Foreword

The State Comptroller’s annual audit report – May 2023 is submitted to the Knesset under the State Comptroller’s Law, 1958 [Consolidated Version]. The report includes 22 audit reports of government ministries, state institutions, government companies and corporations.

By the Office of the State Comptroller and Ombudsman of Israel vision, the audit reports deal with the core areas of the audited entities, focusing on the material risks affecting their activities, alongside proper governance and integrity issues. The reports raise to the public’s agenda important findings concerning the well-being of the individual, children and youth, areas of administration and organization, supervision and enforcement, infrastructure and national resources. The following foreword reviews only some of the reports:

- Under Section 19 of the State Comptroller’s Law, the financial statements of the State of Israel as of December 31, 2021 were audited, focusing on the information systems underlying the financial statements of the Israeli Government. The audit raised that the state’s accounting deficit for 2021 was about NIS 135 billion and the state’s assets were NIS 800 billion. The properties portfolio in the financial statements does not include various material value assets, including some of the state’s investments in the defense establishment, land owned by the state, some of the assets abroad and some of the intangible assets. The government's financial statements for 2021 reflect the turning point in coping with the Covid-19, alongside the economy's recovery and economic growth, a decrease in the budget deficit in relation to GDP, an increase in tax revenues and a decrease in the expenses scope of the Economic Plan for Coping with the Covid-19 pandemic. It is of great importance that the government persevere this trend to improve Israel's economy from a long-term perspective. Regarding the systems underlying the financial statements, deficiencies have been found in the mapping and management of the risks in the financial information systems, in the absence of audits in most of the systems and the lack of documentation of the financial processes in the systems. Thus, for example, in 154 of the 230 systems, no risk surveys were carried out and no audits were performed. The Accountant General and all government bodies included in the report should rectify the deficiencies raised within the framework of a multi-year plan.

- Children at risk and in need are children living in a family and in an environment that endangers them. In extreme situations of risk and neglect, the state intervenes and transfers children from their families to out-of-home frameworks – Ministry of Welfare and Social Affairs boarding schools, foster families and adoption. The audit on Placing at-risk children in boarding schools, foster care and adoption raised that 1,149 children under the age of 8 (of which 474 children are under the age of 5) were placed in boarding schools instead of foster families in 2016–2021, in contravention of the guidelines, which set the minimum age for placement in boarding schools at 8 years; 87% of the children in foster care were not assigned care plans as required by the Foster
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Care Law and the Ministry of Welfare’s Social Work Regulations; An adoption procedure lasts 26 months on average, twice the maximum time set in the law; Out of a budget of about NIS 970 million in 2021 designated for the care of children removed from their home and for the rehabilitation of their parents, about NIS 20 million were allocated for the rehabilitation of the parents (about 2%), for adoption – about NIS 10 million (about 1%), for foster care – about NIS 200 million (about 21%) and for boarding schools – about NIS 740 million (about 76%). Hence, the majority of this budget – 97% – was allocated to the temporary frameworks (foster care and boarding schools), and the remainder – 3% – was allocated to finding a permanent home for the children (return to their home or adoption); The monthly cost for placing a child in a boarding school (about NIS 11,900) is about three times the monthly cost for placing a child in foster care (about NIS 3,900), and six times the monthly cost for adoption (about NIS 2,000); The Ministry of Social Affairs does not uphold basic components of care for children removed from home, based on reliable and validated information, while setting clear goals and standards and monitoring and controlling compliance therewith. It is recommended that the Ministry of Welfare examine, based upon data analysis, the implementation of its policy for the placement and care of children removed from their homes. It is also recommended that the Ministry of Welfare integrate its policy in the Ministry’s strategic work and within the professionals working in the field, while defining clear goals and measuring them, to help in the children’s rehabilitation and return to normative life. An important aspect in the implementation of the policy is the creation of conditions for a child removed from his home to be able to return to it as soon as possible, after the parents’ rehabilitation and after turning the home to a place beneficial to him. Therefore, it is recommended that the Ministry of Welfare develop a treatment scheme for parents whose children have been removed from home, which will assist in their rehabilitation and enable the return of the children, as well as expand the existing treatment programs. To fulfill its responsibility, the Ministry of Welfare has to make sure that children who have been removed from their homes are placed in settings suitable for their age and receive the best treatment response until they return home, thus giving them a better chance of successful integration into society.

Pediatrics is a unique medical branch that requires individual attention to the patients’ characteristics, including their body size and developing organs. At the end of 2020, there were about 3.05 million children in the 0–18 age group in Israel (about a third of the country’s population). Caring for children in the community, as well as in clinics and inpatient wards in hospitals, requires an approach suitable for children, and often requires different means than those intended for the treatment of adults. The report on Hospitalization of children in hospitals raised that from 2009 to 2020 the number of children in Israel increased by about 23%. However, during this period the number of beds in the children’s wards decreased by 21: from 1,089 beds in 2009 to 1,068 in 2020; The average waiting time for tonsillectomy surgery for children in public hospitals in 2022 was 15.4 weeks; 553 children were waiting in April 2022 for hospitalization or psychiatric outpatient treatment; 258 of them were waiting for psychiatric hospitalization and the
waiting time was 3−7 months, and 295 children were waiting for outpatient treatment, and the waiting time was 3−12 months. According to the projections, in 2035 the population of children between the ages of 0 and 14 will be about 13.5% larger than in 2020, and in 2050 the number of hospitalization days in the children's wards in hospitals is expected to be about 68% greater than in 2020. These projections require the preparedness of the health system in general and the hospitalization system in particular. It was raised that the Ministry of Health did not formulate an operative plan for the operation of hospitals based on long-term fundamental goals for the hospitalization system, and did not establish such a plan regarding the children's wards in particular; The lack of accommodation space in hospitalization settings in the mental health, including eating disorders, and in rehabilitation settings, especially in the periphery, results in children being hospitalized in children's wards that are not suited for them, while waiting a long time for hospitalization in another suitable setting; The doctors' workforce in the hospitals is not updated and does not suit the changing needs, and there is a national shortage of doctors specializing in pediatrics; The Ministry of Health has not examined whether the nursing workforce is suitable for the current needs, and the paramedical workforce has no standard at all; The focus groups held by the audit team, composed of parents whose children were admitted to children's wards in the hospitals, raised parental dissatisfaction. With respect to the attitudes and care of the medical staff, receiving information and the environmental conditions, parents whose children were hospitalized in large hospitals were generally less satisfied than parents whose children were hospitalized in small hospitals. It is recommended that the Ministry of Health prepare a multi-year plan detailing the number of beds required in the various wards of the hospital system, including the children's wards, after setting goals for this system. It is also recommended to examine the workforce of medical and nursing personnel and the need to update it, as well as to examine what is the standard for paramedical professions that will enable the provision of care that meets patients' needs, and accordingly it is recommended that the Ministry consider preparing a multi-year plan to complete the required services. In light of the importance of examining the patient's experience and the possibility of improving hospitalization conditions following satisfaction surveys, it is recommended that the Ministry of Health examine the need to survey the patient's experience in the children's wards as well.

- The OECD organization defined idleness among young people as a state in which young people do not study, work or are in vocational training. In the audit of The government's handling of idleness among young people in the Arab society, it was raised that 30% of Israel's young residents are from the Arab society, of which about 280,000 are young people aged 18−24, and as of November 2021, the number of those idle from among them were about 22,000 men and about 35,000 women; The level of crime among the Arab youth population has risen consistently in recent years, from about 0.1 criminal cases per capita in 2015 to about 0.15 cases in 2021 (an increase of about 50%). I.e, an increase of about 6,000 criminal cases during this period; The estimate of the potential damage from the phenomenon of idle young Arabs, according to the
calculation of the State Comptroller's Office, is about NIS one billion per year; Out of a budget of NIS 34.2 billion for the five-year plan and the plan for tackling crime and violence in the Arab sector, only NIS 436.5 million was allocated as a dedicated budget for dealing with idle young people in Arab society (about 1%). The government's resolutions in recent years have directed a great deal of financial resources to promote Arab society and reduce the social gaps between it and Jewish society. However, from a data analysis carried out by the State Comptroller's Office using advanced statistical methods and tools, the education system, meant to equip young people with the tools that will help them integrate into the employment market in their adulthood and enable equal opportunities for children, most of whom are from a low socio-economic background, does not provide them with the tools and skills necessary in the employment market and in academia. Furthermore, the relevant government bodies – the Ministry of Education, the Labor Branch, the Ministry of Social Equality, the Council for Higher Education, the Ministry of Welfare, the Ministry of Finance, the Employment Service and the Prime Minister's Office – who are entrusted with reducing the gaps among young Arabs over the age of 18, are not working optimally; The audit did not find that participation of young Arabs in the 'Rayan' centers, operated by the labor branch, has a significant effect on their state of idleness; A transition year program that was developed as a flagship program of the Ministry of Social Equality and the labor branch addresses a very limited segment of the population and involves high costs for each participant, thus preventing the possibility of expanding it; It was found that the threshold of proficiency in the Hebrew language set by the universities and some colleges for admission prevents many young Arabs from integrating into academia in Israel, due to the poor level of Hebrew of the Arab young men and women who complete their studies in the Arab education system. Many of these young people reluctantly become idle, and others find solutions in universities in the Palestinian Authority or study overseas. The integration of the idle young Arabs into Israeli society and the employment market is a major and complex challenge facing the Israeli government, and in particular with respect to the Bedouin youth. Meeting this challenge can reduce socio-economic gaps, improve the self-image of the young, reduce the extent of crime among them, improve their standard of living, and work productivity, thereby improving the productivity of the Israeli economy as a whole. It is recommended that the government integrate these young people, among other things, according to the recommendations of the State Comptroller's Office.

- The report on The Government's actions regarding housing for the ultra-Orthodox population. According to the data of the Central Bureau of Statistics, at the end of 2021 Israel's population was estimated at about 9.45 million people, of which about 1.2 million (about 13%) were among the ultra-Orthodox population. The audit raised that notwithstanding the government’s resolution stating that in 2016–2035 the building of about 200,000 housing units for the ultra-Orthodox population is required, on average about 10,000 units per year, the number of housing units in the plans submitted by the Ministry of Construction and Housing and the Israel Land Administration (ILA) in
the six years period of 2016–2021 was about 29,700 units, which are about 76% of the government target for the years 2016–2018 and of the scope of planning required according to the estimate of housing needs for 2019–2021 in aggregate; The scope of housing plans for the ultra-Orthodox population approved in 2017–2021 was about 4% out of about 623,000 housing units approved for the entire population in those years. It was also raised that until October 2022, the examination of the option of expansions within the jurisdiction of existing ultra-Orthodox communities did not result in a significant addition of land for the construction of housing units for the ultra-Orthodox population. It is recommended that the Ministry of Construction – in coordination with the National Economic Council, the Planning Administration and ILA, as well as with the Development of the Ultra-Orthodox Sector Authority, as applicable – will make recommendations to the Minister of Construction and Housing regarding the planning and marketing goals of land for the ultra-Orthodox population, and that these will be formulated according to an updated estimate of the housing needs of the ultra-Orthodox population and of the population in general, while considering the potential of the housing solutions the government can promote. It is further recommended that the Ministry of Construction and ILA, in cooperation with the Planning Administration, promote the planning and marketing of land for the ultra-Orthodox population in an extent that will provide a response to its housing needs, according to the goals that will be set and while considering the housing solutions that are possible and should be promoted for the entire population. It is also recommended that the Urban Renewal Authority promote the processes of urban renewal among the ultra-Orthodox population, in cooperation with the relevant local authorities, as applicable, while paying attention to the unique barriers to its advancement among this population.

- Sports facilities are an important platform that allows athletes to train in a high quality sports environment, and hence they are a necessary component for the promotion of sports. The audit on The establishment of sports facilities, their maintenance and operation raised that in April 2022, the National Facilities Plan 2031, intended for a period of about ten years, was approved. Its budget is NIS 2.89 billion for the entire period, compare to disparities estimated at NIS 14.9 billion; While the number of registered players in the 2011–2012 match season increased in the 2021–2022 match season to nearly 12,000 players (a 34% increase), the number of active and approved playing fields for league games increased by 15 (a 6% increase); Despite the state of women's football in Israel, the Ministry of Sports and the Football Association did not provide an adequate opportunity for female football players of all ages to train and play on the football fields in an equal and respectful manner. It is recommended that the Ministry of Sports work with the National Sports Council to promote long-term planning of the sports facilities and the allocation of areas for them, considering the sport's needs, population growth, future transportation infrastructures and the construction of new cities and neighborhoods. It is further appropriate that the Ministry promote with the authorities a comprehensive plan to upgrade and renovate the sports facilities for their effective use throughout the year, meeting safety standards, as well as opening the
outdoor sports fields to the community, to the extent possible, so they are used more effectively for the benefit of the public. It is further recommended that the Ministry of Sports establish a supervision and control system to ensure that the authorities comply with their obligations and also verify with the authorities that all information about the availability of the sports facilities that are open for community use will be published both on appropriate signage at the sports facilities themselves and on the authorities' websites on the internet.

• The systemic handling of police officers offenses is divided between two systems: as a rule, the handling of more serious complaints is carried out through the Department of Internal Police Investigations, which operates within the framework of the State Attorney's Office and the prosecution authorities, while the handling of less serious offenses is under the authority of the Police and the Police Prosecution Division. The findings of the audit on The handling of police officers' offenses by the department of internal police investigation and the police present three main challenges to the authorities in charge of handling Police officers offenses: The first challenge concerns the question of the optimal organizational-systemic structure for handling police offenses at all levels of severity – there are implications to the institutional affiliation of the entities that belong to the system, with an emphasis on the affiliation of the Department of Internal Police Investigations with the State Attorney's Office and the Discipline Department in the Police's affiliation with the Police Human Resources Department, and their ability to ensure full functional independence. It is recommended that the Attorney General lead strategic work with the participation of all the relevant professionals, including representatives from the Ministry of Justice and the Ministry of National Security (formerly the Ministry of Public Security). As part of the strategic work, it is recommended that an examination be conducted on the institutional affiliation and organizational subordination of the bodies entrusted with handling complaints and of those heading them, and that a comparison will be made between this functional system for handling complaints against police officers and between other models found in countries around the world of the various functional systems for handling complaints against police officers, with an emphasis on the need to ensure comprehensive and systematic, efficient and independent handling that will ensure effective handling of police investigations and complaints against police officers. It is recommended that the recommendations based on the findings of the examination on the matter be brought before the Minister of National Security and the Minister of Justice. The second challenge concerns the operational capabilities of the Department of Internal Police Investigations – in this area, substantial deficiencies were found, including the powers granted by law to the Investigations and Intelligence Division of the Department of Internal Police Investigations for fulfilling its duties; The professional knowledge and skill of the investigators; And the resources available to the department and its employees. These aspects affect the functioning of the Department of Internal Police Investigations as an operational, independent and initiative-taking unit. The third challenge concerns the Police's abilities to handle the disciplinary, organizational and command aspects of all the
information transferred to it – difficulties were found in the interrelationship between the Department of Internal Police Investigations and the Police; The absence of instructions or guidelines regarding decision making on the routing of cases to different handling routes; Long periods of suspension of police officers (about a year and a half on average), which cost the Police NIS 9.7 million, and deficiencies in the procedures for handling disciplinary offenses of police volunteers.

The Minister of Justice, the Minister of National Security and the Attorney General are required to examine, in cooperation with the Department of Internal Police Investigations and the Police, the deficiencies raised in this report and to rectify them.

- Milk and its products are a main source of animal protein and calcium in the average Israeli diet. The state has been planning the dairy industry in Israel along the entire production chain since before the establishment of the state. The planning of the dairy industry is implemented through state supervision of milk production quantities according to the quotas assigned to producers, the price paid by the dairies to dairy farmers per liter of milk (the target price), the volume of imports of dairy products and the consumer price of the supervised dairy products. The audit of The dairy industry in Israel raised that the price of raw milk in Israel, which is estimated at € 62.04 per hundred kilograms of milk (about NIS 219), is about 24% higher than the average price of milk in the European Union countries, which is estimated at € 50.17 per hundred kg of milk (about NIS 177). In the last decade, the gap between the price of raw milk in Israel and the average price of milk in European Union countries has narrowed; The average annual milk yield per cow in Israel is amongst the highest in the world – 12,003 kg. There are 686 dairy farms in Israel, of which 440 are in national priority areas. This audit's findings raise deficiencies in the state's regulation of the sector's activity in three key areas: (a) The price of milk in Israel, which is higher than in the majority of European Union countries – in this aspect the report includes findings regarding the procedure for determining the target price of raw milk in Israel. The report also deals with the situation according to which for many years the State of Israel has not met its obligations to the World Trade Organization to transition from indirect supports, including the planning of the industry, to direct supports; (b) Ensuring animal welfare – according to the assessment of professionals at the Ministry of Agriculture, about 20% of the dairy farms in Israel are in a very poor state in terms of cow welfare, but supervision in this area is lacking, and no individual regulations, essential for preventing animal cruelty, have been enacted; (c) Ensuring regular supply and reducing the shortage of milk during the Jewish holidays, along with refraining, to the extent possible, from dumping milk. In 2021, the shortage amounted to about 3 million liters of pasteurized milk, which is 9% of the average monthly consumption of pasteurized milk. It is recommended that as long as there is a planning regime for the dairy industry in Israel, the Ministries of Agriculture and Finance analyze the causes affecting the costs of milk production in Israel and examine ways to improve efficiency in the industry and reduce the target price in a way that will affect the final price of milk and its products to the consumer while maintaining
the quality of the milk. It is further recommended that the Ministry of Agriculture and the Ministry of Finance implement the OECD recommendations and the State Comptroller's recommendations from 2018 regarding the transition from indirect supports to direct supports in the dairy industry. At the same time, the Ministry of Agriculture should improve cow welfare by increasing the state's supervision in dairy farms and by promoting appropriate legal regulation.

This report also presents the findings of four follow-up audits, including *The training system in the civil service; The use of pesticides in vegetables and fruits; The Israeli Police's handling of agricultural crime; Enforcement of environmental protection.* Monitoring the rectifying of deficiencies raised in previous reports is an important tool to ensure that the audited entities have indeed rectified what was required, and I intend to expand the scope of the follow-up audits and refine the manner in which they are conducted.

The preparation of this audit report required considerable effort from the State Comptroller's Office staff members, who fulfil their public duties out of a true sense of dedication. They worked on its preparation with professionalism, thoroughness, fairness and care, and they have my gratitude.

This report covers many diverse topics; and opens to the public, including the decision makers, a window into the activities of the audited bodies. Thus, help all of us to ensure the integrity of the public service in Israel and significantly increase efficiency, savings and integrity in the audited bodies and maintaining rules of proper governance.

In many of the audited bodies, positive actions have been taken, and under the State Comptroller's Law, the more notable of these actions were expressed in the reports to fully present the situation raised from the audit. At the same time, it is the duty of the audited bodies to quickly and efficiently rectify the deficiencies noted in this report.

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