

State Comptroller Report

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State of Israel

State Comptroller Report

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Foreword

The State Comptroller's Annual Audit Report – May 2025 is submitted to the Knesset in accordance with the State Comptroller's Law, 1958. This report encompasses the findings from the audit of government ministries, state institutions, government companies and corporations, and the defense agencies.

Since October 2023, the State of Israel has been engaged in the "Iron Swords" War, following the murderous attack on October 7th by the Hamas terrorist organization on communities in the Gaza Envelope and its vicinity during the Jewish holiday of Simchat Torah. As previously announced, our office is conducting a comprehensive audit on matters related to the failure on October 7th 2023, and to the Iron Swords War. In my view, there is a public and moral obligation to conduct an audit on this topic. **Consequently, in February 2025, an initial compilation of reports was publicized addressing the terrorist attack and the Iron Swords War, specifically in regards to support and care for the country's civilian population, and to assessing the state's preparedness to providing necessary care and support to the population affected by the attack and the war, thereby ensuring the resilience of the civilian populace in Israel.**

Concurrent with this audit on matters concerning the war, our office continues to conduct audits in other areas. Below is a summary of select chapters from the report.

- Pursuant to Section 19 of the State Comptroller Law, **the financial statements of the State of Israel as of December 31, 2023, were examined, with particular emphasis on government capital funds.**

The year 2023 ended with a net accounting deficit of approximately NIS 132 billion. Compared to 2022, this represented an increase of the net accounting deficit by approximately NIS 203 billion (from a net accounting surplus of about NIS 71 billion to a net accounting deficit of approximately NIS 132 billion). This net accounting deficit in 2023 was driven by a rise in state expenditures relative to 2022, particularly a NIS 24.9 billion increase in Iron Swords War-related spending (in the last quarter of 2023), coupled with a decline in state revenues following a sharp rise in 2022. The impacts of the war were primarily reflected in a decrease in the employment rate, reduced private spending, and a substantial rise in public spending, especially defense expenditures. From a monetary standpoint, inflation has continued to decline, remaining within the target range; however, on the fiscal side there was a budget deficit of NIS 77.1 billion, exceeding planned levels (4.1% of the GDP compared with 3.7% of it).



The significant increase in financing needs led to a notable rise in debt issuance in the last quarter of 2023, resulting in a debt-to-GDP ratio of 61.9% in 2023, up from 60.5% in 2022, despite expectations of a continuing downward trend. Amid growing uncertainty, credit rating agencies responded to geopolitical developments and shifts in Israel's macroeconomic and fiscal indicators by downgrading the credit rating and adjusting the rating outlook. The Iron Swords War has had a materially adverse effect on the macroeconomic indicators of the State of Israel, and the continuation of the conflict is expected to result in further deterioration in these indicators, requiring the implementation of responsible fiscal policy led by the Ministry of Finance.

Typically, the funds deposited in capital funds are utilized by the government to meet its current obligations, with liabilities documented against such actions; thus, the capital funds are themselves merely nominal in nature. The audit revealed deficiencies in the regulation of the characteristics of capital funds that compromise the integrity of their status and the fulfillment of their intended purpose over time. These deficiencies primarily concern the methods employed for transferring surpluses and balances across fiscal years, the assurance of the funds' intended utilization, and the mechanisms for preserving their real value and maximization. Additionally, the audit identified a lack of an agreed-upon framework between the Budget Division and the Accountant General's Division (AGD), undermining the completeness of the information presented concerning capital funds and potentially leading to their misuse as a means to circumvent the state budget.

It is important that the management level of the Ministry of Finance, including the Budget Division and the Accountant General's Division, reassess the use of the fund mechanism, as well as the need it is intended to fulfill, its scope, and the significant increase in its use over the past decade. Furthermore, it is advisable for the Budget Division and the Accountant General's Division to collaborate in formulating a uniform framework for defining capital funds (both budgetary and extra-budgetary), as well as for their creation, characteristics, and coordination of information regarding their scope and ongoing monitoring, including comprehensive recording methods. Such a framework will enhance clarity, certainty, and reliability concerning the budgeting processes of capital funds and their recording in financial statements, ensuring capital funds are established only under explicit and transparent criteria and only where circumstances warrant their creation – and eliminating the possibility of their establishment when not required – and that their intended objectives are achieved.

- Sustainable Development, a concept derived from the notion of sustainability, aims to fulfill the needs of the present generation without jeopardizing the capability of future generations to meet their own needs. This framework is predicated upon principles of economic growth while concurrently enhancing quality of life, mitigating social



inequality, and conserving the Earth's resources. In 2015, all United Nations member states, including Israel, reached a unanimous agreement to adopt 17 universal goals deemed critical to humanity and the environment, which include sub-goals and indicators for assessing their accomplishment (2030 Agenda). The 17 goals are centered around three interrelated domains of sustainable development – economy, society, and environment – and the Agenda advocates for their consideration as an integrated system with reciprocal influences, thereby informing the formulation of improved policies concerning their interrelationships. The designated timeline for the implementation of the Sustainable Development Goals (SDGs) and their establishing in the governments' work was set for the period from 2016 to 2030.

An audit of the **The Preparedness of Israel's Government for Implementing the Sustainable Development Goals (SDGs) in Its Work** revealed that, while a commitment to the Agenda was articulated through a government resolution adopted in 2019, this commitment remains largely declarative. Thus, as of the audit end date – marking a decade since Israel adopted the goals, and at the onset of the final third of the implementation period – there is no mechanism capable of ensuring a successful process of SDG implementation within governmental operations. The audit revealed that the government resolution, the responsibility for which was assigned to the Minister of Foreign Affairs and the Minister of Environmental Protection (EP), in coordination with the head of the National Economic Council, was not implemented:

- (a) Sustainable development indicators relevant to the State of Israel have not been developed;
- (b) There is a lack of integration among governmental agencies and insufficient dialogue between the government and civil society entities to enhance awareness of the matter;
- (c) The established implementation mechanism is not aligned with the capabilities of the designated entities and their entrusted authorities;
- (d) No dedicated budgets have been allocated for facilitating the process;
- (e) The Minister of Foreign Affairs and the Minister of Environmental Protection have not submitted any reports to the government on this matter, with only one report submitted to the United Nations in 2019;
- (f) No plans have been formulated for the integration of the goals into governmental operations;
- (g) Significant gaps exist in the capability to collect necessary information for the implementation process and for measuring its progress.



It is recommended that the Prime Minister's Office, the Ministry of Foreign Affairs, and the Ministry of Environmental Protection, in response to the findings of this report, establish a viable mechanism for the implementation of the Sustainable Development Goals within the work of the Israel's governmental bodies. This mechanism should facilitate an effective implementation process – spearheaded by an integrating entity with suitable authority and capabilities – while ensuring the allocation of requisite resources, with the aim of developing coherent and integrative implementation plans that promote collaboration and address cross-sectional strategic needs. Additionally, this mechanism should guarantee accurate monitoring and follow-up concerning the achievement of the goals and facilitate appropriate reporting. The Office of the State Comptroller emphasizes the necessity for the Prime Minister's Office, the Ministry of Foreign Affairs, and the Ministry of Environmental Protection to fulfill their responsibilities as outlined in the 2019 government resolution until a new mechanism for implementing the goals is established, prompting a revision of the government's resolution as appropriate.

The Sustainable Development Goals have become pivotal within international discourse, with 190 countries submitting 366 reports to the United Nations regarding the extent and methods of the Agenda's implementation from 2016 to 2024; moreover, 73 Supreme Audit Institutions (SAIs) have conducted audits assessing readiness for the implementation of these goals. It is anticipated that the principles embodied in the goals will continue to shape international discourse across social, public, and economic domains for the foreseeable future. Israel possesses substantial potential to emerge as a leading nation in various sectors aligned with the 2030 Agenda and its established indicators, and should endeavor to take advantage of the benefits inherent in the Agenda's implementation, serving both current and future generations.

- Israel Military Industries (IMI) has been operating for several decades within various complexes across the country, encompassing a total area of 80,000 dunams, specializing in the manufacturing of explosives, ammunition, weapons, and related systems. Initially serving as an auxiliary entity within the Ministry of Defense (MoD), it subsequently transitioned to operate as a governmental enterprise. In December 2015, the principal commercial activities of IMI were transferred to IMI Systems Ltd. The rest of IMI's activities remained with IMI, whose name was subsequently changed in 2016 to Netzer Hasharon Ltd. The objectives of Netzer Hasharon, which is a governmental corporation, include a mandate to deal with the environmental issues in regard to IMI complexes. In November 2018, IMI's privatization was finalized with the sale of IMI Systems to Elbit Systems.

Predominantly located in the Sharon region, IMI's complexes are situated in close proximity to residential neighborhoods. Over the years, a pronounced contamination



of soil and water, alongside the presence of hazardous materials such as explosives, has been identified in the complexes associated with IMI, posing risks to public safety, environmental stability, and biodiversity. Furthermore, incidents of explosions and fires have transpired at several factories and complexes; notably, in July 1992, an explosion at the IMI factory in the Nof Yam complex resulted in two fatalities and 34 injuries, incurring financial damages amounting to \$24.5 million. More recently, in August 2023, an explosion at the IMI Systems facility in the Sharon complex, attributed to a workplace accident, led to the death of a worker.

An audit concerning the **Evacuation and Rehabilitation of Israel Military Industries (IMI) Lands** highlighted deficiencies, such as the absence of regulated norms in primary legislation for assigning responsibility and addressing contaminated land. Netzer Hasharon and the Israel Land Authority (ILA) have not acted as required to safeguard public safety concerning the hazards presented by the Nof Yam complex. Furthermore, the Ministry of Finance, the Ministry of Defense, the Ministry of Environmental Protection, the Israel Land Authority, and the Water Authority have failed to fulfill their commitment made before the Supreme Court to evacuate and remediate the Nof Yam complex by August 2019, resulting in severe land and water contamination. As of the onset of the Iron Swords War, there had been a delay of approximately one and a half years in evacuating IMI Systems complexes from the Sharon region. According to a statement by the ILA Director in May 2024, the war has created an additional anticipated delay of around two and a half years, which could potentially result in approximately NIS 4 billion of deferred revenue for the state. As of December 2024, a plan has been developed to mitigate the impact of the evacuation delays, following an agreement between the Israel Land Authority and the Ministry of Defense to expedite the evacuation dates of IDF camps. However, approximately two and a half years after the designated timeline, Netzer Hasharon has yet to complete soil surveys in the Eliyahu complex within the Sharon complex. The tender committees of the Israel Land Authority and the Accountant General's Division have allowed the Israel Land Authority to enter into contracts with IMI Systems, exempting them from tender processes under the justification of being a "sole supplier" for the evacuation of facilities linked to the evacuation areas in the Sharon region, despite the presence of at least one other potential supplier, Netzer Hasharon, at the time of committee deliberations. The deficiencies revealed in the audit underscore the persistent inability of the parties to meet the challenges involved in the evacuation of IMI complexes and the remediation of associated contamination, thereby exacerbating risks to public safety, health, the environment, the flora and fauna.

The Ministry of Finance, alongside the Ministry of Defense and the Israel Land Authority, must address the deficiencies identified in the audit, taking actions to advance the evacuation of IMI Systems from its complexes in the Sharon and Tirat Carmel regions, while considering the implications of the Iron Swords War. This



includes assessing the necessary balance between ongoing production during wartime in these complexes and evacuation efforts, to mitigate public hazards, facilitating the development of approximately 36,600 housing units in the Sharon region, yielding approximately NIS 33 billion in revenues for the state treasury, and enhancing employment opportunities in the Negev. Additionally, the Ministry of Finance and the Israel Land Authority must collaborate with the Ministry of Defense, aided by the Ministry of Justice and the Prime Minister's Office, to remediate all IMI complexes – both active and inactive – of soil and groundwater contamination, thereby fulfilling the state's September 2015 commitment to the Supreme Court regarding the cleansing and remediation of the Nof Yam complex. The Ministry of Environmental Protection must take decisive action to promote legislation aimed at addressing contaminated land. Simultaneously, until such legislation is enacted, the Israel Land Authority must conduct a thorough risk analysis of lands contaminated by the state and its entities, and based on the findings, work towards establishing a financing arrangement or budget-supported initiative, together with the Ministry of Finance, to facilitate the rehabilitation of these lands, including IMI complexes for which no land marketing plans currently exist.

- Additionally, this report contains two chapters pertaining to cyber defense: **Information Systems and Cyber Defense in Local Authority Elections; Information Security and Cyber Protection at the Israel Lands Authority – Results of a Robustness Test.** These chapters underwent a confidentiality process under the Knesset State Audit Committee sub-committee, pursuant to Section 17 of the State Comptroller's Law, 1958. The Committee resolved to publish only select findings from these chapters to the public, based on the consideration articulated in Section 17 of the Law.
- My office diligently undertakes follow-up audits to monitor the rectification of deficiencies raised in previous reports, ensuring that the audited entities have indeed rectified the issues at hand. This report presents the findings of three follow-up audits – **Enhancing Access to Higher Education for the Ultra-Orthodox Community, Aspects of Public Service at the Israel Land Authority, and Protection Against Flood Damage.**

The preparation of the report required a significant effort by the personnel of the Office of the State Comptroller, all of whom worked diligently to prepare it with the utmost professionalism, thoroughness, fairness and meticulousness. The Office staff conduct their public roles out of a sense of true dedication, both during ordinary routine periods and in times of emergency, and they have my gratitude.



Pursuant to the State Comptroller Law, commendable actions undertaken by the audited entities are proportionately reflected in the report to present a comprehensive overview of the findings of the audit.

It is incumbent upon the audited bodies to promptly and effectively address the deficiencies outlined in this report, thereby enhancing public service within Israel and subsequently improving the quality of life for its residents.

We continue to pray and express our hopes for the return of all hostages, for the triumph of the IDF and the security agencies in safeguarding our nation, and for calm and peaceful days ahead.

Matanyahu Engelman
State Comptroller and
Ombudsman of Israel

Jerusalem, May 2025



Report of the State Comptroller of Israel | May 2025

Chapter One

Systemic Issues



Report of the State Comptroller of Israel | May 2025

Systemic Audit

The Preparedness of Israel's Government for Implementing the Sustainable Development Goals (SDGs) in Its Work



The Preparedness of Israel's Government for Implementing the Sustainable Development Goals (SDGs) in Its Work

Background

"A generation goes, and another generation comes; but the Earth endures forever" (Ecclesiastes 1:4) – But is that truly the case?

Sustainable development, a concept derived from the term "sustainability," is intended to **meet the needs of the present generation without compromising the ability of future generations to meet their needs**. It is based on principles of economic growth while improving quality of life, reducing social inequality, and preserving the Earth's resources.

Sustainable development is hardly a new concept - as long as fifty years ago, it was discussed at the first international conference on sustainability, held in Stockholm in 1972 (the United Nations Conference on the Human Environment, in which Israel participated).¹ Since then, the issue has evolved, gaining increasing awareness and practical implementation within the global community and in many countries, including the State of Israel.

Figure 1: **Initiatives by the State of Israel in Recent Decades (up to 2015) to Promote Sustainable Development**



The Sustainable Development Goals (SDGs) were unanimously adopted in 2015 by all UN member states, including Israel, as part of a resolution titled "Agenda 2030 for Sustainable Development" – an action plan guided by the principle of establishing a foundation for global partnership, to formulate and implement strategic work plans for sustainable development at

¹ www.un.org/en/conferences/environment/stockholm1972



the international, national, and local level. **This plan includes 17 universal goals of critical importance to humanity and the environment (overarching goals), from which 169 specific targets (focused objectives) and more than 230 indicators are derived.**² The timeframe set for implementing the plan was 15 years – beginning in January 2016.

Figure 2: The Sustainable Development Goals (SDGs)

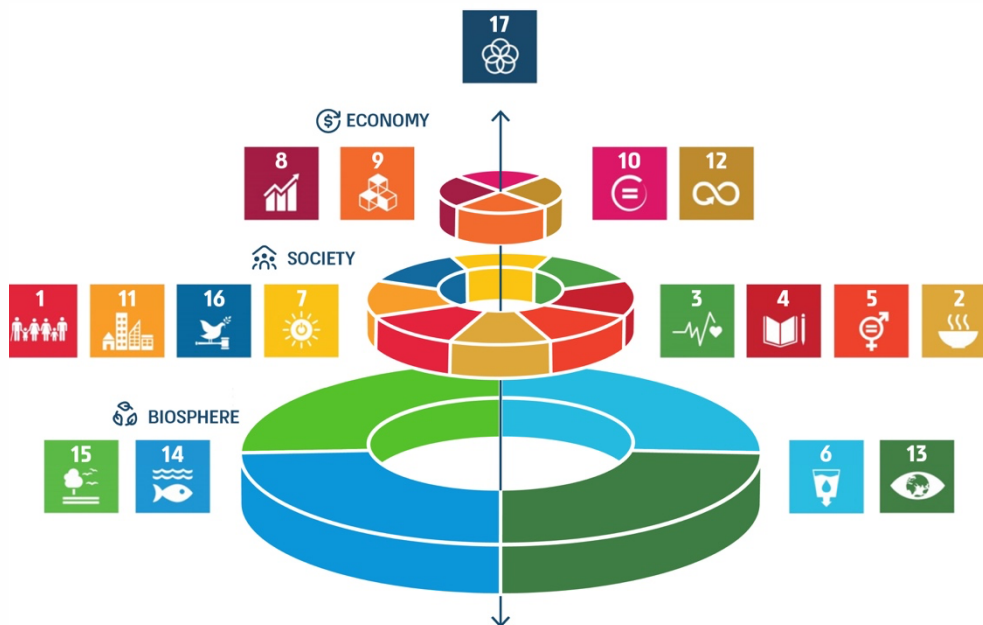


Source: <https://sdqs.un.org/goals>

The central characteristic of the goals is that they revolve around three key, interrelated fields of sustainable development that are intrinsically linked through essential interdependencies – **economy, society, and environment**. The Agenda encourages viewing them as a unified system with reciprocal impacts, in order to develop improved policies that address these connections.

² The UN resolution specifies 231 indicators, but 13 of them appear twice or three times (under different goals), bringing the actual total to 248 indicators. See the UN website: unstats.un.org/sdgs/indicators/indicators-list/.

Figure 3: **Division of the SDGs According to the Principal Fields of Sustainable Development: Economy, Society, and Environment**



Source: https://www.researchgate.net/figure/integration-of-17-SDGs-across-the-biosphere-society-and-the-economy-Source-Stockholm_fig2_323129926.

The targets and indicators set in the 2030 Agenda serve as a guiding tool for policy-making and can make a significant contribution to national strategic planning. This is because: (a) They provide a solid framework of data and statistical information that is systematically updated, allowing for the measurement and assessment of a country's progress – both internally, in achieving the targets it has set for implementation, and externally, in comparison with other countries from an international perspective. (b) They seek to integrate economic, social, and environmental aspects within action frameworks developed with an integrative vision. This, in turn, promotes inter-ministerial and cross-sectoral cooperation on broad issues, enabling a more comprehensive perspective, resource consolidation, budget pooling, and increased efficiency in government activities.

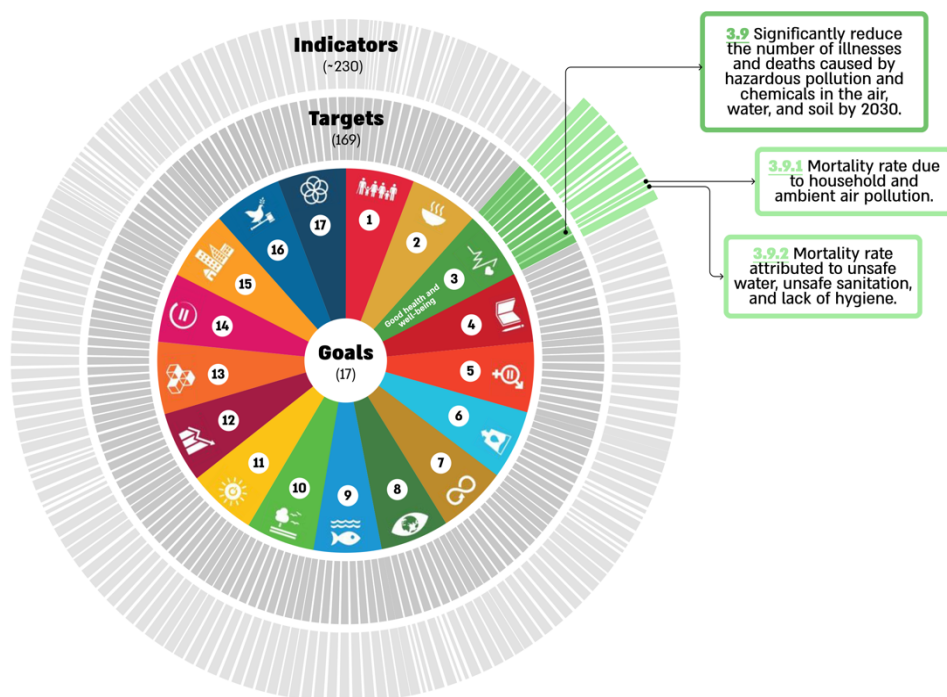
The agenda acknowledges the differences between countries – particularly between developed and developing countries – and the need for each country to act according to its capabilities and national priorities as it determines.³ Furthermore, it does not represent an

³ Due to the significant differences between the requirements for developed and developing countries, the OECD adopted the UN's action plan on the SDGs in December 2016. One of the steps it took to implement the 2030 Agenda was to redefine some of the indicators to better align with the member states of the organization, which are considered more developed, including Israel.



absolute aspiration to fully achieve all 17 goals. Rather, it serves as a roadmap, a local and international guide and compass, aimed at benefiting all of humanity with the aspiration of creating a better world.

Figure 4: **Example Illustrating the Components of the Agenda's Roadmap (Goals, Targets, And Indicators)**



Each year in July, a High-Level Political Forum on Sustainable Development (HLPF) is held under the auspices of the United Nations Economic and Social Council (ECOSOC). At this event, countries voluntarily report on their implementation of the Agenda through a Voluntary National Review (VNR). In July 2019, Israel participated in the HLPF in New York and presented its VNR.

First and foremost, the necessary preparation for initiating a successful implementation process of the targets at the national level is the establishment and regulation of an institutional mechanism to support execution.

In 2019 – about four years after the Israeli government adopted the Agenda⁴ and in the same month it participated in the HLPF as mentioned – it initiated and approved a government

⁴ It should be noted that the Agenda, as a resolution of the UN General Assembly, is not legally binding on its member states. Nevertheless, since it was adopted unanimously, its implementation is expected based on the guiding principle of the agenda and the commitment to participation in the international community.



decision to advance the implementation of the goals in government operations, for the purpose of "improving governance and strategic planning processes in the government" (the 2019 government decision).⁵

Under this decision, the Minister of Foreign Affairs and the Minister of Environmental Protection (MoEP), in coordination with the Head of the National Economic Council in the Prime Minister's Office and relevant government ministries, are responsible for proposing sustainable development indicators in accordance with the mechanism established in the decision, which is based on the government's strategic economic-social situation assessment. They are also tasked with assisting government ministries in implementing the goals in their work plans and, with the support of the Central Bureau of Statistics (CBS), monitoring the extent and manner of implementation and reporting on it to the government (annual report) and to the UN (periodic report).

The decision expressed the intention to adopt and embed the SDGs in the planning, thinking, strategy, and work programs of government ministries, as well as the aspiration for Israel to be perceived as a global leader in this field, as reflected in the remarks of Prime Minister during the July 2019 discussion in which the resolution was adopted:

"Today, we will submit for government approval the plans to implement the UN's sustainable development indicators in the government's work programs... In some of these indicators [set as part of the SDGs], we are very advanced and ahead of the UN, while in others, we are not, and we need to close the gap. But a year ago, I thought this was a worthy initiative, **one that would position Israel as a global leader in critical areas. That is why I requested implementation of this in the government's plans**" (emphasis added).

⁵ Government Decision 4631: "Integration of the UN Sustainable Development Goals for Improving Governance and Strategic Planning Processes in the Government" (July 14, 2019).



Key Figures

2001– 2006

Years during which the Commission for Future Generations operated in the Knesset, established due to the need for an entity to represent future generations to the legislative authority

2016– 2030

Timeframe set for the implementation of Agenda 2030 – the UN resolution for implementing the SDGs

17 Goals

The UN's Agenda 2030 includes 17 SDGs of critical importance to humanity and the environment (overarching goals), from which 169 sub-targets (focused objectives) and more than 230 indicators are derived

2019

Year in which the Israeli government approved the decision to implement the SDGs in government operations for the purpose of "improving governance and strategic planning processes in the government"

2 Ministers

Those assigned by the government decision with the responsibility to lead the process of implementing the SDGs in government operations (the Minister of Foreign Affairs and the Minister of Environmental Protection)

70 Organizations

Members of the Civil Coalition, established in 2018 to strengthen social organizations in promoting the SDGs

0 NIS

allocated for the process of implementing the Sustainable Development Goals (SDGs) into government operations (beyond the existing budget framework of each ministry)

0 Reports

submitted by the Ministers of Foreign Affairs and Environmental Protection to the government since 2019 on the extent of the implementation of Agenda 2030 in their work, contrary to the government decision requiring annual reporting



Audit Actions



From February to July 2024, the State Comptroller's Office conducted an audit of the government's preparedness to implement the SDGs in its operations.

The purpose of the audit was to examine the mechanism defined by the Israeli government in its 2019 resolution for integrating the SDGs into its planning and strategic processes. The audit was conducted only at the main entities, as determined in the government decision, and the interfaces between them: at the Ministry of Foreign Affairs, the Ministry of Environmental Protection (hereinafter – MoEP), the National Economic Council, and the Central Bureau of Statistics (hereinafter – CBS). This is because the audit focused on assessing the preparedness for implementing the goals from a strategic perspective and in a manner that promotes an integrated and systematic policy (the governmental or institutional mechanism). Additional examinations were carried out in the Governance and Society Division of the Prime Minister's Office (hereinafter – PMO).

The audit was based on an international assessment model developed by the International Organization for Supreme Audit Institutions (INTOSAI). The organization distinguished between an **SDGs Preparedness Audit**, which examines a country's readiness to implement the goal integration process, and an **SDGs Implementation Audit**, which assesses the actual implementation of the goals.



Figure 5: **Audit Types According to Guidelines of the IDI (INTOSAI Development Initiative)**



As per INTOSAI (see www.idi.no/work-streams/relevant-sais/auditing-sdgs), edited by State Comptroller's Office.

The methodology applied in this audit is based on a seven-step assessment model,⁶ divided into two main areas: an evaluation of preparedness for goal implementation within **government policy** (comprising four assessments) and an evaluation of preparedness for managing the **information** required for monitoring and reporting (comprising three assessments).

⁶ The seven-step model was developed by the Netherlands Court of Audit and adopted by INTOSAI as an international model.



Figure 6: **INTOSAI's Seven-Step Model for Conducting a Preparedness Audit for SDG Implementation**

Policy Framework	1	Political commitment and recognition of national responsibility in line with the principles of sustainable development.
	2	Building public awareness and encouraging dialogue with stakeholders including relevant non-governmental stakeholders.
	3	Allocation of responsibility at a ministerial or other level, allocation of appropriate financial means and other resources, and establishment of accountability arrangements.
	4	Preparation of plans to apply the SDGs including setting out the role of different stakeholders and defining how the various goals and targets are to be achieved in an integrated and coherent manner.
Data Framework	5	Designing and establishment of the systems to measure and monitor the SDG goals and targets.
	6	Setting baselines - the situation at the start of the process - for the different indicators, against which to judge progress made throughout the SDG lifecycle.
	7	Monitoring and reporting arrangements on the progress of SDGs, involving all relevant stakeholders.

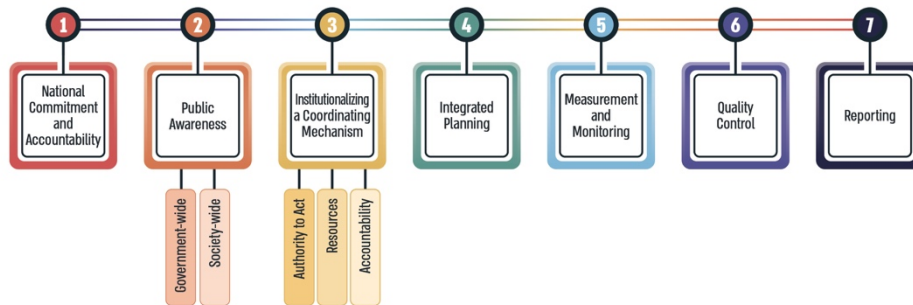
Source: Netherlands Court of Audit –

www.intosai.org/fileadmin/downloads/focus_areas/SDG_atlas_reports/Netherlands/SDGs_Netherlands_Sharaka_prep_EN.pdf

This audit is based on the INTOSAI model, as mentioned, with adjustments made to align with the processes and mechanisms established in the 2019 government decision. Below are the key elements of the assessment model used by the State Comptroller's Office:



Figure 7: **Audit Model for Assessing the Israel Government's Preparedness for Implementing the SDGs in Its Work**



Key Findings



Building Public Awareness

- **Whole-of-Government Actions** – From January 2020 to January 2022, the Ministries of Foreign Affairs and Environmental Protection unsuccessfully attempted to establish cross-ministerial cooperation, as envisioned in the 2019 government decision. This decision recognized that “the autonomous work of a single government ministry will not adequately address the complexity of the challenges” that the SDGs aim to advance. In this regard, the following findings were identified:
 - An inter-ministerial working team, established to facilitate cross-ministerial cooperation, held only three meetings over a two-year period, from January 2020 to January 2022.
 - The inter-ministerial working team initiated the preparation and distribution of a questionnaire to gather information from government ministries and other public bodies regarding areas of activity under their responsibility that could contribute to advancing the goals. This was intended as an initial mapping of cross-sectoral issues from their perspective. However, the response rate was very low, with only 9 out of 40 entities (approximately 22%) completing the questionnaire.

From February 2022 until the conclusion of the audit in July 2024, the Ministries of Foreign Affairs and Environmental Protection, as well as the ministers leading them,



did not take action to restart the governmental mechanism established by the 2019 government decision. This mechanism was intended to drive integrative work among government ministries regarding the incorporation of the SDGs into their operations.

- Between 2017 and 2024, several discussions were held in Knesset committees in which the SDGs were mentioned or debated. These discussions – particularly those in the Special Committee on Youth Affairs – indicate the Knesset's recognition of the need to integrate the SDGs into government operations. In a February 2023 discussion that focused specifically on this issue, the committee made several decisions and even called on the Prime Minister to assign a designated body under his authority to lead the inter-ministerial committee for SDG implementation and to establish a national strategy on the matter. However, as of the conclusion of the audit in July 2024, no evidence was found that such action had been taken.
- **Whole-of-Society Actions** – From late 2019 until the conclusion of the audit in July 2024, the Ministries of Foreign Affairs and Environmental Protection, along with their respective ministers, did not take action to achieve the goal of encouraging and promoting effective partnerships with the public, the public-private sector, and civil society, based on expertise and strategic collaboration. This inaction persisted despite the establishment of a civil coalition in 2018, comprising approximately 70 organizations, to advance the SDGs, and despite the need to raise public awareness and integrate the goals across various sectors, as highlighted in the 2019 government decision. It is worth noting that in some countries, collaboration exists between the government and social, business, and academic sectors to enhance and advance SDG implementation. Examples include Japan, Canada, Ireland, Austria, Germany, and Finland.

Establishing a Coordinating Mechanism

- **Granting Authority to the Ministries of Foreign Affairs and Environmental Protection in the Implementation Process** – In the 2019 government decision, submitted by the Ministers of Foreign Affairs, Environmental Protection, and the Prime Minister, national responsibility for implementing the SDGs in the work of all government ministries was assigned to the Ministries of Foreign Affairs and Environmental Protection and their respective ministers. However, prior to this designation, no assessment was conducted by the decision's proponents to determine whether these ministries possessed the necessary capabilities for a successful implementation process (including the ability to foster inter-ministerial cooperation, the capacity to bridge gaps and resolve disagreements among governmental bodies, and the competence to engage non-governmental stakeholders in the process and drive broad policy change).



The 2019 government decision also did not grant the two ministries the necessary powers to fulfill the responsibilities assigned to them. Given this, a significant gap exists in the ability of these ministries to carry out the national responsibility placed upon them. This gap likely contributed to their failure to initiate and drive the necessary work processes on the matter.

Indeed, as early as 2018 and again in 2023, representatives of the Ministries of Foreign Affairs and Environmental Protection expressed reservations about the suitability of their ministries for carrying out the assigned task and fulfilling the responsibilities imposed on them.

The audit also found that a Governance and Society Division operates within the Prime Minister's Office (PMO), whose purpose is to lead the PMO's activities in governance and societal affairs. Among other functions, this division serves as a central coordinating body that engages in government planning processes, including assisting ministries in formulating their work plans.

The division's purpose and areas of responsibility align with the Israeli government's own definitions, as outlined in the processes leading up to the 2019 government decision. According to these definitions, a key factor in the successful implementation of the SDGs is the existence of an institutional mechanism with the authority to: oversee national and international policy and strategy, monitor the implementation of government decisions, and coordinate efforts between government ministries, governing bodies, and non-governmental stakeholders.

- **Granting Authority to the National Economic Council in the Implementation Process** – A prerequisite for the successful implementation of the SDGs, as outlined in the 2019 government decision, is the formulation of a strategic socio-economic assessment by the National Economic Council (NEC). However, the audit found that since 2016, the NEC has not presented the government with a socio-economic assessment as required by its mandate.⁷ As a result, the NEC is unable to fulfill its role in the decision, which involves formulating and integrating development indicators into the work plans of government ministries. These indicators should be derived from the strategic socio-economic assessment.

The State Comptroller's Office emphasizes that the SDGs are intended to enhance and improve national strategic planning for the benefit of both the present and future generations. Even before initial preparedness processes for their

⁷ This responsibility was established in Government Decision 5208, "Institutionalizing and Improving the Government's Capabilities in Formulating and Managing Socio-Economic Strategy" (November 4, 2012). A previous audit of the National Economic Council, whose findings were published in May 2023, found that in 2020 and 2022, the council prepared such assessments but did not receive approval from the Prime Minister's Office to present them to the government.



implementation began in Israel, the SDGs have already served their purpose as a tool for identifying gaps by highlighting a significant shortcoming in the government's activities – namely, the absence of an updated national socio-economic strategic vision.

- **Allocation of Resources to Support the Implementation Process** – The 2019 government decision, submitted by the Ministers of Foreign Affairs and Environmental Protection along with the Prime Minister, explicitly stated that the work process outlined in the decision would have no budgetary impact and would be carried out within the existing budget of each ministry. The audit found that no prior assessment was conducted regarding the resources needed to fulfill the tasks specified in the decision (such as recruiting professional staff, developing methodologies to measure indicators for improved performance evaluation, or allocating resources for reporting to the government or the UN). Additionally, no monitoring was conducted to determine how the Ministries of Foreign Affairs and Environmental Protection advanced the process within their existing budgets. The absence of guidance for budget allocation where necessary significantly weakens the ability to implement the government decision and, in some cases, effectively renders it meaningless.
- **Establishing Accountability in Reporting** – The audit found that the Ministries of Foreign Affairs and Environmental Protection, along with their respective ministers, who were assigned responsibility under the 2019 government decision for establishing accountability within the implementation mechanism of the SDGs in government operations, failed to meet this accountability objective:
 - **Failure to Establish SDG Indicators as Required** – As of the conclusion of the audit in July 2024, the Ministries of Foreign Affairs and Environmental Protection, along with their respective ministers, had not submitted SDG indicators for government approval as required by the decision, because the necessary preliminary work processes for developing these indicators had not even begun.
 - **Failure to Report on Implementation of the Agenda** – The Ministries of Foreign Affairs and Environmental Protection, along with their respective ministers, did not fulfill their reporting obligation to the government and the UN regarding the implementation of Agenda 2030. In the five years since this reporting obligation was established by the 2019 government decision, and until the conclusion of the audit in July 2024, the Ministers of Foreign Affairs



and Environmental Protection did not submit the required reports to the government or the UN.⁸

At the same time, it should be noted that between 2016 and 2024, countries worldwide submitted 366 VNRs, with some countries submitting multiple reports. Israel submitted a VNR in 2019 and participated in the High-Level Political Forum (HLPF) that same year. As of the conclusion of the audit, Israel had registered to present a report at the next HLPF, scheduled for July 2025.

- The Ministers of Foreign Affairs and Environmental Protection also failed to inform the government about the non-implementation of the decision and its impact on the failure to implement Agenda 2030. Raising a red flag to the government regarding the lack of implementation by one of the leading officials – the Minister of Foreign Affairs or the Minister of Environmental Protection – could have prompted the government to reassess and improve the mechanism established in the decision. This, in turn, could have facilitated earlier progress in implementing the SDGs in government operations.

Integrated Planning – By the time the audit was completed in July 2024, the Ministries of Foreign Affairs and Environmental Protection, along with the ministers heading them, had not led government ministries in formulating implementation plans, let alone integrated ones, for embedding the targets. This is despite the fact that such plans are critical to the target implementation process and that a 2019 government decision assigned them the responsibility for leading this process.

Information Processes: Measurement and Monitoring, Quality Control, and Reporting on Achievement of Goals – The 2019 government decision stipulated that the Central Bureau of Statistics (CBS) would support the process of developing indicators by government ministries and coordinate reporting to the government and the UN on the implementation of the Agenda 2030 goals.

The audit found that as of the audit's conclusion in July 2024, Israel lacks the capability to assess the extent to which the goals have been achieved, as no structured work process exists to attain them. The audit also found that the CBS's ability to produce a status report on the indicators underlying the goals is limited. This is due to the fact that approximately 45% of the defined indicators (113 out of 248) are unavailable for measurement, either due to a lack of methodology, irrelevance, or the absence of responses from government ministries that hold most of the necessary data.

Establishing Preparedness for Implementing the Goals in Israel – Benefits and Costs – Since the Ministers of Foreign Affairs and Environmental Protection did not

⁸ The only report submitted by Israel to the UN (VNR) was made in the same month (July 2019) in which the 2019 government decision was adopted.



fulfill their responsibilities under the 2019 government decision, as indicated in this audit, the State of Israel has not been able to reap the benefits of implementing the goals in government operations – benefits that were a key consideration in the adoption of the decision. This applies both at the national level, where the adoption of relevant tools could have contributed to improving governance, and at the global level, where Israel could have positioned itself among the world's leading countries in essential areas, as well as within international organizations and the global community.



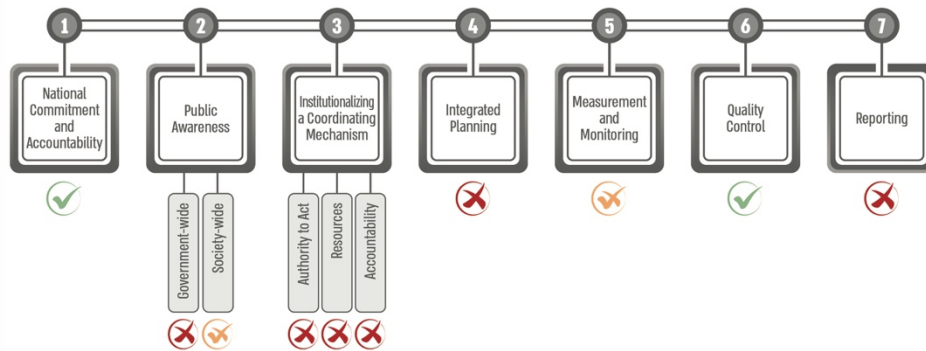
Commitment and National Responsibility – In the 2019 government decision on implementing the SDGs to improve governance and strategic planning processes within the government, the government expressed its commitment to the principles of the SDGs and defined the national responsibility for their implementation.

Public Awareness – The State Comptroller's Office commends the efforts of the Ministry of Foreign Affairs and the Ministry of Environmental Protection in engaging government ministries to successfully collaborate between August 2018 and July 2019 in preparing Israel's national report to the UN on the extent and manner of implementing the Agenda (VNR) and presenting it at the relevant international conference (HLPF). Similarly, the audit highlights their role in initiating a dialogue between the governmental sector and the civil coalition in 2018–2019 in preparation for this conference (The civil coalition is comprised of some 70 social organizations. It was established in 2018 with the aim of strengthening civil society organizations in advancing the SDGs).

Measurement and Monitoring, Quality Control, and Reporting – The State Comptroller's Office acknowledges the efforts of the working team at the CBS in fulfilling its responsibilities under the 2019 government decision. This decision assigned the CBS the role of supporting the process of developing indicators by government ministries and coordinating reporting to the government and the UN on the implementation of the Agenda.



Figure 8: **Audit Findings Based on the Model for Assessing Israel's Government Preparedness for Implementing the SDGs in Its Work**



Key Recommendations



Institutionalizing a Coordinating Mechanism — Agenda 2030 emphasizes the importance of granting authority to a coordinating body that will lead the process of implementing the goals in government operations and address emerging challenges. The State Comptroller's Office recommends that the Prime Minister, together with the Ministers of Foreign Affairs and Environmental Protection, assess the suitability and capacity of their ministries to carry out the tasks assigned to them under the 2019 government decision, with a particular focus on coordination and leadership responsibilities. This recommendation arises from the significant gap in their ability to fulfill the national responsibility entrusted to them.

Additionally, it is suggested that the Director General of the Prime Minister's Office examine the possibility of his office taking the lead in addressing this issue, with professional support from the Government and Society Division, which serves as a central coordinating body for formulating work plans within ministries.

Based on the findings of these assessments, the Ministers of Foreign Affairs and Environmental Protection, along with the Prime Minister's Office – which originally submitted the 2019 government decision – should consider whether to propose redefining the coordinating body in a new government decision. It is important to emphasize that until a different decision is made, the entities designated in the 2019 government decision must fulfill their responsibilities as stipulated.



National Economic-Social Strategic Assessment in Israel – in General and as a Basis for the Implementation Process – It is recommended that the National Economic Council fulfill its mandate regarding the national economic-social strategic assessment in Israel.

With respect to the process of implementing the SDGs in government operations, it is recommended that the National Economic Council alert the heads of the coordinating mechanism designated in the government decision – the Minister of Foreign Affairs and the Minister of Environmental Protection – about its inability to provide the necessary foundation for implementing the decision (According to the 2019 government decision, the development indicators to be defined and incorporated into government operations must be derived from this assessment).

The Ministries of Foreign Affairs and Environmental Protection, along with their respective ministers, should work together with the National Economic Council to ensure an appropriate response until an updated national economic-social strategic vision is institutionalized – thus enabling compliance with the 2019 government decision. Additionally, the Prime Minister's Office should take steps to validate and approve draft assessments and strategies within the government.



Building Public Awareness – The Ministries of Foreign Affairs and Environmental Protection, along with their respective ministers, must reinstate their required activities as stipulated in the 2019 government decision and take the necessary steps to establish cross-ministerial collaborations. They should also initiate cross-sector partnerships with civil society organizations, the business sector, and academia. It is important to emphasize that for a successful dialogue and increased public awareness, a motivating force is necessary, which must originate from the governmental sector.



Resource Allocation – It is recommended that the Ministries of Foreign Affairs and Environmental Protection, along with their respective ministers, ensure that as part of reassessment of the institutional coordination mechanism for implementing the goals, budgets are adjusted to meet the necessary requirements for executing the task. Additionally, they should monitor government ministries' ability to allocate funding sources and implement the tasks within the existing budget framework.



Accountability – The Ministries of Foreign Affairs and Environmental Protection, along with their respective ministers, must take action to fulfill their obligation to report to the government annually on the implementation of Agenda 2030, as required by the government decision. Additionally, they should update the government on the current status – including challenges and difficulties – over the past five years since the adoption of the 2019 government decision.



Integrated Planning – It is recommended that the Ministries of Foreign Affairs and Environmental Protection, along with their respective ministers, ensure that when government ministries develop their work plans incorporating the SDGs, these plans are coherent and reflect cross-ministerial collaboration and stakeholder engagement.



Information Processes: Measurement and Monitoring, Quality Control, and Reporting on Achievement of Goals

— The Ministries of Foreign Affairs and Environmental Protection must take action and assist the CBS in increasing the number of measurable development indicators. This can be achieved either by allocating resources for developing missing measurement methodologies or by making efforts to enhance government ministries' cooperation with CBS on this issue. This support is essential to enable CBS to establish a comprehensive, up-to-date, and reliable database – both for developing relevant indicators and for reporting an accurate picture of the situation in Israel to stakeholders, the public, and UN bodies.

The CBS must report to the Ministries of Foreign Affairs and Environmental Protection, as well as their respective ministers, on the existing gaps in fulfilling its role in the process. This includes reporting on government ministries and entities that do not cooperate in providing the necessary data, as well as detailing its requirements – both in terms of budget and other resources – needed for developing methodologies for measuring the targets.



Establishing Preparedness for Implementing the Goals in Israel – Benefits and Costs

— It is recommended that the Ministries of Foreign Affairs and Environmental Protection, under the leadership of their respective ministers and in collaboration with the Director General of the Prime Minister's Office, conduct an analysis of the benefits of implementing the goals versus the associated costs. This analysis should focus on the current stage within the designated implementation timeframe (the beginning of the final third). The purpose is to enable a broad and comprehensive review of the defined roadmap and the necessary adjustments to it.



Summary

In 2015, all UN member states, including Israel, unanimously agreed to adopt 17 universal goals of critical importance to humanity and the environment. These goals include sub-targets and indicators to assess their achievement. The implementation period for integrating the SDGs and embedding them into national policies was set for the years 2016 to 2030.

The findings of the audit conducted by the State Comptroller's Office indicate that while the Israeli government expressed its commitment to implementing the Agenda through the adoption of the 2019 government decision, this commitment has remained merely declarative. As of the conclusion of this audit – marking a decade since Israel committed to the goals and the beginning of the final third of the implementation period – there is no mechanism in place to ensure the successful implementation of the SDGs in government operations.

The audit found that the government decision, which assigned responsibility for its implementation to the Minister of Foreign Affairs and the Minister of Environmental Protection, in coordination with the Head of the National Economic Council, has not been implemented since its adoption:

(a) Relevant Sustainable Development Indicators for Israel – have not been developed. (b) Integration among government entities and dialogue between the government and civil stakeholders to raise awareness – is not currently taking place. (c) The designated implementation mechanism – does not align with the capabilities of the entities responsible for it or with the authority vested in them. (d) According to the government decision, a national economic-social strategic assessment is a fundamental prerequisite for the implementation process – however, the last time such an assessment was submitted and approved by the government was in June 2015. (e) Dedicated budgets for implementing the process – have not been allocated. (f) Reporting to the government on the issue – has never been provided, and reporting to the UN was done only once (in 2019). (g) Implementation plans for integrating the goals – have not been developed. (h) There are also gaps in the ability to collect and measure the data required for the implementation process.

The State Comptroller's Office recommends that the Prime Minister's Office, the Ministry of Foreign Affairs, and the Ministry of Environmental Protection establish, in light of the findings presented in this report, a practical mechanism for implementing the SDGs in government operations in Israel. This mechanism must ensure a feasible implementation process, led by a coordinating entity with appropriate authority and capabilities, alongside the allocation of necessary resources. The goal is to develop coherent and integrated implementation plans that promote cross-sector collaboration, address broad systemic needs with a strategic perspective, and ensure accurate monitoring, tracking, and reporting on goal achievement.

The State Comptroller's Office emphasizes that the Prime Minister's Office, the Ministry of Foreign Affairs, and the Ministry of Environmental Protection must fulfill their responsibilities as stipulated in the 2019 government decision until and unless an alternative mechanism for



SDG implementation is formally established and the government decision is revised accordingly.

The Director General of the Prime Minister's Office responded to the audit findings by stating that he attaches great importance to the implementation of the 2019 government decision and intends to ensure its optimal execution. His aim is to establish measurement and evaluation processes in Israel that align with international measurement frameworks to support the advancement of sustainable development.

The SDGs have become central to international discourse – 190 countries have submitted 366 reports to the UN on the extent and manner of implementing the agenda between 2016 and 2024, and 73 Supreme Audit Institutions (SAIs) have conducted preparedness audits for goal implementation. It is expected that the values embodied in these goals will continue to guide international discourse in the social, public, and economic spheres for years to come.

Israel has significant potential to be recognized as a leading country in many areas, according to Agenda 2030 and its established indicators. It would be worthwhile for Israel to fully leverage the benefits of implementing the agenda – for the current generation and for the benefit of future generations.



Report of the State Comptroller of Israel | May 2025

Chapter Two

Government Ministries



Report of the State Comptroller of Israel | May 2025

Ministry of Finance

The Financial Statements of the State of Israel as of December 31, 2023 – Government Capital Funds



The Financial Statements of the State of Israel as of December 31, 2023 – Government Capital Funds

Background

Under section 12 of the State Comptroller's Law, 1958 [Consolidated Version], every year – at a time determined by the Comptroller, but no later than six months after the end of the State's fiscal year – the Minister of Finance shall submit to the State Comptroller "a comprehensive account of the State's revenues and expenses in the same year". The section further stipulates that at a date set by the Comptroller, but no later than nine months after the end of the State's fiscal year, the Minister of Finance will submit to the State Comptroller the "balance sheet of the State's rights and liabilities as of the end of the fiscal year". The State's consolidated financial statements for December 31, 2023, were submitted to the State Comptroller and published on June 30, 2024.

2023 ended with a net accounting deficit of approximately NIS 132 billion. Compared to 2022, this represented an increase of approximately NIS 203 billion (from a net accounting surplus of about NIS 71 billion to a net accounting deficit of approximately NIS 132 billion). This net accounting deficit in 2023 was driven by a rise in state expenditures relative to 2022, particularly a NIS 24.9 billion increase in war-related spending in the last quarter of 2023, coupled with a decline in state revenues following a sharp rise in 2022.

The impacts of the war were primarily reflected in a decrease in the employment rate, reduced private spending, and a substantial rise in public spending, especially defense expenditures. Despite a continued decrease in inflation to the target range, the fiscal front experienced a budget deficit exceeding planned levels. The significant increase in financing needs consequently led to a notable rise in debt issuance in the last quarter of 2023, resulting in a debt-to-GDP ratio of 61.9% in 2023, up from 60.5% in 2022, despite expectations of a continuing downward trend. Amid growing uncertainty, credit rating agencies responded to geopolitical developments and shifts in Israel's macroeconomic and fiscal indicators by downgrading the credit rating and adjusting the rating outlook.

The "Iron Swords" war has significantly adversely affected Israel's macroeconomic indicators. The continuation of the conflict beyond the preparation date of the financial statements and the completion of the audit is expected to result in further deterioration of these indicators, necessitating the implementation of a responsible fiscal policy led by the Ministry of Finance.



Government capital funds are utilized to manage unique governmental activity while establishing an accounting and budgetary distinction between the funds' activities and the government's regular operations. The legitimacy and status of government capital funds may arise through statutory means (statutory capital funds) or by government resolution or administrative initiative (initiative capital funds). Some of these funds are budgetary (budgetary capital funds), while others are extra-budgetary (extra-budgetary capital funds). Key capital funds include the Compensation Fund (Property Tax Fund), the Fund for Israeli Citizens (Wealth Fund), the State Guarantee Fund, the Cleanliness Fund, the IDF Camp Relocation Fund, the Metro Fund, and the Internal Government Insurance Fund.

Capital funds are established to fulfill various objectives, such as safeguarding against financial losses that may occur due to unforeseen events, bridging financial gaps between revenue and expenditure timelines in large annual and systemic projects, consolidating financial resources to achieve specific goals, and managing funds for future generations.



Key Figures

NIS 77.1 billion

The 2023 budget deficit amid the Iron Swords war

Approximately 79%

Percentage of entities that submitted on time audited financial statements for the end of 2023

4 government ministry entities

Did not submit audited financial statements to the Accountant General on the required date in each of the years 2019–2023

NIS 8 billion

The financial scope of 38 deposits managed by the Accountant General that are classified for accounting purposes as liabilities, although some of them may be capital funds that should be presented as part of capital

Approximately 187%

The rate of increase in the number of reported extra-budgetary capital funds in the years 2011–2024 (from 8 funds to 23)

25%

The percentage of reported extra-budgetary capital funds for which no documents confirming their establishment were found in the Accountant General Division (4 funds out of 16)

Approximately 63%

Rate of extra-budgetary capital funds and third-party deposits¹ for which the interest rate for depositing their funds with the Accountant General has not been determined (32 funds out of 51)

NIS 4.76 billion

Total funds withdrawn from the compensation fund in 2023 (first three months of the war)

NIS 2.26 billion

Total budgetary funds withdrawn from the Cleanliness Fund in the years 2015–2021 and converted into "authorization to commit"

¹ Which are managed together in deposits deposited in the Accountant General's account.



Audit Actions



Between June and October 2024, the Office of the State Comptroller conducted an examination of various aspects pertaining to the management of government capital funds. This examination took place within the Accountant General's Division of the Ministry of Finance (Accountant General's Division) and the Budget Division of the Ministry of Finance (Budget Division). Additional examinations were undertaken at "Inbal Insurance Company Ltd." (Inbal Company).

Key Findings

Analysis of Trends Emerging from Financial Statements as of December 31, 2023

- In 2023, a net accounting deficit of approximately NIS 132 billion was recorded. In comparison to 2022, the net accounting deficit increased by approximately NIS 203 billion, transitioning from a net accounting surplus of approximately NIS 71 billion to a net accounting deficit of approximately NIS 132 billion. The net accounting deficit in 2023 was influenced by a rise in state expenditures relative to 2022, particularly an increase of approximately NIS 24.9 billion in net war expenditures², coupled with a decline in state revenues following a marked increase in state revenues in 2022. Total state assets reported in the financial statements increased in 2023 compared to the previous year, amounting to approximately NIS 2,049 billion, while state liabilities escalated to approximately NIS 3,347 billion. Consequently, net state liabilities reached approximately NIS 1,298 billion in 2023.
- The implications of the war were primarily manifested in a reduced employment rate, diminished private expenditure, and a substantial rise in public expenditure, particularly in defense spending. In monetary terms, inflation persisted within the target range; However, a greater-than-anticipated budget deficit was recorded on the fiscal front. Given the significant escalation in financing requirements, the volume of debt issuance increased markedly during the last quarter of 2023. Debt issuance occurred in both the domestic tradable market and global markets, amounting to NIS 160 billion, of which approximately NIS 81 billion was raised since the onset of the war. In this context, the debt-to-GDP ratio increased to 61.9% in 2023 compared to 60.5% in 2022, contrasting with prior expectations of a continued downward trend. Credit rating agencies responded

² Net war expenditure (according to the deficit calculation) is war expenses minus payments from the compensation fund.



to geopolitical developments and alterations in the macroeconomic and fiscal indicators of the State of Israel by downgrading the credit rating and adjusting the rating outlook negatively.

- State revenues in 2023 decreased by NIS 42 billion in comparison to 2022, from NIS 695 billion to NIS 653 billion, reflecting a decrease of approximately 6%. This decline in revenues was primarily attributable to a 4% reduction in revenues from taxes and fees, driven by a decrease in real estate taxes and value-added tax (VAT), indicative of a downturn in real estate market activity and a contraction in private consumption, particularly in light of the Iron Swords War. Additionally, revenues from barter transactions in 2023 experienced a decline of approximately 15%, primarily due to the non-reflection of receipts from land sales within the "Income from barter transactions" category, unlike in previous years.
- State expenditures in 2023 totaled approximately NIS 785 billion, in contrast to approximately NIS 625 billion in 2022, signifying an increase of approximately 26%. The total war-related expenses incurred in 2023 were estimated at approximately NIS 29.6 billion, alongside additional liabilities amounting to approximately NIS 2.5 billion. War expenses were classified into security expenses, totaling approximately NIS 18.2 billion, and civilian expenses, amounting to approximately NIS 11.3 billion. The principal contributor to the variance relative to 2022 was an increase of approximately 61% in expenses for transfers and support, which arose, inter alia, from modifications in the actuarial liability balance of the National Insurance Funds and compensation payments for reservists related to the war.





Submission of Audited Financial Statements of State Entities Prior to the Publication date of the State's Consolidated Statements – The state's financial statements for the year 2023 encompassed financial data from 214 entities. An unqualified opinion was issued for the financial statements of 131 entities (61%). Nonetheless, at the time of preparation of the state's financial statements, 46 entities (21%) had not submitted their audited financial statements. Moreover, a review indicated that a majority (66%) of the entities included in the state's financial statements from 2019 to 2023 had submitted a minimum of four audited statements over the last five years preceding the publication of the state's financial statements. However, 23% of the entities had provided audited statements in only two of the last five years at the time of publication. The failure to submit this information in a timely manner hinders the capacity to assess the financial status of these entities, the degree of compliance of their reporting with generally accepted accounting principles, and the completeness of the state's financial statements. This is concerning as the audited information published subsequently may differ materially from the data utilized in preparing the consolidated financial statements of the State of Israel.




Management of Government Capital Funds in the State's Financial Statements

– Budgetary capital funds are incorporated in the state budget, under the purview of the Budget Division, whereas extra-budgetary capital funds are excluded from the budget and are managed by the Accountant General Division. The audit revealed that the Budget Division does not maintain a comprehensive list detailing the number and scope of budgetary funds, notwithstanding that some of these funds are statutory. The Accountant General Division, on the other hand, maintains a registry of 54 extra-budgetary capital funds and third-party deposits, which collectively account for approximately NIS 44.4 billion, but only 16 capital funds totaling roughly NIS 36 billion are reported in its financial statements. This discrepancy suggests that the Ministry of Finance lacks precise information concerning both budgetary and extra-budgetary funds. Additionally, the Accountant General Division does not possess a list of all budgetary capital funds, even though the necessity for a complete catalog was identified in 2007 to ensure accurate reflection in financial statements. With the exception of the Cleanliness Fund, other budgetary capital funds material from both quantitative and qualitative perspectives were omitted in the relevant note to the financial statements, thus impairing the completeness of information available to users regarding the number and financial scope of capital funds.

 **Definitions for Capital Funds** – The Accountant General Division defined the terms "fund", "budgetary fund", and "extra-budgetary fund" as outlined in TAKAM (Financial and Economic Regulations) Directive No. 2.2.9 of October 2011. However, significant discrepancies were found in the definitions of these terms between the Accountant General Division and the Budget Division. Furthermore, notable differences exist between the definitions articulated in TAKAM Directive No. 2.2.9 and the actual accounting definitions utilized by the Accountant General Division. Such inconsistencies foster a lack of uniformity in the classification of capital funds between the divisions, which is reflected in their reporting practices. Examples of these capital funds include the Vehicle Fund, the IDF Camp Relocation Fund, and the Metro Fund.

 **Reporting of Capital Funds in Financial Statements** – The audit uncovered inconsistencies in the reporting of capital funds across various financial statements from different years. These inconsistencies contribute to disorder in reporting practices and undermine the transparency of data presentation related to capital funds for users of the financial statements. In the absence of a cohesive accounting standard or procedures for the presentation of capital funds within the Accountant General Division, presentation format may vary across financial statements, resulting in a lack of uniformity concerning the number of funds and their scope over time, which undermines the intended purpose of public information dissemination.

 **Agreed Framework for Capital funds** – The audit highlighted the absence of a mutually agreed framework between the Budget Division and the Accountant General Division, leading to a lack of essential information required to map all capital funds, both



budgetary and extra-budgetary. Consequently, the Accountant General Division does not possess comprehensive information about all budgetary funds, although it reflects their share in the relevant note within the financial statements, while the Budget Division lacks information regarding all extra-budgetary funds, potentially misallocating those resources.

Establishment of Extra-budgetary Capital Funds – From the date of publication of the TAKAM directive in 2011 until the audit end date in October 2024, 43 deposits (extra-budgetary capital funds and third-party deposits) recognized by the Accountant General Division were established, constituting an approximate 80% increase in their quantity. The Accountant General Division did not identify supporting documentation for the establishment of the majority (52%) of these deposits, despite approximately 82% (23 out of 28) being created after the issuance of TAKAM Directive 2.2.9, which mandates approval for the establishment of extra-budgetary capital funds. Given the lack of a clear differentiation within the Accountant General Division between extra-budgetary capital funds and third-party deposits, there are concerns regarding the establishment of capital funds without requisite approvals.

Regulation of Characteristics of Capital Funds – The audit indicates a deficiency in the uniform regulation of capital fund characteristics concerning the safeguarding of fund designations, the procedures for transferring surpluses or reserves across fiscal years, and the methods of accumulating interest or investing reserves in capital funds, even for funds aiming to achieve similar objectives. Furthermore, basic documentation to regulate the designation and status of several capital funds was not located. Consequently, the capacity of capital funds to fulfill their objectives over time may be compromised.

- **Transfer of Capital Fund Surpluses** – The process for transferring surpluses accrued in budgetary capital funds occurs under the umbrella of state budget surpluses. The completion of requirements for transferring these budget surpluses may take several months, potentially compromising timely expenditure realization. Additionally, the execution rates reflected in state budget items encompassing budgetary funds are notably low and skewed, even though there is no intention to conduct all budget year expenditures, rather aiming to reserve unutilized funds in the capital fund for designated future uses.
- **Ensuring the Designation of Capital Funds** – The audit revealed the importance of ensuring that capital fund resources be utilized solely for the purposes for which they were established; However, the incorporation documents of certain funds do not stipulate such assurance. Notable examples of funds lacking assurance clauses include the Internal Fund, the State Guarantee Fund, the IDF Camp Relocation Fund, and the Metro Fund.
 - **Budgetary Level** – The Budget Division has previously redirected unutilized funds from budgetary capital funds to address fiscal challenges by reallocating



their budget sources for alternative uses, subsequently authorizing commitments of equal amounts in favor of those funds. This practice, as evidenced by the diversion of funds from the Cleanliness Fund during the years 2016–2023, totaling NIS 2.26 billion approved from 2016 to 2021, serves merely as a one-off fix without addressing underlying fiscal issues, deferring these challenges until the fiscal year when the authorization to commit will be executed. Furthermore, the reallocation of funds for alternative purposes, as demonstrated with the Cleanliness Fund, was executed without a coherent mechanism, contravening the intended goals for which the capital funds were established.

- **Financial Level** – The Accountant General Division's current practice lacks a mandate for safeguarding the funds of capital funds, as they are utilized by recording liabilities in their favor, despite potential economic justification for such an approach.
- **Capital Fund Deposits** – The audit revealed that the provision outlined in TAKAM Directive 2.2.9 concerning the preparation of a deposit agreement for the deposit of extra-budgetary capital fund resources and third-party deposits within the Accountant General Division's deposit account is not being duly implemented. Among the 51 deposits reported by the Accountant General Division, deposit documentation is absent for 7 deposits (14% of the total), and there is no specification of interest rates for 17 deposits (33% of the total). Moreover, the interest rates applied by the Accountant General Division, as dictated by its policy, lack uniformity. Certain deposits do not accrue any interest, while others receive interest at varying rates, which may correspond to the Accountant General Division's rate, a fraction of it, a fixed interest rate, or a rate determined by the interest of the Bank of Israel or government bond rates. The inadequate return on the deposits of extra-budgetary capital funds in the general account has the potential to subject their remaining value to real depreciation, particularly in an inflationary environment.
- **Compensation Fund Balances** – The Compensation Fund balances at the onset of the Iron Swords War were anticipated to be adequate for financing compensation payments, as delineated in the red track of the Compensation Fund Regulations of 1973. It was determined that as the war progressed and the regulations underwent expansion, including the introduction of additional criteria, concerns arose regarding the fund's capacity to fulfill the obligations incurred as a result, within the existing accrual framework, without an increase in funding. The State Comptroller's report from 2012, which addressed the damages resulting from the Second Lebanon War, indicated: "It is uncertain whether the fund balance, which in August 2011 reached approximately NIS 3.4 billion, will suffice to compensate for damages attributable



to the onset of a comprehensive war, the magnitude of which is anticipated to significantly exceed the damages incurred on the home front in previous conflicts".



Unqualified Opinion on the Financial Statements – The state's financial statements for the year 2023 encompassed financial data from 214 entities. An unqualified opinion on the financial statements was issued for 131 entities, representing 61%. Since 2021, there has been an upward trend in the proportion of audited statements within the state's financial statements, with approximately 79% of the financial statements audited in 2023, in contrast to 66% in 2020.

Key Recommendations

- 💡 The Iron Sword War exerts a substantial negative influence on the macroeconomic indicators of the State of Israel. The persistence of the conflict beyond the date of preparation of the financial statements and the audit end date will likely result in further deterioration of these indicators and necessitates the implementation of a prudent fiscal policy overseen by the Ministry of Finance.
- 💡 The heads of the relevant entities – namely, the Ministry of Defense, the Ministry of Public Security, the Ministry of Education, and the Israel Land Authority – are obliged to submit the audited reports of their respective entities to the Accountant General in a timely manner, while also maintaining continuous communication with the Accountant General's Division to facilitate this process.
- 💡 It is advisable for the Accountant General's Division and the Budget Division to collaboratively explore the potential for standardizing the definitions of fundamental terms to enhance transparency and consistency in reports concerning capital funds within financial statements and ministry budget systems. Furthermore, it is pertinent for the Accountant General's Division and the Budget Division to devise a unified framework for the establishment of capital funds and the coordination of information pertaining to their scope, ensuring systematic monitoring, including the documentation of their income and expenses. Such a framework would promote clarity, certainty, and reliability in the budgeting processes of capital funds and their representation in financial statements. Should the Accountant General's Division and the Budget Division fail to achieve a consensus, it is recommended that the management of the Ministry of Finance render a decision on this matter.
- 💡 It is recommended that the Accountant General's Division establish procedures dictating the presentation of capital funds within financial statements, thereby anchoring their presentation in a standardized manner and enhancing the clarity of the information



conveyed to the public, as well as the reliability of the data included in the financial statements.



The Accountant General's Division should address the prevailing practice whereby capital fund resources are utilized for purposes not specified in their incorporation documents while simultaneously recording liabilities in their favor, even in instances where there appears to be an economic benefit. Moreover, it is recommended that the Debt Unit within the Accountant General's Division conduct a thorough examination of the advantages of utilizing capital fund resources to finance existing government liabilities based on historical data, ensuring that there is an economic rationale for such practices. This examination must consider, among other factors, the costs associated with raising debt when the necessity arises to liquidate capital funds, market conditions at those times, and the feasibility of liquidating multiple funds concurrently.



The characteristics of the Iron Sword War suggest a significant extent of damage resulting, among other factors, from its extended duration. It is conceivable that the expansion of regulations for disbursement from the Compensation Fund may coincide with a reduction in state revenues and increased demands for budgetary expansion. Consequently, it is recommended that the Ministry of Finance derive lessons from the extent of compensation provided and adjust the fund's reserves accordingly.



It is advised that the Ministry of Finance ensure that all capital funds possess incorporation documents and establish a standardized mechanism for determining their characteristics in accordance with these documents, particularly when the objectives of these funds are similar. Such a mechanism will serve to safeguard their status and ensure the realization of their intended purpose in the future. Additionally, it is recommended that the Ministry of Finance establish a uniform mechanism to define restrictions on the diversion of funds from capital funds for exceptional circumstances. It is further advised that the Budget Division refrain from employing capital fund resources to address fiscal challenges, such as the Cleanliness Fund, and instead pursue effective long-term alternative solutions.



The Accountant General's Division should enforce its requirement for prior approval to create extra-budgetary capital funds, in accordance with TAKAM Directive 2.2.9. Enforcement of this requirement will guarantee that extra-budgetary capital funds are only established when truly necessary, thus preventing their unnecessary formation. Additionally, it is recommended that the Accountant General's Division periodically evaluate the necessity of updating TAKAM Directive 2.2.9 and establish deadlines for conducting audits to ensure compliance with the directive.

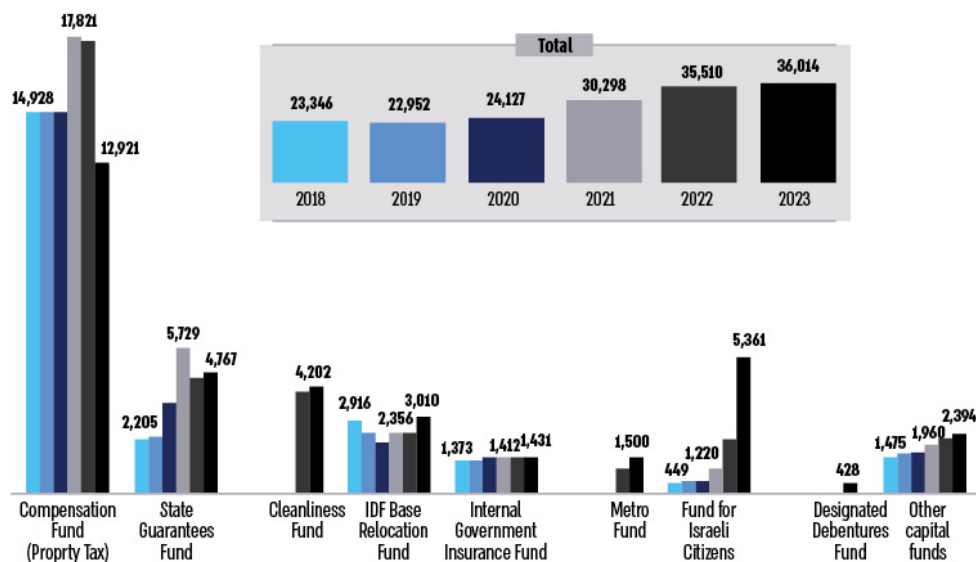


It is advised that the Accountant General's Division assess the need to determine the interest rate applicable to funds deposited in the deposit account at the Accountant General's Division, specifically concerning extra-budgetary capital funds and third-party deposits, and to regulate the principles governing this aspect. This is necessary to ensure that, when required, the funds of extra-budgetary capital funds and third-party deposits



are readily available for realizing their intended purpose as defined in their incorporation documents. Furthermore, it is recommended that, in establishing the principles governing the interest rate applicable to the deposit of extra-budgetary capital funds, consideration be given to the financial objectives set for each fund and the government's ability to influence both their scope and timing of deposits.

Balance of Capital Funds Presented in the Financial Statements, 2018–2023 (in Millions of NIS)*



According to the government's financial statements for 2023, processed by the Office of the State Comptroller.

- * The data is presented according to the latest update in the financial statements. Some capital funds are not included in the financial statements in some years because they were classified differently or were established at a later date.



Summary

In 2023, the State of Israel recorded a net accounting deficit of approximately NIS 132 billion. This marks an increase of approximately NIS 203 billion in comparison to 2022, transitioning from a net accounting surplus of around NIS 71 billion to a net accounting deficit of approximately NIS 132 billion. The deficit in 2023 was attributed to an escalation in state expenditures relative to the previous year, notably including an increase of approximately NIS 24.9 billion in expenditures related to the "Iron Swords" War during the last quarter of 2023, alongside a decline in state revenues, particularly following a significant rise in state revenues in 2022.

The ramifications of the war were primarily illustrated through a decrease in the employment rate, a reduction in private spending, and a substantial rise in public spending, predominantly within the defense sector. From a monetary standpoint, inflation continued to trend downward towards the target range; However, on a fiscal level, a budget deficit exceeding the initially planned deficit was recorded. The acute increase in financing needs led to a marked rise in debt issuance during the last quarter of 2023. The "Iron Swords" War exerted a considerable adverse impact on the macroeconomic indicators of the State of Israel. The ongoing nature of the war, extending beyond the financial statement preparation date and the audit end date, is anticipated to further deteriorate these indicators and necessitates the implementation of a prudent fiscal policy led by the Ministry of Finance.

Government capital funds are established to manage specialized activities within the government by creating an accounting and budgetary distinction between these activities and the regular governmental functions. The establishment of such funds aims to achieve various objectives, including providing protection against potential financial losses in various scenarios, bridging multiyear timing discrepancies between income and expenditures for large systemic projects, concentrating financial resources to meet specific goals, and managing funds for the benefit of future generations. The validity and status of these capital funds are determined by the incorporation documents governing their establishment, which vary in terms of realization timing, purpose, and scope.

The Compensation Fund (Property Tax Fund) is a legally established and managed capital fund, intended to compensate for damages incurred due to hostilities. Over time, it has accumulated reserves, with a balance of NIS 17.7 billion at the onset of the war. Initially, the balances within the Compensation Fund were deemed sufficient to finance compensation payments as defined by the red track in the Compensation Fund Regulations of 1973. However, as the war persisted and the eligibility criteria were expanded through temporary orders, doubts emerged regarding the fund's capacity to meet the arising obligations within the existing accumulation framework without necessitating an increase.

Typically, funds deposited in capital funds are utilized by the government to cover current obligations, with corresponding liabilities recorded against such actions, thereby rendering



capital funds nominal in nature. Consequently, a comprehensive understanding of the economic implications among the management of the Ministry of Finance, including the Minister of Finance, is essential. Preparedness for scenarios that may require meeting obligations for capital fund realization, particularly during emergencies, across multiple capital funds within a condensed timeframe, is imperative. This understanding is anticipated to aid in decision-making regarding the establishment of capital funds and the associated budgetary considerations.

The audit identified deficiencies in the regulation of capital fund characteristics that may impede the maintenance of their status and the fulfillment of their intended purposes over time. These deficiencies predominantly concern the methods of transferring surpluses and balances across fiscal years, ensuring the allocation of accumulated funds according to their designated purposes, and methods for preserving their real value. Additionally, the absence of a mutually agreed-upon framework between the Budget Division and the Accountant General's Division compromises the comprehensive presentation of information regarding capital funds and could lead to their inappropriate use as a means to circumvent the state budget without justification.

It is essential for the management of the Ministry of Finance, encompassing the Budget Division and the Accountant General's Division, to reassess the utilization of the funds' mechanism, its fulfilled needs, scope, and the significant increase in its application over the past decade. Furthermore, it is advisable for these divisions to collaborate in formulating a uniform framework for defining capital funds (both budgetary and extra-budgetary), as well as for their creation, characteristics, and coordination of information regarding their scope and ongoing monitoring, including full recording methods. Such a framework will enhance clarity, certainty, and reliability concerning the budgeting processes of capital funds and their recording in financial statements, ensuring their establishment in line with clear and transparent guidelines whenever necessary. The application of standard incorporation documents and the establishment of a uniform mechanism to define fund characteristics will support the establishment of capital funds only in warranted instances, prevent unnecessary establishment, and assist in ensuring that their objectives are achieved over time.



Report of the State Comptroller of Israel | May 2025

Ministry of Agriculture and Food
Security

Protection Against Flood Damage – Follow-up Audit



Protection Against Flood Damage – Follow-up Audit

Background

Climate change and extreme weather events have precipitated an increase in natural disasters over the past 50 years. Storms and floods represent the most prevalent natural disasters that have consequently resulted in significant economic losses globally¹. In the years 2000 to 2019, approximately 3,230 floods occurred, impacting around 1.6 billion individuals worldwide and leading to approximately 105,000 fatalities. The economic ramifications of these floods amounted to approximately \$651 billion².

In Israel, floods similarly cause significant damage each year – to property, infrastructures, agricultural fields, and to the economic activity, occasionally resulting in human casualties. For instance, in 2018, ten students perished by drowning due to a flood incident in the Tzaftit River³; In the winter of 2019–2020, five individuals drowned during four separate flooding events; In the winter of 2022–2023, two fatalities occurred in a flood incident at the Tzihor River; And in the winter of 2023–2024, one individual drowned in a flood in the Zippori River. In recent decades, the acceleration of urbanization within the country has led to a reduction in open spaces and an increase in areas impervious to surface runoff infiltration (precipitation water that flows or pools on the ground)⁴.

The existence of comprehensive and effective drainage infrastructure is essential for preventing or mitigating flood damage during extreme events. Under the authority of the Drainage and Flood Protection Law, 1957, the Minister of Agriculture and Food Security is empowered to designate specific areas as drainage areas and to establish drainage authorities – statutory corporations responsible for the systematic drainage of their designated regions. A National Council for Drainage Affairs exists to advise the Minister of Agriculture regarding the declaration of drainage areas, the approval of drainage facility plans by drainage authorities, and other general policy matters related to the law (the Drainage Council). The

1 From the United Nations (UN) website, Climate and Environment (September 1, 2021).

2 United Nations (UN), Review of the Human Cost of Disasters 2000-2019.

3 The institution's director and educational director were convicted in November 2024 of ten offenses of negligent homicide and one count of negligent injury of two additional students. Criminal Case 48149-10-19 **State of Israel v. Kahn et al.** (November 17, 2024). As of the date of submission of the report, the ruling is not final.

4 Planning Administration, "Policy and Guidelines for Managing Surface Runoff in Urban Planning in Israel" (March 9, 2020).



Ministry of Agriculture oversees soil conservation and runoff management pursuant to the law.

This ministry regulates eleven independent statutory drainage authorities⁵. To manage drainage within an area, a drainage authority must establish, modify, maintain, and develop drainage facilities, which are essentially infrastructure projects intended to prevent flood damage. Since 2003, the majority of drainage authorities⁶ have also been tasked with the management of rivers within their jurisdiction, addressing drainage, recreational, and environmental-ecological concerns due to their designation as river authorities⁷. It is important to note that the treatment of water pollution sources and the management of water quality do not fall within the responsibilities and powers assigned to the drainage authorities.

The Government Water and Sewage Authority (the Water Authority) is responsible for supplying water to meet state needs and overseeing the water and sewage sector. Local authorities are tasked with executing drainage operations within their respective areas.

5 The drainage authorities are: Kinneret, Western Galilee, South Jordan, Kishon, Carmel, Sharon, Yarkon, Sorek Lachish, Shikma Besor, Dead Sea, Arava.

6 Within the Yarkon and Kishon drainage authorities, there are separate river authorities whose regulator is the Ministry of Environmental Protection (the MoEP), and they serve as river authorities in the areas they have been authorized to handle.

7 River and Spring Authorities Order (Imposition of the Stream Authority Functions on Drainage Authorities), 2003, enacted by virtue of the Rivers and Spring Authorities Law, 1965.



Key Figures

1.6 billion

Number of people affected worldwide by floods that occurred in 2000–2019

\$651 billion

Estimated damage and economic losses caused by floods that occurred around the world in 2000–2019

18 fatalities

Perished in floods in Israel in 2018–2023⁸

11

The number of drainage authorities responsible for drainage in their area

3 years

The delay by the team of CEOs (led by the CEO of the Prime Minister's Office) in submitting the national flood risk management plan for government approval (the plan has not yet been submitted)

NIS 1.5 billion only

The amount agreed upon by the Ministry of Finance, the Ministry of Agriculture, and the Israel Land Authority (ILA) to be allocated to finance development activities in the field of drainage in the years 2022–2026, compared to the estimated development needs in drainage projects: Approximately NIS 7 billion. However, this amount reflects an allocation of approximately NIS 300 million per year, approximately six times the average amount in the years 2012–2021

NIS 562 million

Total expected revenue sources of drainage authorities for 2024

17 years

Elapsed since the last update made to the total areas for which the Israel Land Authority pays drainage levies to the drainage authorities

8 According to publications in the media.



Audit Actions



In 2021, the Office of the State Comptroller published a special report on the matter of "Protection Against Flood Damage" (the Previous Report or the Previous Audit)⁹, in which it examined aspects related to the management of surface runoff in Israel and the mitigation of flood damage. The previous audit addressed several key issues, including the normative infrastructure of the runoff sector, planning and construction aspects pertinent to runoff management and the establishment of drainage facilities, budget management of the drainage authorities, and matters related to the creation of a flood forecasting center, etc.

From December 2023 to October 2024¹⁰, the Office of the State Comptroller conducted a follow-up audit to assess the rectification of deficiencies and the implementation of certain recommendations raised in the previous report, as well as to evaluate additional aspects that emerged during the follow-up audit. The audit was conducted at the Ministry of Agriculture and various drainage authorities. Supplementary examinations were performed at the Prime Minister's Office, the Ministry of Finance, the Planning Administration of the Ministry of Interior, the Ministry of Energy (Water Authority), the Ministry of Transport and Road Safety – the Meteorological Service, the Ministry of Interior, the Federation of Local Authorities, the Federation of Regional Authorities, the Israel Land Authority, the National Emergency Management Authority at the Ministry of Defense, the Ministry of Environmental Protection, the Ministry of National Security, the Land Enforcement Authority, the Israel Police, the National Fire and Rescue Authority, the Nature and Parks Authority, the Israel National Transport Infrastructure Company (Netivei Israel), and the National Security Council.

Key Findings



Comprehensive Regulation of the Drainage Sector – The previous audit indicated that, from 2014 until the audit completion date, legislative procedures pertaining to the regulation of the drainage sector had not promoted. The follow-up audit found that this deficiency had been **partially rectified**, as evidenced by the ratification of Amendment 7 to the Drainage Law, which addressed several issues within the drainage sector. At the same time, the Ministry of Agriculture did not finalize a law amendment, and it was noted

⁹ State Comptroller, **Special Audit Report – Protection Against Flood Damage** (2021), p. 1305.

¹⁰ Supplementary examinations were also carried out in January 2025.




that no government resolution had been adopted or other measures undertaken to achieve comprehensive and inclusive regulation of the drainage sector as required. The following areas remain unregulated:

- a. The distribution of powers and responsibilities regarding runoff management and treatment between drainage authorities and local authorities in all matters concerning areas within localities' boundaries;
- b. The designation of the entity responsible for regulating drainage within local authority territories;
- c. The efforts of drainage authorities to implement the basin approach¹¹;
- d. The supervisory and enforcement powers associated with the legal provisions aimed at preventing damage to river channels and their surrounding environments.

Preparedness for the Formulation of a National flood risk Management plan –

The previous audit found that the methodology regarding flood risk management plans was localized and lacked guidance concerning the integration of basin-level plans into a national flood risk management framework with a comprehensive perspective. The follow-up audit indicated that this deficiency had been **slightly rectified**. The Ministry of Agriculture published a guide for the formulation of basin-level risk management plans in September 2021, and by the time the follow-up audit was conducted, the majority of drainage authorities were in the preliminary phases of developing these plans. Additionally, it was only during the 2024 audit that the Ministry commenced the creation of a national methodology for flood risk management with a nationwide outlook, with an estimated completion date towards the end of 2026.


 **Regulation of floodplains in the Haifa Bay area –** The previous audit found that the regulatory facilities of Shfaram river and Somekh river had not been classified as drainage facilities in accordance with the Drainage Law. The follow-up audit indicated that this issue had been **slightly rectified**. The regulation facility at the Somekh river underwent examination and received approval from the engineering committee, and its status was incorporated into the drainage facility plan sanctioned by the minister. Conversely, the Kishon Drainage Authority and the Ministry of Agriculture failed to complete the necessary measures to adapt the facility at Shfaram River to meet its intended purpose of ensuring adequate protection in alignment with various design events and regulating it within the drainage facility plan.


 **Economic Model or Economic Calculations for Ongoing Budgeting of Drainage Authorities –** The previous audit identified a substantial disparity, with differences of


¹¹ An approach that, as part of the river drainage solutions, also addresses the environmental and ecological roles of the river areas and encourages the examination of the issue and treatment of rivers and drainage channels throughout the entire length and perimeter of the drainage basin.



hundreds of percent in the tariffs charged per household and dunam by various drainage authorities. Additionally, it was found that neither the drainage authorities nor the Ministry of Agriculture possessed economic calculations that assessed the budgets required by each drainage authority for ongoing operations and developmental needs corresponding to identified risks, while contrasting them with the quotas imposed. The follow-up audit established that this deficiency had been **slightly rectified**. The Ministries of Agriculture and Finance did not initiate a process to establish a new or updated economic model for the assessment of collections from local authorities and the Israel Land Authority, in accordance with recommendations set forth by the State Comptroller.

 **Rate of Drainage Levies per Household in Local Authorities Under Multiple Drainage Authorities** – The previous audit indicated instances where differing drainage authorities imposed different tariffs per household on the same local authority, with discrepancies reaching up to 300%. The follow-up audit noted that this deficiency was **slightly rectified**, with existing disparities still evident, amounting to up to 154% in the drainage levies per household charged by various drainage authorities on the same local authority.

 **Calculation of Areas for Which the Israel Land Authority Pays Drainage Levies** – The previous audit found that the basis for calculating the areas for which the Israel Land Authority remits drainage levies relies on a mapping conducted by the Ministry of Agriculture in 2007, which has not been updated. The follow-up audit identified that this deficiency **has not been rectified**. The 2007 mapping persists as the foundation for calculating the areas for which the Israel Land Authority is liable to pay levies to the drainage authorities. Consequently, the areas leased by the ILA for generations and those upon which new cities or neighborhoods have been developed have not been accurately factored out from the total areas used for quota calculations, thereby rendering the extant mapping unreflective of current status.

 **Date of Transfer of Israel Land Authority Levy Payments to the Drainage Authorities** – The previous audit revealed that delays in Israel Land Authority payments to the drainage authorities, derived, among other things, from the date when the annual government decision regarding the payment is made, hinder operational effectiveness for the drainage authorities. The follow-up audit indicated that this deficiency had been **slightly rectified**. Amendments to the Drainage Law have eliminated the prerequisite for a government resolution for payment execution. Nevertheless, the Israel Land Authority disbursed levy funds for 2024 to the drainage authorities, amounting to approximately NIS 59.6 million, only in June 2024. It was found that the Ministry of Agriculture and the Israel Land Authority had not established a structured timeline for the transfer of levy payments to ensure the disbursement occurs immediately following the approval of the drainage authorities' budgets, thereby enabling optimal budgetary management for these authorities.



Collection of Drainage Levies from Private Landowners Outside the Local Authority Jurisdiction

– There are some cases of private landowners whose properties are not situated within the jurisdiction of a local authority. The previous audit found that only two entities, the local authorities and the Israel Land Authority, cover the ongoing costs associated with drainage authorities, with no collection from private landowners outside the local authorities' areas. The follow-up audit found that this deficiency **has not been rectified**. The Ministry and the drainage authorities did not pursue the legal option available to drainage authorities to collect special property taxes or fees from private landowners located within their jurisdiction but outside the jurisdiction of the local authority. Consequently, these landowners do not contribute to the expenses associated with drainage operations, despite being directly responsible for the need for such operations or benefiting from them.



Amendment to the Drainage Law – The previous audit found that due to a dispute between the Ministry of Agriculture and the Federation of Local Authorities, therefore no progress was made regarding the legislation of the drainage sector. The follow-up audit found that Amendment 7 to the Drainage Law had been ratified. The Office of the State Comptroller commends the efforts undertaken by the Ministry of Agriculture that culminated in the amendment's approval. The amendment addressed various concerns articulated in the focused memorandum, including: the centralization of regulatory authorities for runoff management within the Ministry of Agriculture; the issuance of directives to ensure the effective and appropriate operation of drainage authorities; and the formalization of the drainage authority's power to directly collect drainage levies from the Israel Land Authority.

Regulation of the Activity of the Flood Forecasting Center and its Interfaces with Emergency Bodies

– The previous audit indicated the necessity for the formal regulation of the Flood Forecasting Center (the Forecasting Center). The follow-up audit found that despite the longstanding need for such regulation, the Forecasting Center functioned based solely on an inter-organizational agreement. The absence of formal regulation, approximately four years post-establishment, led to a significant dispute between the Meteorological Service and the Water Authority concerning roles, responsibilities, and powers in the provision of flood forecasts and warnings. The follow-up audit found that this deficiency had been **partially rectified**. In December 2024, the government designated¹² the Meteorological Service as the entity responsible for generating weather forecasts and alerts regarding weather phenomena posing hazards to life and property, including producing forecasts and warnings against flooding, inundations, and flash floods. Furthermore, a decision was made on the establishment of a steering committee, presided over by the Director of the Meteorological Service, to facilitate the dissemination of flood and flash flood warnings.

¹² Resolution No. 2632, the designation and role of the Israeli Meteorological Service, dated December 29, 2024.



In this context, note is made of the flood incident on Highway 40 in April 2023, which resulted in two fatalities, emphasizing the need to complete the process of ensuring coordinated operations between the Forecasting Center and emergency services. Such coordination is fundamental to guaranteeing preemptive measures are in place for the management of flood events, thereby mitigating potential harm to life and property. Subsequent investigations by law enforcement found the operational methodology employed in forming a national and regional situational overview through the forecasts and alerts provided by the Meteorological Service and the Forecasting Center to be effective. However, from the Police's perspective, there is a demand for increased specificity in targeting the expected floods by stream, while conversely, the Water Authority contended that the warning issued regarding the flood on Highway 40 was both accurate and targeted.

Composition of the Drainage Council – The previous audit indicated that the Drainage Council functioned without twelve public representatives, not in accordance with the provisions of the law. The follow-up audit found that this deficiency has been **fully rectified**. The Drainage Law has been amended, resulting in a revised composition of the Council to include representation from relevant governmental ministries, local government, and the public, thereby achieving full compliance with legal stipulations.

Gaps in the Marking of Rivers in a National Outline Plan (NOP) – The previous audit identified that rivers within NOP 1 were delineated as linear features rather than polygons, failing to encompass all aspects of the river's various usages, thereby rendering it inadequate for planning considerations for the instructions and plan drawings subject to an NOP. Additionally, it was noted that the floodplains¹³ indicated in NOP 1 were outdated, raising concerns about potential misuse. The follow-up audit found the deficiency has been **significantly rectified**. As part of the ongoing revision of NOP 7/1 (the preparation of which is under advanced stages as of the follow-up audit completion date), the Planning Administration and the Ministry of Agriculture are collaborating to update the floodplains in NOP 1 as well as the guidelines pertaining to the expansion of river areas, thereby designating them as polygons in plans subject to the NOP.

Updating the Drainage Authorities in the Planning Procedures of Outline Plans Having Impact on Drainage Matters – The previous audit indicated that drainage authorities were not adequately informed about planning procedures pertaining to all outline plans with potential external impacts involving surface runoff, flooding, or groundwater. This situation was particularly prevalent in instances where a planning institution exempted the plan submitter from the obligation to attach runoff management documentation. The follow-up audit found that this deficiency has been **fully rectified**. Under NOP 8/1, which updates NOP 1, it has been mandated that such exemptions shall

13 A floodplain is an area along a river where water flows or stagnates, frequently or intermittently, as a result of flows that the river is unable to convey, as the flow rate in the river is higher than its carrying capacity.



only be granted following consultation with the drainage authority, thereby ensuring that drainage authorities remain apprised of all relevant planning initiatives, including those obtaining exemption from the runoff management documentation requirement.

National Projects to Prioritize Actions to Reduce Flood Damage; A Dedicated National Outline Plan for Protection Against Flood Damage – The previous audit found that national outline plans lack sufficient statutory safeguards for hydrological infrastructure, including rivers, floodplains, drainage channels, and runoff regulation sites, essential for mitigating and preventing flood-related damage in vulnerable regions. The follow-up audit established that this deficiency has been **significantly rectified**. The formulation of NOP 7/1 commenced in mid-2022, and it is presently in the phase of developing alternatives for regulation sites to be integrated into the NOP, facilitating the selection of viable options for inclusion.

Publication Regarding the Preparation of Drainage Facility Plans – Public Participation in the Provisions of the Approved Plans and in the Blueprints – The previous audit found that publicly accessible information pertaining to approved drainage facility plans, as provided by the Ministry on its website, excluded essential plan documentation and blueprints. The follow-up audit found that this deficiency has been **significantly rectified**. Although the Ministry has yet to upload the drainage facility plan documents and blueprints onto its website or make those accessible through other means, it has been articulated that, pursuant to the joint directives of the Ministry and the Planning Administration from February 2024, both the plan documents and blueprints associated with drainage facility plans will be incorporated into a computerized system¹⁴ and made publicly accessible via the Planning Administration's planning information website. Additionally, a geographic information layer specific to the approved drainage facility plans has been established on the government map website.

The Ministry's Actions to Increase the Development Budget Allocated to Flood Management – The previous audit indicated that, despite the necessity to allocate appropriate resources for the planning, development, and implementation of new drainage projects, and in light of the absence of a valid agreement among the Ministries of Agriculture, Finance, and the Israel Land Authority to advance drainage plans commencing in 2023, no budget agreement was signed on the matter. Furthermore, the government budget designated for this purpose, established in 2010, did not align with the drainage needs at that time nor with future requirements. The follow-up audit found that this deficiency has been **significantly rectified**. The Ministries of Finance, Agriculture, and the Israel Land Authority collaborated to allocate a budget for 2022–2026 aimed at financing flood damage mitigation activities and at planning and constructing drainage projects to support housing programs amounting to approximately NIS 1.5 billion; Of this, approximately NIS 695 million was sourced from the Ministry's budget and approximately NIS 800 million from the Israel Land Authority's budget,

14 Uniform structure for plans.



reflecting a six-fold increase compared to the budget allocated in the decade preceding the previous audit period. Nonetheless, the current needs assessment approximates a total of NIS 7 billion.

Project Ranking: Household Tariff – The previous audit found that the methodology introduced in the Ministry of Agriculture's support procedure, whereby the percentage of the Ministry's participation in runoff management projects conducted by drainage authorities is derived from the household tariff established by those authorities, could potentially result in significant drainage projects lacking adequate funding and, consequently, not being executed. The follow-up audit established that this deficiency has been **fully rectified**. The Ministry of Agriculture has resolved to abolish the method that considers the household tariff of drainage authorities in determining support, with intentions to apply the same approach in forthcoming allocations.

Utilization of support Budgets Approved by the Ministry of Agriculture for drainage Authorities – The previous audit indicated that approximately half of the drainage authorities (six) had utilized less than 80% of the support funds allocated for runoff and drainage management projects approved for them during the period 2014–2016. The follow-up audit found that this deficiency has been **mostly rectified**. Between 2018 and 2020, the support utilization rate in nine drainage authorities exceeded 80%, with six of these exhibiting utilization rates of 90% or higher (namely, Kishon, Kinneret, Sharon, Sorek Lachish, Dead Sea, Arava). In contrast, the utilization rates for the Western Galilee Drainage Authority and the Yarkon Drainage Authority were recorded at 29% and 75%, respectively.

The Budget for the Forecasting Center's Activity – The previous audit indicated that the Forecasting Center's budget for 2021 was determined based on an assessment of the current situation, rather than through a structured multi-year work plan. The follow-up audit found that this deficiency has been **mostly rectified**, given that the Meteorological Service reported its capability to operate the Forecasting Center within its existing budget.



Key Recommendations

- 💡 The Ministry of Agriculture, in collaboration with the Prime Minister's Office, the Ministry of Environmental Protection, the Ministry of Interior, and the Water Authority, alongside the Federation of Local Authorities and the Federation of Regional Authorities, is required to finalize the regulation of the drainage sector and to resolve ongoing disputes regarding this matter. In particular, it is essential that they determine the model that will facilitate optimal overall regulation of runoff and drainage management in the country, identify the government entity responsible for managing runoff within local authorities, and establish agreements delineating the authority and responsibility between drainage authorities and local authorities. Furthermore, they must regulate the powers and role of drainage authorities to implement the basin approach and establish effective mechanisms for supervision and enforcement of legal restrictions aimed at preventing damage to river arteries and their surrounding environments.
- 💡 The Meteorological Service must work to ensure that the Flood Forecasting Center, established by the government in December 2024, will fulfill its mission by distributing its products in a timely manner among all stakeholders to prevent additional casualties resulting from flood events. Given the importance of publishing reliable outputs in advance, it is expected that all involved parties – including the Meteorological Service, the Ministry of National Security, the Ministry of Agriculture, the Water Authority, the police, and other emergency response entities – will engage in full cooperation to ensure the accurate publication of warnings and the implementation of appropriate preparations in the field.
- 💡 The Ministry of Agriculture is required to complete the national methodology for flood risk management by the designated deadline, including tools for decision-making and prioritization at the national level. Consequently, it must allocate support for runoff and drainage management plans in accordance with the national methodology that will be determined.
- 💡 It is recommended that the Ministry of Agriculture establish a unified procedure detailing the information required regarding the characteristics of a drainage facility plan, including guidelines addressing hydrological, ecological, and landscape aspects. Furthermore, it is advised that after drainage authorities finalize the relevant basin risk management plans, the Ministry should mandate these authorities to include in the drainage facility plans submitted for approval details pertaining to their alignment with the action strategy outlined in the risk management plan.
- 💡 The Ministry of Agriculture and the Kishon Drainage Authority must ensure the execution of all necessary actions to adjust the capacity and efficacy of the Shfaram River regulation facility to mitigate expected flood damage across various return periods. The legal status of the regulation facility and all requisite flood areas in proximity to it must be established. Should it become evident at the conclusion of this process that the necessary adjustments



are infeasible, the Ministry and the Kishon Drainage Authority must, in accordance with their statutory powers, seek to arrange an alternative and sustainable regulatory solution over time, in compliance with legal provisions.



The Ministry of Agriculture, in partnership with the Ministry of Finance and the Ministry of Interior, and in consultation with the Federation of Local Authorities and the Federation of Regional Authorities, should conduct a comprehensive economic review of the resources required by drainage authorities in comparison to the available funding sources. An updated economic model for the requisite levies from local authorities and the Israel Land Authority should be developed. This model must be based on an assessment of costs outlined in the drainage authorities' risk management plans, the financial implications of establishing drainage projects, the maintenance costs of drainage infrastructure, and take into consideration – if possible – the benefits accruing to the paying entities as mandated by law.



The Israel Land Authority, in cooperation with the Ministry of Agriculture and the Ministry of Interior, should undertake an annual review of the areas used as a basis for calculating drainage levies, ensuring that these estimates reflect any changes that occur. Additionally, it is recommended that the Israel Land Authority establish the process and characteristics of the review in a procedural framework to facilitate optimal and agreed-upon annual execution. The Israel Land Authority is expected to complete the entire procedure in preparation for implementation commencing in 2026.



In light of the reported development needs amounting to NIS 7 billion, as indicated by the Ministry of Agriculture, the Ministry of Agriculture should collaborate with the Ministry of Finance and the Israel Land Authority to assess the budget necessary to address drainage requirements and to promote its allocation for actions aimed at mitigating flood damage, as well as financing the planning and construction of drainage projects to support the housing plans of the Israel Land Authority.

Flood on Highway 40 in the Paran River Area, April 2023



Source: Netivei Israel, photographer Shai Yadal El Porat.



Summary

In 2021, the State Comptroller published a special report assessing governmental initiatives aimed at safeguarding the public from flood-related damage. The follow-up audit found that some deficiencies had been fully or significantly rectified, as previously described. Furthermore, two deficiencies were identified as partially rectified: the lack of promotion for comprehensive and inclusive regulation within the drainage sector through legislative means, including the delineation of powers and responsibilities among drainage authorities and local authorities, as well as the enforcement mechanisms for legal provisions designed to prevent damage to river systems and their surrounding environments; And the oversight of the activity of the Flood Forecasting Center and its interactions with emergency response agencies. Additionally, multiple deficiencies were either slightly rectified or not rectified at all, such as the initiation of the development of a national methodology for flood risk management by the Ministry, intended to include tools for prioritizing risk management at the national level, which commenced only during the current audit, in 2024.. Moreover, the Ministry, in collaboration with relevant stakeholders, has yet to resolve critical issues related to drainage levies, including the mechanisms and criteria for setting drainage tariffs and the updated mapping required for the calculation of areas for which the Israel Land Authority is responsible for paying drainage levies.

The Ministry of Agriculture and the Prime Minister's Office, in collaboration with the Ministry of Environmental Protection, the Ministry of Interior, and the Water Authority, must undertake efforts to finalize the comprehensive regulation of the drainage sector nationally. Additionally, the Ministry of Agriculture, in collaboration with the Ministries of Finance and the Interior, and in consultation with the Federation of Local Authorities and the Federation of Regional Authorities, is required to conduct a thorough economic assessment of the resources necessary for the drainage authorities, compared to their available funding sources, and to formulate an updated economic model for the required financial contributions from local authorities and the Israel Land Authority. The Ministry of Agriculture must also finalize the development of a national methodology for flood risk management, which will include decision-making tools and resource prioritization at the national level, thereby supporting the previously mentioned economic assessment. This is particularly critical considering the estimated drainage needs for the forthcoming years, which amount to approximately NIS 7 billion, in contrast to the NIS 1.5 billion allocated by 2026.

During the follow-up audit, and following a material dispute arising between the Meteorological Service and the Water Authority concerning the designation of the responsible entity and the authority for providing forecasts and warnings regarding floods and inundations, the government authorized the Meteorological Service, through Resolution 2632 of December 2024, to activate the National Flood Forecasting Center. The significance of its effective and continuous operation, as well as the optimal collaboration with entities responsible for managing emergency situations in the country, is underscored by the flood-



related damage that has occurred in Israel over recent years, which has resulted in loss of life. Notable incidents include the flood disaster in the Tzafit River claiming the lives of ten students, a flood occurrence on Highway 40 (Tzihor River) resulting in two fatalities, and a flood event in the Zippori River that claimed one life.

In light of the severe consequences and expected economic impact of future floods, all parties responsible for the management of runoff and drainage systems, led by the Ministry of Agriculture and the drainage authorities, in collaboration with the Prime Minister's Office, the Ministry of Environmental Protection, the Ministry of Finance, and the Water Authority, along with the Federation of Local Authorities and the Federation of Regional Authorities, must take requisite actions to address the deficiencies that have not yet been addressed and to establish a nationwide strategic vision aimed at risk mitigation and the prevention of flood damage.



The Degree of Rectification of Main Deficiencies Raised in the Previous Report

The Audit Chapter	The Audited Body	The Deficiency Noted in the Previous Audit	The Degree of Rectification of the Deficiency as Raised in the Follow-Up Audit				
			Not Rectified	Slightly Rectified	Partially Rectified	Significantly Rectified	Fully Rectified
Composition of the Drainage Council	Ministry of Agriculture	The Drainage Council operated without 12 public representatives, in a manner that is not in accordance with the provisions of the law					
Involvement of drainage authorities in approving plans that affect runoff	Planning Authority	Drainage authorities are not informed about the planning processes of all outline plans that may have an impact outside their territories on issues of surface runoff, flooding, or groundwater					
Planning and construction aspects of drainage and river regulation projects	Ministry of Agriculture, Planning Authority	The rivers in NOP 1 are marked as a line and not as a polygon, and therefore do not reflect all areas of the river and its various uses. The flood plains marked in NOP 1 are not up to date					



The Audit Chapter	The Audited Body	The Deficiency Noted in the Previous Audit	The Degree of Rectification of the Deficiency as Raised in the Follow-up Audit				
			Not Rectified	Slightly Rectified	Partially Rectified	Significantly Rectified	Fully Rectified
A dedicated national outline plan for protection against flood damage	Planning Authority	The national outline plans do not provide sufficient statutory protection for hydrological infrastructure					
Publication regarding the preparation of drainage facility plans – public participation in the provisions of the approved plans and blueprints	Ministry of Agriculture	The information on approved drainage facility plans, which the Ministry made available to the public on its website, does not include the plan documents and their blueprints					
The Ministry's actions to increase the development budget allocated to flood treatment	Ministry of Finance, Ministry of Agriculture, Israel Land Authority	No budget agreement has been signed for 2023 and beyond to advance drainage programs. The government budget designated for the subject, set in 2010, did not reflect drainage needs at the time and future needs					



The Audit Chapter	The Audited Body	The Deficiency Noted in the Previous Audit	The Degree of Rectification of the Deficiency as Raised in the Follow-Up Audit				
			Not Rectified	Slightly Rectified	Partially Rectified	Significantly Rectified	Fully Rectified
Utilization of support budgets approved by the Ministry of Agriculture for drainage authorities	Ministry of Agriculture, drainage authorities	About half of the drainage authorities (6) utilized less than 80% of the support funds for runoff and drainage management projects approved for them in 2014–2016					
Comprehensive regulation of the drainage sector	Ministry of Agriculture	From 2014 until the audit end date, legislative procedures to regulate the drainage sector were not advanced					
Flood risk management	Ministry of Agriculture	The flood risk management plan methodology does not include guidance regarding the integration of the regional plans into a national flood risk management plan with a nationwide perspective					




The Audit Chapter	The Audited Body	The Deficiency Noted in the Previous Audit	The Degree of Rectification of the Deficiency as Raised in the Follow-Up Audit				
			Not Rectified	Slightly Rectified	Partially Rectified	Significantly Rectified	Fully Rectified
Regulating floodplains in the Haifa Bay area	Ministry of Agriculture, Kishon Drainage Authority	The regulating facilities for Shfaram River and Somekh River were not regulated as a drainage facility in accordance with the Drainage Law					
Drainage levies paid by local authorities	Ministry of Agriculture, Ministry of Finance, Ministry of Interior	There is a gap of hundreds of percent in the tariffs per household and dunum charged by different drainage authorities. It was also found that neither the drainage authorities nor the Ministry of Agriculture have economic calculations examining the budgets required for each of the drainage authorities					
Drainage levy tariffs for a household in local authorities whose jurisdiction falls within the jurisdiction of several drainage authorities	Ministry of Agriculture, Ministry of Finance	There were cases where different drainage authorities charged the same local authority a different tariff for a household, up to 300% more					



The Audit Chapter	The Audited Body	The Deficiency Noted in the Previous Audit	The Degree of Rectification of the Deficiency as Raised in the Follow-Up Audit				
			Not Rectified	Slightly Rectified	Partially Rectified	Significantly Rectified	Fully Rectified
Date of transfer of levies payments from the Israel Land Authority to the drainage authorities	Ministry of Agriculture, Israel Land Authority	The delay in Israel Land Authority payments, which stems, among other things, from the date of the annual government decision on payment, makes it difficult for the drainage authorities to operate					
Calculation of the areas for which the Israel Lands Authority pays drainage levies to the drainage authorities	Ministry of Agriculture, Israel Land Authority, Ministry of Interior	The basis for calculating the areas for which the Israel Land Authority pays drainage levies is based on a mapping conducted by the Ministry in 2007 and has not been updated since					



The Audit Chapter	The Audited Body	The Deficiency Noted in the Previous Audit	The Degree of Rectification of the Deficiency as Raised in the Follow-Up Audit				
			Not Rectified	Slightly Rectified	Partially Rectified	Significantly Rectified	Fully Rectified
Collection of drainage levies from private landowners on land not included in the jurisdiction of a local authority	Ministry of Agriculture, drainage authorities	Only two entities bear the cost of the drainage authorities' ongoing expenses, the local authorities and the Israel Lands Authority, and there is no collection from private landowners outside the areas of the local authorities.					



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Chapter Three

State Institutions, Government Companies, and Corporations



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The Knesset Central Elections
Committee

Aspects of Human Capital Management in the Knesset Elections Committee



Aspects of Human Capital Management in the Knesset Elections Committee

Background

The Knesset Central Elections Committee functions pursuant to the Knesset Elections Law [Consolidated Version], 1969, and is tasked with the organization and conduct of Knesset elections, which underpin the democratic nature of the regime in Israel. The Central Elections Committee is presided over by a Supreme Court judge, with representatives from the factions represented in the Knesset serving as members of the committee. In conjunction with the Central Elections Committee, a permanent administrative staff is responsible for the preparation and management of elections, led by the CEO of the Central Elections Committee.

In anticipation of the elections, the Central Elections Committee appoints regional election committees and polling station committees, whose responsibilities include, among other tasks, overseeing the voting process at polling stations and counting the votes. In the elections for the 25th Knesset, the Central Elections Committee operated 12,495 polling stations throughout Israel. During non-election periods, the Central Elections Committee administrative staff holds 37 fixed positions, of which 36 were manned during the elections for the 25th Knesset. Throughout the election period¹ for the 25th Knesset, the Committee employed over 1,000 individuals at both the administrative headquarters and regional committees. During election week and on election day, tens of thousands of additional personnel are engaged within the regional committees and polling committees. During the week of the 25th Knesset election, the Committee employed approximately 71,700 employees.

Over a duration of approximately three and a half years, from April 2019 to November 2022, five consecutive election campaigns were conducted in Israel for the 21st through 25th Knessets.

¹ An election period begins 120 days before Knesset Election Day and ends 60 days after Election Day.



Key Figures

**NIS 247
million**

The increase in the Elections Committee's budget and its changes from the 22nd Knesset election campaign of 2019 (NIS 336 million) to the 25th Knesset election campaign of 2022 (NIS 583 million)

59%

The rate of increase in the number of Election Committee employees from the election campaign for the 22nd Knesset to the 25th Knesset (from approximately 46,000 to approximately 73,000 employees, which amounts to about 27,000 employees). Excluding "Covid Polling Station" employees, the number of employees increased by approximately 52% (approximately 24,000 employees)

**Only
4.9%**

The percentage of workers from Arab society among all workers during the election period for the 25th Knesset. A percentage lower than the government target (10%) and compared to their percentage in the general population (about 21%)

**Only
3.5%**

The percentage of workers from among the ultra-Orthodox community out of all workers during the 25th Knesset election period. A rate lower than the government target (7% of workers hired) and compared to their percentage in the general population (11.8%)

**5%–
32% only**

The percentage of women in three senior positions in the regional committees (committee director, deputy committee director, bloc director) in the election campaigns for the 20th to 25th Knesset

54%

The percentage of civil servants out of all employees in three senior positions in the regional committees (committee director, deputy director, bloc director) in the election campaign for the 25th Knesset (88 civil servants out of 164 senior employees)

64,686


The number of working hours deducted from government offices due to the work of 276 civil servants on the Elections Committee during the elections for the 25th Knesset

**More than
16**

The average number of continuous working hours per day, for at least a month, worked by 30% of civil servants who were also full-time election period employees (27 out of 91 employees). As a result, they did not receive the required break of at least 8 hours between workdays.




Audit Actions

 From August 2022 to August 2023, intermittently, the Office of the State Comptroller conducted an examination of various aspects of human capital management at the Central Elections Committee. The audit encompassed several topics, including the Committee's resources for conducting elections, the integration of populations eligible for adequate representation among employees during the election period, the employment of civil servants throughout the electoral process, and the determination of the term of office for the CEO of the Central Elections Committee. Additionally, the Office of the State Comptroller monitored the rectification of certain deficiencies pertaining to human capital management that were identified in prior reports submitted by the State Comptroller. Some of the data utilized in the audit was compiled with the assistance of the Central Bureau of Statistics (CBS) and the Civil Service Commission (CSC).

Key Findings



 **Increase in the election budget** – Over the span of three years, specifically between the election campaigns for the 22nd (2019) and 25th (2022) Knessets, the election campaign budget, inclusive of its adjustments, went up from NIS 336 million to NIS 583 million, representing an increment of NIS 247 million (approximately 74%). This budgetary augmentation, alongside its modifications, can be attributed to the enhancement of the oversight system aimed at ensuring the integrity of elections (approximately 16%), expenditures related to the COVID-19 pandemic (approximately 7%), natural population growth (approximately 6%), and an increase in the index (6.85%). Furthermore, the Election Committee has elucidated that this rise is also due to a greater number of polling stations, increased information technology expenses, dissemination of information costs, and salary expenditures. A previous audit reported that between the election campaigns for the 20th and 23rd Knessets, the Committee's original budget increased from approximately NIS 253 million to approximately NIS 392 million (approximately 55%). The Office of the State Comptroller has recommended that the Central Election Committee explore the feasibility of developing a plan to streamline and curtail the costs associated with conducting election campaigns, ensuring that expenses reflect those of the previous election cycle, augmented only by escalations due to price increases and population growth, while meeting the requirements for operating and budgeting necessary initiatives. The increase in the election budget presented in this report raises concerns regarding the persistent situation of elevated public expenditure on elections. A previous audit report indicated that, generally, the costs associated with



online operations are lower than those of physical operations. It also noted that the utilization of computerized systems in global election campaigns encompasses, among other elements, voter identification via computerized means and a computerized voting mechanism. The previous report advised that the Central Elections Committee and the Minister of Interior recommence the activities of the committee dedicated to examining the computerization of Knesset and local authority election campaigns. By the audit end date, the aforementioned committee had yet to resume its operations, and as of the election campaign for the 25th Knesset, the election procedures continue to rely on manual methodologies necessitating substantial input, notably reflected in the scale of personnel recruited by the Committee.

🗨️ Increase in staff and expenditures on hiring employees – Between the election campaigns for the 22nd and 25th Knessets, the Central Elections Committee's employment figures rose from approximately 46,000 to approximately 73,000, marking an increase of about 27,000 employees (approximately 59%). Excluding the staff recruited for COVID-19 polling stations during the week of the 25th Knesset elections, the employee count augmented by approximately 24,000 (approximately 52%). The expenditure for employee compensation (salary budget execution) surged from NIS 157 million to NIS 257 million, a rise of NIS 100 million (approximately 64%). When excluding the additional funding allocated for employee salaries due to the pandemic, amounting to approximately NIS 3.8 million, and disregarding the increase related to the index (6.85%), the salary budget execution experienced an increase of approximately NIS 89 million (approximately 57%).

🗨️ Implementation of the provisions of the Appointments Law regarding appropriate representation – The Civil Service (Appointments) Law, 1959, stipulates that appropriate representation, under relevant circumstances, be afforded to members of both genders, persons with disabilities, members of the Arab population – including Druze and Circassian individuals – people of Ethiopian descent², members of the ultra-Orthodox community, and new immigrants within the civil service workforce. Despite the assertions made by former chairpersons of the Central Elections Committee regarding the necessity of sufficient representation of diverse populations among the Committee's personnel, including those employed during election periods, the Committee's binding procedures have determined that the obligations for adequate representation established in the Appointments Law do not extend to election period employees, as they are considered temporary staff. This determination contravenes both the provisions of the law and the regulations promulgated thereunder. Consequently, it can be inferred that, in practice, the Committee has failed to enforce the fundamental provisions of the Appointments Law pertaining to adequate representation among its workforce, as it has not established objectives for adequate representation and has not adopted governmental goals. Additionally, the Committee does not compile data regarding the

² According to the CBS definition: "of Ethiopian descent".



affiliation of election period employees with populations deserving of adequate representation, nor does it submit an annual report comprising the requisite data as mandated by the provisions of the Appointments Law.

Committee activities to promote adequate representation – Although the Central Elections Committee resolved to allocate a dedicated supplement of up to 5% of the employment hours quota for each regional committee for the employment of individuals from populations qualifying for adequate representation, the scope of these designated allocations has diminished across the five election cycles from the 21st to the 25th Knessets. In the elections for the 21st Knesset, the Committee designated 2,781 hours to nine regional committees, whereas in the elections for the 22nd to 24th Knessets, the assigned hours decreased to 793, 700, and 265, respectively (totaling 1,758 hours). In the election cycle for the 25th Knesset, no designated hours were allocated to promote adequate representation. Notably, data from the Central Elections Committee and the Central Bureau of Statistics indicate that during the period of the 25th Knesset election, there was a decline in the number of workers from populations eligible for adequate representation compared to their numbers during the 24th Knesset election period (46 workers from Arab society, 36 from the ultra-Orthodox society, and 14 of Ethiopian descent, compared to 40, 29, and 10, respectively). Moreover, the Elections Committee lacks comprehensive documentation concerning the data utilized during the approval of requests from regional committees for additional resources aimed at enhancing adequate representation. According to the Committee's incomplete data, while during the 21st Knesset election period, 18 workers from populations qualifying for adequate representation were integrated through the additional resources mechanism established by the Committee (12 from Arab society, 3 from the ultra-Orthodox society, 1 from Ethiopian descent, and 2 persons with disabilities), this mechanism was not employed during the 25th Knesset election period. Furthermore, the Committee's primary initiatives to facilitate the integration of workers from Arab society, the ultra-Orthodox society, and among Ethiopians are limited to the allocation of additional hours to regional committees; The Committee has not pursued further actions typically observed in public service, such as issuing targeted tenders for the recruitment of personnel from these populations. During the election campaign for the 25th Knesset, the Elections Committee successfully integrated four persons with disabilities through collaboration with an NGO.

Actual adequate representation rates

The permanent administrative staff – Of the Central Elections Committee's 36 permanent administrative staff, only one belongs to the Arab demographic, representing 2.78%, a figure significantly below the government-mandated target of 10% and falling short of the rate within the general population, which approximates 21%. Additionally, there are no employees of Ethiopian descent³; Two individuals from the ultra-Orthodox

³ Given the number of administrative staff employees, the Committee meets the target set by the government (1.7% – this is also their rate in the general population).



community are employed, comprising 5.6%, while the government target for ultra-Orthodox employment is 7%, and their representation in the general population is 11.8%. Furthermore, only one employee with a disability is on staff, also reflecting 2.78%, whereas the government target for organizations with 100 or more employees is 5%, in contrast to the national prevalence of 16%.



Election period employees at the administrative staff of the Central Elections Committee and in the regional committees

– According to an analysis based on lists of election period employees provided by the Central Elections Committee aided by data from the Central Bureau of Statistics regarding the affiliation of these employees to populations eligible for adequate representation, in the five election cycles spanning the 21st to the 25th Knesset, the percentage of Arab employees ranged from 4.9% to 6.8%. This percentage remains below the 10% benchmark set by the government and is markedly lower than their representation in the general population. Similarly, the participation rate of ultra-Orthodox employees fluctuated between 2.7% and 4%, also failing to meet the 7% recruitment target, while the general population rate stands at 11.4% to 11.8%. The representation of employees of Ethiopian descent during the 21st Knesset election cycle registered at 1.9%, marginally surpassing the government target and their general population rate of 1.7%. However, in the subsequent four election cycles, their representation decreased to between 1.2% and 1.5%, slightly below the government target and their overall population representation.



Proper representation for women

– Despite the stipulations of the Appointments Law regarding gender representation, the Central Elections Committee's procedure for "integrating special populations" during the election period does not address women's integration. Actual representation rates of women among Elections Committee employees: Permanent administrative staff – as of May 2023, 50% of positions and 67% of management positions are filled by women. However, only 40% of the Committee's salary budget is allocated for these employees' remuneration, attributed to some women being employed in part-time roles. Employees in election periods – in the elections for the 25th Knesset, the Central Elections Committee engaged a total of 997 employees, of which 406 were women (approximately 41%). Senior positions within the regional committees – in the six election cycles for the 20th to 25th Knesset, women's representation among employees of regional committee staff was expressed by low rates in three senior positions and high rates in two junior positions. In senior positions: Regional Committee Director – 19%–21%; Deputy Regional Committee Director – 5%–32%; Bloc Director – 21%–28%. In junior positions: Human Resources Coordinator – 83%–95%; Bureau Coordinator – 75%–96%. The representation of women in senior positions is therefore considerably lower than the required representation rate among senior civil service staff – 50%.



Scope of employment of civil servants during the election period

– During the election period for the 25th Knesset, civil servants represented 27% of all employed individuals (276 out of 1,033), with 68% of these being returning employees from at



least one of the four previous election cycles. Notably, civil servants filled over half of the senior roles in regional committees, representing approximately 54% of senior positions. Furthermore, 50% of civil servants within the Committee during the election period maintained high-level roles in government ministries, suggesting an overrepresentation in management positions compared to the 25% rate seen within broader government ministry employment. Furthermore, during the election period for the 25th Knesset, 64,676 working hours were deducted from government ministries (32,870 hours of unpaid leave and 31,806 hours deducted from the working hours of employees who were not on leave), due to the employment of 276 civil servants in the election campaign. Throughout the five election periods from the 21st to the 25th Knesset, a total of 267 civil servants held positions within the Committee, in one or more election periods, and in total, civil servants were employed in 678 positions. The majority of these individuals originated from three governmental agencies: the Courts Administration, the Population and Immigration Authority, and the Israel Tax Authority, accounting for 60% of civil servants engaged within Committee roles; 42% of the working hours of employees employed in hourly positions are in respect to the employment of Court Administration and Population and Immigration Authority employees.

The structure of the Central Elections Committee, which relies on a limited staff that expands almost 30-fold during the election period, results in a built-in dependence of the Committee on civil servants who embody the "backbone" of election-period employees. This reliance intensifies during unique situations, such as consecutive election cycles or emergencies like the COVID-19 crisis. Such scenarios necessitate increased governmental effort to maintain essential public services. Consequently, prioritizing the recruitment of employees with previous Committee experience, including those from government ministries, may strain the operational capacity of these ministries, particularly considering that these "returning employees" often reduce manpower in their respective units, especially at higher civil service levels. As a result, the predominance of civil servants in senior roles during the elections for the 25th Knesset restricts non-civil servant employees from adequately competing for these positions.



Number of daily working hours of civil servants during the election period –

Between August and October 2022, the three months prior to the elections for the 25th Knesset, 91 civil servants were employed by the Central Elections Committee on a full-time basis, at a standard of 10 hours per day. Among these, 27 employees (approximately 30%) engaged in additional work within their respective government offices, which demanded more than 6 hours per day on average, culminating in a total of over 16 working hours daily. This extended working schedule persisted for at least one month for each individual. During October 2022, two employees averaged approximately 9 hours per day, resulting in an overall daily average of about 19 hours. Such continuous work, exceeding 16 hours per day, particularly when not a one-time occurrence but rather occurring over extended one to two-month periods, is inconsistent with the stipulations of the Hours of Work and Rest Law, which mandates a minimum break of eight hours between consecutive working days.



Setting the term of office of the CEO of the Central Elections Committee – The factors influencing the establishment of terms for senior civil service positions, including considerations for refreshing ranks, ensuring equal opportunities grounded in professional merit, preventing the erosion of senior management, and preventing the centralization of power in the hands of an individual for prolonged durations, are equally pertinent to the Central Elections Committee. Despite governmental initiatives aimed at outlining the terms of office for the 822 senior civil service roles, particularly those critical to substantial professional experience and significant autonomy, no specific arrangement has been established for the CEO position of the Central Elections Committee. The preceding CEO served from 1988 to 2010, while the incumbent has held office since 2010. Historically, CEOs of government ministries, as well as those serving in the President's Office and the Knesset, have typically concluded their terms with the advent of a new minister or designated official, often within a few years, even in the absence of a formal term arrangement, reflecting the nature of their roles. In light of this trend, indicative of a broader policy within Israel's public system, which is also informed by governmental decisions, the lack of a time-limited term for the CEO of the Central Elections Committee, particularly in relation to the replacement of the Committee Chairman, is irregular and warrants examination.

Transparency of salary data – monitoring the implementation of recommendations from the State Comptroller's previous report – An audit conducted in August 2021⁴ highlighted that the level of transparency exhibited by the Central Elections Committee regarding employee positions and salaries did not align with standard practices within the public service. Notably, the Committee fails to publish salary data for its employees and does not provide salary information for employee groups at the level of detail found in the report by the Commissioner of Salaries. Furthermore, the Committee does not disclose on its website the aggregate figures contained in its budget proposals concerning total expenditures on employee salaries during the election period and the election week. It also does not provide comprehensive data regarding the number of positions and employees. Consequently, the public lacks access to information necessary for monitoring fluctuations in the Committee's staffing levels and associated employment expenditures over time and during election campaigns. The Office of the State Comptroller has recommended that the Central Elections Committee make available comprehensive data on the number of positions and employees, as well as salary information, in accordance with the publication standards customary within the public sector. It is noteworthy that the report by the Commissioner of Salaries also includes salary information for smaller entities, detailing the actual average monthly salaries of the highest-paid employees. Comparable salary data is similarly published for the top five highest-paid employees across all non-profit organizations, without differentiation between distinct organizations or their employee counts. Following the previous audit,

4 State Comptroller, **Annual Report 72A – Part One** (2021), "The Budget and Expenditures of the Central Elections Committee".



the Central Elections Committee augmented the information available to the public concerning human resources and salary data for various positions on its website. However, the published data do not encompass actual salary information for senior officials and highly compensated employees, diverging from customary practices in the public service. Additionally, the numbers of positions and employees classified by job group within the Committee's administrative headquarters, as well as for employees during the election period, are also lacking. The Committee did not publish a gender analysis of employee salaries in the format of an "equal pay for male and female employees report", with the exception of the permanent administrative staff employees. It should be noted that the salary tables available on the Committee's website indicate no salary differentiation based on gender within the included positions. Furthermore, much of the data pertaining to personnel scope and salaries published on the Committee's website has not been updated for the election period associated with the 25th Knesset, which concluded in November 2022. Thus, the previous audit's findings concerning the transparency of the Committee's employee salary data have been only partially addressed.







Adequate representation of persons with disabilities – The Office of the State Comptroller positively highlights that the proportion of employees with disabilities among personnel at the administrative staff of the Committee and in the regional committees during the election campaigns for the 21st to 24th Knesset was between 8.5% and 9.7%, surpassing the government target of 5%. However, this percentage remains low in comparison to their representation in the general population, which stands at 16%.

Allocation of human resources to regional committees – monitoring the implementation of the recommendations from a previous report by the Office of the State Comptroller – It is noted that the Central Elections Committee has taken commendable actions to establish a model for the allocation of human resources to regional committees. Although the formulation of this model was not completed during the election period for the 25th Knesset, it was examined as a pilot initiative. Consequently, the previous report's assertion regarding disparities in human resource distribution among regional committees and the necessity for defined allocation criteria has been largely rectified.

Staffing of positions overseeing electoral integrity at sensitive polling stations – monitoring the implementation of recommendations from a previous report by the Office of the State Comptroller – It is positively noted that the Central Elections Committee has successfully staffed positions at all polling stations, particularly at those identified as sensitive regarding electoral integrity. The deficiencies identified in the previous audit concerning the partial staffing of positions at regular polling stations, specifically at sensitive locations, have been fully rectified.






Key Recommendations

-  In light of the increase in the overall budget of the Central Elections Committee between the election cycles for the 22nd and 25th Knesset, particularly regarding salary expenses, it is recommended that the Committee assess the augmentation of its resources in consideration of the risks associated with conducting elections in various regions and polling stations. The objective is to mitigate costs incurred during elections and conserve public funds. The Central Elections Committee and the Minister of Interior are advised to expedite the examination of the computerization of the electoral system for both the Knesset and local authorities. This examination should consider the potential for the computerization of the voter identification processes and the voting process at this stage, guided by practices in other countries and recent technological advancements. Moreover, the examination must encompass all relevant factors, including the disadvantages related to manual procedures involving double envelopes, economic implications, expected costs linked to the computerization of electoral processes, and an evaluation of risks associated with the implementation of these computerized processes.
-  The Central Elections Committee is mandated to ensure the appropriate representation of all demographic populations within its administrative staff and during the electoral period, as stipulated in Section 15A of the Appointments Law. This can be achieved by establishing targets for the appropriate representation of diverse populations and systematically collecting data on compliance with representation directives and the proportion of employees eligible for appropriate representation, while also considering the distinct characteristics of staff during the electoral period. It is recommended that the Committee publish specialized tenders aimed at the recruitment of employees from these populations and promote their representation among election period employees, including in senior positions such as the director of a regional committee. Additionally, the Committee should monitor the effectiveness of its efforts to achieve appropriate representation and undertake further actions as necessary.
-  It is recommended that the Central Elections Committee publish data regarding its permanent administrative staff employees, facilitating an examination of gender-based wage disparities, if any exist, by reporting hourly or full-time wages. The Committee is also advised to focus on the recruitment of women for senior roles within the regional committee staff to guarantee sufficient representation of women in these positions.
-  It is recommended that the Central Elections Committee, in consultation with the Civil Service Commission, establish in advance criteria for employing civil servants during election periods under emergency conditions, balancing the needs of the Central Elections Committee with the operational requirements of government ministries. Moreover, the Committee should explore options to reduce reliance on civil servants during the election

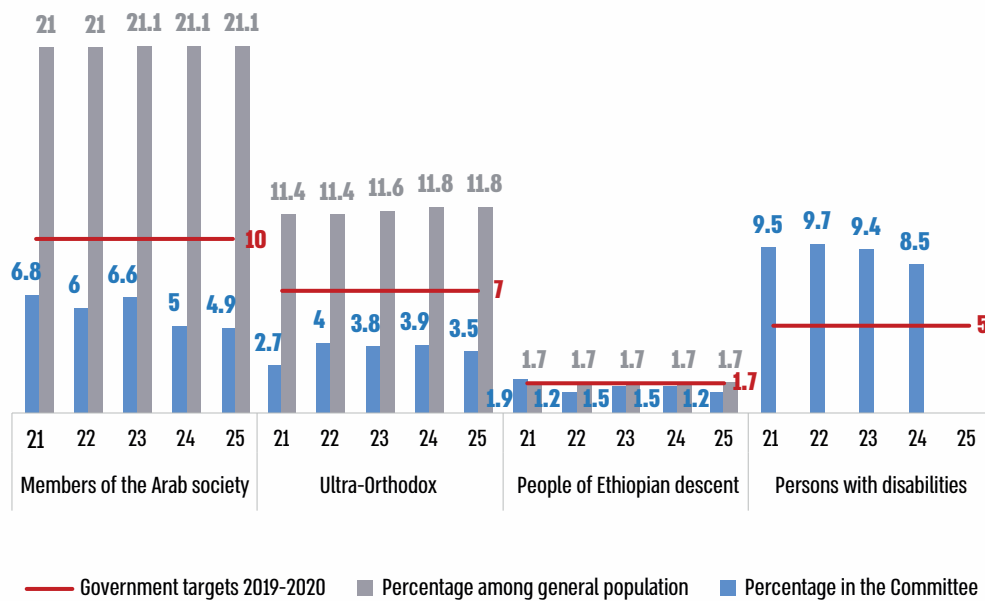


period, thereby encouraging the recruitment of individuals from the general public, which is well-suited to the nature of conducting elections, as a central national task.

-  It is recommended that both the Central Elections Committee and the Civil Service Commission ensure that civil servants employed by the Committee during the election period, who concurrently work in their regular government offices, are employed in accordance with the provisions of the Hours of Work and Rest Law.
-  The Chairman of the Central Elections Committee should work towards establishing guidelines concerning the appointment procedures and operations of the Search Committee for the CEO of the Central Elections Committee, reflecting the work procedure instituted by the Civil Service Commission as of January 2022. The Chairman is also encouraged to consider defining rules related to the term of office for the CEO, taking into account governmental policy objectives and the specific characteristics of the CEO's position, notably the significance of accumulated experience for the success of "electoral operations" and the time intervals between election cycles. This can include enhancing the administrative capabilities of the Central Elections Committee to guarantee continuity and stability in its operations during transitions in leadership, as well as designating an overlap period to aid in the incoming CEO's assimilation.
-  It is recommended that the Central Elections Committee publicly disclose the number of available positions and employees by job classification, along with the actual salary data of senior officials and high-paid employees, consistent with practices in the public sector. The Committee should ensure regular updates of this information on its official website, including personnel and salary data. Additionally, the Committee is encouraged to consider issuing a periodic report with a gender perspective regarding its employees, detailing wage disparities between male and female employees, formatted as an "equal pay for male and female employees report".



Inclusion of populations eligible for adequate representation among election period employees – among the administrative staff and regional committees – in the election campaigns for the 21st to 25th Knesset (in percentages)



Source: Central Elections Committee and CBS data, processed by the CBS.

* See explanations for CBS data in Appendix A.



Summary

The administrative structure of the Central Elections Committee is characterized by a distinctive organization, comprising a small permanent staff typically totaling 37 positions. This structure expands during election periods, lasting three to four months, to accommodate over 1,000 employees (nearly 30 times the standard). During election week, the administrative framework increases to approximately 72,000 additional employees, primarily located at polling stations across the country (approximately 2,000 times the standard in non-election periods). In 2014, an amendment to the Appointments Law established the status of the Committee's permanent administrative staff and election period employees, designating them as civil servants with necessary adjustments. Almost a decade after this amendment, this report identifies rules applicable to civil service employees that have not been fully implemented concerning employees of the Central Elections Committee.

1. Adequate Representation of Populations Entitled to Adequate Representation

– The Central Elections Committee has not established goals for adequate representation, as mandated, nor has it adopted the objectives set forth by the government. The Committee did not compile data regarding the proportion of employees entitled to adequate representation and has failed to ensure that efforts to promote adequate representation were effective; Indeed, in the last five election periods, the Committee did not meet the majority of government-set goals for adequate representation.

2. Employment of Civil Servants During Knesset Election Periods – The Committee exhibits a built-in reliance on civil servants, who represent the "backbone" of employees during the election period and function as a repository of knowledge and professional expertise. This reliance increases during exceptional circumstances, such as emergencies (e.g., the COVID-19 pandemic). Additionally, it appears that during emergencies, increased efforts may be necessary by government ministries to deliver essential services to the public, and prioritizing the recruitment of returning employees for election management during such times may impede the operational efficacy of the ministries, particularly regarding employees at the two highest levels of the civil service (senior and middle levels), who are overrepresented among the Committee's standard personnel (50% of the Committee's employees as opposed to 25% within government ministries). Approximately 30% (27 out of 91) of civil servants employed full-time within the Central Elections Committee for the 25th Knesset concurrently fulfilled their roles in their respective government ministry, aggregating work hours exceeding 16 hours per day, which raises concerns regarding compliance with the Hours of Work and Rest Law and the potential impact on the continuity of their civil service responsibilities.

3. Term of Office of the CEO of the Central Elections Committee – The considerations governing the determination of senior civil service employees' terms, including the refreshment of ranks, provision of equal opportunities based on



professional merit, prevention of managerial erosion, and avoidance of power concentration in the hands of a senior employee for extended durations, also pertain to the Central Elections Committee. Despite this relevance, no formal term of office arrangement has been instituted for the position of CEO of the Central Elections Committee.

- 4. Transparency of Salary Data** – The follow-up examination has indicated that the Central Elections Committee's degree of transparency concerning the number of positions and salaries of its employees is insufficient when compared to customary practices within the public service. Although the Committee has enhanced the information available to the public on its website, this enhancement is only partial; It fails to include certain data and remains un-updated for the election period pertaining to the 25th Knesset, which concluded over a year ago.

It is recommended that the Central Elections Committee review the significant increase in its resources and employee scope, considering the risks associated with conducting elections across various regions and polling stations, with the intention of minimizing costs arising from the electoral process and conserving public funds. Furthermore, collaboration between the Central Elections Committee and the Minister of Interior is recommended to complete the examination of the computerization of electoral systems for both the Knesset and local authorities. The Committee should establish goals for the adequate representation of eligible populations among administrative staff and election period employees and strive to recruit women into senior roles within the regional election committee staff to ensure proportional representation. It is also advisable for the Committee, in consultation with the Civil Service Commission, to explore strategies for decreasing dependence on civil servants as election period employees and to devise proactive criteria for civil servant employment during election periods amidst emergencies. Moreover, it is recommended that both the Committee and the Civil Service Commission, each within their respective domains, take actions to ensure that civil servants employed by the Committee during the election period who also continue their work in government offices, do so in a manner that adheres to the principles of the Hours of Work and Rest Law. Finally, it is advisable for the Committee Chairman to consider establishing regulatory frameworks concerning the term of office of the CEO and for the Committee to publicly disclose data on the number of positions and employees and their respective salaries, in alignment with public sector norms.



Report of the State Comptroller of Israel | May 2025

The Council for Higher Education

Enhancing Access to Higher Education for the Ultra-Orthodox Community – Follow-up Audit



Enhancing Access to Higher Education for the Ultra-Orthodox Community – Follow-up Audit

Background

As of the end of 2022, the ultra-Orthodox community accounted for 12.3% of Israel's population¹. According to projections from the Central Bureau of Statistics (CBS), this figure is expected to rise to 22% (3.2 million people) by 2045 and to 32% (6.4 million) by 2065². Data from CBS for 2024 indicates a low employment rate within the ultra-Orthodox community, particularly among males. By the end of the second quarter of 2024, roughly 53% of ultra-Orthodox men were employed, compared to approximately 87% of Jewish men who were not ultra-Orthodox. In contrast, around 80% of working-age ultra-Orthodox women were employed, while about 83% of non-ultra-Orthodox Jewish women were in the workforce.

Consequently, the average monthly income for ultra-Orthodox families is also lower; As of 2021, the average gross monthly income was approximately NIS 15,000, compared to about NIS 23,000 for secular families. Additionally, data from the National Insurance Institute in 2022 revealed that approximately 12% of families in Israel were ultra-Orthodox, yet this community represented 33.7% of all impoverished families in the country. A viable approach to mitigate poverty and enhance national productivity would include integrating ultra-Orthodox individuals into higher education and the labor market in professions that necessitate advanced educational qualifications. This represents a critical socio-economic objective.

Over the years, the Council for Higher Education (CHE) and its Planning and Budgeting Committee (PBC) have instituted long-term programs aimed at rendering higher education accessible to the ultra-Orthodox population. These initiatives are designed to facilitate their broader integration into academia and the labor market in a manner conducive to their unique needs and lifestyle. Most of these programs are run on separate campuses for ultra-Orthodox men and women. From 2011 to 2022, approximately NIS 1.7 billion was allocated to two programs aimed at improving access to higher education for the ultra-Orthodox community, with the first program covering the years 2011–2016 and the second from 2017–2022.

1 CBS, "Ultra-Orthodox individuals in Jewish Localities by District and Statistical Area, as of the End of 2022".

2 CBS, "Israel Population Forecast as of February 18, 2019". The rates brought in the present report are according to the moderate alternative out of the three alternatives available in the forecast (low, moderate and high).



Key Figures

NIS 200 million

Budget of Planning and Budgeting Committee for making higher education accessible to the ultra-Orthodox society in 2023-2024 (includes NIS 92 million, which is provided to every student studying in institutions of higher education)

Only 17,380

Number of ultra-Orthodox students who studied in institutions of higher education in 2023-2024 compared to the target set by the Council for Higher Education for 2021-2022: 19,000 ultra-Orthodox students (5% of all students in the country, while their share in the general population is about 12%)

81%

Of ultra-Orthodox undergraduate students in 2022-2023 (11,272 out of 13,916) studied in a gender-segregated study setting or at the Open University

Only Approximately 69%

Of ultra-Orthodox men and 82% of ultra-Orthodox women who began studying, completed a bachelor's degree (compared to 77% among men and 85% among women in the rest of the population)

Only 3.2%

Of the ultra-Orthodox graduates in 2021-2022 studied engineering and architecture, compared to 14.3% in the rest of the population (133 compared to 7,229)

More than 53%

Of Ultra-Orthodox students who graduated with a bachelor's degree in 2021-2022, studied education and teaching (2,179), while the proportion among non-ultra-Orthodox graduates was only 15%



Audit Actions



In May 2019, the State Comptroller published an audit report entitled "Enhancing Access to Higher Education for the Ultra-Orthodox Community"³ ('the previous report' or 'the previous audit'). This audit evaluated the Council for Higher Education's initiatives aimed at increasing accessibility to higher education and assessed the monitoring of their effectiveness during the 2011–2018 academic years.

From February to September 2024, the Office of the State Comptroller undertook a follow-up audit to address the primary deficiencies identified in the previous report. This audit focused on several key areas, including the extent to which the target for ultra-Orthodox student enrollment and the percentage of male students was achieved; the dropout rates; prioritization of programs with strong employment prospects; and support for graduates' integration into the workforce. The audit was conducted at the Council for Higher Education- Planning and Budgeting Committee and the Ministry of Labor (Ultra-Orthodox Employment Section), and included inquiries at career guidance centers⁴ as well as various higher education institutions⁵.

Key Findings



Eligibility Criteria for Programs – The Council for Higher Education- Planning and Budgeting Committee has established eligibility criteria for program participation primarily based on the previous educational background of the candidate. This definition is narrower than the criteria established for adequate representation under the Civil Service (Appointments) Law and does not take current lifestyle into account. Applicant educational institutions were afforded the ability to accept non-complying candidates at the rate of an additional 15%, and could request to increase this rate so as to address gaps. However, data indicates that the percentage of ultra-Orthodox students, as defined by the Council for Higher Education – Planning and Budgeting Committee, has not significantly increased in recent years, relative to population growth, remaining at approximately 5% of the potential female demographic aged 18 to 40 and about 2% among males. Additionally, around 81% of these students are enrolled in segregated


3 State Comptroller, **Annual Report 69B** (2019), pp. 2013–2061.


4 Bnei Brak and Beit Shemesh.


5 Tel Aviv University, Bar-Ilan University, The Open University, Bnei Brak Ultra-Orthodox College, Ruppin Academic Center, Bezalel Branch, Strauss Campus – Hadassah College, Ono Academic Center, Sami Shimon College, Beit Berl Academic College.



study environments or the Open University. The Council for Higher Education lacks quantitative data on ultra-Orthodox individuals who were not admitted to programs or those for whom courses were not offered due to insufficient student registration as a result of non-compliance with eligibility criteria.

 **Fulfillment of Ultra-Orthodox Student Enrollment Targets** – The previous audit indicated a consistent increase in the number of ultra-Orthodox students; however, the initial target of 14,500 students, set under the initial program, was not met (11,465 enrolled). The follow-up audit showed the deficiency was rectified to a small extent. Despite an ongoing upward trend and steps taken by the Council for Higher Education to enhance enrollment, the subsequent target of 19,000 students in the second program remained unfulfilled (16,430 enrolled). Given the concurrent growth in the ultra-Orthodox population, the percentage of academics among this group has stagnated, with rates in 2023 aligning closely with those recorded in 2019, thus failing to break through the existing "glass ceiling".

 **Percentage of Men Among all Ultra-Orthodox Students** – The previous audit determined that the percentage of ultra-Orthodox men enrolled in higher education institutions was markedly lower than that of women, making up 33% of the total (3,700 out of 11,100 ultra-Orthodox students) in 2016–2017. The follow-up audit showed the deficiency was rectified to a small extent, yet the proportion of ultra-Orthodox male students remained stable at approximately 31% (5,000 out of 16,000). Only in July 2024, five years following the previous audit, did the Council for Higher Education implement an updated budgeting model aimed at providing increased financial support for populations who had not learned core subjects at the high school level, which should incentivize increased male participation.

 **Degrees in Education Versus Actual Need for Graduates of Education in the Ultra-Orthodox Community and Within the Overall Economy** – The previous audit revealed that a significant proportion of ultra-Orthodox students pursued education degrees and teachers training, comprising 29.3% (3,259 out of 11,100) in the years 2016–2017. The follow-up audit showed the deficiency was rectified to a small extent, with 29.9% (4,298 out of 14,351) recorded in 2022–2023, indicating continuity in this trend. However, in 2022, the Council for Higher Education – Planning and Budgeting Committee initiated changes to the prioritization of fields of study, aimed at addressing this disparity and promoting diversification in academic tracks.



Dropout Rates – The previous audit indicated that from 2005 to 2014, the dropout rate among ultra-Orthodox students exceeded that of the general population, with a higher rate observed among men. Specifically, 46% of ultra-Orthodox men dropped out compared to approximately 20% of non-ultra-Orthodox men, while around 28% of ultra-



Orthodox women dropped out compared to about 12% of non-ultra-Orthodox women. The follow-up audit showed the deficiency was rectified to a large extent, demonstrating a decrease in dropout rates for both ultra-Orthodox men and women who commenced studies in 2017. The dropout rate for ultra-Orthodox women is now 18% (compared to 15% for non-ultra-Orthodox women), and 31% for ultra-Orthodox men (compared to 23% for non-ultra-Orthodox men). However, a gap in dropout rates relative to the general population persists.






Assistance in Integrating Graduates into Employment and Cooperation with Ultra-Orthodox Employment Programs – The previous audit identified that the programs of the Council for Higher Education – Planning and Budgeting Committee lacked provisions for assisting graduates in securing employment and that collaboration with the Ministry of Economy and Industry (now the Ministry of Labor) was insufficient. It was therefore recommended to enhance cooperation between the Council for Higher Education – Planning and Budgeting Committee and the Ministry of Labor to bolster operational effectiveness and develop joint programs. The follow-up audit showed the deficiency was rectified to a large extent, with the Council for Higher Education – Planning and Budgeting Committee and the Ministry of Labor having formalized their cooperation through the Ministry of Labor's employment guidance centers

Opening New Study Centers for the Ultra-Orthodox Community – In 2023, the Council for Higher Education – Planning and Budgeting Committee initiated efforts to establish new study platforms for the ultra-Orthodox population, including locations in the geographical periphery. This initiative focuses on four areas: Tiberias-Safed, Haifa, Beit Shemesh, and Beer Sheva. Each ultra-Orthodox learning center will feature multiple academic institutions, all coordinated under the administrative leadership of a single institution.

Key Recommendations

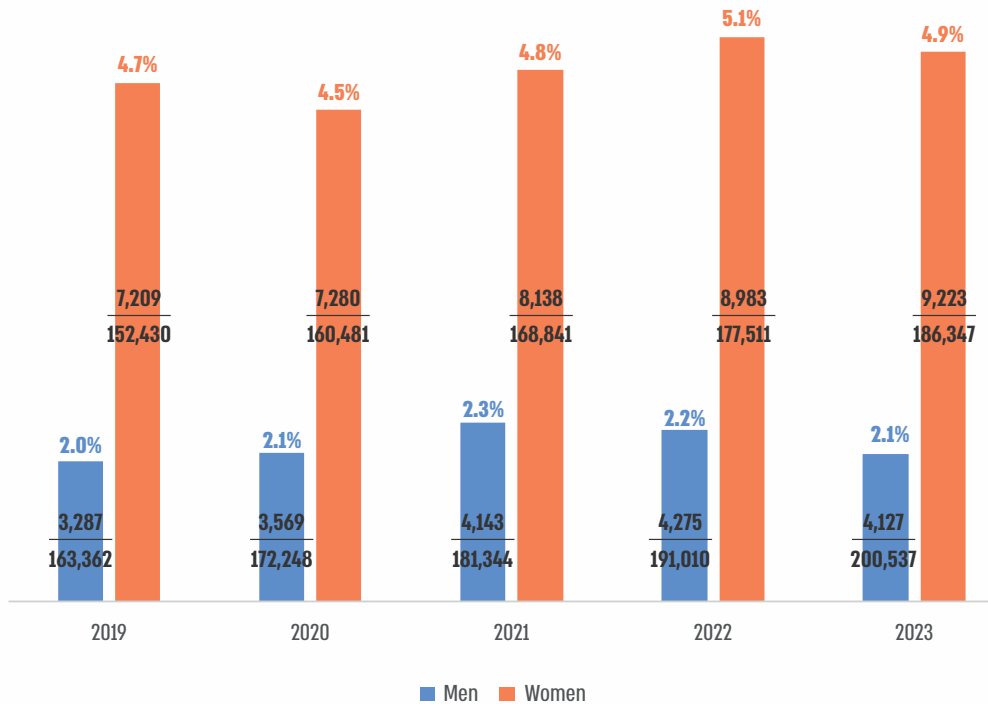
- 💡 It is recommended that the Council for Higher Education collect data regarding ultra-Orthodox candidates who were not accepted for studies under the program, as well as those study programs that were not opened due to candidates not meeting eligibility criteria. This data should be used to periodically review the definition of eligibility and consider potential modifications to better align with the established goals, while examining the complete relevant factual infrastructure. This includes the aforementioned data and an evaluation of the possibility of expanding the eligibility criteria, taking into account the criteria outlined in the Civil Service (Appointments) Law, to better accommodate all ultra-Orthodox candidates interested in participating in programs of the Council for Higher Education- Planning and Budgeting Committee for ultra-Orthodox students, in accordance with all applicable laws.



-  It is recommended that the Council for Higher Education – Planning and Budgeting Committee ensure that initiatives aimed at increasing the number of ultra-Orthodox students are effective in achieving the new program's goals.
-  It is recommended that the Council for Higher Education – Planning and Budgeting Committee assess the impact of the updated budgeting model on the enrollment rates of ultra-Orthodox male students from the program's inception until 2018, and if necessary, implement additional measures to increase this enrollment rate.
-  It is recommended that the Council for Higher Education – Planning and Budgeting Committee persist in efforts to reduce the dropout rate of ultra-Orthodox male and female students, with particular emphasis on males, and to systematically collect data on dropout rates categorized by subject and field of study to better direct its initiatives. Furthermore, it is advisable to update the budgeting model as necessary.
-  It is recommended that the Council for Higher Education – Planning and Budgeting Committee consistently assess the effectiveness of the new order of priorities and its impact on the various fields of study, enabling the extraction of valuable insights. Additionally, it is suggested that further measures be implemented, including the development of targeted programs for fields of study that align with labor market demands.
-  It is recommended that the Council for Higher Education – Planning and Budgeting Committee and the Ministry of Labor enhance their efforts in guidance and placement services, as well as evaluate the success of their collaborative initiatives.



Percentage of Ultra-Orthodox Students Compared with Potential (Ages 18–40), by Gender, 2019–2023



According to CBS data, processed by the Office of the State Comptroller.



Summary

The integration of the ultra-Orthodox population into higher education and quality employment is a national objective of the State of Israel. Higher education serves as a foundation for integration and success in the labor market, as many economic sectors remain inaccessible to individuals lacking this education. The low labor market participation rate of the ultra-Orthodox population, particularly among men (53% for ultra-Orthodox compared to 87% for non-ultra-Orthodox Jews), adversely affects their economic standing and impedes overall economic growth. Consequently, initiatives aimed at enhancing access to higher education for ultra-Orthodox society, particularly ultra-Orthodox men, are essential due to their notably low rates of employment and academic attainment.

The recent follow-up audit indicates that, despite the efforts of the Council for Higher Education – Planning and Budgeting Committee to increase ultra-Orthodox student enrollment in higher education institutions, the proportion of ultra-Orthodox students out of the total ultra-Orthodox population has remained largely unchanged over the past five years. Given the simultaneous growth of the ultra-orthodox population.

Furthermore, the enrollment percentage of ultra-Orthodox men in higher education remains significantly lower than that of women (2% compared to 5%). A substantial proportion of ultra-Orthodox students (approximately 30%) continues to pursue education degrees and teachers training – fields that offer limited employment prospects, while a minority studies engineering and architecture (6.6%) and sciences (10.1%), according to data from 2022–2023.

Since the previous audit, the Council for Higher Education – Planning and Budgeting Committee has initiated efforts to address identified deficiencies, including the expansion of programs for ultra-Orthodox students, targeted support to reduce dropout rates, and prioritization of fields of study with improved employment prospects. However, there has yet to be a meaningful change in both the proportion of ultra-Orthodox students from the potential population and the diversity of fields of study.

In light of the findings from the follow-up audit, the Council for Higher Education – Planning and Budgeting Committee must regularly evaluate the effectiveness of its actions and decisions to derive lessons for improvement and explore additional strategies to promote higher education within the ultra-Orthodox community, particularly in professions with favorable employment opportunities.



The Extent the Key Deficiencies Noted in the Previous Report Were Rectified

The Audit Chapter	The Audited Body	The Deficiency Noted in the Previous Audit	The Extent of Deficiencies Rectification Noted in the Follow-Up Audit			
			Not Rectified	Slightly Rectified	Significantly Rectified	Fully Rectified
Fulfillment of target set for the number of ultra-Orthodox students	Council for Higher Education-Planning and Budgeting Committee	Despite the consistent increase in the number of ultra-Orthodox students studying in institutions of higher education, the Council for Higher Education – Planning and Budgeting Committee did not meet the target it set for the first program by the end of the 2015-2016 school year, and in practice their number amounted to 11,465 (about 80% of the target).				





The Audit Chapter	The Audited Body	The Deficiency Noted in the Previous Audit	The Extent of Deficiencies Rectification Noted in the Follow-Up Audit			
			Not Rectified	Slightly Rectified	Significantly Rectified	Fully Rectified
Proportion of men among all ultra-Orthodox students	Council for Higher Education-Planning and Budgeting Committee	The proportion of ultra-Orthodox men in academia is significantly lower than that of ultra-Orthodox women, and the programs did not set a target for increasing the proportion of men among all ultra-Orthodox students. This proportion even decreased during the first program, and the main increase was in the proportion of women studying academic studies.				





The Audit Chapter	The Audited Body	The Deficiency Noted in the Previous Audit	The Extent of Deficiencies Rectification Noted in the Follow-Up Audit			
			Not Rectified	Slightly Rectified	Significantly Rectified	Fully Rectified
Dropout rate	Council for Higher Education-Planning and Budgeting Committee	The dropout rate from academic studies in the ultra-Orthodox sector is more than twice as high as its rate among other sectors: the rate of ultra-Orthodox men dropping out of academic studies reached approximately 46% (compared to approximately 20% among non-ultra-Orthodox men), and among ultra-Orthodox women – approximately 28% (compared to approximately 12% among non-ultra-Orthodox women)				





The Audit Chapter	The Audited Body	The Deficiency Noted in the Previous Audit	The Extent of Deficiencies Rectification Noted in the Follow-Up Audit			
			Not Rectified	Slightly Rectified	Significantly Rectified	Fully Rectified
Pursuit of studies in education within ultra-Orthodox society versus the needs of the education system and the needs of the economy	Council for Higher Education-Planning and Budgeting Committee	In 2016–2017, 29% of all ultra-Orthodox undergraduate students studied education and teachers training. For comparison, among non-ultra-Orthodox students, the rate of those studying education in academic institutions in 2016 was only about 14.5%. In addition, 44% of graduates with first degrees were female graduates in education and teachers training. This is despite the fact that the rate of employment among female graduates in this profession is extremely low and most of them have no employment prospects				



The Audit Chapter	The Audited Body	The Deficiency Noted in the Previous Audit	The Extent of Deficiencies Rectification Noted in the Follow-Up Audit			
			Not Rectified	Slightly Rectified	Significantly Rectified	Fully Rectified
Assistance in integrating graduates into employment and cooperation with ultra-Orthodox employment programs	Council for Higher Education – Planning and Budgeting Committee and the Ministry of Labor	The programs of the Council for Higher Education – Planning and Budgeting Committee did not include assistance in integrating graduates into employment, nor did they cooperate with other parallel programs of the then Ministry of Economy and Industry (or the Ministry of Labor), whose purpose was also to integrate ultra-Orthodox into the employment circle.				





Report of the State Comptroller of Israel | May 2025

Israel Land Authority

Aspects of Public Service at the Israel Land Authority – Follow-up Audit



Aspects of Public Service at the Israel Land Authority – Follow-up Audit

Background

The purpose of state authorities is to serve the public and their duty is to ensure that the service they provide is efficient, high quality and egalitarian. The Israel Land Authority (ILA), which is responsible for land management in Israel, is a state authority that interacts extensively with the public. One of its roles is to provide the services needed by land rights-holders for managing or exercising their rights.




Key Figures

Approximately 125,000	7th place (out of 8 – one place before last)	Approximately 18% (9 out of 50)	Only 22 out of 70 (31%)
Main service operations handled by ILA in 2023. The most common of them: approval, registration and transfer of land rights	ILA's ranking for quality of service provided to the public according to a survey of the Ombudsman in the State Comptroller's Office from November 2024. ILA's score was 65.5, and the average score of all bodies examined was 74.2	The percentage of standards for providing government services to the public that ILA has not yet implemented, out of the recommended standards for implementation by December 2024	The percentage of fully online services that can be performed online with ILA (in the personal area)
85% and 27%	Approximately 17,900	Approximately 43% (6 out of 14)	Only 3
The percentage of rights certificates generated fully online in 2024: for all ILA properties (approximately 64,440 out of approximately 75,620) and for agricultural estates (approximately 1,520 out of approximately 5,650)	Service operations performed by the National Call Center from January to June 2024	The percentage of service goals set for the National Service Center whose level of compliance cannot be assessed	The number of publicly available databases from ILA



Audit Actions

 In 2021, the Office of the State Comptroller published an audit report on "Aspects of Public Service in the Israel Lands Authority" (the previous audit). Between March and September 2024, the Office of the State Comptroller conducted a follow-up audit of the Israel Lands Authority, examining its efforts to address the key deficiencies identified in the previous report (the follow-up audit). A supplementary audit was performed in the National Digital Agency.

Key Findings



Service Strategy and Israel Lands Council's Involvement in ILA's Services to the Public – The previous audit indicated that ILA had not implemented an organization-wide process to formulate a service strategy, nor had it defined such a strategy. The follow-up audit showed the deficiency was **rectified to a low extent**, as ILA has not finalized a comprehensive service strategy. It was noted that although ILA's Director presented an overview of ILA's digital service at the Council meetings in March and December 2021, but the Israel Lands Council (the Council), chaired by the Minister of Construction and Housing, has not engaged in discussions about ILA's public service since the previous audit and has not established an overarching strategy or policy on this matter.




Service Agreement and Service Delivery Times – SLA – The previous audit highlighted that ILA had neither formulated nor published a service agreement. While ILA established a service level agreement (SLA) detailing the timelines for processing customer inquiries across all units, it has not released this information to the public, except for procedures performed at rapid service centers. The follow-up audit showed that **this deficiency has not been rectified**; Despite ILA completing the integration of new computer systems, an SLA and service agreement for its operations remain unpublished, with the exception of matters regarding procedures carried out at the National Service Center, in respect of which an SLA has already been published.





Online Forms – The previous audit showed that only six (approximately 4%) out of 164 forms were available online and included a complete online processing option, with only two forms offering electronically signed confirmation, and six forms (approximately 4%), for the leasing public, were available for online submission through the website. The follow-up audit showed the deficiency was **rectified to a low extent**, revealing that of the 70 service operations available with ILA (comprising 163 forms, documents,




and deeds), only 22 (approximately 31%) could be completed fully online in the personal area.

 **Development of Digital Services for the Agricultural Sector** – ILA data indicated that, as of 2024, only about 27% (approximately 1,520 out of 5,650) of rights approvals concerning agricultural estates were issued completely online comparatively to about 85% (approximately 64,440 out of 75,620) for rights approvals affecting all ILA properties which were issued completely online. It also indicated that by March 2024, ILA's computer systems contained data for only approximately 3,450 (10.5%) out of around 33,000 estates, resulting in the inability to issue a complete online certificate of rights for nearly 30,000 estates.

 **Determining Services to Reduce Information Requests from the Public (via the Transfer of Information Between Agencies)** – The previous audit indicated that ILA had not identified which services are intended to minimize the information and documentation required from the public for receipt of service, nor had it set goals for reducing these requirements. The follow-up audit indicated that the deficiency was **rectified to a low extent**. ILA has worked to establish interfaces with other governmental entities for information transfer, yet the public is still asked to provide certain documents, and ILA had not yet established interfaces with the several agencies.

 **Handling Public Inquiries** – The previous audit indicated that ILA had not updated or published its procedure for handling public inquiries on its website. The follow-up audit found the deficiency was **rectified to a low extent**, as ILA had not updated this procedure or published it to the public. However, ILA reported that to enhance efficiency in this field, it is developing a system for handling complaints in conjunction with its customer relationship management system.

 **Measuring Compliance with SERVICE Goals (SLA) set for the National Call Center** – As of the audit completion date, ILA lacked a technological tool to reliably assess the degree of compliance with SLA targets at the service center, which operates under an approximately NIS 20 million annual contract to serve tens of thousands of customers each year.








The Government Services and Information – Gov.il – The previous audit indicated that ILA had not yet initiated the transition of its website to the government services and information website. **The follow-up audit confirmed that this deficiency has been fully rectified**, as ILA's website has now been integrated into this website.

Mapping of Information and Authorizations – The previous audit indicated that ILA had not supplemented the missing data in the service mapping file submitted to the National Digital Agency in 2019. **The follow-up audit found that this deficiency has**



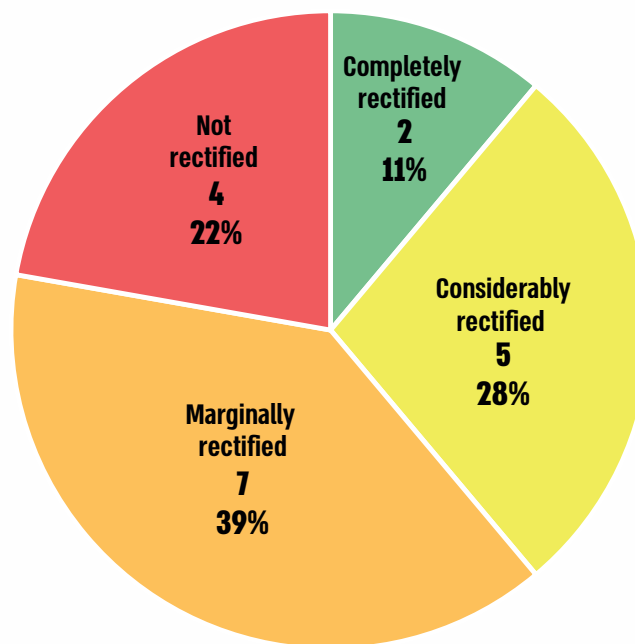
been fully rectified. In March 2022, ILA finalized the mapping of the authorizations required by the public to access its services. However, it is important to note that to effectively implement the "Ask Once" policy, it is also essential to establish the necessary interfaces with other government entities required to obtain authorizations pertinent to ILA's services, such as certificates for military reserve duty.

Key Recommendations

-  ILA is advised to finalize the development of a comprehensive service strategy for the organization and to establish a service charter that includes a service statement and Service Level Agreements (SLAs) for all procedures conducted by units.
-  It is recommended that the Minister of Construction and Housing, chairman of the Israel Lands Council, facilitate regular discussions within the Council regarding public service and outline a comprehensive policy on this matter.
-  It is recommended that ILA accelerate efforts to enhance its digital services. This includes completing the creation of online forms for all feasible services and collaborating with the National Digital Agency to expand interfaces with relevant government entities, thereby promoting the government's "Ask Once" policy and increasing the availability of online forms issued by them, which are required by ILA.
-  ILA is recommended to accelerate the registration and enhancement of land use data within its information systems. This advancement will enable the provision of online services and reduce processing times within the agricultural sector. Furthermore, ILA should establish and publicly publish SLAs for all operations within the agricultural sector, particularly for those functions that already have defined SLAs within the urban sector, and implement measures to monitor compliance.
-  Additionally, ILA must take action to regulate the monitoring and handling of complaints, which includes updating and publicizing procedures related to complaint handling and their response times. ILA should also include in its reports to the Council an account of public complaints received, as mandated by its public inquiry procedure.



Breakdown of the Deficiencies that Arose in the Previous Audit and were Examined in the Current Audit, by Degree of Rectification





Summary

In light of technological advancements that facilitate the enhancement and development of tools and processes within public service, governmental agencies are compelled to undertake measures aimed at improving existing services and developing new, advanced services.

A previous audit indicated that numerous services provided by the Israel Land Authority required enhancement. The findings of this follow-up report indicate that approximately 40% of the identified deficiencies have been rectified completely or to a significant extent. Examples include the identification of gaps between the recommended standards for government service delivery to the public and the current state within ILA, efforts to accommodate individuals with disabilities, and the training of employees for this purpose. However, around 60% of the deficiencies identified in the previous audit remain unaddressed or have seen only minor corrections. These include the incomplete formulation of a service strategy, the lack of a published service charter and Service Level Agreement (SLA) for all operations, a limited number of fully online services, and unresolved issues related to the handling of public complaints. Furthermore, the Israel Lands Council, chaired by the Minister of Construction and Housing, has not engaged in discussions regarding the overarching issue of public service within ILA, nor has it established a comprehensive strategy or policy on this matter.

The Israel Land Authority is urged to take corrective action regarding the unresolved deficiencies to ensure the delivery of advanced, efficient services that better meet the needs of the public. It is recommended that the Minister of Construction and Housing, chairing the Israel Lands Council, initiate periodic discussions within the Council on the topic of public service designed to develop a comprehensive policy framework and oversee its implementation.



The Degree of Rectification of the Key Deficiencies Revealed in the Previous Report

The Audit Chapter	The Audited Body	The Deficiency Noted in the Previous Audit	The Extent of Deficiencies Rectification Noted in the Follow-Up Audit			
			Not Rectified	Slightly Rectified	Significantly Rectified	Fully Rectified
Determining a service strategy	The Israel Land Authority	ILA did not carry out an organization-wide process to formulate a service strategy and did not define its service strategy				
Setting standards regarding the manner in which the service is provided to the public at ILA	The Israel Land Authority	ILA did not map the gaps between the recommended standards for providing government services to the public recommended by the Service Improvement Unit and the actual situation at ILA				



The Audit Chapter	The Audited Body	The Deficiency Noted in the Previous Audit	The Extent of Deficiencies Rectification Noted in the Follow-Up Audit			
			Not Rectified	Slightly Rectified	Significantly Rectified	Fully Rectified
Service Level Agreement and Service Delivery Times – SLA	The Israel Land Authority	ILA did not formulate or publish a service agreement. It established an SLA for all procedures it performs in all of its units, but did not publish it to the public, except for procedures performed at the express service centers				
Israel Lands Council involvement in the issue of ILA's services to the public	The Israel Lands Council	The Israel Lands Council did not discuss the general issue of public service at ILA, nor did it outline a comprehensive strategy or policy on the subject.				
Online forms	The Israel Land Authority	Few of the online forms used by ILA were fully functional				
The government services and information website – Gov.il	The Israel Land Authority	ILA has not yet taken action to promote the transition of its website to the government services and information website				



The Audit Chapter	The Audited Body	The Deficiency Noted in the Previous Audit	The Extent of Deficiencies Rectification Noted in the Follow-Up Audit			
			Not Rectified	Slightly Rectified	Significantly Rectified	Fully Rectified
Mapping information and authorizations	The Israel Land Authority	ILA has not yet supplemented the missing data in the service mapping file that it transferred to the National Data Agency in 2019.				
Determining services designed to reduce demands on the public	The Israel Land Authority	ILA work plans do not indicate for which services there will be a reduction in the information and documents required. It did not set goals for reducing the scope of information and approvals required from the public in order to receive services.				
Making databases accessible to the public	The Israel Land Authority	Only three ILA databases were published on the government databases website.				
Reporting to the Council regarding public complaints	The Israel Land Authority	ILA did not include in its reports to the Council a summary regarding the public complaints submitted to it.				



Report of the State Comptroller of Israel | May 2025

Chapter Four

The Defense Establishment



Report of the State Comptroller of Israel | May 2025

The Defense Establishment

Evacuation and Rehabilitation of Israel Military Industries (IMI) Lands



Evacuation and Rehabilitation of Israel Military Industries (IMI) Lands

Background

Following the establishment of the State of Israel, the Israel Military Industries (IMI) manufactured explosives, munitions and weapons, operating as an auxiliary unit¹ within the Ministry of Defense (MoD), and since 1990, it functioned as a government company known as the Israel Military Industries Corporation (IMI)².

The agreements that facilitated the establishment³ of IMI as a government corporation mandated that the Israel Land Authority (ILA) lease approximately 80,000 dunams to it. For decades, the Israel Military Industries (IMI) operated various complexes, encompassing approximately 6,060 dunams in Ramat HaSharon, Herzliya, and Hod HaSharon, as well as areas lacking jurisdiction, approximately 3,780 dunams in Yavne, approximately 470 dunams in Nof Yam (Apolonia) in Herzliya, and approximately 52,000 dunams in Ramat Beka (located south of Be'er Sheva), which the ILA allocated to IMI in 1978 to facilitate the relocation of its factories from populated areas to the Negev region, to mitigate risks to public safety, remediate soil and water pollution, and establish an urban center in the Sharon region⁴.

The majority of the IMI complexes, particularly in the Sharon area, are situated in close proximity to residential neighborhoods adjacent to the complex boundaries.

In December 2015, the majority of IMI's business activity were transferred to IMI Systems, at the exclusion of specific activities delegated to Tomer⁵, a government company, as part of the privatization of IMI.

1 A unit in the Ministry of Defense (MoD) that is usually an industrial-defense enterprise. The unit is funded from the MoD budget, is managed as a closed economy, and is supervised and audited by the MoD, but is independent in certain areas.

2 In this report, limited liability companies will be referred to without the word 'Ltd.'.

3 An arrangement between the Ministry of Finance, the MoD, IMI, and the Israel Land Authority (at that time: Israel Lands Administration) for the lease of land used by military industries to IMI dated November 28, 1989, and an agreement between the Government of Israel and IMI for the sale of the assets and the transfer of rights and obligations from Military Industries (the auxiliary unit) to IMI dated October 30, 1990.

4 State Comptroller, **Annual Report 55A** (2004), "IMI Land Management", p. 223.

5 A government defense company for the development and manufacturing of rocket propulsion systems for a variety of defense applications.



In 2016, the name of Israel Military Industries (IMI) was altered to "Netzer HaSharon"⁶, with the responsibility for managing the residual activities of IMI, which were not transferred to IMI Systems or Tomer, including environmental issues.

In November 2018, IMI Systems was acquired by Elbit Systems, thereby consummating the privatization of IMI.

At various times, significant contamination of soil, water⁷, and the presence of hazardous materials such as explosives and unexploded ordnance have been exposed at numerous IMI complexes⁸, including those in Nof Yam, Ramat HaSharon, Herzliya, and Ramla. Such contaminants pose threats to public safety, environmental integrity, and ecological health, with migration to the land and groundwater beyond the complexes' perimeters. Additionally, the presence of explosives constitutes a direct danger to human life.

In 1992, an explosion at the IMI facility in Nof Yam resulted in two fatalities and 34 injuries, and an explosion and fire occurred in 2023 within the complex.

During the 1990s, IMI vacated the Yavne complex and transferred its factories from Tel Aviv, Jerusalem, and Nof Yam predominantly to its facilities in Ramat HaSharon and Herzliya. Both IMI and IMI Systems subsequently closed certain factories located in Herzliya (the "Tzur" complex) and Ramat HaSharon (the "Eliyahu Thila" complex⁹). Furthermore, prior to the onset of the Iron Swords War in October 2023, plans were in place for the evacuation of IMI Systems factories from the Sharon region to be finalized by July 2024; However, this timeline has been postponed to the end of 2026 due to the conflict. As of the audit completion date in August 2024, no determination regarding the evacuation of the Tirat Carmel complex had been made. As for other operational complexes of IMI Systems, such as those in Ramla and Nof HaGalil, evacuation plans have yet to be established.

6 The reference in this report is to IMI regarding its activity up to December 31, 2015, and to Netzer HaSharon regarding its activity from January 1, 2016.

7 State Comptroller, **Annual Report 56A** (2005), "IMI Lands – Soil and Groundwater Contamination and Preparation of Outline Plans", p. 331; State Comptroller, **Annual Report 60A** (2010), "IMI Lands – Findings of Extended follow-up audit ", p. 273; State Comptroller, **Annual Report 63B** (2013), "Aspects of Environmental Protection in the Defense Industries", p. 233.

8 As of the audit completion date (August 2024), two legal proceedings are underway regarding pollution in the Nof Yam complex: Class Action No. 22706-06-20 of 2020 and High Court of Justice No. 6453/23. In addition, legal appeal proceedings are underway regarding the construction plans in the complex in the Sharon area and are being conducted jointly: Appeal of an Administrative decision 3602/22, Appeal of an Administrative decision 3632/22, Appeal of an Administrative decision 4231/22, Appeal of an Administrative decision 4490/22 and Appeal of an Administrative decision 5049/22.

9 Approximately 500 dunams, out of about 1,200 dunams in the Eliyahu complex.



Key Figures

80,000 dunams

The area of land where IMI operated

46 years

Have passed since IMI was allocated 52,000 dunams in Ramat Beka (an area south of Be'er Sheva) in 1978, to move its factories from population centers to the Negev, to remove dangers to the public, to address soil and water pollution, and to establish urban centers in the lands it would vacate. However, the evacuation and relocation have not yet been completed

5 years

Have passed since August 2019, the date on which the state (Ministry of Finance, Ministry of Defense, Ministry of Environmental Protection, Israel Land Authority, the Israeli Water Authority) undertook in a legal proceeding to complete the purification and cleaning of the Nof Yam complex, but the complex was not cleaned

**2 fatalities,
34 injured
and financial
damage of
\$24.5
million**

The results of the explosion at the IMI plant in Nof Yam in 1992

One fatality

The result of the explosion at the IMI Systems factory in the Sharon complex that occurred in 2023

36,600 housing units

Are planned to be built in the Sharon complex and approximately 1.4 million square meters for employment and commerce, after the evacuation of IMI Systems and the land rehabilitation that has not yet been completed

NIS 4 billion


Assessment by the ILA Director from May 2024 regarding a delay in receiving revenue for the state from the marketing of the lands in the Sharon complex due to a possible delay in vacating the complex by about two and a half years

NIS 153.5 million

The amount that the Ministry of Finance must provide to Netzer HaSharon for the purpose of surveying soil contamination and for soil rehabilitation in some of the IMI complexes




Audit Actions

 From August 2023 to August 2024, the Office of the State Comptroller conducted an audit concerning the evacuation and rehabilitation of IMI land, with a particular focus on the IMI complexes located in the Sharon area (Ramat HaSharon, Herzliya, unincorporated area¹⁰, and Hod HaSharon) and in Nof Yam in Herzliya. Certain data pertaining to the audit has been updated to December 2024. The audit mainly examined the following issues: the legislative framework related to contaminated lands; The timelines for the evacuation of IMI Systems plants and their facilities, along with their relocation from the Sharon complex to the Ramat Beka complex; Activities associated with the demolition of structures, soil examination, and rehabilitation within the IMI complexes; And efforts directed towards the removal of public hazards and the decontamination of the Nof Yam complex. The audit was conducted in the Ministry of Environmental Protection (MoEP), the Ministry of Defense (MoD), the Ministry of Finance, the Ministry of Justice, the Israel Lands Authority (ILA), Netzer HaSharon, and the Israel Government Water and Sewage Authority (Water Authority). Supplementary examinations were performed at the Prime Minister's Office, the Joint District Planning and Construction Committee for the Tel Aviv and Central Districts of the Ministry of Interior, the Herzliya Municipality, the Mine and Unexploded Ordnance Clearance Authority under the MoD (RLPM), the Israel Police, the Government Companies Authority, the Environmental Services Company, the Ministry of Interior, the Ministry of Health, and the Nature and Parks Authority.

Key Findings



 **The Threats to Public Safety Arising from IMI Complexes** – At different times, significant contamination of soil and water, along with the presence of hazardous materials, including explosives, has been identified in numerous IMI complexes such as Nof Yam, Ramat HaSharon, Herzliya, and Ramla. These contaminations pose a risk to public health, environmental integrity, and to both flora and fauna, and they continue to spread through the land and groundwater beyond the confines of the complexes¹¹. The presence of explosives further endangers human life. It is pertinent to underscore that many IMI complexes, particularly those in the Sharon region, are situated in close proximity to residential areas adjacent to their perimeters. Over the years, safety

¹⁰ An area not located under the jurisdiction of a local authority.

¹¹ Ministry of Environmental Protection, professional guidelines for conducting a soil survey from April 2016.



incidents have transpired at various IMI complexes, some operational and others inactive, including:

- In July 1992, an explosion occurred at the IMI facility in the Nof Yam complex, where the primary operation involved the production of propellant materials¹² for firearms and artillery ammunition. This explosion resulted in the deaths of two workers, injuries to 34 individuals, and extensive damage extending up to 15 kilometers from the site, totaling approximately \$24.5 million. Following this incident, the facility's operations within the complex were suspended.
- In June 2023, nearly 25 years after IMI had evacuated its plants from the complex, a subsequent explosion took place in the Nof Yam complex, leading to the discovery of explosive residues.
- In May 2001, a fire at the Yavne complex was followed by an explosion, resulting in unexploded ordnance being scattered both within and outside the complex, necessitating the temporary closure of Highway 4; In June 2001, the IDF undertook the destruction and removal of unexploded ordnance identified outside the Yavne complex.
- In August 2023, an explosion occurred at the IMI Systems facility in the Sharon complex due to a work-related accident, resulting in the death of one worker.

📌 The Legislative Process Concerning Contaminated Land – For a duration of 13 years, since 2011, during which the Ministry of Environmental Protection has sought to advance legislation aimed at regulating processes for preventing soil contamination and rehabilitating contaminated sites – the Ministry has not finalized the promotion of such legislation despite the imminent dangers posed to the public and the environment due to the lack of necessary regulations for the prevention and remediation of soil contamination, such as the risks associated with untreated contamination in the Nof Yam complex. According to an examination conducted by the Ministry of Environmental Protection, among member states of the Organization for Economic Co-operation and Development (OECD)¹³, Israel stands out as the sole member without appropriate regulations and direct authority to prohibit the contamination of soil with hazardous substances and to mandate soil remediation.

📌 Linking Treatment of Contamination and Land Rehabilitation with the Advancement of Detailed plans for the land – The state, including the Ministry of Finance and the ILA, has linked the treatment of contamination and land rehabilitation, for which it and its institutions are responsible, with the allocation of budgetary resources by

12 Propellant explosive (PE) – a solid or liquid with a rapid combustion rate, which, when burned, creates a large amount of gases, **IDF Glossary**, General Staff Division – Doctrine and Training (1988).

13 Organization for Economic Co-operation and Development



promoting a detailed plan¹⁴ for that land, thereby facilitating its marketing. Consequently, in the absence of plans that facilitate the marketing of the land for construction, contaminated land, including that which contains explosives, remains so for extended periods. These contaminations pose direct threats to human life, public health, the environment, as well as to both flora and fauna.

Public Hazards in the Nof Yam Complex

- **Environmental Risks** – Over time, breaches have occurred in the fence surrounding the Nof Yam complex, resulting in numerous breached structures, exposed wells, and buried tanks. Additionally, unauthorized individuals have accessed the complex, and parties and activities related to a paragliding school have transpired within the area. No party – including Netzer HaSharon, the ILA, and IMI Systems prior to its sale – has adequately addressed the breaches in the fence or installed requisite signage within the compound. These oversights have perpetuated risks within the compound, including soil contamination, soil gases, hazardous terrain with pits, open shafts, and a coastal cliff susceptible to collapse, as well as the risk of explosions or fires associated with explosive materials located in the vicinity, as evidenced by incidents in June and July 2023 that compromised public safety. Furthermore, activities by individuals present in the compound could potentially trigger the activation of explosives.
- **Construction of a Fence** – Between January 2024 and August 2024, the Environmental Services Company engaged in various activities to facilitate the construction of a new fence around the Nof Yam complex, which included planning the fence, identifying contractors for execution, and securing permits from the Herzliya Municipality and the Hof HaSharon Local Council; However, as of December 2024, the construction of the fence had not yet been completed.
- **Concern of Hazardous Substances in Seawater** – There is a concern regarding potential health risks to the public – including to individuals engaging in bathing, surfing, boating, and other activities – at undeclared beaches located near the yellow stain in the seawater, caused by materials produced by the military industry in the Nof Yam complex, such as Apollonia Beach in Herzliya.

 **Failure to Adhere to the State's Commitment to the Supreme Court for the Decontamination and Remediation of the Nof Yam Complex** – The Ministry of Finance, the Ministry of Defense, the Ministry of Environmental Protection, and the Water Authority have not performed their designated responsibilities to fulfill their commitment to the Supreme Court from September 2015, to undertake all necessary surveys in the Nof Yam complex and to complete the remediation by August 2019; Additionally, the

¹⁴ A plan pursuant to the Planning and Building Law, 1965, from which building permits can be issued.



Ministry of Justice did not ensure effective oversight of the implementation of this commitment. Consequently, as of the audit end date in August 2024, the Nof Yam complex remains significantly contaminated with respect to both soil and water. Although the Ministry of Justice convened at least two meetings on this matter in 2021 and 2022, the commitments made by the state's representatives in the High Court of Justice were not realized.

Timetables for the Evacuation of IMI Systems Plants and Facilities from the Sharon Complex and for their Relocation to the Ramat Beka Complex – Prior to the outbreak of the Iron Swords War, there was a delay of approximately eighteen months in the evacuation of IMI Systems plants from the Sharon complex and their relocation to the Ramat Beka complex¹⁵. The timeline extended from the end of 2022, as outlined in the privatization decision from December 2013, to the end of June 2024. This postponement stemmed from delays associated with the privatization process of IMI and the approval of the outline plan for establishing IMI Systems plants at the Ramat Beka complex, compounded by ongoing legal proceedings in both the District and Supreme Courts regarding the plan. Furthermore, in light of the continuation of the Iron Swords War, the Ministry of Defense subsequently sought to postpone the evacuation by an additional two and a half years, extending the timeline to the end of 2026. According to the Director of the ILA as of May 2024, this delay is projected to result in a revenue loss for the state of approximately NIS 4 billion during the specified timeframe, attributable to delays in land marketing.

It is noteworthy that as of December 2024, a strategic plan has been developed to mitigate the effects of the delayed evacuation dates following an agreement between the Israel Land Authority and the Ministry of Defense aimed at expediting the evacuation of IDF camps.

Agreements Concerning the Financing of Netzer HaSharon's Activities Related to the Surveying and Rehabilitation of Lands Within the IMI Complexes – The Accountant General's Division at the Ministry of Finance, the Budget Division at the Ministry of Finance, along with Netzer HaSharon, failed to finalize a financing agreement for about a year and a half – from January 2021 to July 2022 – to continue the financing agreement signed in February 2019. This delay primarily arose because the Ministry of Finance stipulated the signing of the continuation financing agreement on Netzer HaSharon's commitment to an agreement delineating the work in HaSharon complex with the Environmental Services Company. Consequently, this condition hindered the timely transfer of the budget allocated for the soil surveying in the Eliyahu complex¹⁶, as

15 The Sharon complex without three sub-complexes within it: "Eliyahu Thila", "Tzur" and the "Management Building".

16 The Eliyahu complex covers an area of approximately 1,200 dunams out of approximately 6,060 dunams of IMI Systems' factories in the Sharon complex (approximately 20%).



well as the surveying and rehabilitation of explosive excavators¹⁷ within the HaSharon complex. There are concerns that this delay has exacerbated soil and water contamination in the explosive excavators, which may harbor active pollutants.

Activity of Committees and Teams Addressing Soil Surveying and Rehabilitation at IMI Complexes – Representatives of the Accountant General's Division participated in only four meetings out of 25 meetings convened by a sub-team¹⁸ (16%) responsible for overseeing the preparation of the construction, relocation and evacuation plan of IMI Systems plants from the Sharon complex to the Ramat Beka complex and its approval. Moreover, a representative from the Ministry of Finance did not attend any of the fourteen meetings of the team accompanying the Joint District Committee for Planning and Construction for the Tel Aviv and Central Districts over a five-year period – from April 2019 to June 2024 – concerning Netzer HaSharon's activities in soil surveying and rehabilitation within the Sharon complex. The absence of a Ministry of Finance representative in these meetings undermines the planning and approval processes for detailed plans and land clearance efforts. Furthermore, the Ministry of Finance has not engaged with an auditing firm to assess Netzer HaSharon's operations, thereby weakening the budgetary oversight that is supposed to be carried out by the professional committee established by the Accountant General's Division in the Ministry of Finance with the participation of the Budget Division in the Ministry of Finance.

The Activity of Netzer HaSharon in Soil Surveying and Rehabilitation Within the Eliyahu, Kiryat Shmona, and Nof HaGalil Complexes – As of June 2024, approximately two and a half years past the established deadline, the soil surveying in the Eliyahu complex, encompassing approximately 1,200 dunams, remains unfinished. This delay is primarily attributed to several factors: Netzer HaSharon did not contract a company to perform a limited soil survey until February 2020, nearly one year after the signing of the financing agreement in February 2019; Prolonged discussions between Netzer HaSharon, the Accountant General's Division and the Budget Division of the Ministry of Finance regarding budget approval persisted for about eighteen months, from January 2021 to July 2022; And the survey's inherent complexity and the scope of contamination identified in the complex have further compounded delays. Additionally, Netzer HaSharon has yet to finalize the soil survey in Kiryat Shmona and Nof HaGalil and has not commenced soil rehabilitation efforts.

The Activity of Netzer HaSharon and the Mine and Unexploded Ordnance Clearance Authority (RLPM) in the Explosive Excavators Within the Eliyahu Complex – Despite the fact that in the inter-ministerial agreement signed in November 2015 it was agreed that Netzer HaSharon conduct soil surveying and rehabilitation in two

¹⁷ 150 dunams in the Sharon complex where unexploded ordnance and materials dangerous to humans and the environment were buried in pits, and there was a suspicion that explosive materials were found therein.

¹⁸ The Accountant General's representative is a member of the sub-team.



explosive excavators by the end of November 2021, as of July 2024, approximately two years and eight months later, RLPM has only completed the removal of explosives from one explosive excavator (Excavator E). An agreement between Netzer HaSharon and the Ministry of Defense (RLPM) to remove explosives from the second excavator (Park Hanetzah excavator) was only finalized in August 2024. Moreover, as of December 2024, Netzer HaSharon has yet to finalize the disposal of metal waste extracted from Excavator E and the rehabilitation of the contaminated soil. These delays in the removal of explosives present significant risks to public safety and environmental integrity, as well as impede the planning and approval processes for detailed plans within the Sharon complex.

🔴 Awarding Exemptions from the Tender Process Based on the Grounds of Single Supplier in the ILA and Accountant General Tender Committees Concerning ILA's Contracting with IMI Systems for the Demolition of Buildings and infrastructures in the Sharon Complex – ILA did not reach out to

Netzer HaSharon, which could serve as an additional potential supplier to IMI Systems for the demolition and removal operations. In April and May 2023, the tender committees in ILA and the Accountant General, respectively, authorized the ILA to contract with IMI Systems, exempting the process from a tender based on a single supplier justification, for the evacuation of structures affixed to the ground in two complexes designated for evacuation¹⁹ in the Sharon complex, based on the justifications of the relevant entities presented to them. This decision was made despite the existence of at least one additional potential supplier to IMI Systems (Netzer HaSharon), during the tender committee discussions, and even though the reasons are not unique to IMI Systems but are also relevant to Netzer HaSharon, thereby necessitating a competitive tender process compliant with the Mandatory Tenders Law and the associated regulations.

🔴 Estimates Submitted by Netzer HaSharon to the Israel Land Authority Regarding the Cost of Demolishing Buildings in the Eliyahu Complex – Only in

October 2024, approximately ten months after Netzer HaSharon provided the ILA with an updated estimate totaling around NIS 117 million for demolition activities at the Eliyahu complex, did ILA convene a meeting with Netzer HaSharon to address the matter. Consequently, demolition activities in the Eliyahu complex, which are essential for advancing land planning and marketing of approximately 7,500 housing units, have not yet commenced, raising concerns regarding a potential delay in generating at least NIS 8.5 billion in revenue for the state treasury.

🔴 The Yavneh Complex – the Yavneh complex contains unexploded ordnance and

explosive materials deposits that pose significant risks to public safety and security. The annual expenditure associated with the maintenance of the complex and property tax obligations, after deducting income from bunker rentals, is approximately NIS 1.8 million.

¹⁹ Complexes no. 1 and 2 in the Sharon complex.



The Ministry of Defense currently lacks a plan for the removal of the unexploded ordnance and explosive materials from the complex.



Malbin Excavators – Netzer HaSharon successfully concluded the restoration of the Malbin Excavations²⁰ within the Eliyahu complex in October 2020, approximately 13 months prior to the set timeline, and at a cost approximately NIS 2.2 million below the initial allocation of approximately NIS 26 million.

Security and Signage Within the Nof Yam Complex – Following the deliberations of an inter-ministerial professional committee established by the Prime Minister's Office²¹ in October 2023, security measures commenced in May 2024. Additionally, in July 2024, warning signs were installed throughout the complex prohibiting unauthorized entry.

Key Recommendations



It is recommended that the Ministry of Environmental Protection, in conjunction with the Ministry of Finance, the Israel Land Authority, and the Planning Administration of the Ministry of Interior, pursue the advancement of legislation to regulate the remediation of contaminated land, including land affected by state activities and areas lacking any building plans. This initiative aims to safeguard state lands and water resources, as well as flora and fauna, thereby preventing land contamination, facilitating restoration, preserving these areas as public and environmental resources, and promoting public health. In this manner, Israel will align itself with other OECD member states that have established direct regulations concerning land contamination and remediation. Furthermore, it is advised that, pending the enactment of the aforementioned legislation, the Israel Land Authority conduct an analysis of the existing risks associated with lands contaminated by state activities. Based on these findings, the Ministry of Finance and the ILA should devise a financing arrangement or a budget-supported plan to enable the rehabilitation of these lands, including the IMI complexes, without associating the remediation efforts with the advancement of a detailed plan that would facilitate the marketing of the land for construction purposes.



20 Excavators in the Eliyahu complex where waste and hazardous waste from certain production processes were buried.

21 A committee headed by the Prime Minister's Office with the participation of representatives from the Ministry of Justice, the Ministry of Environmental Protection, the Fire and Rescue Authority, the Israel Police, the Israel Lands Authority, the Nature and National Parks Authority, and the Israel Antiquities Authority. As of December 2024, the committee's activities have not yet been completed.



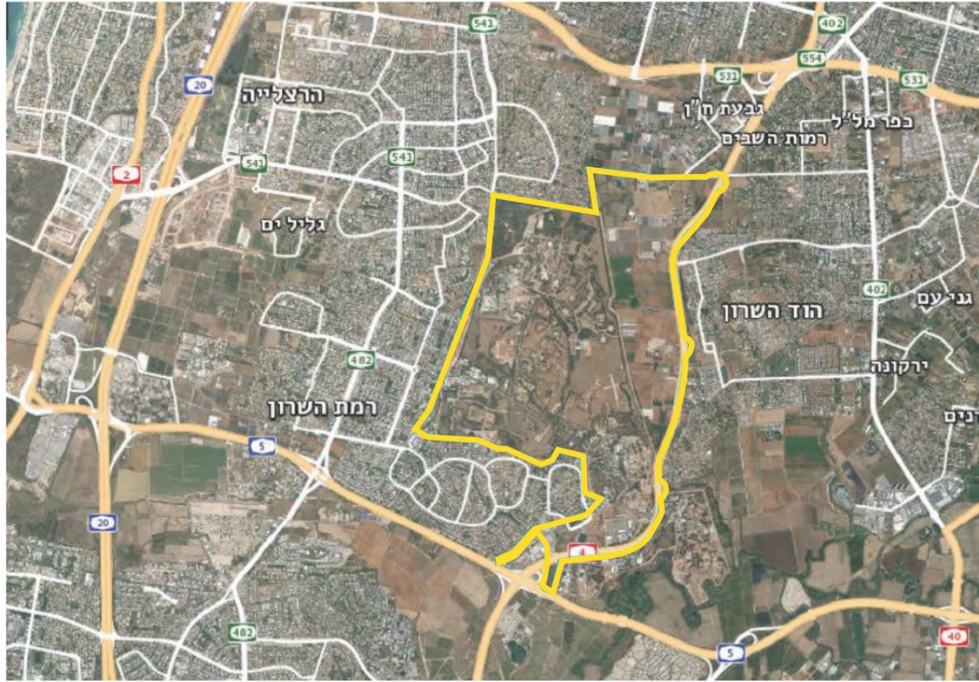
- 💡 It is recommended that the inter-ministerial professional committee, headed by the Prime Minister's Office, urgently advance the implementation of the recommendations proposed by the inter-ministerial professional team, which were adopted in August 2023 by the pertinent government entities regarding the construction of a new fence in the Nof Yam complex. Furthermore, the entities responding to the Herzliya Municipality's petition to the High Court of Justice regarding the Nof Yam complex (HCJ 6453/23) – namely, the Prime Minister's Office, the Ministry of Defense, the Ministry of Finance, the Ministry of Environmental Protection, the ILA, and the Water Authority – should expedite the execution of the planned actions as detailed in the updates submitted to the Supreme Court in relation to the petition.
- 💡 The Ministry of Finance, the Ministry of Defense, the Ministry of Environmental Protection, the Israel Land Authority, and the Water Authority must adhere to their commitment made to the Supreme Court in September 2015 to undertake the purification and remediation of the Nof Yam complex, with each agency operating within its respective domain and in collaborative manner with the other entities to promote prompt action. This should include reaching agreements concerning the funding of these activities, unconditionally and without linking the execution of the commitment to the approval of a master plan for the complex. If necessary, these agencies should engage with the relevant ministers to further the implementation of the stated commitment and seek assistance from the Prime Minister's Office and the Ministry of Justice, if required.
- 💡 It is recommended that the Attorney General ensure that the commitments made by the Ministry of Finance, the Ministry of Defense, the Ministry of Environmental Protection, the Israel Land Authority, and the Water Authority to the petitioners and the Supreme Court on behalf of the state are fulfilled, particularly in light of the public safety and health risks associated with soil and water contamination in the Nof Yam complex, including contamination of the seawater at Apollonia Beach.
- 💡 The Ministry of Defense and the Israel Land Authority should take measures to mitigate significant potential consequences for the Israeli economy arising from the postponement of the evacuation date concerning the rehabilitation efforts for lands in the Sharon complex and the revenue anticipated from their marketing, while simultaneously considering the urgent need for increased ammunition production at the IMI Systems factories within the complex to satisfy the IDF's needs during the Iron Sword War.
- 💡 It is recommended that the Director of the Budget Department within the Ministry of Finance, the Accountant General's Division, the Government Companies Authority, and the Ministry of Environmental Protection work collaboratively to ensure that Netzer HaSharon progresses with the surveying and rehabilitation of the lands in the Kiryat Shmona and Nof HaGalil complexes. Additionally, it is proposed that Netzer HaSharon conduct this surveying and rehabilitation with careful consideration of the security situation and the implications of the Iron Sword War on the areas where these complexes are located (northern Israel).



-  The Israel Land Authority and the Accountant General's Division should act in accordance with the provisions of the Mandatory Tenders Law and the Mandatory Tenders Regulations, ensuring the publication of tenders necessary for the demolition and evacuation of structures affixed to the ground in the Sharon complex. This is in light of the existence of at least two suppliers capable of executing the aforementioned activities. Conducting the tender process will facilitate an evaluation of the relative merits of each supplier for these demolition and evacuation tasks. The Israel Land Authority must adequately document its inquiries with companies to verify their capacity to undertake the demolition and evacuation of structures.
-  The Israel Land Authority must take immediate action to advance the demolition of structures within the Eliyahu complex. Additionally, it is recommended that, as necessary, the ILA raise the issue of the entity that will execute this activity with the accompanying team, in order to facilitate the evacuation and remediation of the Eliyahu complex, which is recognized as one of the most polluted and hazardous sites for human health and the environment within the Sharon complex, so as to further the detailed plan for this complex and to prepare the land within the Eliyahu complex for the construction of 7,500 housing units, thereby generating an estimated revenue of approximately NIS 8.5 billion for the state treasury. This is particularly pertinent in light of the financial repercussions of the Iron Sword War, which have led to an increase in the budget deficit and a significant decrease in construction starts throughout the country.



The Complex in the Sharon Area Where IMI Systems Plants are Located in Close Proximity to Residential Neighborhoods in Ramat HaSharon, Herzliya and Hod HaSharon (2024)



The area demarcated in yellow, according to a presentation by the Joint District Committee for Planning and Construction for the Tel Aviv and Central Districts at the Ministry of Interior from March 2024, processed by the Office of the State Comptroller.



The Yellow Stain in the Sea Water Near the Nof Yam Complex (2023)



Source: Report of the inter-ministerial professional team from October 2023, Photo: Commander of the Israel Police Gilot Station.



Summary

The military industry has functioned for several decades across various complexes within the country as a producer of explosives, ammunition, weapons, and associated systems. It initially operated as an auxiliary entity within the Ministry of Defense, subsequently transitioning to a government enterprise, which underwent privatization concluding in November 2018, now known as IMI Systems. Predominantly located in the Sharon region, IMI's complexes are situated in close proximity to residential neighborhoods, thereby posing a risk to public safety due to the presence of explosives.

Over the years, significant soil and water contamination, as well as hazardous materials, including explosives, have been identified in the complexes formerly managed by IMI, endangering public welfare, the environment, and local flora and fauna. Furthermore, incidents of explosions and fires have transpired at several factories and complexes; Notably, in July 1992, an explosion at the IMI factory in the Nof Yam complex resulted in two fatalities and 34 injuries. More recently, in June and July 2023, explosions and fires occurred in the Nof Yam complex, which had remained inactive since the early 1990s.

The audit highlighted deficiencies, such as the absence of regulated norms in primary legislation for assigning responsibility and addressing contaminated land. Netzer HaSharon and the Israel Land Authority have not acted as required to safeguard public safety concerning the hazards presented by the Nof Yam complex. Furthermore, the Ministry of Finance, the Ministry of Defense, the Ministry of Environmental Protection, the Israel Land Authority, and the Water Authority have failed to fulfill their commitment made in September 2015 before the Supreme Court to evacuate and remediate the Nof Yam complex. Following the onset of the Iron Swords War, there has been a delay of approximately one and a half years in evacuating IMI Systems complexes from the Sharon region, with an additional anticipated delay of around two and a half years, which could result in a projected revenue loss of approximately NIS 4 billion for the state, according to Israel Land Authority Director, as of May 2024. As of December 2024, a plan has been developed to mitigate the impact of the evacuation delays, following an agreement between the Israel Land Authority and the Ministry of Defense to expedite the evacuation dates of IDF camps. However, approximately two and a half years after the designated timeline, Netzer HaSharon has yet to complete soil surveys in the Eliyahu complex within the Sharon complex. The tender committees of the Israel Land Authority and the Accountant General's Division have allowed the Israel Land Authority to enter into contracts with IMI Systems, exempting them from tender processes under the justification of being a sole supplier for the evacuation of facilities linked to the evacuation areas in the Sharon region, despite the presence of at least one other potential supplier, Netzer HaSharon, at the time of committee deliberations. The deficiencies raised in the audit underscore the persistent incompetence of the involved parties in the evacuation of IMI complexes and the remediation of associated contamination, thereby exacerbating risks to public safety, health, the environment, the flora and fauna.



The Ministry of Finance, alongside the Ministry of Defense and the Israel Land Authority, must address the deficiencies identified in the audit, taking decisive actions to advance the evacuation of IMI Systems from its complexes in the Sharon and Tirat Carmel regions, while considering the implications of the Iron Swords War. This includes assessing the necessary balance between ongoing production during wartime and evacuation efforts to mitigate public hazards, facilitating the development of approximately 36,600 housing units in the Sharon region, yielding approximately NIS 33 billion in revenues for the state treasury, and enhancing employment opportunities in the Negev. Additionally, the Ministry of Finance and the Israel Land Authority must collaborate with the Ministry of Defense, aided by the Ministry of Justice and the Prime Minister's Office, to remediate all IMI complexes – both active and inactive – of soil and groundwater contamination, thereby fulfilling the state's September 2015 commitment to the Supreme Court regarding the purification and remediation of the Nof Yam complex. The Ministry of Environmental Protection must take decisive action to promote legislation aimed at addressing contaminated land. Simultaneously, until such legislation is enacted, the Israel Land Authority must conduct a thorough risk analysis of lands contaminated by the state and its entities, and based on the findings, work towards establishing a financing arrangement or budget-supported initiative, together with the Ministry of Finance, to facilitate the rehabilitation of these lands, including IMI complexes, for which no land marketing plans currently exist.



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Chapter Five

Cyber Defense



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Cyber Defense

Information Security and Cyber Protection at the Israel Lands Authority – Results of a Robustness Test



Information Security and Cyber Protection at the Israel Lands Authority – Results of a Robustness Test

Background

The Israel Land Authority (ILA), as established under the Israel Land Authority Law, 1960, is responsible for the management of land resources in Israel, for the development of the State of Israel and benefiting the public, the environment, and future generations.

One of ILA's key functions is the allocation of land for residential, commercial, and industrial purposes, which it executes in part through public announcements of land tenders targeted at developers and the general populace.

The majority of the information collected, stored, and managed by ILA consists of sensitive data pertaining to real estate properties, encompassing both personal and business information. Furthermore, ILA operates a website, through which it provides service to the public. It is imperative for ILA to safeguard this information, ensuring that it is utilized solely for the purposes for which it was originally provided, as well as to fulfill its legal obligations. With respect to the real estate assets, ILA is required to protect the confidentiality, integrity, and availability of the data, preventing any unauthorized alterations or deletions, and restricting access to authorized individuals based on their official capacity or relevant interest in the information.


In matters pertinent to privacy protection and the security of the extensive data under its jurisdiction, ILA is obligated to operate in compliance with relevant legal statutes, including the Protection of Privacy Law, 1981, and the regulations promulgated thereunder. According to ILA's assessments, it faces various threats that encompass both internal risks, such as those posed by suppliers with whom it collaborates, and external risks, including threats from hackers and clients.



Key Figures

Multiple alerts	13 vulnerabilities	Approximately 350 tenders for land allocation	Approximately 83,000 residential housing units
Were received by the government SOC ¹ regarding ILA for suspected cyber threat activity, in the first half of 2023	Were found in the robustness test conducted by the Office of the State Comptroller, of which 2 were classified as "medium" risks and 11 as "low" risks.	Were published and discussed by the Tenders Committee in 2022.	With a total value of billions of NIS were marketed in 2022

Audit Actions

 Subsequent to the audit report regarding information security and cyber protection at the Israel Lands Authority released in May 2024, the Office of the State Comptroller executed an application-based robustness test of a designated information system within ILA in March 2024. This robustness test was facilitated by an external consulting firm and was conducted in a virtual testing environment to preserve the integrity of the existing information within the system.

Key Findings



 **2 medium-risk vulnerabilities were detected in the robustness test.**

 **11 low-risk vulnerabilities were detected in the robustness test.**

¹ The government command and control center for cyber threats, which deals with formulating the current government situational overviews in aspects of cyber protection and with providing a response to cyber incidents (SOC – Security Operation Center).

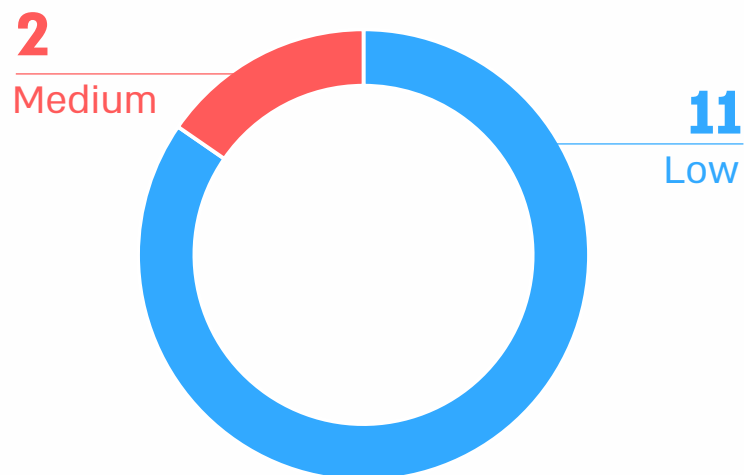


Key Recommendations



ILA must take step to rectify the deficiencies identified in the audit.

Deficiencies Found in the Robustness Test Conducted on ILA's Information System in March 2024, Broken Down by Risk Levels





Summary

The Israel Land Authority allocates land annually for residential, commercial, and industrial purposes, with a total value amounting to billions of NIS. The information and documents accumulated within ILA's information systems are of a sensitive nature, and any breach of confidentiality, integrity, or availability of this information could result in economic harm to the State of Israel.

The Office of the State Comptroller performed a robustness test on one of ILA's information systems, which revealed, inter alia, deficiencies in system access services and in one of the applications.

The Israel Land Authority is obligated to rectify the deficiencies identified in the audit.

In its response to the draft report, ILA indicated that it is actively addressing the deficiencies and implementing the majority of the recommendations provided.



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Cyber Defense

Information Systems and Cyber Protection in Municipal Elections



Information Systems and Cyber Protection in Municipal Elections

Background

Municipal elections represent a fundamental pillar of local democracy, and its results have significant impact on various aspects of daily life for all residents of the State of Israel. In Israel, elections for local authorities and regional councils take place every five years concurrently across the nation. The statutory date for these elections during the audit period was initially set at October 31, 2023. However, due to the onset of the Iron Swords War, the elections were first postponed to January 30, 2024, and subsequently took place on February 27, 2024 (elections actual date). These elections proceeded amidst the war in all local authorities, with the exception of twelve local authorities where residents were evacuated, and in some of those local authorities, elections were held in November 2024.

The election process can be a target for hostile entities attacks, which aim to undermine the sense of security and trust in state institutions, a risk that is exacerbated when elections take place during wartime. Since the commencement of the Iron Sword War, the Israel National Cyber Directorate has reported an increase in the frequency, variety, and targets of cyberattacks within Israel. The total number of significant incidents during the war, from October 7, 2023, until the end of that year, amounted to 3,380, reflecting a 2.5-fold increase compared to routine times. Furthermore, the objective of the majority of these attacks was to inflict damage, in contrast to pre-war incidents where the main goals were espionage and information theft.

The Minister of Interior is responsible by virtue of the law for the local authority election process, ensuring that elections are conducted properly and in compliance with the law, including upholding fundamental principles such as general, direct, equal, confidential and proportional elections. The Senior Local Authority Elections Division within the Ministry of Interior (the Supervisor Unit), headed by the National Supervisor of Elections (the Supervisor), is responsible for managing and supervising the electoral process. With respect to the information systems employed in the electoral process and their cyber aspects, the Supervisor is the entity that delineates system requirements, while the Senior Digital and Information Technologies Division at the Ministry of Interior provides the necessary development and maintenance services.









Although the election process itself is manual – utilizing ballot voting where each voter deposits their ballot into a ballot box – information systems are being used in preparation for and the managing of the elections for several functions, including personnel recruitment and training; task management in preparation for the elections; dissemination of voter eligibility



information; accessibility of election-related information and polling locations; as well as the inputting election results into the computerized systems and publishing the results to the public. Various government ministries develop and maintain some of these systems, adhering to numerous regulatory bodies in the cyber domain. A diagram illustrating the systems involved in the electoral process is provided below.



Information Systems Used in the Local Elections Process

Responsible entity	Name	Description
 The Population and Immigration Authority	System C	Managing information about the candidates and the parties, on those eligible to vote and on the final results
 Ministry of Interior	System B	System for managing the electoral process
 Ministry of Interior	System D	Receipt of the voter register files
 Ministry of Interior	System E	Viewing temporary results
 Ministry of Interior	System F	Official information website for the local elections
 Ministry of Interior	System G	Website for obtaining based information on the location of polling stations on the eligible voter's details
 Ministry of Interior	System H	System for managing requests from candidates and representatives for electoral lists from the voter register files
 Ministry of Interior	System I	Learning system

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



Key Figures

**NIS 1.26
billion**

The budget for local elections (including its changes) as of January 2025, of which NIS 29.7 million (2.35%) are actual computing expenses

**12,000
polling stations**

Were placed across the country in municipal elections

30,000

The number of workers employed in local elections

**About
500,000**

Operations for entering data from candidate forms and lists that were filled out manually into the computerized information system (involving data entries taking several days and were subject to human error) during the examined elections.

120,000

Votes using outer envelopes, in both rounds of municipal elections, which are checked manually and not digitally

Audit Actions



From July 2023 to July 2024, the Office of the State Comptroller examined of the information systems and cyber protection measures pertinent to municipal elections. The audit was performed at the Ministry of Interior, specifically within the Supervisor Unit and the Senior Department of Digital Technologies and Information. Supplementary examinations were conducted at the Population and Immigration Authority (Population Authority), the Prime Minister's Office (Israel National Cyber Directorate), the Ministry of Justice (Privacy Protection Authority), and the Ministry of Economy and Industry (National Digital Agency).

The audit was also conducted in real time, commencing during the preparatory phase of the election campaign. During the course of the audit, the Office of the State Comptroller submitted certain findings to the auditees to enhance their preparedness for the elections, with some issues rectified prior to election day. On election day, election night, and in the subsequent days, teams from the Office of the State Comptroller performed



an audit of the command-and-control center managed by the Supervisor Unit, the sorting center for outer envelopes, and the intake centers of thirteen local authorities nationwide, all under the jurisdiction of election managers employed by the Supervisor Unit, who received election materials from the polling stations and entered the election results into computerized systems.

The subcommittee of the Knesset State Audit Committee decided not to place on the Knesset's agenda and not to publish particular data in this report for national security reasons, pursuant to section 17(a) of the State Comptroller Law, 1958 [Consolidated Version].

Key Findings



Digitization of the Elections

🔴 Promoting Digitization and Automation in Electoral Processes – The cost of the local authority election process in 2024 was NIS 1.26 billion (not including the public holiday) and predominantly remains manual in nature, encompassing two core procedures: voting and the identification of voters, which have potential for computerization. Furthermore, the Supervisor Unit has not automated the manual forms utilized for electoral purposes, including thousands of nomination forms submitted by 737 candidates across 3,643 electoral lists, as well as approximately 11,000 voting minutes. The Supervisor Unit uses basic automated tools for core operations in the electoral process, but those tools are inadequate for executing complex calculations, despite the availability of advanced data analysis tools on the market, such as legally compliant random assignment tools for monitoring the assignment of faction representatives to polling committees. Additionally, the Supervisor Unit continues to rely on manual operations performed by human agents, which are susceptible to errors, such as typographical mistakes, and pose a risk of information leakage during the transport of sensitive materials.

It is noteworthy that in December 2013, the then Minister of Interior established a public committee to examine the computerization of electoral systems for the Knesset and local authorities. The committee's activities were suspended in 2014, and this matter was not promoted by subsequent Ministers of Interior and election supervisors I, despite the fact that computerized electoral processes have long been established in the primaries of certain parties in Israel and are implemented in several countries globally, with the exception of a specific initiative in 2023 by the Ministry of Interior to computerize the process of electoral list submission and examination, which is currently awaiting legislative approval.



Lack of Knowledge Sharing and Pooling of Resources Between the Knesset and Local Authority Election Processes – The main processes taking place within the two electoral systems (Knesset and local authority elections), which are budgeted and maintained by two public entities – the Central Elections Committee (responsible for the Knesset elections) and the Ministry of Interior (overseeing local authority elections) – face several professional challenges that are, in part, similar. These processes have been managed and developed over the years, without coordination or knowledge sharing between the entities, nor resource pooling – thus inhibiting the efficient and optimal use of public resources where such efficiency is feasible. Joint initiatives could facilitate mutual learning, thereby improving similar processes, mitigating risks to electoral integrity, improving the efficiency of systems, and preventing redundancy in the development and maintenance of similar information systems. It is noteworthy that both entities are presently engaged in separate endeavors to develop new computerized systems. This collaborative process would further enhance conceptual development and strategic planning regarding digitization and automation within these two electoral systems.

Manual Inspection of Outer Envelopes, Rosh HaAyin, First Round of the Elections




Photographed by teams from the Office of the State Comptroller on February 28, 2024.



The Support by State Regulatory Entities in the Realm of Information Security and Cyber Protection

Regulatory Guidance of the Electoral Process with Regards to Cybersecurity –

There is a lack of an integrating state regulatory body in the realm of information security and cyber protection that provide guidance and support the election process, ensuring that all systems and infrastructures employed meet the requisite level of protection. This absence is notable given the national significance of the project, which profoundly affects the public, society, and the economy, particularly regarding the utilization of information systems where breaches could lead to the disclosure of sensitive data pertaining to millions of citizens, compromise the integrity of system information, disrupt the operational continuity of these systems, and ultimately undermine public trust in state symbols and democracy. Although the Israel National Cyber Directorate and the Government Cyber Defense Unit (YAHAV) have been involved over the years in the development and maintenance of certain systems related to information security, such engagement has been partial and inadequate, failing to provide a comprehensive solution. Under these circumstances, it was not until May 2023 – five months prior to the originally scheduled election date in October 2023 – that the Supervisor Unit within the Ministry of Interior formally reached out to the Israel National Cyber Directorate, asking its assistance in the current electoral process. In reality, only in September 2023, less than two months before the original election date, while the systems were already utilized, definitive arrangements were established between the National Cyber Directorate and the Ministry of Interior, determining the framework for focused support from the Supervisor Unit concerning the computer systems and critical procedures during the 2023 election campaign.


 **Protection of Sensitive Information in the Voter Register –** The voter register contains sensitive information regarding millions of eligible voters. This confidential data is disseminated prior to elections to numerous parties, including hundreds of candidates and thousands of electoral lists. The Privacy Protection Authority issued guidelines only in September 2023 and directed the Supervisor Unit to relay these guidelines to the register's recipients belatedly, over two months after candidates were entitled to receive the voter register. Consequently, the guidelines' relevance was significantly diminished, as by that time the information could have already been misused in a matter not compliant with the regulations. Furthermore, the Authority failed to execute crucial active measures for raising awareness and enforcement among the register's recipients, actions that were undertaken during the Knesset elections. This is especially critical given that elections for local authorities involve a more extensive distribution of voter information to a larger pool of candidates and parties, increasing the associated risks, particularly in an environment marked by a rise in information security incidents during wartime. The Privacy Protection Authority mentioned that those measures were not taken due to resource constraints during the war, as some of its resources were allocated to managing severe information security incidents affecting the economy.




Identification and Management of Cyber Incidents


Utilization of Systems on Election day Without Risks and Threats Analysis –


On election day, the Supervisor Unit utilized additional information systems not included in the systems mapping documentation and in the threats and risks analysis. Consequently, a suitable protective framework for these systems was neither evaluated nor established, and they were not scrutinized in terms of information security and cyber protection aspects pertinent to the elections, nor were they subject to real-time monitoring to detect cyber incidents.

 **Detection of Anomalous Cyber Events –** On election day, the Ministry of Interior did not operate a central Security Operations Center¹ (SOC) for integrating monitoring findings from all supporting election systems, resulting in a lack of an integrating entity having a complete overview and an ability, using computerized means, to discern connections between anomalous events across various systems. Furthermore, the reference threats defined by the Ministry of Interior in collaboration with the Israel National Cyber Directorate were inadequate, lacking comprehensive consideration of all potential threats that could inflict significant harm to the electoral process. Additional deficiencies were identified in additional systems and in monitoring.

 **Handling of Events Suspected as Cyber Incidents –** The Ministry of Interior did not establish a structured process and actions protocol to follow upon identifying an event suspected of being a cyber incident (aside from notification by the SOC division to relevant elements within the Senior Department of Digital Technologies and Information), including essential preventive measures to be enacted immediately upon detection of an attack. The absence of a structured and clear action plan for swift activation upon the identification of an attack may result in prolonged attack durations and exacerbation of damage.

Protection of Sensitive Information

 **Logical Protection –** Deficiencies were identified in the logical protection mechanisms concerning sensitive information within the local authority election process. These deficiencies pertain to issues such as permission management, passwords management, separation of powers, and database protection.

 **Access Control and Safeguarding of Sensitive Material –** In nine (69%) of the 13 authorities observed by representatives of the Office of the State Comptroller on election day, deficiencies in physical access control were noted, permitting unauthorized individuals to access areas where sensitive election materials were stored. Furthermore,

¹ SOC – Security Operation Center – a command-and-control center for monitoring, identifying, and responding to cyber events



significant gaps in the physical safeguarding of sensitive election materials were identified, as these materials were often left unattended, thereby posing a risk that could compromise the integrity of the elections.

Sensitive Materials Left Unattended on Election Night in Intake Centers (Merhavim and Petah Tikva, Respectively from Right to Left)



Photographed by the Office of the State Comptroller teams on February 27, 2024.

* The photos show sensitive materials that were left unattended, not in accordance with procedures.

System C

User Workstations – On election night and election day, the Population and Immigration Authority deployed numerous remote System C stations with the objective of eliminating candidates and lists from the system and verifying the relevant authority's association with the outer envelope. The stations were placed without implementing requisite physical protections (access prevention and access control), as mandated by the Government Cyber Defense Unit guidelines, and were not compliant with the Population and Immigration Authority's requirements. The disparity between the risk arising from the absence of necessary protections on the stations and the advantages of their placement is further accentuated by the limited utilization of the stations at these locations, with only 0.2% and 8% of the envelopes being examined through them, respectively.



A Room in the Control Center on Election Night



Photographed by the Office of the State Comptroller teams on February 27, 2024.


- * Contrary to the guidelines established by the Population and Immigration Authority, the entrance door to the System C polling station complex remained open for a portion of the time, despite the installation of a card reader intended for access control. Furthermore, the security protocols governing the communications cabinet and the communications cables for the remote stations were found to be inadequate, failing to meet required security standards regarding the structure, cabinet and cable location, and control of access.




Interfaces


-  Deficiencies were identified concerning the interfaces between certain systems.

Systems Development

-  **A New System to Manage the Electoral Process** – The Supervisor Unit and the Senior Department of Digital Technologies and Information at the Ministry of Interior commenced in 2019 the development of a system (A) to manage the election processes scheduled for 2023. This system, for which the estimated cost of the order was approximately NIS 40.9 million, was intended to supersede in the 2023 elections the systems utilized in prior elections and to address deficiencies and challenges inherent in those systems. However, the system's development was not completed in time for the elections, and consequently, approximately eight months prior to the elections, the Ministry of Interior, following recommendations from the Senior Department of Digital Technologies and Information, opted to cease development of System (A) and put into service a previously utilized System (B). The audit found that this decision was made by the Ministry at a juncture that did not afford adequate time for the necessary preparations to utilize System (B) effectively. Thus, for example, the system was deployed without comprehensive testing. Throughout the elections preparation period, various malfunctions were noted, such as inaccessibility and a lack of alignment with user requirements, when on election night, significant issues arose regarding the system's functionality, including the inability to enter voting results due to insufficient authorizations for officials and an undefined list of candidates. As a result, alternative systems (the backup system or the local authorities' system) were utilized, resulting in delays of several hours in the entry and publication of overall results. Additionally, in discussions conducted on election night by teams from the Office of the State Comptroller with 13 election managers, nine (69%) reported experiencing operational challenges with System (B) during both the preparation phase and the election day itself.

-  **Secure Development and the Performance of Penetration Testing in Advance** – The Ministry of Interior and the Population and Immigration Authority did not adhere to security protocols within certain information systems developed and procured for managing the electoral process at local authorities, contrary to the requirements delineated in the Government Cyber Defense Unit guidelines. Moreover, the Ministry of Interior performed penetration tests in proximity to the original election date, and was required system modifications following the identification of vulnerabilities, such as the potential for uploading malicious files. The timing of these penetration tests did not allow sufficient opportunity for the implementation of substantive corrections or compensatory controls that would have been necessary for the proper functioning of the systems had the elections proceeded on their original date of October 31, 2023. However, given the election date postponement, it was feasible to carry out the necessary corrections prior to the new election date.




 **Managing Systems in a Public Cloud** – During the 2024 elections, the Ministry of Interior reinstated² System (B) on a public cloud platform located abroad, following the addition of new developments to the system. This action was undertaken without thorough examination concerning information security and privacy protection aspects, and without obtaining re-approval from a government cloud committee, a procedure mandated by the Government Cyber Defense Unit for any government information system transitioning to a public cloud or undergoing significant modifications, in light of the potential risks associated with utilizing a public cloud platform abroad, particularly regarding information governance. Additionally, System (B) lacked the compensatory controls mandated for System (A) as a prerequisite for its transition to the cloud.



Candidate Data Entry Process – An observation conducted by the Office of the State Comptroller team during the candidate data entry process identified deficiencies. These deficiencies were subsequently reported to the Supervisor Unit and the Population Authority and were addressed in accordance with the team's recommendations

Key Recommendations

 It is recommended that the Minister of Interior promote the digitization and automation of election processes with considerable computing potential, including voter identification via biometric methods, computerized voting, automation of nomination forms and protocols for polling station secretaries, the creation of a voter list management system to enhance the handling of outer envelopes (which totaled 114,578 in round one and 7,497 in round two of the current elections), computerized management of the assignment process for polling committee members, and the application of artificial intelligence technologies. The automation of these processes will facilitate the optimization of time and human resources, enable the analysis and processing of extensive databases, enhance information security concerning sensitive materials in the electoral process while decreasing the necessity for their transportation, assist in controlling procedures, increase transparency within the process, and reduce the risks of human error and of compromising the integrity of elections. In promoting digitization, the estimated cost of the local authority election process in 2024, projected at NIS 1.26 billion excluding public holiday costs, will be taken into consideration, as well as the holding of computerized elections in Israel across several non-state entities (such as party primaries) and in various countries including the USA and Estonia, and the decentralized nature of the local authority election process (with each authority operating

² System B was used for the 2018 election campaign. The Ministry of Interior developed a new system for the 2023 elections, but the development was not completed on time and the Ministry decided to use System B for the 2023 elections.



independently), permitting a controlled and gradual transition to digital applications through the implementation of a pilot model. It is also recommended that the Minister of Interior consider initiating legislative modifications on the subject, should they be deemed necessary.



Considering the similarities between local elections and general elections to the Knesset in terms of the business processes and information systems utilized during the preparation and management stages, and acknowledging that the Ministry of Interior and the Central Elections Committee are currently in the planning and initiation phases of new information systems for overseeing election processes, it is recommended that the Minister of Interior, in coordination with the Chairman of the Central Elections Committee, recommence the activity of the Committee for the Computerization of Electoral Systems for the Knesset and Local Authorities, which was ceased in 2014, and collaborate with the Supervisor Unit and the Central Elections Committee to establish a forum that fosters digitization and automation in election processes while facilitating knowledge sharing and resource pooling. This collective effort aims to address challenges by integrating technology into the electoral process while developing mechanisms that encompass aspects of information security and cyber protection.



Given the Ministry of Interior's statutory responsibility for the comprehensive management of the electoral process, which encompasses all facets including cybersecurity, and recognizing the Israel National Cyber Directorate's contribution to supporting the electoral campaign, enhancing protective measures, and engaging all state entities in cybersecurity efforts to safeguard this critical national process, it is recommended that the Ministry of Interior and the National Cyber Directorate take steps to amend the existing regulations. This may include modifications to the Law for Regulating Security in Public Bodies, the Local Authorities (Elections) Law, 1965, or the adoption of alternative legislative frameworks that would mandate ongoing guidance and oversight by the Israel National Cyber Directorate in local authority elections concerning all systems, infrastructures, and bodies engaged in the electoral process. This approach aligns with the recommendations made in the State Comptroller's report regarding the necessity for continuous guidance for general elections. It is important to emphasize that the regulation regarding guidance and supervision does not diminish the Ministry of Interior's overall responsibility for leading and managing the local authority election system. This approach will yield a comprehensive protection framework for all systems and infrastructures integrated into the project (including the interfaces between them), encompassing capabilities for asset mapping, threat reference definition, intelligence gathering, conducting briefings and exercises, and performing penetration tests on all participating entities. Additionally, it is recommended that the Israel National Cyber Directorate remains involved in the development of systems during the interim periods between elections.



It is recommended that the Privacy Protection Authority undertake supplementary actions to the guidelines it has issued concerning the distribution of the voter register in electoral processes, including raising awareness, supervision, and enforcement. It will further ensure that these actions are conducted in advance, especially prior to the availability of the



register for download, thereby enhancing their efficacy and relevance while considering the risks and numerous factors involved in the local election system, extending beyond the national election system.



It is recommended that in forthcoming electoral systems, the Supervisor Unit meticulously map all systems utilized in the electoral process in advance, including the business processes and information managed within each system, the system users, their interfaces, and categorization. This will facilitate the creation of a designated protection framework for these systems aligned with the risks they present, alongside testing to guarantee that these systems adhere to the established protection standards.



It is recommended that, in alignment with the defense doctrine, the Ministry of Interior develop a reference threat encompassing all relevant scenarios pertaining to the local authority election process, thereby establishing a foundation for the preparation against these threats.



It is recommended that the Ministry of Interior, in collaboration with the Israel National Cyber Directorate, enhance its detection and monitoring capabilities to identify attacks across all systems employed in local authority elections. This enhancement should include the definition of application and infrastructure monitoring protocols that ensure a comprehensive response to all identified threats, the operation of a central Security Operations Center (SOC) that aggregates monitoring results from all components of the systems supporting election day, and the establishment of preventive measures to be enacted upon event identification.



The Ministry of Interior, the Population and Immigration Authority, and the National Digital Agency ought to collaboratively address the deficiencies that were raised in the context of logical defense.



It is recommended that the Ministry of Interior and the National Digital Agency rectify the deficiencies concerning the interfaces.



Pursuant to the guidelines set forth by the Government Cyber Defense Unit, the Supervisor Unit must ascertain the implementation of access controls designed to safeguard all equipment and information (documents, computers, communications equipment, etc.) from unauthorized physical access. Furthermore, meticulous attention is required to protect sensitive materials. It is suggested that the Supervisor Unit refine the guidelines relating to the transportation, storage, and protection of sensitive election materials in conjunction with relevant stakeholders (e.g., locations for storage, types of structures utilized, and necessary security measures) and oversee their execution. Additionally, it is proposed that the Unit instruct the transportation of sensitive election materials in secured packaging.



It is recommended that the Population and Immigration Authority conduct a situational assessment regarding the deployment of System C on election day and address any identified gaps in System C. Furthermore, it is recommended that the Supervisor Unit



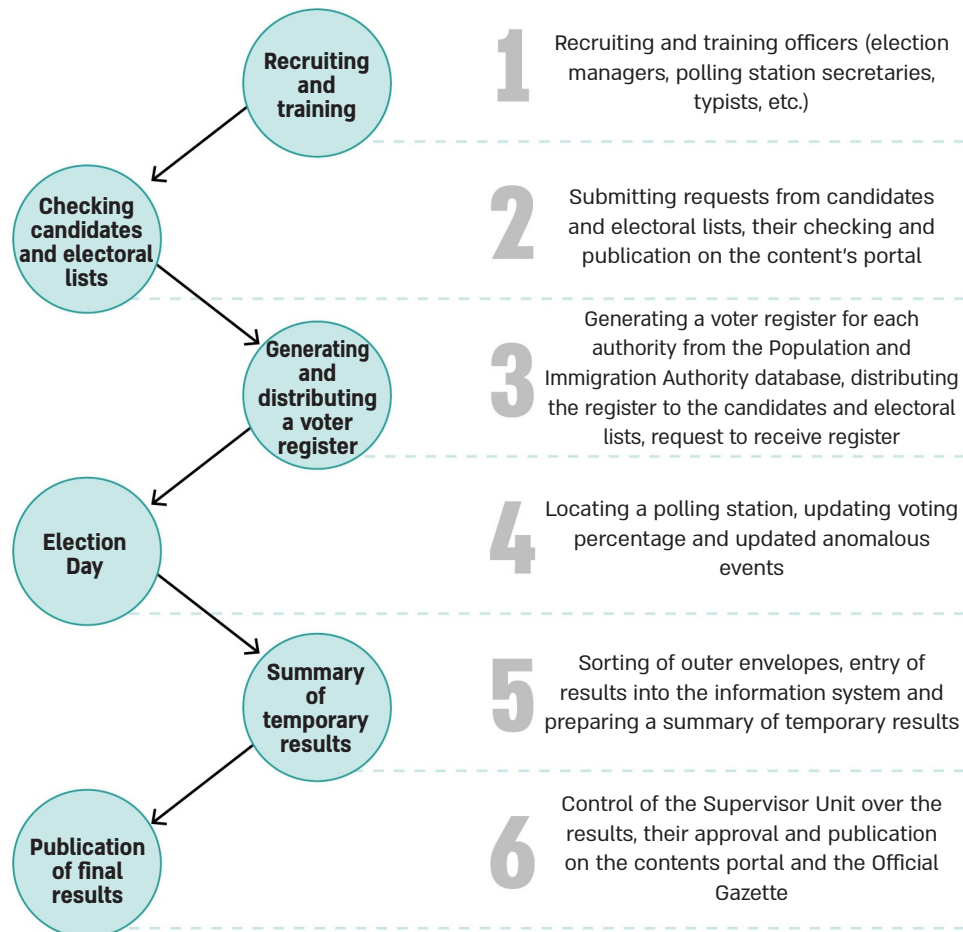
manage potential risks and evaluate the necessity of utilizing temporary remote stations for System C, given the Unit's limited engagement with the system on election night, as the establishment of such temporary stations may pose risks to the sensitive system.



It is recommended that the Ministry of Interior (specifically the Supervisor Unit in collaboration with the Senior Department of Digital Technologies and Information) facilitate the development of an updated election management system intended for forthcoming elections. Accordingly, a work plan should be formulated expeditiously, outlining milestones and timelines to secure all necessary approvals for developing the system in a cloud environment, implement security measures in compliance with the Government Cyber Defense Unit guidelines, and conduct penetration testing at a timing conducive to enabling substantial corrective actions, the integration of requisite compensating controls (including within cloud tools), and the setting of system configurations well in advance of the election dates. Moreover, it is recommended that, in accordance with the system development methodology, interim products be generated (for instance, control findings from elections conducted in one local authority) that may be evaluated and utilized prior to the comprehensive elections (to be held in local authorities throughout the country at the same time), thus ensuring that the system effectively supports all electoral processes and addresses the challenges and errors present in previous electoral systems. Additionally, it is recommended that prior to the election date, the Supervisor Unit, in coordination with election managers, verify, as part of a general rehearsal, the accuracy of all election management systems, including the specification of access permissions for all personnel as well as candidates and candidate lists within the systems, to guarantee system readiness on election day.



Key Processes in Municipal Elections



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



Summary

Municipal elections serve as a cornerstone for local democracy, and the outcomes of these elections significantly influence various aspects of the daily lives of residents in the State of Israel. The successful management of this national project necessitates the establishment of robust and secure computer systems that thoroughly support each stage of the electoral process.

The Office of the State Comptroller conducted a real-time audit of the information systems and cybersecurity measures during the elections held in February 2024, accompanying the entire process from the preparation phase to election day and the subsequent days. The audit identified deficiencies in both the IT preparations for the elections and the actual conduct during the electoral process, including:

1. A considerable portion of the procedures executed during the electoral process remains manual rather than automated, particularly in relation to voter identification. Technological advancements facilitate a transition to digital identification, anticipated to occur in the coming years. This transition mandates early preparations that establish a foundation for harnessing the benefits of digital identification while also addressing necessary legislative changes and mitigating potential information security risks.
2. The lack of an integrating state regulatory body in the realm of information security and cyber protection that provide guidance and support the election process, ensuring that all systems and infrastructures employed meet the requisite level of protection. This absence is particularly significant given the national scope of the project, which has major implications on the economy that rely on IT infrastructures designated as critical state infrastructures managed by various governmental entities. Compromising those infrastructures could cause the leak of sensitive information pertaining to millions of citizens and disrupt the electoral process.
3. Deficiencies were found in various aspects of information security and privacy protection within the information systems utilized for the electoral process. Some of these deficiencies were presented by the audit team to the Ministry of Interior' in real time and even prior to the elections out of which several deficiencies were rectified during the audit. The Ministry of Interior must continue its efforts to resolve the remaining issues.
4. The development of a new election management system (System A) was not completed by the established deadline. Consequently, the Ministry of Interior opted to cease its development, disbursing NIS 1.8 million for the initial characterization completed thus far (approximately 4.5% of the total projected cost of the project, which was estimated at approximately NIS 40.9 million), and to put into service a previous system (System B). The timing of this decision did not permit adequate testing prior to its implementation, resulting in significant problems identified on election night that ultimately delayed the entry and publication of the election results.



The deficiencies raised in this audit underscore substantial vulnerabilities in the management of the local authority election process that require a response. The findings prompt consideration of the need for ongoing and mandatory guidance and oversight by a governmental entity to provide a comprehensive protective framework for all systems and infrastructures integrated into this significant national project.

The Director General of the Ministry of Interior and the National Supervisor of Local Elections, in collaboration with state regulatory bodies (such as the Israel National Cyber Directorate and the Privacy Protection Authority) and other stakeholders in the electoral process (including the National Digital Agency and the Population and Immigration Authority), must conduct an in-depth analysis of all deficiencies identified in this report and implement rectification measures within a timeframe that guarantees proper and improved ICT management for the subsequent election cycle. To achieve this objective, rectification actions should be incorporated into the annual work plans of the Ministry of Interior and the Supervisor Unit until the next election cycle is conducted.

It is recommended for the Minister of Interior to revive the activities of the Committee for the Computerization of Electoral Systems for the Knesset and the Local Authorities, originally initiated in December 2013 and suspended in 2014. The Minister should advance actions on this matter in agreement and collaboration with the Supervisor Unit and the Central Elections Committee. This initiative will facilitate knowledge-sharing regarding the primary processes and systems employed in various types of elections, as well as those common to all. Given that these two entities are actively seeking to replace the election management systems, the potential for automating certain processes or segments through integrated systems will be evaluated, considering scheduling, cost considerations, the capability to operate multiple election systems concurrently, and cybersecurity and system resilience concerns.

Examples of processes that could be automated, some of which have been implemented at the Central Elections Committee, include, biometric voter identification, automation of nomination forms (legislation is being advanced in this regard), management of minutes of polling station secretaries, establishment of a voter list management system, computerized oversight of polling committee composition, and the application of artificial intelligence technologies. The computerization of the electoral process promises to optimize time and human resource utilization; enable analysis and processing of extensive databases; improve information security, particularly for sensitive data, and reduce the need for its physical transmission; facilitate control procedures; increase transparency and deterrence; and reduce the risks of human error and of compromising the integrity of elections.