

State Comptroller Report

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State of Israel

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Foreword

This report is part of the annual audit report, submitted to the Knesset according to the State Comptroller's Law, 1958 [Consolidated Version], (The state comptroller law). The report deals mainly with the defense system, working to strengthen the security of the State of Israel, and a part of it deals with government ministries¹.

The report also includes some of the chapters submitted to the Prime Minister in the course of 2021, on which I imposed confidentiality until discussion in the Knesset State Audit Committee's subcommittee. However, for a long time, no State Audit Committee was established. Given the government's reasoning, and after consultation with the bodies entrusted with security information protection, I decided, by the authority vested in me under Section 17 (c) of the State Comptroller Law, to submit the said chapters to the Knesset and publicizes them while imposing confidentiality on parts thereof. It should be emphasized that I made this decision with the desire to a proper balance between the principles of publicity, encoed in Section 12 of the Basic Law: State Comptroller, and the need to maintain state security.

The audit was conducted during the Covid-19 pandemic, shaking both the world and the State of Israel, significantly affecting our lives, and constitutes a test of our personal and national resilience. I ascribe importance that even these days; the State Comptroller's Office continues to improve government bodies' operation.

By the vision of the Office of the State Comptroller and Public Ombudsman, we established the State Audit as an action motivation audit, an innovative, relevant, and effective audit that deals with the core areas of the audited entities and focuses on social issues, on the service to citizens and the significant risks affecting the activities of the audited entities. This is in addition to issues related to good governance and integrity.

Our office has examined the **the Acquisition of a Dedicated Aircraft for the Use of Heads of State**. This is a unique, complex, and first-of-its-kind project in the country, with security, development, technology, state and regulation aspects. For some of the partners in the project, engagement in the aviation world is a first.

The audit raised deficiencies in the staff's work to support decision-making from 2010 until the Cabinet's approval. Mainly regarding cost estimation (the cost estimate presented to the Goldberg Committee in 2014 in a calculation for five years of operation was about NIS 592 million; the Cabinet decision in August 2015 approved a cost of about NIS 729 million), the

1 Apart from the chapters published in this report, there are five other chapters that were submitted to the Prime Minister as part of the annual report and which I decided not to publish until the end of the proceedings for imposing confidentiality.



determination of the aircraft's characteristics and core requirements in the project, and characterization of security requirements and the security coordination between the bodies involved in the first stages of the project implementation. In the government decision of August 2016, a cost of NIS 590 million was approved (including NIS 140 million for changes, improvements, and unforeseen contents), based, among other things, on the results of the tender. After the tender conclusion, the project was modified (in the scope of about NIS 60 million), which led to inefficiency and schedule delay, among other things, due to the need to re-plan and negotiate processes additionally. In March 2021, more than a decade after the Prime Minister's Office initiated the aircraft purchase, it had not yet been delivered to the Prime Minister's Office, the heads of state had not yet begun using it, and there is no budget left for unforeseen expenses to operate it. It is recommended that the National Security Council, the Prime Minister's Office, the General Security Service (GSS), and the Ministry of Defense each draw lessons in their field to improve their decision-making activities and make preparations for future projects implementation. The decisions presented before the Political-Security Cabinet, like the decision on the project to fly the heads of state, are of national-security significance, and involve extensive financial expenditure. Therefore, Cabinet members should decide based on an in-depth examination of complete data brought before them.

Our office also examined the **Preparedness for damage to hazardous materials facilities during combat incidents**. Thousands of facilities hold hazardous materials under security threats the State faces. Some are close to dense population concentrations, and according to the maximum estimate of the Home Front Command, about 3.2 million residents in Israel live in areas posing a health hazard for those staying in open spaces without protection in events involving hazardous materials. Preparedness for damage to hazardous materials facilities during combat requires coordination, cooperation, and preparation of many bodies, including the Home Front Command, the Israel Police, the Fire, and Rescue Authority, the Ministry of Environmental Protection, and the facility's response team. The audit found deficiencies in the bodies' preparedness for the event of hazardous materials in emergencies and in contending with the event of the hazardous materials upon its occurrence. The Office of the State Comptroller ascribes importance to rectifying the deficiencies as soon as possible, implementing the recommendations set forth in this chapter, and minimizing the risks and damage posed by hazardous materials incidents caused by combat. All relevant bodies must act in their respective fields to rectify the deficiencies. As the national professional facilitator on the issue of hazardous materials, the Ministry of Environmental Protection should monitor the handling of all the deficiencies raised in this chapter.

Outsourcing serves the IDF policies as an instrument to reduce involvement in the economic activity management, thus, increasing its activities efficiency. It is not intended for the core of its occupations. The audit on the **Outsourcing in the IDF** raised that in 2016–2020, the IDF's economic outsourcing began at 19 topics (out of the 30 topics approved by the Director-General of the Ministry of Defense) at a planned annual cost NIS 147.5 million. The planned annually savings amount from outsourcing was NIS 17.2 million, compared with the estimated



annual implementation costs in the IDF. Given the importance of streamlining the IDF and optimizing the processes of initiating, examining, and accompanying outsourcing in the defense system, the Ministry of Defense and the IDF must rectify together the deficiencies raised in this chapter. This includes formulating a complete and coordinated normative framework for this activity and strengthening and streamlining the control mechanisms for its implementation. Its importance has become even more valid given the economic efficiency expected of the defense system in the coming years.

Along with the results of the audit of the defense system, the report includes audit results in other areas:

The subject of the Holocaust has accompanied our country since its inception. For generations, Israeli governments have enacted laws and established arrangements concerning survivors, reflecting Israeli society's mindset toward survivors. The report includes a chapter on **Restitution of the Rights and Property of Holocaust Victims and Survivors Confiscated in European Countries during the Rule of the Nazis and their Accomplices**. The German Nazi regime inflicted holocaust on the Jewish people, about 10 million people in Europe before World War II. In 1933–1945, the Nazis and their accomplices also robbed the assets of the Jewish communities and plundered the property of individuals and families, the vast majority of whom were murdered. The value of Jewish property – private and communal – was estimated (in 2010) at between USD 212 billion and USD 673 billion. Since 1991 the Israeli governments have deemed the restoring of Jewish property a moral obligation and the imparting of historical justice. The Ministry of Social Equality (in its previous names) was entrusted in 2007 with the restoration of Jewish property. Still, its activities in cooperation with other government ministries and non-governmental organizations have only had partial success. Now it must improve its activities and formulate professional tools to cope with the diplomatic and legal challenges involved. From 2015 onwards, the government does not monitor the activities of the Ministry of Social Equality regarding the restoration of Jewish property. Therefore, it is appropriate for the Ministry to inform the government of the outcome of its activities thus far alongside the difficulties it is facing so that the government can formulate an adapted policy and guide the relevant parties on the way to promote the restoration of Jewish property. Given the government's moral and national commitment to act on this issue, it is appropriate for the Ministry of Social Equality and the Ministry of Foreign Affairs to present a comprehensive operational plan addressing the political and diplomatic aspects of the matter.

Our office conducted an audit on **Competitiveness in the automotive Sector**. It was indicated that in 2020, about 3.69 million vehicles were traveling on Israel's roads, of which about 3.17 million were private vehicles. In each of the years from 2016 to 2020, an average of about 356,000 new vehicles were added, and after deducting the number of vehicles taken off the road, the number of vehicles increased by an average of 119,600 per year. The scope of imports of vehicles in 2020 was NIS 17.5 billion, of which about NIS 14 billion was the import of passenger vehicles. The audit found problems with the level of competitiveness in



vehicle imports and high profitability in the industry in a consistent and significant manner compared to other industries examined in the audit. The average annual economic significance of the increased profitability in the vehicles import industry compared to other industries examined in 2014–2017 is estimated at approximately NIS 0.8–1.6 billion. Market failures and deficiencies were also found in the sub-sectors – the leasing market, the secondhand vehicle market, the credit market for vehicle purchase, and the maintenance industry, including the spare parts market, garages, and appraisers. It is recommended that the Ministry of Transport and the Competition Authority analyze the level of competitiveness in the industry using accepted advanced tools; increase competition in the industry by promoting parallel imports, increase transparency and expand the information available to consumers; and promote the promulgation of the regulations required by law – all to promote consumer welfare.

The report also includes an audit of **Management of Court Processes Through the Legal-Net System**. In 2003, the Courts Administration began to develop a computerized system based on the concept of the "electronic case – a paper-free court." This core system is called the "Net Ha'Mishpat system." The system was launched in 2010 and was intended, among other things, to enable parties conducting proceedings in the court to carry out several core actions by computerized means, without physical submission of documents or use of outdated technological means. The Net Ha'Mishpat system improved the information available on the court files to users of the system, and the audit raised that the satisfaction rate from the system of internal users (Courts Administration employees) and external users (lawyers and the general public) was 60% and 65%, respectively. However, the audit found that about a decade after the system was launched, court secretariats, government bodies, and the general public still carry out most court actions manually and offline: 70% of court cases opened in 2017–2019 (1.8 million out of 2.6 million) were opened through physical filing, and a million work hours would have been saved each year on average had all the court files been opened on the website or through a computerized interface. There are also disparities in the management of interfaces with government bodies, including barriers to establishing interfaces. These findings indicate that the Courts Administration does not yet possess the tools required for the online conducting of legal proceedings. In addition, the system has not yet been installed in the Supreme Court; the website displays partial information on legal proceedings; it is not possible to perform an intelligent search on the website, and no system satisfaction surveys are being conducted.

It is recommended that the Courts Administration develop computerized interfaces and the Net Ha'Mishpat website and optimize legal proceedings. Online management will streamline the use of material and human resources by the users, reduce harm to the environment, increase the information availability of proceedings and improve service in the court secretariats. It will also increase the transparency of the proceedings through their publication and help enforce judicial decisions. Furthermore, the computerized system will assist in the



realization of the principle of 'open justice' and the duty to observe the law, principles that are the lifeblood of the judiciary.

The State Comptroller's Office emphasizes monitoring the correction of deficiencies raised in its reports.

Follow-up audits are an essential tool to ensure that the audited bodies have rectified what is required, and I intend to expand the scope of follow-up audits and refine them. This report includes three follow-up audits; **the Administrative Aspects in the Work of the Medical Committees; Determining the Rights of Disabled IDF Veterans and the Medical Services Provided to them – Follow-up Audit; and Aspects of the Activity of the Military Police Criminal Investigation Division – Follow-up Audit.**

The preparation of the report, especially in the days of the Covid-19 Pandemic, required considerable effort from the State Comptroller's Office staff. The Office employees worked hard to prepare it with the utmost professionalism, thoroughness, fairness, and meticulousness, and they fulfilled their public duties out of a true sense of dedication. They have my gratitude.

It has not escaped my notice that in many of the audited bodies, positive actions have been taken for the well-being of the residents, and by the State Comptroller's Law, these actions were proportionately expressed in the report to provide a complete presentation of the situation as indicated in the audit.

The audited bodies have to act fast and efficiently to correct the deficiencies raised in this report.

Matanyahu Englman
State Comptroller
and Ombudsman of Israel

Jerusalem, March 2022

