



Supporting Public Reforms in Georgia, Project
“Problems of Growing Bureaucracy in the Context of
Public Administration Reform”

(Project No.: 00095872)

Special Purpose Project Financial Statement for
the period from March 9, 2017 to September 30,
2017 and Independent Auditor’s Report

Project
"Problems of Growing Bureaucracy in the Context of Public Administration Reform"
Special purpose project financial statement
For the period from March 9, 2017 to September 30, 2017

Contents

	Page
Independent auditor's report	1
Statement of Expenditures	3
Notes to the special purpose project financial statement	4

Independent auditor's report

შპს გრანთ თორნტონ
დავით აღმაშენებლის გამზირი 61
0102, თბილისი, საქართველო
ტ.+995 322 604 406

Grant Thornton LLC
61 David Aghmashenebeli Avenue
0102 Tbilisi, Georgia
+995 322 604 406
www.grantthornton.ge

To the Institute for Development of Freedom of Information

Opinion

We have audited the Statement of Expenditures of the “Problems of Growing Bureaucracy in the Context of Public Administration Reform” Project (“Project”) for the period from March 9, 2017 to September 30, 2017 implemented by the Institute for Development of Freedom of Information (IDFI) with the assistance of United Nations Development Program (UNDP) Governance Reform Fund (GRF) with funds of UK aid from the UK Government (“the Statement of Expenditures”).

In our opinion, the Statement of Expenditures presents fairly, in all material respects, the expenditures incurred by the IDFI under the “Problems of Growing Bureaucracy in the Context of Public Administration Reform” Project during the period from March 9, 2017 to September 30, 2017 in accordance with the basis of accounting described in the note 2 to the Statement of Expenditures.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Special Purpose Project Financial Statement* section of our report. We are independent of the IDFI in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the “IESBA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in Georgia, and we have fulfilled our other ethical responsibilities in accordance with those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Management's Responsibility for the Special Purpose Project Financial Statement

Management of the IDFI is responsible for the preparation and fair presentation of the Statement of Expenditures in accordance with the basis of accounting described in the note 2 to the Statement of Expenditures, and in conformity with the terms and conditions of the Project

Agreement signed with the Project donor (UNDP GRF) on 10/03/2017, and for such internal control as management determines is necessary to enable the preparation of special purpose project financial statement that is free from material misstatement, whether due to fraud or error.

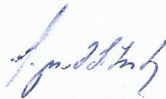
Auditor's Responsibility for the Audit of the Special Purpose Project Financial Statement

Our objectives are to obtain reasonable assurance about whether the special purpose project financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this special purpose project financial statement.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose project financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the IDFI's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the special purpose project financial statement, including the disclosures, and whether the special purpose project financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Ketevan Ghambashidze
Director, Registered Auditor

Grant Thornton LLC
Tbilisi, December 21, 2017



Vakhtang Tsabadze
Managing Partner, Director



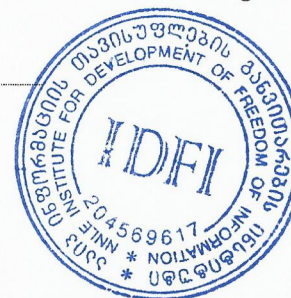
Statement of Expenditures

For the period from March 09 to September 30, 2017

Budget Line	Description	Unit	BUDGETED			ACTUAL			Balance	Utilization Rate
			Quantity	Unit Cost	Total	Quantity	Unit Cost	Total		
1.1.	Fees for requesting information (post expenses and fees considered for requesting information)	Amount	1	USD 600	USD 600	1	USD 253	USD 253	USD 347	42%
1	Total for Activity 1				600			253	347	42%
2.1.	Editor (Georgian/English))	Publication	1	1,000	1,000	1	1,000	1,000	-	100%
2.2.	Designer (including infographics)	Publication	2	250	500	2	250	500	-	100%
2	Total for Activity 2				1,500			1,500	-	100%
3.1.	Salary for Leading Researcher	Day	70	50	3,500	70	50	3,500	-	100%
3.2.	Salary for Research Assistant/Analyst	Day	100	30	3,000	100	30	3,000	-	100%
3.3.	Translation	Pages	80	10	800	93	9	800	-	100%
3.4.	Financial Audit expenses	Amount	1	1,000	1,000	1	1,000	1,000	-	100%
3	Project Management/Administration				8,300			8,300	-	100%
TOTAL					10,400			10,053	347	97%

The statement of expenditures was approved by the management of IDFI on December 21, 2017 and signed on their behalf. The accompanying notes set out on pages 4 to 5 form an integral part of this statement.

Giorgi Kldiashvili
 Executive Director

Ketevan Esvanjia
 Financial Manager

K. Esvanjia

Notes to the special purpose project financial statement

1 General information about the project

According to annual budget execution reports prepared by the Georgian government, the number of employees and the amount of administrative expenses in the public sector have been increasing every year.

Considering the slow rate of economic growth in recent years, the topic of growing bureaucracy has attracted increasing interest from the general public as well as the State Audit Office. The problem has been recognized by the government, which has announced its intention to cut bureaucratic costs by 10% in 2017.

The objective of this project was to develop a policy document that should study the state of government bureaucracy and, more specifically, administrative expenses in 2011-2016 for the purpose of identifying existing problems and challenges.

The policy document should then study international best practice and elaborate specific recommendations directed at both central and local governments that will ensure a more rational management of administrative expenses and help establish an effective system of human resources management.

The policy document is directed at the Government of Georgia and local government bodies.

After identifying major problems and challenges in the management of human resources and administrative expenses, the document presents recommendations to government bodies on what changes would make their systems of recruitment, remuneration and resource management more efficient, rational and transparent.

2 Significant accounting policies

2.1 Basis of preparation

The Statement of Expenditures has been prepared on the accruals basis of accounting and the relevant sections of the Project Agreement.

Under the accrual basis of accounting expenditures are recognized when incurred rather than when cash is paid.

2.2 Functional and presentation currency

The national currency of Georgia is the Georgian lari, which is the functional currency, as it best reflects the economic substance of the underlying events and transactions.

The special Statement of Expenditures is presented in US Dollars (USD) – the presentation currency, according to the requirements of the Project Agreement.

In preparing the special purpose project financial statement, transactions in Georgian lari were recorded in USD. Exchange rates for each tranche were determined by dividing (a) GEL amounts received by IDFI from the donor by (b) the USD amount requested by IDFI for that tranche. The FIFO method was used for currency translation, which means that the exchange rate for the first tranche (1 USD = 2,633 GEL) was applied to all transactions paid from this tranche and the exchange rate for the second tranche (1 USD = 2,480 GEL) was applied to all transactions paid from the second tranche (there were only two tranches of funds for the project).



Grant Thornton

www.grantthornton.ge