

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 71 filled-up positions, 1 consultant and 12 contracts of service. As of December 31, 2023, PhilRaCom has a total workforce of 90.

B. Operational Highlights

The agency reported physical targets and accomplishments for CY 2023:

| Organizational Outcomes (OOs)/ Performance Indicator (PIs) | Physical Targets | Actual Accomplish- ments | Percentage (%) of Accomplish- ments |
|--|---------------------|--------------------------------|---|
| Horse Racing Incentive Program | | | |
| Output Indicators | | | |
| 1. Number of races conducted as scheduled according to standards | 45 | 43 | 95.56 |
| 2. Amount of prize money and percentage of paid within three days after the race | 110,000,000 | 148,000,000 | 134.55 |
| Horse Racing Regulatory Program | | | |
| Output Indicators | | | |
| 1. Number of applicants for registration, permits and licenses acted upon within one month | 4,000 | 3,399 | 84.98 |
| 2. Number of inspections and investigations taken | 150 | 133 | 88.67 |

| Organizational Outcomes (OOs)/ Performance Indicator (PIs) | Physical Targets | Actual Accomplish- ments | Percentage (%) of Accomplish- ments |
|--|-----------------------------|---|--|
| 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 2023 with corresponding figures for CY 2022 are presented below:

| Particulars | Amount (₱) | |
|---|-------------------|-----------------------------|
| | 2023 | 2022 As Restated |
| Financial Position | | |
| Assets | 179,259,127.95 | 170,088,369.40 |
| Liabilities | 93,513,685.78 | 100,963,223.70 |
| Net Assets/Equity | 85,745,442.17 | 69,125,145.70 |
| Financial Performance | | |
| Revenue/Income/Subsidy | 33,440,060.99 | 38,476,430.69 |
| Current Operating Expenses | 231,656,327.92 | 234,804,577.61 |
| Net Financial Subsidy | 248,548,890.23 | 244,870,796.98 |
| Surplus/Deficit | 50,332,623.30 | 48,542,650.06 |
| Sources and Utilization of Funds | | |
| Appropriations | 268,322,576.87 | 270,882,056.01 |
| Allotments | 268,322,576.87 | 270,882,056.01 |
| Obligations Incurred | 239,226,855.67 | 237,077,886.04 |
| Disbursements | 233,344,905.57 | 225,095,312.26 |
| Unobligated Allotments | 29,095,721.20 | 33,804,169.97 |

The Statement of Appropriations, Allotments, Obligations, Disbursements and Balances (SAAODB) for the period January 1 to December 31, 2023 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, 2023.

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 April 22, 2024, details of which are discussed in this report. Management views and comments were incorporated in the report, where appropriate.

1. The PhilRaCom did not maintain Subsidiary Ledgers (SLs), not in accordance with Section 60, Chapter 19 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, thus, the accuracy of the general ledgers (GLs) could not be ascertained.

We recommended and Management agreed to direct the Chief Accountant to prepare, maintain and submit the SLs of all accounts to the Audit Team.

2. The absence of a designated bonded collecting officer at the Equine Laboratory Diagnostic Center (ELDC) resulted in: a) issuance of temporary receipts upon collection of payments from clients, not in accordance with Section 4(e), Chapter 2 of the GAM for NGAs, Volume I; and b) collections were deposited with the AGDB delayed up to 48 days incompliant with Appendix 26 of the GAM for NGAs, Volume II, thus, exposing government funds to risk of loss.

We recommended and Management agreed to direct the Executive Director to:

- a) designate and properly bond a Collecting Officer at the ELDC; and
 - b) ensure the issuance of OR upon the collection of Coggins Testing fee to acknowledge receipt thereof then deposit its collections intact to the AGDB.
3. PhilRaCom failed to establish a mechanism to grant hazard pays to its two Chemists and Chemical Technician who were exposed to risk, thus, not compliant with Section 50 of the implementing rules and regulations (IRR) of Republic Act (RA) No. 10657, due to the absence of internal guidelines to implement such.

We recommended and Management agreed to instruct the Office of the Executive Director to:

- a) establish an internal guideline on the proper implementation of IRR of RA No. 10657; and
 - b) ensure that qualified Chemists and Chemical Technicians are granted hazard pay, if warranted.
4. The Chairman of the Bids and Awards Committee (BAC) of Agency is an approving official not in accordance with Section 11.2.5 of the Revised IRR of RA No. 9184, thus, indicates lack of segregation of duty - a weakness in its internal control.

We recommended and Management agreed to require the HoPE to designate a BAC Chairman who is not an approving official to ensure that proper segregation of duties in the procurement process of the agency is observed for check and balance which will strengthen its internal control.

5. Benefit Races was not included as services in the PhilRaCom Citizen's Charter, not in accordance with Section 3, Rule IV of the Joint Memorandum Circular No. 2019-001: The IRR of RA No. 11032, thus, depriving the general public an equal opportunity to apply to the said service.

We recommended and Management agreed to direct the Office of the Executive Director to:

- a) prepare a step-by-step procedure in availing beneficiary in Benefit Races and include it in the PhilRaCom Citizen's Charter; and
 - b) actively promote the said program/service to ensure equal opportunities among stakeholders are given.
6. Reported accomplishments in the Physical Report of Operation of the Horse Racing Incentive Program (HRIP) was based on estimates instead of actual figures due to the unavailability thereof during reporting period, thus, prevented proper evaluation and the information presented was inaccurate. On the other hand, there was an overcollection of Jockey's and Horse Trainer's Injury, Disability, and Death Compensation Fund from MMTCI's Total Wager Funds due to the misapplication of the rate of the Accounting Section in its Order of Payment.

We recommended and Management agreed to direct the Office of the Executive Director to:

- a) coordinate with GAB requesting the timely submission of data to be incorporated on the Accomplishment Report, hence, ensure that the reported

actual accomplishments are accurate and not based on estimates; and

- b) ensure that the share of Jockey's and Horse Trainer's Injury, Disability and Death Compensation Fund is equivalent to 0.25 percent of the Total Wager Fund of MMTCL.

F. Implementation of Prior Year's Audit Recommendations

All 10 audit recommendations contained in the CY 2022 Annual Audit Report (AAR) were implemented. The details are presented in Part III of this Report.