



Activity Report of the Risk Management Committee CY 2023

The Risk Management Committee is one of the committees created under the 2016 PCSO Manual of Corporate Governance whose main responsibility is to perform oversight risk management functions, specifically in the areas of managing credit, market liquidity, operational, legal, reputational and other risks faced by the agency including the effective management of crisis situation.

At the start of the year, the committee began anticipating the risks that may arise in the planned migration to the PCSO Lottery System (PLS), which is posed to address the perennial problems in the existing lotto terminals deemed to be already obsolete and prone to breakdown. Further, the committee discussed, among others, measures to ensure sufficient lotto supplies given that the procurement of the same has been limited to Recognized Government Printers. Thus, to ensure that the Board will be properly and timely apprised of the needed changes in existing policies and prevent or mitigate untoward risks, the Risk Management Committee met in four (4) separate occasions throughout the year, the discussions therein may be summarized as follows:

- I. **Successful Transition to the PCSO Lottery System.** Any delay in the transition to the PCSO Lottery System would result in millions in revenue losses. Thus, ensuring there would be no gap in operations remained to be the top concern of the committee before and after the launch of the PLS on 01 October 2023. During the meetings of the committee, the following areas of concern on the implementation of the PLS were discussed, among others:
 - a. Procurement of additional PLS terminals to avoid loss of revenue aside from the 6,500 terminals to be provided based on the PLS Terms of Reference.
 - b. Training of concerned PCSO Division/Units/Personnel on the operations of the PLS system.
 - c. Actual testing of the PLS system to verify its conformity with the technical specifications as stated in the PLS Terms of Reference.
 - d. Simulation of the daily operational activities of the PLS from Start-of-Day (6:00am) to End-of-Day (12:00mn).
 - e. Setting up of an escrow account where the PLS source code will be deposited.
 - f. Reinforcing the current site of the PCSO Command and Control Center.
 - g. Establishing a back-up facility for the PCSO Command and Control Center and the Remote Access Management Terminal.
 - h. Installation of Geographic Information System on existing PLS terminals.
- II. **Stable and Sufficient Lotto Supplies.** Apart from ensuring that lotto terminals are functioning properly, it is likewise important to guarantee the supply of bet slips and thermal rolls used to place and confirm lotto bets.

In one of the meetings of the committee, it was brought up that bet slips and thermal rolls may only be procured from Recognized Government Printers given that these documents have been classified as Accountable Forms. As the procurement cannot be made through competitive public bidding, there is no guarantee of a stable supply of bet slips and thermal rolls as the agency had to rely on a limited number of suppliers.

Likewise, it was discussed that while the Security Printing and Production Department is currently printing bet slips, the current demand exceeds its production capacity.

III. **Strengthening Internal Processes.** In addition to securing the day-to-day operations of the agency, it is likewise an ongoing concern of the committee to ensure that the agency's internal processes are responsive to its needs. As such, the following matters were discussed so the appropriate measures may be recommended to the Board:

- a. Automation of Internal Processes as integrated in the PCSO Information System Strategic Plan.
- b. Address the need for additional office space given that the PCSO's San Marcelino office building is no longer structurally sound.


CHARLES FREDERICK T. CO
Board Secretary VI



Activity Report of the Audit Committee CY 2023

The Audit Committee is one of the committees created under the 2016 PCSO Manual of Corporate Governance whose main responsibility is to oversee, monitor, and evaluate the adequacy and effectiveness of PCSO's internal control system, including the review and recommendation of the audit scope and frequency that shall be focused on changes in accounting policies, regulatory requirements, and the agency's financial concerns, among others.

During the first meeting of the committee, updates on the completed and ongoing audit engagements were reported. The recommendation for the establishment of a revolving fund for the Internal Audit Services (IAS) and the distribution of travel orders for IAS personnel were likewise discussed. Notable is the recognition of the need to conduct an ISSP workshop to formulate plans, which directly address the requirements of the end-user, and the importance of the ISSP's approval with adequate documentation to prove compliance with the Performance Agreement Negotiation target as reflected in the PCSO Performance Scorecard.

The Audit Committee met in four (4) separate occasions throughout the year, discussing regular, special, and branch audits, including the monitoring activities and trainings of the IAS. Several of the discussions therein may be summarized as follows:

- a. Inadequacy of personnel handling the daily operations of the branch offices and the need to update the existing Memoranda of Agreement with the Local Government Units for the usufruct of said offices.
- b. The need to follow through with the unsigned Agency Agreements and Notices of Extension and payment of outstanding accounts receivable, including the migration of documents online to prevent unwarranted loss.
- c. Regular coordination by the Charity Assistance Department with the branch offices for proper monitoring of donated Patient Transport Vehicles.
- d. The possibility of a uniform policy on the management of lotto supplies to avoid instances of shortage.
- e. The monitoring of liquidation for medicine assistance through branch offices and the suggested distribution of compliance forms prior to or simultaneous with the release of said medicines.
- f. Actions taken by the management on several recommendations of the Commission on Audit with respect to the agency's cash and cash equivalents reflected in the centralized accounting system, its receivables, inventories, and semi-expendable properties, its business income, and its compliance with the remittance of fund shares.
- g. The proposed annual audit plan and budget for CY 2024 along with the selection of priority areas within the audit universe based on control and internal audit risks.
- h. Highly irregular number of cancelled tickets by lotto agents and adequacy of internal control systems to monitor the same.
- i. Overall compliance by branch offices with the IAS recommendations to address audit observations.


CHARLES FREDERICK T. CO
Board Secretary VI



Activity Report of the Nomination and Remuneration/Compensation Committee CY 2023

One of the main responsibilities of the Nomination and Remuneration/Compensation Committee is to review the criteria for determining reasonable and sufficient remuneration payable to the Senior Management and the Key Managerial Personnel, including rank and file personnel. With the advent of the Compensation and Position Classification System (CPCS), the PCSO has implemented a salary schedule based on its classification as a Grade 19 Tier 1 GOCC with a Category 2 Salary Structure starting 01 March 2022.

In a letter dated 05 April 2023, the Governance Commission for GOCCs (GCG) resolved PCSO's Motion for Reconsideration and granted, among others, its reclassification from Category 2, Grade 19, Tier 1 to Category 2, **Grade 20**, Tier 1. Further, the GCG approved the adjustment in the Job Grade of the General Manager from 19 to 20 and the five (5) Assistant General Managers from 18 to 19.

The agency then submitted to the GCG the Enhanced Statement of Duties and Responsibilities of positions in the PCSO with Salary Grade 25 and 26, along with its request to reconsider their compensation. On 18 July 2023, the GCG approved PCSO's request as follows:

| Position Title | CPCS JG | Reconsidered JG |
|--|------------|--------------------|
| Department Manager | 14/15 | 15 |
| Board Secretary VI | 13 | 14 |
| Branch Manager | 13 | 14 |
| Project Manager I | 13 | 14 |
| Executive Assistant VI (Chief of Staff) | 12 | 13 |
| Executive Assistant VI | 12 | 13 |
| Attorney | 12 | 13 |

Still pending with the GCG is PCSO's appeal to increase the Job Grade for personnel currently holding a position with SG 24 (JG 12) and below.


CHARLES FREDERICK T. CO
Board Secretary VI