Research Division of the Bank of Israel stated that the intensive use of existing scanning equipment indeed saves additional investments and restrains the increase in ongoing expenses; however, it could compromise the level of service to patients, who sometimes have to wait a long time for an appointment or be tested very late at night.



**📌 Geographical Distribution of Imaging Machines** – the previous audit raised that the Ministry of Health approved the three imaging machines based on nationwide calculations rather than regional needs<sup>11</sup>. The previous audit did not examine data regarding MRI and CT machines. **The follow-up audit found that the deficiency was partially rectified and that gaps emerged about MRI and CT machines as well:**


- **MRI Machines** – the total number of MRI machines rose from 38 in 2015 to 60 in 2022. However, as of 2022, the number of machines per capita in the central district is lower than the regulations specify – 1:196,000 compared to 1:161,000 according to the regulations (a gap of about 18%). In the north district, the ratio is 1:171,000 compared to 1:161,000 according to the regulations (a gap of about 6%).
- **CT Machines** – the number of CT machines rose from 68 in 2015 to 93 in 2022. However, as was the case in 2015, as of the follow-up audit, the number of machines per capita in the central and north districts is lower than the regulations specify (1:103,000) – in the central district (1:130,000) by about 21% and in the north district (1:110,000) by about 6%. Conversely, the south district, which previously fell short of regulatory compliance during the initial audit, successfully adhered to regulations during the follow-up audit. This accomplishment was facilitated by the acquisition of six additional CT machines.
- **PETCT Machines** – the previous audit raised that there was no equality between the districts in allocating these machines. The North district had no such device, while the Jerusalem and Tel Aviv districts had more devices than the established index. The previous report noted that this inequality compromises the service received by some residents compared to others. **The follow-up audit found that the deficiency was partially rectified.** Except for the Central district, the number of PETCT machines rose in all other five districts, and overall, their number increased from 9 in 2015 to 20 in 2022. In the north district, where no machine existed during the previous audit, three devices were installed; however, this district still fell short compared to the regulations during the follow-up audit.


**📌 Shielding of Imaging Centers in Hospitals** – at the time of the summary of the follow-up audit report draft, Israel was engaged in a war ("Iron Swords") that broke out on October 7, 2023. The first day of the war was characterized by massive missile fire toward Israeli territory, especially the south region, the murder of over 1,400 people, and the kidnapping of over 250. Many injured were referred on this day to hospitals in the south – Soroka in Be'er Sheva and Barzilai in Ashkelon. Many of the injured required imaging tests such as CT and some MRI as well, including for urgent surgery. However, it was found that at Soroka Hospital, only some machines were in shielded buildings:


11 Health Ministry districts with advanced imaging machines – North, Haifa, Central, Tel Aviv, Jerusalem, and South.



one out of three CT machines and one out of two MRI machines. Only during the fighting was the second MRI machine subsequently shielded. However, it was found that at Barzilai Hospital, all the devices were in a shielded building so that patients could be safely examined and diagnosed even in emergencies.


 **Establishing Maximum Standard Waiting Times for Imaging Tests** – the previous audit raised that the Ministry of Health had not set a standard for the maximum waiting time for imaging tests of various types, according to the level of urgency. Moreover, although such a standard could help the decision-making process for granting operating licenses for imaging devices, the ministry failed to establish it. It issued licenses without considering the desired waiting time for tests. The National Health Insurance Law, 1994 stipulates that health services in the national list of health services should be provided within a "reasonable time"; however, the law does not define a reasonable time. Due to the lack of a definition for "reasonable time," the Ministry of Health does not have an actual index by which it can evaluate the quality of service, which negatively impacts the examinees. **The follow-up audit found that this deficiency had not been rectified.** No standards for maximum waiting times were defined. The definition of "reasonable time" remains vague, potentially harming examinees whose tests are delayed.


 **Waiting Time for Scheduled MRI Tests** – the previous audit raised that in some medical centers and for some types of imaging tests, the waiting time for outpatients (not hospitalized) is long, which could result in a late diagnosis of the disease and harm treatment options. **The follow-up audit found that the deficiency was partially rectified.** In some hospitals, the waiting time for MRI tests was shortened, while in others, it is longer. There is a difference between the waiting time for tests conducted in the morning, which is longer, and the waiting time for tests conducted in the afternoon or evening, which is shorter. For example, the waiting time for a morning MRI test at Ichilov was a month and a half during the follow-up audit – an improvement compared to the previous audit. At Beilinson, the waiting time during the follow-up audit was four to five months – a worsening compared to the previous audit. For children's tests under anesthesia in the morning, patients at the 10 hospitals that performed these tests during the follow-up audit waited an average of about six months (a longer time than they waited for this test at the time of the previous audit). In contrast, in the afternoon or evening, the waiting time for this test was, on average, half the time, only about three months.


 **Publication of Waiting Times for Imaging Tests** – the previous audit raised that waiting times for imaging tests were not made public, and examinees did not have accessible information about waiting times from providers. This prevented them from choosing the appropriate provider and required them to do a survey to find one. **The follow-up audit found that this deficiency had not been rectified.** The Ministry of Health has not established a national information center for imaging test appointments. Consequently, waiting times for imaging tests at providers are not made



public, and patients still need to conduct their surveys to find a provider with a shorter waiting time. Patients from disadvantaged and ailing populations find it challenging to perform this search on their own. In the absence of a consolidated national information system, it is also possible that one location may experience overload while another may have underutilized machines.

 **Reporting by HMOs to the Ministry of Health on Waiting Times for Certain Tests** – the previous audit raised that a Medical Administration circular dated December 2013<sup>12</sup> mandated that starting in 2015, regarding specific medical procedures (not only imaging), the HMOs must report to the Ministry of Health on the total number of days (including Saturdays and holidays) from the time patients schedule an appointment until the procedure is carried out. These medical procedures include brain MRI tests and brain MRI tests under anesthesia. The previous audit found that contrary to the circular, the HMOs have not informed on waiting times for imaging tests in general and MRI tests in particular. **The follow-up audit found that this deficiency had not been rectified.** The HMOs still fail to report to the Ministry of Health the total duration from when patients contact the HMOs to schedule an appointment for MRI brain tests and MRI brain tests under anesthesia to the actual test date. The Ministry of Health failed to insist on receiving these reports from the health funds and did not include waiting times as a quality index for hospitals. Thus, the Ministry lacks information on this medical field it sought to examine.

 **Interpretation Times for Imaging Tests** – in the previous audit, it was raised that the Ministry of Health failed to establish maximum interpretation times for imaging tests, and the imaging centers set their interpretation times. **The follow-up audit found that this deficiency had not been rectified.** The Ministry of Health failed to set maximum waiting times for the interpretation of imaging tests for all imaging centers in Israel, nor did it establish standards. Hospital imaging centers set their own maximum time for providing imaging test interpretation results. Since the previous report was published, some of the maximum interpretation times set by hospital imaging centers have changed: Nine centers extended this period from ten days at the time of the previous audit to 14–30 working days (not including Fridays, Saturdays, and holidays) during the follow-up audit.


 **Interpretation of Chest X-rays and Orthopedic Images Not Performed by Radiologists** – the previous audit raised a shortage of radiologists, resulting in about 70% of straightforward imaging tests such as chest X-rays and orthopedic images in hospitals being interpreted by the attending physician, who is not a specialist in interpreting these imaging tests. Furthermore, the National Imaging Council and the National Council for Surgery, Anesthesia, and Intensive Care recommended in 2013 that


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12 Medical Administration Circular 49/2013, "Reporting on the duration of waiting in the community for a doctor's examination and medical services" (December 2013).



straightforward orthopedic images, including radiographs, be interpreted by a radiologist or an orthopedist. However, complex chest imaging and orthopedic imaging tests, such as MRI, CT scans, and bone mapping should only be interpreted and summarized by radiologist. During the previous audit, no procedure had yet been written. **The follow-up audit found that this deficiency had not been rectified.** Only five out of 17 hospitals have adult chest X-rays interpreted by a radiologist<sup>13</sup>. In two hospitals, only 10% of the X-rays are interpreted by a radiologist. In six hospitals, the rate of tests interpreted by radiologists ranges from 40% to 85%. In the remaining three hospitals, none of the chest X-rays (except for pediatric X-rays) are interpreted by a radiologist. Regarding adult orthopedic X-rays, the audit found that only four out of 17 hospitals have X-rays interpreted by radiologists. In comparison, in 12 hospitals, radiologists do not interpret 90% to 100% of the tests.

 **Quality Control of the Interpretation of Advanced Imaging Tests** – the previous audit raised that no systematic and structured process exists for imaging test interpretation quality control. In addition, the Ministry of Health failed to establish how to perform quality control on the interpretations or manage the learning process from the findings. **The follow-up audit found that this deficiency had not been rectified.** The Ministry of Health failed to establish a structured and systematic mechanism for quality control of imaging test interpretations through repeated interpretations.

 **Advanced Imaging Tests as Part of Hospitalization and Emergency Care** – the previous audit raised that if an inpatient undergoes advanced imaging tests, which are expensive, the hospital is not compensated for these tests. In addition, it was found that there is significant variation between hospitals in the rate of advanced imaging tests performed as part of their hospitalization out of the total number of such tests conducted in the medical centers (including tests for outpatients)<sup>14</sup>. **The follow-up audit found that this issue has not been rectified.** Significant variation remains between hospitals in the rate of MRI and PET-CT scans performed on inpatients. For example, the rate of MRI scans for inpatients out of the total MRI scans performed in the medical centers (including tests for outpatients) was about 28% at Bnei Zion and Hillel Yaffe, about 18% at Sheba, about 6% at Kaplan, Meir, and Ichilov, about 4% at Shamir, about 3% at Wolfson and Barzilai, and about 1% at Assuta Ashdod.

Regarding PET-CT scans, the rate of advanced scans for inpatients was about 3% at Rambam and Bnei Zion, about 2% at Beilinson and Sheba, about 1% at Shamir, and about 1% at Ichilov, Assuta Ashdod, and Ziv. Furthermore, the Ministry of Health failed to examine the reasons for the variation between hospitals in the number of imaging

<sup>13</sup> One of the hospitals is a children's hospital.

<sup>14</sup> For example, the rate of MRI scans for inpatients at Shamir was 2.5%, whereas at Sheba it was 17.4%. Regarding PET-CT scans, at Ichilov only 1% of the scans were for inpatients, whereas at Sheba it was 13.9%.



tests during hospitalization. It did not advise hospitals on when to perform these tests on patients during hospitalization before discharge to the community.

**Shortage of Personnel and Workforce Headcount Standards for Radiologic Technologists, Radiologists, and Nuclear Medicine Specialists (imaging professions)** – the previous audit raised that the Ministry of Health failed to perform long-term strategic planning to meet the country's needs in the radiology professions, nor had it examined the existing shortage of radiologic technologists in imaging centers across the country or the future needs in the field. Nor did the Ministry have an updated database on the number of practicing radiologic technologists, their expected retirement, and a forecast for integrating new radiologic technologists into the field. In addition, the Ministry of Health lacks information on the number of radiologists. The Ministry of Health also failed to match the existing workforce to the required number based on the workforce headcount standards set by professional committees. The workforce headcount standards for radiologists, established as early as 1976, are outdated and do not reflect significant technological advancements. **The follow-up audit found that this deficiency had not been rectified.** The Ministry of Health does not have a long-term strategic plan to meet the country's needs for medical radiologic technologists. The ministry does not estimate how many medical radiologic technologists are needed or will be required to provide adequate care. It was also found that the ministry had not determined the headcount of the workforce standard, which is necessary for the imaging professions, including the standard for radiologists in hospitals, based on the number of existing imaging devices and projected growth in their number. In addition, the ministry has no estimate of the shortage of these doctors.

**Price of an MRI Test** – according to the Ministry of Health's tariff, the cost of an MRI test averaged about NIS 2,200 during the follow-up audit. The HMOs purchase the tests at a reduced rate, about NIS 1,600, depending on their hospital agreements. The fees for tests at the HMOs' centers are 40%–50% lower than the price they pay to the hospitals. Due to the HMOs' desire to save costs, they prefer to refer their members to affiliated centers. Since the geographical distribution of centers affiliated with each HMO is limited compared to the national distribution of all imaging test providers, prioritizing members' referrals to affiliated centers for economic reasons could adversely affect the accessibility and availability of MRI tests for patients.



### **Regulation of the Radiology and Imaging Profession by the Ministry of Health**

– in the previous audit, it was noted that in the absence of a law regulating the practice of radiology and imaging, the Ministry of Health was barred from granting “professional recognition certificates,” nor could it fulfill its role as a regulator of health professions, i.e., exercise control and supervision over education, training, and the professional level



of personnel employed in this field (excluding the personnel employed by it in government hospitals). At that time, the imaging centers in non-government hospitals were not obligated to employ qualified operators. They could use anyone, even unqualified individuals, to perform X-ray tests involving ionizing radiation. **The follow-up audit raised that this deficiency has been fully rectified.** The profession of medical imaging has been regulated: In early August 2023, Amendment No. 8 to the Regulation of Medical Professions Law, 2008, was adopted. This amendment stipulated, among other things, that a radiographer (medical imaging technologist) must hold a bachelor's degree in medical imaging<sup>15</sup> or a bachelor's degree from a recognized institution of higher education and complete studies in medical imaging according to a program approved by the director, based on rules set by the minister with the approval of the Knesset Health Committee.

**Lack of Chief Radiographer in the Ministry of Health** – the previous audit raised that the Ministry of Health lacked a Chief Radiographer, resulting in the following issues remaining untreated: There is no guiding authority for radiology to outline the operation of imaging machines, set procedures, and conduct quality controls in imaging centers (types of images, execution techniques, adding images when a life-threatening pathology or organ is detected); there is no authority ensuring that the professional content taught in radiology schools is updated from time to time as needed. Some of these issues are delegated among various units within the ministry; however, there is no entity to oversee them from a systemic perspective. **The follow-up audit raised that this deficiency has been fully rectified.** In November 2017, a Chief Radiographer was appointed in the Ministry of Health.





## Key Recommendations

- 💡 It is recommended that the Ministries of Health and Finance simplify and shorten the process for granting licenses for imaging devices while ensuring that the required number matches the necessary professional staffing levels. As part of reviewing the procedures, it is recommended that the research recommendation be implemented to consider the need for restriction policies and transitioning to a multi-year procurement plan approved by the Ministry of Health. It is also recommended that the Ministry of Health prepare a multi-year plan for gradually acquiring imaging devices according to needs and projected population growth. In addition, an appropriate budget plan should be formulated for this purpose.
- 💡 It is recommended that the Ministry of Health set service indicators for advanced imaging tests to define a standard time for tests, according to the type of test and level of urgency, for proper medical care and services.

<sup>15</sup> Medical imaging: the production of images for medical diagnosis or treatment of a person using ionizing radiation (X-ray, CT), sound waves (Ultrasound), or magnetism (MRI).



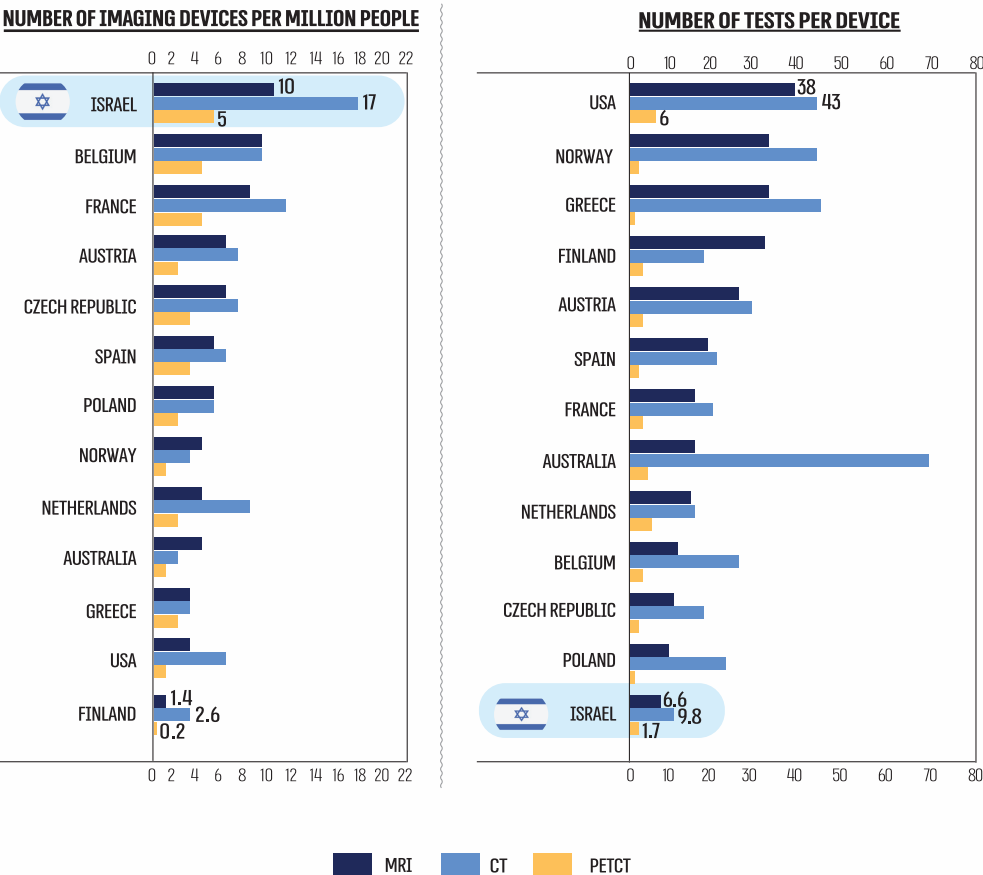


-  The Ministry of Health should investigate the reasons for the disparities (some of which are great) in waiting times for advanced imaging tests among the different HMOs. This should include consideration of the number of tests performed by each HMO and the ratio of tests to the HMOs' members. This examination is necessary to address barriers causing long waiting times in some HMOs and ensure equal service levels for all members. The Ministry of Health is recommended to establish a national information center for appointments, allowing HMOs' members to choose the most suitable provider and schedule their tests accordingly.
-  To ensure that the interpretation of both complex and straightforward imaging scans is accurate and assists in efficiently diagnosing medical conditions, it is recommended that the Ministry of Health, in collaboration with the National Council for Imaging, develop a protocol specifying who is authorized to interpret advanced imaging tests and in which cases. In addition, it is recommended that the Ministry of Health promptly establish a structured and systematic quality control mechanism and determine the key components of the process. This should include the method of performing quality control, the regulation of ongoing monitoring and control measures, the required rate of repeat interpretations, the method of reporting and documenting the procedure; a mechanism for learning from the findings, and methods for disseminating these lessons. It is also recommended that the Ministry of Health regulate waiting times for the interpretation of imaging tests and define a standard for the maximum interpretation time. Measuring hospitals' compliance with this standard will help identify gaps and address the shortage of radiologists accordingly.
-  Furthermore, the Ministry of Health should analyze the reasons for significant variation among hospitals in conducting advanced imaging tests during hospitalization. Based on this analysis, criteria should be established to guide hospitals in deciding when to perform these tests during hospitalization rather than after discharge.
-  It is recommended that the Ministry of Health determine the workforce headcount standards for imaging centers in hospitals, including radiologists, nuclear medicine specialists, and radiographers. In addition, the ministry should develop a multi-year plan to fill the positions specified in these standards.





Number of Imaging Devices per Million People and Number of Tests per Device in Selected OECD Countries\*, 2022



\* The data on MRI devices are the most updated and known for 2022, as received from the OECD and compiled by the Division of Medical Technologies, Information, and Research of the Ministry of Health in April 2023. The data on PETCT and CT machines are updated to 2021 as they appear on the OECD website [source].



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## Summary

Medical imaging is a medical field that includes tests demonstrating internal images and sections of the examined body. This technology is used for clinical diagnosis, required treatment planning, patient monitoring, and assistance during invasive procedures (including surgery). Imaging tests are fundamental tests required before almost any medical diagnosis and procedure. In recent decades, there has been a sharp increase in the volume of advanced imaging tests performed in Israel and worldwide, accompanied by significant technological improvements in MRI, CT, and PETCT machines.



The follow-up audit has raised that most of the deficiencies noted in the previous audit have not been rectified: The Ministry of Health lacks a multi-year plan for acquiring the three advanced imaging devices. Since the previous audit was published, many machines have been installed; however, they did not address the significant shortage, population growth, and the increased demand for imaging tests. Upon the audit's completion, the number of devices per million people in Israel remains very low compared to OECD countries. This causes long waiting times for specific tests and the performance of tests at night. Compared to the previous audit, waiting times for particular tests have increased. As in the previous audit, deficiencies were raised regarding the quality control of imaging test interpretation, which is not standardized. This could lead to errors, erroneous decisions, and failure to learn from mistakes. Assimilation of AI systems – a relatively new technology not examined in the previous audit – across all imaging centers in Israel can assist and streamline imaging test interpretation procedures. It is recommended that the Ministry of Health promote the assimilation of these systems while ensuring ongoing oversight and continuous learning for optimal implementation.

The follow-up audit found that since the previous audit, the Ministry of Health has regulated the radiography and imaging profession and appointed a Chief Radiographer.

The critical importance of imaging tests compels the Ministry of Health to address the deficiencies noted in this report. The ministry should develop a work plan with a timetable to address these deficiencies, considering the geographical distribution of imaging devices. It should set standards for maximum waiting times for conducting and interpreting tests and address staffing issues for radiographers, radiologists, and nuclear medicine physicians in line with technological developments and the growing demand for these tests. It is recommended that the Ministries of Health and Finance explore ways to simplify and shorten the licensing process for imaging devices while examining the continued need for the CON mechanism designed, among other things, to limit national health expenditure. In addition, both ministries should prepare a multi-year equipment acquisition plan. To ensure optimal service to residents, the Ministry of Health should treat imaging as one of the cornerstones of modern medicine. This requires long-term planning and a multi-year plan outlining the needs and resources required to meet them.



### The Rectification Extent of the Key Deficiencies Noted in the Previous Audit



The Audit Chapter	The Audited Body	The Deficiency Noted in the Previous Audit	The Rectification Extent of the Deficiencies Noted in the Follow-Up Audit			
			Not Rectified	Slightly Rectified	Significantly Rectified	Fully Rectified
Policy on limiting the number of imaging devices	Ministry of Health and Ministry of Finance	The process of obtaining a license to operate imaging machines takes many years. The Ministry of Finance needs to regulate the change in the number of machines with the approval of the Knesset's Labor, Welfare, and Health Committee. At the same time, the Ministry of Health conducts a bureaucratic process that leads to the approval of medical center licenses.				
Multi-year plan for acquiring imaging devices	Ministry of Health	The Ministry of Health did not have a multi-year plan for acquiring various types of imaging devices and failed to consider future needs.				




The Audit Chapter	The Audited Body	The Deficiency Noted in the Previous Audit	The Rectification Extent of the Deficiencies Noted in the Follow-Up Audit			
			Not Rectified	Slightly Rectified	Significantly Rectified	Fully Rectified
Geographical distribution of imaging devices	Ministry of Health	The Ministry of Health determined the total number of imaging devices based on a nationwide calculation rather than regional needs. This policy led to inequality between districts in the allocation of PETCT devices. This inequality adversely affected the service to some residents compared to others.				






The Audit Chapter	The Audited Body	The Deficiency Noted in the Previous Audit	The Rectification Extent of the Deficiencies Noted in the Follow-Up Audit			
			Not Rectified	Slightly Rectified	Significantly Rectified	Fully Rectified
Establishing standard waiting times for imaging tests	Ministry of Health	The Ministry of Health failed to set a standard for maximum waiting times for various imaging tests based on urgency. Moreover, although such a standard could help the decision-making process for granting operating licenses for imaging devices, the ministry failed to use it. It issued licenses without considering the desired waiting time for tests.				
Waiting time for outpatient MRI tests	Medical centers	In some medical centers and for some imaging tests, the waiting time for outpatients (those not hospitalized) was extended. This could result in a late diagnosis of the disease and jeopardize treatment options.				




The Audit Chapter	The Audited Body	The Deficiency Noted in the Previous Audit	The Rectification Extent of the Deficiencies Noted in the Follow-Up Audit			
			Not Rectified	Slightly Rectified	Significantly Rectified	Fully Rectified
The need to publish waiting times for imaging tests	Ministry of Health	Waiting times for imaging tests were not made public, and examinees did not have accessible information about waiting times from providers. This prevented them from choosing the appropriate provider and required them to do a survey to find one.				



The Audit Chapter	The Audited Body	The Deficiency Noted in the Previous Audit	The Rectification Extent of the Deficiencies Noted in the Follow-Up Audit			
			Not Rectified	Slightly Rectified	Significantly Rectified	Fully Rectified
Interpretation times for imaging tests and quality control	Ministry of Health	The Ministry of Health failed to establish standards for maximum test interpretation times, so imaging centers set their interpretation times. There is no systematic and structured process for quality control over the interpretation of imaging tests. In addition, the Ministry of Health failed to set how to perform quality control on interpretations or how to manage the process of concluding.				

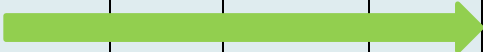


The Audit Chapter	The Audited Body	The Deficiency Noted in the Previous Audit	The Rectification Extent of the Deficiencies Noted in the Follow-Up Audit			
			Not Rectified	Slightly Rectified	Significantly Rectified	Fully Rectified
Shortage of workforce headcount and staffing standards for radiographers, radiologists, and nuclear medicine specialists.	Ministry of Health	The Ministry of Health lacked data on the number of radiologists. It also failed to match the existing workforce to the required scope based on the workforce headcount standards set by professional committees. The standards for radiologists, established in 1976, were outdated and did not align with technological advancements.				





The Audit Chapter	The Audited Body	The Deficiency Noted in the Previous Audit	The Rectification Extent of the Deficiencies Noted in the Follow-Up Audit			
			Not Rectified	Slightly Rectified	Significantly Rectified	Fully Rectified
Regulation of the radiography and imaging profession by the Ministry of Health	Ministry of Health	In the absence of a law regulating the profession, the Ministry of Health was barred from granting "professional recognition certificates", nor fulfill its role as a regulator of health professions, i.e., it could not control and supervise the education, training, and professional standards of the workforce employed. At that time, the imaging centers in non-government hospitals were not obligated to use operators with any qualifications. They could use anyone, even unqualified individuals, to perform X-ray tests involving ionizing radiation.				







Report of the State Comptroller of Israel | May 2024

The Ministry of Agriculture and Rural  
Development

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# **The Central Unit for Enforcement and Investigations in the Ministry of Agriculture**





# The Central Unit for Enforcement and Investigations in the Ministry of Agriculture

## Background

The Ministry of Agriculture and Rural Development (Ministry of Agriculture) is responsible for the development and flourishing of agriculture in Israel, for ensuring a continuous supply of fresh, high-quality, healthy, and safe food for the public, for the protection of animals and improving their well-being, and for the protection and preservation of agricultural and natural flora against pests and diseases. The Central Unit for Enforcement and Investigations in the Ministry of Agriculture (the 'Pizuach' Unit) is responsible for supervision and enforcement in agriculture in Israel, in the transit of agricultural produce through the Seam Zone area and the crossings between the territories of the Palestinian Authority (PA)<sup>1</sup> and Israel. Therefore, the unit plays a key role in maintaining public health, animal health and welfare, and the agricultural sector in Israel. The Pizuach Unit employs 78 employees<sup>2</sup> and is directly subordinate to the Ministry of Agriculture's Director General.

This report relates to the period preceding the "Swords of Iron" war that broke out on October 7, 2023. As of that date, the border crossing for agricultural produce from Gaza to Israel and Judea and Samaria was closed, and as of the date of signing of this audit report, February 15, 2024, it is still closed. Therefore, some of the recommendations in this report will require adjustments after the war's end.

1 For the purpose of this report, the PA includes the Judea and Samaria area, together with Gaza.

2 Including nine students and National Service volunteers.



## Key Figures

**about  
2,250  
thousand tons**

the estimated volume of the average vegetable agricultural produce consumed annually in Israel

**1.5%**

the vegetable agricultural produce rate imported from the PA to Israel, out of the total produce consumed in Israel (about 33 thousand tons out of 2,250 thousand tons on average per year)

**only  
21%**

the cases rate that led to the opening of an investigation, out of the total cases opened in the Pizuach system in 2018–2022 (4,097 out of 19,703)

**only about  
NIS 23  
million**

the total administrative fines imposed by the Ministry of Agriculture in 2018–2022 in the Pizuach Unit's enforcement areas

**89%**

of all the Pizuach Unit's inspectors conducted investigations or detained suspects without the appropriate authority to do so (54 out of 61)

**31%**

of the disciplinary complaints in the Civil Service Commission on the Pizuach Unit's employees were found justified and ended in conviction or disciplinary punishment

**5**

crossings through which a commercial quantity of plant produce of Palestinian origin can be transported into Israel's territory

**40%**

the sample rate in which deviations in levels of pesticide residues were detected in 2022, out of all samples taken from Palestinian plant produce

**93%**

of all the poultry, chicks, and incubation eggs shipments that arrived at the crossings to the PA in 2022 were not recorded in the Pizuach Unit's computerized system

**57%**

of all of the meat imported for the PA through Israel's ports is suspected to have remained in Israel in 2018–2021 (there is a record of only 36,501 out of 84,534 tons arriving at the crossings)

**an 85%  
decrease**

the decrease rate in the scope of the intelligence reports received by the Pizuach intelligence array in 2022 compared to 2016

**only 21%  
of the  
intelligence  
reports**

received by the Pizuach Unit's intelligence array from the beginning of 2022 to the middle of 2023 were handled (37 out of 179)



## Audit Actions



From February to September 2023, the State Comptroller's Office examined the Pizuach Unit, including discipline, compliance, and professional performance of employees; The certification and appointments of employees for carrying out enforcement; The control of the passage of goods between Israel and the PA; And the prevention of smuggling and laundering<sup>3</sup> of goods from the PA to Israel. The audit was carried out at the Ministry of Agriculture. Completion examinations were carried out at the Ministry of Health, the Ministry of Defense, the Civil Service Commission, the Ministry of National Security, the Egg and Poultry Board (the Poultry Board), the Israel Tax Authority (the Tax Authority), the Israel Border Police and the Israel Police.

## Key Findings



### The Professional Performance of the Pizuach Unit



**The Pizuach Unit Inspectors Compliance with Professional Goals** – in 2020–2022, an average of 92% of the Pizuach Unit inspectors failed to meet the professional goals necessary to fulfill their duties. Several officials in the Unit and the Ministry of Agriculture are aware of the significant professional gaps concerning the professional ability of the inspectors. These gaps directly affect the inspectors' ability to perform core tasks in an investigation, gather evidence and summarize investigation reports.



**Closing of Cases by the Pizuach Unit** – in 2018–2022, the Unit independently closed 218 (6%) out of 3,940 cases in which an investigation was launched in the Pizuach system and whose processing was completed without transferring them to the examination of the prosecuting authorities at the Ministry of Agriculture. Although the authority to examine whether the evidence is sufficient for prosecution or to close an investigation case rests exclusively with the prosecution authorities.

### The Control Over the Passage of Goods Between Israel and the PA



**Pesticide Residues in Plant Produce from the PA to Israel** – in 2015–2022, the sample rate taken from Palestinian plant produce upon entry into Israel with excessive

3 The transfer of produce purporting to be Israeli produce.



levels of pesticide residues was 27%– 40%, and there has been a steady increase in it since 2018. This rate was 2.5-fold higher than in 2019, 2.9-fold in 2020, and 5.3-fold in 2021 than the rate of samples with excessive levels found in the Plant Protection Services Unit survey and the control of plant products originating in Israel.

**📌 Placing Agricultural Produce from the PA Territory into Suspension Warehouses** – the samples taken at the crossings from Judea and Samaria are transferred for laboratory testing, and their results are received within a few days. However, the produce is distributed from the crossings to the marketers immediately, even before the test results are obtained. Hence, thousands of tons of goods in which deviations are detected in the samples have already been distributed to the markets, and it is impossible to locate the goods in which deviations were found and to prohibit their marketing to protect public health.

**📌 Supervision of the Transfer of Cattle and Sheep from Israel to the PA** – due to the conditions in the transit of goods between Israel and the PA, the Pizuach inspectors approve the transfer of cattle and sheep from Israel to the PA without sufficient verification of the data indicated in the transfer permit<sup>4</sup>, compared to the actual situation. Hence, there is no real control over the number of animals transferred to the PA and the cattle's identity. This impairs the ability of the Veterinary Services in the Ministry of Agriculture to control the herds of sheep and cattle in Israel's farms and to prevent diseases, providing a loophole for Illegal Slaughter<sup>5</sup> (to the extent that the number of animals transferred is lower than the number specified in the permit), and for tax evasion and payment of transfer fees lower than required (to the extent that the number of animals transferred is greater than the number specified in the permit).

**📌 Supervised Transfer of Poultry, Chicks, and Incubation Eggs from Israel to the PA** – shipping certificates for the transfer of poultry, chicks, and incubating eggs (poultry products) from Israel to the PA are issued in the computerized system of the Poultry Board. In the absence of a connection between the 'Shaar Ephraim' and 'Kerem Shalom' crossings to the Poultry Board's computerized system, the Pizuach inspectors cannot confirm by the system the arrival of the poultry products at the crossings. It was raised that in the first half of 2023, the transfer of 97% of the shipments of poultry, chicks, and incubating eggs to the territories of the PA were not recorded by the Pizuach Unit in the Poultry Board's system. It was also found that the Pizuach Unit and the Poultry Board do not follow up on or inquire about poultry products that did not reach their destination Crossings. This affects the supervision and the prevention of Illegal slaughter, black economy, and cruelty to animals. Furthermore, the Poultry Board cannot verify the data it relies on to plan the entire poultry industry in Israel.

4 A permit issued by the Veterinary Services as a condition for the transfer of animals.

5 Pirate slaughter is the slaughter of animals outside of a slaughterhouse.





**Import of Meat from Abroad for the PA, Remaining in Israel** – in 2018–2021, according to the data in the Pizuach system, the arrival of only about 37 thousand tons of meat out of about 85 thousand tons of meat for the PA was recorded at the crossings. Hence, there is suspicion that about 57% of the imported meat for the PA remains in Israel. This situation is due to the fact that there is no mechanism by which Customs authorities updates the Pizuach Unit when a shipment of meat leaves for the crossings. Therefore, the Pizuach Unit cannot identify trucks that were expected to arrive at the crossings but did not actually arrive there, and it cannot even check the reasons for this. This state of affairs means that the meat spillover into the black economy, which may also harm the public's health due to the lack of supervision over it throughout the supply chain, lead to misleading the public regarding its kosher status and result in an excess transfer of VAT funds to the PA for goods in the estimated volume of thousands of tons of meat, which did not reach its destination.

**The Computerized Interface Between the Pizuach Systems and the Crossing Points Authority (CPA)** – CPA operates four crossings<sup>6</sup>, enabling the transfer of goods and managing its work using a computerized system known as 'Zramim.' Although the system was activated about four years before the audit end date, the Pizuach Unit and its work are almost not incorporated in it, and Pizuach's approval does not serve as a precondition for transferring the goods through the crossing. Furthermore, following the departure of the trucks from where the goods are loaded onto the destination truck, there is no physical infrastructure (such as an additional gate) at any crossing that allows the truck to be delayed and inspected by the Pizuach inspectors. Hence, a truck can enter Israel without undergoing an inspection to verify that the declared produce corresponds to the actual produce found in it and that the volume of goods brought in corresponds with the permitted quota (for example, from April 2022 until the end of 2022, 1,048 tons of produce were transferred in 290 transfers of produce at the crossings, even though the grower did not have an active quota), and that the produce is sampled for pesticide residues and microbiological contamination, as required. Furthermore, the Pizuach Unit is not exposed to the information stored in the Zramim system that could have been used for risk management, investigations, and intelligence activities.

**The Control of the Crossings of Goods Between Israel and the PA** – inadequate physical infrastructure at the crossings, the lack of information sharing, and the lack of synchronization of the information systems between the bodies at the crossings result in a loophole for the uncontrolled transfer of goods between Israel and the PA. This results in the unauthorized entry of goods to Israel in an amount that cannot be precisely quantified and is estimated at a minimum of thousands of tons per year. Naturally, this unauthorized entry leads to the spillover of goods to the black market in Israel, to animal

6 Kerem Shalom, Tarqumiya, Sha'ar Efrayim, and Gilboa



cruelty, and harm to public health due to the entry of goods that do not meet health standards.

**📌 The Pizuach Unit's Activity at Crossings from Judea and Samaria that are not Goods Border Crossings** – the Pizuach Unit rarely mans the vehicle crossings or conducts inspections therein (except at the A'Zaim crossing). For many years, there has been a wide-ranging phenomenon, known to the Ministry of Agriculture and the Civil Administration, of the illegal entry of large amounts of agricultural produce from Judea and Samaria into Israel through smuggling and goods laundering (transferring the produce as if it were Israeli produce). This produce includes, among other things, meat at volumes that cannot be quantified, eggs estimated in 2020 at about 60–80 million eggs per year, plant produce originating from Judea and Samaria in an estimated volume of 30,000 tons per year, as well as plant produce originating from Gaza for Judea and Samaria but arriving in Israel through Judea and Samaria without a permit on a large scale, the scope of which was not detailed. In practice, the Pizuach Unit settles for the inspections carried out by the authorities that operate the crossings, who call it in when necessary. From the examination of the 122 incidents that occurred at the vehicle crossings examined, except for the A'Zaim crossing, it was raised that about 67% of them were the result of a call to the Pizuach Unit by other units, and they are not the result of proactive inspection by the Pizuach Unit. This may pose a real risk to public health in Israel. In addition, the goods may spill over into the black economy, and if it is meat, even mislead the public regarding its kosher status.

## The Pizuach Unit's Intelligence Array

**📌 The Closing of the Pizuach Unit's Intelligence Array** – for over three years (2018 – the beginning of 2021), the Pizuach Unit operated without an intelligence array after it was shut down due to illicit retrievals of information from databases by the Unit. From March 2021 until the audit end date, a skeletal intelligence array was established, including an intelligence center, a desk officer, and two national service volunteers operating only from the Unit's headquarters. As a result, there is no response to the intelligence needs of the Unit's management and districts in enforcement and crime prevention, and the Unit conducts itself without direction and a focus on its operations. It was further raised that although the Pizuach Unit is required to contend with the smuggling hubs in the Seam Zone and the Barta'a local authority, as well as with pirate slaughter in the Bedouin communities, the intelligence unit employees speak no Arabic at all, except for the array's coordinator, who has a basic command of spoken Arabic.

**📌 Access to Databases** – the audit found that since the closing of the Unit's intelligence array in 2017 and until the audit end date, the Unit did not have access to information systems that are necessary for its work – at the Population Authority – the Border Control Administration's "Rotem" system, and the Ministry of Transport's system regarding vehicle ownership, which the Unit only had access to in 2021–2022, until the death of



the Unit's director, which has not been renewed since<sup>7</sup>. Blocking access to the information systems above prevents the Pizuach inspectors from locating information about vehicle owners registered in the Ministry of Transport's vehicle database, preventing the departure from the country of suspects needed for investigation through the "Rotem" system of the Border Control Administration at the Population Authority, or delaying the entry into the country of suspects attempting to smuggle plants and animals whose entry is prohibited.

**📌 The Handling of Intelligence Reports** – the flow of intelligence information to the Pizuach Unit was halted in the years when the array was not active, and after its activation in a skeletal manner, the scope of intelligence reports received was much lower than in previous years (a decrease of 85% from 2016 to 2022).

**📌 The Work and Operation Plan of the Intelligence Array** – the intelligence array does not have an orderly document determining its priorities (subjects of interest), there is no orderly work plan that is adapted to the scope of the existing workforce in the array, and it does not map "problem centers" – according to the place, time, type of activity or scope – for prioritizing and focusing the districts' activity, and building a systematic intelligence picture that will help direct the activity of the Unit's districts.

## The Certifications and Appointments of the Pizuach Unit Employees

**📌 The Certifications and Appointments of the Pizuach Unit Employees** – the Pizuach Unit is responsible for enforcing 12 laws subject to the authority of the Ministry of Agriculture, sections of the Public Health (Food) Law, 2015, subject to the authority of the Ministry of Health, and sections of the Penal Law, 1977. To enforce the laws, the Pizuach Unit inspectors execute powers of detention, investigation, or both, as well as additional powers such as entry, search, and seizure under the provisions of the authorizing law. As of the audit date, the Pizuach Unit employs four inspectors and directors whom the Police refused to authorize to investigate and detain suspects: the Pizuach Unit Deputy Director who, from November 2022 to August 2023, served as the Pizuach Unit's acting director without an official appointment on behalf of the Ministry of Agriculture; The Director of the North District, who stated in the appeal he submitted to the Police, which was denied, that the denial of the certification constitutes serious harm to his position; As well as two inspectors who, despite the Police's refusal to certify them, were assigned almost every week to work on Saturdays, when the Unit carried out enforcement actions only, which requires the execution of investigation and detention powers. It was also raised that all of the inspectors and directors of the Pizuach Unit are

<sup>7</sup> Access to the system is personal, therefore with the death of the Unit's director, the access that was in his name was blocked.



not authorized or appointed to fully enforce the laws the Unit is responsible for enforcing or are not authorized by the Police to be inspectors.

**📌 Executing Powers of Investigation and Detention Without Being Authorized –** 89% of the Pizuach Unit inspectors and directors (54 out of 61 employees) conducted investigations or detained suspects without being authorized with the full powers required to do so. For example, the inspectors conducted investigations regarding violations of the Animal Cruelty Law (Protection of Animals), 1994, without the approval of the Police of their appointments according to the law, as well as investigations regarding violations of the Order on the Transfer of Goods (No. 1252), 1988, concerning the transfer of goods to Israel from the territories of the Palestinian Authority, without being authorized to do so.

**📌 A Computerized Interface Between the Civil Service Commission and the Police –** in the absence of a computerized interface, the Police's Certification Department turns to the Civil Service Commission for information about a candidate for certification only when there is an indication that a disciplinary proceeding was conducted against the candidate at the Civil Service Commission. Given this policy, the Certification Department did not contact the Disciplinary Division at the Civil Service Commission to obtain information on 19 out of 20 inspectors approved by it in 2018–2022, about whom the Disciplinary Division handled complaints.

**📌 License to Carry Weapons –** 17% of the Pizuach Unit inspectors and directors (10 out of 60 employees)<sup>8</sup> do not have a license to carry weapons as required, despite the enforcement nature of their duties and the fact that they are required to carry weapons in their activities along the Seam Zone and in the goods border crossings. It was also found that three of them do not hold a license to carry weapons because their license has been revoked. Furthermore, nine of the ten inspectors and directors who do not have a license to carry weapons were assigned to work in the Seam Zone despite the requirement to carry weapons while operating in this area, and some of them even stated that they worked at least six hours a day in Judea and Samaria.

## Discipline and Compliance in the Pizuach Unit

**📌 Discipline Issues in the Pizuach Unit over the Years –** from the beginning of 2001 until the middle of 2023, 54 complaints were submitted to the Civil Service Commission, about 38% of the Pizuach Unit's employees at the time of the audit (26 out of 69 employees)<sup>9</sup>, and 39% of the complaints were about employees with a managerial

<sup>8</sup> One of the inspectors went on unpaid leave, so he returned his weapon and was not included in the examination

<sup>9</sup> Some of the complaints were handled by the Ministry of Agriculture and brought to the attention of the Disciplinary Division at the Civil Service Commission. Not including students and national service members in the Unit.



position in the Unit (21 out of 54 complaints)<sup>10</sup>, even though they are only about 9% of all the Unit's employees. 31% of the complaints whose processing was completed (16 out of 51)<sup>11</sup> were justified and ended in a conviction in the disciplinary court or an intra-ministerial procedure of a reprimand, warning, or note.

**📌 Compliance of the Pizuach Unit Inspectors with the Conflict-of-Interest Arrangements Drawn up for Them** – according to the Pizuach system data, 4 of the 32 employees who signed conflict-of-interest arrangements (12.5%) did not comply with them. Moreover, an inspector in respect of whom a decision was made that he refrains from engaging in any supervision or enforcement activity in cattle carried out about 70 operations in this field, including audits of butcheries, investigations into offenses related to cattle, and seizures of cattle.

**📌 The Ministry of Agriculture's Handling of the Disciplinary Issues in the Pizuach Unit** – despite the June 2021 warning issued by the Director of the Disciplinary Division at the Civil Service Commission to the senior officials at the Ministry of Agriculture, and despite warnings and reports of the Ministry of Agriculture's internal auditor in 2015–2018 regarding the conduct of the Pizuach Unit and the recurring disciplinary incidents in the Unit, as well as the conclusions of an internal inspection team at the Ministry of Agriculture regarding repeated disciplinary offenses in the Pizuach Unit, the Ministry of Agriculture did not consider measures to prevent repeated disciplinary incidents in the Pizuach Unit and their detection, and in particular the incidents allegedly committed by directors in the Unit. Moreover, even after the convictions of several employees in the disciplinary court, the Ministry of Agriculture did not deliberate on the employees' suitability for their duties<sup>12</sup>. The ongoing reality and the failure to address the situation have severe practical ramifications: for example, since the closing of the intelligence array at the end of 2017, following the discovery of the illicit retrieval of information carried out by Pizuach Unit employees, the Ministry of Agriculture is fearful of returning and entrusting powers to the Unit's intelligence array, to enable its return to full activity, including the provision of access to information systems. The Unit's conduct over the years and the many disciplinary proceedings conducted regarding its employees may adversely affect and undermine the public's trust in the enforcement agencies in general.








10 Including the Unit Deputy Director; The Unit's Intelligence Coordinator; And directors of two districts.

11 At the time of the audit, three complaints were still being processed by the Civil Service Commission.

12 In this regard, see Section 46A of the Civil Service (Appointments) Law, 1959.







## Key Recommendations

-  The Minister and the Director General of the Ministry of Agriculture should fundamentally change the Pizuach management and adherence to its work procedures. Thus, the unit will be able to fulfill its functions in the best possible way, primarily safeguarding public health and the health and well-being of animals, and protecting the flora.
-  The Pizuach Unit and the Ministry of Agriculture's management should analyze the reasons for the Unit's weak performance and improve it.
-  The Ministry of Agriculture should ensure that only the prosecution bodies, and not the Pizuach Unit inspectors, will decide whether there are grounds to close cases in which an investigation was conducted under the provisions of the law and the instructions of the Ministry's legal bureau.
-  The Ministry of Health, the Ministry of Agriculture, the Coordinator of Government Activities in the Territories, and the Civil Administration, in coordination with Crossing Points Authority, should examine the existing mechanism for transferring plant produce from the PA to Israel and inspect its nature. They should also implement methods to reduce the extent of the deviations of pesticide residue levels discovered in produce transported from the PA to Israel.
-  The Pizuach Unit and the Veterinary Services should decide upon the appropriate solution to improve the monitoring of the arrival of shipments of sheep and cattle from Israel to the border crossings. It is further recommended that the Pizuach Unit, the Veterinary Services, and Customs establish an orderly outline for their cooperation to ensure that all the meat imported for the PA through the ports of Israel reaches its destination. This is to protect the public's health, prevent Illegal slaughter, ensure the payment of taxes and fees legally, prevent the suffering of animals from overcrowding during transport, and prevent the deception of the kosher-observant public. It is recommended that the Pizuach Unit and the Crossing Points Authority examine all of the abilities inherent in the Zramim system to advance the Pizuach Unit's intelligence, enforcement, and operational goals and, according to the findings, connect the Pizuach Unit to the Zramim system or relevant parts thereof.
-  It is recommended that the entry of trucks transporting agricultural produce through the goods border crossings will also be stipulated upon obtaining approval from the Pizuach Unit while creating a mechanism to ensure that the work routine at the crossings will not be affected. Furthermore, it is recommended that an adequate solution be found to ensure that the required inspection is carried out even before the release of the truck from these crossings.
-  Given the estimates regarding the extensive scope of goods smuggling and laundering through the vehicle crossings from the PA to Israel, it is recommended that the Pizuach

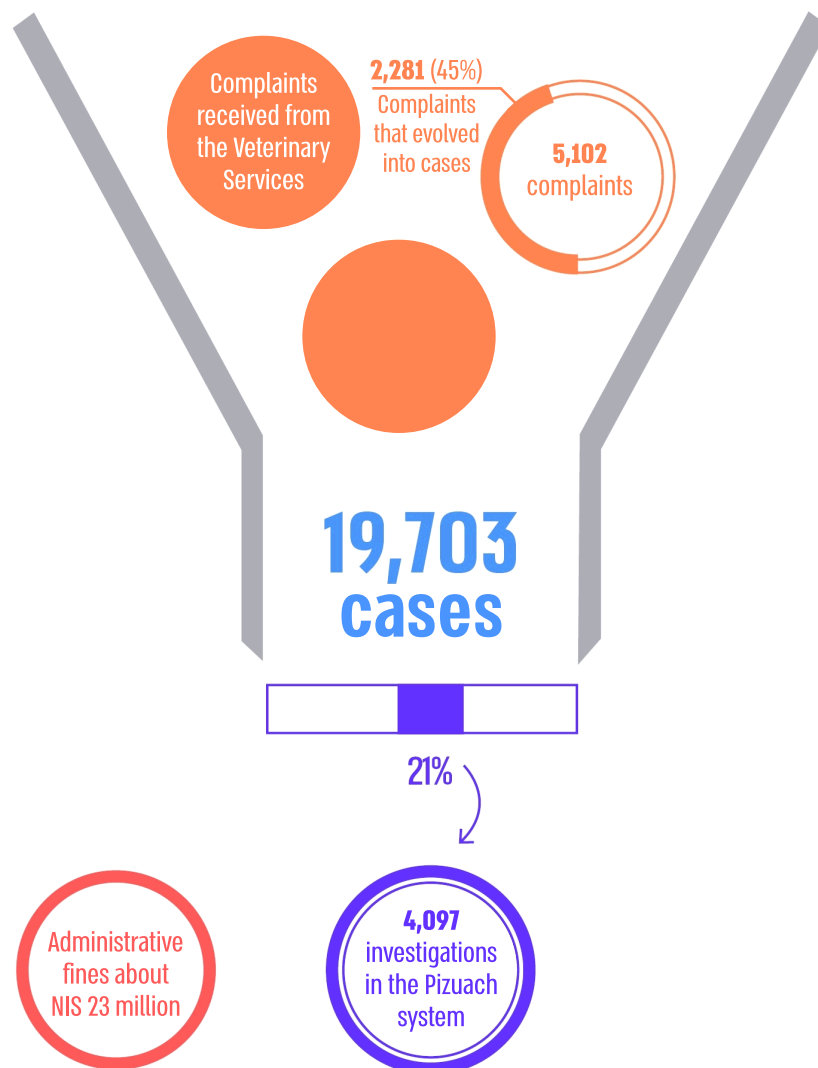


Unit increase its proactive presence at these crossings, according to periodic intelligence assessments.

-  The Ministry of Agriculture should develop an intelligence array to support the fulfillment of the Pizuach Unit's objectives, coordinate and optimize the enforcement activity in its districts, set a work force headcount standard for it and staff it, set a work plan for it, and ensure its regular operation and the provision of the necessary tools for the performance of its duties.
-  The Ministry of Agriculture should discuss the repeated incidents of disciplinary violations in the Pizuach Unit and, in particular, those related to directors in the Unit, including setting measures that will be carried out from time to time to locate disciplinary incidents, to prevent their recurrence in the future and fundamentally change the Unit's organizational culture.
-  The Ministry of Agriculture, in consultation with the Civil Service Commission and the Ministry of Justice, should decide upon the continuation or termination of the employment of the inspectors and directors whose certification was revoked. Furthermore, the Ministry of Agriculture should regulate all the certifications required for the Pizuach Unit employees to perform their duties and ensure that inspectors will enforce the laws they are authorized to.
-  All of the Pizuach Unit employees should adhere to the conflict-of-interest arrangements they have signed. The management of ministry of agriculture should bring the attention of the pizuach unit's management the restrictions that apply to the operation of the employees according to their conflict of interest arrangements. The Pizuach Unit management should refrain from assigning the Unit's employees any task that may place them in a conflict of interest. It is further recommended that the Ministry of Agriculture and the Civil Service Commission jointly investigate employees who breached the conflict-of-interest arrangements they signed and consider taking the disciplinary measures available to them.



## Enforcement Data in the Pizuach Unit's Operation, 2018–2022

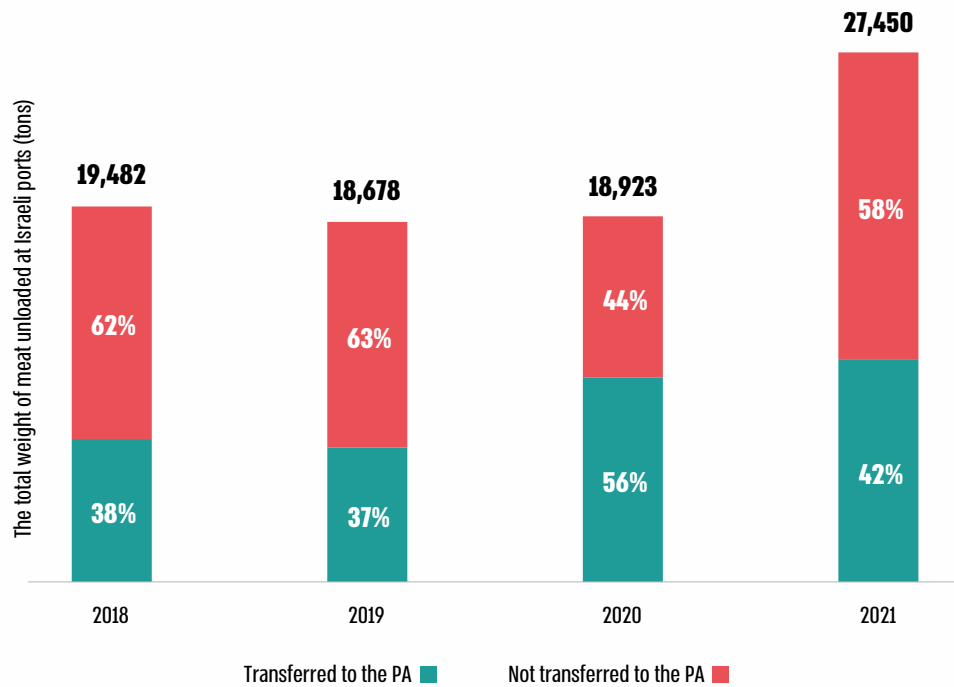


According to the Ministry of Agriculture data, processed by the State Comptroller's Office.





### The Amount of Meat Destined for the PA that was Unloaded at Israeli Ports and the Amount of Meat that Arrived at the Goods Border Crossings for the PA, 2018–2021



According to the data of the Pizuach Unit, processed by the State Comptroller's Office.



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## Summary

The Pizuach Unit in the Ministry of Agriculture is of great importance, given its involvement in law enforcement in matters relating to public health, the health and welfare of animals, and the protection of agricultural plants from pests. In 2018–2022, about 20,000 cases were opened in the Pizuach system, and an investigation was launched in 21% (about 5,000). In those years, the Ministry of Agriculture imposed administrative fines of about NIS 23 million in the areas the Pizuach Unit is entrusted with enforcing.

In 2019–2022, about 39,000 transfers of plant produce from the PA to Israel were recorded in the goods border crossings between Israel and Judea and Samaria. The audit raised deficiencies that allowed uncontrolled transfer of goods between Israel and the PA, including inappropriate physical infrastructure at the goods border crossings, the lack of information sharing, and the lack of synchronization of the information systems between the bodies operating at the crossings – the Crossing Points Authority in the Ministry of Defense, (Zramim) Customs and the Pizuach Unit. In this state of affairs, it is extremely difficult to prevent the phenomena of smuggling and laundering of agricultural produce, black economy, and animal cruelty is challenging. Furthermore, in a wide range of samples – 40% of the samples taken in 2022 – deviations in levels of pesticide residues were found in the plant produce transported from the PA to Israel.

The Pizuach Unit, the Crossing Points Authority, and Customs should strengthen their cooperation to ensure that the goods border crossings can fulfill their purpose: preventing the uncontrolled transfer of agricultural goods between Israel and the PA and ensuring that the Pizuach Unit has the necessary tools to carry out its duties. Furthermore, the Ministry of Health, the Ministry of Agriculture, Zramim, and the defense system should examine the existing mechanism for the transfer of plant produce from the PA to Israel and reduce the scope of the deviations in levels of pesticide residues detected in the produce transferred from the PA.

The audit findings indicate that for years, there have been integrity violations by employees and directors in the Pizuach Unit, and over the years, several disciplinary proceedings have been conducted in their case at the Civil Service Commission. This conduct also led to the closure of the Unit's intelligence array for over three years and its reestablishment in a limited and ineffective format.

The Minister of Agriculture and the Director General of the Ministry of Agriculture should fundamentally change the Pizuach Unit management and adherence to its work procedures to eradicate the recurring of disciplinary incidents and determine its order of priorities and organizational structure. The appointment of a new director for the Pizuach Unit was carried out in September 2023, together with additional required actions, including setting work goals for the Unit, ongoing supervision and control over their implementation, and examination and implementation of the recommendations of an external consulting company, may help the



Ministry of Agriculture change the work and performance results of the Pizuach Unit. Thus, the Unit can optimally fulfill its duties, primarily protecting public health, the health and well-being of animals and the flora.





Report of the State Comptroller of Israel | May 2024

The Ministry of Religious Services

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# **The Burial System in Israel – Follow-up Audit**





## The Burial System in Israel – Follow-up Audit

### Background

The right to be buried in a dignified manner is a fundamental human right and an element of the freedom of religion and worship administered in the State of Israel. The Ministry of Religious Services (the Ministry) is responsible for both Jewish and civil burials. Bringing the deceased for burial is carried out through about 455 entities (burial entities), and the State allocates burial land to most burial entities<sup>1</sup> for symbolic lease fees<sup>2</sup>. The shortage of land, especially in the areas where most of Israel's population is concentrated, is a challenge that must be faced to be able to provide burial grounds for future generations as well. Until the early 1990s, burials among the Jewish population were carried out using the method of one deceased per plot<sup>3</sup> (field burial). From the end of the 20th century, burial methods for a more efficient land use were gradually developed, (saturated burial<sup>4</sup>). Over the years, the governments have promoted resolutions regarding saturated burial and increased the number of people buried in each plot of land. This significant move reflects an essential conceptual change regarding customary burial methods to optimally and efficiently exhaust the land intended for burial.

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- 1 Organizations for burial that deal with bringing the deceased for burial such as the forum of burial societies (Hevrot Kadisha), burial corporations and some of the religious councils.
  - 2 Through the Israel Lands Authority (ILA) or the local authority. In accordance with the Israel Lands Council resolutions.
  - 3 Burial in the ground, one burial plot next to another.
  - 4 Multiplied burial – burial in the depth of the ground of few bodies one above the other; Sanhedrin burial (alcoves) – burial inside alcoves carved into the wall; Multi-level burial – burial in a multi-story structure; Supra burial – adding a burial plot on top of an existing field burial plot; Burial in ossuaries (burial of the Land of Israel) – a method that was used in the past (also called "bone collecting") and in which the dead were buried in the ground or in an alcove carved in a cave and after about a year their bones were collected and placed in a small coffin. The small coffin was buried in designated structures, usually burial caves.



## Key Figures

**about  
51,000**

the annual number of deaths in Israel

**about  
12,400  
Dunam**

the total area where burials in active and inactive cemeteries were made according to the Survey of Israel (SOI) mapping between May 2015 and July 2018

**about 8.5  
million**

the anticipated number of additional deaths until the end of the century

**NIS  
20–80  
thousand**

the tariff of some burial entities in 2015–2018 for exceptional burial plots, as stated in the previous report

**about  
35%**

the saturated burial rate in 2022. This rate is double the rate in 2012 – 17%

**about 370**

the density of burial plots per dunam in the field burial method compared to about 740 in a multiplied burial of two in a plot and about 1,500 in a multi-level burial

**about  
6,800**

the number of deaths among the Arab public in 2021, for which the Ministry of Interior did not regulate the burial of the non-Jewish denominations under the law and powers of the Religious Denominations Division


**5**

of the ten largest burial entities do not publish tariffs on their website






## Audit Actions

 In 2020, the State Comptroller Office published a comprehensive report on the "Burial System in Israel" (the previous report or previous audit) regarding the burial services provided to Jewish citizens and members of other denominations. From February to July 2023, the State Comptroller's Office performed a follow-up audit on the rectification of deficiencies and the implementation of recommendations noted in the previous report (the follow-up audit). The follow-up audit focused on land planning for burial; the performance of saturated burial; the adaptation of the financing model to the development needs of the burial entities, including the determination of burial tariffs for plots sold to the public; the regulation of burial services and, among other things, also the regulation for non-Jewish denominations and the update of burial fees by the National Insurance Institute (NII). The follow-up audit was conducted at the Ministry of Religious Services, at the NII, and the Ministry of Interior – in the Planning Administration and the Senior Division for Religious Denominations. Completion examinations were conducted at the Ministry of Finance and the Israel Lands Authority (ILA).

## Key Findings





 **Land Planning for Burials** – the previous audit raised that as of its end date, the State of Israel was not prepared to handle burial needs where the lack of burial grounds is most severe. **The follow-up audit found that the deficiency was rectified to a small extent.** In March 2020, the National Council decided to promote Change No. 2 to the National Outline Plan (NOP) 1 – determining the density in new cemeteries, and in June 2020, it decided to promote Change No. 18 to the NOP 1 – increasing the density of burials in areas that have not yet been realized in existing cemeteries. However, following the government's resolution from March 2023 regarding the Ministerial Committee on Burial Matters, the Planning Administration stopped the changes. The follow-up audit further found, as was found in the previous audit, that the State of Israel is still not prepared to handle the growing burial needs where the lack of burial grounds is most severe. The expected change compared to previous government resolutions that began with the trend of densifying the burial grounds and avoiding field burials, which are "wasteful of land," could lead Israel to a severe shortage of burial grounds in general, and in high-demand areas in particular. From a long-term perspective, this predicament may also extend to the peripheral areas and the outskirts of the cities, although at this time, at least in part, still have vacant land areas. Still, these land reserves are for medium and long-term population expansion. These are large areas of land that will



become everlasting cemeteries at the expense of developing the land and vital infrastructure. This may result in damage that will make it difficult for future generations to cope with the increase in the population and its needs.

In March 2023, during the follow-up audit period, a government resolution was adopted regarding the Ministerial Committee on Burial Matters, prioritizing field burial in places where the public demands it. This decision differs from previous government and professional authorities resolutions, according to which burial density is required for efficient land utilization, especially given the severe land shortage in the areas where most of Israel's population is concentrated.

 **Burial Planning at the District Level** – the previous audit raised that the Planning Administration, the professional body responsible for formulating the national planning policy, did not direct all the district planning bureaus to complete district-wide planning of long-term burial solutions. **The follow-up audit found that the deficiency was rectified to a small extent.** The Planning Administration did not set timetables for all the district planning bureaus to complete district-wide planning of long-term burial solutions. Moreover, since the previous audit, the Tel Aviv District and Center District Planning Administrations have made progress and have begun preparing a master plan for cemeteries in their districts for 2060, following a tender published for this purpose in 2019. The master plan was scheduled to be completed in the first half of 2021. As of August 2023, a situation state survey has been completed (phase one out of five), but the preparation of the master plan was halted due to a lack of budget. The promotion of the master plans in the other districts (North, Haifa, Jerusalem, and South) is still in the initial stage, and no progress has been made since the previous report.


 **Information and Data Available at the Planning Administration, the Israel Land Administration (ILA), and the Ministry of Religious Services** – for the Planning Administration and the planning districts to plan to adequately meet burial needs, a complete and up-to-date database should be available to them including, among other things, details regarding future needs; The number of burial plots needed in general and according to the characteristics of the population, the different religions and customs; The geographical distribution of the plots as well as a mapping of the vacant burial plots.


According to the Planning Administration's response in the previous report, it decided to prepare a comprehensive work center in the Tel Aviv and Center districts to examine the available areas and burial needs according to the types of the population. Furthermore, in the Planning Administration's response included in the Prime Minister's comments to the previous report, it stated that as part of the staff work it is conducting to update the NOP, among other things, the scope of the available burial areas was examined, to obtain data on the existing burial reserves.




**The follow-up audit found that the deficiency was rectified to a small extent.**

In 2022, the Ministry of Religious Services established an inter-ministerial team to resolve the burial crisis (the Inter-Ministerial Team). According to the Team's conclusions from December 2022, the lack of mapping of cemetery occupancy is a real and significant obstacle to forward-looking strategic planning. Moreover, the Ministry of Religious Services does not analyze the data sent to it by burial entities on the inventory of available land for burial and the available burial plots as part of the license renewal application; therefore, it lacks cemetery, district and a nationwide status report. Without mapping the inventory of vacant burial plots, the Planning Administration's and ILA's ability to complete the planning of long-term burial solutions is impaired.

 **Carrying Out Saturated Burial** – the previous audit found that the Ministry of Religious Services did not implement its obligation established in the government's resolution to carry out saturated burials at a specific rate and did not instruct the burial entities accordingly. Moreover, the Ministry did not instruct all burial entities to implement the government's resolution. **The follow-up audit found that the deficiency was rectified to a small extent.** While the rate of saturated burial is on the rise, from 17% in 2012 to 35% in 2022, indicating the implementation of previous government resolutions in this regard, the Ministry of Religious Services did not address in its instructions the obligation established in government resolutions to carry out saturated burial at a specific rate, and, did not instruct the burial entities to act accordingly. Moreover, according to the Planning Administration, there is no supervision and monitoring of the actual burial density in the cemeteries to ensure compliance with the statutory guidelines.

 **The Financing Model for Development Expenses of Cemeteries** – in a compromise agreement from 1976 between the Forum of Burial Societies (Hevrot Kadisha) and the State, a model was established according to which the burial entities would finance the future development expenses of their cemeteries out of the payments they were allowed to collect from the public (the financing model). The State would continue to pay the burial expenses and help the burial entities to obtain lands for use as cemeteries or help finance their purchase.


The previous audit found that the regulatory bodies – the Ministry of Religious Services, the NII, and the Ministry of Finance – did not examine the suitability of the financing model for the development needs of the burial entities and the changes that have occurred since then in burial patterns, including the increase in the use of saturated burial and the associated costs. **The follow-up audit found that the deficiency was rectified to a small extent since,** as of the audit's end date, the Ministry of Religious Services had considered a new financing model but had not finished the financial work.


 **Burial Tariff for Closed Plots and Exceptional Plots** – usually, every deceased in Israel or a resident of Israel is entitled to be buried free of charge in the cemetery in his area of residence. Sometimes, the public purchases burial plots that burial entities were



allowed to sell: plots sold to a live person (at the tariff outlined in the Religious Services Law), plots in a cemetery that has been declared closed (a closed cemetery or closed plots), plots in territories agreed upon between the NII and a burial entity (exceptional plots) and plots for the burial of foreign residents who did not pass away in Israel.

The previous report raised that the law and its regulations do not set a maximum tariff for burial in closed or exceptional plots. **The follow-up audit found that the deficiency was rectified to a small extent.** In January 2022, the Ministry of Religious Services published a CEO circular on "Guidelines for exceptional plot tariff." Still, in May 2022, at a hearing held by the Ministry due to arguments raised by the Forum of Burial Societies (Hevrot Kadisha), it resolved to conduct an additional financial review. It stated that until the end of further review, the Hevrot Kadisha will operate according to the existing definition of an exceptional plot tariff, which has not yet been updated. Until September 2023, over a year since the hearing it held (in May 2022), the Ministry did not conduct the additional financial review as it had stipulated. As of the audit end date in July 2023, there is no maximum tariff for burial in exceptional plots unless it is a burial plot purchased when the person was alive. Thus, those who wish to bury their dead in an exceptional plot or a closed cemetery must pay any amount the burial entity charges at its discretion. In the previous report, the tariff of some burial entities for 2015–2018 for exceptional plots were presented, which ranged from NIS 20,000 to NIS 80,000 at that time. From the examination of the financial reports of the ten burial entities that carried out the most significant number of burials for 2021<sup>5</sup>, their income from the sale of burial plots to the public (while the person is alive and in exceptional and closed plots) was about NIS 290 million that year<sup>6</sup>.

 **Regulation of the Burial Services (legislation of a dedicated law on burial) –** the previous audit raised that there is no dedicated law on Jewish burial, which is the most common burial in Israel. As of November 2019, the Ministry of Religious Services has not yet promoted the bill since the beginning in 2010. **The follow-up audit found that the deficiency was rectified to a small extent.** The Ministry of Religious Services' last update to the burial bill was in 2019, and there has been no progress since then. Therefore, various laws still apply to Jewish burial, and many governing bodies and regulators deal with it, impacting the effectiveness of their activities and the service they provide to the public with no coordination between them. Furthermore, the Ministry of Religious Services lacks adequate supervision and enforcement tools.

 **Regulating Burial Services for Non-Jewish Denominations –** in October 2003, the government authorized the Division for Non-Jewish Denominations in the Ministry of Interior (the Religious Denominations Division) to provide religious services for non-Jewish denominations. The previous audit found that the rules outlined in the law and

5 From the financial statements for 2021, except for four companies whose reports were audited reports for 2022.

6 Three of the ten largest ones are religious councils.







regulations to ensure proper service to the public, burial in maintained burial sites, maintaining the dignity of the dead, and carrying out the burial while preserving state lands according to their designated use apply only to the burial of Jews and do not apply to the burial of members of other denominations. Thus, the Religious Denominations Division's authority as the regulator of burial was not defined. **The follow-up audit found that the deficiency was not rectified.** The Ministry of Interior did not regulate in law the burial of non-Jewish denominations or the powers of the Religious Denominations Division. Moreover, the Ministry of Interior and the NII did not regulate the burial of the non-Jewish denominations through approved burial entities only, which will receive funding for burial fees from the NII and regulate burials.



**Update of Burial Fees by the National Insurance Institute** – according to the National Insurance Law [Consolidated Version], 1995 (the NII Law), the NII bears the costs of burial expenses (burial fees), and in 2021 it paid burial fees at about NIS 319 million. The previous audit raised that the welfare ministers did not update the burial fees as required. **The follow-up audit found that the deficiency was fully rectified.** In July 2022, the Labor and Welfare Committee approved the National Insurance Regulations (Burial Fees) draft, Amendment 2022. The update was led by the NII and with the aid of the Ministry of Religious Services.



## Key Recommendations

-  It is recommended that the Ministerial Committee on Burial Matters, chaired by the Minister of Religious Services and the Minister of Construction and Housing, the Planning Administration, the Ministry of Religious Services, the ILA, and the Ministry of Finance, when deciding on the density principles of burials as determined, among other things, by previous governments, consider that by the end of the 21st century there will be over 8.5 million additional deceased (including from among the non-Jewish communities); It is further recommended that based on verified data and according to the policy to be established in the various regions of the country, they prepare an estimate as to how long the land reserves will be sufficient and that within this framework all burial alternatives increasing densities will be considered, including the costs of their implementation. It is recommended that the Ministry of Finance, the Ministry of Religious Services, and the NII establish financial incentives for burial entities and the public to encourage saturated burials that maximize the land for the benefit of future generations. Given the severe shortage of land available for development and, especially in areas of high demand for construction, burial in ossuaries (bone collecting into a small burial coffin), as was customary among the Jewish people in the past, is also suggested.
-  It is recommended that, according to the data that will be collected, the Planning Administration set principles to utilize the land optimally. These principles should be incorporated into NOP 1, and pursuant thereof, it will formulate and promote the detailed plans at the planning committees. The Planning Administration should set timetables for milestones to achieve intermediate goals for burial planning in the Dan metropolitan area, promote plans for metropolitan and regional cemeteries throughout the country, and monitor their implementation.
-  To use the land for burial efficiently for the benefit of future generations, the Ministry of Religious Services should gather the data regarding saturated burial, implement the government's policy and resolutions, and set a target for the implementation rate of saturated burial compared to field burial – at the national level and according to the characteristics of the various cemeteries. The Ministry of Religious Services should enforce burial entities to bury according to the densities required of them. Among other things, data collected from the burial entities in the "Shirat Hayam" System can be analyzed as part of the burial license renewal procedure or in a digital interface for mapping the occupancy of cemeteries. It is recommended that the Ministry consider with the Ministry of Finance and the NII the implications and the possibility of financially incentivizing the burial entities to meet the goals that will be set.
-  It is recommended that the Ministry of Religious Services finish the economic work to review the model for financing the cemeteries' development expenses, thus considering various methods of saturated burial in developing, existing, and new cemeteries, the costs



imposed on the public, and its needs. It is further recommended that the full utilization of the land be encouraged and the densities in existing cemeteries increased, given the lack of burial plots and the value of the available lands. It is further recommended that the Ministry implement the financing model as soon as possible after the completion of the financing model.



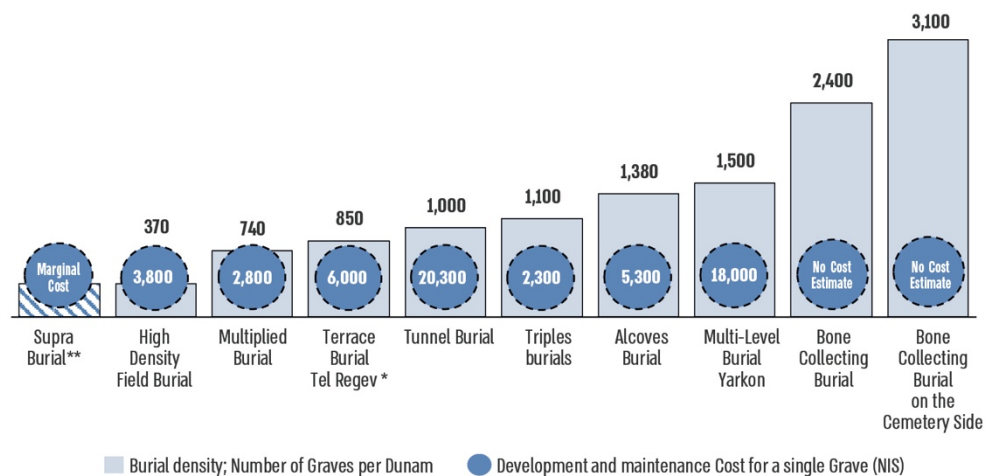
It is recommended that the Ministry of Religious Services determine a maximum tariff for exceptional and closed plots. It is further recommended that the NII and the Ministry of Religious Services consider formulating criteria for the declaration of a cemetery as closed and the continuation of its activity as such after hearing the positions of the burial entities and alongside the completion of an up-to-date financing model and that they maintain a control system for the implementation of the criteria and the financing model.



It is recommended that the Ministry of Interior regulate the burial of non-Jewish denominations and the Division's powers, including supervision and control, and also examine the need for saturated burial and infrastructure financing for this purpose.



### The Number of Burial Plots per Dunam and the Cost of Development and Maintenance (in NIS) for a Single Burial Plot, According to the Type of Burial



According to the data of the Planning Administration's master plan for cemeteries, Phase II – the program from July 2022, processed by the Office of the State Comptroller (the numbers have been rounded for convenience).

\* Tiered structures and vaults that form below them.

\*\* The cost is for the addition of the additional sepulcher





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## Summary

In 2020, the State Comptroller Office published a comprehensive report on the "Burial System in Israel" about providing burial services to Jewish citizens and members of other denominations. The follow-up audit found that five deficiencies were rectified to a small extent; one was rectified, and one has not been rectified. The State of Israel is not yet prepared to contend with the future lack of burial grounds. The anticipated change under the government's resolution from March 2023 regarding previous government resolutions that began the trend of increasing density in the burial plots and avoiding field burials, which is "a waste of land," may result in the State of Israel being faced with a severe crisis of burial grounds in general, and in high-demand areas in particular. These are large areas of land that will become everlasting cemeteries at the expense of developing the land and vital infrastructure. This may result in damage that will make it difficult for future generations to cope with the increase in the population and its needs. It is recommended that the Ministerial Committee, chaired by the Minister of Religious Services and the Minister of Construction and Housing, the Planning Administration, the Ministry of Religious Services, the ILA, and the Ministry of Finance, set burial principles to use land optimally. This considering that by the end of the 21st century, there will be an additional 8.5 million deceased, including from among the non-Jewish denominations. Considering all burial alternatives for increased densities and implementation costs is recommended.



### The Rectification Extent of the Key Deficiencies Noted in the Previous Report

The Audit Chapter	The Audited Body	The Deficiency Noted in the Previous Audit	The Rectification Extent of Deficiencies Noted in the Follow-Up Audit			
			Not Rectified	Slightly Rectified	Significantly Rectified	Fully Rectified
Planning land for burial	The Planning Administration	The State of Israel is not prepared to handle the burial needs where the shortage of burial grounds is severe.				
Implementing saturated burial	The Ministry of Religious Services	The circulars of the Ministry of Religious Services CEO distributed over the years did not implement the government's resolutions to carry out saturated burials at a specific rate. They did not instruct the burial entities accordingly.				



The Audit Chapter	The Audited Body	The Deficiency Noted in the Previous Audit	The Rectification Extent of Deficiencies Noted in the Follow-Up Audit			
			Not Rectified	Slightly Rectified	Significantly Rectified	Fully Rectified
The model for financing the development expenses of cemeteries	The Ministry of Religious Services	The regulatory bodies – the Ministry of Religious Services, the NII, and the Ministry of Finance – did not examine the suitability of the financing model for the development needs of the burial entities and the changes that have occurred since then in the burial patterns, including the increase in the use of saturated burial and the associated costs.				
Burial tariff for closed plots and exceptional plots	The Ministry of Religious Services	The law and its regulations do not set a maximum tariff for burials in closed or exceptional plots, and any burial entity can charge any amount in respect thereof, at its discretion.				



The Audit Chapter	The Audited Body	The Deficiency Noted in the Previous Audit	The Rectification Extent of Deficiencies Noted in the Follow-Up Audit			
			Not Rectified	Slightly Rectified	Significantly Rectified	Fully Rectified
Regulation of the burial services (legislation of a dedicated law on the subject of burial)	The Ministry of Religious Services	As of November 2019, the Ministry has not yet promoted the bill.				
Regulating burial services for non-Jewish denominations	The Ministry of Interior	The fundamental rights of the non-Jewish denominations in burial are not anchored in law and are not based on a supra-norm such as legislation and secondary legislation.				
Update of the burial fees by NII	The National Insurance Institute	The ministers of welfare did not update the burial fees as required.				



Report of the State Comptroller of Israel | May 2024

Ministry of Culture and Sports

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# **The Football Association's Budget Control Authority**





# The Football Association's Budget Control Authority

## Background

Football is one of the most popular sports in the world, including in Israel, with about 270 million people playing football regularly, professionally, or as amateurs. In Israel, about 46,000 male and female players are registered in various leagues (children, youth, adults, and women). Like other sports, football also serves as an educational and social tool that contributes to the development and nurturing of children and youth under sports values, promoting health, teamwork, responsibility, and discipline. The Israel Football Association (IFA) is in charge of regulating football in Israel.

Operating a professional football team requires a significant investment of resources, most of which are for salary payments to players. Consequently, a financially unstable football team may face financial difficulties that preclude it from meeting its obligations and potentially leading to its dissolution. The dissolution of a team could cause damage on multiple levels, such as harm to football's reputation as a sport, impact on the team's players and staff who would lose their source of income, distress to fans, damage to the league in sporting terms, loss of revenue for TOTO (the Israeli sports betting organization), and harm to youth departments.

Given the severe financial status of football teams in Israel and the need to maintain their financial stability, the IFA established the Budget Control Authority (the Authority) in 1992. The Authority operates under the Budget Control Regulations (Regulations): it oversees the financial management of football teams in the two professional men's leagues (the Premier League and the National League)<sup>1</sup> and the Women's Premier League<sup>2</sup>. The organizational structure of the Authority is headed by its chairman. According to the Regulations, any team whose budget is not approved by the Authority or the Authority plenum will not be allowed to play in the league for which it registered and will be demoted to a lower league. In addition, any player or coach whose contract is not approved by the Authority will not be able to play or coach in that season.

1 In the 22/23 season, there were 14 teams in the Premier League and 16 teams in the National League.

2 Since 2006, as part of the supervisory obligation imposed by UEFA on clubs participating in its competitions, the Authority has overseen the financial criterion. Furthermore, starting from the 23/24 season, the Authority will also supervise any team participating in League A that is registered with the IFA.



## Key Figures

**NIS 671  
million**

total revenue of  
Premier League  
teams in the 22/23  
season

**NIS 132  
million**

total revenue of  
National League  
teams in the 22/23  
season

**7 of 14**

Premier League  
teams ended the  
22/23 season with a  
cumulative financial  
loss of NIS 49 million

**10**

National League  
teams ended the  
22/23 season with a  
financial loss  
compared to four  
teams in 19/20  
season

**NIS 281  
million  
(18.5%)**

the aggregate deficit  
in the equity of teams  
in the professional  
leagues (Premier  
League and National  
League) for the  
22/23 season,  
compared to the one  
for the 1999/2000  
season, which was  
about 237 million  
NIS, an increase of  
about 18.5%

**19 of 28<sup>3</sup>**

teams in the Premier  
League and National  
League ended the  
22/23 season with  
negative equity, a  
warning sign that  
may indicate  
financial difficulties

**17 of  
28<sup>4</sup>**

teams in the Premier  
League and National  
League with a  
current ratio of less  
than 1 in the 22/23  
season, indicating  
financial risk, i.e.,  
some teams may not  
have enough current  
assets to meet their  
short-term liabilities

**up to NIS  
100,000**

annual base salary of  
46% of players in  
the Premier League  
and National League  
in the 22/23 season  
(195 players)

<sup>3</sup> In the 22/23 season, there were 14 teams playing in the Premier League and 16 in the National League. Two teams from the National League were relegated to League A and did not submit financial reports to the Authority because they were not required to do so; hence, the financial reports of 28 teams are presented.

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





## Audit Actions



From November 2022 to July 2023, the State Comptroller's Office conducted a financial audit on the Authority's supervision processes of the teams, with a focus on the Authority's efforts to achieve budgetary balance for the teams in the two professional leagues<sup>5</sup>, issues of corporate governance, and the interactions between the Authority and the IFA. As part of the audit, the audited financial statements of the teams in the professional leagues for the 2019/20 to 2022/23 seasons (four seasons)<sup>6</sup> submitted to the Chairman of the Authority, (as required by the Regulations), were analyzed. The previous State Comptroller's Office report on the Authority was published in 2001<sup>7</sup> (the previous audit).

## Key Findings



### **Action Taken by the Authority to Maintain the Financial Stability of Premier League and National League Football Teams**

– one way to assess the financial condition of an accounting entity is through its equity, as presented in the financial statements (net assets in a non-profit organization)<sup>8</sup>. The State Comptroller's office noted in the previous report that at the end of 1999, the aggregate equity of the 36 teams in the professional leagues was negative, at about NIS 162 million (in real terms, as of May 2023, about NIS 237 million). 22 years from the 1999/2000 season to the 22/23 season, the deficit in the aggregate capital of the professional league teams did not decrease and even increased – from NIS 237 million to NIS 281 million (in real terms increase of about 18.5%). In addition, 19 out of 28 teams have negative equity, at about NIS 326 million. This trend is contrary to the expected outcome following the establishment of the Authority, which was created in response to the severe financial condition of football teams in Israel and to maintain their financial stability. Thus, the Authority has not achieved the goal for which it was established.



According to the financial condition presented in the profit and loss statements of the Premier League teams, the loss in the 19/20 season was 22%. In comparison, in the 22/23 season, there was a shift to profitability of 4%. However, it was also raised that

5 The audit did not address budgetary control over the Women's League and League A.

6 The audited reports are as of May 31 for each year.

7 State Comptroller, **Audit Report on Associations** (2001), "Israel Football Association," pp. 84–88.

8 The surplus of total assets over total liabilities.



the combined loss of the seven teams was about NIS 49 million (the loss from their revenues was approximately 16%). The turnaround between the 21/22 and 22/23 seasons and the transition to an aggregate profit was partly due to significant one-time revenues, at tens of millions of NIS, for two teams (one recognized extraordinary income due to the write-off of shareholder debt).

### **Control Over Player and Professional Staff Salaries**

- **Proactive Control of Salaries and Benefits** – the annual base salary of 46% of players in the Premier League and the National League for the 22/23 season was up to NIS 100,000 (salary for ten months of work). In the calculation of twelve months of work per year, the average monthly salary was about NIS 37,000 in the Premier League and NIS 10,300 in the National League. By comparison, the average salary in the economy for 2022 was about NIS 12,000. According to the Regulations, the Authority itself is not required to proactively monitor the salary payments of the teams to their employees. Despite this, according to the Football Players' Association, there are sometimes National League teams that delay salary payments. The Association claims that during the 22/23 season, in seven out of sixteen National League football teams, there were delays of a week or more in salary payments to players, and sometimes the delay lasted several months.
- **Handling Players and Professional Staff Complaints** – one of the mechanisms in labor law enforcement is an employee complaints mechanism. The IFA failed to establish in its Regulations or otherwise, a structured mechanism (procedure for handling complaints, setting their handling method, and response) that would allow complaints to be filed against football teams for delays in salary payments and for transferring information about the complaint for review by the Authority, regardless of filing a claim to the IFA's arbitration institution (a process that requires paying a fee and a financial deposit).
- **Proactive Investigations** – the Authority receives extensive financial information from teams, including contract details for all players, and must approve each contract. The cumulative information at the Authority on players' salaries can be used to identify negative phenomena of salary payments that exceed the contract deposited and approved by the Authority, such as through an additional contract with payments in cash or equivalent (double contract). For example, players and officials from one of the teams were convicted by the IFA's Supreme Court for violating Section 6(b)(1) of the IFA's Regulations since, in the 16/17 season, they received various additional payments beyond the salary set in the agreements deposited and approved by the Authority<sup>9</sup>. This information is confidential according

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<sup>9</sup> Disciplinary Court of the Football Association, Case No. 98477; Supreme Court of the Football Association, Case No. 1-17/18 (2017).



to the Regulations and is held only by the Authority. It was found that the Authority does not proactively analyze the information it has to identify double contracts<sup>10</sup>.

**Realization of Collateral by the Authority** – the Regulations require the teams to provide collaterals to ensure budget compliance; therefore, these must be available for immediate realization. The Chairman of the Authority determines the amount and type of collaterals for each team, and budget approval is contingent upon their deposit. According to the Regulations, the Chairman of the Authority may accept various types of collaterals, including from parties who are not the team's owners<sup>11</sup>. However, "collaterals" is a broad term and allows for assets that cannot be immediately liquid and may be challenging to realize. The value of real estate, art objects, and digital currencies may fluctuate. There is a risk that the Authority may not be able to realize the collaterals immediately and at their original value, thus fulfilling their purpose.

**The Authority's Control over the Youth Department's Budget** – one of IFA's goals is to develop football in Israel; hence, investment in the clubs' youth departments is important. According to UEFA's club licensing Regulations, one of the goals is to promote and improve the level of football and prioritize the training and treatment of young players. From the financial reports' analysis of the 22/23 season of nine clubs from the Premier League and nine clubs from the National League (teams whose financial reports reveal information about youth department expenditures), it was found that six clubs diverted budgets from their youth departments to the senior team's activity. The audit found that besides setting a minimum budget for the youth department, the Regulations do not establish rules to prevent the diversion of budgets from the youth department to the senior team. Consequently, the Authority does not effectively monitor this issue. Therefore, there is a risk of harm to the youth department's activity and potentially even the future of Israeli football, which relies on nurturing young players, a barrier highlighted by the Peled Committee in 1990.

### **Reciprocal Relations Between the Football Association and the Authority**

- **Term Limit for the Chairman of the Authority** – the terms of senior or sensitive position appointments are limited to avoid dependence between the appointing entity and the officeholder. It was found that the IFA failed to limit the term of office for the Chairman of the Authority, unlike other senior positions in the IFA. Since the Authority's establishment in 1992 until 2023, only three chairmen have served: The first served for about 18 years, from 1992 to mid-2009; the second served for 10 years, from May 2009 to May 2019; and the third, appointed in June 2019, has been serving in her role since then.

<sup>10</sup> Payment beyond the contract deposited and approved by the Authority.

<sup>11</sup> According to the Regulations on the transfer of management rights in football teams, team owners are required to have a clean criminal record and undergo financial due diligence depending on the league in which the team participates.



- **Internal Audits Within the Authority** – the audit raised that over the Authority's years of activity, in 1992–2023, the IFA internal auditor failed to conduct internal audits of the authority.
- **Learning from Past Experience Regarding Clubs that Encountered Financial Difficulties** – it was found that although one team went bankrupt in the 21/22 season and four other teams encountered significant financial challenges, the IFA did not implement a structured process to learn from these cases and set measures that will enable timely warning of the likelihood of such cases and prevent them.









**Reports from the Authority to the IFA** – the audit found that the IFA failed to obtain data from the Authority in a secure and protected manner regarding the financial status of football teams and their youth departments. Therefore, despite the need to oversee the Authority, the IFA lacks sufficient information to evaluate the Authority's achievements in improving the financial resilience of football clubs.



**Update of the Authority's Regulations** – in February 2019, the Regulations were changed following administrative work performed by the IFA consultation with an external consulting firm.

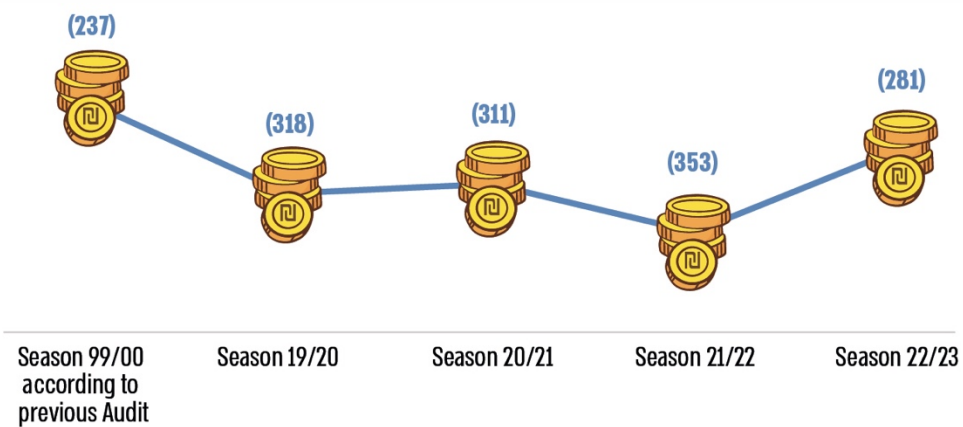


## Key Recommendations

-  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 IFA's regulations a team 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 IFA explore additional ways of encouraging teams to improve their financial resilience, including making the teams participation contingent upon reducing their equity deficit or improving predetermined financial ratios, such as the current ratio.
-  It is recommended that the IFA incorporate a mechanism for handling complaints from players regarding unpaid wages within the Regulations. To the extent required, such investigations should be conducted by the Authority, which holds the collateral for wage payments provided by the teams at its request, has information on the contracts, and has the authority under the Regulations to act against the teams. In addition, the Authority should proactively use the information it has to verify timely wage payments according to the approved agreements.
-  It is recommended that the IFA incorporate into its bylaws the scope of third-party collaterals and the type of asset that can serve as collateral, enabling its immediate realization. If the collateral has fluctuating value, it is crucial for the authority to monitor its value and request completion of the collateral as necessary.
-  To ensure the promotion and development of the youth departments, the IFA should set rules in the Regulation ensuring that the revenue from these departments are used for its intended purpose and not diverted to other activities and that it maintains supervising this. Thus, preventing harm to investment in and development of the youth department. It is recommended that the IFA set Regulations to verify that the accounting records in the financial statements prevents diverting expenses from the youth department to the senior team.
-  To maintain the independence of the Chairperson of the Authority, the IFA should limit the term of office, as in other senior positions within the IFA.
-  It is recommended that the IFA conduct an internal audit of the Authority; perform a structured and systematic conclusion process regarding football teams that have encountered insolvency or financial difficulties; establish a subcommittee for budgetary control to appoint, among other things, public officials with expertise in accounting and economics to coordinate work vis-a-vis the Authority. Moreover, it should also demand to receive at least aggregate financial information from the Authority on all teams combined, based on various parameters or according to financial indices and ratios and publish this information on the IFA's website.



**The Volume of Real Aggregate Equity of Professional Teams in the 99/00 Season and that of Professional Teams in the 19/20–22/23 Seasons (rounded to millions of NIS)**



According to the teams' financial statements, processed by the State Comptroller's Office.



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## Summary

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 – under the values of sports and the promotion of health, teamwork, responsibility, and discipline. Given the difficult economic situation of football teams in Israel and to maintain their financial stability, the IFA established the Authority in 1992. 22 years from the 1999/2000 season to the 22/23 season, the deficit in the aggregate capital of the professional league teams did not decrease and even increased – from NIS 237 million to NIS 281 million (an absolute increase of about 18.5%, according to the May 2023 index). According to the financial statements for the 22/23 season, 19 out of 28 teams have negative equity, at about NIS 326 million. This trend is contrary to the expected outcome following the establishment of the Authority, which was established in response to the severe financial condition of football teams in Israel and to maintain their financial stability. Thus, the Authority has not achieved the goal 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 Regulations (established by the Israeli IFA), a team 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 IFA explore additional ways of encouraging teams to improve their financial resilience, including making the teams participation contingent upon reducing their equity deficit or improving predetermined financial ratios, such as the current ratio. In its Regulations, the IFA should regulate and 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. This is essential to prevent harm to investment in and development of the youth department. It is recommended that the IFA demand from the authority at least aggregate financial information on all the teams together, according to various indicators and financial ratios; and publish this information on the IFA's website.







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# **The Operation of the Array of Institutional Antigen Testing and Recognizing It as Diagnostic Testing for Covid-19**





# The Operation of the Array of Institutional Antigen Testing and Recognizing It as Diagnostic Testing for Covid-19

## Background

Establishing the testing array for diagnosing infection with the Coronavirus and its operation were a key component in coping with the Coronavirus worldwide and in Israel, both to treat patients and prevent harm to the economy. The test for diagnosing Covid-19 involves taking a sample from the subject and examining the sample. The time until the test results are received impacts the possibility of breaking the chain of infection and eradicating the pandemic. At the beginning of the Covid-19 pandemic in Israel, from the end of February 2020, the PCR test (Polymerase Chain Reaction) was the primary test for diagnosing Covid-19. The maximum daily capacity for performing PCR tests in Israel starting in the second quarter of 2021 was 200,000 tests, according to the maximum capacity of the laboratories in Israel to perform the tests, and particularly their ability to provide the test subject with a response within up to 48 hours from the sample taking.

Throughout the Covid-19 waves, the use of PCR tests was increased, and in September 2021, during the fourth wave (the 'Delta' wave), the number of daily PCR tests was the highest at about 229,000 tests. Later on, the spread rate of the fifth wave in December 2021–January 2022 (the 'Omicron' wave<sup>1</sup>) was fast compared to the previous Covid-19 waves: the maximum daily number of verified people in the Omicron wave was 85,283 compared to 11,343 in the Delta wave. To break the chain of infection and return to normality, it was necessary to employ a system for Covid-19 tests, addressing everyone who needs to be tested, with a scope depending on the anticipated involvement in the number of daily tests during the pandemic.

Accordingly, beginning on December 30, 2021, the Ministry of Health approved the use of institutional antigen tests to diagnose Covid-19, through providers operated by the Ministry<sup>2</sup>. The antigen test has advantages both due to the quick response in the case of positive identification – the test results are received within about fifteen minutes, and thus it is possible to reduce the contacts of the subject who enters immediate isolation; And due to economic aspects – there is no need for laboratory services to decipher the tests, thus saving the need

- 1 Omicron is a variant of SARS-CoV-2, the Coronavirus, which causes the corona disease. The World Health Organization defined it as a "Variant of Concern" in November 2021, naming it after the Greek letter omicron.
- 2 Initially, from August 2021, the institutional (supervised) antigen tests were used to obtain a temporary green pass. The temporary green pass was given for 24 hours to enter public places, upon presentation of a negative supervised antigen test result.



for transportation; The cost of the antigen test is cheap compared to the PCR test (about a third of the price of PCR). Furthermore, the antigen test will detect the disease during most of the period when the virus multiplies in the body. However, it should be noted that the PCR test has a higher analytical sensitivity than the antigen test, and it detects the virus even when the viral load is low.

### Key Figures

**200,000**  
**PCR tests**

the maximum daily capacity of PCR tests in Israel starting in the second quarter of 2021

**about**  
**173,000**  
**antigen tests**

the average daily institutional antigen tests in January 2022

**NIS 245**  
**million**

the state payment to providers for performing institutional antigen tests in January–February 2022 (about NIS 40 per test)

**about**  
**78%**

of the discourse on social media regarding the institutional antigen testing array had a negative sentiment (387 out of 497 references analyzed)

**over 1 hour**

the waiting time for an institutional antigen test, according to a fifth of the parents who responded to the State Comptroller Office's survey

**about**  
**70%**

the antigen sampling stations rate (67 out of the 96 stations examined) with no separated queues – between those exposed and those verified with symptoms, and with no appropriate signage

**in about**  
**40%**

of the peripheral local authorities with over 10,000 residents with no antigen sampling station on the three dates examined in January 2022 until the New Tender was launched (37–38 local authorities)

**about 2%**  
**only**

the weekly average rate of antigen sampling stations controlled by the Ministry of Health from the end of January to the end of February (61 out of 730 stations that operated on average in that period)



## Audit Actions



From February to October 2022, the State Comptroller's Office audited the institutional antigen testing system. The audit examined the health system's preparedness for the operation of the array, the availability of the antigen sampling stations, and the service provided to the residents. The audit was carried out at the Ministry of Health. Completion examinations were carried out at the Ministry of Finance.

The audit used accepted tools based on information and documents from all relevant sources. Moreover, since this is a topic that personally concerns most of the public, two tools were added to the audit that presented the public's perspectives during the Covid-19 period:

1. Parents' survey – in July 2022, the State Comptroller's Office surveyed the attitudes of parents whose children study in grades 1 through 12 in the regular educational frameworks. As part of the survey, parents of pupils in grades 1 through 6 were asked about the antigen sampling stations; 382 parents – constituting a representative sample – answered these questions.
2. Analysis of discourse on social media – in July–August 2022, the State Comptroller's Office examined and analyzed the discourse on social media to explore the public's service experience regarding the array of institutional antigen testing and its availability. The examination pertains to the period between January and February 2022 (during the Omicron wave) and includes a qualitative and quantitative analysis of the relevant discourse monitored on the subject. As part of this analysis, 6,179 posts were read, of which 497 posts and comments directly related to the topics relevant to the examination.

## Key Findings





**The Preparedness of the Health System for the Operation of the Institutional (supervised) Antigen Testing Array** – beginning in September 2021, the need to add institutional antigen tests to the diagnostic Covid-19 tests, was raised. The use of the antigen test in the United Kingdom as a diagnostic test, staff work done in the health system and the government, situation assessment discussions, and the Omega Drill<sup>3</sup> –

3 A national drill carried out in Israel in November 2021 to examine national preparedness and improve national preparedness for the outbreak of a new deadly strain of the Coronavirus from the stage of discovery to the stage of preventing its spread and its containment.



all, indicated the need to expand the array of testing (beyond the capacity of 200,000 tests per day) and the possibility of using an antigen test as a diagnostic test – as an alternative or as a supplement to the PCR test if a rapid expansion of the array of tests is required. Accordingly, the decision-makers needed to assess the situation and prepare response mechanisms or contingency plans for different scenarios. Nevertheless, until January 2022, the Ministry of Health did not prepare in advance to expand the number of daily tests for diagnosing Covid-19 by adding institutional antigen tests to the PCR tests. It did not prepare an appropriate action plan (contingency plan) to implement immediately when necessary. The lack of a proper action plan resulted in late engagement with providers, a sub-optimal deployment of the antigen sampling stations, and long waiting times.

 **The Ministry of Health Expanding the Array of Institutional Antigen Tests** – in August 2021, during the spread of the Delta strain, the Ministry of Health published two tenders for the sampling of institutional antigen tests, which allow for the receipt of a temporary green pass (the Green Pass Tenders). Under the Green Pass Tenders, the providers also operated at the beginning of the spread of the Omicron strain. On December 29, 2021, the Ministry of Health updated the outline of isolations and tests; In January 2022, it published a new tender with updated conditions according to the performance of the tests that replaced the Green Pass Tenders and allowed additional providers to enter the array (the New Tender). The providers who won the New Tender started operating sampling stations on January 25, 2022. The operation of the New Tender began about a month after the outline was updated – a critical time in an emergency. Thus, in January–February 2022, the number of institutional antigen tests increased to a peak of 281,057 tests on January 16, 2022; On January 23, 2022, with the highest number of verified people (85,283), the number of tests was 278,549. On the other hand, on the same day (January 23, 2022), the number of sampling stations was 519 stations, and it reached its peak only four weeks later, on February 20, 2022, – 834 sampling stations, while the wave of morbidity was already ending the declining trend. Hence, the response of deploying extensive stations to test came at a later stage than required.

 **Waiting Times in Queues for Institutional Antigen Tests** – the conditions in the queues for institutional antigen tests were the main topic (about 70% of surfers) in the social discourse analysis. Out of 330 references in the social discourse regarding the conditions in the queues, about 57% of surfers referred to the waiting times in the queues, and about 90% testified to waiting in very long queues; According to the parents' survey, 68% of the respondents waited in line for over 15 minutes, the time set for provision of the service under the New Tender. Nearly a fifth of all respondents waited over an hour. A prolonged wait for the institutional antigen test increases the risk of infection while waiting at the sampling stations, thus potentially worsening the spread of the disease. Moreover, people who were not feeling well or parents of small children were forced to wait long for the test to be administered, making it difficult for them and



the people next to them. The wait at the sampling stations for the institutional antigen tests during the Omicron wave was excessively long, according to the public's perception.


**Reporting on the Ministry of Health's Website and the Internet About Levels of Crowding at the Antigen Sampling Stations** – in about 38% of the controls (in 27 out of 71) conducted by the Ministry of Health in real time on the subject, there was no match between the providers' reports on the Ministry's website about the levels of crowding at the sampling stations and the crowding as stated in the control findings. The audit further raised that the Ministry of Health did not keep the data regarding the levels of crowding at the sampling stations that the providers regularly entered on its website and did not analyze them regularly. The gap between the providers' reports on the Ministry's website and the actual situation at the stations, as raised in the Ministry's control findings, the general failure to reflect the level of crowding data to the public in real-time and the inability to analyze the crowding data reported by the providers could have affected the public's ability to make an informed choice of the sampling station to which it will go and the date of the testing.

**The Physical Conditions at the Antigen Sampling Stations** – the physical conditions at the sampling stations were not optimal, including the separation of queues between those with symptoms and those who have only been exposed to a verified person and do not exhibit symptoms, maintaining the distance and even protecting the sampling stations from the elements: according to the Ministry of Health data for January–April 2022, in most (70%) of the controlled sampling stations, there was no separation of the queues between the subjects and no appropriate signage, in contravention of the Ministry of Health's directive to providers. In the parents' survey, about 57% of the parents responded that maintaining a sufficiently large distance between the subjects was ensured to a small extent or even less, and about 66% of the parents responded that separation of queues between the subjects was maintained to a small extent or even less, and about 53% of the parents responded that the protection of the sampling stations from the elements (rain or sun) was little to none at all.

**The Deployment of the Antigen Sampling Stations** – the Ministry of Health published a new tender (on January 16, 2022), which improved the deployment of the sampling stations. However, until it came into effect on January 25, 2022, the Ministry did not use its tools as part of the Green Pass Tenders and did not improve the deployment of antigen sampling stations in the periphery. This was even though it had a database, which included data about the deployment of the sampling stations, the number of daily subjects, the number of residents in each local authority, and partial data regarding the level of crowding at the stations. For example, on January 2, 2022, upon the government first updating the testing policy following the spread of the Omicron wave, there were 168 peripheral local authorities, with about 220,000 residents, located over 15 km from the sampling stations. As of January 13, 2022, there was an improvement in residents' accessibility to the sampling stations, but there were still 101 peripheral local authorities, with 150,000 residents, at over 15 km from the sampling



stations; In addition, on January 16, 2022, at the peak of the tests in the Omicron wave, the local authorities of Rahat and Kiryat Ata had no sampling stations at all, while in Yavne and Ness Ziona, local authorities with a smaller number of residents in the central region, four stations were operating on this date; Moreover, on the three dates examined, until the New Tender was launched, in about 40% of the peripheral local authorities (37–38), with over 10,000 residents, there was no sampling station. The lack of sampling stations affected the accessibility of the tests to the residents, who were required to travel for a long time to the sampling stations in other local authorities, and could have increased the level of crowding there, and even to the fact that residents will forgo testing.

 **Supervision and Control of the Array of Institutional Antigen Tests** – during most of January 2022, when the number of institutional antigen tests was the highest, the Ministry of Health did not proactively control the sampling stations, thus failing to guarantee in real time the quality of the service provided to the subjects. It was further found that from the end of January to the end of February 2022, the Ministry of Health performed documented controls on 61 sampling stations out of about 730 stations that were active on average during that period. Only about 2% on average of the total number of stations each week, lower than defined by the Head of the Command Center for the Management of the National Fight against the Coronavirus at the time in his letter to the Tenders Committee (10%). Furthermore, monitoring the rectification of the deficiencies found in the Ministry of Health's controls in January–February 2022 was not systematic, and the Ministry did not ensure that the deficiencies noted in the controls were rectified across all the sampling stations. This could have resulted in unrectified deficiencies, and unimproved service to the residents.







**The Schedule for the Publication of the New Tender** – the State Comptroller's Office commends the Ministry of Health for the short timetable of about two weeks to publicize the New Tender to expand the array of institutional antigen tests.





## Key Recommendations

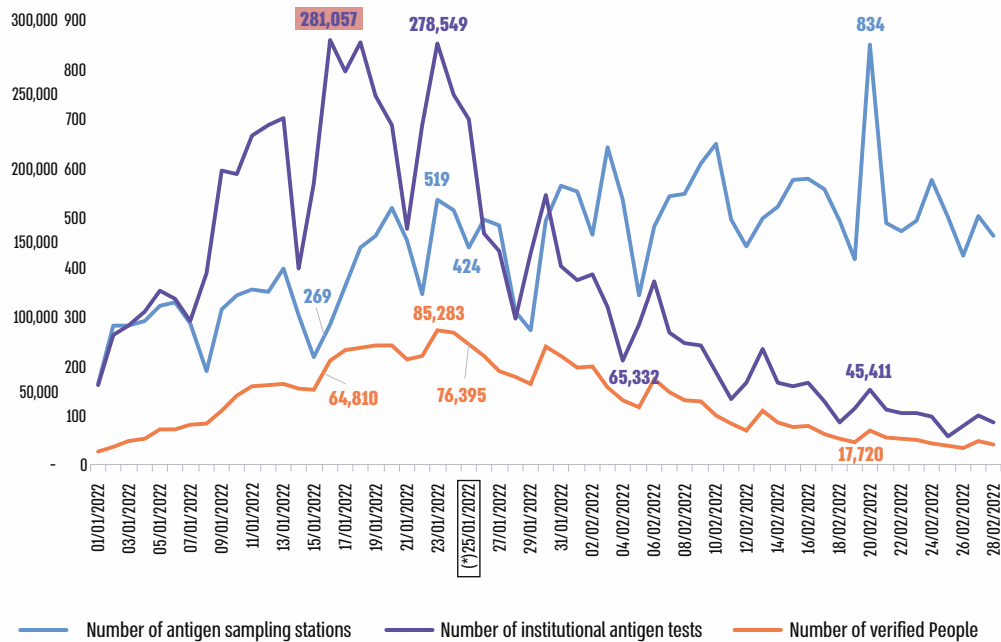
-  It is recommended that at uncertain conditions, the Ministry of Health consider analyzing all relevant alternatives, examine them and determine the means to implement the best alternative when necessary, through contingency plans for the most likely scenarios or through the use of a rapid engagement mechanism in an emergency that may include engagements with providers during routine times for the operation in times of emergency. It is further recommended that the Ministry of Health prepare a plan that will allow the health system to transition from routine to emergency when a pandemic develops quickly. Meanwhile, it is recommended that possible scenarios for the development of waves of morbidity be prepared and an appropriate response to each such scenario be provided in the activation of the parties involved, determination of work processes, practice of these scenarios, and the like.
-  It is recommended that the Ministry of Health continuously ensure the transparency of information and data necessary for the public to know and to ensure their reliability and high accuracy level. This is especially necessary during unusual events, such as a pandemic epidemic, when the public's trust in the system that manages the event is of primary importance for success in such dealings. It is further recommended that the Ministry of Health retain the current data it receives from the providers to analyze the data, draw conclusions therefrom, and improve the providers' activities. It is also recommended that the Ministry consider establishing a computerized queue management system to optimize queue management and reflect the existing level of crowding to the public.
-  It is recommended that within the framework of tenders in which the Ministry of Health engages providers to perform services, it will regularly examine their compliance with the conditions it defined to ensure that the service is satisfactory and to exhaust its purpose, including surveying public opinion from time to time regarding the quality of the service provided by the providers. Monitoring and control mechanisms are essential during emergencies of a medical crisis when public trust is a critical aspect for contending with such a crisis.
-  It is recommended that the Ministry of Health establish a method for documenting the results of controls it conducts on the providers and for saving the data obtained therefrom. Thus, ensuring that the providers comply with the agreements signed with them, generate continuous control and supervision, analyze the data, draw conclusions, and improve the providers' activities. Regarding the activity carried out at the antigen sampling stations – reliable reporting data on the activity at the stations and their analysis can help the Ministry to map the level of crowding at the sampling stations, reflect the information to the public in real-time, and direct it to less busy stations, and also reflect this information to the providers so that they can regulate the workforce at the stations according to the level of crowding and even add sampling stations at busy ones.



- 💡 It is recommended that the Ministry of Health ensure orderly follow-up of the deficiencies rectification and ensure that these deficiencies are rectified on time. Thus, it will be able to map the available data and analyze them to draw conclusions and lessons to improve the service to the residents.
- 💡 It is recommended that the Ministry of Health examines its toolbox from time to time and analyzes in real time the information it has to operate operational systems under its responsibility with maximum efficiency while emphasizing the uniformity of the service, especially in the periphery.



### Daily Number of Verified People, of Institutional Antigen Tests and Sampling Stations, January – February 2022



According to the Ministry of Health data on the Ministry of Health website 'Coronavirus in Israel – General Situation Report' and the Ministry of Health data regarding the sampling stations (from August 2022) were processed by the Office of the State Comptroller.

(\*) The start of operation of the sampling stations within the framework of the New Tender.



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## Summary

The Coronavirus broke out in Israel in March 2020. The establishment of the array of tests to diagnose the infection with the Coronavirus and its operation was a key element in contending with this virus throughout the world, including in Israel. The ability to deploy antigen sampling stations quickly to provide the public with an efficient, equitable, and high-quality service was essential for providing a service that affected the entire population and day-to-day life, enabling a return to routine alongside the Coronavirus. The audit raised that despite the increase in the spread rate of the pandemic from wave to wave, the Ministry of Health was not prepared until January 2022 for the expansion of the number of daily tests for diagnosing Covid-19 through the addition of institutional antigen tests to the PCR tests, which led to a suboptimal deployment of the antigen sampling stations and waiting times. Creating an infrastructure that will allow the Ministry of Health to provide a quick and high-quality response in times of emergency is necessary for the health system to cope with future emergencies and will contribute to maintaining public health.



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# **Vaccination of the Population Against the Coronavirus**





# Vaccination of the Population Against the Coronavirus

## Background

One of the primary ways to eradicate epidemics is through vaccination. Developing the vaccine against the Coronavirus and getting its approval quickly was crucial in coping with the Covid-19 pandemic. The development process of a routine vaccine is lengthy and can last 10–15 years, while its approval process can last about eight months or even more. Conversely, developing vaccines against Covid-19 took 12–24 months, and in December 2020, the vaccine manufacturers received a special emergency authorization (EUA – Emergency Use Authorization) from the American Food and Drug Administration (FDA).

The outbreak of the Covid-19 pandemic was a rare and unusual event with unique characteristics that occurred under conditions of uncertainty and required dynamic management and the use of non-routine work methods suitable for emergencies and allowing quick responses to the changing reality. In Israel, the vaccination campaign against the Coronavirus began in December 2020, and Israel was one of the first countries in the world to vaccinate against the virus. In December 2020, the first vaccine dose was given to the entire elderly population (over 60), medical staff, populations at risk, and others. Following that, with the receipt of the appropriate approvals from the Ministry of Health, the vaccine was also given to people of younger ages: in January 2021, vaccination began for those aged 16 and over; In June 2021, for ages 12–15; In November 2021 for ages 5–11. With the persistence of the pandemic, it was found that its effectiveness decreased after about six months from administering the second vaccine dose. Israel was the first country in the world to vaccinate with a third vaccination dose ("booster") – from the end of July 2021. From the beginning of the vaccination campaign at the end of December 2020 until the end of March 2021, within about three months, over half of the population in Israel aged 16 and over was vaccinated with two vaccination doses. By January 2023, about 82% of the population aged 16 and over had been vaccinated. From the beginning of the vaccination campaign until the audit end date (November 2022), the state invested about NIS 3.9 billion in the procurement of vaccines.

Given the significant importance of vaccinating the population against the Coronavirus during the Covid-19 pandemic, the state increased vaccination rates to minimize the spread of the pandemic as much as possible. These actions, led by the Ministry of Health, played a key role in saving the lives of thousands of Israelis. Among the factors that may affect the rate of vaccination in the population is the public's trust in the health system – including in the process of formulating the recommendations of the Epidemic Management Team (EMT), the concern



of the side effects of the Covid-19 vaccine and the false information that has been disseminated on the Covid-19 vaccines.

This report, conducted before the outbreak of the 'Swords of Iron' war, deals with a specific area – the population vaccination against an epidemic. With a forward-looking view, the report focuses on the lessons to be learned from the vaccination process for the state's effective coping with extreme health events. Still, lessons can also be learned from it to prepare for coping with emergency events in general.

### Key Figures

**86%**

of the population over the age of 12 were vaccinated with the first vaccine dose, compared to 61% who were vaccinated with the third vaccine dose (as of January 2023)

**65.2%**

of the population received two vaccination doses, compared to 72.9% in the European Union and compared to a world average of 63% (as of November 2022)

**59.6%**

of the population received the third vaccination dose, compared to 60.6% in the European Union and compared to a world average of 33% (as of November 2022)

**60%–  
62%**

the rate of those who receive the third vaccination dose among those aged 60 and over in the local authorities examined in the Arab and ultra-Orthodox sectors, compared to 86% in the general population



**25%**

of the participants in the survey conducted by the Government Advertising Agency (GAA) in July 2022 stated that none of the bodies they were asked about in the survey (including experts in the health system, the government, and the Home Front Command) were perceived reliable for issuing instructions

**31%**

of the participants in the GAA survey in December 2021 stated that side effects they or others experienced were an obstacle to their getting vaccinated with the second and third doses of the vaccine

**33,000**

anonymous reports of side effects were received from the general public in 2021, which the Ministry of Health did not process nor analyze

**18%**

the side effects report rate that occurred close to receiving Covid-19 vaccinations, which were recorded in the Ministry of Health's systems, out of the reports submitted to the Ministry by medical sources (about 62,000 out of about 354,200 reports)

**101 members**

of the Epidemic Management Team (EMT) during the Covid-19 pandemic, with the right to vote. In comparison, in the United States, the Advisory Committee on Vaccines numbered 57 members, with 20 of them having the right to vote, and in Australia, there were 23 members, with 15 of them having the right to vote

**about 47%**

of the EMT members (48 out of 101 members) hold positions in the Ministry of Health and may participate in votes on the Ministry of Health's recommendations

**77%**

the parents' rate who were exposed to claims regarding the damage that childhood vaccinations in general (and not just the Covid-19 vaccine) may cause, as noted in the GAA survey from August 2022

**about 57%**

of the parents who participated in the GAA survey from August 2022 expressed concern of permanent damage to their children as a result of vaccinations in general, compared to about 46% of parents in 2016



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## Audit Actions



From November 2021 to November 2022, the State Comptroller's Office examined the health system's operations in vaccinating the population against the Coronavirus. The audit included the population rate vaccinated; The EMT's activity, and in particular the vaccination of the population<sup>1</sup>; The gathering of data and information on side effects from the medical teams in the Health Maintenance Organizations (HMOs) and hospitals, as well as from the general public and the handling of these reports; The Ministry of Health investigating the reports; And the National Information Directorate and the Ministry of Health's contending with false information ('fake news') disseminated about the Covid-19 vaccines. The audit was conducted at the Ministry of Health, the hospitals, the HMO's, and the National Information Directorate at the Prime Minister's Office. Completion examinations were carried out until January 2023 at the Ministry of Finance and the IDF.

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## Key Findings



**The Vaccination Rate Among the General Population** – from the beginning of the vaccination campaign in December 2020, the rate of people receiving two vaccination doses in Israel increased sharply until the end of March 2021, when the vaccination rate reached 50.9% of the general population. This compared to the European Union, with a 5.1% vaccination rate at the same time, and a world average of 1.8%. Israel was the second country in vaccination rates (after Gibraltar). However, the rate of people vaccinated in Israel began to decline from that date. The vaccination rate in Israel by the end of November 2022 of those receiving two vaccination doses was 65.2%, compared to 72.9% in the European Union and a global average of 63%. By the end of November 2022, over 80% of the population in Canada and Italy had been vaccinated with two doses of the vaccine. A similar trend was also raised about the third vaccine – in Israel, which was the first to vaccinate with this vaccine, there was a sharp increase in the rate of those vaccinated when the administration of the third vaccine dose began. At the end of November 2022, the vaccination rate in Israel with the third dose was 59.6%, compared to 60.6% in the European Union and a world average of 33%. By that

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1 The audit of the EMT's activity, and in particular with regard to the vaccination of the population, ended in November 2022.



time, over 75% of the population had been vaccinated in Canada, Germany, and Italy with the third dose of the vaccine.

**📌 The Vaccination Rate Amongst the Population Aged 60 and Over, and Particularly in the Ultra-Orthodox and Arab Society** – those 60 years old and over were defined as a population at risk, where the rates of severe morbidity and mortality were high. The rate of people aged 60 and over, vaccinated with the first vaccination dose out of this age group was 97%, and the rate of people vaccinated from the Arab and ultra-Orthodox sectors in the local authorities examined was 88% and 84%, respectively. With the administration of the additional doses of the vaccine, there was a significant decrease in the willingness of those aged 60 and over to be vaccinated, and with the third dose of vaccine, it occurred mainly in the local authorities examined in the Arab and ultra-Orthodox sectors. Amongst the general population, there was a drop of eight percentage points, while in local authorities in the Arab sector, there was a drop of 22 percentage points, and in local authorities in the ultra-orthodox sector, there was a drop of 14 percentage points. Furthermore, the gap between the rate of those vaccinated in the different populations grew higher between the first vaccination dose and the fourth vaccination dose – in the first vaccination, the gap between the general population and between the local authorities examined in Arab and ultra-Orthodox sectors was 9 and 13 percentage points, respectively; This gap grew until it reached 34 and 26 percentage points, respectively, with the fourth dose of vaccine.

## Gathering Data and Information About the Side Effects of the Covid-19 Vaccine

The Ministry of Health gathered data on the side effects from several reporting channels, including from the vaccine manufacturers, as well as within the framework of the information sharing agreement with Pfizer Inc.; From medical entities including the HMOs, the hospitals, Magen David Adom and the IDF; From the general public; From the international medical community; From Israeli and international scientific studies; And from surveys conducted. The medical entities transferred most of the reports through an interface with the Ministry's computerized system – the Nahlieli system<sup>2</sup> (the Ministry of Health's vaccination database). Furthermore, the Ministry of Health also investigated the side effects of the vaccines through scientific publications based on Big Data gathered by Israeli and international authorities, as well as through two surveys carried out by the Ministry of Health on vaccinations and additional surveys carried out by the HMOs.

2 Nahlieli – Israeli National Vaccination Management.



**Below are the Deficiencies Regarding the Gathering of Reports on Side Effects in Israel:**

**🗨️ Gathering Reports on the Side Effects from the Medical Teams in the HMOs and Hospitals** – the Ministry of Health's computerized systems did not record about 82% of the information of about 354,200 reports that were forwarded to it by medical sources, due to technical malfunctions in the interface with the Nahlieli system:

- **Clalit Health Services (Clalit)** – although the Clalit HMO insures over half of the country's population (about 51%), which requires special attention to the work interfaces between the HMO and the Ministry of Health, the Ministry of Health and Clalit did not regulate the transfer of reports from Clalit and their receipt in full by the Ministry. As a result, about 279,300 reports from the Clalit indicated that it had been transferred to the Ministry (the majority of the HMOs' reports – about 85%) were not recorded by the Ministry of Health's systems. Until December 2023, there was still no agreement between the Ministry of Health and Clalit regarding the number of reports that Clalit transferred to the Ministry. The gap between the Ministry's position on the number of reports on side effects received from Clalit (about 245,600) and Clalit's position on the number of reports it forwarded to the Ministry (about 289,800) is about 44,200 reports. Moreover, the Ministry of Health only recorded 185 out of 1,000 (18.5%) reports from the Clalit hospitals in its systems.
- **Leumit Health Services (Leumit)** – from December 2020 to May 2022, Leumit did not report any side effects from the vaccine to the Ministry of Health through the Nahlieli interface. Following the audit's question on the subject in May 2022, Leumit began to transmit for the first time the 89 reports it had for the entire period. As for the Ministry of Health, it did not turn to Leumit during the period above to set up the interface with Nahlieli and deliver reports. The Ministry of Health and Leumit did not regulate the transfer of the reports on the side effects to the Ministry of Health through the Nahlieli interface throughout the entire period.
- **Maccabi Health Services (Maccabi)** – in the first year the population was vaccinated against the Coronavirus (from December 2020 to December 2021) Maccabi did not forward reports of side effects to the Ministry of Health. Due to a technical fault in Maccabi's interface, in its first transfer in December 2021, about 3,000 reports were not recorded by the Ministry of Health, and the Ministry returned these reports with instructions to correct them. However, Maccabi did not return the corrected reports to the Ministry, and the Ministry did not demand to receive them.

The Ministry of Health established a computerized tool (interface with Nahlieli) to gather information from medical sources about the side effects; however, the tool only partially



contributed to this goal. Hence, the Ministry of Health formed the situation report of the side effects and the safety of the vaccines, based on about 55,000 reports received and recorded from medical sources and the reports received from the additional channels listed above.

**📌 Gathering Direct Reports About Side Effects from the Public** – the Ministry of Health did not process 33,000 reports it received from the general public about side effects in 2021 and did not analyze them. Furthermore, due to the shortcoming of anonymous reporting, the Ministry of Health could not go back to those reporting to verify data or obtain details. Even in cases where the informants left contact information, it was impossible to get back to them to confirm the reporting data or to obtain additional information. The limited workforce available to the Epidemiology Division at the Ministry of Health did not allow the identification and tracking of reports in which identifying details were provided.

**📌 Data Management in the Epidemiology Division at the Ministry of Health** – the concentration of data on side effects was done by the Ministry of Health on a collation file of side effects, using electronic worksheets (Excel files) and not through a dedicated system that orderly manages the data. The files are stored on the Ministry of Health's network and are accessible to authorized persons as determined by the Ministry. The access of those authorized to the file is direct, and their identification is not required, not through a password to the file, and even more so, not through multi-factor authentication. The actions performed on the files were not documented or recorded in a particular file (Log file). Therefore, it is impossible to track the identity of the authorized and unauthorized who have performed actions on the files and to trace intentional errors or vulnerabilities. In other words, even though it is a file that contains sensitive and essential data, its management method does not allow for the detection of irregular actions performed in it or the provision of alerts about them. Hence, it is impossible to intelligently identify a suspicion of a significant side effect worthy of examination from among all the reports and issuing warnings about them – a 'red flag' mechanism. Due to the shortage of personnel in the Epidemiology Division, the management and updating of the Excel files are done by limited personnel.

**📌 Investigation of the Information from Medical Entities (HMOs, Hospitals, the IDF, Vaccination Complexes, and Other Medical Institutions such as Geriatric and Psychiatric Hospitals) Regarding the Vaccine's Side Effects** – most of about 55,000 reports that the Ministry received after data cleansing from medical entities (mainly the medical staff at the HMOs and hospitals) was about minor symptoms, such as chills and pain at the injection site, but there were also more significant symptoms that required investigation such as reports of menstrual disorders among women (about 200 reports) that were not investigated close to the actual reporting date. In practice, the Ministry investigated about 1,000 side effects, about a quarter of which (275 cases) were myocarditis and pericarditis (inflammation of the pericardium), most involving



patient hospitalization. Moreover, five of the 11 general-government hospitals did not receive requests for feedback from the Ministry of Health. With three others, feedback was given in a few cases, or feedback was given, especially concerning myocarditis. In conclusion that the investigation done by the Ministry was incomplete.



**The Public's Trust in Public Bodies Regarding the Issuing of the Covid-19 Guidelines** – according to the Government Advertising Agency in July 2022, the Ministry of Health experts are perceived as the most reliable to the survey participants. In July 2022, about a fifth to a third of the participants among the various populations considered the Ministry of Health experts as reliable for the issue of instructions during the Covid-19 pandemic. However, 25% of all the survey participants stated in July 2022 that none of the bodies they were asked about were considered reliable for issuing instructions. According to a breakdown by population, among the general population – 24%, in the ultra-Orthodox sector, this rate was exceptionally high, at 37%, and in the Arab sector, the rate was 21%. Furthermore, only 5% of all survey participants stated that they perceive the government as reliable for passing instructions. To preserve trust in the Ministry of Health experts, ensuring that the decision-making procedures, in general, and on the subject of vaccinations in particular, are perceived by the public as reliable, to the extent possible, is critical.



**The Composition of the Epidemic Management Team (EMT) and its Eligible Voters** – the EMT is the official advisory body to the Director General of the Ministry of Health on the outbreaks of epidemics and their treatment. In February 2021, the members of the Advisory Committee for Covid-19 Vaccines were integrated into the EMT, and the EMT's composition (the consolidated team) included 101 members, all considered eligible voters. In comparison, a similar advisory committee in the United States has 57 members, with 20 of them having the right to vote, and an advisory committee in Australia comprised 23 members, 15 of whom have the right to vote. Almost all the members of the advisory committees in the United States and in Australia who are eligible voters are health experts, and in the EMT in Israel, about a third of those who have such right to vote are not health experts. Moreover, about half (about 47%) of the EMT members (the consolidated team) – (48 members out of the 101 members) hold positions in the Ministry of Health and may vote on the Ministry of Health's recommendations.



**The Number of Participants in the EMT Deliberations and the Broadcast of the EMT Deliberations** – the EMT meetings (the consolidated team) were attended by most of the members, many dozens of participants. These deliberations ranged from 154 minutes to 200 minutes, so the possible duration of talking time for each participant in the deliberations presented ranged between one and a half to two and a half minutes per participant. Such a large number of participants in the EMT deliberations (the consolidated team) may hinder holding in-depth discussions among all the participants.



Furthermore, the publicity of the EMT deliberations was not regulated before and during the Covid-19 pandemic. At the beginning of November 2021, an open public deliberation of the EMT (the consolidated team) was held on the vaccination of children aged 5 to 11; The deliberations were broadcast live on the internet. Apart from this discussion, the other 113 EMT deliberations were not broadcast live. For comparison, in the United States, the CDC Advisory Committee hold its deliberations in public (live).

**Regulating the EMT's Activity** – the EMT's operation procedure does not fully regulate its activity. A comparison between the EMT's operation procedure and the operation procedure of the CDC Advisory Committee in the United States indicates that, except for the role of the committee, all the other components that were examined (the term of office of the voting members, the composition of the committee and the voting rights of its members, the structure of the working groups, the method for examining the information presented before the committee, the publicity of the discussions and the procedure for selecting the topics for the committee's deliberations) are regulated in the CDC Advisory Committee operation procedure, but are not regulated, or partially regulated, in the EMT's operation procedure. These components are also not regulated in the updated draft of the procedure from 2022.

**Contending with False Information ('fake news') Regarding Covid-19 vaccines** – the Ministry of Health and the National Information Directorate for Combating Covid-19 did not explain to the public how to contend with false information on the Coronavirus, especially when it comes to Covid-19 vaccines. Apart from one informational campaign that dealt with responsible consumption of information, they did not conduct awareness campaigns on identifying false information and the possible ways to deal with it, did not distribute guidelines to the public on the issue, and did not publish the available reporting tools on false information. Furthermore, the National Information Directorate and the Ministry of Health did not formulate a strategy for dealing with false information and did not operate an orderly and systematic mechanism for handling it. They did not develop an orderly and structured plan of action for dealing with false information, including setting guidelines for handling such information and defining all the factors that should be involved in handling it; there was no orderly mechanism for locating the false information, managing its registration, describing the threat posed by it and the level of its possible impact on the public, and monitoring the handling of any false information found.

**The Effect of the Covid-19 Pandemic on Public Perspective Regarding Routine Vaccinations** – in 2017, during routine vaccinations, the rate of vaccinated children in Israel was one of the highest in the world. For example, about 99% of toddlers in Israel were vaccinated with the first dose against measles, mumps, and rubella (MMR), and about 99% completed four polio vaccines (the inactivated vaccine). A GAA survey from August 2022 regarding the attitudes and perceptions of parents on the vaccinations for children, and in particular a comparison between the attitudes of parents in 2016 and



the attitudes of parents in 2022 (with the persistence of the Covid-19 pandemic), indicate that in 2022 the exposure rate of the parents who participated in the survey to claims regarding the harm that vaccines may cause was 18 percentage points higher than in 2016 (about 59% in 2016, compared to about 77% in 2022). This increase may affect the public's willingness to be vaccinated. Indeed, it was raised that there was a noticeable decrease in the number of vaccinated children in these years.



**The Operation of the Health System During the Covid-19 Pandemic** – the Ministry of Health, which was required to manage the complex Covid-19 pandemic, worked diligently and with full commitment and dedication to find diverse solutions to the changing needs. The health system treated thousands of Covid-19 patients and encouraged the population to be vaccinated.

**An In-Depth Investigation of Myocarditis** – the Ministry of Health initiated the gathering and investigation of myocarditis reports. Israel was the first country in the world to diagnose the link between myocarditis and the Covid-19 vaccines. Furthermore, Israel presented the findings of active monitoring to the global vaccine manufacturers and health authorities worldwide, leading to their decision to investigate the phenomenon in depth and examine the issue, according to their data.

**The Activity of the EMT and the Ministry of Health Employees' Involved in Gathering Reports on the Side Effects and Their Investigation** – their activity in an event with national ramifications was carried out in real-time while dedicating time and efforts, in addition to fulfilling their routine duties.

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## Key Recommendations



It is recommended that the Ministry regulate an intelligent system to manage, monitor, and control the reports on the side effects received from various sources – the community, hospitals, and the public. It is recommended that the system operate routinely and, in an emergency – for example, during the outbreak of a pandemic (a widespread epidemic), that it reliably and efficiently manages the reports, thus enabling an analysis of the data received and extracting insights from there. It is recommended that within the framework of the intelligent system, components for the management of reports in real-time will be included, among other things, through an alert of multiple reports regarding a particular phenomenon ('red flags'), and that it will be possible to monitor changes made to the data. In a forward-looking view regarding monitoring vaccines that will be developed and provided to the public, the Ministry of Health should examine whether the resources





allocated to monitoring side effects, particularly the workforce, are sufficient to ensure monitoring as required.



To benefit from the hundreds of thousands of reports gathered by the HMOs and to enhance public trust, it is recommended that the Ministry of Health enter the missing data into its systems, analyze the complete data, and cooperate with the HMOs to complete the definition of the interface with Nahlieli; It is further recommended that the Ministry examine the number of side effects reported by the medical institutions compared to the number of vaccinated people in each institution and accordingly instruct the relevant institutions to transmit data on side effects as required. It is additionally recommended that the Ministry of Health can return to the reports it received from the public. Thus, the Ministry can learn more about the frequency of side effects, compare them with data from around the world, and identify the side effects that require addressing.



It is recommended that the Ministry of Health examine the composition of the EMT members, particularly the identity of those eligible to vote and their expertise. It is further recommended that the Ministry of Health expand and update the EMT's operation procedure so that it includes reference to other significant aspects of the operation of an advisory committee while adjusting the operation procedure to the State of Israel's needs, providing the required flexibility of operation and that it consider regulating the public nature of the EMT deliberations. It is further recommended that the Ministry of Health establish in the operation procedure the mechanism for determining the optimal composition of participants in the EMT deliberations so that it is adapted to the issues expected to be discussed and their complexity, similar to what is customary in comparable bodies worldwide.



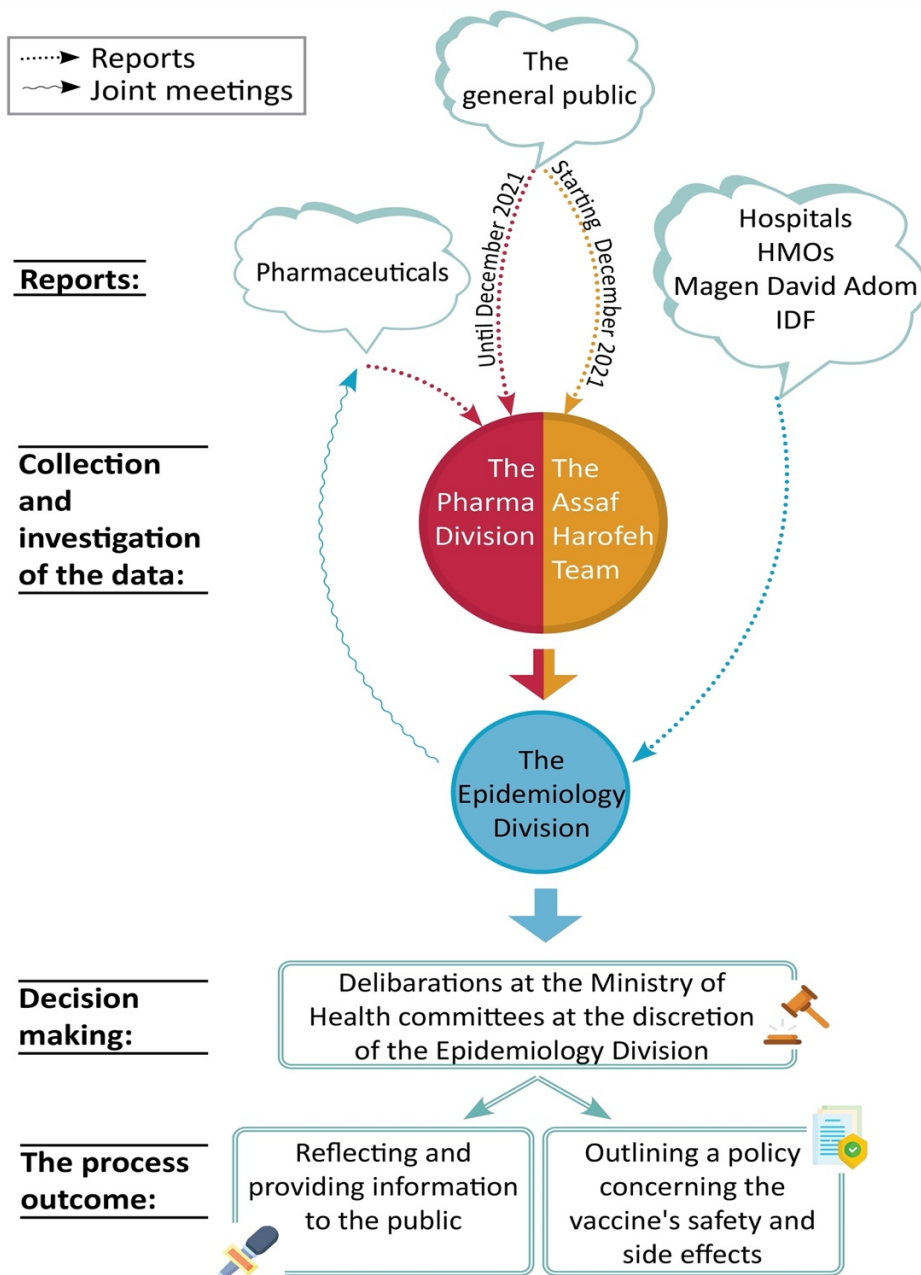
It is recommended that the National Information Directorate formulate a strategy and operational doctrine to combat the spread of false information in civil emergencies such as a pandemic outbreak and share this with relevant government ministries, particularly the Ministry of Health, and other relevant parties involved in preparing for civil emergencies. It is further recommended that it define the resources and the budgetary sources required for this. It is recommended that the National Information Directorate consider including in its plan the establishment of a headquarters for the coordination of national information activities, the establishment of dedicated action teams for civil matters, which will consist of representatives from the relevant government ministries (such as the Ministry of Health) and other relevant factors. These action teams will, among other things, deal with false information. Alternatively, it is recommended to consider operating a separate headquarters for monitoring and rebutting false information in the civil field.



Given the downward trend in the rate of children vaccinated with routine vaccines that followed the Covid-19 pandemic, it is recommended that the Ministry of Health restore and maintain the high vaccination rate of children as it was on the eve of the crisis, considering the parents concern of the side effects of vaccines on children.



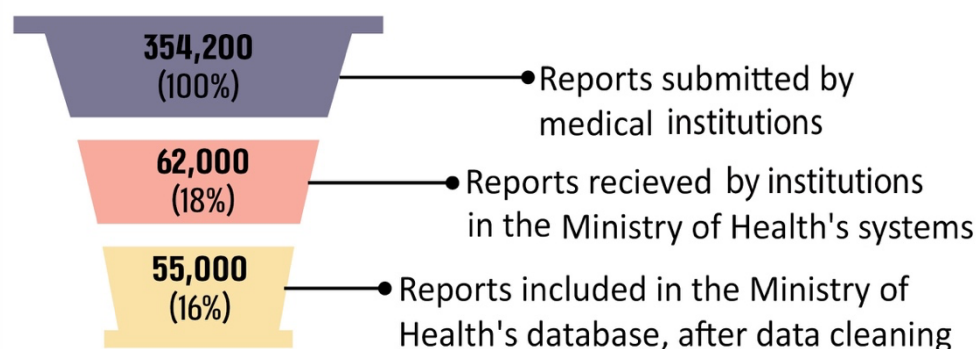
## The Ministry of Health's Reporting, Gathering, and Investigation Channels of the Side Effects



According to data from the Ministry of Health, processed by the Office of the State Comptroller.



## Medical Institutions' Reports to the Ministry of Health on Side Effects



According to data from the Ministry of Health and medical sources regarding reports from the HMOs, hospitals, the IDF, vaccination complexes, and other medical institutions (such as geriatric hospitals and psychiatric hospitals), processed by the Office of the State Comptroller.

The diagram indicates that the Ministry of Health's computerized systems did not record about 82% of the information of about 354,200 reports forwarded by medical sources (62,000 were received, 18% of the scope of reports submitted by the medical sources). About 55,000 reports (about 16% of all) were recorded and their data cleansed in the Ministry of Health's collation file of side effects from the beginning of the vaccination campaign until the audit end date. It should be noted that about 55,000 reports received by the Ministry, concerned mild symptoms, such as chills and pain at the injection site.



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## Summary

Vaccinating the population against the Coronavirus was one of the main tools to cope with the virus, and Israel, led by the Ministry of Health, was one of the first countries in the world to vaccinate against it, significantly contributing to saving the lives of thousands of Israelis. The implementation of the vaccination campaign by the health system, especially in the first months of the campaign, prevented harm to public health, and it is even accurate to say that it saved the lives of many, especially those who were defined as a population at risk – the elderly and those suffering from serious underlying diseases. It also ensured the return of the economy to full activity. The public's trust in the health system (including in the process of formulating the recommendations of the Epidemic Management Team), the concern about the side effects of the Covid-19 vaccine, and the false information that was spread about the Covid-19 vaccines – all of these were some of the factors that could affect the vaccination of the population. Increasing public trust in the health system; Learning lessons from the Covid-19 pandemic regarding the vaccination of the population, and particularly the formulation of a strategy and plan to combat false information; And future preparation to contend with pandemic events – all of these are essential aspects in the Ministry of Health's ability to ensure that the citizens of the State of Israel receive the necessary vaccines to protect their health.



Report of the State Comptroller of Israel | May 2024

A Collection of Reports Concerning the  
Coronavirus

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# **Covid-19 Vaccines and Testing in the Education System**





# Covid-19 Vaccines and Testing in the Education System

## Background

Following the worldwide outbreak of the Covid-19 pandemic at the end of 2019, about 186 countries around the world, encompassing an overall 1.5 billion students, closed down the schools within their borders, either partially or entirely, depending on the state of morbidity and the local decisions adopted.

In Israel, educational institutions were closed down, and from March 13, 2020, over 1.8 million students in the State of Israel were required to study remotely for an extended time.

In June 2021, the Covid-19 pandemic<sup>1</sup> (the 'Delta' wave) began spreading again, so there was genuine concern that the 2021/22 school year would open subject to unique restrictions and conditions due to the inability to hold orderly and regular studies.

On August 22, 2021, in preparation for the opening of the 2021/22 school year, the 'Ministerial Committee on Coping with the Covid-19 Crisis and its Consequences' (the Ministerial Committee on Covid-19 Matters) decided on the manner of opening the school year. This decision was also based on the recommendation of the Minister of Education at that time and those of the representatives of the professional echelon of the ministry.

On September 2, 2021, this decision was given the effect of a government resolution after a discussion on the topic "The state of morbidity and the outline of education for the year 2021/22". In its resolution, the government adopted the Ministry of Education's operation of the education system concept, which was based on striving for the system's continuous functioning and ensuring a routine adapted to Covid-19. In March 2022, following a considerable decrease in morbidity, the restrictions on the activity of educational institutions in the State of Israel were lifted.

16-year-olds and older (grades 10–12) began to be vaccinated against the Coronavirus on January 23, 2021; 12–15-year-olds (grades 7–9) began to be vaccinated on June 6, 2021, and 5–11-year-olds (grades 1–6) began to be vaccinated on November 22, 2021.

At the beginning of the 2021/22 school year, in September 2021, 28% of all students (496,000 out of 1.8 million students) were vaccinated, recovered from the virus, or confirmed for Covid-19: about 316,000 of them were vaccinated for Covid-19 (from grades 7 to 12), and about

<sup>1</sup> There have been five Covid-19 waves in Israel, when the first wave started at the end of February 2020 and the last wave ended in April 2022. In June 2021 the 'Delta' wave began, lasting until October 2021.



180,000 students recovered from Covid-19 or were confirmed for Covid-19 (from grades 1 to 12). As of the end of the last wave of Covid-19, April 2022, the rate of students who were vaccinated against Covid-19 and or who recovered from Covid-19 and or who were verified for Covid-19 was 66% (1.26 million out of 1.9 million students).

Educational institutions implemented two vaccination outlines and four testing outlines:

- **The 'Resilience for the Student' Outline (Hosen La'Talmid)** – vaccinating students in grades 1–12 through vaccination mobile units that mainly reached middle and high schools.
- **The Vaccination by Student Health Services Nurses Outline** – vaccination of elementary school students by the Student Health Services nurses who arrived at the schools.
- **The 'Education Shield' Outline** – consists of sampling testing at the schools for student morbidity and educational and administrative staff morbidity. The testing was proactively and cyclically performed once a week.
- **The 'Green Classroom' Outline** – distribution of antigen kits for testing students in kindergartens and elementary schools as well as in their homes, allowing children in whose class a student has been confirmed for Covid-19 to continue to come to school, provided that their Covid-19 test result was negative.
- **The Outline for Rapid Antigen Testing for Covid-19 for Students Before Returning from Vacations** – the beginning of the 2021/22 school year, the Tishrei (new year holiday, Hanukkah holiday, winter vacation for students in the non-Jewish schools). The outline was designed to detect early morbidity of students before they return from vacations to prevent students from contracting the virus and isolating them.
- **The 'Testing and Learning' Outline** – the outline was designed to enable a continuous study routine in schools by administering a home antigen test for students and educational staff members who have been exposed to a confirmed coronavirus patient.





Key Figures

**81 days**

the number of days from March 2020 to February 2021 when a complete lockdown was imposed and the education system operated through remote learning only

**only 9%**

the students' rate who were vaccinated in high schools of all vaccinated students (99,000 students); The remaining 91% were vaccinated in the community (988,000 students) as of the end of the implementation of the vaccination outlines in high schools

**only 29% and 50%**

29% – the schools' rate where vaccination mobile units were operated for 5–11-year-olds (429 schools out of a target of 1,500); 50% – the schools' rate where students were vaccinated by Student Health Service nurses (1,314 schools out of a target of 2,636)

**only 11% and 5%**

of the parents and administrators, respectively, who responded to the state comptroller's office survey stated that the Ministry of Health was the first source from which they learned about the outlines regarding vaccinations and testing

**27%**

of the parents who participated in the survey stated that there were parents in their vicinity who always or often reported negative test results, even though the test result was positive

**26%–46%**

of the parents whose children participated in the Covid-19 testing outlines stated that they did not receive kits or only received part of the kits required for their child's participation in the outline

**79%**

the parents' rate who did not submit statements about the results of the antigen tests in the 'Testing and Learning' outline (average rate on the day the outline was activated)

**43%–67%**

43% of the parents stated that the Ministry of Education and the schools' public information activities convinced them to a moderate or a lesser degree to allow their children to be vaccinated, and to the same extent, 67% of the parents stated that these activities convinced them to join the testing outlines



## Audit Actions

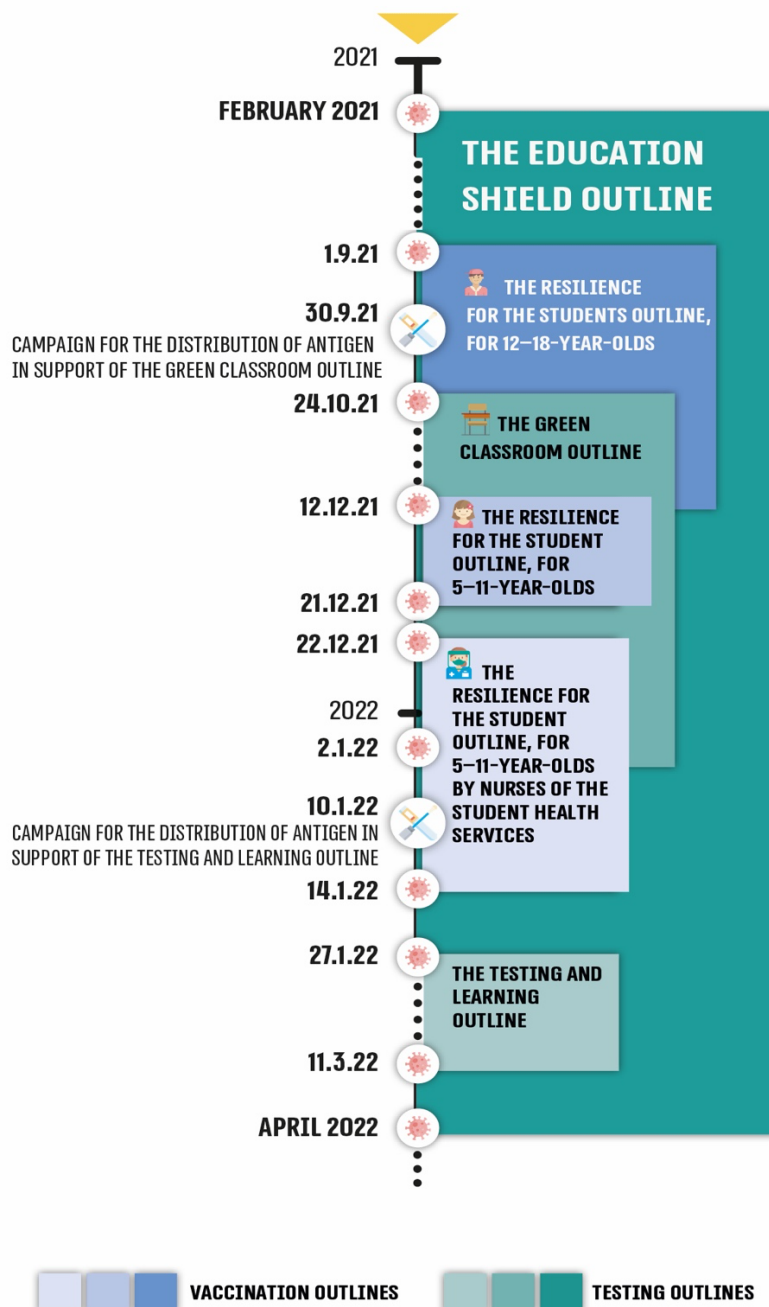
From March to October 2022, the State Comptroller's Office examined the implementation of the vaccination outlines among high school students. The implementation of the Covid-19 testing outlines among the students and teaching staff, as implemented at the return to studies in the high schools at the beginning of the 2021/22 school year, in September 2021 (the testing and vaccination outlines). The examination was conducted at the Ministry of Education's administration<sup>2</sup>, at the Ministry of Education's Security Division – the body that coordinated the education system's coping with the issue – and at the Ministry of Education's Command and Control At the Control Center for the Management of the National Fight against the Virus in the Ministry of Health (the Ministry of Health's Coronavirus Command), including at the "Education Desk", which is responsible for coordinating the Ministry of Health's work with the Ministry of Education in everything related to the Coronavirus (the Education Desk). Completion examinations were carried out in the Ministry of Education and the Home Front Command (HFC) districts, which serve as a mission command for civil assistance for the operation of the drug and vaccination distribution program<sup>3</sup>. Furthermore, the State Comptroller's Office conducted a public participation procedure with parents and school administrators (parents and managers survey).

<sup>2</sup> In December 2021, there was a change of personnel in the Ministry of Education, and this position was filled by a new female CEO instead of the CEO who held this office until then.

<sup>3</sup> The National Preparedness Plan for a Pandemic Scenario (Healthy Surge) – a version from 2018 was distributed by the National Coordinator.



## The Timeline of Operating the Testing and Vaccination Outlines in the Education System, 2021–2022



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



## Key Findings



**The Ministry of Education's Role During the Outbreak of a Pandemic in General and During the Covid-19 Pandemic in Particular** – while contending with the Covid-19 pandemic, the National Preparedness Plan for a Pandemic Scenario (Healthy Surge) was not activated. Therefore, the tasks that were assigned to the Ministry of Education upon the outbreak of the pandemic included not only tasks outlined in the existing regulation (information, the guidance of the students and their parents on how to conduct themselves during the outbreak of the pandemic and preventing harm to the students studying to ensure the study routine) but also tasks that the Ministry was unfamiliar with, such as the execution of the vaccinations and testing and overall management of the event in the education system. The Ministry of Education was neither prepared nor ready for these tasks – it did not have an action plan detailing the actions to be carried out, and it was also not practiced in implementing them; it did not designate the officials in the Ministry who were to be responsible for carrying out the tasks and did not even regulate the Healthy Surge plan, before the outbreak of the pandemic, the work interfaces between it and the key partners in coping with the pandemic – the Ministry of Health and the Ministry of Defense.



**The School Vaccination Outlines** – as of the end of the vaccination outlines at the schools, about 99,000 students of all ages were vaccinated in the schools, but this is a relatively low rate of vaccination among the students in the schools in 2021/22 – about 4% of all students (2.3 million students) and only about 9% of the vaccinated students (1.1 million vaccinated students), this compared to about 91% of the vaccinated students in the community. Furthermore, only 429 schools out of a target of 1,500 schools participated in the vaccination outlines for 5–11-year-olds through vaccination mobile units in schools (about 29% of the target). Only 1,314 schools out of 2,636 that were set as a target (about 50% of the target) were vaccinated through the Student Health Services Nurses outline in the schools. The low rate of student vaccination within the framework of the vaccination outlines implemented in the schools reflects a failure of the outlines to achieve their goals.

As of April 2023, no method has been determined embodying solutions to the needs and insights that emerged from the operation of the outlines, and no rules were established for the operation of an outline in which the Ministry of Health has a relative advantage compared to the HMOs; Preparation times have not been set; And no guidelines were examined for the cooperation of the Ministry of Health and HFC with the Ministry of Education, that would enable better preparation of the schools in the future.



**📌 The Outlines for Testing Students and Teaching Staff** – four chief testing outlines were implemented in the educational institutions for targeted detection and isolation of sick students and teaching staff, maintaining continuous studies throughout the education system while protecting the health of students and educational staff. This is, among other things, by creating a situation report of the morbidity in the schools, quickly locating students with Covid-19 symptoms, preventing them from coming to the schools, and ensuring that a sick child is treated at home. The audit demonstrated that the scope of application of the testing outlines was low:

- Only 12% of elementary schools (374 out of 3,030) participated in the Education Shield outline.
- Only 13% of the classes (5,800 out of 45,000) participated in the Green Classroom outline.
- In the testing outlines that followed the Tishrei and Hanukkah holidays, parents were required to submit statements about performing tests as a condition for entering school; After the Tishrei holidays, only 37% of parents submitted a statement (the parents submitted statements for about 586,000 children aged 3–16 out of about 1.6 million children of these ages); After the Hanukkah holiday, 73% of the parents submitted a statement (about 725,000 parents of children aged 3–12 out of about 1 million children of these ages).
- As part of the Testing and Learning outline, the parents' rate reports were low and averaged 21% daily (404,000 out of about 1.9 million students). Over time, there was a decrease in the number of statements submitted – from about 697,000 statements at the beginning of the outline on January 30, 2022, to about 142,000 statements at the end of the outline on March 9, 2022, an overall decrease of about 80%.
- As part of the Testing and Learning outline, the parents were asked to declare that their children had been tested and provide the test results, but this was not a condition for entering the school.

**📌 The Ministry of Education's Guidelines for Schools About the Performance of Vaccination Outlines and Covid-19 Testing** – from the responses given by the principals and parents in the State Comptroller's surveys, although the Ministry of Education has established guidelines for the formulation and distribution of instructions and procedures, according to 70% of the principals, it has distributed its instructions and procedures at the wrong time, preventing early preparation for the performance of the tasks required in the vaccination and testing outlines. Moreover, according to 56% of the administrators and 53% of the parents, the instructions were unclear, making it difficult to follow them.



**📌 The Official Handling of Vaccinations and Covid-19 Testing in the Secondary Schools** – according to the national plan for the opening of the 2021/22 school year, the secondary schools were not eligible for the financing of a Covid-19 Trustee therefore, the school principals or their staff carried out the task. 24% of principals of secondary schools indicated in the survey (68 out of 287 principals in the secondary schools who answered the question) that their school did not have an official coordinating the Covid-19 testing and vaccinations. Furthermore, 64% of the secondary school principals in whose school there was a coordinating official (140 principals out of 219 who answered the question) believed that the coordination of Covid-19 testing and vaccinating had a significant or substantial effect on the management of the day-to-day tasks of the coordinating official in the school.

**📌 The Distribution of the Antigen Kits Within the Outlines Framework Implemented in the Education System** – the process of packing personal kits and distributing them to the students required a great deal of time from the education staff (about four working days for the packaging operation) affecting their ability to dedicate themselves to their leading role – pedagogy and education. In some cases, there was a shortage of kits for distribution to students; in other cases, kits were missing some of the components required to administer the tests (about 20%, as revealed by the parents' survey). Consequently, the education system's orderly process of the testing outlines was affected. Furthermore, due to a lack of testing kits, many students were left without tests (to the extent of a 76% shortage in the Testing and Learning outline, as indicated by a study conducted by the Government Advertising Agency), not allowing them to participate in the outlines unless they purchased test kits at their own expense. Failure to implement the testing outlines fully, adversely affected the effectiveness of the outlines and the achievement of the goal for which they were formulated – locating verified students, breaking the chains of infection, and maintaining continuous studies at school. This posed a danger of the spread of disease and harm to public health. Furthermore, as the tests were not distributed to the teaching staff, and tens to hundreds of teaching staff members (36–380) were found to be verified in the days following the administering of testing, there was a rise in the possibility that the failure to distribute test kits to the teaching staff will result in widespread infection of teaching staff and students in the schools.

**📌 Parents' Declarations on Administering Home Tests to Their Children**

- A significant rate of parents (about 79% within the framework of the 'Testing and Learning' outline, as shown by the parents' survey) did not submit statements about the antigen tests they administered to their children (either they did not perform the tests or they performed the tests but did not report them) – the reasons for this included, among other things, technical reasons, misunderstanding, lack of motivation and even the assumption that this would not prevent their children from entering the school.



- Among the ultra-orthodox or Arab parents, this rate was even higher (and reached as high as 98% in the ultra-orthodox society on one of the 'Testing and Learning' outline test days, as revealed in the examination conducted by the Ministry of Education).
- About 27% of the parents who participated in the survey (173 parents out of 633) stated that there were parents in their vicinity who always or often reported negative test results, even though they were positive (among the parents from the Arab society, the percentage of parents who made such a statement was 42%).
- About 27% of the principals (180) who participated in the survey indicated that there were no tools available if a student arrived without a declaration. Similarly, 36% of the parents who participated in the survey stated that if their children came to school without a statement, the school did not take any action and behaved as usual. In the absence of a statement in general, and in the absence of a reliable statement in particular, and in the absence of tools allowing the principal to deal with the arrival of a student without a statement, there is real doubt as to the outline's effectiveness in achieving the goal of breaking the chains of infection in schools.

**📌 Parental Approvals as a Condition for Vaccinating and Testing the Children –** in the vaccinations through mobile units, a minimum threshold of 50 parental approvals was determined for its implementation (in the absence of these, the schools could not summon a vaccination mobile unit and participate in the outline). The survey raised that about 32% of the principals stated that the main reason for not implementing the outline was the absence of parental consent for their child to be vaccinated as part of the outline; About 46% of the principals stated that the Education Shield outline, which also required a minimum threshold of approvals – 75% of the parents. The requirement for a minimum threshold of parental approval as a condition for implementing the outlines has been, more than once, a barrier to implement the outlines in schools.

**📌 Public Information, Publicity, and Encouragement to be Vaccinated –** about 40% of the 233 parents who responded to the survey and did not vaccinate their children refrained from vaccinating their children for reasons arising directly or indirectly from ineffective information (fear of a new vaccine and lack of information, lack of understanding of the dangers of the Coronavirus and lack of knowledge of the benefits justifying vaccination); Another 39% of parents did not vaccinate their children for objective and other reasons (such as a previous illness of the child or a lack of vaccines); And 21% of parents did not vaccinate their children due to their objection to vaccination (for ideological or religious reasons). The principals who responded to the survey also believed that about 51% of parents did not vaccinate their children due to ineffective information, 35% – due to principled objection, and 14% – for objective and other reasons. From the analysis of the principals' and parents' answers to the survey, the main reason parents did not vaccinate their children was (directly or indirectly)



unconvincing public information activity. This fact is in line with the statements of the parents in the survey that the main problem regarding Covid-19 testing and vaccinations in the education system was "a lack of an appropriate public information campaign – [and the need] to increase and improve the system of public information and trust."



**Ministry of Education Headquarters Actions for the Opening of the 2021/22 School Year**

– the Ministry of Education formulated an outline for the opening of the 2021/22 school year to enable continuous learning in schools despite the morbidity from Covid-19. In this regard, at the end of August 2021, the Ministry published to district administrators and school principals the outline of return to school, the 'National Plan for the Opening of the 2021/22 Year – During the Covid-19 Period – 'Connecting to Education''; The Ministry opened the national situation room and the district situation rooms to manage the operations; It established several systems for coordinating and managing data to assist in formulating a situation report in the education system on morbidity, on those who have been vaccinated and on those who have recovered; It placed representatives in the 'Inter-Organizational National Vaccination Operations Room' led by the HFC and the Education Desk at the Ministry of Health's Coronavirus Command.

**Appointment of Covid-19 Trustees in Elementary Schools**

– as of December 2021 (when the rate of children confirmed for Covid-19 was high, and when among children aged 5–11 each day there were 562 new verified children with about 5,600 isolated children), the staffing gap was only 52 Covid-19 trustees – 3,139 trustees were appointed out of 3,191 who were supposed to be appointed – i.e., a staffing rate of 98%.





## Key Recommendations



### **Regulation at the National Level of the Role of the Ministry of Education During a Pandemic Outbreak and the Formulation of Ministerial Procedure**

– it is recommended that the Ministry of Defense, responsible for leading the Healthy Surge national preparedness plan, determine in cooperation with the Ministry of Health, the Ministry of Education and the HFC the tasks that the Ministry of Education is responsible for carrying out during a pandemic outbreak. The Ministry of Education's working interfaces vis-à-vis the other bodies in the system are to be defined, the officials necessary to carry out their tasks designated, and the resources and skills required for the employees examined. It is further recommended that the Ministry of Education prepare a detailed procedure that translates the tasks that will be determined as being under its purview into contingency plans and practice them so that they can be implemented immediately when needed. It is further recommended that until the Healthy Surge plan is updated, the Ministry prepares a temporary plan for coping with a pandemic if one does break out, a plan based on the experience gained not long ago in the outbreak of the Coronavirus.



### **Supplementary Vaccination in Schools**

– it is recommended that the Ministry of Health and the Ministry of Education, in cooperation with the HFC, examine the vaccination data of the students according to the age groups and according to the place of vaccination – community versus schools. In this framework the relative advantages of each of the partners in the process will be considered – the Ministry of Health, the education system and the HFC – in comparison with their designated roles in routine and emergencies. For instance, it is recommended that vaccinating students only in schools be considered where this treatment has a relative advantage – for example, in schools whose students have difficulty with accessibility or whose residence has a limited deployment of HMOs.



### **The Operation of the Testing and Vaccination Outlines in Schools and the Logistical Process for Distributing Testing Kits to Students**

– it is recommended that the Ministry of Health and the Ministry of Education cooperate to determine a flexible and efficient method for the operation of the testing and vaccination outlines in schools, for any future case of a pandemic outbreak or a renewal of the Covid-19 outbreak. Within this framework, it is recommended that the need to set a minimum, flexible threshold of parental approval for activating the outlines be examined according to the characteristics of the school – the rate of those vaccinated, the rate of parental response to cooperation with the school's administration, its geographic location and the number of students. It is further recommended that the Ministry of Education, in cooperation with the HFC, the Ministry of Health, and the local authorities, formulate the logistical process for distributing the kits to students and consider proposals made in this regard and that the Ministry of Education and the Ministry of Health consider providing testing kits to teaching staff as well. It is further recommended that emphasis be placed on vaccinating and testing accessible in schools, especially among populations where the vaccination rate of children is low, and the availability of vaccines in the community is insufficient.



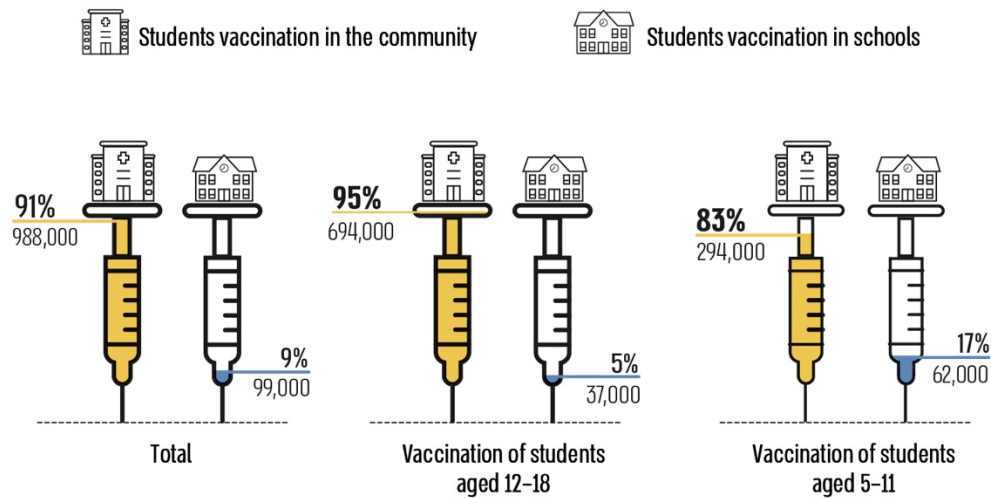
**Placement of Covid-19 Trustees in Schools** – given the claims of exceptional burden placed on the principals and officials in the secondary schools regarding the handling of Covid-19 testing and vaccinations and the substantial deviation from their main tasks and their current pedagogical and administrative activities – it is recommended that the Ministry of Education, in cooperation with the Ministry of Health and the local government, consider to place Covid-19 trustees in these schools in the event the Coronavirus or any other pandemic breaks out again.



**Public Information Activities and Harnessing the Students' Parents** – it is recommended that the Ministry of Education and the schools examine the reasons why their public information campaigns to encourage vaccination and join the testing outlines did not reach all parents. It is recommended that the Ministry of Education improve the public information campaigns, increase their accessibility, and ensure that they reach the parents. Moreover, it should examine the barriers that prevented parents from approving their children's participation in the outlines, remove them, and with a forward-looking vision, improve cooperation with parents. It is recommended that the Ministry's spokespersonship consider the publication date of the campaigns that it releases advocating vaccination and, in the future, adjust the publication date to the start of the vaccination campaign date.



## The Rate and Number of Students Vaccinated in the Community and in Schools as of the End of the Implementation of Each Vaccination Outline, 2021– 2022<sup>4</sup>



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

<sup>4</sup> The data for vaccination of students aged 12–18 is correct as of December 12, 2021; The data for the vaccination of students aged 5–11 is correct for the time period between December 12, 2021, and January 18, 2022.



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## Summary

In preparation for the 2021/22 school year, at the beginning of September 2021, the government decided to open all schools after about a year during which the education system operated through remote learning due to the closures or in a format combining remote learning alongside frontal learning. The main challenge facing the education system at that time was to enable the return of students to learn in schools and maintain a study routine in them. According to the government's resolutions and the Ministry of Health directives, the key measures intended to enable the complete return to studies in schools were outlines for the vaccination of students in schools and for rapid antigen testing to assist in the detection and isolation of illness among students and educational staff.

The audit found that only a low rate of students of all ages (4%) were vaccinated as part of the school vaccination outlines, reflecting a failure of the outlines to achieve their goals. Similarly, the contribution of the testing outlines was also low, as reflected in the low rate of participation in these outlines (12% of the schools participated in the Education Shield outline, and 13% of the classes participated in the Green Classroom outline) and in the low rate of parents' statements submitted as part of the testing outlines – for example, in the Testing and Learning outline, the rate of parents' statements was 21% on average as of the outlines' implementation day.

In addition to the limited contribution of the testing and vaccination outlines, the audit raised a series of deficiencies concerning the system for their operation, among others, on the following topics: the Ministry of Education's instructions for schools to implement outlines for vaccinations and Covid-19 testing, distribution of antigen kits, parents' statements for administering Covid-19 testing for students, public information and encouragement of vaccination, and more.

The Ministry of Education, in cooperation with the Ministry of Health, should draw lessons from the implementation of the students' testing and vaccination outlines in the 2021/22 school year, rectify the deficiencies noted in this report, and examine the way the recommendations are implemented, with a forward-looking view, to increase the effectiveness of the testing and vaccination outlines in the event of another Covid-19 outbreak or that of another pandemic.



Report of the State Comptroller of Israel | May 2024

Israel Land Authority

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# **Information Security and Cyber Protection at the Israel Land Authority**





## Information Security and Cyber Protection at the Israel Land Authority

### Background

The Israel Land Authority (ILA) manages Israel's land as a resource, under the Israel Land Authority Law, 1960, for the development of the State of Israel and the benefit of the public, the environment, and future generations.

Most of the information ILA collects, stores, and manages is sensitive information about real estate assets, including personal and business data. Furthermore, ILA operates a website that provides service to the public. ILA has the duty to protect the information in its possession and ensure that it is used only for the purposes for which it was provided or to fulfill its obligations according to the law. Concerning the real estate assets, ILA is required to protect the confidentiality of the information, its trustworthiness, availability, and reliability, and ensure that the data is not altered or deleted and that it is disclosed only to those authorized to access them according to their position or because the information concerns them.

Regarding the protection of privacy and the security of the significant amount of information in its possession, ILA must comply with the law's provisions, including the Protection of Privacy Law, 1981 (Protection of Privacy Law), and the regulations promulgated thereunder. According to ILA's mapping, its threats include internal threats, for example, from its providers, and external threats, such as hackers and customers.



## Key Figures

### dozens

of information systems, ILA uses to manage its activities

### millions

of scanned files are stored on ILA's servers. These include tens of millions of documents, mainly of rights to Israeli lands, including lease contracts, payment confirmations, and inspection reports

### 2019

the last year in which the Cyber Steering Committee at ILA discussed and approved the information security policy, despite significant changes since the policy was approved

### 12%

of the budget for ILA's computing expenses in 2022 was earmarked for information and cyber security

### hundreds of thousands

of entries to the ILA website are made every month

### only 5

the Cyber Steering Committee discussed and examined the compliance of only 5 cyber protection master indices, out of ten (50%) in 2022

### 5

ILA databases that are supposed to be registered in the Databases Register to ensure the privacy protection of their information were not registered

## Audit Actions



From February to October 2023, the State Comptroller's Office examined aspects of information security and privacy protection in ILA's information systems, including governance and management of information and cyber security, database registration, and business continuity plan and disaster recovery plan. The examination was carried out at ILA.

The Knesset State Audit Committee sub-committee decided not to submit parts of this audit to the Knesset and publish only parts thereof to safeguard the state's security under Section 17 of the State Comptroller's Law, 1958 [Consolidated Version].





## Key Findings



**Steering Committee for Cyber Protection** – since the ILA Cyber Steering Committee first convened in 2017, it has not approved, mapped, and classified ILA's information assets. Moreover, although many risk surveys were carried out, the Cyber Steering Committee did not discuss plans to address or mitigate them, including contents, execution schedules, responsibilities, and required resources. Furthermore, the Steering Committee did not initiate or compile management surveys as needed. It did not convene as often as required under the government's resolution, impairing the ability of ILA's management to optimally control the efficient and effective implementation of cyber protection at ILA and the extent to which the work plan for the management of ILA's cyber protection is suited to the risk level of each system.



**Information Security Policy and Annual Cyber Protection Work Plan** – ILA's cyber protection policy was approved by the Cyber Steering Committee in 2019, and since then, it has not reviewed, updated, or discussed them, despite significant changes that have taken place since 2019 in ILA's computer system, and despite technological developments in the world. Moreover, the work plan presented to the Cyber Steering Committee only included the details of the topics planned for implementation. It did not include schedules, parties responsible for implementation, budget, and priorities. Furthermore, there are no documents attesting to the Committee's monitoring of the implementation of the plan, including rectifying the deficiencies raised in the risk surveys and the penetration tests carried out.




**Determining Indices on Cyber Protection and Meeting Them** – in its meeting in May 2019, ILA's Cyber Steering Committee approved ten master indices on cyber protection. For example, an index for information security awareness is that 80% of employees must participate in information security training. The audit raised that from 2019 until the audit end date (October 2023) – over four years – the Committee examined the degree of implementation of the indices only twice (in December 2019 and December 2022) and not every six months as required. As a result, its ability to examine the effectiveness of the cyber protection infrastructure was impaired, and accordingly, its ability to make relevant changes more frequently as required. Moreover, only a part of the master indices approved in May 2019 were presented in the Cyber Steering Committee discussions in December 2019 and December 2022. In December 2019, six of the ten approved master indices were presented to the Committee (about 60%), and in December 2022 – only five (about 50%).





**Registering the Databases** – in 2019, the Cyber Steering Committee approved the appointment of five managers for current databases, and database definition and structure documents were prepared for these databases. However, ILA did not register



these databases, as required by law, even though about five years have passed since it recognized the need to do so, and as of the audit end date, the five databases had not yet been registered. Moreover, the Steering Committee did not discuss the reasons for failing to register the databases.

 **Management of Access Privileges to the Databases and Access Control** – the Privileges Committee established pursuant to the Cyber Steering Committee's decision did not convene, and the access privileges matrix was determined by ILA's Information Systems Division, without the approval of the Privileges Committee and without the involvement of the database managers who are tasked with determining the privileges. The audit raised that there is a certain control mechanism in ILA, but it does not provide alerts in respect of certain actions. As a result, the control mechanism is not optimal and does not comply with the requirements.

 **Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP)** – since the Cyber Steering Committee first convened in 2017, preparing for a disaster recovery plan has been on the agenda in all its meetings. However, it neither discussed nor adopted operative decisions about the above plan. Moreover, the progress in preparing the plan was not presented to the Committee in the annual activity summaries.

 **Alternative Site in the Event of a Disaster (DR)** – ILA's information systems are located on several sites. In the summary of the information systems infrastructure risk survey carried out by ILA in March 2019, various risks were noted regarding a particular site.



**Conducting Penetration Tests** – in 2017–2022, ILA carried out dozens of risk surveys and penetration tests for its information systems. However, the risks raised in the penetration tests were not brought before the Steering Committee.

**Protection Level According to the Government Cyber Protection Unit (YAHAV) Test** – according to the YAHAV index test report<sup>1</sup> from 2022, ILA is in the top quintile regarding the level of cyber protection. However, gaps were found in five controls, all from the "management responsibility and compliance" tier.

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<sup>1</sup> A uniform test index for government organizations in the field of information security and cyber protection formulated by the Government Cyber Protection Unit.



## Key Recommendations

- 💡 ILA should bring the mapping and classification of its information assets and cyber protection policy to the Cyber Steering Committee for approval and complete the risk surveys for its systems. The Cyber Steering Committee, led by the chairman (ILA's Director), should formulate management surveys, monitor the execution of work plans in cyber protection, examine its degree of effectiveness at ILA according to the established indices, and ensure it convenes as required under the government resolution.
- 💡 ILA should register the current databases as the law requires, and the Cyber Steering Committee should monitor such registration.
- 💡 It is recommended that ILA convene the Privileges Committee to regulate the access privileges, including examining whether the privileges for each office holder are according to the position's needs. It is further recommended that ILA involve the database managers appointed by the Cyber Steering Committee in determining the privileges.
- 💡 ILA should prepare a business continuity plan, including a disaster recovery plan, based on the principles approved by the Cyber Steering Committee.
- 💡 To fully respond to emergency incidents, including ensuring the ability to return to normal and reasonable activity as soon as possible, ILA should rectify the deficiencies raised in this regard.



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## Summary

ILA manages one of the most essential resources of the state – Israel's land. Most of the information ILA collects, stores, and manages is sensitive information about real estate assets, which includes millions of records, and is therefore required to be secured at the highest level of security. To this end, ILA operates systems and mechanisms to protect its databases and systems, and identify and mitigate risks.

This audit examined the information security and privacy protection in ILA's information systems, including the extent of ILA's compliance with the key rules outlined in the law, the privacy protection regulations, and the Government Cyber Protection Unit (YAHAV) guidelines. It was found that ILA carried out various risk surveys and penetration tests of its systems, and it is rectifying the deficiencies therein. However, the supervision and control of the management of the cyber sector are lacking: among other things, ILA's Cyber Steering Committee, which is supposed to outline a policy in information security and supervise its implementation, keep up to date with risks and threats to ILA and supervise cyber risk management at ILA, did not examine or approve the mapping and classification of ILA's information assets, to maintain optimal control; It did not compile management surveys, to check the quality of information and cyber protection management at ILA; And did not monitor the degree of execution of the work plans as required. Furthermore, it was not presented with the risks found in the penetration tests and the implementation of the mitigation plans.

The audit also raised gaps regarding a specific control mechanism, functional continuity, and disaster recovery.

ILA should rectify the deficiencies noted in this report to strengthen the protection of the information in its possession and increase the effectiveness of its actions.