

**AUDITED FINANCIAL STATEMENTS OF
INSTITUTE OF APPLIED SCIENCE AND TECHNOLOGY**

**FOR THE YEAR ENDED
31 DECEMBER 2010**

**AUDITORS: THE AUDIT OFFICE OF GUYANA
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA**

**AUDITED FINANCIAL STATEMENTS OF
INSTITUTE OF APPLIED SCIENCE AND TECHNOLOGY
FOR THE YEAR ENDED 31 DECEMBER 2010**

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272/SO:6/2/2013

2 September 2013

Dr. Suresh Narine
Director
Institute of Applied Science and Technology
Turkeyen
Georgetown.

Dear Dr. Narine,

AUDIT OF THE FINANCIAL STATEMENTS
OF INSTITUTE OF APPLIED SCIENCE AND TECHNOLOGY
FOR THE YEAR ENDED 31 DECEMBER 2010

The audit of the financial statements of Institute of Applied Science and Technology has been completed. Accordingly, I am pleased to forward one copy of the audited financial statement, together with the Report of the Auditor General and Management Letter thereon.

Should you need any clarification or explanation, please do not hesitate to let me know.

With kind regards.

Yours sincerely,





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AG:119/2013

23 August 2013

REPORT OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF
INSTITUTE OF APPLIED SCIENCE AND TECHNOLOGY
FOR THE YEAR ENDED 31 DECEMBER 2010

I have audited the accompanying financial statements of the Institute of Applied Science and Technology, which comprise the statement of financial position for the year ended 31 December 2010, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The audit was conducted in accordance with the Audit Act 2004.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing issued by the International Federation of Accountants (IFAC), and those of the International Organisation of Supreme Audit Institutions (INTOSAI). Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedure that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion

Bank confirmation letters reflected the balance at 31 December 2010 as \$45.784M. Opening and closing balances were not reflected at the end of each month for the entire year under review, as a result the overdraft balance of \$844,449 reported in the financial statements could not be verified.

The cash book was not properly maintained. There were no opening and closing balances for each month.

A Suspense Account of \$32.6M was reported in the financial statements, this would result in an under/over statement in one or more accounts.

The Statement of Cash Flows presented was not balanced.

Opinion

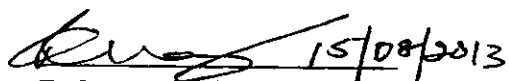
Except for any adjustments which might have been shown to be necessary as a result of the matters referred to in the preceding paragraphs, in my opinion, the financial statements give a true and fair view, in all material respects, of the financial position of the Institute of Applied Science and Technology as at 31 December 2010, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

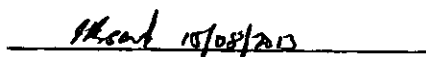

D. SHARMA
AUDITOR GENERAL

THE AUDIT OFFICE OF GUYANA
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA

Institute of Applied Science and Technology
Statement of Financial Position
31st December 2010

	Note	31 December 2010 \$	31 December 2009 \$
ASSETS			
<i>Non-Current Assets</i>			
Property, Plant and Equipment	<u>9</u>	153,544,556	96,335,831
		<u>153,544,556</u>	<u>96,335,831</u>
<i>Current Assets</i>			
Cash and cash equivalents	<u>10</u>	6,200,792	5,067,564
Debtors		50,000	50,000
		<u>6,250,792</u>	<u>5,117,564</u>
Total Assets		<u>159,795,348</u>	<u>101,453,396</u>
EQUITY AND LIABILITIES			
<i>Equity</i>			
Accumulated Deficit		(24,840,064)	(10,403,640)
Capital Releases		138,646,744	79,250,686
Total Equity		<u>113,806,680</u>	<u>68,847,046</u>
<i>Current Liabilities</i>			
Accounts Payable		12,537,870	17,710,925
Creditors		6,000	6,000
Bank Overdraft	<u>11</u>	844,449	-
Suspense Account		32,600,349	14,889,425
Total current liabilities		<u>45,988,668</u>	<u>32,606,350</u>
Total Equity and Liabilities		<u>159,795,348</u>	<u>101,453,396</u>


 Rohmena Chung
 Deputy Director - Administration


 Indranie Persaud
 Chief Accountant

Institute of Applied Science and Technology
Statement of Comprehensive Income
For the year ended December 31,2010

	Note	2010	2009
CONTINUING OPERATIONS			
<u>REVENUE AND SUPPORT</u>			
		\$	\$
Government Subvention		84,757,000	81,423,628
Revenue Income	<u>5</u>	2,262,491	862,893
Consultation		2,400,000	2,160,000
Deferred Income		10,603,942	8,764,376
Project Contribution		-	1,789,366
Proceeds from Disposal		-	-
Capital Subvention		-	179,073
<u>TOTAL REVENUE AND SUPPORT</u>		<u>100,023,433</u>	<u>95,179,336</u>
<u>EXPENSES</u>			
Employment Cost	<u>6</u>	57,798,735	54,918,999
Admin. Expenses	<u>7</u>	5,690,421	5,583,370
Electricity		19,665,624	22,927,295
Depreciation		14,099,358	12,112,935
Project and other Expenses	<u>8</u>	12,578,518	16,007,203
Bank Charges		-	5,750
Road Research		1,531,623	-
Refund on Subvention		3,095,578	-
Capital Works		-	-
<u>TOTAL EXPENSES</u>		<u>114,459,857</u>	<u>111,555,552</u>
(DEFICIT)/SURPLUS FOR THE YEAR		(14,436,425)	(16,376,216)

Institute of Applied Science and Technology
Statement of Changes in Equity
for the year ended 31 December, 2010

	2009		2010	
	Accumulated Fund	Capital Releases	Accumulated Fund	Capital Releases
Balance at 1 January	5,972,576	53,194,135	(10,403,640)	79,250,686
Changes in Equity				
Surplus/Deficit for the year	(16,376,216)	-	(14,436,425)	-
Capital Releases received for the year	-	34,820,927		70,000,000
Amortisation for the year	-	(8,764,376)	-	(10,603,942)
Balance at 31 December	(10,403,640)	79,250,686	(24,840,064)	138,646,744

Institute of Applied Science and Technology
Statement of Cashflow for the period 01/01/2010 - 31/12/2010

	\$
<u>Cash Flow from Operating Activities</u>	
(Deficit)/Surplus for the year	(14,436,425)
Adjustments for:	
Depreciation	14,099,358
Amortization of capital assets	(10,603,942)
Changes in:	
Trade and Other Receivables	-
Trade and Other Payables	(5,173,055)
<i>Net cash flow from operating activities</i>	<u>(16,114,063)</u>
<u>Cash Flow from Investing Activities</u>	
<i>Purchase of fixed assets</i>	
Office Furniture	-
Office Equipment	(829,500)
Laboratory Equipment	(70,154,582)
Motor Vehicle	-
Infrastructure Asset	-
Plant and Machinery	-
Machine Equipment	(324,001)
Fixtures and Fittings	-
Proceeds from sale of motor vehicle	-
<i>Net cash flow from investing activities</i>	<u>(71,308,083)</u>
<u>Cash Flow from Financing Activities</u>	
Funds from Other sources	70,000,000
<i>Net cash flow from investing activities</i>	<u>70,000,000</u>
Net increase in cash and cash equivalents	(17,422,146)
Cash and cash equivalents at the beginning of period	5,067,564
Cash and cash equivalents at the end of period	(12,354,582)

Institute of Applied Science and Technology
Notes to the Financial Statements
For the year ended 31st December 2010

Note 1 **Profile of the Institute of Applied Science and Technology**

The Institute of Applied Science and Technology (IAST) was established in March 1980 as an implementation arm of the National Science and Research Council to serve as the focal point for Research and Development and Technology transfer in Guyana, as well as to develop a database in areas of scientific research and technological innovative.

IAST is being govern by the National Science Research Council Act No. 26 of 1974 dated 19th August, 1974 and has as its mandate the development and/or adaption of appropriate technology for the utilization of Guyana's natural resources, so that these resources can be gainfully developed and exploited, for the benefit of the people of Guyana.

Note 2 **A Summary of Significant Accounting Policies**

The Institute applied the International Accounting Standard I (IAS 1) in preparing the financial statements in accordance with International Financial Reporting Standards (IFRSs).

Note 3 Key Management Personnel

The Institute is currently headed by a Director and Deputy Director - Administration and Technology; listed below are their emoluments for the year 2010.

	2010	2009
	\$	\$
Director		
<i><u>Short-term Employment Benefits</u></i>		
Annual Honorarium	5,342,400	5,040,000
Rental Allowances	2,908,800	2,908,800
Benefits and Allowances	1,647,240	1,554,000
Electricity Allowance	271,799	365,629
Telephone and Internet Allowance	321,230	572,041
	10,491,469	10,440,470
Deputy Director		
<i><u>Short-term Employment Benefits</u></i>		
Gross Salary	-	1,763,489
Benefits and Allowances	-	596,621
Telephone and Travel Allowance	-	106,700
National Insurance Scheme		20,264
	-	2,487,074
Deputy Director (Administration)		
<i><u>Short-term Employment Benefits</u></i>		
Annual Gross Salary	2,538,264	1,574,593
Annual Benefits and Allowances	823,620	313,500
Annual Telephone Allowance	60,000	106,700
Annual Travel Allowance	300,000	39,000
National Insurance Scheme	78,936	50,235
	3,800,820	2,084,028
Deputy Director (Technology)		
<i><u>Short-term Employment Benefits</u></i>		
Annual Gross Salary	2,538,264	1,737,406
Annual Benefits and Allowances	823,620	283,500
Annual Telephone Allowance	60,000	39,355
National Insurance Scheme	78,936	47,280
	3,500,820	2,107,541

Note 4 **(a) ACCOUNTING CONVENTION**

The financial statements have been prepared using the historic cost convention.

(b) FIXED ASSETS

Depreciation

Fixtures and Fittings	10% using straight line basis
Motor Vehicles	20% using straight line basis
Office Equipment	15% using straight line basis
Office Furniture	15% using straight line basis
Plant and Machinery	5% using straight line basis
Infrastructure Asset	7% using straight line basis
Laboratory Equipment	15% using straight line basis
Machine Equipment	15% using straight line basis

Depreciation is calculated on the straight line basis.

Assets are not depreciated in the year of acquisition.

(c) STOCKS

Stocks are expensed out at the time of purchase.

(d) INCOME AND EXPENDITURE

The financial statements are prepared on the accrual basis.

Note 5 **REVENUE INCOME**

Revenue Income consists of services done by the Laboratory and sales of biodiesel.

Note 6 **Employment Cost**

Wages Control	33,526,488
Guyana Revenue Authority	6,246,577
Colonial Life Insurance Company	148,416
Guyana Public Service Union	24,000
Guyana Public Service Credit Union	343,700
North American Life Insurance Company	42,952
Student Loan - UG	60,000
National Insurance Scheme Contribution	3,682,804
Demerara Mutual	18,000
Benefit and Allowance:	13,705,798
	<u>57,798,735</u>

Note 7 **Administrative Expenses**

	\$
Local Traveling and subsistence	481,100
Print and Non Print Material	658,521
Cleaning and Extermination	522,443
Office Equipment and Supplies	591,829
Field Material and Supplies	581,003
Laboratory supplies	511,288
Janitorial Cleaning and Supplies	425,228
Staff Training	60,000
Telephone Charges	752,670
Vehicle Expenses	724,006
Water charges	382,333
	<u>5,690,421</u>

Note 8 **Project and Other Expenses**

Fuel and Lubs.	577,199
Refreshment and Meals	704,972
Repairs and Maintenance - Building	227,013
- Equipment	763,147
National & Other Event & Dietary	149,343
Other Operating Expenses	851,743
Overseas travel and Official Visit	3,407,612
Rental Charges	2,908,800
Maintenance of Other Infrastructure	588,689
Consultation fees	2,400,000
	<hr/>
	12,578,518
	<hr/>

Note 9 Fixed Assets Schedule

	\$	\$	\$	\$	\$	\$	\$	\$	\$
<u>Cost</u>	Plant and Machinery	Office Furniture	Office Equipment	Lab Equipment	Infrastructure Assets	Machine Equipment	Fixtures and Fittings	Motor Vehicles	Total
Balance b/f 1/1/10	40,398,045	1,668,208	7,391,025	25,905,035	13,142,864	3,019,498	8,738,194	31,282,912	131,545,781
Additions	-	-	829,500	70,154,582	-	324,001	-	-	71,308,083
Disposals									-
Balance at 31/12/10	40,398,045	1,668,208	8,220,525	96,059,617	13,142,864	3,343,499	8,738,194	31,282,912	202,853,864
<u>Depreciation</u>									
Accumulated Depreciation b/f 1/1/10	444,705	447,471	2,675,038	5,724,479	762,942	1,005,417	7,665,287	16,484,612	35,209,950
Charges for the year	1,806,902	250,231	1,108,654	3,885,755	920,000	452,925	107,291	5,567,600	14,099,358
Additions									-
Disposals									-
Accumulated Depreciation at 31/12/10	2,251,607	697,702	3,783,691	9,610,235	1,682,942	1,458,341	7,772,578	22,052,212	49,309,308
Net Book Value as at 31/12/2010	38,146,438	970,506	4,436,834	86,449,383	11,459,922	1,885,158	965,616	9,230,700	153,544,556
Net Book Value as at 31/12/2009	39,953,340	1,220,737	4,715,987	20,180,556	12,379,922	2,014,081	1,072,907	14,798,300	96,335,831

Note 10 Cash at Bank

	Opening Balance	Payments	Deposits	Closing Balance
Current A/C 4217	4,739,431	-	1,450,349	6,189,780
Petty Cash Control A/C	11,012	-	-	11,012
	4,750,443	-	1,450,349	6,200,792

Note 11 Bank Overdraft

	Opening Balance	Payments	Deposits	Closing Balance
Current A/C 4178	317,121	(159,130,712)	157,969,142	(844,449)



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264/SO:6/2/2013

26 August 2013

Dr. Suresh Narine
Director
Institute of Applied Science and Technology
University of Guyana Campus
Turkeyen
Georgetown.

Dear Dr. Narine,

**RE: AUDIT OF THE FINANCIAL STATEMENTS OF
INSTITUTE OF APPLIED SCIENCE AND TECHNOLOGY
FOR THE YEAR ENDED 31 DECEMBER 2010**

Following the audit of the financial statements of Institute of Applied Science and Technology (IAST) for the year ended 31 December 2010, the findings arising from the audit are forwarded for your comments and appropriate action.

2. Our audit was conducted in accordance with Generally Accepted Auditing Standards, including those of the International Organisation of Supreme Audit Institutions (INTOSAI) and the International Standards on Auditing issued by the International Federation of Accountants (IFAC). These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

3. The main purpose of the audit was to express an opinion on the financial statements and evaluate the operations of the Institute to ascertain whether:

- (i) The financial statements have been properly prepared in accordance with applicable laws, and properly present the operations and affairs of the IAST;
- (ii) The accounts have been faithfully and properly kept;
- (iii) The rules, procedures and internal management controls are sufficient to secure effective control on the assessment, collection, and proper allocation of revenue;
- (iv) All monies expended and charge to an account have been applied to the purpose or purposes for which they were intended; and
- (v) Essential records are maintained and the internal management controls, rules, and procedures established and applied are sufficient to safeguard the control of stores and other property.

FINDINGS

STATEMENT OF FINANCIAL POSITION

Property, Plant and Equipment - \$153.545M

4. The amount of \$153.545M was reported as net book value of fixed assets for the year under review. The Institute did not maintain a Fixed Assets register and general ledger. Included in the figure were assets acquired in previous years to the value of \$4.260M and which could not be verified since relevant records and schedules were not presented to substantiate the existence of the assets. Management's attention is hereby drawn to Stores Regulations № 17 and 19 and financial instructions governing the acquisition of fixed assets, as it is evident that these procedures were not followed.

Recommendation

The Audit Office recommends that the Management of the Institute introduce and maintain a Fixed Assets register, which is required to keep as a permanent record. This register should indicate the date of acquisition of each asset, its value at acquisition date, description, annual depreciation rate and the net book value.

Cash and Cash Equivalent - \$6.190M

5. The Institute maintained a Revenue account № 688-595-8 held at Republic Bank Limited for the year under review. The bank confirmation letters reflected the balance at December 31 2010 as \$6.190M. However, a cash book was not maintained nor was the bank account reconciled, therefore, the balance of \$6.190M reported as cash and cash equivalent for the Revenue account could not be verified. This state of affairs is unacceptable and should be corrected since bank reconciliation statements should be properly prepared and certified to validate authenticity. The statements should be properly stored and preserved for presentation to the auditors.

Recommendation

The Audit Office recommends that management take action to have the cash book maintained and ensure that bank reconciliation statements are prepared and certified by the responsible officer.

Debtors - \$50,000

6. The amount of \$50,000 was reflected as Debtors in the financial statement for the period under review. A general ledger was not maintained nor was a schedule of debtors presented for audit examination. The non-maintenance of the general ledger made examination difficult since pertinent details of the figure could not be verified. As a result, the completeness, accuracy and validity of the figure was not verified.

Recommendation

The Audit Office recommends that the Management of the Institute take action to have the general ledger maintained as well to have long and outstanding debts written off.

Creditors

7. The amount of \$6,000 was reflected as Creditors for the year under review. A general ledger was not maintained nor was a schedule of creditors presented for audit examination. The non-maintenance of the general ledger made examination difficult since pertinent details of the figure could not be verified. As a result, the completeness, accuracy and validity of the figure was not verified.

Bank Overdraft

8. The Institute maintained a General account № 688-593-3, which was held at Republic Bank Limited for the year under review. The bank confirmation letters reflected the balance at December 31 2010 as \$45.784M. The cash book for the General account was not properly maintained. Opening and closing balances were not reflected at the end of each month for the entire year under review, as a result the overdraft balance of \$844,449 reported in the financial statements could not be verified.

Suspense Account

9. An amount of \$32.6M was reflected as a Suspense Account in the financial statements. However, the details and supporting documents were not presented to the auditors. Since the Suspense account is made up of un-reconciled balances that existed in the financial statements over a number of years. In fact, the amount of \$32.6M acts as a balancing figure in the Institute's accounts. Given the circumstance, it would seem that material errors have occurred over the years, which have not been clarified to date.

STATEMENT OF COMPREHENSIVE INCOME

Revenue and Support

Government Subvention

10. Amounts totalling \$84.757M were reported as income received under Government Subvention for the year under review. The Institute did not maintain a general ledger. However, alternative audit checks were carried out using the receipt books, deposit slips, bank statements and cash book, which revealed that the Institute brought to account amounts received as income.

Revenue Income

11. Amounts totalling \$2.262M represented income received under Revenue Income for services provided by the laboratory and sales of items by the Institute. The amounts were not brought to account in the cash book and a general ledger was not maintained. Although alternative audit checks were carried out using the receipt books, deposit slips and bank statements, it could not be ascertained whether receipts were written for all sales and services provided by the Institute. As a result, the accuracy and validity of the amount reported was not verified.

Expenditure

12. An amount \$114.460M was reflected in the Statement of Comprehensive Income as total expenses incurred by the Institute for the year under review. However, the Institute did not maintain a general ledger. Several discrepancies were observed under the following account areas.

Administrative Expenses

13. Amounts totalling \$5.690M were verified as Administrative Expenses through the examination of payment vouchers and the cash book presented to the auditors. For the year under review, the Institute did not maintain registers for Water and Telephone charges. In the absence of the telephone register, it could not be determined whether calls made were for official business since overseas and cellular phone calls were not monitored or recorded.

Institute's Response

The Institute's water charges are being invoiced by the University of Guyana. A proper water charges register cannot be kept due to University of Guyana's inconsistency in being up-to date with Water charges records for the Institute. A telephone/fax register is being kept by the Institute from the year 1999 to date however it does not state cost per call that maybe required for the register to be authentic.

Electricity

14. An amount of \$19.666M was reported as Electricity charges for the year under review. This was verified through alternative audit examination on the payment vouchers, cash book and statement of account from Guyana Power and Light Inc. presented by the Institute. A register was not maintained for Electricity for the year under review. Therefore, it could not be ascertained whether the charges, which were expended, were accurate.

Depreciation

15. Amounts totalling \$14.099M were reported as Depreciation charges for the year under review. The Institute did not maintain a Fixed Assets register nor was there an approved policy for depreciation charges for the assets of the Institute. In the absence of an approved policy on depreciation, the completeness and accuracy of the computed amounts could not be determined.

Deficit

16. The figure of \$14.536M was reflected as the Deficit for the year under review on the financial statements. Due to the inconsistencies found during the audit, the accuracy of the amount could not be verified.

OTHER MATTERS

Statement of Cash Flow

17. An amount of \$12.355M was reflected as cash and cash equivalents at the end of the period in the Statement of Cash Flow. However, this was not in agreement with the amount of \$5.356M that was reported in the Statement of Financial Position. In addition, the reported closing cash balance for the year could not be substantiated since the cash book and other related records were not properly maintained by the Institute.

Controlled Forms

18. The Institute did not keep a register of controlled forms for chequebooks, receipt books, invoiced books and requisition books that were sequentially numbered. Management's attention is hereby drawn to Stores Regulations № 46 governing the proper accounting and safeguarding of all Forms as it is evident that this instruction was not followed and this resulted in the distribution of the controlled forms not being monitored.

Recommendation

The Audit Office recommends that the management of the Institute ensure that adequate accounting records and subsidiary records are maintained to facilitate proper accountability and strict adherence to financial instructions and Regulations.

GENERAL

19. The Audit Office wishes to express its gratitude for the cooperation given to its officers during the course of this audit. In keeping with the policy of the Audit Office of Guyana, a reply to this report is expected within thirty (30) days of the receipt of this management letter.

With best regards.

Yours sincerely,

