



# MANUAL OF CORPORATE GOVERNANCE

## **Philippine Charity Sweepstakes Office**

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#### **POLICY STATEMENT**

The Philippine Charity Sweepstakes Office (PCSO), a government owned and controlled corporation created and existing under Republic Act No. 1169, as amended, plays a significant tool in economic development in that its gaming activities are imbued with public interest. For this reason, the agency shall be governed with the highest degree of professionalism, ethical standards, transparency and accountability.

#### **OBJECTIVE**

The Manual of Corporate Governance (MANUAL) aims to institutionalize the principles of good governance in the core business functions of PCSO as a *sui generis* public corporation engaged in gaming to raise revenues to fund the priority health and social programs of the State. The MANUAL shall lay down the standards for doing business with/by/for PCSO in a transparent, responsible and accountable manner with the best interest of the public and State in mind.

#### **COMPLIANCE SYSTEM**

The PCSO shall adopt a good governance monitoring and compliance system to keep up with any and all directives from the Governance Commission for GOCCs (GCG) and other supervising authorities.

To this end, the Board shall appoint a Compliance Officer who shall report directly to the Chairperson. In the absence of such office or appointment, the Corporate Secretary, who is preferably a lawyer, shall act as Compliance Officer. The appointment of the Compliance Officer shall be immediately disclosed to the GCG. All correspondence relative to his functions as such shall be addressed to the said Officer.

The Compliance Officer shall perform the following duties:

- (a) Monitor PCSO compliance of the requirements or directives of the GCG consistent with Republic Act No. 10149, GCG Memorandum Circular 2012-07 an/or other rules and regulations of the appropriate supervising agencies; and if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties including the adoption of measures to prevent a repetition of the violation;
- (b) Appear before the GCG and/or other concerned authorities or Government regulatory offices when summoned;

- (c) Issue a certification every 30 May of the year on the extent of the PCSO's compliance with the government corporate standards governing PCSO for the period beginning 01 July of the immediately preceding calendar year and, if there are any deviations, explain the reason for such deviation;
- (d) Determine violation/s of the MANUAL and recommend penalty for violation thereof for further review and approval by the Board; and
- (e) Identify, monitor and control compliance risks.

It is understood that the appointment of a Compliance Officer shall not relieve the Governing Board of its primary responsibility vis-a-vis the State, acting through the GCG, to ensure that the PCSO has complied with all its reportorial, monitoring and compliance obligations.

## **PLAN OF COMPLIANCE**

### **A. General Policies**

1. **Fit and Proper.** - All members of the Board, the General Manager and other Officers of the agency shall be qualified by the Fit and Proper rule which will be adopted and implemented in consultation and coordination with the relevant government agencies to which PCSO is attached and shall include by reference the qualifications expressly provided for in the PCSO Charter including applicable laws, rules and regulation.

In determining whether an individual is fit and proper to hold the position of an Appointive Director, General Manager or Officer of the PCSO, due regard shall be given to one's integrity, experience, education, training and competence.

2. **Board Directly Vested with Corporate Powers.** - Having been vested directly by law with the legal capacity and authority to exercise all corporate powers, conduct all the business, and to hold all the properties of the PCSO, the Governing Board is primarily responsible for the governance of the PCSO. Consequently, it is the Board and not Management that is primarily accountable to the State for the operations and performance of the agency.
3. **Board Duty to Properly Select and Provide Independent Check on Management.**- Concomitant with the power to elect from among their ranks the General Manager or confirm the respective appointment of any and all PCSO officers and employees, the PCSO Governing Board shall ensure that they elect and/or confirm the appointment of officers and personnel who are fit and proper for such positions with due regard to their respective competence, experience, integrity and such other qualifications. The Board is therefore obliged to provide an independent check on Management.

4. Mandate and Responsibility for PCSO's Performance. - Although the day-to-day management of the affairs of the PCSO may be with Management, the Board is, however, responsible for providing policy directions, monitoring and overseeing Management actions including compliance with relevant legislation, rules and regulations. These mandated functions and responsibilities include the following:
- (a) Provide the corporate leadership of the PCSO subject to the rule of law, and the objectives set by the National Government through supervising agencies specifically, the GCG;
  - (b) Establish the PCSO'S vision and mission, strategic objectives, policies and procedures, as well as defining the PCSO'S values and standards through:
    - Charter Statements;
    - Strategy Maps; and
    - Other control mechanism mandated by best business practices;
  - (c) Determine important policies that bear on the character of the PCSO to foster its long-term success, ensure its long-term viability and strength, and secure its sustained competitiveness;
  - (d) Determine the organizational structure of the PCSO, define the duties and responsibilities of its Officers and employees and adopt a compensation and benefit scheme that is consistent with the PCSO Compensation and Position Classification System (CPCS) developed by GCG and formally approved by the President of the Philippines;
  - (e) Ensure that personnel selection and promotion shall be on the basis of merit and fitness and that all personnel action shall be in pursuit of the applicable laws, rules and regulations;
  - (f) Provide sound written policies and strategic guidelines on PCSO's operating budget and major capital expenditures and prepare the agency's annual budget and if necessary, its supplemental budget;
  - (g) Comply with all reportorial requirements, as required by the GCG and other authorities including applicable laws, rules and regulations;
  - (h) Formally adopt and conduct regular performance evaluation in a manner and in such form as may be prescribed by supervising authorities, performance scorecard including timely and accurate reports to the GCG; and
  - (i) Ensure the fair and equitable treatment of all officers, employees and clients.

## **B. Specific Functions**

### **1. Board of Directors (As a collegial body)**

#### **1. Duties and Functions**

To insure a high standard of best practice for the PCSO, the Board shall:

- Install a process of selection to ensure a mix of competent officers and employees;
- Determine PCSO's purpose, its vision and mission and strategies to carry out its objectives;
- Ensure that the PCSO complies with all relevant laws, regulations and best practices standard;
- Provide for a citizen's charter to guide the public on the procedures and requirements of the core processes and services offered to the public;
- Adopt a system of internal checks and balances;
- Identify key risk areas and key performance indicators and monitor these factors with due diligence;
- Properly discharge Board functions by meeting regularly. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly noted in the minutes.
- Keep Board authority within the powers of the institution as prescribed under Republic Act No. 1169, as amended, Republic Act No. 10149 and other applicable laws, rules and regulations.

#### **2. Members of the Board**

##### **1. Duties and Responsibilities of a Director**

A PCSO Director shall have the following duties and responsibilities:

- To conduct fair business transactions for and on behalf of PCSO and to ensure that personal interest does not influence any decision/action of the Board;
- To devote time and attention necessary to properly discharge her/his duties and responsibilities;
- To act judiciously and exercise independent judgment at all times;
- To have a working knowledge of the statutory and regulatory requirements affecting PCSO, its enabling law, the requirements of the GCG, and where applicable, the requirements of other regulatory agencies;

- To ensure the continuing soundness, effectiveness and adequacy of services of PCSO; and
- To observe transparency and accountability in all dealings.

### **C. Board Officers**

The Board Officers of a PCSO are the Chairperson of the Board (who is the highest ranking of the Board Officers), the Vice-Chairperson, Members of the Board, the Corporate Secretary and/or the Compliance Officer, who must all be Filipino citizens.

1. Chairperson of the Board. - The Chairperson, when present, shall preside at all meetings of the Board. The Chairperson's responsibilities may include:
  - a. Calling meetings to enable the Board to perform its duties and responsibilities;
  - b. Approving meeting agenda in consultation with the CEO and the Corporate Secretary;
  - c. Exercising control over quality, quantity and timeliness of the flow of information between Management and the Board; and
  - d. Assisting in ensuring compliance with the PCSO's guidelines on corporate governance.

The responsibilities set out above, may pertain only to the Chairperson's role in respect to the Board proceedings, and shall not be taken as a comprehensive list of all his/her duties and responsibilities. For legal purposes, the Chairperson of the Governing Board shall be considered as the "Head of Agency" of PCSO.

2. Vice-Chairperson. - In the absence of the Chairperson, the Vice-Chairperson shall preside at the meetings of the Board.
3. Members of the Board of Directors. - Each member of the Board shall be chosen based on merit and fitness. Their respective functions are specified under Paragraph B, Item no. 2.1. hereof. Acting collectively, the members of the Board shall act as the Governing Board of PCSO with primary accountability to the State for the operations and performance of PCSO.
4. Corporate Secretary. - The Corporate Secretary need not be a member of the Governing Board. Ideally, the Corporate Secretary must possess organizational and interpersonal skills, and the legal skills of a Chief Legal Officer. The Corporate Secretary shall have the following functions:
  - a. Serve as an adviser to the Board Members on their responsibilities and obligations;

- b. Keep the minutes of meetings of the Board and all other Board Committees in a book or books kept for that purpose, and furnish copies thereof to the Chairperson, the General Manager and other members of the Board as appropriate;
- c. Keep in safe custody the seal of PCSO and affix it to any instrument requiring the same;
- d. Attend to the giving and serving of notices of Board and other committee meetings, if applicable;
- e. Be fully informed and be part of the scheduling process of other activities of the Board;
- f. Receive instructions from the Chairperson on the preparation of an annual schedule, the calling of Board meetings, the preparation of regular agenda for meetings, and notifying the Board of such agenda at every meeting;
- g. Oversee the adequate flow of information to the Board prior to meetings;
- h. Enforce compliance with any directive of the Board to appropriate Department/Sector including officers and employees;
- i. Ensure fulfilment of disclosure requirements to regulatory bodies; and
- j. The Corporate Secretary shall have such other responsibilities as the Board may impose upon him. The Board shall have separate and independent access to the Corporate Secretary.

#### **D. Board Committees**

There shall be created Board Committees and/or Oversight Bodies to ensure proper understanding and resolution of all programs/projects/issues affecting PCSO including the proper handling of all other concerns.

The terms of reference defining the duties, authorities and the composition of the committees constituted shall be determined by the Board sitting as a collegial body. Provided, that the existence of the committees shall not excuse the Board of Directors of their collective responsibility for all matters that are within their responsibility and accountability under the PCSO Charter, RA 10149 and other applicable laws, rules and regulation.

The PCSO Board shall be supported by the following mandatory committees:

1. **Governance Committee.** - The Governance Committee shall assist the Board of Directors in fulfilling its corporate governance responsibilities. The Committee shall be composed of at least three (3) members of Board, and chaired by the Chairperson of the Board. The Committee shall be responsible for the following:
  - (a) Oversee the periodic performance evaluation of the Board and its committees as well as Management, conduct of annual self-evaluation of their performance and formulate an objective performance criteria or indicators to meet key result areas;
  - (b) Decide whether or not a Director is able to and has been adequately carrying out his/her duties, contribution and performance (e.g., competence, candor, attendance, preparedness and participation). For this purpose, internal guidelines shall be adopted to address competing time schedules when directors serve on multiple committees;
  - (c) Recommend continuing education of Directors, assignment to Board Committees, succession planning for Management and other officers as well as their remuneration commensurate with corporate and individual performance; and
  - (d) Formulate policies and/or approve programs/projects such as may be required in the exigency of the service considering applicable laws, rules and regulation.
  
2. **Audit Committee.** - The Audit Committee shall consist of at least three (3) Directors, whose Chairperson should have audit, accounting or finance background. The Committee shall be responsible for the following:
  - (a) Oversee, monitor and evaluate the adequacy and effectiveness of PCSO's internal control system, engage and provide oversight of PCSO's internal auditors and coordinate with the Commission on Audit (COA);
  - (b) Review and recommend audit scope and frequency -*annual internal audit plan, quarterly, semi-annual and annual financial statements*- for the consideration and approval of the Board of Directors. The internal audit plan shall focus on changes in accounting policies and practices; significant adjustments resulting from the audit; on-going concerns affecting the agency's state of finances; accounting assumptions; compliance with accepted accounting standards including applicable tax, legal, regulatory requirements of proper agencies like the Bureau



of Internal Revenue (BIR), Department of Budget and Management (DBM), GCG and Commission on Audit (COA);

- (c) Receive, review and make recommendation on all reports of the agency's internal auditor to the Board of Directors including proposed corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies;
  - (d) Ensure that the internal auditor shall have free and full access to all the agency's records, properties and personnel relevant to and required by its function and that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results; and
  - (e) Develop, implement and promote a transparent financial management system that will ensure the integrity of internal control activities throughout PCSO through a procedure/policies handbook that will be used by the entire organization.
3. **Risk Management Committee.** - The Risk Management Committee shall consist of at least three (3) members, with at least one member having a background in finance and investments. The Risk Management Committee shall be responsible for the following:
- (a) Perform oversight risk management functions specifically in the areas of managing credit, market, liquidity, operational, legal, reputational and other risks of PCSO and crisis management, which shall include receiving from Senior Management periodic information on risk exposures and risk management activities;
  - (b) Develop, implement and promote the Risk Management Policy of PCSO; ensuring compliance with the same and strive to ensure that the risk management processes and compliance system are embedded throughout the operations of the agency, especially at the Board and Management level; and
  - (c) Provide quarterly reporting and updating the Board on key risk management issues as well as *ad hoc* reporting and evaluation on investment proposals;

Nothing herein shall preclude the Governing Board from formally combining the functions of the committees into such combinations when necessary. Further, the Board may constitute additional Board Committees and/or oversight bodies in the exigency of

the service or if required by authorities such as, but not limited to GCG, DBM and other supervising agencies.

## **COMMUNICATION PROCESS**

1. PCSO shall observe full transparency in all of its official and internal dealings. It shall disclose all material information to the National Government, supervising authorities and the public, if and when requested, including regular uploading of all relevant information in the PCSO website;
2. The Board shall regularly submit, as may be required by the GCG and other supervising agencies, the following:
  - a. Performance Scorecards;
  - b. Compliance with commitments on servicing loans to, and borrowings guaranteed by the National Government, if any; and
  - c. *Other Reportorial Requirements* as may be prescribed by proper authorities.
3. This MANUAL shall be available for inspection by the public during reasonable hours on business days at the PCSO Head Office and shall be accessible in PCSO website;
4. All Directors and Management officers are tasked to ensure the thorough dissemination of this MANUAL to all employees and related third parties, and to likewise enjoin strict compliance in the process.

## **TRAINING PROCESS**

The Corporate Planning Department (CPD) and/or Human Resource Department (HRD), in coordination with a duly recognized private or government institute, shall conduct orientation seminar on the MANUAL. Provided, that any Director/officer/employee shall, before assuming as such, be required to attend a seminar on corporate governance.

## **DUTY TO CLIENTS**

Every Director/Officer shall accept his/her position fully aware that he/she assumes certain responsibilities to PCSO, its employees and the public. No member of the Board or Officer shall take unfair advantage of the Agency's employees, customers, suppliers and other Stakeholders through manipulation, concealment, abuse of confidential or privileged information, misrepresentation of material facts, or any other unfair-dealing practice.

## CLIENTS' RIGHTS AND PROTECTION

1. The Board of Directors and officers must, at all times, be accountable to the people, serve them with utmost responsibility, integrity, loyalty, and efficiency; act with patriotism and justice, and lead modest lives.
2. In order to promote integrity, accountability, proper management of public affair, Republic Act No. 9485 otherwise known as the Anti-Red Tape Act of 2007 mandates the re-engineering/simplification of systems and processes/procedures to ensure delivery of fast, efficient, convenient and reliable service. For this purpose, there shall be created and implemented a service standard (citizen's charter) in the PCSO website and conspicuous places within the agency to enumerate/describe in simple terms the step-by-step procedure for availing any and all services offered by PCSO to the public including standards to guarantee performance level that the public may expect for any particular service:
  - (a) The procedure to obtain a particular service;
  - (b) The person/s responsible for each step;
  - (c) The maximum time to conclude the process;
  - (d) The document/s to be presented by the customer, if necessary;
  - (e) The amount of fees, if necessary; and
  - (f) The procedure for filing complaints
3. All frontline service shall be attended to within 5 days (simple transactions) to 10 days or more (complex transactions). Appropriate criminal and administrative sanctions may be imposed for "fixers" who for pecuniary consideration expedite the processing of any PCSO service/transaction.
4. Access to information

Consistent with DBM National Budget Circular 542 series 2012 and Section 93, Republic Act No.10155 (2012 General Appropriations Act), the PCSO shall maintain a transparency seal in its official website which shall contain the following information: i) the agency's mandates and functions, names of its officials with their position and designation, and contact information; (ii) annual reports, as required under National Budget Circular Nos. 507 and 507-A dated January 31, 2007 and June 12, 2007, respectively, for the last three (3) years; (iii) their respective approved budgets and corresponding targets immediately upon approval of this Act; (iv) major programs and projects categorized in accordance with the five key results areas under E.O. No. 43, s. 2011; (v) the program/projects beneficiaries as identified in the applicable special provisions; (vi) status of implementation and program/project evaluation and/or assessment reports; and (vii) annual procurement plan, contracts awarded and the name of contractors/suppliers/consultants.

5. Right to appropriate, timely and adequate services

Nothing in this MANUAL shall be construed as relieving or excusing PCSO, its Director/s and Officers, from complying with more rigorous standards of corporate governance as required by regulatory/supervising agencies and applicable laws, rules and regulation.

## **PENALTIES FOR NON-COMPLIANCE WITH THE CORPORATE GOVERNANCE MANUAL**

To strictly observe and implement the provisions of this MANUAL, the following penalties shall be imposed, after notice and hearing, on the agency's directors, officers and staff in case of violation of any of the provision of this MANUAL:

- In case of **first violation**, the subject person shall be reprimanded.
- Suspension from office shall be imposed in case of **second violation**. The duration of the suspension shall depend on the gravity of the violation.
- **For third violation**, the maximum penalty of removal from office shall be imposed.

The commission of a third violation of this MANUAL by any member of the Board or by any officer or employee of the PCSO shall be a sufficient cause for removal from directorship or employment.

The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairperson of the PCSO Board of Directors the impossible penalty for such violation, for further review and approval of the Board.

**ALL RIGHTS RESERVED.**

**REVISED (January 7, 2014)**

### **Notice to the Public:**

PCSO may amend and modify any and all items in this MANUAL in the exigency of the service and for purposes of giving full meaning and effect to the applicable provisions of Republic Act No. 10149, its IRR including but not limited to GCG Memorandum Circular No. 2012-07 and its subsequent amendatory rules, if any.