

MASAGANANG SAKAHAN, INC. ACTION PLAN AND STATUS OF IMPLEMENTATION
Audit Observations and Recommendations
For the Calendar Year 2013
As of December 31, 2014

Ref.	Audit Observations	Audit Recommendations	MSI ACTION PLAN				Status of Implementation	Reason for Partial Delay/ Non-Implementation, If Applicable	Action Taken/ Action to be Taken
			Action Plans	Person/Dept. Responsible	Target Date of Implementation				
					From	To			
1	Inventories account with a balance of P38.887 million is doubtful of validity, existence and accuracy due to a) inappropriate recording of shrinkage on palay and unreconciled difference of P2.773 million between the stock cards and the schedule of rice inventory; and (b) non-conformity to International Accounting Standards 2 of the method used in computing the cost of rice inventory. Furthermore, laxity in the restriction of access to inventories and performance of incompatible functions by the Warehouse Supervisor in STa. Rosa Grain Center exposed the inventories to risk of loss.	1. Reconcile the stock cards and the schedules and explain the above mentioned discrepancies in the recording of transactions; 2. Ensure the proper recording of transactions in the books of accounts and proper valuation of inventories to reflect the correct balance of the account in the financial statements; 3. Strictly implement control measures to safeguard inventories from any possible loss; and 4. Observe proper segregation of duties to maintain the integrity of records and documents.	1 & 2. For Reconciliation of records 3 & 4. Hiring of a Documentation Assistant was already approved by the Board last Sept. 19, 2014 to be in charge of the documentation activity being performed by the Warehouse Representative.	Ria Cahiwat /FAU/LU	May 2014	Dec. 2014	Partially Implemented-On-going Ongoing	No Applicants	Reconciliation of inventories was completed. Balances in stock cards/GL/schedules tally. Please refer to copy of stockcards/GI and Schedules attached. Job Postings were conducted in Sta. Rosa, Nueva Ecija and secured applicants from LBP Personnel. Applicants from Land Bank employed already. Publication in newspaper was done.
2	Income tax transactions were incorrectly recorded in the books which resulted in the overstatement of income tax payable account by P3.149 million, thus, affecting the fair presentation of the financial	1. Reconcile the balance of income tax payable account with the amount in the income tax return filed with BIR and ensure that transactions are recorded in accordance	For Reconciliation & adjusting of entries	Blesilda R. Macalalad/ FAU			Complied as of May 2014		Reconciled as of May 2014, effected in December 31, 2013 Financial Statements (Please to the reconciliation attached)

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	statements/	with paragraph 15 of IAS 1; and 2. Effect the necessary adjusting entries to correct the balances of accounts related to income taxes in the financial statements							
3	The recognition of the retirement benefits expense of P3.204 million and the disclosures made in the note to Financial Statements are not in accordance with PAS 19 Employee Benefits. The expense amount was also claimed as deductible item in the computation of income tax due for CY2013 contrary to Section 34 (J) of Republic Act 8424, the National Internal Revenue Code.	1. Determine the amount of retirement benefit expense for CY2013 in accordance with PAS 19 and draw adjusting entries to correct the balances of accounts in the financial statements; 2. Ensure proper and adequate disclosures in the financial statements as required under PAS 19; and 3. Recompute the provision for income tax, file an amended tax return and pay the corresponding tax deficiency.	The amount of expense to be taken up will be determined. Adjustment will be taken up and will file an amended ITR afterwards.	Blesilda R. Macalalad/ FAU	October 2014	Dec. 31,2014	Ongoing	Implemented	On the funding valuation report of the actuarial company (copy attached) it was stated that the Past Service Liability of MSI as of January 1, 2014 is P6,316,399.00. Management decided to set up a trust fund with LBP-TBG. Initially the amount of P2,250,233(based on 3-year amortization) plus one year accrual was invested.
4	Procurement of rice and milling services were not done thru competitive bidding as required under Section 10 of Republic Act (RA) 9184. Likewise, the Annual Procurement Plan for Common -Use Supplies and Equipment (APP_CSE) for CY 2013 was not submitted to Department of Budget and Management (DBM) as required under DBM Circular Letter No. 2011-6, thus, the CSE in the total amount of P1.136 million were not acquired from the Procurement Service (PS) of DMB pursuant to Section 4 of Administrative	1. Comply with the provision of Section 10 of RA 9184 and DBM Circular Letter No. 2011-6 requiring procurement through competitive bidding and submission of APP-CSE to DBM, respectively; and 2. Procure common-use supplies and equipment from PS in accordance with AO No. 17	1a. Seek GPPB opinion on competitive bidding of goods procured for business or trade purposes only. 1b. MSI had already submitted to DBM its APP-CSE 2. MSI is now procuring common - use office supplies from the DBM - Procurement Service since July 2014	Joan Monterola-OPGM Alma Hapa / FAU Alma Hapa / FAU	October 2014	Dec. 31,2014	Ongoing		Will conduct inquiry with the GPPB regarding rules and exemptions on R.A. 9184 <u>(Note: On January 14, 2015, MSI sent representatives to GPPB for inquiry/ consultative opinion. A report on the said meeting is submitted to the Executive Committee through the President.)</u> Continue to submit APP-CSE and procure common

	Order (AO) No. 17.								use supplies at DBM Common-use supplies are being procured from the DBM Procurement Service. Please see attached APP for common use supplies submitted to the DBM
5	Various disbursement vouchers and petty cash vouchers in the aggregate amount of P1,264 million for CY 2013 lacked the appropriate supporting documents evidencing the receipts of payments made, as required under COA Circular No. 2004-06, thus, casted doubt on the validity of payment	1. Management must ensure that all payment vouchers are supported with proper evidence of receipt of payment as required by established laws, rules and regulations.					Implemented		Documents to support disbursements was already submitted during and after the final exit. After which, we strictly ensure proper documentations of all disbursements.
6	The one percent and two percent income taxes totalling P0.648 million, were not withheld by MSI from payments to traders and millers contrary to Section 1 of RA 1051 and Section 2.57.2 (N) of RA No. 8424 or the National Internal Revenue Code of 1997, as amended.	1. Management to deduct or withhold appropriate tax from all government money payments made to private individuals or entities in compliance with Section 1 of RA 1051 and Section 2.57.2 (N) of RA No. 8424, as amended under Revenue Regulation No. 30-2003 dated December 12, 2013, and remit the same to the BIR.			June 2015 onwards			Apprehension that this might trigger the audit of the BIR on withholding tax on rice procurement in prior years	For implementation starting June 2015
7	The MSI's warehouse and palay stocks were insured from a private insurance company for a total premium payment of P57,590.00, contrary to the provisions of Republic Act 656 as amended by Presidential Decree 245 dated July 13, 1973.	1. Management refrain from procuring insurance from private insurance companies in compliance with the provisions of Republic Act 656.					Implemented		SRGC Warehouse and Palay stocks are now insured with the GSIS (Please refer to the policy attached).