



Accomplishment Report of the Risk Management Committee CY 2025

The Risk Management Committee continued to perform its advisory, monitoring, and oversight functions throughout CY 2025 in support of the Agency's operational objectives and regulatory compliance commitments. Consistent with governance standards, the Committee first addressed the operational concerns involving the sales performance of Lotto agents, terminal utilization, contract compliance, and policy enforcement, given their direct impact on revenue generation, resource optimization, and service continuity. These efforts supported the assessment of internal control adequacy and reinforcement of accountability measures within the Agency.

In addition to these concerns, the Committee also reviewed organizational areas involving information security, administrative controls, and risk management practices. These were undertaken to strengthen internal safeguards, enhance service delivery, and promote transparency and accountability across the Agency.

Throughout the year, the Committee convened twice (2) to deliberate on material risk issues, assess the effectiveness of existing controls, and evaluate the responsiveness of the concerned units. The Committee ensured that all significant matters including areas where improvements may be instituted such as, IT security expirations, HR regulatory requirements, and procurement delays were monitored and relayed to the Management for appropriate action. Follow-through actions, including policy reviews, process improvements, and enhanced reporting mechanisms, were also endorsed to address potential risks that may affect the Agency operations.

I. Oversight on Lotto Agent Operations, Compliance, and Policy Implementation

The Committee conducted a review of Lotto agent operations to address issues involving low sales performance, non-operation, terminal utilization, and policy enforcement. The key activities include:

1. Operational Review and Compliance Monitoring

- Reviewed performance reports covering March 1 to 31, 2025, confirming cases of minimal to zero operating days and identifying long-standing agents with declining sales dating back to CY 2023.
- Validated the lack of follow-up actions for non-operating agents and recommended tighter coordination with the Branch Operations Sector (BOS).
- Affirmed that some performance issues stem from inadequate pre-screening and inconsistencies in contract enforcement.

2. Terminal Allocation and Utilization

- Confirmed the deployment of 6,457 terminals out of 6,500, with 16 remaining in storage.
- Reviewed sales data revealing approximately 300 inactive or underutilized terminals, prompting discussion on reallocation to qualified applicants.
- Highlighted inefficiencies in allocating terminals to low-performing or inactive agents despite numerous pending applications.

3. Enforcement of Contractual Obligations

- Assessed existing procedures of the BOS for blocking and terminating agents for non-remittance, under-remittance, prolonged non-operation, expired surety bonds, and unauthorized site transfers.
- Identified the cause in the lack of formal recommendations for termination or bond forfeiture.
- Clarified that contract termination decisions may be executed at the level of the Assistant General Manager.

4. Evaluation of Agent-Specific Cases

- Assessed case-specific reasons for non-operation, including internal management issues, remote-area accessibility, and commercial operational schedules.
- Noted that some high-selling agents are allowed to appeal termination decisions for business continuity.

5. Review of Application and Transfer Policies

- Examined the restrictive policy allowing outlet transfer only within the third civil degree of kinship.
- Discussed the need to allow third-party transfers subject to Agency evaluation for continuity of high-performing outlets.
- Reassessed the feasibility study requirement for applicants, noting this as a gap in ensuring site viability.
- Reviewed the screening criteria for Lotto agent applicants and highlighted the need to include sales potential or financial capacity.

6. Directives and Follow-Through Actions

- Present updated policies, application requirements, transfer guidelines, and termination data at the next committee meeting.
- Requested submission of the existing rules and regulations governing Lotto operations for Board review and improvement.
- Highlighted the need for transparency in terminal deployment, agent termination, and application screening.

II. Management of IT Security Solutions

The Committee reviewed risks associated with the expiration of essential IT security solutions critical to safeguarding the Agency's digital infrastructure. Key items discussed include:

- Identified risks such as unauthorized system access, possible data breach, operational disruptions, and reputational consequences.
- Review of existing monitoring mechanisms for tracking license expiration dates.
- Recommendation for a multi-year procurement of agency-wide security solutions.
- Development of a centralized dashboard for monitoring IT licenses.
- Regular submission of monthly updates to support ITSD in expediting renewals.

III. Administrative and Human Resource Controls

The Committee evaluated HR and administration-related issues to ensure compliance with CSC regulations and proper handling of sensitive information. It was recommended that a comprehensive policy on 201 file handling, retention, and disposal be developed to comply with the existing CSC guidelines.

As for Payroll Preparation, the Committee conducted a review of the risks tied to possible unauthorized access and payroll inaccuracies. It then recommended the procurement of an HRS payroll system to minimize manual errors and strengthen data integrity.

CY 2025 has been marked by strengthened oversight, reinforcement of internal controls, and targeted action to address operational risks. The Committee continuously coordinates with the Management to ensure compliance with relevant regulatory requirements, enhance operational integrity, and the continuous and efficient delivery of services.

Office of the Board Secretary



Activity Report of the Audit Committee CY 2025

The Audit Committee is one of the committees established under the 2016 PCSO Manual of Corporate Governance, tasked with overseeing, monitoring, and evaluating the adequacy and effectiveness of the Corporation's internal control system. Its functions include the review and recommendation of audit scope and frequency, with due consideration to changes in accounting policies, regulatory requirements, and the agency's financial and operational concerns.

At the start of the year, the Audit Committee deliberated on the audit plans, accomplishments, and monitoring activities of the Internal Audit Services (IAS) for Calendar Year (CY) 2025, as well as the proposed Annual Audit Plan for CY 2026.

The Committee reviewed and approved the Revised Annual Audit Plan for CY 2025, which shifted the audit coverage from a predominantly branch-based approach to a systems-oriented audit of the Agency's key departments and offices.

The revised plan adopted a six-year, risk-based audit framework, with CY 2025 focusing on the Assets and Supply Management Department, Medical Services Department, and the Office of the Department Manager of Northern and Central Luzon Department. Considering manpower limitations, the Committee approved the conduct of only selected and follow-up branch audits, alongside the inclusion of post-audits of institutional partners.

During the implementation of the CY 2025 Audit Plan, the Committee took cognizance of the conduct of head office audits, branch office audits, special audits, and other monitoring activities. The Head office audits identified areas where operating procedures and internal controls could be improved, particularly within the Medical Services Department, while a special audit of the Assets and Supply Management Department disclosed possible exposures in governance, inventory systems, documentation, and asset management, where the agency can implement better processes in order to avoid risks of loss and inefficiency.

Branch office audits generally indicated compliance with applicable laws, rules, and regulations, but also revealed recurring observations on outdated operating manuals, gaming and charity operations, financial management, inventory controls, and segregation of duties. Follow-up audits reflected varying levels of compliance and corresponding improvements.

The Committee likewise reviewed monitoring activities, which included post-audits of Institutional Partnership Programs, reviews of Lotto and STL Fund Utilization Reports, and participation as observers in procurement proceedings, inspections and testing of gaming supplies, inspections of vehicles and medical equipment, and physical inventory counts. Overall compliance was assessed as generally adequate, although deviations were noted in institutional partnership post-audits and fund utilization reporting.

The Committee also noted operational challenges affecting audit planning and implementation, particularly staffing constraints and time limitations relative to audit scope, and considered the request for management support in filling vacant positions and allowing extended timelines for future audit engagements.

Toward the latter part of the year, the Audit Committee reviewed the accomplishments of IAS as of November 2025 and considered the proposed Annual Audit Plan for CY 2026, taking into account prior audit results, identified risk areas, and operational constraints.

Office of the Board Secretary



**Activity Report
Nomination and Remuneration/Compensation Committee
CY 2025**

The Nomination and Remuneration / Compensation Committee is a committee constituted under the PCSO Manual of Corporate Governance whose main responsibilities include oversight on effective implementation of recruitment, selection, and promotion processes, and review of the competency development program of the agency.

A report on Recruitment and Promotion was presented to the Committee. It was noted that employee resignations and retirements continue to outnumber new hires, and that all applicants are currently required to undergo a prequalifying examination in Metro Manila. Given the urgent need for personnel in branch offices, the Human Resources Department was directed to consider dispensing with this requirement, subject to Civil Service Commission (CSC) rules. Thereafter, representations will be made with the CSC to expedite the hiring process.

The Committee was also informed that the agency is not yet accredited under the CSC's PRIME-HRM Program. Without this accreditation, vacancies due to promotion may only be published after CSC approval of appointments. The Committee directed the immediate facilitation of the agency's accreditation under the said program.

In October 2025, an assessment was conducted with a target accreditation date of January 2026. PRIME-HRM Level 2 accreditation is expected to streamline processes by reducing CSC verification requirements by approximately 40% and enabling online submission of appointments.

For the published positions under the Branch Operations Sector, voluminous applications were received. Evaluation of applications took several days per applicant and up to two and a half months for full processing. The Committee observed delays in appointments and noted that the current structure where only one Promotion and Selection Board (PSB) handles all agency-wide hiring contributes to the slow pace. The Committee directed the study of the possible creation of additional PSBs or subcommittees to decentralize and expedite screening and deliberations.

Pursuant to the recommendations of the Committee, the agency has prioritized accreditation under the CSC's PRIME-HRM and will continue to publish vacant positions and screen qualified applicants, to increase the number of newly-hired individuals and promote qualified incumbent employees.

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Activity Report of the Governance Committee CY 2025

The Governance Committee is one of the committees established under the 2016 PCSO Manual of Corporate Governance mandated to assist the Board of Directors in fulfilling its corporate governance responsibilities and the attainment of corporate strategy. It exercises oversight function over all aspects of operations, formulates policies, and approves programs.

Throughout the year, the Committee continuously directed and monitored the activities of the Committee on Surveillance, Heightened Investigation, and Evaluation of Lawless and Deceptive Online Activities. This led to raids, arrests, and the filing of criminal complaints against individuals engaged in illegal gambling. Seven individuals were arrested in September and four complaints are pending with the respective trial court. The conditions for plea bargaining, including the Negating and Compelling Circumstances present in each case, are currently being assessed by the Committee to serve as basis for the guidelines being crafted.

With respect to sales and performance, the Committee was informed that there are more than 6,000 active agents while more than 100 pending applications are awaiting availability of fixed terminals. To address the number of operational Lotto terminals, the Committee directed the reallocation of fixed terminals in branch offices so that qualified lotto agents may use them for their operations.

The Committee likewise discussed the need for the continuous operations during holiday season to minimize revenue loss. Additionally, the significant impact of promotional activities during holiday season was seen as an additional avenue to boost sales performance of the Agency, emphasizing that goodwill generated by the said activities extend beyond the actual period of the promotion.

As regards STL operation, the Committee tackled the issues regarding the existing implementing rules and regulations. This includes the surrender and acquisition of draw machines, the lengthy process of STL application, and the loss of revenue due to force majeure. Thus, revisions in the 2025 Small Town Lottery Revised Implementing Rules and Regulations are currently being deliberated by the Committee to address the gaps and deficiencies of the current rules.

The Committee was likewise apprised that its continuous monitoring and directives on the Patient Transport Vehicle (PTV) has led to the release of PTVs to 100% of the target beneficiaries. The Committee proposed to reduce the prohibitory period on requests for PTVs so that more beneficiaries may qualify for the program.

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