

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 five Commissioners who were all appointed by the President of the Philippines with a term of four years. It has 70 filled-up positions, seven consultants and eight contracts of service.

As of December 31, 2020, PhilRaCom has a total workforce of 85, with details shown below:

Office/Division	Personnel Complement			
	Permanent	Contractual	Detailed	Total
Office of the Chairman	4	2	-	6
Office of the Executive Director	4	2	-	6
Finance and Administration Division	22	2	-	24
Field Inspection Division	21	-	-	21
Legal Division	3	-	-	3
Regulation and Licensing Division	8	1	-	9
Stud Book Division	8	1	-	9
Consultants and Other Professionals	-	-	7	7
Total	70	8	7	85

For the Calendar Year (CY) 2020, the total number of horses registered was 1,736, lower by 13.37 percent compared to 2,004 in CY 2019. There were 30 new horse owners who registered in CY 2020 as compared to 24 new horse owners in CY 2019.

B. Operational Highlights

The agency reported physical targets and accomplishments for CY 2020, 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	344,255,730	28.68
2. Generated Direct Employment	1,500	918	61.20
Output Indicators			
1. Number of races conducted as scheduled according to standards	45	32	71.11
2. Amount of prize money and percentage of paid within three days after the race	110,000,000	104,000,000	94.54
➤ Horse Racing Regulatory Program			
Outcome Indicators			
1. Number of license holders with one or more violations over the last three years	200	139	69.50
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	3,333	83.33
2. Number of inspections and investigations taken	150	97	64.67
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 2020 with corresponding figures for CY 2019 are presented below:

Particulars	Amount (₱)	
	2020	2019
Financial Position		
Assets	96,471,633.62	19,670,459.57
Liabilities	122,851,578.55	18,162,676.11
Net Assets/Equity	(26,379,944.93)	1,507,783.46
Financial Performance		
Revenue/Income/Subsidy	20,435,110.04	53,486,568.00
Current Operating Expenses	161,299,087.74	184,565,103.85
Net Financial Subsidy	134,155,903.45	182,126,188.66
Surplus/Deficit	(6,708,074.25)	51,047,652.81
Sources and Utilization of Funds		
Appropriations	253,293,000.00	192,648,964.00
Allotments	170,931,400.00	192,648,964.00
Obligations Incurred	158,535,730.67	183,192,160.45
Disbursements	123,169,638.83	175,109,261.79
Unobligated Allotments	12,395,669.33	9,456,803.55

The Statement of Appropriations, Allotments, Obligations, Disbursements and Balances (SAAODB) for the period January 1 to December 31, 2020 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 an unqualified opinion on the fairness of presentation of the financial statements of Philracom as at December 31, 2020.

F. Observations and Recommendations

The significant audit observations and corresponding recommendations were communicated with Management officials concerned through the issuance of Audit Observation Memoranda, and discussed during the exit conference on May 3, 2021, details of which are discussed in this report. Management views and comments were incorporated in the report, where appropriate.

1. A total of ₱70,764,503.98 unmatched balances of accounts Cash-Treasury/Agency Deposit, Trust and Cash-Treasury/Agency Deposit, Special Account was noted between the PhilRaCom and the Bureau of the Treasury (BTr), casting doubt on the completeness and accuracy of the recorded transactions; hence, could not be relied upon.

We recommended and Management agreed to require the Accountant to coordinate with the BTr for the reconciliation of the balances of Cash-Treasury/Agency Deposits in the books of Games and Amusements Board (GAB) and BTr.

2. A total of ₱326,174.50 discrepancy between the Due from NGAs-Procurement Service-Department of Budget and Management (PS-DBM) account balance and its corresponding receivable account balance at the PS-DBM due to unreconciled prior year balances of the intra government accounts.

We recommended and Management to direct the Chief Accountant and the Supply Officer to:

- a) verify the unreconciled prior year discrepancy of ₱326,174.50 between PhilRaCom and PS-DBM records; and
 - b) henceforth, reconcile records periodically with the PS-DBM.
3. The disallowances issued to four former employees of PhilRaCom totaling ₱354,248.13 remained unsettled as of December 31, 2020 since three of them were already deceased and another had already transferred to another government agency.

We recommended and Management agreed to:

- a) direct the Accountant to send demand letter to Mr. Enrique C. Enriquez through the Agency Head of the Philippine Statistics Authority (PSA); and
- b) file a claim against the estate of the three deceased employees.

4. Reimbursement of the Chairman and Commissioners of their representation and travelling expenses aggregating ₱1,247,665.84, on top of their commutable allowance and per diem, were without legal basis.
We recommended that Management refund the claims of reimbursement of travelling and representation expenses of the Chairman and the Members of the Commission since these are additional allowances without legal basis.

G. Implementation of Prior Year's Audit Recommendations

Of the nine audit recommendations contained in the 2019 Annual Audit Report, four were implemented and five were not implemented. The details are presented in Part III of this report.