

## EXECUTIVE SUMMARY

### INTRODUCTION

The Philippine Charity Sweepstakes Office (PCSO) is the principal government agency for raising and providing funds for health programs, medical assistance and services, and charities of national character. It was created under Philippine Legislature Act No. 4130 on October 30, 1934 and later amended by Republic Act No. 1169 in 1954 and Batas Pambansa Blg. 42 on September 24, 1979.

The PCSO is engaged in various social welfare and development programs. The main programs of the PCSO consist of Medical Assistance Program, Institutional Partnership Program, Medical Assistance Program, Medical Transport Vehicle Donation Program, Medical Equipment Donation Program, Patient Transport Service, Medical and Dental Mission Program, Medicine Donation Program, Outpatient Services Program, Mandatory Contributions, and the programs under the Agency's Corporate Social Responsibility.

The PCSO holds and conducts charity sweepstakes, races and lotteries and engages in health and welfare-related investments, projects, and activities to provide for permanent and continuing sources of funds for its programs. Other activities to enhance and expand such fund-generating operations as well as strengthen its fund-management capabilities are also being undertaken by the Agency.

As at December 31, 2024, the Board of Directors of the PCSO is composed of the following:

Judge Felix Padua Reyes (Ret.)	- Chairperson
Melquiades Aypa Robles	- Vice Chairperson and General Manager
Jennifer E. Liongson-Guevara	- Member
Imelda Arcilla Papin	- Member
Janet De Leon Mercado	- Member
Atty. Charles Frederick T. Co	- Board Secretary

The total manpower complement of the PCSO as at December 31, 2024 is 1,876, broken down as follows:

Particulars	Head Office	Branch Offices	Total
Permanent employees	547	503	1,050
Co-terminous	52	0	52
Co-terminous to the Incumbent	9	3	12
Confidential agents	272	0	272
Consultants	94	0	94
Job order	396	0	396
<b>Total</b>	<b>1,370</b>	<b>506</b>	<b>1,876</b>

The main office of the PCSO is located at the Sun Plaza Building and Conservatory Shaw Plaza Building in Mandaluyong City. It has five branch operation departments, namely: National Capital Region, Northern and Central Luzon, Southern Tagalog and Bicol Region, Visayas and Mindanao. The PCSO has 73 branches nationwide as at December 31, 2024.

Proceeds from the sweepstakes draws and the lottery games are the main sources of funds of the PCSO. Various game types have been introduced and other game innovations are constantly being conceptualized.

## FINANCIAL HIGHLIGHTS (In Philippine Peso)

### I. Financial Position

	2024	2023 As Restated	Increase/(Decrease)
Assets	52,201,565,034	50,588,142,478	1,613,422,556
Liabilities	29,383,620,065	29,837,754,949	(454,134,884)
<b>Equity</b>	<b>22,817,944,969</b>	<b>20,750,387,529</b>	<b>2,067,557,440</b>

### II. Comprehensive Income

	2024	2023 As Restated	Increase/(Decrease)
Total income	63,423,911,874	62,042,021,137	1,381,890,737
Total operating expenses	51,011,525,253	50,931,219,010	80,306,243
Profit/ (loss) before tax	12,412,386,621	11,110,802,127	1,301,584,494
Income tax expense	1,022,692,743	1,597,654,845	(574,962,102)
Income tax expense/(benefit) – deferred	(346,646,633)	(195,478,716)	(151,167,917)
Total Income tax expense net of deferred tax	676,046,110	1,402,176,129	(726,130,019)
Profit/(loss) after tax	11,736,340,511	9,708,625,998	2,027,714,513
Financial assistance/subsidy/contribution	7,894,398,574	5,148,975,883	2,745,422,691
Net income/(loss)	3,841,941,937	4,559,650,115	(717,708,178)
Other comprehensive income (loss) for the period	(5,276,103)	13,529,645	(18,805,748)
<b>Total Comprehensive Income</b>	<b>3,836,665,834</b>	<b>4,573,179,760</b>	<b>(736,513,926)</b>

### III. Comparison of the CY 2024 Budget and Actual Amounts on Comparable Basis

	Approved Corporate Operating Budget	Actual Amounts on Comparable Basis	Variance
Operating Fund			
Personnel services	1,933,108,000	1,095,700,223	837,407,777
Maintenance and other operating expenses (MOOE)	5,848,218,000	4,108,902,463	1,739,315,537
Capital outlays	3,943,412,000	263,937,916	3,679,474,084
Charity Fund			
MOOE	21,139,793,000	19,285,689,896	1,854,103,104
Prize Fund			
MOOE	35,089,620,000	33,817,822,636	1,271,797,364
Others (dividend)	657,752,000	1,769,108,391	(1,111,356,391)
<b>Total</b>	<b>68,611,903,000</b>	<b>60,341,161,525</b>	<b>8,270,741,475</b>

Note: Charity Fund MOOE includes Financial Expense and Financial Assistance/Subsidy/Contribution

## SCOPE OF AUDIT

The audit covered the examination, on a test basis, of the accounts, transactions and operations of the PCSO to enable us to express an opinion on the financial statements for the years ended December 31, 2024 and 2023 in accordance with International Standards of Supreme Audit Institutions. It was also conducted to determine the PCSO's compliance with pertinent laws, rules and regulations and adherence to prescribed policies and procedures.

## INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

We rendered a qualified opinion on the fairness of presentation of the financial statements of the PCSO in view of the following:

1. The fair presentation of the Accounts Payable (AP), with a reported balance of P8.965 billion as at December 31, 2024, could not be established due to: (i) variance of P237.144 million between the general ledger and the subsidiary ledger (SL)/schedules; and (ii) the presence/existence of abnormal/debit balances amounting to P84.928 million, contrary to Paragraph 15 of the Philippine Accounting Standard (PAS) 1 and Paragraphs 2.13 and 2.30 of the Conceptual Framework for Financial Reporting (CFFR). Moreover, payables totaling P3.357 billion have remained dormant for more than two years, indicating potential misstatements and casting doubt on the validity of these obligations, thus impairing the reliability and faithful representation of the account balances in the financial statements.
2. The fair presentation of the Property, Plant and Equipment (PPE) account, with a reported balance of P5.301 billion, net of accumulated depreciation of P2.590 billion as at December 31, 2024, excluding the Construction in- Progress account, could not be established due to unreconciled discrepancies, including a variance of P215.380 million between the balances of PPE reported in the financial statements and those reflected in the Report on the Physical Count of PPE (RPCPPE), as well as discrepancy of P91.328 million between the financial statements and the lapsing schedule, contrary to Paragraph 15 of PAS 1.
3. The Receivable accounts amounting to P5.267 billion are considered doubtful due to several issues: (i) an unreconciled difference of P559.455 million between the General Ledger and schedule of Aging of Receivables; (ii) the presence of negative or abnormal balances amounting to P12.363 million; and (iii) the non-provision of impairment loss for the two Accounts Receivable (AR) sub-accounts amounting to P64.580 million, contrary to Paragraph 4.38 of the CFFR.
4. Non-forfeiture of the expired printing cost intended for refund to Small Town Lottery (STL) Authorized Agent Corporations (AACs) as at December 31, 2024, resulted in the overstatement of the Other Provision – STL account and understatement of the Income from Gaming Operations account by P805.316 million, contrary to Paragraph 14 of the PAS 37.

For the afore-stated observations, we recommended that Management:

1. For the unreconciled AP variance and existence of abnormal balances.
  - 1.1. Instruct the concerned Accounting and Budget Department (ABD) personnel to: (a) Prepare SL per payee/creditor to support the balance of AP-Miscellaneous accounts and to reflect the correct balance of the outstanding payables per payee/creditor; (b) Analyze and determine the causes of the discrepancies between the balances in the PCSO books and the supporting schedules, and prepare the necessary adjusting entries; (c) Verify the validity of the long outstanding AP and prepare the necessary adjusting entries; and (d) Analyze the abnormal/debit balances in the AP and prepare the necessary adjusting entries.
  - 1.2. We further recommended that Management instruct the ABD to: (a) Strengthen coordination with the various departments and or Branch Offices to facilitate the reconciliation of discrepancies between the amounts of AP per books and per supporting schedules; (b) Devise plans or measures to address the root causes of the abnormal/debit balances in the AP, and to prevent their recurrence; (c) Revisit the current process of recording of payables to ensure that the related transactions are properly recorded; (d) Exert efforts to locate the records and pertinent supporting documents related to the recorded payables; (e) Develop a policy on the reversion of the long outstanding payables; (f) Consistently monitor the details of the accounts to prevent similar observations in the future; and (g) Prepare the necessary adjusting entries to correct the balances of the payable accounts.
2. For the unreconciled discrepancies of PPE.
  - 2.1. Direct the concerned ABD personnel to: (a) Conduct an immediate reconciliation of the balances of the items of PPE per books with the corresponding balances in the lapsing schedules to determine the cause of the discrepancy of P91.328 million as at December 31, 2024; and (b) Effect the necessary adjusting journal entries.
  - 2.2. We further recommended that Management: (a) Direct the reconciliation team to expedite the verification of the discrepancies between the balances per books/financial statements and the balances per RPCPPE; (b) Provide a timeline for the reconciliation process, up to the resolution of the discrepancies between the accounting records and the RPCPPE; and (c) Moving forward, enforce a close coordination between the ABD and Asset and Supply Management Department in the conduct of physical inventory count and the preparation of the reconciliation report.
3. For the unreconciled AR and presence of negative balances.
  - 3.1. Direct the concerned personnel of the ABD and Branch Operations Sector (BOS) to: (a) Conduct a thorough analysis of the outstanding receivables due from each lotto agent and STL AAC; (b) Conduct a thorough

examination to determine the causes of the unreconciled balance of P559.455 million between the AR balance per General Ledger and the SL/Schedule of AR with Aging Report; (c) Conduct an immediate and detailed evaluation of the AR sub-accounts with abnormal (credit) balances totaling P12.363 million to determine the specific cause/s thereof; (d) Ensure that all financial assets that have been past due for two or more are provided with an allowance for impairment loss, in compliance with Paragraph 9 of PAS 36; and (e) Effect the necessary adjusting entries.

3.2. We further recommended that Management: (a) Address the identified cause/s of the unreconciled balances and the abnormal/credit balances in the receivables; (b) Instruct the ABD and BOS to expedite the reconciliation of the noted discrepancies; (c) Ensure that, moving forward, the ABD and BOS conduct regular reconciliations to prevent recurrence of such discrepancies; and (d) Require the ABD to inform and furnish the BOS with relevant documents for any records or adjustments affecting the receivables account, and vice versa.

4. For the non-forfeiture of expired printing cost for refund to STL AACs.

4.1. (a) Identify which of the unforfeited provisions have pending requests for extension of refund; (b) Instruct the concerned ABD personnel to prepare the adjusting entries to record the forfeiture of expired printing cost with no pending requests for refund, in favor of the PCSO; and (c) Regularly monitor the Other Provision - STL account to ensure that all expired printing costs for refund are timely forfeited in favor of the PCSO.

#### SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES

The balance of audit suspensions and disallowances as at December 31, 2024, amounted to P2.888 billion, as presented in Table 18. Further details are shown in Part IV- Annex A of this Report.

Particulars	Balance, 1/1/2024	Adjustments	Issued This period	Settlement This period	Balance, 12/31/2024
Notice of Suspension	P 112,887,066	P -	P -	P -	P 112,887,066
Notice of Disallowance	2,776,192,942	-	-	1,514,236	2,774,678,706
<b>Total</b>	<b>P 2,889,080,008</b>	<b>P -</b>	<b>P -</b>	<b>P 1,514,236</b>	<b>P 2,887,565,772</b>

#### STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Out of the 65 audit recommendations embodied in the CY 2023 Annual Audit Report, 42 were implemented, and 23 were not implemented of which 10 were reiterated in Part II of this Report.