

**MASAGANANG SAKAHAN, INC. ACTION PLAN AND STATUS OF IMPLEMENTATION  
OF AUDIT OBSERVATIONS AND RECOMMENDATIONS**

For the Calendar Year 2015

As of December 31, 2016

	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 inventories account was overstated by a net amount of P0.853 million due to the variances noted between the book balances and stock cards/count of inventories – Palay, Rice, Broken Rice and By-Products amounting to P0.397 million P0.804 million, P0.446 and P535.00 respectively, thereby, affecting the fair presentation of inventories account in the financial	a. Require the concerned MSI personnel to conduct immediate reconciliation of the inventories account balances with the stock cards; b. Hold the responsible employee liable for the shortage, if any, and/or prepare the necessary adjusting journal entries, if warranted, to adjust the book balance of the inventories account; and c. Ensure at all times the accuracy and completeness of recording of transactions in the books, and the	Reconciliation of inventory accounts with the stock cards	Ria C. Cahiwat / Corporate Services Dept.	Jan. 2017	June 2017	On - going		Reconciliation was done. Adjustments were taken up per JV Nos. 16-032 to 16-035 (copy attached).

	statements.	existence of inventories by conducting periodic reconciliation of the stock cards and schedules of the inventories.							
2	The MSI-SRGC receivables from clients totaling P0.676 million were not supported with subsidiary ledgers, thereby casting doubt on the existence of MSI's rights over such receivables and the accuracy and completeness of the balance.	We recommended and management agreed to require the responsible personnel to maintain subsidiary ledgers of clients' accounts for the sale of rice, broken and by-products at MSI-SRGC.	Maintain and update subsidiary ledgers of SRGC receivables accounts	Ria C. Cahiwat / Corporate Services Dept.			Fully Implemented		Copy of SL and Schedule as of December 31, 2016 attached.
3	The recorded milling fees were overstated by P168,971 that also overstated the costs of Inventories-Rice and By-products, while understating the Receivable-Trade/Business by the	a. Ensure that the recorded milling fees are correct as reflected in the Sales Invoice to avoid over costing of Inventories and reducing the receivable account even without receiving payments	Analyze, reconcile and prepare adjusting journal entries to correct recording of milling fees.	Ria C. Cahiwat / Corporate Services Dept.			Fully Implemented		Adjustment was taken per JV no. 16-036 (copy attached) to correct recording of milling fees.

same amount as a result of offsetting the milling fees from the receivable account from millers on the sale of rice brokens and/or by-products.	from the millers, and b. Analyze and prepare the necessary journal entries, where appropriate, to adjust the balances of the affected accounts.							
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Prepared by:

  
**JULIE ANN DR OCAMPO**  
 Internal Auditor

Noted by:

  
**ROY C. OSCILLADA**  
 President & CEO