



# Audit of Political Financing in the State of Israel

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STATE COMPTROLLER AND OMBUDSMAN OF  
ISRAEL

SUPREME AUDIT OFFICE OF THE SLOVAK  
REPUBLIC

Audit of Financing of Political Parties and Electoral  
Campaigns

Hosted by the Supreme Audit Office of the Slovak Republic  
November 2024

# Introduction



The Legislature of Israel enacted laws in regard to election campaigns, including granting parties and candidates state financing for election expenses and setting limits on private political donations (prohibition on corporate donations and limits on amounts which individual households may donate) and rules concerning election expenses. The law defines what are considered 'election expenses' and sets the maximum amounts of donations which may be accepted by political actors. The law states that every candidate and party must administer their accounts in accordance with the Guidelines set by the State Comptroller and submit a financial report to the Comptroller after the election; any candidate or party which does not submit such a report shall not receive public financing.



The Legislature mandated the State Comptroller to audit the conduct of the parties and candidates to ensure compliance with the legal rules and objectives, including: public transparency regarding the use of public monies; safeguarding relative equality between parties or candidates competing in an election (including in regard to the level of political financing and in regard to contribution ceilings); neutralizing the influence of the wealthy upon elected officials and the public agenda, thereby raising public confidence in the electoral process and strengthening Israeli democracy.



The State Comptroller views the professional and fair auditing of political actors and publication of the audit's results as extremely important, especially due to the high cost of election campaigns to the public purse.

# Areas of audit



## NATIONAL ELECTIONS FOR KNESSET

(AND AUDIT OF KNESSET  
FACTIONS' USE OF PUBLIC  
FINANCING FOR ONGOING

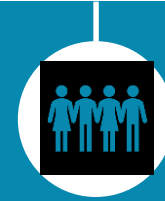
EXPENSES)  
POLITICAL PARTY FINANCING  
LAW, 1973



## LOCAL ELECTIONS FOR MUNICIPAL COUNCILS

LOCAL AUTHORITIES  
(POLITICAL FINANCING) LAW,  
1993

1993



## PRIMARY ELECTIONS BETWEEN CANDIDATES WITHIN POLITICAL PARTIES

POLITICAL PARTIES LAW,  
1992

These laws determine the scope of the audit, the political actors to be audited and the timelines for producing and publicizing the audit results



# Objectives of state audit in regard to elections and political financing

**Safeguarding Equality**

**Eliminating Influence of Donors**

**Strengthening Public Confidence  
in the Political System**

**Oversight of the Use of Public  
Funds**

# Audit powers

By law, the State Comptroller is empowered to establish, within the Audit Report, the following:

- whether the political actor administered their accounts in accordance with the Guidelines set by the State Comptroller;
- whether the expenses were within the ceiling set down in the law;
- whether the political actor abided by the legal limits concerning receipt of donations.

The audit also checks issues such as the fullness of the expenses reported, the connection of the expenses to the election campaign and the reasonableness of the expenses.

The State Comptroller is empowered to sanction up to 15% of the political actor's public financing, in accordance with the results of the audit.



# Audit results

01



If deficiencies ARE NOT uncovered, Audit Report = 'Positive'

02



If deficiencies ARE uncovered, Audit Report = 'Not Positive' & Financial Sanction = up to 15% of the amount of Public Financing

03



If no financial report is submitted, Sanction = 100% of the amount of Public Financing

# Local elections to Municipal Councils, 2018

Election in 250 Municipalities



**196**  
Local Authorities

**1,387**  
Municipal Lists  
Competed in  
Elections



**54**  
Regional  
Authorities

**126**  
Candidates for Head  
of Regional  
Authority

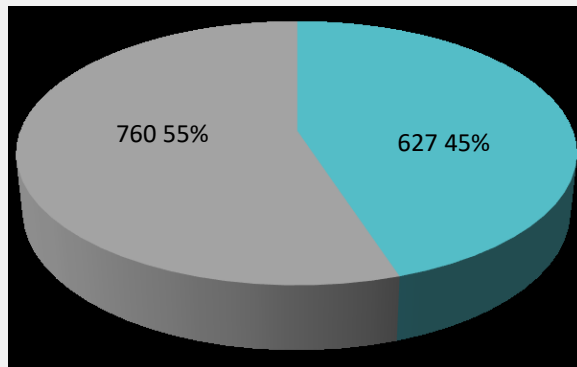
# Local elections to Municipal Councils, 2018

## Main audit results

### Elections for Local Authorities

**1,387**

Municipal Lists Competed in Elections



Audit Report for 627 Municipal Lists (45%) =

'Positive'



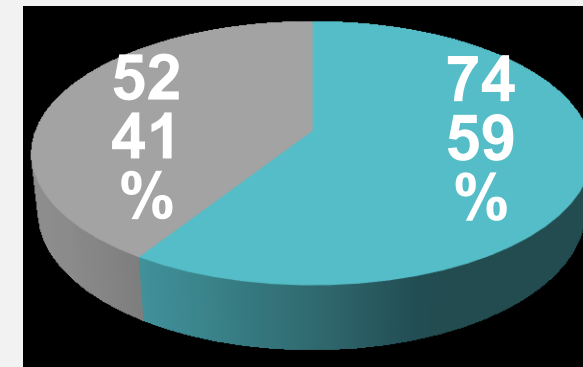
Audit Report for 760 Municipal Lists (55%) = 'Not

Positive'

### Elections for Heads of Regional Authorities

**126**

Candidates Competed in Elections



Audit Report for 74 Candidates (59%) = 'Positive'



Audit Report for 52 Candidates (41%) = 'Not Positive'



# Local elections to Municipal Councils, 2018

## Money Received & Money Expended

### 299 Million NIS – TOTAL ELECTION EXPENSES

238 Million NIS (80%)  
Covered by State Political  
Financing

26 Million NIS  
(8.5%) covered by  
Private Donations

1 Million NIS  
(0.5%) covered by  
Other Income

**34 Million NIS (11%)  
Deficit**

564 Municipal Lists +  
Surplus of 20 Million NIS

**634 Municipal Lists -  
Deficit of 54 Million NIS**

# Local elections to Municipal Councils, 2018

## Election in 250 Municipalities



Difficulties in dealing with Banks – impacting the Right to Run in an Election

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Publication of Loans given to Municipal Lists and Candidates

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Decision of State Comptroller in regard to the employment of Relatives and Confidantes and their payment from State Political Financing

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Lack of documentation in regard to expenses paid by contracted parties



# Local elections to Municipal Councils, 2018

## Main audit results & financial consequences

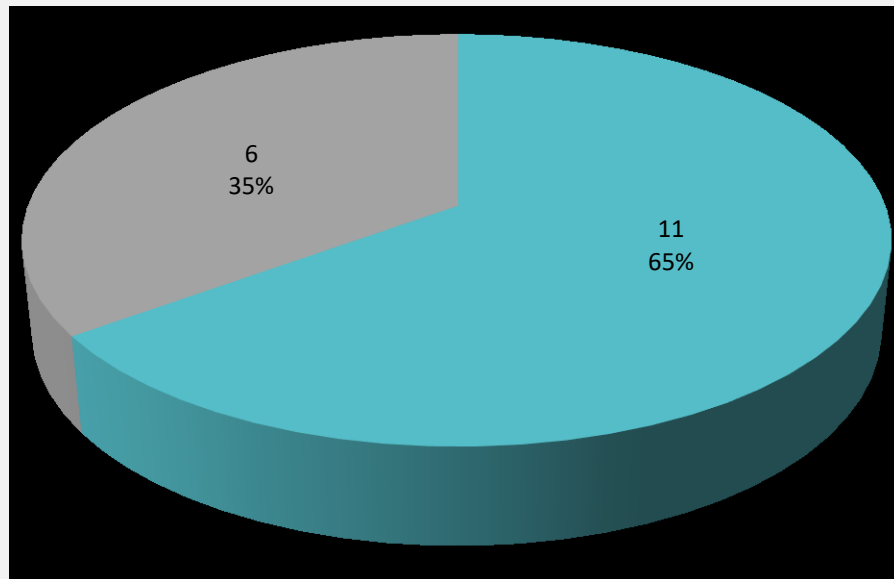
AUDIT FINDINGS	FINANCIAL CONSEQUENCES
REPORTS = 'NOT POSITIVE'	TOTAL SANCTIONS – 4.5 Million NIS
FINANCIAL REPORT NOT SUBMITTED	RETURN of 1.8 Million NIS to Treasury
FINDINGS THAT EXPENSES WERE LESS THAN PUBLIC FINANCING RECEIVED	RETURN of 6.4 Million NIS to Treasury

# National elections to 25<sup>th</sup> Knesset, 2022

## Main audit results

17

Electoral Lists Competed in Elections



Audit Report for 11 Lists (65%) = 'Positive'



Audit Report for 6 Lists (35%) = 'Not Positive'

# National elections to 25<sup>th</sup> Knesset, 2022

## Main audit results

**195**  
**Million NIS**

Total Monies  
Received

**251**  
**Million NIS**

Total Monies  
Expended

**470,000**  
**NIS**

Total Sanctions for 6  
Lists with 'Not  
Positive' Audit  
Reports

# National elections to 25<sup>th</sup> Knesset, 2022

## Main audit results

**Total Monies Received by Electoral Lists = 195.2  
Million NIS**

**194.6  
Million NIS**  
Total Monies  
Received from State  
Political Financing

**250,000  
NIS**  
Total Monies  
Received from Private  
Donations

**370,000  
NIS**  
Total Monies  
Received from Other  
Income



# National elections to 25<sup>th</sup> Knesset, 2022

## Main audit issues

- 01** Hiring by a Political Party of candidates, relatives or others connected to the Party
- 02** Payment of salary bonuses to employees of Political Parties
- 03** Oversight of contractual arrangements and need to retain documentation
- 04** Party activity in non-compliance with legal requirements: non-reporting and non-payment of income tax and social security payments deducted from salary of Party activists and employees

# Local elections: Prohibition on use of public resources



By law, it is prohibited to make use of public resources to further the campaign of candidates in local elections in order to safeguard equality between candidates and ensure that public confidence in the political system is not harmed through such unfair use of public resources.



Decision of State Comptroller that any candidate who benefitted from advertisements paid for by the Municipality must pay the Municipality the cost of such advertisements; otherwise, the State Comptroller will view this as receipt of an illegal donation by a corporation.



# Local elections: Prohibition on use of public resources



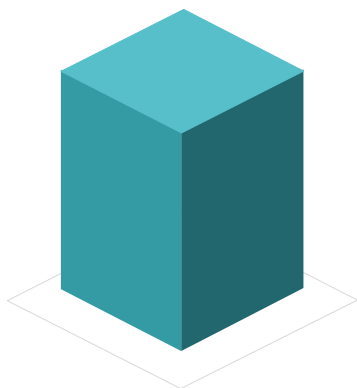
By law, Political Parties and Candidates must publicize the names of donors and the amounts of donations, as set out by the State Comptroller



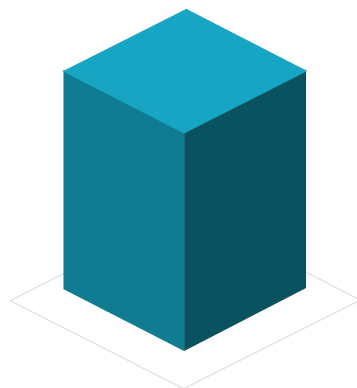
Decision of State Comptroller that the public interest mandates that Political Parties and Candidates must also publicize information regarding loans and guarantees they receive, similarly to donations



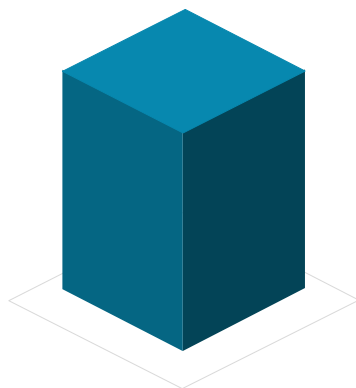
# Elections Limitations on donations



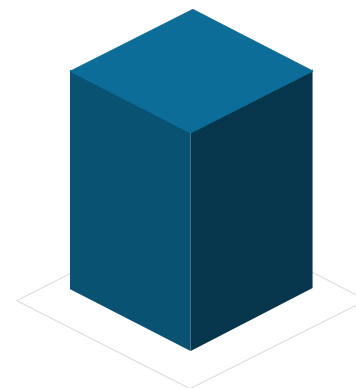
Limit on the amount which may be donated by a household – including by the Head of the List themselves



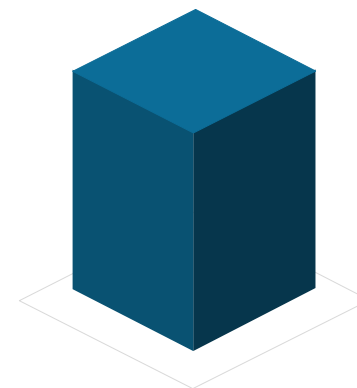
Prohibition on donations from corporations (including voluntary associations)



Prohibition on donations from individuals not listed in the Citizenship Rolls



Prohibition on anonymous donations



Requirement that donations 'in kind' (goods, services, etc.) be reported as donations (and expenses)

# Protection of political party databases



Political Parties receive the Voter Log Database from the State. This information is then cross-referenced with personal information the Parties accumulate in regard to donors, party affiliations, voting tendencies, volunteering, etc.



State Comptroller performed a broad-based audit to check whether Political Parties had conformed with the legal requirements in regard to registration and protection of databases and determined that Parties did indeed have a legal obligation to safeguard such databases and the privacy of citizens in accordance with the law.

# Submission of reports to State Comptroller



State Comptroller developed a computerized network for political actors to report income and expenses; submit financial reports; and publicize online information regarding donations and loans received;

Audit is then performed within this computerized network on the basis of information submitted by political actors;

The network is a logistical tool which allows online oversight and administration, including communication between auditors and political actors or their representatives and receipt of relevant documentation from various sources.

# Innovations of State Comptroller

01

Production of online learning tools on the subject of Political Financing and Reporting for Candidates, including explanatory videos explaining how to submit reports and information to the State Comptroller;

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02

Hosting an explanatory assembly at the Office of the State Comptroller for Candidates to learn about the process and reporting requirements, including a question and answer session;

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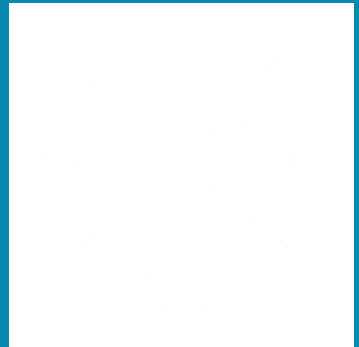
03

Production of a Handbook for auditing accountants detailing reporting requirements and processes;

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04

Setting up a phone center for Candidates to call and receive necessary clarification regarding reporting requirements.



# Auditing of elections: Stories from the field



**PURCHASE OF GOODS/SERVICES UNCONNECTED TO ELECTION CAMPAIGN:** Computers for the business owned by the Head of the Municipal List; Construction and plumbing equipment; Freezer; Baby food; Cereal and candy; Pilates lessons; Laser surgery and cosmetic treatments.



**UNREASONABLE PAYMENTS TO CANDIDATES OR THEIR CONFIDANTES:** Payment for 'strategic advisory services' to business owned by the Head of the Electoral List without adequate justifying documentation; Payment of a salary bonus of hundreds of thousands of shekels to a first-degree relative of the Head of the Electoral List for running the electoral headquarters, after the List received more seats than expected; Payment of 48% annual interest on a loan given to the Electoral List by the Head of the List.

# Thank you