

## **EXECUTIVE SUMMARY**

### **A. Introduction**

The Games and Amusements Board (GAB) was created by virtue of Executive Order (EO) No. 392 series of 1951, amending EO No. 120 and Republic Act (RA) No. 309, series of 1948. It is under the immediate supervision and control of the Executive Secretary and headed by a chairman and two members who are appointed by the President of the Philippines.

Initially, GAB was vested with supervisory authority over only three professional sports, namely; Jai Alai, Boxing and Wrestling, and Racing. In 1974, however, the regulatory and supervisory authority and functions of GAB over horseracing, except for the betting aspect thereof, were transferred to the Philippine Racing Commission (PhilRaCom). Then in 1976, with the organization of the Professional Basketball Association (PBA), Presidential Decree (PD) No. 871 was issued expanding the regulatory and supervisory powers and functions of GAB over professional sports. These are basketball, boxing, wrestling, betting aspect of horse racing, cycling, golf, billiards, and all sports activities where the athletes play for pay.

EO No. 149 dated December 28, 1993 transferred to GAB the remnants of the Philippine Gamefowl Commission (PGC) pending its final abolition. Under this Order, GAB assumed the functional gray area of regulating and supervising international cockfight derbies in the meantime that the jurisdictional situs for the performance of this function has not yet been clarified. In a decision promulgated by the Court of Appeals in August 2011, the authority of the GAB to supervise and regulate Jai Alai was decided in its favor against Meridien Vista Gaming Corporation. Subsequently, this resumed GAB's supervisory and regulatory power over the Jai Alai operations in the country.

GAB is headed by a Chairman and two Commissioners who are all appointed by the President of the Philippines with a term of six years. As of December 31, 2015, it has 154 filled-up positions.

### **B. Financial Highlights**

The financial position, financial performance and sources and utilization of funds of the GAB for Calendar Year (CY) 2015 with the corresponding figures for CY 2014 are presented on the next page:

Particulars	Amount (₱)	
	CY 2015	CY 2014
<b>Financial Position</b>		
Assets	19,843,064.54	20,762,180.57
Liabilities	1,051,156.32	574,151.22
Net Assets/Equity	18,791,908.22	20,188,029.35
<b>Financial Performance</b>		
Revenue	19,431,351.39	20,851,347.59
Current Operating Expenses	84,880,454.21	84,535,585.07
Subsidy	84,602,109.41	83,416,741.13
Gains	15,500.00	900.00
Surplus/(Deficit)	19,168,506.59	19,733,403.65
<b>Sources and Utilization of Funds</b>		
Appropriations	85,933,146.00	83,083,013.00
Allotments	85,933,146.00	83,083,013.00
Obligations Incurred	85,380,292.14	83,082,850.55
Disbursements	85,380,292.14	83,082,850.55
Unobligated Allotments	552,853.86	162.45

The Statement of Appropriations, Allotments, Obligations, Disbursements and Balances for the period January 1 to December 31, 2015 is shown in Annex A.

### C. Operational Highlights

The agency reported physical targets and accomplishments for CY 2015 as follows:

Major Final Output	Performance Indicators	Physical Targets	Actual Accomplishments	% of Accomplishments
Regulation Services	<b>a. Licensing/ Registration</b>			
a. Supervision of professional games and amusements	Number of license/applications from professional sports practitioners	3,819	3,362	88.03
b. Supervision of betting during horse racing	Number of permits/applications for the holding of events	1,674	912	54.48
	Number of licenses and permits acted upon within two days upon receipt of application	5,493	4,274	77.81
	<b>b. Monitoring</b>			
	Number of Inspections and investigations undertaken	28,906	28,910	100

Major Final Output	Performance Indicators	Physical Targets	Actual Accomplishments	% of Accomplishments
	<b>c. Enforcement</b>			
	Number of enforcement actions undertaken	162	162	100

The year 2015 marks another milestone in the history of the GAB as they took over the management of the Oriental and Pacific Boxing Federation (OPBF), an international boxing organization formed in 1954 which at present has 18 member countries across Asia and the Pacific. With the transfer of the OPBF office in the Philippines, the GAB has been given the privilege of managing the affairs of the OPBF for two years effective January 2015, with the GAB Chairman as its President.

#### **D. Scope of Audit**

The audit covered the review of the accounts and operations of GAB for CY 2015 in accordance with the Philippine Public Sector Standards on Auditing (PPSSA). The audit was aimed to ascertain the propriety of the financial transactions, determine the fairness of presentation of the financial statements and ascertain compliance of the agency with laws, rules and regulations.

#### **E. Auditor's Report on the Financial Statements**

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of GAB as of December 31, 2015 in view of the following:

1. Understatement of Cash in Bank-Local Currency, Current Account (CIB-LCCA) due to unrecorded special bank accounts with cash balance amounting to ₱4,065,873.09;
2. Understatement of Cash account due to erroneous recording of receipts and reversal of Notice of Cash Allocations (NCA) and closing of remittance to the National Treasury of ₱2,800,460.78 to Accumulated Surplus/Deficit Account; and
3. Overstatement of Property, Plant and Equipment (PPE) by ₱703,085.55 equivalent to the carrying value of unserviceable property which was already disposed but not derecognized in the books of accounts.

## **F. Observations and Recommendations**

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

### **Financial and Compliance**

1. The Games and Amusement Board (GAB) continued to maintain seven special bank accounts totaling ₱4,563,194.39 despite the lack of authority from the Permanent Committee (PC), and failed to request for the opening of bank accounts for receipts with the Bureau of the Treasury (BTr) as required under Treasury Circular (TC) Nos. 02-2014 and 03-2014 both dated June 16, 2014, as amended by TC No. 05-2014 dated September 26, 2014.

We recommended that Management remit to the National Treasury pursuant to EO No. 338 the remaining cash balances of its special accounts and coordinate with the BTr on the opening of the MDS bank accounts as required under TC Nos. 02-2014 and 03-2014, both dated June 16, 2014, as amended by 05-2014 dated September 26, 2014.

### **Performance Audit**

2. The conduct of the on the spot field processing of application for permits to hold professional golf tournaments as well as professional licenses of participants in the tournaments conducted by the Other Pro-Games Division was in violation of GAB's operating procedures provided in its Citizens Charter relative to the discharge of its mandate and functions pursuant to EO No. 392.

We recommended that Management enforce the procedures contained in its Citizens Charter and revisit its practice of adopting the on the spot processing of permits and licenses for holding golf tournaments.

## **G. Status of Audit Suspensions, Disallowances and Charges**

Notice of Suspension totaling ₱342,000.00 issued in CY 2015 was settled during the year. There were no Notice of Disallowance and Notice of Charge issued to Management in CY 2015. As of year-end, disallowances amounted to ₱508,000.00.

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

Of the 12 audit recommendations embodied in the 2014 Annual Audit Report (AAR), nine were implemented, one was partially implemented and two were not implemented and reiterated in this report. The details are presented in Part III of this report.