



Report on the Rectifications of Irregularities

**KKL-JNF's implementation and response to the State Comptroller's Report
entitled**

"Land Development Activities in Israel"

**Submitted to the State Comptroller, Judge (Ret.) Joseph Shapira
and the citizens of the State of Israel**

May 28, 2017

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Introduction

By Danny Atar, KKL-JNF World Chairman

In November 2015, several days after I took office as KKL-JNF world chairman, I received a draft of an auditing report entitled "Land Development Activities by KKL-JNF" for the years 2012 to 2014. The report had been prepared by State Comptroller Judge (Ret.) Joseph Shapira and his professional staff.

The draft of the report contained a long list of major flaws, general and specific, in the procedures, patterns, and customs of work in the organization that I had just joined. I discovered that I had received an organization that operated without proper administrative methods, procedures, or regulations, as well as no criteria for allocating resources. This was an organization with a small professional staff, a tiny number of gatekeepers, and a subpar administrative culture; an organization that operated without transparency and had no clear separation between the activities of its elected political officials and its professional echelon.

My colleagues in the administration and the directorate and I had two options. We could take the easy way out, ignore the findings and continue as before — or we could deal courageously with the failures and the criticism and use this low point to create a significant turnaround in the life of the organization. We realized that alongside the state comptroller's report, the fact that KKL-JNF was registered as a public benefit company by the Justice Ministry also required a wall-to-wall change in the organization's management.

I was pleased to find, beside me in the organization's administration, colleagues who were filled with determination and fighting spirit. Decisively and without fear, we chose to change the organization we headed and turn it in a new direction. After 115 years of existence, we decided to institute the strictest regulations of good governance at KKL-JNF, rewrite all its procedures, and change its rules of corporate administration from the ground up. We did so out of the awareness that only immediate, firm, and radical action would ensure that KKL-JNF would continue to serve the Jewish people for all time.

Only six months have passed since the day on which the state comptroller submitted the report of the audit to us, and we are proud to say that what happened before will never be repeated.

Even before we received the state comptroller's final report, we used the past year to carry out a comprehensive and thorough restructuring of the organization. We went over everything, searching out what could be changed, what could still be improved, and how to guarantee that all officials of KKL-JNF — from the chairman to the lowest-ranking employee — would be committed to fulfill the organization's goals so as to contribute, first and foremost, to the public good in Israel and the donors' satisfaction. We chose to rectify all the irregularities mentioned in the report, not only in the spheres and the units that had been inspected, and implemented the rectification across the entire organization, since we felt that the findings had to do with all our departments and activities.

On the following pages, you will see some of the changes that we have already made. We have written and approved basic procedures that implement principles of proper corporate governance. We created procedures to prevent conflicts of interest and made arrangements for all high-level appointed and elected officials. We instituted criteria for the organization's activity and created substantial change in our calls for proposals. We began implementing a process of writing annual work plans, established new norms of transparency, and publish all protocols. We have changed the decision-making processes in the organization completely, tightened budgetary control, and begun instituting the new arrangements and procedures in KKL-JNF bureaus abroad as well.

In addition, we have improved the status of the organization's gatekeepers — the legal bureau and the financial department. We have appointed an internal auditor for the organization, as well as a retired judge to be KKL-JNF's supreme legal authority — and this is only a partial list of the changes.

Still, one thing, more than anything else, will ensure the continuity of the organization's good governance: auditing and transparency. Since sunlight is the best guarantee of proper management and integrity, I still believe and hope that the government of Israel will soon permit us to apply, voluntarily, the state comptroller's audit of the organization's activity, and that the state comptroller's audit will become a permanent part of our lifestyle. Only thus will we be able to make sure that KKL-JNF does not backslide, but rather continue to improve, both in the present and under any future management.

I am honored to present to the state comptroller this report of our rectifications of the irregularities, which should illustrate the great change that we have led at KKL-JNF as a result of the findings of the auditing report and his office's recommendations.

As part of the transparency revolution, and based on our view that KKL-JNF is the representative organization of the Jewish people that works on behalf of the State of Israel, we are submitting this report to the public's elected officials as well and making it available on KKL-JNF's website so that all of Israel's citizens will be able to see the significant changes that we have made so far.

We have tried in this report to convey the main points and not tire readers with minute details of the hundreds of decisions we made, the procedures we approved, and the work we did. Nevertheless, we are not stopping here, nor are we resting on our laurels. A great deal of work remains to be done, and our determination to turn KKL-JNF into an exemplar of public administration has only increased.

I would like to take this opportunity to thank KKL-JNF's dedicated team that worked to rectify the irregularities, whose members worked day and night to bring KKL-JNF to the place where it is today.

Yours,

Daniel Atar
KKL-JNF World Chairman

Accomplishments and Statistics

Summary

- More than 270 procedures have been written
- Methods for preventing conflicts of interest for members of KKL-JNF's directorate and high officials have been implemented and publicized
- Calls for proposals for projects, including egalitarian criteria that assist the periphery and underprivileged communities, have been issued
- Maximum transparency — protocols, calls for proposals, collaborations, and main procedures are being published on KKL-JNF's website
- More than 180 protocols have been published on KKL-JNF's website
- A clear separation and "seamline" have been instituted between the directorate and the professional echelon
- A procedure has been created that includes the public in creating KKL-JNF's projects policy
- A retired district court judge has been appointed special advisor to the KKL-JNF directorate
- A former department head at the State Comptroller's Office has been appointed as an internal auditor
- KKL-JNF's bylaws have been amended to prohibit the appointment of anyone convicted of specific crimes to the directorate and require that arrangements be made to prevent conflicts of interest
- More than one hundred discussions about topics related to good governance (including procedures, calls for proposals, conflicts of interest, financial supervision, the budget, the work plan, control and auditing) have been held in various management forums
- KKL-JNF's budgetary reserve policy has been set
- KKL-JNF has been opened to government auditing*

* The agreement is awaiting the government's approval.

KKL-JNF's Procedures

From the State Comptroller's Report:

KKL-JNF must finish writing and approving the procedure for projects as soon as possible....

KKL-JNF has not instituted procedures that address the way the meetings between its high officials and representatives of outside parties are held....

The state comptroller's auditing report addressed the lack of a procedure for projects and a procedure for holding meetings with outside parties. In line with the report's comprehensive approach and applying the findings to all the organization's activities, KKL-JNF's directorate and management decided to rewrite and update *all* existing procedures of the organization. Since most of the existing procedures had not been updated in the past twenty years, this project received highest intra-organizational priority and the dedication of all the departments.

The updating of all the procedures of KKL-JNF — approximately 400 in number — is an enormous and complex undertaking. Due to the importance and centrality of the process, KKL-JNF's directorate set up a special directors' committee known as KKL-JNF's Procedures Committee, which approved the organization's main procedures thoroughly and efficiently. This committee, which now serves as a steering committee, is supporting the process of approval of the remaining procedures by the professional echelons and implementing them in the organization.

KKL-JNF's master procedure, the first to be written, determines the organization's basic definitions, including who the members of its management are, how a KKL-JNF employee is defined, who the managers are and what responsibilities they carry. The procedure also lays out how all the procedures as a whole are to be implemented, from the level of department managers to all the organization's employees, in order to guarantee that the procedures will be put into practice.

The following procedures received preference and priority in the writing process due to their broad-based influence on the organization's behavior and its rules of corporate governance:

- Regulations for preventing possible conflicts of interest (see the chapter on preventing possible conflicts of interest on page ___ for more information)
- A procedure for preparing and updating the annual budget (see later in this chapter for more information)
- A procedure for work interfaces and information between members of the directorate and employees (see later in this chapter for more information)
- A procedure for the work of the directorate and its committees (see later in this chapter for more information)
- A procedure for calls for proposals for projects with KKL-JNF's participation (see the chapter on calls for proposals and criteria on page ___ for more information)
- A procedure for project committees (see the chapter on calls for proposals and criteria on page ___ for more information)
- A procedure for working with outside parties (see later in this chapter for more information)
- A procedure for documenting discussions (see the chapter on documentation and transparency on page ___ for more information)

Some of the procedures are detailed below.

Procedure for Preparing and Updating the Annual Budget

The procedure for preparing and updating the annual budget resolves several vital issues and leads KKL-JNF to the sort of advanced financial management used by leading companies and organization in Israel and abroad.

- The procedure, which changes the structure of KKL-JNF's budget, requires a substantial change in the organization's work processes. As opposed to the way things were in the past, each of KKL-JNF's departments is required to create a verbal work plan that is attached to its budget supplement. The work plan, on which the budget is based, leads to the structuring of the managers' judgment in the budget-approval procedure and allows for control of its implementation by the professional and elected echelons alike. In accordance with this, KKL-JNF's various departments have completed preparing their work programs for 2017. The first quality control of the work plans will be carried out with the end of the first half of the year, and then the creation of the work plans for 2018 will begin.
- The procedure creates separation between the organization's ongoing budget and the projects budget. By doing so, it prevents deviations from the expense ceiling and makes budgetary supervision and control easier.¹ In addition, the procedure determines that the projects' budgets shall be managed like "colored" multi-year budgets (such as an extraordinary budget), which shall be linked to the relevant project², rather than as "a single budgetary basket" (as was customary in KKL-JNF before the change was implemented).

¹ By doing so, the procedure implements the audit's findings regarding the creation of financial commitment with no coverage, as written in pages 69–78 of the State Comptroller's Report.

² For more information about the project budgets and the calls for proposals, see the chapter on calls for proposals and criteria on page ___ below.

- Alongside the annual budget, which plans the expenses for the coming fiscal year, the procedure adds a requirement to manage a multi-year budget appendix at the same time that addresses multi-year commitments (such as multi-year contracts). The multi-year budget appendix enables the budgetary policy to be constructed and allows for the wise management of resources not only for the current fiscal year, but over the long term as well.
- According to the procedure's definition, the planning of the annual budget framework shall take several parameters into account: anticipated revenue, anticipated commitments, the policy regarding the reserve (the liquid reserves), and up-to-date macro-economic data. In this way, the budget will match the financial reality. The procedure states in particular that the reserve policy is the responsibility of the directorate, which must control and limit it.³ It is stipulated that the groundwork for determining the budgetary framework (and, as a consequence of that, the use or retention of the budgetary reserve) shall take place every year, such that the process of constructing the budget will be carried out in a logical and up-to-date manner every year. This change went into effect even before the final procedure was approved. The groundwork was carried out as early as 2016, and KKL-JNF's finance committee and directorate discussed and approved the budgetary reserve policy.
- *Control and tracking mechanisms* — In order to find and prevent budgetary deviations such as those that the state comptroller brought to our attention, the procedure puts in place mechanisms for control and reporting the budget's implementation. The procedure institutes, among other things, a quarterly report about the budget's implementation by the Finance and Economy Department to the Finance Committee of the directorate. The procedure mandates immediate reporting in cases where failure to meet the budget goals is forecast. In addition, mechanisms of reporting and approval have been determined for any deliberate change in the budget, such as budgetary deviation, increasing the budget framework, and so on, and/or changes in the work plan, allowing for control in real time.⁴
- *Transparency* — The procedure anchors the requirement to publish the budget on KKL-JNF's website.

The Procedure for Sharing Work and Information between Members of KKL-JNF's Directorate and Employees

The procedure for sharing work and information between members of KKL-JNF's directorate and employees reinforces the regulations of the Companies Law and the principles of good governance as outlined by the court, and implements the state comptroller's comments.

The procedure regulates two major issues in further detail:

- *It prevents members of the directorate (the elected echelon) from interfering in the ongoing work of the professional echelon (managers or employees).* It also stipulates that the employees are subject to the instructions of the director-general of KKL-JNF *only*, and also that the members of the directorate may not give them orders or commands of any kind. In addition, the procedure drastically decreases the possible connection between members of the directorate and the employees, thus putting an end to inappropriate incidents that took place in KKL-JNF in past years — incidents in which elected directorate members interfered in decisions regarding allocations of the organization's resources.⁵

³ This leads to the rectification of the irregularities regarding accumulating surplus revenue, as set forth on pages ___ to ___ of the State Comptroller's Report.

⁴ This resolves the report's comments regarding the lack of supervision and control by KKL-JNF's directorate of the size of the financial undertakings, as listed on page ___ of the State Comptroller's Report.

⁵ See, for example, pages ___, ___, and ___ of the State Comptroller's Report.

- It regulates the *processes of delivering information to the members of the directorate* (through the directorate's secretariat), and enables KKL-JNF's legal advisor to intervene in cases where the request for or transfer of information could cause harm to the organization and/or when the request is made in bad faith.⁶

The Procedure of the Work of the Directorate and its Committees

The procedure of the work of the directorate and its committees anchors and consolidates the rules of the organization and the management of KKL-JNF's directorate (which contains 37 members) and its committees. Alongside the rules of calling a meeting, the agenda, the distribution of material, the running of the meetings, and so on, the procedure anchors the following important principles:

- *Follow-up and control* — The procedure requires that a survey of the status of the implementation of previous decisions by KKL-JNF's director-general (or of the relevant professional director of a specific committee of the directorate) be provided at each meeting of the directorate. A report tracking the implementation of the decisions and instructions of the directorate and its committees shall be managed by the directorate's secretariat and sent out every quarter. The procedure also stipulates that for each decision, the one responsible for its implementation shall be named, together with the time it will take to carry it out.⁷
- *Transparency* — The procedure sets forth a *policy of complete transparency* that began with the term of service of the current directorate (even before the procedure was approved), according to which protocols of the meetings of the directorate and its committees shall be sent out approximately two weeks in advance, together with attached explanatory notes, proposed resolutions, and background material pertaining to the topics on the agenda.

A computerized system was recently developed in KKL-JNF to manage and document meetings of the directorate and its committees. The system had a successful trial run in managing the management committee meetings, and has been put in operation in all the meetings of the directorate and its committees and in the various management forums. The system manages the pool of topics for discussion, the agenda, distribution of support materials, documentation of the meeting, distribution of the protocol, and the tracking process after the decisions are carried out.

The management of the meetings by this computerized system has improved the process of control and tracking of the required discussions, the transmission of decisions to the proper operational forum, the status of the implementation of the decisions, and reporting it to the proper management forum.

Procedure for Working with Outside Parties

From the State Comptroller's Report:

KKL-JNF has not instituted procedures that address how meetings between its officials and the representatives of outside parties are to be conducted, including procedures that address the documentation and reporting of such meetings, even though it should have instituted such rules.

The procedure concerning work with outside parties anchors five major principles in any interaction between KKL-JNF officials and outside parties:

⁶ As stated in Paragraph 265 of the Companies Law of 1999 (5759).

⁷ Regarding the lack of control by the directorate, see page ___ of the State Comptroller's Report. The purpose of the procedure and the computerized system is to address this issue.

- It is required that the activity with the outside party (such as a meeting, tour, visit, and so on) be held with the professionals relevant to that activity;
- It is required that a protocol of such activities be kept;
- The principle that the activity must be held, as a rule, between officials of similar rank in KKL-JNF and in the outside organization (elected officials with elected officials, director-general with director-general, vice president with vice president, and so on), is hereby set;
- No KKL-JNF official may make a commitment or make any display of approval or commitment in the name of KKL-JNF regarding a topic that is not within the direct and individual purview of the official conducting the activity with the outside party;
- No KKL-JNF official may conduct any activity with an outside official if the KKL-JNF official is liable to be in a situation of conflict of interest between his or her position in KKL-JNF and his or her personal business or any other position that he or she may occupy.

Documentation and Transparency

From the State Comptroller's Report:

Hundreds of decisions that were made by the Supreme Projects Committee... that approved financial support amounting to tens and even hundreds of millions of shekels every year for local authorities and other public organizations were made *without transparency*. The committee meetings were *not documented*...

Good governance requires that discussions, particularly ones about significant topics, be *documented*. Documentation helps guarantee adherence to best practices of thinking and planning, contributes to a structure of good judgment, ensures that the requirement of providing reasons will be met, and promotes the continuity and preservation of organizational memory in the short and long term, as well as tracking, control, and learning lessons from past experience.

The information submitted by the director-general of KKL-JNF... indicates that most of the meetings that he held with local-authority heads in KKL-JNF offices (25 of 26) were *never documented*...

Based on the understanding that KKL-JNF is an organization that represents the Jewish people as a whole and acts on its behalf, and based on the appreciation for and sense of commitment to KKL-JNF's donors, who assist in the organization's work, and in light of its public roles and resources, KKL-JNF's leadership has decided, for the first time in 115 years, to open it up to transparency and auditing, and expose its decision-making processes to public scrutiny. The decision to make the organization completely transparent was among the first decisions that of the current directorate and leadership.

KKL-JNF's leadership decided, first and foremost, that every professional meeting held at the organization, as well as every professional meeting with outside parties, must be documented. Such documentation will guarantee adherence to proper work procedures and enable internal and external control.

To this end, binding regulations regarding conducting a protocol, required elements of the protocol, and the obligation to give reasons were issued in early 2016. These regulations served as the basis for constructing a unified format for documenting meetings and discussions that take place within the organization. Each meeting protocol contains the date of the meeting, the names of those in attendance and those absent, the meeting's agenda and process, the decisions that were made and the reasons for them, the timetable and person responsible for carrying out the decisions, the name of the employee preparing the protocol, and the date of the protocol. Once the protocol has been written, it is distributed to all the participants as well as to all parties relevant to the meeting's topic. The protocol is recorded and saved.

Alongside the unified format of the protocol of the meetings of the professional echelons, dedicated formats for meetings of the directorate and its committees, as well as for general assembly meetings, executive committee meetings, and project committee meetings were created in 2016.

These and other protocols have been published on KKL-JNF's website, which is open to the general public. More than 180 protocols of the various forums have been published on KKL-JNF's website since the beginning of the current term (November 2015).

A procedure for documenting meetings, stipulating which activities and forums are subject to the requirement to prepare a protocol, which activities and forums shall be recorded and transcripts prepared, the elements to be included in each protocol, the one responsible for preparing the protocol, how each protocol shall be approved, the parties to whom the protocol shall be

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distributed, and which protocols shall be published on the website, among other things, *was written and approved later on.*

It should be noted that the procedure for issuing calls for proposals for projects (which will be discussed at length below) includes a requirement to publish all the protocols of the projects committee on the KKL-JNF website. This ensures the anchoring of complete transparency in all having to do with the decision-making processes regarding the projects KKL-JNF carries out.⁸

KKL-JNF's Website and Public Access to Information

Alongside its ongoing provision of professional information, KKL-JNF's website serves as a transparent, open, and two-way channel of information between the organization and the general public.

In addition to the protocols of the organization's management forums (including those of the projects committee), the following items appear there:

- The organization's budget and financial report
- Tenders for the purchase of goods and/or services (including notices of intent to enter into a relationship with an individual supplier)
- Notices regarding joint projects and collaborations
- Human-resources tenders
- Calls for proposals for projects, investments, and real-estate contacts, among other things
- Procedures for preventing conflict of interest on the part of members of the directorate and high-ranking officials, and preparing conflict of interest agreements for them

Since KKL-JNF has made its transparency revolution a matter of top priority, it has opened its gates to the general public as well as any organizations, institutions, and agencies that wish to apply for sponsorship or enter into a collaboration. The applications are submitted in a uniform format via a dedicated computerized system located on KKL-JNF's website. The applications are uploaded for inspection by the relevant professional department and discussed by a professional committee with no participation of the elected echelon. More information on this topic appears below.

An identical process takes place regarding the submission of proposals for carrying out projects via calls for proposals, which are open to a wide variety of agencies and organizations. This takes place via a dedicated system on KKL-JNF's website.

KKL-JNF's website also enables push notifications. Anyone who would like to receive information about tenders, calls for proposals, or contacts regarding specific subjects, as well as notifications about any new project that is relevant to their field, may do so by registering for free on the website.

KKL-JNF's website also contains a contact page where members of the public may contact the public-relations coordinator with any request, complaint, or comment. Contacts are forwarded to, and answered by, the relevant professional party.

⁸ Please see page ___ for more information about the calls for proposals for projects.

The Prevention of Possible Conflicts of Interest

From the State Comptroller's Report:

KKL-JNF — to the point of failure by omission — took no real measures to ascertain whether there was any conflict of interest in the activities of the members of the directorate and other high-ranking officials regarding the Land Development Administration's fields of operation, and neutralize such possibilities. High-ranking officials of KKL-JNF were not required to list any affiliations they had that might affect, in a non-substantial manner, their work in land development in general and in projects in particular, nor did they receive specific instructions regarding how they were to act regarding such affiliations.

It is appropriate that as each high-ranking official takes office, he or she report all affiliations or activities that might cause a conflict of interest, and KKL-JNF's legal advisory department prepare a conflict of interest agreement for that official, as required.

In light of the state comptroller's findings on the organizational level as well as regarding specific events that were discussed in the report, KKL-JNF's leadership has decided to institute regulations for the prevention of conflicts of interest in the organization.

In order to validate the procedure at the highest level, KKL-JNF's general assembly decided, in its meeting on March 7, 2016, to amend the organization's corporate statutes to include the following paragraphs:

24. No person convicted of a felony that, in the opinion of the legal advisor and the audit committee, prevents him or her from serving as a director, shall be eligible to be elected or appointed as a member of the directorate.
 - a. No person shall be elected or appointed as a member of the directorate or as a high-ranking official in the company until he or she has filled out a questionnaire examining the possibility of a conflict of interest as determined by the company's legal advisor.
 - b. If asked to do so by the company's legal advisor, the member of the directorate or the high-ranking official shall sign a conflict of interest agreement within 120 days of the date of his or her appointment.
 - c. The conflict of interest agreement shall be deposited with the chairman of the auditing committee, the company's legal advisor, and the company's secretariat. The conflict of interest agreement shall be published in the manner and according to the rules listed in the procedure to be approved by the general assembly, with attention to what is conventional in government companies.

In accordance with this rectification, two supplementary regulations have been created and publicized, as follows:

- Regulations for the prevention of conflicts of interest
- Regulations for publicizing conflict of interest agreements

A procedure for the creation of individual conflict of interest agreements for members of KKL-JNF's directorate and high-ranking officials was created at the same time. The procedure is based upon the strictest criteria that is customarily used in the civil service. The procedure includes precise mapping of all the spheres of activity and responsibility of the KKL-JNF directorate member or high-ranking official, as well as all personal and institutional affiliations in his or her other spheres of activity. Rules and regulations have been instituted to address any overlap or collision between these spheres of activity.

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Preventing Conflicts of Interest among Members of the Directorate

As noted in the State Comptroller's Report, the practice at KKL-JNF was that members of the directorate would sign a general declaration stating their promise to refrain from placing themselves in any situation of conflict of interest between their role on the directorate and their personal affairs and/or other roles, and that if any dilemma should arise, they would consult with the organization's legal advisor and accept his or her decision.

As part of carrying out the state comptroller's recommendations,⁹ and based on a strict viewpoint regarding the application of the rules of corporate administration and good governance, we decided to toughen the policy and create a mechanism of personal and individual conflict of interest agreements for each member of the directorate.

To this end, day-long seminars about conflicts of interest were held for members of the directorate. The seminars included lectures and instruction about preventing conflicts of interest.

A detailed regulation was written and given to those members of the directorate who serve as high-ranking officials in the local authorities in order to provide an immediate solution to the State Comptroller's Report's findings regarding the inclusion of members of the directorate who serve in official capacities in local authorities. The regulation instituted clear rules, according to which no member of the directorate who has a position in a local authority may have any role whatsoever in the decision-making circle and/or among those dealing with a project being carried out within the boundaries of his local authority.¹⁰

The Preparation of the Personal Conflict of Interest Agreements

All members of the directorate received a general questionnaire in which they were asked to list their own personal affiliations as well as those of their relatives, together with their businesses, contacts, and positions in other organizations, whether paid or volunteer. In each case of overlap or possible overlap between the two spheres, the members were asked to fill out a supplementary questionnaire that had been prepared for them, and individual conflict of interest agreements were prepared for them at the end of the process. The agreements include clear and detailed instructions for the directorate members to follow if any fear of a possible conflict of interest should arise. The directorate member is told to consult with the organization's legal advisor as needed. A cooling-off period for individual members of the directorate completing their terms in different positions and/or activities has also been set.

Preventing Conflicts of Interest among High-Ranking Officials and Employees

Alongside the preparation of conflict of interest agreements for members of the directorate, KKL-JNF has taken an identical measure regarding its high-ranking officials (the director-general, division heads, and managers of departments that are directly subordinate to the director-general), as well as the high-ranking officials in Hemanuta, its subsidiary company (after amending its statutes in a manner similar to that of KKL-JNF). Here, too, a procedure was held to discover the relevant office-holders' personal and institutional affiliations and carry out a meticulous mapping of their areas of authority and responsibility. Individual conflict of interest agreements were prepared for the office-holders at the conclusion of the process, and the office holders signed them.

Publication of Conflict of Interest Agreements

⁹ See pages ___ to ___ of the State Comptroller's Report.

¹⁰ See pages ___ to ___ of the State Comptroller's Report.

The conflict of interest agreements have two main purposes. The first is to provide assistance to the officials in question regarding their behavior in situations where fear of conflict of interest exists, and provide them with rules for dealing with such situations. The second is to serve as a tool for control and enforcement within (and outside) the organization, and ensure that the decision-making process is topical and free of any extraneous considerations. For this purpose, KKL-JNF's general assembly determined that all conflict of interest agreements would be given to three officials for control purposes: KKL-JNF's legal advisor, its external auditing committee, and the company's secretariat.

KKL-JNF's general assembly also approved a strict procedure of publishing conflict of interest agreements. The procedure allows any person to request the conflict of interest agreement of a KKL-JNF directorate member or holder of office.

The procedure stipulates that the request shall be discussed by the legal advisor, who will examine both the applicant's claims and those of the office-holder (including claims regarding trade secrets, violation of privacy, harm to a third-party's interest), with the rule in favor of publishing the agreement and, in appropriate cases, redacting specific parts of it.

Following an application submitted to KKL-JNF as part of the above-mentioned procedure, and by agreement with the members of the directorate and the organization's office-holders, KKL-JNF published, of its own accord, the conflict of interest agreements of the directorate members and the office-holders.

Calls for Proposals and Criteria

From the State Comptroller's Report:

The setting of clear and transparent criteria that will enable examination and prioritization of projects in accordance with development needs and a clear development policy to be determined is necessary to ensure that resources are allocated wisely and in the best possible manner, so as to guarantee uniformity in the process of decision-making regarding projects and the use of KKL-JNF's ability to carry out tracking and control on the issue. In addition, the lack of criteria opens the way to unrestricted managerial flexibility and the possibility of using development resources according to the decision-makers' biases.... [The lack of clear criteria] could also enable the promotion of interests in which the decision-makers may have a personal stake, as well as a particular public interest in which they are invested.

KKL-JNF must take care, among other things, that decisions about the allocation of funds for the funding and implementation of projects be made according to *criteria that are clear and known in advance* regarding the parties that may submit applications for funding and implementation of projects by KKL-JNF; the application methods and the submission dates; the way that projects are examined and chosen, as well as their order of priority; regarding the percentage of funding of projects of the same sort; the funding source of KKL-JNF's participation in the cost of the project (a donation, Land Development Authority budget or a combination of the two); the way the project is carried out (independently, **using proceeds**, or a combination of the two); and change in decisions.

KKL-JNF must complete the process of writing and approving the projects procedure as soon as possible, and anchor within it, among other things, the rules for all the topics listed....

The projects that are carried out by KKL-JNF — which are the core of the organization's activity — have a direct and indirect influence upon most of the residents of the State of Israel.

Following the findings of the State Comptroller's Report, the KKL-JNF management and directorate decided to change the rules of participation in and funding of the projects by the organization entirely. They did so in order to increase the equality and transparency of the decision-making process and avoid any appearance of acting on considerations that are not purely professional.

At the start of the current term of the KKL-JNF's management, a decision was made that from that time on, KKL-JNF would carry out projects according to a budget and criteria that were transparent and known in advance. Until the preparation and publication of the calls for proposals (acts that require harmonious work within the organization, following procedures, and writing a budget, criteria, and prerequisites, among other things), KKL-JNF decided to declare 2016 a "year of preparation."

2016: A Year of Preparation

Out of the wish to implement the recommendations made in the draft of the State Comptroller's Report immediately and write the procedure for the calls for proposals, KKL-JNF's executive committee and directorate declared the year 2016 as a "year of preparation."

Two immediate measures were taken during that period. First, it was decided to make an immediate separation between the budget for projects and the ongoing budget.¹¹ Second, the executive committee approved a temporary procedure for dealing with projects that stipulated the following:

¹¹ As stated regarding the procedure of preparing and updating the annual budget on page ___ above.

- No new projects will be approved until the call for proposals procedure has been enacted except under unusual, special, or unexpected circumstances.
- No projects regarding which discussions have begun in the district project committees, but that have not been brought up for discussion in the supreme projects committee, shall be approved.
- Due to new circumstances that have no connection to KKL-JNF, decisions may be made regarding changes in projects that were approved by the supreme projects committee in the past, as long as the decisions are based upon the recommendations of professional elements and no budgetary supplement is approved except after locating a budgetary source that is included in the annual budget framework.
- The agenda of the supreme project committee's meetings shall be sent out in advance, and shall include the recommendations of professional elements while providing the following: a brief description of the project, a summary of the supreme projects committee's previous decisions, a description of the circumstances that led to the necessity of changing the previous decision, a survey of alternatives that were considered and the reasons for the recommended alternative, the budgetary implications of the recommended alternative, and the existence of a budgetary source.
- The discussion in the supreme projects committee shall be documented in full, and shall include all the aspects required in the protocol: the names of the participants, a summary of the professional echelon's positions, a summary of the discussion of the committee members, the decision, the reasons for it, the budgetary implications of the decision, and the budgetary source.

In addition, the transitional instructions were tightened by order of the chairman of the directorate, and before the topic was brought before the supreme projects committee for approval, the legal bureau was asked to give an opinion regarding the propriety and legality of the request.

The supreme projects committee held nine meetings in 2016. Most of the meetings focused upon changes in decisions about projects that had been approved in the past. The protocols of the supreme projects committee were published in full on KKL-JNF's website.

2017 and Later: Self-Initiated Projects

After thorough and comprehensive groundwork, the professional team recommended that the KKL-JNF directorate and finance committee create a separation between projects that would be chosen by a call for proposals — which are the vast majority of projects — and self-initiated projects, which are included in the jurisdiction of KKL-JNF's Land Development Authority, and thus would be included in the annual work plan. It was recommended, accordingly, that the following projects not be carried out via a call for proposals:

1. Projects that cannot have an outside entrepreneur: Projects in forested land under KKL-JNF management — National Outline Plan 22 (such as forests, bicycle routes, forest paths, recreation sites, bird-watching stations, and so on, on forested land) or projects on KKL-JNF sites (such as Hula Agamon Lake, KKL-JNF youth camps, and so on)
2. Projects in which KKL-JNF participates in calls for proposals, or work plans of other organizations, such as agricultural routes (the Agriculture and Rural Development Ministry), security routes (the Defense Ministry), and the rehabilitation of streams and drainage (the Drainage Authorities and the Water Authority), among others
3. Projects carried out on the initiative of a donor (a donation intended for a specific purpose)

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4. Exceptions, such as the repair of damage caused by force majeure, security incidents, and so on

Beginning in 2017, all the projects that are not carried out via a call for proposals were included in the official work plan that was approved by the Land Development Administration and budgeted by the KKL-JNF directorate in the yearly plan (except for projects for which donors made specific donations).

2017 and Onward – Calls for Proposals

The principles of equality and transparency underlie the idea of the call for proposals. The call for proposals allows any party that is eligible to participate in KKL-JNF projects to learn the rules of the game in advance: who is eligible to submit a proposal, the criteria for selecting the winner, KKL-JNF's budget for the project, and KKL-JNF's share of participation in the project budget, among others.

As part of regulating the funding for the projects and determining KKL-JNF's budget for 2017, the organization's directorate decided upon the budget intended for each of the projects that would be carried out via a call for proposals, the kinds of projects that would be carried out, and other main conditions for KKL-JNF's participation in the projects.

At the same time, in order to increase equality and openness, KKL-JNF's management decided to carry out a RFI (request for information) process in which it asked all the entities eligible to participate in calls for proposals to submit applications for those projects that interested them.

So it was that in February 2017, KKL-JNF received more than 300 proposals for projects from entities including local authorities, non-profit associations, government corporations, and institutions. The proposals were segmented and analyzed by the professional team, after which KKL-JNF's management decided to divide the calls for proposals that went into effect in 2017 into three fields:

- Bicycle routes and walkways — NIS 20 million
- Development of landscaping around public buildings — NIS 10 million
- KKL-JNF parks (development of public open spaces) — NIS 40 million

Early in 2017, KKL-JNF approved the two main procedures regulating this topic: the call for proposals procedure for projects with KKL-JNF participation and the projects committee procedure. The procedures regulate, among other things, the process of preparing the documents for calls for proposals and their required components; the process of approving and publishing them, the way proposals are to be submitted; the examination of the prerequisites; the examination of the proposals by an advisory committee; and their ranking by the projects committee.

It should be emphasized that both the team that prepares the calls for proposals and the projects committee, which makes the final decisions by awarding points to the contestants and publishes the winning proposals, *is comprised of employees from the professional echelons only, and the elected echelon has no involvement in them at all* (unlike the supreme projects committee that operated in the past).

The procedures also establish the order of the discussion in the projects committee, rules about documenting the meetings and publishing them on the KKL-JNF website, notifying applicants, timetables, budgeting and implementation principles, and tracking the implementation of decisions.

Calls for proposals for the first projects, including the procedure for the calls for proposals, were published in February 2017.

Each call for proposals includes information and is open to all who wish to read it. The calls include:

- General instructions for participating and submitting applications
- The specific prerequisites for each call for proposals (including a list of parties that are eligible to submit proposals for each call)¹²
- A timetable
- A table of criteria according to which the proposals will be ranked¹³
- Rules for budgeting by KKL-JNF in relation to the various types of projects and the various eligible parties¹⁴
- A list of documents and forms to be filled out
- General conditions for an agreement to carry out projects as part of calls for proposals

The submission of proposals in response to the call for proposals is done via a dedicated computerized system that includes all the fields that must be filled out. The system functions as a locked tenders box. In accordance with the rules concerning tenders, the system may be opened and the proposals seen only after the last submission date has passed, as is stated in the proposal as well.

¹² This is a response to the criticism regarding the violation of the equal opportunity principle in submitting applications for projects, as described in pages ___-___ of the State Comptroller's Report.

¹³ Establishing and publishing the criteria are a response to the irregularities described on pages ___-___ and ___ of the State Comptroller's Report.

¹⁴ This is a response to the criticism regarding differences in the percentage of funding of projects of the same type, as described on pages ___-___ of the State Comptroller's Report.

The Regulation of Support, Collaboration and Sponsorship Mechanisms in KKL-JNF

From the State Comptroller's Report:

KKL-JNF's participation in funding projects via the Land Development Authority constitutes, for all intents and purposes, *financial support of sorts for various entities* — particularly local authorities within whose territory the projects are planned. Allocation of resources for funding these projects should therefore be done according to the principles that guide the main regulations of public law, and, among other things, in transparency, fairness, good faith, and with no extraneous considerations, while taking the unique characteristics of KKL-JNF into account."

KKL-JNF's management has set itself the goal of regulating the field of collaborations, financial support, and sponsorship such that it adheres to the strict criteria of good governance, to which it has committed itself in all other fields.

As part of enlarging the budget for KKL-JNF's activities, budgets directed toward collaborations with, financial support, and sponsorship of external organizations were increased in recent years, with an emphasis on developing the periphery, encouraging immigration, and assisting weak populations. No procedure of establishing procedures and policy accompanied the increase of the budgets.

During the current term, the directorate identified this field as one requiring immediate regulation since, among other things, the findings of the State Comptroller's Report were relevant to the field of financial support and collaborations to the same extent as they were to the topic of projects, alongside the increase in the number of applications to KKL-JNF by outside parties for financial support for carrying out joint projects.

Thorough and comprehensive groundwork was done in this area, with support from high-ranking experts in the field of tenders law, resulting in a written outline of rules to be followed in all cases of collaboration, financial support, and sponsorship. The outline is based on amendments to the tenders requirement, the attorney general's guidelines, the account general's instructions, and the government's procedures regarding financial support, adapted to KKL-JNF's activities.

The outline sets rules of transparency and criteria that resemble, in their substance, the rules that were adopted regarding projects.

The outline was approved by the Committee for Regulating Collaborations with Outside Organizations of the directorate, as well as by the directorate in full assembly.

Once the approval was given, work began on writing a procedure for the topic, which should be approved within several months. At the same time, transition rules, to be used until the procedure is approved, are also being written.

Currently, each party interested in receiving sponsorship or in carrying out a joint project with KKL-JNF can submit an application via KKL-JNF's website. The application is examined by a professional official and then raised for discussion *in the special contacts committee, which is comprised of professional representatives, and with no involvement of the elected echelon*. The committee operates according to the outline described above, which has been approved.

Separation of the Elected Echelon from Operational Decisions

From the State Comptroller's Report:

The outline described above, according to which the supreme projects committee made decisions in the years 2012 to 2014, led to a situation in which, for all practical purposes, *the final decisions were made by the previous active leadership* of KKL-JNF, and mainly by the former chairman of KKL-JNF and the former co-chairman. These high-ranking officials in the KKL-JNF leadership were the ones who made decisions according to their own understanding and judgment, without the decisions being limited by criteria of any kind, and with no documentation of the decision-making procedures....

In some cases, an inspection by the State Comptroller's Office found written proof that the former chairman of KKL-JNF, the former co-chairman, and one of the former vice presidents... had created conditions that enabled members of the directorate to be involved in projects in which the members had an interest.

The fact that KKL-JNF — an organization with a clear political aspect — deals in giving financial support to a public system (local authorities, for the most part), makes the rules of good governance and the principles of public law essential. Under these circumstances, *reducing the status of the professional echelon* (the Land Development Authority) and ignoring the rules of public law and good governance in decision-making procedures are all the worse. Therefore, KKL-JNF must change these procedures from the ground up.

As part of carrying out the state comptroller's findings regarding the irregularities and assimilating rules of good governance and corporate administration, KKL-JNF's management has decided to create a binding separation between the elected echelon and the ability to make individual decisions regarding the allocation of the organization's resources.

The Companies Law defines the role of the directorate as setting the organization's policy and supervising its activity. Setting policy takes the form of outlining the goals and targets and in setting the criteria for the allocation of resources. The involvement of directorate members in individual decisions regarding the allocation of resources to external parties is a severe irregularity that drew public censure as well as explicit criticism from the state comptroller.

Accordingly, KKL-JNF's leadership decided that the members of the directorate would have no more to do with making individual decisions about projects, financial support, or collaborations, and that the projects committee would be a professional committee headed by the director-general. It was also decided that the directorate members would refrain from giving instructions or orders to KKL-JNF employees (as set forth in the procedure for sharing work and information between directorate members and KKL-JNF employees on page ___). The director-general of KKL-JNF is, from now on, solely responsible for turning the policy into a work plan and putting it into practice. As part of that, and as noted in the past, KKL-JNF is undergoing a revolution in establishing work plans and overseeing their implementation — a situation that implements correct procedure routines that are proper and based on output.

The aggregate of rules and procedures that were approved, alongside regulating matters of conflict of interest in the organization, guarantees clean and professional decision-making processes regarding the allocation of resources.

Oversight Mechanisms and Gatekeepers

From the State Comptroller's Report:

This important public activity took place with no supervision or internal oversight by KKL-JNF and with no external auditing. KKL-JNF's system of supervision and control over the decision-making procedures in matters pertaining to the Land Development Authority — which includes members of the directorate, the Land Development Authority Committee, and the internal comptroller — failed.

When KKL-JNF's current leadership began its term, KKL-JNF made complete transparency and good governance in the organization matters of top priority in a series of decisions that were made by the directorate and the management committee, and translated them into current practice.

It was decided, among other things, to institute complete transparency; improve and streamline the financial array and financial oversight at KKL-JNF; to apply state auditing to KKL-JNF upon approval of an agreement that was written together with the cabinet secretary and approved by the State Comptroller's Office (it is awaiting the approval of the Israeli government); to examine the salaries of the high-ranking employees of the organization; and to adapt the organizational structure to KKL-JNF's current needs.

As part of implementing the principles of good governance and proper management, a detailed work plan was written for each of KKL-JNF's departments that addresses, first and foremost, the organization's goals and targets and that serves as the basis for assigning tasks. The detailed work plan matches the organization's budget and includes anchors for implementation.

As noted above, the process of constructing the work plan for 2017 served as a pilot, and it constitutes a basis for building annual work plans in the future.

Mechanisms for tracking and control in ongoing work processes were also implemented. Among them are the following:

- A report from the director-general about carrying out decisions is given at every meeting of the directorate, and the directorates' secretariat keeps track of the implementation of the decisions.
- Mechanisms for approving and reporting any change in the budget and/or in the work plan have been put in place.
- The departments' accountants have been made subordinate to the authority of the Finance Division (as is done in the Finance Ministry).

The Gatekeepers

The findings of the State Comptroller's Report confirmed the organization's need for varied and external auditing agencies so as to adhere to the highest and strictest principles of good governance.

Two important officials were appointed in KKL-JNF in February 2017.

Former district court president Judge (Ret.) Joseph Alon was appointed special advisor to the directorate and as the highest legal instance in KKL-JNF. Judge Alon served for many years as the president of Be'er Sheva District Court, acting president of the Southern District Magistrates' Court, and as an acting Supreme Court justice for a year.

Judge Alon's role will be to provide counsel and professional opinions to the directorate regarding regulation, corporate administration, and other issues that are placed on the directorate's agenda.

Mr. Yoram Shviro, who worked in the State Comptroller's Office for more than twenty years, has been appointed as KKL-JNF's internal comptroller. Mr. Shviro is responsible for strengthening the organization's internal auditing division, ensuring that the organization's activities accord with the law, integrity within the organization, conservation and efficiency, and good business practice.

The legal bureau has undergone a profound and comprehensive reorganization, as part of which the number of attorneys at law in the organization was tripled. The legal bureau currently includes 14 attorneys who provide service to the various professional divisions of KKL-JNF, according to their areas of specialization. The purpose of this measure is to improve the legal service, increase legal oversight of the organization's work, and lower the high expenses that the organization incurred due to the increase in legal services provided by external sources.

A policy planning unit was also established in KKL-JNF to deal permanently with strategic planning for cross-organization topics, oversight, work plans, the preparation and implementation of procedures, the rectification of irregularities, and the implementation of the auditing reports.

Table of Rectifications of Irregularities

Title of Irregularity	The Irregularity/Auditor's Recommendation	List of Things Done to Rectify the Irregularities	Rectification Status (rectified/not rectified/partially rectified/other)
KKL-JNF's budget	KKL-JNF must act as quickly as possible to set a clear policy regarding the use of its surplus revenue and publicize that information. This policy should be set in accordance with KKL-JNF's goals.	The budgetary reserve policy was set by the finance committee and by the directorate during their meeting on October 10, 2016. Both decisions were published on KKL-JNF's website. The need to set policy regarding the liquid reserve was also anchored in the procedure for preparing and updating the annual budget, and the decision about the budgetary reserve will be made as part of the annual budget meetings.	Rectified
KKL-JNF's budget	KKL-JNF's directorate and finance committee must make certain that their decisions are carried out according to it. The finance committee shall receive, each quarter, a report about the pace of the progress of the projects that were budgeted after the fact, and for each project that was not started by December 2016, its approval and the budget allocated for it shall be cancelled.	A report was delivered regarding the progress on carrying out the projects that were budgeted after the fact as part of the finance committee meetings that took place on June 8 and September 26, 2016; and on March 15 and April 5, 2017. During the latest finance committee meeting, a recommendation (anchored in a professional legal decision) was given to the directorate to include projects for which detailed planning was completed in the framework of the above-mentioned budgetary approval.	Rectified
Examination and approval of projects	KKL-JNF's directorate must look into changing the process of examining and approving projects such that the place of the professional echelons, particularly the staff of the Land Development Authority, shall be significant and central. KKL-JNF's directorate must set the development	KKL-JNF's directorate and management committee declared 2016 as a "year of preparation in KKL-JNF (during which no new projects were approved as a rule). Beginning from 2017, KKL-JNF has approved projects via calls for proposals. KKL-JNF's directorate, finance	Rectified

	<p>policy, including the criteria according to which the Land Development Authority shall make decisions about projects, under the directorate's supervision.</p>	<p>committee, and management committee set the budget for the projects, the types of projects, the main eligibility rules, and the main criteria according to which KKL-JNF will examine the projects in 2017 (in other words, the development policy was set). KKL-JNF's professional staff then wrote the regulations for the calls for proposals, which were published on KKL-JNF's website and in the press throughout February 2017. The calls for proposals include clear criteria according to which the decisions about projects shall be made. According to the Call for Proposals Procedure that has been approved by KKL-JNF, the projects committee that discusses the calls for proposals is a professional committee, and the elected echelon is not involved.</p>	
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Title of Irregularity	The Irregularity/Auditor's Recommendation	List of Things Done to Rectify the Irregularities	Rectification Status (rectified/not rectified/partially rectified/other)
Approval and examination of projects	<p>KKL-JNF must change the decision-making procedures regarding project funding and implementation, and pay particular attention to the following:</p> <ol style="list-style-type: none"> 1. Decisions about the allocation of funds for funding and implementing projects shall be made according to criteria that are clear and known in advance. 2. The total financial scope of the projects that are approved each year shall not deviate from the framework of the budget 	<p>The project approval procedures at KKL-JNF now take place via calls for proposals:</p> <ol style="list-style-type: none"> 1. All the conditions mentioned in the State Comptroller's Report are included precisely in the documents of the calls for proposals, which are published fully on KKL-JNF's website. They include: the parties eligible to submit proposals, the methods and deadlines for submission, the criteria for examining the projects, 	Rectified

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	<p>approved by the Land Development Authority.</p> <p>3. The identity of the members of the committee that is to select the projects, the ones eligible to vote, and the minimal quorum necessary to make decisions shall be determined. This shall also be the case for other KKL-JNF committees, which shall have the authority to make recommendations regarding projects.</p> <p>4. The committee shall meet at a frequency that allows for true examination of each project and a fair decision-making procedure regarding its rejection or approval.</p> <p>5. Decisions regarding the projects to be discussed in the committee, including rejecting applications out of hand, shall be made according to criteria that are clear and known in advance.</p> <p>6. The process of discussions, providing rationales, making recommendations, and arriving at decisions about projects shall be documented and distributed to the participants in each meeting.</p> <p>7. The parties that submitted applications for the implementation of projects by KKL-JNF shall receive notifications of the decisions that are made and of the conditions that are stipulated. It is also suggested that the decisions be made available to the general public.</p> <p>8. Ongoing supervision and control procedures of the decision-making about matters connected with the projects shall take place.</p> <p>KKL-JNF must complete, with urgent speed, the writing of the projects</p>	<p>the percentage of funding that shall be given to projects of the same type. The process of changing the decisions has also been set forth clearly in the projects committee procedure.</p> <p>2. The management committee and the directorate decided to separate the projects budget from the ongoing budget. This decision was implemented in the procedure entitled Preparing and Updating the Annual Budget, and, accordingly, in KKL-JNF's budget for 2017 (and going forward). The internal division of the budget among the various types of projects was decided later, and set down in KKL-JNF's procedures that the projects committee is limited in each type of project to a budgetary cap that has been determined for it, and also that the budget for each project shall be a multi-year budget that shall accompany it until it is completed.</p> <p>3. The Calls for Proposals for Projects and the Projects Committee procedures stipulate the makeup of KKL-JNF's new projects committee. This committee is comprised of members of the professional echelon only, headed by the director-general (without the participation of the elected echelon). All committee members (except for the committee secretary) have the right to vote, and the minimal quorum for making decisions has also been determined. In addition, according to the above-mentioned procedures, an advisory committee has also been established for the projects committee. Its role is to examine the proposals that are submitted before they are given to</p>	
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	<p>procedure and anchor within it, among other things, the rules for all the topics listed above. It is appropriate that KKL-JNF give public notice of the final procedure as part of a call for proposals to be made available to the general public.</p>	<p>the projects committee for judging. The advisory committee is comprised mostly of representatives of the Land Development Administration and other professional parties.</p> <p>4. The Call for Proposals for Projects stipulates a period of six weeks between the conclusion of the advisory committee's work and the conclusion of the project committee's work regarding the ranking of the proposals in each call for proposals. The committee's meeting dates shall be set by the committee chairman, taking into considering the number of proposals submitted. This is, therefore, a structured process that allows the committee to meet at a suitable frequency.</p> <p>5. All calls for proposals include clear and equal criteria such as prerequisites, eligible parties, the ranking of proposals, and budgeting.</p> <p>6. According to the Project Committee procedure and the Calls for Proposals for Projects procedure, all meetings of the projects committee shall be recorded in a protocol that shall be distributed to the committee members and uploaded to KKL-JNF's website on the conclusion of the process. It is also stipulated that the meetings of the advisory committee shall be recorded as part of a consolidating document with a uniform format that shall be prepared by the national projects coordinator.</p> <p>7. Uniform formats of committee letters to applicants have been prepared in accordance with the types of decisions</p>	
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		<p>that shall be made in the projects committee. As noted above, the Call for Proposals for Projects procedure stipulates that protocols of the projects committee shall be uploaded to KKL-JNF's website once all the applications for the specific call for proposals have been judged.</p> <p>8. According to the procedure, all meetings of the projects committee shall be documented and uploaded to KKL-JNF's website. This will enable transparency, supervision, and internal and external control over the committee's decision-making processes. In conclusion, all the above-mentioned principles have been anchored in KKL-JNF procedures and in the documents of the calls for proposals, which have been published on the website. The procedures were approved by the director-general of KKL-JNF and by the procedures committee of the directorate, and were brought to the attention of the external auditing committee during the meeting that took place on March 7, 2017.</p>	
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Title of Irregularity	The Irregularity/Auditor's Recommendation	List of Things Done to Rectify the Irregularities	Rectification Status (rectified/not rectified/partially rectified/other)
Making decisions regarding the source of funding for KKL-JNF's	KKL-JNF's directorate must examine, as soon as possible, the required controls regarding the procedure for approving the funding of projects and implement them.	In the procedure entitled Preparing the Updating the Budget, and also in the one entitled Calls for Proposals for Projects, the budget for projects has been	Rectified

<p>participation in the cost of a project — donation or the Land Development Administration's budget</p>	<p>KKL-JNF's directorate must make sure, among other things, that the documenting of the decision-making procedures at KKL-JNF is done in accordance with the principles of good governance.</p>	<p>separated from KKL-JNF's ongoing budget. The process, therefore, is: the setting of the general annual projects budget, followed by its division according to the various types of projects. This is followed by the publication of the calls for proposals by the types of projects that have been determined, with each call for proposals limited to the budget cap that has been determined. These rules will be implemented in 2017. As part of the Calls for Proposals for Projects procedure and the Projects Committee procedure, the decision-making processes (including changing decisions) have been instituted in the projects committee, and the requirement of documentation and transparency in the committee meetings has also been anchored. At the same time, the requirement for documentation and transparency in KKL-JNF's work as a whole has been anchored in the procedure entitled Documentation of Meetings, which stipulates, among other things, the obligation to keep a protocol for each meeting that has to do with the allocation of KKL-JNF's resources, or of meetings that are expected to conclude in implementation. The Documentation of Meetings procedure also stipulates various formats for protocols according to the meeting's forum, and the requirement of providing rationales is also anchored there. Regarding meetings of the projects committee, the Documentation of Meetings procedure also sets forth the obligation to record them. In addition, KKL-JNF has recently developed a dedicated and unique</p>	
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		<p>system for managing and documenting meetings of the leadership and the directorate. The system was implemented in the management committee meeting, and it has recently been implemented in meetings of the directorate and its committees. The system conducts an audit after decisions are put into effect, and a report about it is delivered in the ongoing meetings of the directorate.</p>	
<p>Examination and approval of projects</p>	<p>KKL-JNF must complete, as soon as possible, implementing the information systems that are necessary for rectifying the irregularities that were found in the audit in order to avoid, among other things, the existence of partial and contradictory information about decision-making procedures regarding projects, in order to preserve organizational information on the topic and increase the control and the ability to learn lessons.</p>	<p>As part of the decisions regarding good governance, the management committee, human resources committee, and administration of the directorate decided to dedicate special resources to renewing and updating the organization's computerized information systems. Among other things, a process of installing a unified Enterprise Resource Planning (ERP) system has begun in KKL-JNF. This system will expand the information for the decision-making procedure and reduce significantly the existence of contradictory information among the various systems. At the same time, and until the ERP system is completed, KKL-JNF has developed, as stated above, a dedicated and unique system for conducting and documenting meetings of the management and the directorate. The system tracks the implementation of the decisions. In addition, a dedicated system has been developed for receiving applications to carry out projects via calls for proposals. The system has been synchronized with the Projects Identification system, and was recently updated and improved as</p>	<p>Partially rectified/in the process of being rectified</p>

		well.	
Examination and approval of projects	KKL-JNF and the state must make sure that in their shared forums, the decision-making procedures about funding projects shall be conducted according to the guiding principles of public law, including transparency, fairness, operating according to clear and unbiased criteria, and oversight of these procedures. The state and KKL-JNF must make sure that the decisions are made in accordance with the stated procedure, which shall be set and anchored in the procedures, and institute control mechanisms for this procedure.	The joint decisions of KKL-JNF and the state regarding the environmental projects (according to the agreement from November 18, 2015) were made according to calls for proposals that were issued by the Environmental Protection Ministry according to its own procedures. In all having to do with national projects, these have not been agreed upon yet, and the decisions about them shall be made according to the instructions of the legal advisor of the Finance Ministry and the legal advisor of KKL-JNF.	Partially rectified

Title of Irregularity	The Irregularity/Auditor's Recommendation	List of Things Done to Rectify the Irregularities	Rectification Status (rectified/not rectified/partially rectified/other)
Meetings and tours with outside parties	KKL-JNF's high-ranking officials — including the members of the active management, the director-general, and the other members of the expanded management who hold meetings with outside officials about projects — must make sure to include representatives of the Land Development Authority's professor echelon, document the meetings or tours in the record that will be distributed to the participants, and report on them to other relevant officials in KKL-JNF. KKL-JNF must anchor this obligatory method of action in its	A series of decisions about the requirement to document and write protocols in KKL-JNF was made as soon as the current management took office, and implemented by the professional echelon. On this basis, and on the basis of the state comptroller's critiques, a unified format for protocols has been instituted at KKL-JNF. This format includes the date of the meeting, the participants, the subject of the meeting, the process of the discussion, the decision and its rationale, a timetable for implementation and the official responsible, the writing of the protocol,	Rectified

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	procedures.	and its distribution. The obligations of documentation were anchored later on in two supplementary procedures: the Meeting Documentation procedure and the Working with Outside Personnel procedure. The procedures contain all the binding regulations regarding documentation in KKL-JNF: (a) When is a protocol required? (b) Who is responsible for arranging the protocol? (c) How the protocol is to be arranged (according to structured formats set forth in the procedure) (d) The distribution of the protocol, and so on. Additional regulations were anchored as part of the Working with Outside Personnel procedure, such as the obligation to invite the professionals relevant to the topic of the activity; the obligation to report on the results of the activity; the prohibition against giving a commitment in the name of KKL-JNF that is not under the direct and immediate authority of the official holding the activity, and so on.	
Arrangements for preventing conflicts of interest	High-ranking officials of KKL-JNF must avoid getting into a situation of conflict of interest. If they have any doubt as to whether they are in such a situation, they must ask for a professional legal opinion on the matter in advance. When an official of KKL-JNF is aware that another official of KKL-JNF has gotten into a situation of conflict of interest, he or she must report it and act such that KKL-JNF's decisions will be made in a proper manner and without extraneous considerations.	KKL-JNF has completely changed the way it addresses the issue of conflicts of interest in the organization. First, lectures about preventing conflicts of interest and the duties of directorate members were given to the members of the directorate. Second, a significant correction was made in KKL-JNF's regulations, obligating members of its directorate and office-holders to fill out a questionnaire about conflicts of interest and sign a conflict of interest agreement written by the legal advisor as conditions of their appointment. Third, as part of the arrangements that were made (about which we will elaborate in the next	Rectified

		<p>section), clear and detailed instructions were issued regarding what was permitted and forbidden for each office-holder, as well as a general instruction to contact the legal advisor if there was any doubt as to whether he or she was in a situation of conflict of interest. The regulations are available for study on the KKL-JNF website.</p>	
<p>Arrangements for preventing conflicts of interest</p>	<p>KKL-JNF must also complete, as soon as possible, the procedure for finding affiliations and conflicts of interest of its high-ranking officials and making arrangements to prevent them. From now on, it is appropriate that when an office-holder first takes office at KKL-JNF, he or she report any affiliations or activities that could lead to a conflict of interest, and an arrangement will be made to prevent a conflict of interest, if necessary.</p>	<p>KKL-JNF has made arrangements to prevent conflicts of interest for all members of the directorate and all high-ranking company officials. It did so after conducting a procedure of locating affiliations on the basis of individual questionnaires (and supplementary questionnaires) that were filled out. The individual arrangements were made according to the type of position and authority of the directorate member or company official. The agreements were signed, and KKL-JNF also recently published the conflict of interest agreements of the directorate members and the high-ranking officials on the company's website. KKL-JNF is currently making conflict of interest agreements with employees of middle rank (beneath the high-ranking employees), regarding employees with significant authority in the fields of finance, human resources, contacts, and so on. According to the correction in KKL-JNF's regulations, KKL-JNF gave the agreements to the legal bureau, the auditing committee, and the company's secretariat. The agreements were published on KKL-JNF's website, and may be read there. KKL-JNF makes a conflict of interest agreement with</p>	<p>Rectified</p>

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Title of Irregularity	The Irregularity/Auditor's Recommendation	List of Things Done to Rectify the Irregularities	Rectification Status (rectified/not rectified/partially rectified/other)
Arrangements for preventing conflicts of interest	It is appropriate that KKL-JNF notify the employees that have to do with the topics about which arrangements are to be made to prevent conflicts of interest about the restrictions that have been instituted so as to remove all obstacles from under them.	All the agreements that were drawn up were given to the officials concerned, who signed them. The agreements may be read on KKL-JNF's website.	Rectified
Arrangements for preventing conflicts of interest	It is appropriate that KKL-JNF notify its auditing committee of the arrangements that are made.	All the agreements that were made were given to the auditing committee. From time to time, KKL-JNF makes agreements for new officials who are appointed, and these agreements are also given to the auditing committee. In any event, the agreements are published on KKL-JNF's website.	Rectified
Financial accounts between KKL-JNF and the state	The Israel Lands Authority and KKL-JNF must do everything in their power to settle and end the past financial conflicts between them regarding the covenant, and institute a joint mechanism to prevent the creation of debts in the future.	In accordance with the agreement that KKL-JNF made with the Israeli government on November 18, 2015, a professional examiner was appointed to examine a past account between KKL-JNF and the Israel Lands Authority. The examiner began her work, and KKL-JNF had critiques about the conducting of the clarification with the Israel Lands Authority and the examiner. The main critique has to do with the Israel Lands Authority's failure to transfer information to KKL-JNF. The Israel Lands Authority has not fulfilled its obligation on that	In the process of rectification

		issue to this day, except regarding issues of minor consequence (on which progress has been made).	
Oversight of KKL-JNF's actions to correct the irregularities	KKL-JNF's directorate must make sure that the principles of corporate administration are implemented properly in KKL-JNF, including by means of fair auditing that is required in light of the report's findings regarding the approval of funding and the implementation of projects.	As early as the second meeting of the current directorate, a decision was made to set up a team to rectify the irregularities that were noted in the State Comptroller's Report and in other reports by the comptroller of national institutions. The team was given the authority to manage the implementation of the recommendations, formulate criteria, and put together a file of work procedures. Decisions were also made during that meeting about increasing transparency in KKL-JNF by publishing decisions on KKL-JNF's website, instituting a uniform and binding format for protocols, and increasing transparency in the budget and adapting the budget procedure to the requirements of greater transparency. The measure of making the department accountants subordinate to the Finance and Economy Division was also approved. On December 28, 2015, the management committee discussed at length the irregularities that arose in the draft of the State Comptroller's Report, adopted the professional team's work plan, and instructed the staff to act to rectify the irregularities and implement the corrective measures. Since then, KKL-JNF has made extensive changes in all concerning implementing the principles of corporate administration and the various auditors. Many procedures were written and approved (including the Budget Preparation and	Rectified

		<p>Approval procedure, which includes the obligation to prepare quarterly reports and report immediately about any failure to meet the budget's goals). Rules and arrangements for preventing conflicts of interest were written and published. Criteria for carrying out projects via KKL-JNF were set and calls for proposals issued. Rules for documentation and transparency were made, as was a decision regarding the implementation of a work plan based upon the principles of the government's planning guide (the work plan for 2017 was completed, and the procedure of inspecting the plan will soon begin). Rules of corporate administration were instituted in the procedure for sharing work and information between members of the directorate and KKL-JNF employees. Work on developing new computerized systems continues at full strength. In addition, a retired district court judge was appointed as a special advisor for KKL-JNF's directorate. KKL-JNF's directorate is overseeing the process of rectifying the irregularities via surveys and reports that it receives during meetings about the progress of the process.</p>	
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Title of Irregularity	The Irregularity/Auditor's Recommendation	List of Things Done to Rectify the Irregularities	Rectification Status (rectified/not rectified/partially rectified/other)
Investments in the Galilee and Negev regions	The audit found that while KKL-JNF's directorate wished to set a clear target regarding KKL-JNF's investment in the Negev and Galilee regions, the previous leadership never took measures to clarify unequivocally which of Israel's communities or regions would be included in this target. This being the case, it could not be known whether KKL-JNF's investments in various projects throughout the country met the target that the directorate had wished to set. KKL-JNF must define clearly which communities are included in the priority regions so that it can make sure that the main part of its investments are made in these regions.	As part of the calls for proposals issued by KKL-JNF, clear criteria were set regarding the geographic and social periphery. The criteria were set by the professional team on the basis of policy guidelines drawn up by the directorate and the management committee. The criteria draw their inspiration from the calls for proposals of various government ministries, and are based upon data from the Central Bureau of Statistics and upon various government decisions. The calls for proposals, and particularly the table of criteria, which clarify the criteria for the communities to which KKL-JNF will give preference, are available for study on KKL-JNF's website.	Rectified