



STATE OF ISRAEL



OFFICE OF THE STATE COMPTROLLER
AND OMBUDSMAN OF ISRAEL

THE OCTOBER 7TH TERROR ATTACK AND THE IRON SWORDS WAR

STATE COMPTROLLER REPORT

Compilation of Reports on Government Bodies' Handling of Emergency Situations

January
2026

Special
Report

Foreword

The special audit report presented to the Knesset today represents the ninth publication by the Office of the State Comptroller addressing the deadly terrorist attack on October 7 and the Swords of Iron War. This report encompasses audit findings related to governmental agencies' management of emergencies, specifically in the domains of protection and provision of shelters, learning, and compensation for the war. Below is an overview of select audits:

Protection of the Population

Following the violent assault perpetrated by Hamas on October 7, 2023, and continuing until November 2024, over 27,000 missiles, rockets, and lethal unmanned aerial vehicles (UAVs) have been launched towards the State of Israel, resulting in both fatalities and damage to buildings and infrastructure. By the conclusion of November 2024, at least 63 Israeli and foreign civilians had lost their lives due to rocket and missile fire, with a minimum of 43 casualties originating from launches in the north and at least 20 from the south. During Operation Rising Lion in June 2025, 33 civilians were killed and approximately 3,500 were injured following missile attacks from Iran, thereby underscoring the imperative of safeguarding the population.

Physical protection, which creates a buffer between this imminent threat and the populace, aims to minimize physical harm to individuals and the number of casualties, ultimately serving to save lives. The establishment of physical protective measures to shield the entire population of the State of Israel is a critical prerequisite for effectively addressing the threat posed by missiles, rockets, and UAVs. Furthermore, these measures facilitate the maintenance of emergency routines and the provision of essential services to residents.

● Protection and Shelters in Local Authorities

The audit revealed considerable discrepancies between the requisite protection measures and the availability of shelters, primarily attributable to a lack of protected spaces and inadequate maintenance of public shelters as well as shelters within condominiums. As of January 2025, approximately 3.2 million residents (33.6%) lacked standard protective measures. The audit identified a particularly acute shortage of protective provisions within the Bedouin population in the Negev, where standard shelters or protective measures were entirely unavailable in emergency situations.

The audit indicates that certain local authorities examined did not complete the mapping of protected spaces, failed to update the local protection plan in accordance with identified deficiencies, and did not utilize a geographic information system for the mapping and management of said data. Moreover, some local authorities did not conduct inspections of shelters in condominiums with the required frequency, and the inspections that were carried out did not encompass all mandatory evaluations as stipulated by the Home Front Command's Shelter Maintenance Guide. Consequently, many shelters were found to be unfit for use at the onset of the conflict, prompting the Ministry of Housing to initiate the allocation of substantial funds to local authorities to make condominium shelters usable. Local authorities are urged to exert close supervision over the condition of shared shelters in condominiums and to mandate that residents appropriately maintain these facilities.

In light of the findings arising from the inspection of public shelters within the local authorities examined, it is

recommended that the Home Front Command increase the frequency of its inspections to verify that local authorities adhere to its established guidelines and requirements.

To enable the Ministry of Education to obtain an accurate representation of the protection gaps within educational institutions, it is essential to maintain current data regarding the protection areas within these institutions. The Ministry of Education and the Home Front Command, in collaboration with the Ministry of Finance, must endeavor to incorporate an updated protection framework for educational institutions into relevant regulations, reflecting the lessons learned from the Swords of Iron War.

The deficiencies identified in government responses concerning the emergency needs of Arab society highlight the necessity for the Prime Minister's Office, in partnership with the Ministry of Social Equality, to establish an overarching entity capable of mobilizing government ministries, local government agencies, and pertinent public bodies to address the gaps in civil preparedness for emergencies, thereby mitigating potential harm to civilians resulting from the ongoing conflict.

For the execution of the "Northern Shield" program, the Home Front Command was allocated a budget of NIS 1.406 billion for the period spanning 2019 to 2024, with NIS 869 million designated for the implementation of the program in 2024 (subsequent to the onset of the Swords of Iron War). It is noteworthy that, pursuant to Cabinet Resolution 302/B, a total of NIS 3 billion was mandated for allocation during this timeframe. The budget implementation as of the end of 2024 amounted to merely NIS 733.69 million, representing approximately 52% of the total budget actually

allocated. It is important to emphasize that this sum reflects only payments made until July 2025, excluding additional budgetary commitments that remain unrealized.

The inter-ministerial team, under the auspices of the National Security Council, should finalize the assessment of protection gaps and develop a multi-year budgetary plan in cooperation with the Head of the Budget Division at the Ministry of Finance and the Director General of the Ministry of Defense. This plan should specifically address protection deficiencies within localities situated along conflict lines in both the north and south, and be presented to the Cabinet for consideration. It is recommended that the Prime Minister revisit the issue of protection gaps for renewed discussion within the Cabinet and work towards the formulation of a comprehensive national plan with budgetary provisions to meet the identified needs, and further, to institutionalize mechanisms for the monitoring and oversight of the plan's implementation.

- **Protection of Hospitals**

During periods of emergency, the health system operates to serve both the civilian population and the Israel Defense Forces (IDF). Hospital protection, integral to war preparedness and a vital means of enhancing resilience against seismic events, is a fundamental prerequisite for maintaining the operational continuity of the health system during emergencies, thereby ensuring hospitals' capacity to provide medical assistance to victims. The Swords of Iron War and Operation Rising Lion, in the course of which (until June 2025) over 37,500 missiles were launched, aimed at the territory of the State of Israel, particularly in its northern and southern regions,

present new challenges to the health system, notably due to the prolonged state of emergency and the extensive geographic impact.

The State Comptroller has previously highlighted protection deficiencies in different hospitals. This audit has elucidated the adverse consequences resulting from these protection gaps, affecting both general hospitals and continued care facilities, including geriatric, psychiatric, and rehabilitation hospitals. Specifically, Soroka Hospital, which was directly impacted during Operation Rising Lion, exhibited significant vulnerabilities that compromise its ability to sustain continuity of care over time.

Due to the gaps in protection, critical activities within hospitals have at times been suspended for extended durations, necessitating operations in inadequately protected areas. Additionally, hospital occupancy has decreased, partly as a result of population evacuations from the north and south, leading to a reduction in ambulatory medical services. These circumstances have complicated access to essential medical care, disrupted the continuity of care, and potentially jeopardized public health outcomes. With respect to continued care facilities, which cater to a sensitive and vulnerable patient demographic and play a crucial role in alleviating pressure on the general hospitalization system, it has been revealed that less than a third of their beds are protected or can be relocated to an alternative protected site, while approximately half are located in unprotected areas, with the remainder situated in the "most protected" sites. Moreover, the capacity of geriatric hospitals to decrease occupancy per the directives of the Home Front Command and the Supreme Authority for Hospitalization is limited. Despite the inadequate state

of protection, these hospitals remain nearly at full capacity, indicating that a considerable proportion of their patients reside in unprotected environments.

Since 2007, the government has adopted three resolutions aimed at enhancing the protection of hospitals located in the northern and southern areas, at a budget of approximately NIS 900 million. Nevertheless, there has yet to be a government resolution on the implementation of a multi-year budgeted plan to remediate protection gaps in general hospitals. To assure operational continuity in the face of sustained warfare, and given the damages sustained by Soroka Hospital in June 2025, addressing the deficiencies in hospital protection is imperative to ensure that patients and caregivers are situated in secure environments. The Ministry of Health has estimated the necessary funding for this endeavor to be nearly NIS 5 billion. Such a budget necessitates the development of a comprehensive long-term national strategy, which should be incorporated into a specific governmental resolution that earmarks funding and establishes priority order. To optimally prepare for prospective emergencies, it is advisable for the Ministry of Health and the Home Front Command continue updating the protection regulations that have already been revised in response to emerging needs on the ground. Additionally, it is recommended that the Ministry of Health establish action protocols to oversee the implementation of all hospital projects, thereby ensuring compliance with legal and regulatory standards mandated by protection regulations. Furthermore, in light of the ongoing Swords of Iron War, the Ministry of Health, the Home Front Command, the Ministry of Finance, and the various stakeholders within the health system that manage hospitals, should engage in a systematic and

collaborative process to evaluate and draw lessons from the numerous issues encountered regarding the continuity of care and operational functionality attributable to hospital protection failures.

The Preparations and Activities of the Tax Authority Regarding Compensation for War Damages

The ongoing conflict associated with the Swords of Iron War, in conjunction with the directives issued by the Home Front Command, the extensive mobilization of reserve forces, and the evacuation of residents from various localities in both southern and northern regions, have resulted in direct destruction of property and disruptions to the regular economic activities of numerous businesses in Israel. In 1973, the Tax Authority established a Department for Compensation for Hostile Actions (the Compensation Fund) tasked with coordinating state compensation for damages resulting from warfare. As of the eve of the Swords of Iron War, the Compensation Fund balance stood at approximately NIS 17.7 billion.

The audit revealed the absence of permanent legal provisions delineating the conditions for eligibility for compensation concerning indirect damages, as well as the methodologies employed for their calculation. This deficiency persists despite Israel's engagement in wars and military operations over the preceding two decades, during which the population and economy were subjected to various restrictions causing both direct property damage and indirect harm to businesses. The absence of definitive legislative regulation, combined with the duration required to establish temporary

provisions addressing indirect compensation, has heightened uncertainty for those affected by the war. This situation has prolonged the timeframe between the damage date and the dates upon which compensation is disbursed, thereby complicating the recovery processes for businesses adversely impacted.

Furthermore, findings indicated that the Compensation Fund issued payments to businesses during the Swords of Iron War and in previous conflicts, as well as throughout the COVID-19 pandemic, resulting in excess disbursements for indirect damages that exceeded NIS 3 billion, amounts for which claimants lacked legal entitlement. Approximately NIS 1.5 billion of said amount was disbursed subsequent to the Swords of Iron War. As of the audit end date in December 2024, NIS 1.9 billion had not yet been reimbursed to the Fund.

The audit also noted that the Ministry of Finance administered the Fund merely as a notional entity, devoid of identified assets. Moreover, the Ministry regularly utilized the Fund's resources without a supporting legal justification and without conducting a thorough economic review on the topic. The funds within the Compensation Fund yield low interest rates, insufficient to counter inflationary erosion and are misaligned with the prevailing variable interest rate environment. It was further found that, just prior to the Swords of Iron War, the Compensation Fund's balance (NIS 17.7 billion) was less than the total expenses incurred during the Swords of Iron War for both direct and indirect compensation, estimated at NIS 18.8 billion, from October 2023 to the close of 2024. This amount was also significantly lower than the projected direct damage alone,

which stood at NIS 36.2 billion. It has been discovered that the Ministry of Finance had not articulated or submitted to the Knesset Finance Committee the requisite scenarios for which the Fund should prepare, what balance should be maintained, or what the optimal capital structure should be relative to the Fund's exposure, thus failing to adequately prepare for potential warfare contingencies.

It is recommended that the Tax Authority and the Ministry of Finance initiate a legislative proposal with enduring validity pertaining to compensation tracks for indirect damage, with the aim to shorten the duration from the date damage occurs to the date on which claims can be filed and compensation received, thereby offering businesses greater certainty during emergencies. Additionally, the Tax Authority should pursue collection procedures for all excess payments made by the Compensation Fund. It should assess optimal utilization of the human resources and technological tools at its disposal and endeavor to develop and implement computerized controls within the Compensation Fund systems to mitigate financial losses to the state treasury stemming from payments to ineligible claimants. Moreover, it is advised that the Tax Authority and the Ministry of Justice expeditiously pursue a legislative amendment that would empower the appeals committees within the Ministry of Justice to adjudicate all appeals lodged against decisions of the Compensation Fund concerning claims for compensation payments under the Compensation Fund Law and its associated regulations. This amendment aims to resolve the inherent conflict of interest within the existing legal framework and facilitate prompt and independent resolution of appeals arising from claims for direct and

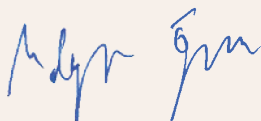
indirect damages. Furthermore, it is recommended that, until such an arrangement is established, the appeals committees strive to reduce the timelines for issuing responses.

It is imperative for the Ministry of Finance to evaluate from a legal standpoint whether operating the Fund as a notional entity, where the accrued funds are not allocated to identified assets, as well as the utilization of these funds, comply with the stipulations of Section 2A of the Property Tax Law and its subsections. The Ministry must also engage in comprehensive staff work to evaluate the feasibility of utilizing Compensation Fund assets for government expenditure financing. Additionally, the Ministry of Finance should develop a comprehensive framework to establish objectives and sources of funding while regularly reviewing and aligning with updated estimates. The framework should be presented to the Knesset in the context of budgetary documentation, including any potential deficits necessitated during emergencies. This particularly with reference to obligations to the Compensation Fund, alongside the associated financing costs of borrowing during wartime. Presenting such data will equip decision-makers when considering scenarios pertaining to future conflicts and other catastrophic events during deliberations of the state budget.

In conclusion, I wish to thank the employees of the Office of the State Comptroller in the Economy and National Infrastructure, in the Social and Welfare and in the Local Authorities Audit Divisions, as well as the employees in the Headquarters Division, for their efforts

in carrying out inspection and audit processes with the utmost thoroughness, professionalism and integrity and in publishing clear, effective and relevant audit reports.

We continue to pray and express our hopes for the recovery of the wounded, the return of the deceased hostage and his proper burial, and for peaceful and quiet days.



Matanyahu Englman

Jerusalem,
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**State Comptroller
and Ombudsman**