

MASAGANANG SAKAHAN, INC. ACTION PLAN AND STATUS OF IMPLEMENTATION
Audit Observations and Recommendations
For the Calendar Year 2014
As of December 31, 2015

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	The accuracy, completeness, existence, and valuation of Inventories account with a balance of P31.952 million could not be ascertained due to the : (a) absence of policy on the recognition of shrinkage on palay totaling P4.364 million; (b) erroneous entries and unposted transactions in the subsidiary ledgers of both the Inventories - Palay and Inventories - Rice totaling P1.889 million; (c) absence of schedule to support the balance of Inventories-Rice of P3.390 million; and (d) estimated variance between the book balances and stock cards of Inventories - Rice and Inventories - By-Products of P0.993 million and P34,644, respectively.	a. Formulate accounting policies on the recognition of loss on shrinkage of palay, and b. Ensure the accuracy and completeness of recording of transactions in the books, and the existence of inventories by: b.1 Reviewing the entries in the SL of Inventories-Palay and Inventories-Rice and drawing the necessary adjusting journal entries, and b.2 Conducting reconciliation of the stock cards and schedules of Inventories.	Reconciliation of inventory accounts will be done. Update subsidiary ledger of inventory account	Ria C. Cahiwat /FAU/LU	2 nd qtr 2015	1 st qtr 2016	Fully Implemented		Policy on the recognition of loss on shrinkage attached as Annex A . Reconciliation of inventory accounts was done. Please refer to the attached Schedule of Inventory as of December 31, 2015, Subsidiary Ledgers and Statement of Financial Position attached as (Annex B) .
2.	MSI could have generated additional funds amounting to P627,500 had it imposed the payment of 0.05 per cent surcharge per day of delay from clients who paid their accounts beyond due dates as provided in the sales invoice.	We recommended that Management ensure that surcharge of 0.05 per cent per day of delay in the payments of accounts by clients beyond due dates is strictly imposed in accordance with the terms and conditions specified in the Sales Invoice.		Blesilda R. Macalalad/ FAU			Fully Implemented	Management gives due cognizance of the inherent parent-subsidiary relationship between Land Bank and MSI, and due	Imposition of surcharge/penalty resulted to lost of clients. (Ex. AFPSLAI). Thus, charging of penalty to non-LBP clients was put on hold in order to maintain clients.

								consideration that LandBank is MSI's major and valued client on a continuing basis by virtue of its supply agreement. Furthermore, a very strict imposition of surcharge is not an industry practice in rice trading business and being strict about it may open to the greater risk of losing clients.	
3.	The existence of obligations totaling P168,021 is doubtful in the absence of contracts, claims filed with MSI, and details of the account. On the other hand, the balance of Trust Liabilities - BIR account is understated by P55,512.	<p>We recommended that Management require the Accounting Division to:</p> <p>Confirm the outstanding payables totaling P96,945 from the payor corporations and adjust to the Retained Earnings those accounts with negative results of confirmation and with no claims on file;</p> <p>Verify and analyze the historical entries for the unreconciled amount of P71,076 lodged in the Payables-Miscellaneous account and record the necessary adjustments in the books; and</p> <p>Record the understatement of Trust Liabilities-BIR amounting to P55,212.</p>	<p>For Reconciliation & adjusting of entries</p> <p>Send confirmation to the concerned payors</p> <p>Reconciliation on-going. Afterwhich adjusting journal entries will be prepared if necessary</p>	<p>Ria C. Cahiwat/SRGC/ LU</p> <p>Blesilda R. Macalalad/ FAU</p> <p>Liza C. Canlas /FAU</p> <p>Ria C. Cahiwat/ SRGC /LU</p>	<p>4th qtr 2015</p> <p>4th qtr 2015</p>	<p>1st qtr 2016</p> <p>1st qtr 2016</p>	Fully Implemented		Adjustment of payables amounting to P96,944.55 to Retained Earnings per JV No. 2015-231 (copy attached as Annex C) was taken up after the negative results of confirmation.

4.	1. The activities set out in the GAD and Budget of MSI for FY 2014 were not aligned with the Primer for Gender Mainstreaming and Institutionalization and did not include client-focused activities.	We recommended and Management agreed that client-focused activities in the MSI Annual GAD Plan and Programs will be included in compliance with the provisions of the Primer for Gender Mainstreaming and Institutionalization.		Joan Monterola-OPGM Alma Hapa / FAU	3 rd qtr 2015	1 st qtr 2016	Fully Implemented		Coordination with LBP and Subsidiaries for trainings /seminars and continuous identification of projects that promote assistance to women in the community (Caretakership arrangement for livestock raising project) Pilot project for goat raising for small landholdings as additional income for farmers. (Please refer to the attached 2015 GAD Plan and budget attached as Annex D).

Prepared by:

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Approved by:

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