

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 72 filled-up positions, 15 consultants and 5 contracts of service.

As of December 31, 2022, Philracom has a total workforce of 92, with details shown below:

Particulars	No. of Personnel
Plantilla Positions:	
Presidential Appointment	5
Permanent Employees	65
Coterminous Employees	1
Temporary Employees	1
Consultants	15
Contract of Services	5
Total	92

B. Operational Highlights

The agency reported physical targets and accomplishments for CY 2022, as follows:

Organizational Outcomes (OOs)/ Performance Indicator (PIs)	Physical Targets	Actual Accomplishments	% of Accomplishments
➤ Horse Racing Incentive Program			
Outcome Indicators			

Organizational Outcomes (OOs)/ Performance Indicator (PIs)	Physical Targets	Actual Accomplishments	% of Accomplishments
1. Projected government revenue generated from gross sales	1,200,000,000	784,229,008	65.35
2. Generated Direct Employment	1,500	1,465	97.67
Output Indicators			
1. Number of races conducted as scheduled according to standards	45	52	115
2. Amount of prize money and percentage of paid within three days after the race	110,000,000	153,000,000	139
➤ Horse Racing Regulatory Program			
Outcome Indicators			
1. Number of license holders with one or more violations over the last three years	200	215	108
2. Decrease in the number of accidents	25	16	64
Output Indicators			
1. Number of applicants for registration, permits and licenses acted upon within one (1) month	4,000	4,090	102
2. Number of inspections and investigations taken	150	158	105
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 2022 with corresponding figures for CY 2021 are presented below:

Particulars	Amount (₱)	
	2022	2021 Restated
Financial Position		
Assets	98,858,183.38	98,129,212.86
Liabilities	99,595,129.80	108,252,041.05
Net Assets/Equity	(736,946.42)	(10,122,828.19)
Financial Performance		
Revenue/Income/Subsidy	38,476,430.69	30,910,153.89
Current Operating Expenses	(233,769,747.55)	(208,232,823.38)
Net Financial Subsidy	244,870,796.98	214,533,917.61
Surplus/Deficit	49,577,480.12	37,211,248.12
Sources and Utilization of Funds		
Appropriations	270,882,056.01	234,969,239.40
Allotments	270,882,056.01	234,969,239.40
Obligations Incurred	237,077,886.04	196,553,942.61
Disbursements	225,095,312.26	183,577,799.54
Unobligated Allotments	33,804,169.97	38,415,296.79

The Statement of Appropriations, Allotments, Obligations, Disbursements and Balances (SAAODB) for the period January 1 to December 31, 2022 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 faithful presentation of the financial statements of PhilRaCom as at December 31, 2022 due to misclassification of not highly technical services to Consultancy Services account of ₱3,311,370.96, and unrecorded disallowances with Notice of Finality Decision (NFD) totaling ₱71,266,404.21, thus, not fairly presented in the Financial Statements (FSs).

F. Summary of Significant Observations and Recommendations

The significant audit observations and corresponding recommendations were communicated with Management officials concerned through the issuance of Audit Observation Memoranda (AOM), and discussed during the exit conference on May 8, 2023, details of which are discussed in this report. Management views and comments were incorporated in the report, where appropriate.

1. The agency erroneously recorded BAC honoraria totaling ₱80,500.00 to Other MOOE account, while another payment for honorarium as lecturer was charged to Other Professional Services, thus understating the Honoraria account by ₱85,136.25 and overstating Other MOOE and Other Professional Services accounts by ₱80,500.00 and ₱4,636.25, respectively.

We recommended and Management agreed to require the Chief Accountant to prepare the necessary entries by adjusting the Honoraria, Other MOOE, and Other Professional Services accounts in compliance with Section 3.0 of BC No. 2004-5 and the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume III.

2. There were 20 reported injuries suffered by the jockeys related to the performance of their work, however, no compensation was provided from the Jockeys and Horse Trainers Injury, Disability, and Death Compensation Fund, thus not compliant with Section 1 of RA No. 6115.

We recommended and Management and the Board agreed to:

- a) Ensure that injury, disability, or death suffered by jockeys or horse trainers in the performance of their duties is determined and properly compensated pursuant to Section 1 of RA No. 6115; and
 - b) Make the necessary efforts to fast-track the issuance of guidelines on the granting of compensation of work-related injuries, disabilities, and death, and continuous appeal to Congress on the updating of the rates.
3. Lapses were noted in the hiring of consultants by the PhilRaCom for CY 2022, such as: a) the process of hiring 20 consultants did not go through the procurement process; and b) the delayed submission of contracts to the COA Audit Team, thus in contravention with pertinent rules and regulations related to the hiring and recording of consultancy services.

We recommended and Management agreed to require the:

- a) BAC to ensure full compliance with the Revised IRR of RA No. 9184 and COA Circular No. 2012-001 dated June 14, 2012; and

- b) Concerned division to submit to the Audit Team a copy of perfected contracts and purchase orders within five (5) working days upon approval, together with the supporting documents, for review.
4. The audit disclosed deficiencies in PhilRaCom such as: (a) GAD Plan and Budget (GPB) did not meet at least five (5) percent of the Agency Budget was prepared and approved by the Agency Head; and (b) failure to submit and endorse agency-approved GPB, and Accomplishment Report (AR) to PCW; contrary to Section 34 of the General Provision (GP) of FY 2022 GAA, Joint Circular (JC) No. 2012-01 of PCW, NEDA and DBM, and COA Circular No. 2014-001; thus, gender issues of the agency were not properly addressed.

We recommended and Management agreed to require the GFPS to:

- a) closely monitor and evaluate programs, projects, and activities identified to address gender issues to ensure that targets identified for the year are realized accordingly;
- b) promptly submit to the Audit Team the GPB within the prescribed period as well as its Accomplishment Report for the timely annual audit of the COA pursuant to COA Circular No. 2014-001, PCW-NEDA-DBM Joint Circular No. 2012-01, and related PCW Memorandum Circulars issued annually; and
- c) ensure that the GAD focal point person is well-trained and updated with the preparation and implementation of GPB and other GAD-related guidelines.

F. 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, 2022, the balance of audit disallowances totaled ₱232,568,465.00, of which ₱193,816,028.20 was issued by the Special Audit Team and ₱51,947.17 was settled during the year.

G. Implementation of Prior Year's Audit Recommendations

All nine audit recommendations contained in the CY 2021 Annual Audit Report (AAR) were implemented. The details are presented in Part III of this report.