

## 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 66 filled-up positions, 19 consultants and seven contracts of service.

As of December 31, 2021, PhilRaCom has a total workforce of 92, with details shown below:

Office/Division	Personnel Complement			
	Permanent	Contractual	Detailed	Total
Office of the Chairman	5	2	-	7
Office of the Executive Director	4	1	-	5
Finance and Administration Division	22	2	-	24
Field Inspection Division	19	-	-	19
Legal Division	2	-	-	2
Regulation and Licensing Division	7	1	-	8
Stud Book Division	7	1	-	8
Consultants and Other Professionals	-	-	19	19
<b>Total</b>	<b>66</b>	<b>7</b>	<b>19</b>	<b>92</b>

For the Calendar Year (CY) 2021, the total number of horses registered was 1,702, lower by 1.96 percent compared to 1,736 in CY 2020. There were direct job generation for 1,153 licensees, licensing 30 new horse owners who registered in CY 2021 as compared to 981 licensees and 30 new horse owners in CY 2020.

## B. Operational Highlights

The agency reported physical targets and accomplishments for CY 2021, as follows:

<b>Organizational Outcomes (OOs)/ Performance Indicator (PIs)</b>	<b>Physical Targets</b>	<b>Actual Accomplishments</b>	<b>% of Accomplishments</b>
<b>➤ Horse Racing Incentive Program</b>			
Outcome Indicators			
1. Projected government revenue generated from gross sales	1,200,000,000	661,935,159.49	55.16
2. Generated Direct Employment	1,500	1,118	74.53
Output Indicators			
1. Number of races conducted as scheduled according to standards	45	56	124
2. Amount of prize money and percentage of paid within three days after the race	110,000,000	120,000,000	109
<b>➤ Horse Racing Regulatory Program</b>			
Outcome Indicators			
1. Number of license holders with one or more violations over the last three years	200	196	98
2. Decrease in the number of accidents	25	28	112
Output Indicators			
1. Number of applicants for registration, permits and licenses acted upon within one (1) month	4,000	4,053	101
2. Number of inspections and investigations taken	150	163	109
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 2021 with corresponding figures for CY 2020 are presented below:

Particulars	Amount (₱)	
	2021	2020
<b>Financial Position</b>		
Assets	139,049,685.76	96,471,633.62
Liabilities	108,766,265.53	122,851,578.55
Net Assets/Equity	30,283,420.23	(26,379,944.93)
<b>Financial Performance</b>		
Revenue/Income/Subsidy	30,910,153.89	20,435,110.04
Current Operating Expenses	167,826,574.96	161,299,087.74
Net Financial Subsidy	214,533,917.61	134,155,903.45
Surplus/Deficit	77,617,496.54	(6,708,074.25)
<b>Sources and Utilization of Funds</b>		
Appropriations	234,969,239.40	253,293,000.00
Allotments	234,969,239.40	170,931,400.00
Obligations Incurred	196,553,942.61	158,535,730.67
Disbursements	183,577,799.54	123,169,638.83
Unobligated Allotments	38,415,296.79	12,395,669.33

The Statement of Appropriations, Allotments, Obligations, Disbursements and Balances (SAAODB) for the period January 1 to December 31, 2021 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 unmodified opinion on the fairness of presentation of the financial statements of PhilRaCom as at December 31, 2021.

## **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 March 16, 2022, details of which are discussed in this report. Management views and comments were incorporated in the report, where appropriate.

1. The balance of the PPE account of ₱6,087,269.79 as of December 31, 2021 includes a total of ₱326,269.56 of 512 tangible items below the capitalization threshold of ₱15,000.00, which should be accounted as semi-expandable property, consistent with Section 3(e), Chapter 10 and Section 10, Chapter 8, Volume I of the Government Accounting Manual (GAM) for National Government Agencies (NGAs).

We recommended and Management agreed to instruct the Chief Accountant to prepare a Journal Entry Voucher (JEV) to effect the necessary adjustments in the books of accounts.

2. The payment of office supplies procured from Procurement Service-Department of Budget and Management (PS-DBM) amounting to ₱15,399.18 recorded as Office Supplies Inventory instead of Due from NGAs-PS-DBM and the non-recording of the delivery of the said office supplies of ₱11,077.98 resulted in the net understatement of Due from NGAs-PS-DBM by ₱4,321.20 and overstatement of Office Supplies Inventory by the same amount as of December 31, 2021.

We recommended and Management agreed to instruct the Accountant to prepare a JEV to effect the necessary adjustments in the books of account.

3. Various laboratory equipment intended for the PhilRaCom's Equine Drug Testing Program, purchased in CY 2018 with a total cost of ₱6,702,500.00 remained idle and unutilized since 2018 due to the failure of Management to procure the screening equipment called Enzyme Linked Immuno Sorbent Assay (ELISA) contrary to Section 58 of the PD No. 1445, resulting in the loss of income to the government.

We recommended and Management agreed to procure the screening equipment ELISA to continue the launch of the Agency's Equine Drug Testing Program and ensure that the delivered items were in accordance with the specifications stated in the Contract/Purchase Order.

4. The reliability of Other Payables account of ₱1,101,249.16 as of December 31, 2021 cannot be ascertained due to the absence of the supporting schedule contrary to Sec. 60, Chapter 19 of the GAM for the NGAs, Volume I.

We recommended and Management agreed to require the Chief Accountant to submit the required schedule to support the balance as provided under Section 60, Chapter 19 of the GAM for NGAs, Volume I.

5. Non-submission of paid payroll totaling ₱42,407,095.31 and delayed submission thereof ranging from 33 to 200 days, representing receipt of payment of additional prizes to the prizes recipients released thru the three Racing Clubs, were contrary to Section 10 of the MOA entered into by and between the PhilRaCom and the three Racing Clubs, thus, affected the timely verification of transactions and communication of audit results to Management.

We recommended and Management agreed to require the three Racing Clubs to submit the paid payrolls to the Accounting Unit within 10 days after the release of the checks in accordance with Section 10 of the MOA and register the claimants into an easier system of payments.

6. Non-submission of the documents to establish the validity of the payments on the ₱3,750,114.47 additional prizes released to claimants other than the appropriate recipients in CY 2020 contrary to Item 8.1 of the MOA.

We recommended that Management to instruct the Chief Accountant not to accept the payroll released to claimants other than the appropriate recipients without the required SPA.

#### **G. Summary of Audit Suspension, Disallowances and Charges at year end**

There was no audit suspension and charges issued during the year. As of December 31, 2021, the balance of audit disallowances totaled P232,620,412.17, of which P193,816,028.20 was issued by the Special Audit Team and P14,167.41 was settled during the year.

#### **H. Implementation of Prior Year's Audit Recommendations**

Of the 11 audit recommendations contained in the 2020 Annual Audit Report, 8 were implemented and 3 were not implemented. The details are presented in Part III of this report.