

EXECUTIVE SUMMARY

A. Introduction

The Philippine Racing Commission (Philracom) is one of the agencies under the Office of the President created by virtue of Presidential Decree (PD) No. 420 dated March 20, 1974.

The Philracom is tasked to promote and direct the accelerated development and continuous growth of horse racing, not only in the furtherance of the sports development program of the government, but also in order to insure the full exploitation of horse racing as a source of revenue and employment.

It has the exclusive jurisdiction and control over every aspect of the conduct of horse racing, including the framing and scheduling of races, the construction and safety of horse racing, the allocation of prizes and the security of racing.

The Philracom is headed by a Chairman and six Commissioners who were all appointed by the President of the Philippines with a term of four years. It has 67 filled-up positions, 7 consultants and 8 contracts of service.

As of December 31, 2019, Philracom has a total workforce of 82, details are shown below:

Office/Division	Personnel Complement			
	Permanent	Contractual	Detailed	Total
Office of the Chairman	4	2	-	6
Office of the Executive Director	4	1	-	5
Finance and Administration Division	24	1	-	25
Field Inspection Division	20	-	-	20
Legal Division	3	-	-	3
Regulation and Licensing Division	7	1	-	8
Stud Book Division	5	3	-	8
Consultants and Other Professionals	-	-	7	7
Total	67	8	7	82

For the Calendar Year (CY) 2019, the total number of horses registered was 2,004, lower by 5.34 per cent compared to 2,117 in CY 2018. There were 333 horse owners who registered in CY 2019 as compared to 396 in CY 2018.

B. Operational Highlights

The agency reported physical targets and accomplishments for CY 2019, as follows:

Organizational Outcomes (OOs) / Performance Indicator (PIs)	Physical Targets	Actual Accomplishments	% of Accomplishments
➤ Horse Racing Incentive Program			
Outcome Indicators			
1. Projected government revenue generated from gross sales	1,200,000,000	1,352,930,422.64	113
2. Generated Direct Employment	1,500	1,557	104
Output Indicators			
1. Number of races conducted as scheduled according to standards	45	45	100
2. Amount of prize money and percentage of paid within three days after the race	110,000,000	116,000,000	105
➤ Horse Racing Regulatory Program			
Outcome Indicators			
1. Number of license holders with one or more violations over the last three years	200	248	124
2. Decrease in the number of accidents	25	12	48
Output Indicators			
1. Number of applicants for registration, permits and licenses acted upon within one (1) month	4,000	4,066	102
2. Number of inspections and investigations taken	150	96	64
3. Percentage of enforcement actions undertaken and resolved as a percentage of the total number of violations	100	100	100

C. Financial Highlights

The financial position, financial performance and sources and utilization of funds of the Philracom for CY 2019 with corresponding figures for CY 2018 are presented below:

Particulars	Amount (₱)	
	2019	2018
Financial Position		
Assets	19,670,459.57	20,534,107.67
Liabilities	18,162,676.11	15,956,414.82
Net Assets/Equity	1,507,783.46	4,577,692.85
Financial Performance		
Revenue/Income/Subsidy	53,486,586.00	58,083,450.44
Current Operating Expenses	184,565,103.85	179,905,428.28
Net Financial Subsidy	182,126,188.66	187,399,967.41
Surplus/Deficit	51,047,652.81	65,577,989.57
Sources and Utilization of Funds		
Appropriations	192,648,964.00	197,961,636.00
Allotments	192,648,964.00	197,961,636.00
Obligations Incurred	183,192,160.45	186,146,247.19
Disbursements	175,109,261.79	180,724,888.71
Unobligated Allotments	9,456,803.55	11,815,388.81

The Statement of Appropriations, Allotments, Obligations, Disbursements and Balances (SAAODB) for the period January 1 to December 31, 2019 is shown in Annex A.

D. Scope of Audit

The audit was conducted to: a) ascertain the level of assurance that may be placed on the Management's assertion on the financial statements; b) determine the propriety of transactions as well as extent of compliance on the applicable laws, rules and regulations; c) recommend agency's improvement opportunities; and d) determine the extent of implementation of prior year's audit recommendations. Moreover, the audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs).

E. Independent Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of Philracom as at December 31, 2019 due to the following observations:

- Overstatement of Representation Expenses account by ₱3,454,001.08, Travelling Expenses – Local account by ₱918,240.70, Extraordinary and

Miscellaneous Expenses account by ₱52,189.62 and Accumulated Surplus/ (Deficit) account by ₱4,265.95 due to expenses for meals, gasoline, parking/toll fees, among others, erroneously charged to the said accounts.

- Overstatement of Training Expenses account amounting to ₱15,764.08 for airfare tickets local travels recognized therein instead of Travelling Expenses – Local account.

E. Observations and Recommendations

The following are the other significant audit observations and corresponding recommendations, which were discussed with management officials concerned, details of which are discussed in the report. Management views and comments were incorporated in the report, where appropriate:

1. Reimbursement of expenses for meals, gasoline, parking/toll fees, among others, amounting to ₱4,428,697.35 made by the Chairman and Commissioners is not sanctioned by the PD No. 20 creating the Philracom and the Resolution created by the Board to justify the said expenses is bereft of legal basis.

We recommended that Management require the concerned Philracom officials to refund the amount of ₱4,428,697.35 irregularly disbursed pursuant to COA Circular 2012-003 dated October 29, 2012 and to refrain from reimbursements if without a solid legal basis or approval of the President of the Philippines.

2. Deficiencies were noted pertaining to Training Expenses of which local travels amounting to ₱15,764.08 were erroneously charged therein; and no sufficient documents supporting the validity thereof contrary to Section 4 (6) and (7) of PD No. 1445.

We recommended and Management agreed to require the Chief Accountant to review all supporting documents and accounting entries on training expenses before approval.

3. Submission of the required financial and other accounting reports was delayed ranging from two days to 43 days, contrary to the provisions of PD No. 1445 and COA Circular No. 95-006 dated May 18, 1995, thus, preventing timely verification and early detection of deficiencies and correction of errors, if any.

We recommended and Management agreed to instruct the Chief Accountant to facilitate immediate submission of the required financial statements and accounting reports and strictly observe the prescribed dates of submission.

G. Implementation of Prior Year's Audit Recommendations

Of the 34 audit recommendations contained in the 2018 Annual Audit Report, 20 were implemented and 14 were not implemented. The details are presented in Part III of this report.