

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

**FOR THE YEAR ENDED
31 DECEMBER 2011**

**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 2011**

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104/SO:6/2/2014

3 June 2014

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

Dear Dr. Narine,

**AUDIT OF THE FINANCIAL STATEMENTS OF THE
INSTITUTE OF APPLIED SCIENCE AND TECHNOLOGY
FOR THE YEAR ENDED 31 DECEMBER 2011**

The audit of the financial statements of the Institute of Applied Science and Technology has been completed. Accordingly, I am pleased to forward one copy of the audited financial statements, 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 us know.

With kind regards.

Yours sincerely,


Ms. R. STOLL
AUDIT MANAGER
for AUDIT DIRECTOR



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AG:35/2014

2 June 2014

REPORT OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF
INSTITUTE OF APPLIED SCIENCE AND TECHNOLOGY
FOR THE YEAR ENDED 31 DECEMBER 2011

I have audited the accompanying financial statements of the Institute of Applied Science and Technology, which comprise the statement of financial position as at 31 December 2011, 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

The cash book for one account, denoted "General Account" was not properly maintained and for the entire period the opening and closing balances were not extracted. In the circumstances, the balances shown in the bank reconciliation statements for the period and the reported cash book balance of \$1.672M as at 31 December 2011, could not be validated or compared with the bank statement balance of \$9.273M.

In addition, the Statement of Cash Flows presented was not balanced.

The suspense account was made up of un-reconciled balances that existed in the financial statements over a number of years. In fact, the amount of \$44.820M acts as a balancing figure within 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.

Opinion

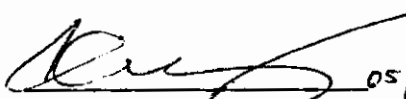
Except for any adjustments which might have been shown to be necessary as a result of the matters referred to in the preceding paragraphs, in my opinion, the financial statements give a true and fair view, in all material respects, of the financial position of the Institute of Applied Science and Technology as at 31 December 2011, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

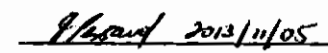


THE AUDIT OFFICE OF GUYANA
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA

Institute of Applied Science and Technology
Statement of Financial Position
as at 31 December 2011

	<u>Note</u>	<u>2011</u> \$'000	<u>2010</u> \$'000
ASSETS			
<i><u>Non-Current Assets</u></i>			
Property, Plant and Equipment	9	234,120	153,544
		<u>234,120</u>	<u>153,544</u>
<i><u>Current Assets</u></i>			
Cash and Cash Equivalents	10	11,617	6,201
Debtors		50	50
<i>Total Current Assets</i>		<u>11,667</u>	<u>6,251</u>
<i>Total Assets</i>		<u><u>245,787</u></u>	<u><u>159,795</u></u>
 EQUITY AND LIABILITIES			
<i><u>Equity</u></i>			
Accumulated Deficit		(31,490)	(24,840)
Government Contribution		222,079	138,646
<i>Total Equity</i>		<u>190,588</u>	<u>113,806</u>
<i><u>Current Liabilities</u></i>			
Creditors		10,378	12,544
Bank Overdraft		-	844
Suspense Account		44,820	32,600
<i>Total current liabilities</i>		<u>55,199</u>	<u>45,989</u>
<i>Total Equity and Liabilities</i>		<u><u>245,787</u></u>	<u><u>159,795</u></u>

 05/11/2013
Rohmena Chung
Deputy Director - Administration

 2013/11/05
Indranie Persaud
Chief Accountant

Institute of Applied Science and Technology
Statement of Comprehensive Income
For the year ended 31 December 2011

	<u>Note</u>	<u>2011</u> \$'000	<u>2010</u> \$'000
CONTINUING OPERATIONS			
REVENUE AND SUPPORT			
Government Subvention		99,179	84,757
Revenue Income	5	19,160	2,262
Consultation		2,400	2,400
Deferred Income		21,104	10,604
Capital Subvention		13,464	-
<i>Total Revenue and Support</i>		<u>155,307</u>	<u>100,023</u>
EXPENSES			
Employment Cost	6	66,650	57,799
Administrative Expenses	7	5,830	5,690
Electricity		24,664	19,666
Depreciation		24,796	14,099
Project and other Expenses	8	21,420	12,578
Bank Charges		12	-
Road Research		48	1,532
Refund on Subvention		1,213	3,096
Capital Works		13,464	-
Other Laboratory Expenses		3,860	-
<i>Total Expenses</i>		<u>161,957</u>	<u>114,460</u>
<i>Surplus / (Deficit) for the year</i>		<u>(6,650)</u>	<u>(14,436)</u>

Institute of Applied Science and Technology
Statement of Changes in Equity
For the year ended 31 December 2011

	2011		2010	
	Accumulated Fund	Government Contribution	Accumulated Fund	Government Contribution
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January	(24,840)	138,647	(10,404)	79,251
Changes in Equity				
Surplus/Deficit for the year	(6,650)	-	(14,436)	-
Capital Releases received for the year		104,536	-	70,000
Amortisation for the year	-	(21,104)	-	(10,604)
Balance at 31 December	<u>(31,490)</u>	<u>222,079</u>	<u>(24,840)</u>	<u>138,647</u>

Institute of Applied Science and Technology
Statement of Cash Flows
For the year ended 31 December 2011

	<u>2011</u> \$'000	<u>2010</u> \$'000
<u>Cash Flow from Operating Activities</u>		
(Deficit)/Surplus for the year	(6,650)	(14,436)
Adjustments for:		
Depreciation	24,796	14,099
Amortization of capital assets	(21,104)	(10,604)
Changes in:		
Trade and Other Receivables		
Trade and Other Payables	(2,166)	(5,173)
<i>Net cash flow from operating activities</i>	<u>(5,124)</u>	<u>(16,114)</u>
<u>Cash Flow from Investing Activities</u>		
<i>Purchase of fixed assets</i>		
Office Furniture	(2,142)	-
Office Equipment	(3,440)	(830)
Laboratory Equipment	(52,067)	(70,155)
Motor Vehicle	(5,800)	-
Infrastructure Asset	-	-
Plant and Machinery	(1,194)	-
Machine Equipment	(40,728)	(324)
Fixtures and Fittings	-	-
Proceeds from sale of motor vehicle	-	-
<i>Net cash flow from investing activities</i>	<u>(105,371)</u>	<u>(71,308)</u>
<u>Cash Flow from Financing Activities</u>		
Funds from Other sources	104,536	70,000
<i>Net cash flow from investing activities</i>	<u>104,536</u>	<u>70,000</u>
Net increase in cash and cash equivalents	(5,959)	(17,422)
Cash and cash equivalents at the beginning of the year	5,356	5,068
Cash and cash equivalents at the end of the year	<u>(602)</u>	<u>(12,354)</u>

Institute of Applied Science and Technology
Notes to the Financial Statements
For the year ended 31 December 2011

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 1 (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 2011.

	<u>2011</u> \$'000	<u>2010</u> \$'000
Director		
<i><u>Short-term Employment Benefits</u></i>		
Annual Honorarium	6,058	5,342
Rental Allowances	2,909	2,909
Benefits and Allowances	1,868	1,647
Electricity Allowance	454	272
Telephone and Internet Allowance	336	321
	<u>12,212</u>	<u>10,491</u>
Deputy Director (Administration)		
<i><u>Short-term Employment Benefits</u></i>		
Annual Gross Salary	3,029	2,538
Annual Benefits and Allowances	934	824
Annual Telephone Allowance	60	60
Annual Travel Allowance	300	300
National Insurance Scheme	83	79
	<u>4,406</u>	<u>3,801</u>
Deputy Director (Technology)		
<i><u>Short-term Employment Benefits</u></i>		
Annual Gross Salary	3,029	2,538
Annual Benefits and Allowances	934	824
Annual Telephone Allowance	60	60
National Insurance Scheme	83	79
	<u>4,106</u>	<u>3,501</u>

Note 4 (a) ACCOUNTING CONVENTION

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

(b) FIXED ASSETS

Depreciation is calculated on the straight line basis using the life of the asset. Assets are not depreciated in the year of acquisition.

Depreciation is calculated, as follows :-

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

(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.

	<u>2011</u> \$'000	<u>2010</u> \$'000
<i>Note 6</i> <u>Employment Cost</u>		
Wages Control	39,821	33,526
Guyana Revenue Authority	7,333	6,247
Guyana Public Service Union	24	24
Guyana Public Service Credit Union	476	344
North American Life Insurance Co.	38	43
Student Loan - UG	60	60
National Insurance Scheme Contribution	4,284	3,683
Colonial Life Insurance Company	-	148
Demerara Mutual	18	18
Benefit and Allowance:	3,514	13,706
Gratuity	8,126	-
Vacation Allowance	2,956	-
	<u>66,650</u>	<u>57,799</u>

	<u>2011</u> \$'000	<u>2010</u> \$'000
<i>Note 7</i> <u>Administrative Expenses</u>		
Local Traveling and Subsistence	684	481
Print and Non Print Material	602	659
Cleaning and Extermination	444	522
Postage, Telex and Courier Services	294	-
Office Equipment and Supplies	747	592
Field Material and Supplies	430	581
Laboratory Supplies	99	511
Janitorial Cleaning and Supplies	404	425
Staff Training	103	60
Telephone Charges	821	753
Vehicle Expenses	1,095	724
Water Charges	107	382
	<u>5,830</u>	<u>5,690</u>

	<u>2011</u> \$'000	<u>2010</u> \$'000
<i>Note 8</i> <u>Project and Other Expenses</u>		
Fuel and Lubricants	895	577
Refreshment and Meals	1,243	705
Repairs and Maintenance - Building	2,209	227
- Equipment	1,635	763
National & Other Event & Dietary	960	149
Other Operating Expenses	3,175	852
Overseas travel and Official Visit	4,920	3,408
Rental Charges	2,909	2,909
Maintenance of Other Infrastructure	1,274	589
Consultation Fees	2,200	2,400
	<u>21,420</u>	<u>12,579</u>

Note 9 Fixed Assets Schedule

	<u>Plant and Machinery</u> \$'000	<u>Office Furniture</u> \$'000	<u>Office Equipment</u> \$'000	<u>Lab Equipment</u> \$'000	<u>Infrastructure Assets</u> \$'000	<u>Machine Equipment</u> \$'000	<u>Fixtures and Fittings</u> \$'000	<u>Motor Vehicles</u> \$'000	<u>Total</u> \$'000
<u>Cost</u>									
Balance at 1 January 2011	40,398	1,668	8,221	96,060	13,143	3,343	8,738	31,283	202,854
Additions	1,194	2,142	3,440	52,067	-	40,728	-	5,800	105,371
Disposals	-	-	-	-	-	-	-	-	-
Balance at 31 December 2011	<u>41,592</u>	<u>3,810</u>	<u>11,661</u>	<u>148,127</u>	<u>13,143</u>	<u>44,071</u>	<u>8,738</u>	<u>37,083</u>	<u>308,225</u>
<u>Depreciation</u>									
Accumulated Depreciation at 1 January 2011	2,252	698	3,784	9,610	1,683	1,458	7,773	22,052	49,309
Charges for the year	1,807	250	1,233	14,409	920	502	107	5,568	24,796
Disposals	-	-	-	-	-	-	-	-	-
Accumulated Depreciation at 31 December 2011	<u>4,059</u>	<u>948</u>	<u>5,017</u>	<u>24,019</u>	<u>2,603</u>	<u>1,960</u>	<u>7,880</u>	<u>27,620</u>	<u>74,105</u>
Net Book Value as at 31 December 2011	<u>37,533</u>	<u>2,862</u>	<u>6,644</u>	<u>124,108</u>	<u>10,540</u>	<u>42,111</u>	<u>858</u>	<u>9,463</u>	<u>234,120</u>
Net Book Value as at 31 December 2010	<u>38,146</u>	<u>971</u>	<u>4,437</u>	<u>86,449</u>	<u>11,460</u>	<u>1,885</u>	<u>966</u>	<u>9,231</u>	<u>153,545</u>

Note 10 Cash and Cash Equivalents

<u>Cash at Bank</u>	<u>Opening Balance</u> \$'000	<u>Payments</u> \$'000	<u>Deposits</u> \$'000	<u>Closing Balance</u> \$'000
General Account	(844)	(232,478)	234,994	1,672
Revenue Account	6,190	-	3,745	9,935
Petty Cash Control A/C	11	-	-	11
	<u>5,356</u>	<u>(232,478)</u>	<u>238,739</u>	<u>11,617</u>



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102/SO:6/2/2014

2 June 2014

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

Dear Dr. Narine,

**AUDIT OF THE BOOKS AND ACCOUNTS OF THE
INSTITUTE OF APPLIED SCIENCE AND TECHNOLOGY
FOR THE YEAR ENDED 31 DECEMBER 2011**

Following the audit of the books and accounts of the Institute of Applied Science and Technology (IAST) for the year ended 31 December 2011, 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 Institute;
- (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 charged 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 and 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 - \$234.120M

4. The property, plant and equipment included assets valued at \$4.260M, which were acquired in previous years. The validity of the inclusion of the amount could not be determined, since documentation was not provided to enable a process of verification and / or validation of its inclusion in the assets.

Cash and Cash Equivalent - \$11.617M

5. The Institute maintained two bank accounts. The following were observed in relation to the accounts:

- a. The cash book for one account, denoted "General Account" was not properly maintained and for the entire period the opening and closing balances were not extracted. In the circumstances, the balances shown in the bank reconciliation statements for the period and the reported cash book balance of \$1.672M as at 31 December 2011, could not be validated or compared with the bank statement balance of \$9.273M.
- b. A cash book was not maintained for the other account, denoted "Revenue Account." This account was also not reconciled with the reported bank balance of \$9.935M, which was included in the financial statements for the year.

Recommendation

The Audit Office recommends that management of the Institute take immediate action towards fully satisfying the record keeping and other financial responsibilities, with a view to validating all bank balances for accounts under its control.

Debtors - \$50,000

6. Pertinent details of debtors were not available in the records provided and the balance of \$50,000 shown in the financial statements was not reflected in the general ledger. As a result, the propriety of the amount shown, including its completeness and accuracy could not be determined.

Recommendation

The Audit Office recommends that the management of the Institute take stringent action to have the ledger and other subsidiary records be put in place, maintained, and properly preserved for audit purposes.

Government Contribution - \$222.079M

7. Of the available government contribution, amounts totalling \$2.962M was utilised to complete a project in conjunction with the Demerara Harbour Bridge Company to facilitate the resurfacing of metal plates on the Harbour Bridge's surface. A further \$10.502M was expended on the rehabilitation of several buildings in IAST's compound; namely the Wet Organic Analytical Lab, the Industrial Lab and also the offices of the Heads of Departments.

Creditor - \$10.378M

8. The validity of the inclusion of the amount of \$6,000 could not be determined, since documentation in support of the balance was not provided.

Suspense Account - \$44.820M

9. The suspense account was made up of un-reconciled balances that existed in the financial statements over a number of years. In fact, the amount of \$44.820M acts as a balancing figure within 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. The table below shows the changes in the suspense account of the last nine years.

Year	Opening balance		Closing balance		Change
	DR	CR	DR	CR	
2003	-	-	-	1,975,844	1,975,844
2004	-	1,975,844	27,932	-	2,003,776
2005	27,932	-	6,574,974	-	6,547,042
2006	6,574,974	-	5,442,260	-	(1,132,714)
2007	5,442,260	-	2,393,066	-	(3,049,194)
2008	2,393,066	-	-	2,718,681	(5,111,747)
2009	-	2,718,681	-	14,889,424	12,170,743
2010	-	14,889,424	-	32,600,349	17,710,925
2011	-	32,600,349	-	44,820,499	12,220,150

STATEMENT OF COMPREHENSIVE INCOME

Revenue and Support

Revenue Income - \$19.160M

10. A cash book was not maintained for Income deposited into the Revenue account. The absence of this record made the validation of the amounts difficult and time consuming. Although audit checks were carried out using the general ledger, cash book, receipt books, deposit slips and bank statements, it could not be ascertained whether receipts were written for all the services provided by the Institute. As a result, the accuracy and validity of the amount reported was not verified.

Expenditure

Depreciation - \$24.796M

11. An approved policy for the depreciation of assets was not provided. However, the Finance Department provided the basis on which assets were depreciated and these were used to compute the depreciation shown in the financial statements. In the absence of an approved policy on depreciation, the completeness and accuracy of the computed amounts could not be determined.

OTHER MATTERS

Statement of Cash Flow

12. An amount of \$602,733 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 \$11.617M that was reported as cash and cash equivalent 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

13. The Institute did not keep a register of controlled forms for cheque books, 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

14. The Audit Office wishes to express its gratitude for the co-operation 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 kind regards.

Yours sincerely,


Ms. R. STOLL
AUDIT MANAGER
OF GUYANA ★