

age for women including a comparison to international norms, especially in light of the welcome and continuing increase in life expectancy in Israel.

This far-ranging Report covers many different subjects, and this introduction only touches on some of the chapters that are included in it. Each of the Report chapters presents the public and decision makers with an overview of the activities of the audited entities. It thus helps all of us to ensure the propriety of public service in the State of Israel, and makes an important contribution to increased efficiency, savings and ethical behavior within the audited entities and increased compliance with the rules of good governance.

**Considerable effort was expended by the personnel of the State Comptroller's Office in the preparation of this Report. The preparation work was carried out professionally, thoroughly, fairly and carefully, and those working on it carry out their public functions out of a sense of true dedication. I am very grateful to those who prepared this Report.**

I am also aware that much good has been done in many audited entities, for the benefit of the residents of the State of Israel. In accordance with the State Comptroller Law, this activity is reflected appropriately in this Report for the purpose of providing a full presentation of the situation as indicated by the audit.

The audited entities have an obligation to act quickly and efficiently to correct the deficiencies indicated in this Report, in order to promote good public service in Israel and thus to improve the quality of life for the residents of the country.

**Matanyahu Englman**

State Comptroller  
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in the grant approval process and the financing of these events: The Jerusalem municipality provided excessive financing for an event that was branded as a birthday celebration for a regional radio station. The financing came from two parallel financing sources, in violation of – among other things – the rules of good governance. The municipality's actions caused the Ministry for Development of the Periphery, the Negev and the Galil to suspend its previously approved financial support for the event, and the municipality itself bore the entire cost of the events. The payment amounts and the double payments as well – made by the Jerusalem Municipality and by the Ariel Company, for identical types of service, require the Jerusalem Municipality to examine all the payments that were made for financing the event. The Jerusalem Municipality must implement a more efficient control mechanism to monitor government financial support and payment approvals for events, including the purchase of services from the Ariel Company.

Monitoring the correction of deficiencies that have been noted in previous reports is an important tool, the purpose of which is to ascertain that the audited entities have carried out the required corrections. I intend to expand the scope of the follow-up audits, and to upgrade the manner in which those audits are performed. The current Report presents the findings of the follow-up audit regarding the **State pension arrangements** – findings that were published in October of 2016. We did a limited review regarding the correction of deficiencies regarding several significant issues that were raised in the previous Report, including: increased pension rates approved by the Chief of Staff for IDF pensioners; payment of a bridge pension for IDF pensioners and recording the resulting liability in the State balance sheet; and action taken to raise the pension age for women.

The audit findings indicate that there has been only partial progress in resolving these issues, and that government intervention is required to mediate the remaining disputes between the IDF and the Ministry of Finance regarding these matters. Government intervention is also required to regulate data transparency. The current Report recommends completing a review of the plan for increasing the retirement

burden. The audit regarding the **Companies Register database – the distribution of information and the quality thereof** deals with the distribution of information from the database managed by the Companies Registrar; the authenticity, accuracy, and quality of the information in it. The audit also examined privacy protection for the information stored in the database. In light of the importance of the database for the public, the Ministry of Justice must insist that those companies that have been licensed to distribute information from the database to the public fulfill their obligations, continue to improve the quality of the information and improve its accessibility to the public.

The Office of the State Comptroller also audited **the management and supervision of the Ministry of Agriculture and Rural Development regarding the import of livestock and animal feed and the prevention of diseases**. We found that in recent years, the price of meat for consumers has risen, despite reforms that were implemented for the purpose of lowering the price. The Ministry of Agriculture also delayed the approval of livestock imports from additional countries, even though such imports were likely to increase competitiveness and reduce the price of meat for consumers. In regards to protecting public health, we found that there are no regular inspections to ascertain breeders' compliance with the import conditions in countries that have been approved to import livestock. Additionally, despite the high percentage of meat that is infected with brucellosis and the number of humans also infected with the disease – there is no implementable plan to eradicate the disease and to stop its spread. There is also a suspicion that imported animal feed that includes poisonous materials that will harm animals who eat it, and will also harm humans since no inspections are performed to ascertain that the feed is safe.

In the context of examining issues relating to proper administration and ethical behavior, we conducted an audit of **cultural events for the Ultra-Orthodox sector in Jerusalem during Chanuka of 2016**. The audit found various defects

**The Fight Against Crime, Through Economic Enforcement and Asset Forfeiture:**

The audit focused on a review of the obstacles that impede the conduct of legal proceedings in which a criminal's property is forfeited and is transferred to state ownership through a court order. There is a substantial disparity between the number of investigations that are opened by the police and other investigative authorities and the scope of the assets that are seized, and the ability of the prosecuting entities and the forfeiture unit to handle those cases and take control of those assets. We also found that there are overly crowded litigation schedules and that the handling of the financial enforcement cases and of serious tax crime cases and the conduct of the legal proceedings take considerable time. It is recommended that all the parties dealing with this issue should establish enforcement targets for this matter, in coordination with each other.

**Implementation of the Sexual Harassment Law:** On February 27, 2018, the Knesset's State Audit Committee asked the State Comptroller to prepare an opinion regarding this matter. The audit indicated that the state institutions have implemented procedures for preventing sexual harassment by civil servants and government employees and for handling incidents. In contrast, the sexual harassment incidents between civil servants and the general public, in frameworks such as the educational system and the health care system, are not appropriately handled. Furthermore, sexual harassment in the private and public employment sector is not being handled appropriately, and there is insufficient government oversight in this area. We recommended to the Ministry of Justice that they examine new methods for implementing the Law, and that they promote an annual reporting obligation regarding sexual harassment incidents and focus their attention on weaker population groups, including contract workers of both genders.

As State Comptroller, I attribute great importance to the examination of issues that impact on the business sector, including a review of the nature and cost of the service provided to that sector and the need to strive to reduce the bureaucratic



Several years ago, the government decided to engage in a major reform of the **Civil Service personnel management**. The findings in this field indicate that the Civil Service has partially dealt with the significant challenges regarding human resources management; the government reform was implemented only in part, and a work policy and plan is needed to complete the project. An audit regarding **management issues at the Prime Minister's Office** has shown that various senior positions have not been filled. These positions deal with administrative issues and purchasing authority in the Prime Minister's Office. It is recommended that these positions be filled, and that methods for improving the control process be examined.

Pursuant to the Public Complaints Regarding the State's Representatives in the Courts and Tribunals Law - 2016, the unit for Audit of the System of State Prosecutors and Representatives in the Courts, was established at the end of 2017, within the Office of the State Comptroller. This annual Report contains three chapters relating to the unit's work, as set out below:

**Criminal Arrests in Israel:** This is a systemic audit of the work of the various law enforcement authorities: The Israel Police, the Ministry of Justice, the Courts System and the Israel Prison Service. The audit indicated deficiencies in the work of these entities and in the interaction among them, and primarily the disregard for the protection of detainees' rights and insufficient supervision and control of this aspect; limitations on the law enforcement authorities' access to the courts; non-regulation of the function of the detainees' court representatives; the insufficient use of arrest alternatives or arrest in the form of electronic monitoring; and non-conformity of a substantial portion of the holding cells with the living space standards established in accordance with the rulings of the High Court of Justice. The implementation of these audit recommendations can make a substantial contribution to the improvement of the work of the law enforcement authorities in this area, in a manner that will secure the human dignity of the detainees.

An additional systemic element that was examined relates to the integration of advanced technologies in the activities of municipalities, and the challenges involved in the development of “smart municipalities”. The chapter dealing with the issue of **government preparedness for implementation of the smart cities initiative** indicates the significant gaps between the technological capabilities and the services that the local authorities provide, the difficulties that the local authorities face in implementing digital projects, and the need for integration and professional support and infrastructures for the local governments. An additional chapter in the Report relates to the country’s preparation for a transition to the age of computerization and deals with the **national project – “Digital Israel”**. The project is based on a vision of the use of information technologies and communications in order to promote rapid economic growth, so as to reduce the cost of living and reduce disparities between the geographical and social periphery and the urban center. The government should examine, in an inter-ministerial forum, all the investments in the initiative; these need to be viewed in comparison to the output that has been derived from these investments until now, and the expected future benefits

The chapter dealing with the **diplomatic representation system and the crisis in the foreign ministry’s budget** indicates that the system is in a structural-operational crisis. International activities are performed by approximately 40 government entities who operate in dozens of areas, in a decentralized manner – in formats that are tangential, parallel and repetitive with respect to the foreign ministry’s activity – without a strategic view, and without any centralized integrated management. No one party has a complete picture of all of Israel’s worldwide activity. Alongside this, the Foreign Ministry itself is experiencing a critical budgetary crisis, which substantially disrupted its activity in 2019. This situation does not allow for maximum utilization of the opportunities to promote Israel’s interests in the international forum.

Contaminates in food products can cause illnesses and in extreme circumstances, fatalities. In our review of the **actions taken by the Ministry of Health to prevent health dangers caused by exposure to contaminants and pesticides in food products**, we found many issues that require improvement in the National Food Services' (a division of the Ministry of Health) handling of contaminated food that has been marketed to the public and regarding illnesses related to these food products. It was also found that food products brought to Israel from the Palestinian Authority are marketed without the National Food Services checking them. It is recommended that the interfaces with the public be improved, and that the public be informed in a timely efficient manner regarding any exposure to contaminants in food products.

Since assuming my position as State Comptroller, I have insisted that technology and computerization development - with all the advantages and risks that they present – is one of the key upcoming challenges. This Report sets out the findings from several systemic audits carried out in this area. One of the Report's chapters deals with the **use of biometric databases**, which has become more frequent in both government and private sectors, and which presents many advantages as well as significant risks in terms of data security and privacy protection.

The audit indicates that there are numerous areas that require corrective action, as the biometric applications and challenges in this developing area will only increase over time. The matter requires constant review and supervision, with the objective of managing risks and best protecting the public in an efficient manner. It is recommended to consider unifying key databases – i.e., the biometric identity card and driver's license databases. Control of data stored in the photo database of the Rav-Kav (public transportation) smart-cards should be improved, in light of the large quantity of the data held in that database and the risks involved in its use, especially because it includes approximately a million photographs of minors.

supply and to integrate such an expansion with other governmental programs, such as the “Buyer’s Price” program.

Every year, some 400 people in Israel commit suicide. The comprehensive chapter dealing with the issue of the **National Suicide Prevention Program** points to the fact that in the six years since the program began to operate, the government ministries – primarily the Ministry of Health, which was asked to lead the program, and its key partners, the Ministries of Welfare, Education and Absorption, have failed to implement the main elements of the plan. They have failed to establish an organizational and administrative infrastructure to carry it out, they have not allocated any of the budgets for the program that were established in the Government Resolution and did not outline or adopt any therapeutic strategies suitable for dealing with the phenomenon. The program was operated in only a few towns.

The current medical-social-economic crisis requires that the partners in the suicide prevention program must make efforts to carry it out, particularly at this time of emergency, in order to create accessible social, educational and medical responses for the population groups that have been found to be at risk – the elderly, children, youth and new immigrants. These types of solutions are also needed for other risk groups – those who have lost their livelihoods and those who are currently under great emotional distress.

An examination of the aspects of the **reform involving transfer of responsibility for mental health safety** has shown that the waiting times for receiving treatment at the health funds can be extended, sometimes as long as 12 to 16 months. This has the potential effect of adversely affecting the mental health of the patients, and can also cause untold damage to their families and their immediate surroundings and reduce the impact of the therapy. Patients who turn to private therapists are forced to pay high co-payment fees in the amount of approximately NIS 570 per month. These costs can present an obstacle that prevents the less economically secure population groups from receiving needed treatment.

NIS 2,559 billion, which indicate significant risks for the State of Israel – the national financial statements have not been deliberated by the Government or by the Knesset. The statements' presentation to the decision-makers could also contribute to increasing the government's accountability, improve the manner in which it uses public resources that are made available to it and to serve as a platform for discussion of the assets and liabilities (particularly the long-term liabilities) and an examination of the country's short-term and long-term economic challenges. In my view, the types of audits carried out by the State Comptroller should be varied and we need to improve the scope of financial audits.

With regard to handling social issues, the State audit process pays special attention to examining matters that relate to weaker groups within the population, whose rights are harder to protect and who often have no opportunity to be heard. In our examination of the **State's handling of high-risk youth**, the audit showed that the Ministries of Welfare and of Education have not been coordinating their actions regarding the identification of members of this vulnerable group and handling them. The two ministries need to formulate, together, a uniform and comprehensive approach, with the objective of establishing appropriate educational or therapeutic responses for them. This could range from community based arrangements to solutions outside of their homes – including government dormitory programs. Regarding the government dormitory programs, it has been determined that the Youth Guardianship Authority must continue to work to reduce the number of young people who are waiting for placement in the dormitory programs and to expand the variety of solutions available for them.

In the course of an examination of the systems for **purchasing and selling public housing apartments**, I recommended that in light of the continued increase in the number of those entitled to public housing, the government should continue to work to expand the options for needy population groups who require housing assistance. This should include an examination of ways to increase the apartment

The Office of the State Comptroller and Public Ombudsman carries out constructive, objective and respectful audits. The audits are directed at future challenges, increasing the audited bodies' accountability; improving their operations, promoting the fulfillment of their objectives, and increasing the public benefit from these entities.

The Office of the State Comptroller and Public Ombudsman works to achieve its objectives, as established by law, in a professional, efficient, independent manner with organizational transparency. It strives for excellence and constant improvement, basing itself on the work of its highly skilled personnel.

In accordance with this vision, we will work toward establishing state audit as constructive, relevant and effective – dealing with the core areas of an audited entity, while focusing both on audit topics of a social nature, and providing service to the citizens. The audits will also study significant risks impacting on the audited entities activities. and analyze issues that conflict with good governance and proper ethical behavior.

Pursuant to section 10 of the State Comptroller Law, I instructed that the Financial Statements of the State of Israel as of 31 December 2018 be reviewed. The government's financial statements are a vital administrative measure for implementing its policy and for making decisions, and they constitute one of the main channels for transferring information regarding the state to the public, and for decision making. The financial statements that were reviewed lacked significant data representing substantial monetary amounts. Additional deficiencies include the fact that international government accounting standards have only been partially adopted. Despite the fact that the financial statements show an accumulated deficit of NIS 1,961 billion and liabilities (mostly long-term liabilities) in a total of



## Foreword

**The Seventieth Annual Report, for the year 2019**, and for the fiscal year 2018 accounts, is the second part of the Annual Report. It is presented to the Knesset pursuant to the State Comptroller's Law-5718-1958 [Integrated Version]. This Report covers a wide spectrum of topics, and it includes 35 chapters\* dealing with the audit of government ministries, State institutions, local government and various governmental companies and corporations. These chapters present to the public important audit findings relating to all areas of life.

We are at the peak of the coronavirus outbreak, which has already been defined as a world pandemic, and which is upending the world and the State of Israel and impacting our lives in a very significant way. This outbreak has presented us with a test of our personal and national strengths. I believe that it is important that even in these times, state audit should continue to improve the operations of government institutions.\*\* I wish, for all of us, that we soon return to our daily routines.

When I took this office, I formulated my vision for the Office of the State Comptroller and Public Ombudsman. That vision was as follows:

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\* Note that aside from these chapters, there are 12 additional chapters that have been submitted in the framework of the Annual Report, and which are currently undergoing security clearance proceedings and are not included in this Report.

\*\* As required by law, the Report was submitted to the Prime Minister on February 14, 2020 and it is being published now.





# **The Office of the State Comptroller and Ombudsman**

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The 70th  
Annual Report  
part 2



Jerusalem | May 2020

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