

# HealthShare Victoria Audit Program: Guidance Notes

22 July 2020

Version 2.1



## CONTENTS

<b>Introduction</b> .....	<b>3</b>
Purpose.....	3
Background.....	3
<b>The auditing process</b> .....	<b>4</b>
Scope.....	4
Audit requirement.....	4
Engagement.....	4
Health service auditors requirements .....	4
Audit report format .....	5
Submission.....	6
Release of submissions when required by law.....	6
HPV review and response.....	6
<b>Compliance levels</b> .....	<b>7</b>
<b>Compliance Assessment Tool</b> .....	<b>8</b>
Using the tool .....	8
Compliance risk weighting.....	9
Compliance traffic lights .....	10
Issues and associated risks .....	10
<b>Additional guidance</b> .....	<b>11</b>
HPV guides .....	11
Compliance Assessment Tool - Notes .....	12
<b>Appendix A: Auditing schedule (2019-2022)</b> .....	<b>16</b>
<b>Appendix B: Issues and associated risks</b> .....	<b>18</b>
<b>Appendix C: Suggested control categories</b> .....	<b>28</b>

## Introduction

### Purpose

The application of these guidance notes supports the auditing requirement specified within the Health Purchasing Policies (HPPs). Health Purchasing Victoria (HPV) recommends that health services and their auditor refer to these guidance notes and referenced supporting material when completing the HPP compliance audit.

### Background

HPV has a legislated responsibility to ensure that probity is maintained in health service purchasing, tendering and contracting activities. On 26 June 2014, HPV introduced five new purchasing policies (the HPPs) to support its statutory functions. These HPPs provide a strategic framework for health services to deliver best practice procurement, including probity.

All Schedule 1 and 5 public hospitals listed under the *Health Services Act 1988 (Vic)* (the Act) must comply with the HPPs. These entities are referred to as mandated health services.

#### **Health Purchasing Policy 1: Procurement governance (HPP1)**

The [procurement governance policy](#) aims to ensure the framework for procurement accountability, policy compliance and probity are established from the outset. Responsibility for strategic procurement lies with the health service Chief Executive Officer (CEO) to ensure accountability, oversight and consolidation of procurement activities, capability planning, supplier engagement and contract management.

Detailed in subsection 3.3 of HPP1, health services must satisfy several compliance reporting requirements under the HPPs. In particular, subparagraph 3.3(a) requires specific health services to provide audit reports to HPV detailing compliance with HPV purchasing policies and directions.

#### **HPV Health Purchasing Policy 2: Procurement strategic analysis (HPP2)**

The [procurement strategic analysis policy](#) outlines the requirements for determining the complexity of a health service's procurement activities, and assessing the market dynamics and capability required to match the complexity of the procurement activity.

#### **HPV Health Purchasing Policy 3: Market approach (HPP3)**

The [market approach policy](#) outlines the requirements for approaching the market and engaging with potential suppliers. The policy mandates the framework for a health service to follow in case of a critical incident. It also defines the transparency and probity requirements for engaging with external stakeholders to ensure fairness.

#### **HPV Health Purchasing Policy 4: Contract management and asset disposal (HPP4)**

The [contract management and asset disposal policy](#) establishes a consistent contract management framework for health services. It aims to help health services derive maximum benefit from the procurement outcome over the term of the agreement.

#### **HPV Health Purchasing Policy 5: Collective purchasing (HPP5)**

The [collective purchasing policy](#) outlines the requirements for health services to comply with HPV's collective purchasing agreements, which seek to leverage demand and drive better value for money.

## The auditing process

### Scope

In accordance with subparagraph 132(2)(d) of the Act, the compliance audit scope includes the five HPPs and any HPV directions in force.

The auditor should determine the size of the sample test(s) based on materiality, volume and risk across all of the health services' procurement streams, which includes, medical consumables, pharmaceutical, clinical, medical equipment, and indirect product and services sourcing.

### Audit requirement

A health service specified under Schedule 1 and 5 of the Act is required to conduct a compliance audit:

- Every three years as per the auditing schedule specified at **Appendix A**<sup>1</sup>.
- If HPV has concerns about a health service's compliance and requests a spot audit outside of the three-year cycle.

When meeting their three-yearly auditing requirement, health services should schedule their audits early in the nominated year so that the 30 June deadline is met. If this deadline cannot be achieved, the health service may seek a short extension by e-mail to [compliance@hvp.org.au](mailto:compliance@hvp.org.au). This request addressed to the HPV CEO should detail the reasons why the extension is required and nominated date for submission.

A health service that is unable to complete the compliance audit in the nominated year may submit a request to HPV to change the auditing schedule. The process for submitting such a request is detailed at section 6.9 of the [HPV Compliance Guidelines](#).

Spot audits may be conducted as part of an escalated compliance approach, or as required when the potential risks and/or harms substantiate the action (for example, protected disclosures or media investigations).

### Engagement

HPV does not have the power to conduct an audit. Each health service is responsible for facilitating the audit by engaging an auditor with the appropriate qualifications, skills and independence to conduct the audit. The health service is required to provide the required information to HPV by the due date. If possible, HPV recommends the health service's internal auditors be engaged to complete the audit.

Any costs incurred in conducting the audit are the responsibility of the health service.

### Health service auditor requirements

The auditor engaged by the health service is responsible for conducting the audit, which involves:

- Reviewing the health service's self-assessment against each of the HPPs' policy requirements.
- Reviewing the health service's evidence of compliance against each element within the HPPs.
- Noting issues of non-compliance or partial compliance and the associated risk rating.
- Identifying suggested controls or /recommendations to rectify the compliance issues identified.
- Identifying opportunities for improvement for the health service to implement.

The audit should be conducted through observation, enquiry and reference to documentary evidence which may include: samples of procurement categories or activities, policies and procedures, resources and other reference material. The policy requirement will inform which form of evidence is best suited to demonstrating

---

<sup>1</sup> This auditing schedule is also available on the [Chief Procurement Officer \(CPO\) Compliance Portal](#).

compliance, or lack thereof. The samples should be referenced to support the audit finding and recommendations.

## Audit report format

While the auditor is responsible for determining the manner in which the audit is conducted, HPV recommends that the audit report adopt the following format:

### Executive summary

- Overview of the scope of the audit conducted.
- General observations noted during the audit regarding the health service's controls to ensure compliance with the HPPs and risk rating.
- Conclusion of compliance to each of the HPPs.

### Summary of findings

Policy and reference	Finding category	Risk rating	Summary of findings	Suggested control
<b>HPP and policy requirement.</b>	<b>Select either:</b> - <b>Non-compliant</b> - <b>Partially-compliant</b> - <b>Opportunity for improvement</b>	<b>Auditor's risk rating of finding.</b> <b>Should consider the previous audit issues detailed at Appendix B.</b>	<b>Auditor high level observation.</b>	<b>Auditor recommendation.</b>
<i>For example:</i> <i>HPP1</i> <i>Section 2.2</i>	<i>Non-compliant</i>	<i>High risk</i>	<i>No Procurement Governance Framework in place.</i>	<i>That the health service clearly detail the Procurement Governance Framework.</i>
<b>Summary of health service response</b>				
<i>Procurement Governance Framework to be developed and finalised by (x) date.</i>				

### Detailed findings

Expand on each of the points identified in the above table:

- Note the finding being detailed.
- Provide further information on the auditor's observations and the issues of compliance identified and/or opportunity for improvement.
- Detail reasons for the risk rating provided.
- Further explain the auditor's suggested control or /recommendation in the table.
- Include the health service's response to the finding noted and timeframes proposed by management to remedy the risk.

### Appendices

- Auditor review methodology.
- Auditor risk rating methodology.
- Completed Compliance Assessment Tool (if deemed necessary by the auditor based on the size of health service).

## Submission

In accordance with subsection 132(4) of the Act, the CEO is required to submit the audit report to HPV. The audit report should be accompanied by a written statement of response to the audit report endorsed and signed by the health service's CEO.

The health service CEO's written statement should address the following, if they have not been referenced in the audit report as management comments:

- All partial or non-compliance issues identified.
- Recommendations for improvement identified by the auditor.

The audit submission (audit report and CEO written statement) must be completed by 30 June of the nominated year for the three-yearly auditing program. If a compliance audit has been requested for other reasons, HPV's letter of request will specify the required submission date.

If HPV receives the audit report prior to 31 May, the health service may choose to use the audit outcomes as a substitute for completing the section on HPP compliance in the annual self-assessment of compliance. Meaning, the audit report submitted can be used as the assessment of compliance for the HPPs in the self-assessment. This is an option, although the health service may elect to complete the section on HPP compliance as per normal self-assessment practice for completeness.

HPV accepts audit submissions electronically or by post.

- Electronic submissions can be made through the CPO Compliance Portal on the HPV website, or by email to [compliance@hvp.org.au](mailto:compliance@hvp.org.au) (preferred method).
- Submissions by post can be sent to:  
Chief Executive  
Health Purchasing Victoria  
Level 34, Casselden  
2 Lonsdale Street  
Melbourne VIC 3000

## Release of submissions when required by law

Any audit submission provided to HPV may be released under the Victorian *Freedom of Information Act 1982* (unless an exemption applies). HPV may also be required to release submissions for other reasons including for the purpose of parliamentary or cabinet processes, oversight investigations or where otherwise required by law (for example, under a court subpoena or IBAC inquiry). While HPV seeks to consult the health service before providing confidential information to another party, HPV cannot guarantee that confidential information will not be released through these or other legal means.

## HPV review and response

Following receipt of an audit submission, HPV will review the information received and respond appropriately in accordance with its [Graduated Compliance Model](#). This approach:

- Encourages the lowest level of intervention or compliance action— such as education and support.
- Recognises the capacity of health service(s) to become compliant.
- Promotes compliance action proportionate to the level of risk.
- Provides sufficient flexibility to escalate or de-escalate compliance action if required.
- Champions an evidence-based decision-making process.
- Considers the behaviour and compliance history of the health service.

## Compliance levels

The compliance audit assesses the health service's activities and performance to determine whether the organisation complies with relevant HPP policy requirements. For auditing purposes, compliance level definitions are detailed in the table below.

Compliance level	Definition	Additional information
Compliant	A compliant level means that the health service has demonstrated, or provided supporting evidence, that it has achieved compliance for 90 per cent or more of the HPP policy requirement as of 30 June of the nominated year.	
Partially compliant	A partially compliant level means that the health service has demonstrated, or provided supporting evidence, that it has achieved compliance for 75 per cent or more of the HPP policy requirement as of 30 June of the nominated year.	If a health service is partially compliant or non-compliant with a HPP policy requirement, the audit report must outline: <ul style="list-style-type: none"> <li>- Reasons for the partial compliance or non-compliance and risk rating.</li> <li>- Identify appropriate actions and timeframes to achieve full compliance.</li> </ul>
Non-compliant	A non-compliant level means that the health service has not demonstrated, or failed to provide supporting evidence, compliance to the HPP policy requirement as of 30 June of the nominated year (i.e. less than 75 per cent compliance).	

The concept of 'material' non-compliance is noted, but not referred to in these guidance notes. Material non-compliance is defined in the [HPV Compliance Guidelines](#) as:

*'... a compliance or probity issue that a reasonable person would consider has a material impact on the health service, regulatory body or State Government with reference to the nature and extent of the risk as defined by the health services' risk management framework.'* (p 12, HPV Compliance Guidelines).

The compliance levels detailed above requires a health service or its auditor to provide further information if a policy requirement is assessed as partially compliant or non-compliant. The information provided and associated risk rating will identify whether the compliance issue is 'material' in nature.



## Compliance Assessment Tool

The Compliance Assessment Tool (the tool) was primarily developed to assist health services with completing their annual self-assessment of compliance, however this tool may also aid the audit process. This tool seeks to simplify the health service compliance requirement, while providing a consistent framework for assessing compliance against the HPPs.

### Utilisation of this tool is not a mandatory requirement of HPV's auditing framework.

HPV recognises the triennial audit program is an independent process. Based on the size of a health service, its chosen auditor is expected to use their own discretion in deciding how the audit is conducted and whether the tool is utilised.

While the tool and these guidance notes seek to support health services in conducting the compliance audit, they should not be treated as legal advice or relied upon as such. As per subsection 134(3) of the Act, it is the responsibility of a health service to understand and meet the policy requirements of the HPPs.

### Using the tool

The tool sits within a Microsoft spreadsheet comprising six tabs or worksheets, one for each of the HPPs and a brief instructions tab. The tool is designed so that a health service, or its auditor can work systematically through each of the five HPPs when assessing compliance against the policy requirements.

The following steps are suggested:

#### Step 1: Consider the advice provided under the 'Instructions' tab.

As noted in the instructions, these guidance notes complement the tool and should be considered in parallel. These guidance notes may further explain a policy requirement or the suggested controls specified in the tool

#### Step 2: Select the 'Policy One' tab.

#### Step 3: Start at the 'Section' column and consider the policy requirement being assessed.

Section
2.3. In establishing a governance framework, the CEO must ensure roles and responsibilities are clearly identified and defined, procurement strategies and plans are developed, implemented and monitored for compliance



The 'Section' column lists all of the policy requirements of the relevant HPP.



The HPP policy requirement that is being assessed.

#### Step 4: Consider the suggested controls.

Where possible, this tool features suggested controls that match different health service procurement profiles. The suggested control categories (metro, regional and rural) and relevant health services are detailed at **Appendix C**.

The suggested controls for the policy requirement being assessed (i.e. 2.3 of HPP1). A health service may also demonstrate compliance through other methods.



	Suggested Controls: <i>METRO and REGIONAL</i>	Suggested Controls: <i>RURAL</i>
Step listed.	<b>Procurement Governance Framework</b>	
	<ul style="list-style-type: none"> <li>The Governance Framework must:               <ul style="list-style-type: none"> <li>- identify and define roles and responsibilities; and</li> <li>- provide a basis for the development and implementation of procurement strategies</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>The Governance Framework must:               <ul style="list-style-type: none"> <li>- identify and define roles and responsibilities; and</li> <li>- provide a basis for the development and implementation of procurement strategies</li> </ul> </li> <li>The HS may work together with other health services in its region to establish a collective governance framework.</li> </ul>

**5: Answer the questions**

Health service's answers to 'Questions the health service (HS) needs to consider' defines the compliance status. These questions are based on the different elements of the policy requirement.

	Questions the Health Service (HS) needs to consider	Compliance Status
Step	What is the HS's compliance status to Section 2.3?	Compliant
	Does the HS have a Governance Framework in place that clearly identifies and defines roles and responsibilities?	Yes
	Does the HS have procurement strategies/plans developed, in order to monitor compliance?	Yes

The 'Compliance Status' is automatically calculated according to the health service's answers to the corresponding questions and weighting provided for each question.

**6: Provide further information if required.**

"Column E is to be by the HS to make notes"
<b>Comments: Actioned taken to be taken by the HS</b>

If the compliance status of a policy requirement is 'partially compliant' or 'non-compliant', a health service or its auditor will need to:

- Provide reasons for the partial compliance or non-compliance and risk rating.
- Identify appropriate actions and timeframes to achieve full compliance.

**Step 7: Repeat the assessment process for the remaining HPPs.**

**Step 8: Include the completed tool as part of the audit report to HPV.**

**Compliance risk weighting**

A health service's compliance with a policy requirement and the overall HPP is determined by its responses to the 'Questions the health service should consider'. These questions reflect the various elements of the relevant policy requirement which must be met.

A weighting in accordance with the associated risk level is provided for each policy requirement (and questions detailed) and key sections of the HPPs. Depending on a health service's answer to a question, the compliance level is determined to either be compliant, partially compliant or non-compliant. For partially compliant and non-compliant results, the health service must specify the reasons for this result and identify within the audit report the appropriate actions - including timeframes - for achieving full compliance.

The weighting system is explained using the following example:

HPP3 (Market approach) outlines policy requirements under three key sections: market approach, evaluation, negotiation and selection, and critical incident. Each of the three key sections is provided an individual weighting which will inform the overall HPP compliance level. In determining the compliance level for a key section, each policy requirement under that section has been appropriately weighted proportionate to the associated level of risk.

For example, if a health service answers 'no' to all of the questions detailed under policy requirement 2.3, the compliance level would be noted as non-compliant. This policy requirement is treated as high-risk and weighted accordingly. Given the associated weighting, a 'non-compliant' result for this policy requirement may have a significant impact on the health service's compliance level for the key section (Market approach), which will in turn affect the health service's overall compliance level for HPP3.

## Compliance traffic lights

The tool features a traffic light system to quickly identify a health service's compliance rating. Depending on the health service's response to the 'Questions the health service needs to consider', the compliance status for the policy requirement will be: compliant (green), partially compliant (amber) or non-compliant (red). These traffic lights enable a health service and HPV to easily identify compliance problem areas.

## Issues and associated risk rating

In accordance with step six detailed above, the health service must provide reasons for any partial or non-compliant outcomes and the associated risk rating for the identified issues.

To assist the health service and its auditor in conducting this assessment, **Appendix B** details the compliance issues noted from previous audits that have been conducted and the relevant risk rating. This information is for guidance purposes and should not be treated as an exhaustive list of non-compliance or limit an auditor's risk rating methodology or health service's accepted risk tolerance<sup>2</sup>.

---

<sup>2</sup> The level of risk a health service is willing to accept or tolerate for a certain activity.

## Additional guidance

HPV recommends that the health service and its auditor consider the additional guidance provided below when completing the audit.

### HPV guides

HPV has developed a number of guides, tools and resources<sup>3</sup> to support health services in understanding their legislated obligations under the HPPs. The guides clarify a number of HPP policy requirements and are relevant to the auditing process.

For ease of reference, the HPV guides are detailed below.

Purchasing Policy	HPV guides
HPP1: Procurement governance	<ul style="list-style-type: none"> <li>• <a href="#">Guide to creating a clear governance framework</a></li> <li>• <a href="#">Guide to developing a Procurement Activity Plan</a></li> <li>• <a href="#">Guide to procurement categorisation</a></li> <li>• <a href="#">Guide to developing a Supplier Engagement Plan</a></li> <li>• <a href="#">Guide to ensuring probity in procurement practice</a></li> <li>• <a href="#">Guide to complaints management</a></li> </ul>
HPP2: Procurement strategic analysis	<ul style="list-style-type: none"> <li>• <a href="#">Guide to complexity assessment</a></li> <li>• <a href="#">Guide to assessing capability</a></li> <li>• <a href="#">Guide to completing spend analysis</a></li> <li>• <a href="#">Guide to opportunity assessment</a></li> </ul>
HPP3: Market approach	<ul style="list-style-type: none"> <li>• <a href="#">Guide to market approach</a></li> <li>• <a href="#">Guide to evaluation, negotiation and selection</a></li> <li>• <a href="#">Guide to specifications writing/statement of requirements</a></li> <li>• <a href="#">Guide to insurance and liability considerations</a></li> <li>• <a href="#">Guide to assessing alternative approaches to market</a></li> </ul>
HPP4: Contract management and asset disposal	<ul style="list-style-type: none"> <li>• <a href="#">Guide to developing a Contract Management Strategy</a></li> <li>• <a href="#">Guide to contract management</a></li> </ul>
HPP5: Collective purchasing	<ul style="list-style-type: none"> <li>• <a href="#">Guide to maintain or enhance value for money</a></li> <li>• <a href="#">Guide to benefits realisation</a></li> </ul>

<sup>3</sup> The procurement guides, tools and resources are available here <https://www.hpv.org.au/resources/procurement-support/>.

## Compliance Assessment Tool - Notes

The notes provided in the tables below seek to further clarify the tool's suggested control(s) and HPP policy requirements (as appropriate). Information on the policy requirements is complementary to the HPV guides.

HPP1: Procurement governance	
<i>Note: Consider in parallel with <a href="#">HPP1</a>, relevant HPV guides and the tool.</i>	
Subsection	Additional guidance
2.4, 2.5	<p>These provisions outline the requirements for assigning roles and responsibilities for the procurement governance framework.</p> <p>These provisions allow for health service flexibility when assigning the role of Chief Procurement Officer (CPO) for the purpose of the HPPs. In accordance with section 2.5, the role of CPO may include a person employed in this position within the health service or a senior executive assigned to the role. For example, a rural health service may not have a CPO in its organisational chart, but has a senior executive who satisfies the conditions of subsection 2.5(a) or (b).</p> <p>In satisfying these conditions the CPO, or senior executive assigned to this role, is required to hold sufficient qualifications in procurement or have the necessary procurement experience (or access to that experience) proportionate to the health service's profile. As per HPP1 note 1, the role of CPO may be incorporated into the role of Chief Financial Officer (CFO) or the CEO.</p> <p>Note that a health service is best placed to understand its procurement profile and the skills and qualifications required to meet its legislated obligations. The examples provided below are for information only:</p> <ul style="list-style-type: none"> <li>• John is CPO of a metro health service. He holds a Chartered Institute of Procurement and Supply (CIPS) accredited degree. This qualification matches the health service's complex procurement profile and associated risk level.</li> <li>• Jane has been selected as the CPO for the purposes of the HPPs. Jane is the CFO and doesn't come from a procurement background or hold the appropriate procurement qualifications. Jane does however have access to experienced procurement professionals who can sufficiently support her in the role of CPO. Further, the level of experience of these individuals matches the health service's procurement profile.</li> </ul>
2.6	<p>The intent of this provision is to provide sufficient organisational oversight of the varying stages of a health service's governance framework. Depending on the health service's specified roles and responsibilities (refer HPP1 sections 2.4 and 2.5), this provision requires appropriate approvals, whether by the:</p> <ul style="list-style-type: none"> <li>• CEO, if the roles of CPO and CEO are separate; or</li> <li>• Health service board, if the CEO is fulfilling the CPO role for the purposes of the HPPs.</li> </ul>
2.6(c)(iii)	<p>This subparagraph requires the CPO to review the health service's procurement performance and report annually to the CEO or health service board. This provision does not specify how regularly the reviews must be conducted, or the format for reporting to the CEO or health service board. A health service may use its discretion for these variables, taking into consideration its procurement profile and internal governance processes.</p> <p>For example:</p> <ul style="list-style-type: none"> <li>- At a rural health service it may be appropriate and acceptable for procurement performance reviews to be conducted every six months and reported verbally to the health service's board, with the report documented in the board meeting minutes.</li> <li>- At a metropolitan or regional health service, procurement performance reviews may be required every quarter and in accordance with internal governance procedures reported to the CEO or board by written brief.</li> </ul>
2.6(g)	<p>This provision requires that a probity assurance framework be implemented. The HPPs do not prescribe the structure or information that must be contained in the framework. The absence of a prescribed format enables the health service to develop a framework that matches their procurement profile and governance structure.</p> <p>A probity assurance framework could be:</p>

	<ul style="list-style-type: none"> <li>- Part of a health service’s procurement governance framework; or</li> <li>- Established as a separate, independent framework (or procedure) to ensure that procurement processes include stringent probity controls</li> </ul> <p>At a high level, the framework should:</p> <ul style="list-style-type: none"> <li>- Document procedures for identifying and managing probity risks prior to release to market.</li> <li>- Document procedures for reviewing the probity of procurement activities or outcomes.</li> <li>- Define roles and responsibilities for implementing and monitoring probity assurance procedures, including ensuring there is executive oversight for the function and defining the role of external probity advisors and probity auditors.</li> <li>- Identify high-risk probity activities in the procurement process.</li> </ul> <p>The above provides general information on how the probity assurance framework could be structured and matters that auditors may consider. However, as a minimum, a health service must demonstrate through its chosen framework how probity is maintained in all of its purchasing, tendering and contracting activities.</p>
2.7	<p>This provision states that a CEO <i>may</i> establish a procurement steering committee. Developing and implementing a procurement steering committee is not a strict requirement under the HPPs, however it may add value to a health service’s management of its procurement activities.</p>
2.8	<p>HPV has published a number of resources, tools and templates to support health services in achieving compliance for this policy requirement. These include:</p> <ul style="list-style-type: none"> <li>- <a href="#">Procurement Strategy template</a></li> <li>- <a href="#">Guide to developing a procurement activity plan</a></li> <li>- <a href="#">Capability Assessment template</a></li> <li>- <a href="#">Supplier Engagement Plan template</a></li> <li>- <a href="#">Guide to developing a contract management strategy</a></li> <li>- <a href="#">Contract Management Strategy tool</a></li> </ul> <p>The following sample documents are also available:</p> <ul style="list-style-type: none"> <li>- <a href="#">HPV Procurement Strategy</a></li> <li>- <a href="#">HPV Capability Plan</a></li> <li>- <a href="#">HPV Supplier Engagement Plan</a></li> </ul> <p>A health service’s spend profile of a health service (i.e. where the non-salary spend is categorised according to common supply and demand drivers) will inform the extent of information captured in the procurement strategy. Where a health service chooses to share or outsource aspects of their procurement responsibilities to other health services, it may significantly simplify the procurement strategy. HPP1 Note 3 is reinforced here for emphasis.</p>
3.2	<p>This provision requires a health service to comply with reporting requirements to support HPV in its legislated functions. In achieving compliance, a health service should act cooperatively and in good faith. This includes providing information in a timely manner and/or in accordance with HPV’s specified timeframe.</p>
3.3(e)	<p>Material non-compliance is defined in the HPV Compliance Guidelines as:</p> <p><i>‘... a compliance or probity issue that a reasonable person would consider has a material impact on the health service, regulatory body or State Government with reference to the nature and extent of the risk as defined by the health services’ risk management framework.’</i> (page 12, HPV Compliance Guidelines).</p>

### HPP2: Procurement strategic analysis

*Note: Consider in parallel with [HPP2](#), relevant HPV guides and the tool.*

Subsection	Additional guidance
3.3 (c)	It would be reasonable to expect that a health service would only reassess the procurement requirements if the market was not able to satisfy its requirements following the steps at a) and b) of section 3.3. If the health service considers that reassessment is not required, note this policy element as compliant for the purposes of completing the tool and include an explanatory note of this action.
4	Note that the capability assessment will be largely informed by the health service's procurement profile. For example, a metropolitan health service's capability requirements and associated complex and high-risk procurement activities may be significantly different to those of a smaller health service.

### HPP3: Market approach

*Note: Consider in parallel with [HPP3](#), relevant HPV guides and the tool.*

Subsection	Additional guidance
2.3(d)	<p>This provision requires that a health service develop and apply an appropriate market approach with processes in place to ensure the confidentiality and security of supplier bids. These processes may include, but are not limited to:</p> <ul style="list-style-type: none"> <li>- Explicit confidentiality provisions in the health service's Invitation to Supply (ITS) documentation to protect supplier information and intellectual property.</li> <li>- Health service employees involved in the market approach signing confidentiality agreements. The agreement would protect bid information by preventing employees from revealing information which may be seen to compromise the confidentiality or commercial interests of any stakeholders.</li> <li>- Training to ensure that health service employees understand the importance of probity during the various procurement processes.</li> <li>- Secure storage facilities (electronic and physical) for bids.</li> </ul> <p>The health service's profile will inform the mitigation strategies required to ensure bid confidentiality and security.</p>
3.3(d)	Refer to the <a href="#">Guide to ensuring probity in procurement practice</a> for further advice on managing conflicts of interest.

### HPP4: Contract management and asset disposal

*Note: Consider in parallel with [HPP4](#), relevant HPV guides and the tool.*

Subsection	Additional guidance
2.5(e)	This provision requires that the Contract Management Strategy (CMS) has processes in place to ensure any potential additional value is achieved through continuous improvement. The intent of this provision is to ensure that a health service reviews its CMS as appropriate to identify areas of improvement for its procurement contract management, and in doing so, maximises the benefit of the goods and services supplied.
2.12(a)	The HPPs do not specify what constitutes an 'appropriate record' for the purposes of maintaining a contracts register. The health service may therefore decide how best to manage its contracts register. The probity principle of confidentiality and security must be met when managing this register.



3.5(e)

A health service is required under [section 44B](#) of the *Financial Management Act 1994 (Vic)* to maintain a register of assets it holds or manages. The register of assets is to be in the form, and contain the information, determined by the Minister for Finance after consultation with the Victorian Managed Insurance Authority. Information about the Asset Management Accountability Framework is available [here](#).

### HPP5: Collective purchasing

*Note: Consider in parallel with [HPP5](#) relevant HPV guides and the tool*

Subsection	Additional guidance
2.1	This policy requirement is adequately addressed through subsection 2.4(b) of HPP5. Therefore, assessment against section 2.1 is not required when using the tool.
2.6(e)	<p>This provision requires a health service to establish appropriate processes to ensure the security of all confidential and commercially-sensitive information, in particular, supplier information.</p> <p>These processes may include, but are not limited to:</p> <ul style="list-style-type: none"> <li>- Health service employees signing confidentiality agreements.</li> <li>- Training to ensure that health service employees understand the importance of probity during the various procurement processes.</li> <li>- Secure storage facilities (electronic and physical).</li> </ul> <p>The profile of the health service will inform the mitigation strategies required to ensure the confidentiality and security of supplier information.</p>
2.8	<p>In accordance with this policy requirement, all requests for exemption must be submitted by the CEO of a health service to HPV. This provision details the specific information that must accompany an exemption application.</p> <p>An assessment of compliance against this policy requirement is necessary if a health service has sought an exemption from a HPV collective agreement.</p> <p>If a health service has not sought an exemption, note this policy element as compliant for the purposes of completing the tool and include an explanatory note of this action.</p>



## Appendix A: Auditing schedule (2019-2022)

The auditing schedule details the year in which health service are required to conduct a compliance audit. In accordance with the rolling auditing program, health services will be audited every three years.

The information below provides information for a health service to anticipate and appropriately plan for future HPV auditing requirements. For example, those health services audited in 2019-20 will be audited again in 2022-23.

This auditing schedule is also available on the CPO Compliance Portal<sup>4</sup>.

Region	Audit year: 2019-20	Audit year: 2020-21	Audit year: 2021-22
<b>Barwon - South West</b>	<ul style="list-style-type: none"> <li>Barwon Health</li> <li>Colac Area Health</li> <li>Hesse Rural Health Service</li> <li>South West Healthcare</li> <li>Western District Health Service</li> </ul>	<ul style="list-style-type: none"> <li>Moyne Health Services</li> <li>Terang and Mortlake Health Services</li> </ul>	<ul style="list-style-type: none"> <li>Portland District Health</li> <li>Casterton Memorial Hospital</li> <li>Heywood Rural Health</li> <li>Great Ocean Road Health</li> </ul>
<b>Gippsland</b>	<ul style="list-style-type: none"> <li>Bairnsdale Regional Health Service</li> <li>Bass Coast Health</li> </ul>	<ul style="list-style-type: none"> <li>Latrobe Regional Hospital</li> <li>Central Gippsland Health Service</li> <li>West Gippsland Healthcare Group</li> <li>Gippsland Southern Health Service</li> </ul>	<ul style="list-style-type: none"> <li>Yarram and District Health Service</li> <li>Kooweerup Regional Health Service</li> <li>South Gippsland Hospital</li> <li>Omeo District Health</li> </ul>
<b>Grampians</b>	<ul style="list-style-type: none"> <li>Central Highlands Rural Health</li> <li>Rural Northwest Health</li> <li>West Wimmera Health Service</li> <li>Wimmera Health Care Group</li> </ul>	<ul style="list-style-type: none"> <li>Ballarat Health Services</li> <li>Stawell Regional Health</li> <li>East Wimmera Health Service</li> </ul>	<ul style="list-style-type: none"> <li>Djerriwarrh Health Services</li> <li>East Grampians Health Service</li> <li>Beaufort and Skipton Health Service</li> <li>Edenhope and District Memorial Hospital</li> </ul>
<b>Hume</b>	<ul style="list-style-type: none"> <li>Albury Wodonga Health</li> <li>Benalla Health</li> <li>Goulburn Valley Health</li> <li>Northeast Health Wangaratta</li> <li>Seymour Health</li> </ul>	<ul style="list-style-type: none"> <li>Mansfield District Hospital</li> <li>The Kilmore and District Hospital</li> <li>Alexandra District Hospital</li> <li>Yea and District Memorial Hospital</li> </ul>	<ul style="list-style-type: none"> <li>NCN Health</li> <li>Yarrowonga Health</li> <li>Beechworth Health Service</li> <li>Tallangatta Health Service</li> </ul>
<b>Loddon Mallee</b>	<ul style="list-style-type: none"> <li>Bendigo Health Care Group</li> <li>Castlemaine Health</li> <li>Echuca Regional Health</li> <li>Maryborough District Health Service</li> </ul>	<ul style="list-style-type: none"> <li>Cohuna District Health</li> <li>Kyabram and District Health Services</li> <li>Kerang District Health</li> <li>Maldon Hospital</li> <li>Boort District Health</li> </ul>	<ul style="list-style-type: none"> <li>Heathcote Health (McIvor Health and Community Services)</li> <li>Inglewood and District Health Service</li> </ul>

<sup>4</sup> The CPO Compliance Portal is available at <https://www.hpv.org.au/account/compliance/p/audit-schedule-2019-2022>

Region	Audit year: 2019-20	Audit year: 2020-21	Audit year: 2021-22
	<ul style="list-style-type: none"> <li>Rochester and Elmore District Health Service</li> <li>Swan Hill District Health</li> </ul>		
<b>Metro</b>	<ul style="list-style-type: none"> <li>Austin Health</li> <li>Monash Health</li> <li>Peninsula Health</li> <li>The Royal Women's Hospital</li> </ul>	<ul style="list-style-type: none"> <li>The Royal Children's Hospital</li> <li>Melbourne Health</li> <li>Northern Health</li> <li>Royal Victorian Eye and Ear Hospital</li> <li>Western Health</li> <li>Alfred Health</li> </ul>	<ul style="list-style-type: none"> <li>Eastern Health</li> <li>Dental Health Services Victoria</li> <li>Peter MacCallum Cancer Institute</li> <li>Tweddle Child and Family Health Service</li> <li>Queen Elizabeth Centre<sup>5</sup></li> </ul>

<sup>5</sup> HPV considers Tweddle Child and Family Health Services and Queen Elizabeth Centre as small metro health services for the purposes of the audit reporting requirement, as detailed at Appendix C.

## Appendix B: Issues and associated risks

The information in the table below provides guidance on audit issues and allocated risk ratings noted from past health service audits, as part of HPV's rolling audit program commencing in 2016-17.

This is not an exhaustive list of audit issues and allocated risks and should be treated as **guidance only**. An appropriate risk rating will need to be allocated for audit issues not included in this table.




Policy One: Procurement Governance			
Sect	High risk	Medium risk	Low risk
2.2	<ul style="list-style-type: none"> <li>No Procurement Governance Framework is in place.</li> <li>Lack of appropriate processes and controls to facilitate effective CEO/CPO oversight of procurement activities.</li> </ul>	<ul style="list-style-type: none"> <li>A Procurement Governance Framework is in place but lacks some key elements.</li> <li>The Procurement Governance Framework has not been reviewed and/or updated in the last 12 months.</li> <li>Procurement plans have not yet been developed and approved. Monitoring and reporting procedures have also not been developed.</li> <li>The Procurement Governance Framework documents have not been submitted to the health service board for review. As it stands there is no set time frame as to when this should be done. However it would be reasonable to expect the submission to be made within a reasonable period of time e.g. within one week of the framework draft being completed.</li> </ul>	<ul style="list-style-type: none"> <li>A Procurement Governance Framework is in place but lacks minor details.</li> <li>A Procurement Governance Framework is in place, but communication of its contents to staff members should be improved.</li> </ul>
2.3	<ul style="list-style-type: none"> <li>No organisational structure is in place.</li> <li>No procurement strategy has been developed and therefore it is not in place.</li> <li>There are no clear accountabilities beyond that of the CPO.</li> </ul>	<ul style="list-style-type: none"> <li>An organisational structure is in place, but some roles and responsibilities have not been included.</li> <li>The organisational structure has not been reviewed and/or amended in the last 12 months.</li> </ul>	<ul style="list-style-type: none"> <li>Roles and responsibilities have been defined but lack a few minor details.</li> <li>All Procurement Governance Framework related policies, procedures and templates have been uploaded to the health service's intranet however no formal framework training has been delivered to staff.</li> </ul>

2.4	<ul style="list-style-type: none"> <li>No processes or procedures are in place that allow the CPO to have oversight of the health service non-salary spend profile.</li> </ul>	<ul style="list-style-type: none"> <li>Processes/procedures are in place that gives the CPO oversight of some health service non-salary spend profile, but not all.</li> </ul>	<ul style="list-style-type: none"> <li>Processes/procedures are in place that gives the CPO oversight over the majority of the health service non-salary spend profile with the exception of one or two elements.</li> </ul>
2.5	<ul style="list-style-type: none"> <li>The CPO is not a senior executive.</li> <li>The CPO does not have the necessary qualifications / experience or access to a person with the experience and expertise in managing a procurement function proportionate to the health service's profile.</li> </ul>	<ul style="list-style-type: none"> <li>None to note from previous audits</li> </ul>	<ul style="list-style-type: none"> <li>None to note from previous audits</li> </ul>
2.6	<ul style="list-style-type: none"> <li>The CPO's roles and responsibilities have not been clearly defined.</li> <li>No process is in place to assess the health service's capability in taking on certain procurement activities.</li> <li>No complaints management process is in place.</li> <li>The health service does not report procurement performance to the CEO annually.</li> <li>Procurement activity does not comply with HPV policies.</li> <li>No procurement strategy is in place.</li> <li>No process is in place to ensure that probity is maintained in all procurement activities.</li> <li>No process is in place to protect confidentiality of commercially-sensitive information.</li> <li>There is a lack of formal staff training following any changes to the internal procurement framework.</li> <li>No Capability Development Plan is in place.</li> <li>Procurement processes do not meet probity standards.</li> </ul>	<ul style="list-style-type: none"> <li>A Capability Development Plan is in place, but it is region-specific rather than health service specific.</li> <li>No process is in place to ensure a regular review of the Procurement Capability Plan.</li> <li>No reporting requirements are in place relating to the annual reporting to the CEO.</li> <li>The requirement for performance in procurement and capability to be reviewed at regular intervals and progress reported to the health service's board has not been occurring.</li> <li>A Capability Development Plan is in place but there is no process for a regular review of procurement capability.</li> </ul>	<ul style="list-style-type: none"> <li>The roles and responsibilities of the health service's board of directors has not been defined.</li> <li>Any changes to roles have not been updated in the procurement policies.</li> </ul>
2.8	<ul style="list-style-type: none"> <li>There is no Procurement Strategy and its required components are in place.</li> </ul>	<ul style="list-style-type: none"> <li>The Capability Development Plan is in place but provides more of a statistical representation. There</li> </ul>	<ul style="list-style-type: none"> <li>A high level summary of procurement services published on the health service's website is available to the public, but is not current.</li> </ul>

	<ul style="list-style-type: none"> <li>Generic Procurement Strategy that covers the region rather than being health service specific.</li> <li>The Procurement Strategy is out of date.</li> <li>A number of components for the Procurement Strategy have not been developed (e.g. Procurement Activity Plan).</li> </ul>	<p>is no commentary on current capabilities and there is no review dated.</p> <ul style="list-style-type: none"> <li>Procurement planning should include detailed evidence based analysis such as spend and forecasts by category; goods or services and key suppliers.</li> <li>Capability Development Plan has not been updated in last 12-months.</li> <li>The CEO has not been presented a copy of the framework for approval.</li> </ul>	<ul style="list-style-type: none"> <li>Capability Development Plan has not been updated in last 12 months.</li> <li>Procurement planning could include detailed evidence based analysis of procurement spending for example: spend and forecasts by category, spend and forecasts by goods or services, spend and forecasts for major areas, and types of spend. In addition detailed evidenced based procurement SWOT analysis and procurement risk analysis.</li> <li>Developed a Capability Development Plan, but there is no training to improve on the gaps that have been identified.</li> </ul>
<b>2.9</b>	<ul style="list-style-type: none"> <li>None to note from previous audits.</li> </ul>	<ul style="list-style-type: none"> <li>Key elements of the Procurement Strategy are missing (e.g. author/owner, annual review, last review and approval).</li> <li>Policy does not contain value add propositions supporting spend savings beyond HPV collective purchasing.</li> <li>There is no indication of specific strategies to increase value under the contract (e.g. a specific strategy to source goods from local providers to reduce transportation costs).</li> <li>Health service Policy Review Framework requires policies to be reviewed every two-three years, whereas HPV requires an annual review</li> </ul>	
<b>3.2 and 3.3</b>	<ul style="list-style-type: none"> <li>Failure to provide audit reports, annual self-assessments and reports of non-compliance to HPV HPPS</li> <li>A Contract Register is present but is not being updated with new contracts or contracts that have ended.</li> </ul>	<ul style="list-style-type: none"> <li>None to note from previous audits</li> </ul>	<ul style="list-style-type: none"> <li>Delayed submission of required reports.</li> <li>The requirement to regularly report to HPV to assist in its role of ensuring probity and implementing and reviewing policies and practices to promote best value in health sector procurement was not formally documented within the Procurement Governance Framework.</li> </ul>
<b>4.2</b>	<ul style="list-style-type: none"> <li>The health service has no procurement complaints management policy in place.</li> </ul>	<ul style="list-style-type: none"> <li>The health service procurement complaints management policy does not set out all processes for addressing complaints.</li> </ul>	<ul style="list-style-type: none"> <li>The health service's procurement complaints management policy has not been reviewed and updated.</li> </ul>




4.3	<ul style="list-style-type: none"> <li>The complaint is handled by someone who has an interest in the subject matter of the complaint.</li> <li>The health service's procurement complaint management policy is not published in the public domain and as a result not easily accessible.</li> </ul>	<ul style="list-style-type: none"> <li>None to note from previous audits</li> </ul>	<ul style="list-style-type: none"> <li>The procurement complaints management policy is missing some requirements (e.g. the range of outcomes available to the health service/hospital in responding to a complaint).</li> </ul>
4.4	<ul style="list-style-type: none"> <li>The health service's procurement complaint management policy does not outline all necessary requirements.</li> <li>The health service's procurement complaint management policy is not written clearly and it is therefore difficult to understand what the complaints process involves.</li> </ul>	<ul style="list-style-type: none"> <li>None to note from previous audits.</li> </ul>	<ul style="list-style-type: none"> <li>The health service's procurement complaint management policy has not been reviewed in the last 12 months.</li> <li>The internal Procurement Complaints Procedure contains all HPV requirements with the exception of:               <ul style="list-style-type: none"> <li>- A range of outcomes available in responding to a complaint</li> <li>- Other government bodies that may be able to assist.</li> </ul> </li> </ul>
4.5	<ul style="list-style-type: none"> <li>None to note from previous audits</li> </ul>	<ul style="list-style-type: none"> <li>None to note from previous audits</li> </ul>	<ul style="list-style-type: none"> <li>The complaints policy is publicly available on the health service's website and addresses all required areas.</li> </ul>
4.6	<ul style="list-style-type: none"> <li>The health service does not maintain a complaints register, and therefore does not keep track of past and current complaints.</li> <li>The health service does not have a process in place to report complaints annually to their board.</li> </ul>	<ul style="list-style-type: none"> <li>The health service only reports certain complaints to the board (e.g. resolved complaints).</li> </ul>	<ul style="list-style-type: none"> <li>There is no set format for the complaints register.</li> <li>Clarity should be sought as to whether a declaration in the annual report is required where no complaints are received, or whether a silent approach is acceptable. This should be specified within the health service's complaints policy.</li> </ul>

**Policy Two**




Sect		High risk 	Medium risk 	Low risk 
2.2			<ul style="list-style-type: none"> <li>No complexity analysis conducted to be able to identify and respond to risks impacting procurement activity.</li> <li>A health service is conducting a complexity analysis for some - but not all - procurement activities.</li> </ul>	<ul style="list-style-type: none"> <li>None to note from previous audits.</li> </ul>




2.3	<ul style="list-style-type: none"> <li>The complexity assessment is not applied to all relevant procurement categories.</li> <li>The complexity assessment has not been applied to procurement activities that are of a high risk.</li> <li>No process is in place to determine high risk procurement activities.</li> </ul>	<ul style="list-style-type: none"> <li>A process is in place to identify high risk procurement activities, but the criteria for 'high risk' is unclear.</li> <li>A review of procurement activities were reviewed and found no formal written evidence of hospital staff informally considering procurement complexity and/or obtaining additional information from experts such as surgeons or architects etc.</li> </ul>	<ul style="list-style-type: none"> <li>The complexity assessment lacks minor details.</li> </ul>
2.5	<ul style="list-style-type: none"> <li>None to note from previous audits.</li> </ul>	<ul style="list-style-type: none"> <li>The category level complexity assessment does not include a complexity matrix to categorise the procurement activity.</li> </ul>	
2.6	<ul style="list-style-type: none"> <li>No policy or procedure is in place to determine when the CPO is consulted.</li> <li>There was no evidence that the CPO was consulted for procurement activities identified as high risk or strategic in nature.</li> <li>There was no evidence that the CPO was consulted on the development of the complexity assessment or market analysis.</li> </ul>	<ul style="list-style-type: none"> <li>None to note from previous audits</li> </ul>	<ul style="list-style-type: none"> <li>The policy or procedure for consulting the CPO has not been reviewed in the last 12 months.</li> </ul>
3.3	<ul style="list-style-type: none"> <li>None to note from previous audits.</li> </ul>	<ul style="list-style-type: none"> <li>There is an out-of-date market approach policy.</li> <li>The market approach is not clearly defined.</li> <li>Procurement activities requiring a market analysis should be appropriately planned, giving the procurement team sufficient time to complete assessments in line with health service policy and HPV requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Market analysis has not been conducted in some areas.</li> </ul>
4.1	<ul style="list-style-type: none"> <li>The health service does not have access to procurement expertise.</li> </ul>	<ul style="list-style-type: none"> <li>None to note from previous audits.</li> </ul>	<ul style="list-style-type: none"> <li>None to note from previous audits</li> </ul>
4.2	<ul style="list-style-type: none"> <li>The capability assessment is conducted by someone who does not have the appropriate knowledge or expertise.</li> <li>The capability assessment does not identify the capabilities required to carry out the procurement activity.</li> <li>The capability assessment does not identify whether capability needs to be developed or supplemented.</li> </ul>	<ul style="list-style-type: none"> <li>Capabilities identified through the capability assessment are not adequately recorded.</li> <li>The capability assessment must be carried out by people with appropriate knowledge and expertise, identify capability requirements and whether additional capability or training is required. The CPO must assess the capability of the health service within a reasonable period, taking into</li> </ul>	<ul style="list-style-type: none"> <li>The capability assessment identifies improvements to be made, but these are minor issues and don't have significant impact if not implemented.</li> </ul>



4.4	<ul style="list-style-type: none"> <li>The capability assessment identifies improvements to be made, but the health service does not take action.</li> <li>No capability assessment has been completed and there is no Capability Development Plan in place.</li> </ul>	<p>account the complexity of the health services procurement activity.</p> <ul style="list-style-type: none"> <li>An informal capability assessment is undertaken by people with experience but there is no formal assessment of the organisation's capability either at individual procurement level or organisational level.</li> </ul>	
	<ul style="list-style-type: none"> <li>The CEO has not sourced external sources where the health service capability does not match the procurement complexity.</li> </ul>	<ul style="list-style-type: none"> <li>The secured external source is not formally recorded.</li> </ul>	<ul style="list-style-type: none"> <li>None to note from previous audits.</li> </ul>
<b>Policy Through</b>			
<b>Sect</b>	<b>High risk</b> 	<b>Medium risk</b> 	<b>Low risk</b> 
2.2		<ul style="list-style-type: none"> <li>The CPO and Procurement Manager do not review all procurement requirements to ensure they have been met for all procurement activities.</li> </ul>	<ul style="list-style-type: none"> <li>The health service has a process in place to ensure that all suppliers are treated fairly, however the process has not been reviewed in the last 12 months to ensure it is accurate and up-to-date.</li> </ul>
2.3	<ul style="list-style-type: none"> <li>The health service does not have a market approach in place for each procurement activity.</li> <li>Health service procurement activities greater than \$25,000 in value should have an approach to market.</li> </ul>	<ul style="list-style-type: none"> <li>The health service has a market approach in place but it has not reviewed or updated it in the last 12 months.</li> <li>A health service has not consulted the CPO on the appropriate market approach.</li> </ul>	<ul style="list-style-type: none"> <li>None to note from previous audits.</li> </ul>
2.4	<ul style="list-style-type: none"> <li>The health service does not detail all requirements.</li> </ul>	<ul style="list-style-type: none"> <li>The health service has discussed all requirements but some lack key details. For example, there is reference to an evaluation plan for carrying out supplier selection, but the plan has not been provided or there is a lack of detail to help understand the evaluative steps taken.</li> <li>Some tender requirements, such as ITS, have not been carried out.</li> </ul>	<ul style="list-style-type: none"> <li>There is no clear identification of HPV's ITS requirements.</li> </ul>
2.5	<ul style="list-style-type: none"> <li>None of the required information has been provided.</li> </ul>	<ul style="list-style-type: none"> <li>There is a lack of information from the ITS documents (e.g. address/site/where documentation can be obtained).</li> </ul>	<ul style="list-style-type: none"> <li>None to note from previous audits.</li> </ul>

2.6	<ul style="list-style-type: none"> <li>None to note from previous audits.</li> </ul>	<ul style="list-style-type: none"> <li>The tender procedures do not specify the process for managing late tender submissions.</li> <li>There are no controls in place to ensure suppliers are informed of receipt of tender.</li> </ul>	<ul style="list-style-type: none"> <li>None to note from previous audits.</li> </ul>
3.3	<ul style="list-style-type: none"> <li>There is a lack of clarity of who the probity auditor and probity advisor are and therefore a health service is unable to advise on high risk and critical procurement activity.</li> <li>There is no process in place to assess conflicts of interest.</li> <li>No stage of the decision-making process has been properly documented.</li> </ul>	<ul style="list-style-type: none"> <li>Financial and non-financial criteria considered for a supplier submission has not been provided to the supplier, which could create an unnecessary barrier to participation for small to medium enterprises.</li> <li>Suppliers are not notified of the successful receipt of their submission.</li> <li>A health service has not notified a supplier of the outcome of their bid.</li> </ul>	<ul style="list-style-type: none"> <li>The evaluation plan is not well detailed.</li> <li>The Tender Evaluation Panel has not signed a conflict of interest declaration.</li> <li>The process for managing late submissions is not documented in the health service's policy.</li> </ul>
3.5	<ul style="list-style-type: none"> <li>None to note from previous audits.</li> </ul>	<ul style="list-style-type: none"> <li>There is no negotiation plan in place to ensure consistency in the health service's dealings with suppliers.</li> <li>Negotiation outcomes are not clearly defined.</li> </ul>	<ul style="list-style-type: none"> <li>Negotiations seeking further information have not been documented.</li> </ul>
3.6	<ul style="list-style-type: none"> <li>When selecting a preferred supplier certain requirements are not met including: developing a formal agreement between the health service and the selected supplier.</li> </ul>	<ul style="list-style-type: none"> <li>The health service did not debrief unsuccessful suppliers in relation to their submission if requested.</li> <li>The health service failed to keep suppliers updated on the status of their submission throughout the process.</li> </ul>	<ul style="list-style-type: none"> <li>Failure to document within a guide/manual for procurement activities reference to the evaluation panel guidelines and tender evaluation plan.</li> </ul>
4.2	<ul style="list-style-type: none"> <li>No critical incident process is in place. The health service does not have a basic record keeping process for critical incidents. There is a critical incident process in place but it does not incorporate requirements under subsections 4.2 (a) and (b).</li> </ul>	<ul style="list-style-type: none"> <li>There is no critical incident process in place but an Incident Management Protocol is in action without reference to procurement.</li> </ul>	<ul style="list-style-type: none"> <li>A Critical Incident Policy cannot be located on the health service's internal system.</li> </ul>
4.3	<ul style="list-style-type: none"> <li>None to note from previous audits.</li> </ul>	<ul style="list-style-type: none"> <li>There is no format or procedure for ensuring that information required under section 4.3 is recorded.</li> </ul>	<ul style="list-style-type: none"> <li>None to note from previous audits.</li> </ul>
4.4	<ul style="list-style-type: none"> <li>The health service does not have a Critical Incident Register in place.</li> <li>The health service does not report its Critical Incident Register findings to its CEO annually.</li> </ul>	<ul style="list-style-type: none"> <li>The health service does not have a Critical Incident Register in place, but something very similar. However it does not record all information required under section 4.4.</li> </ul>	<ul style="list-style-type: none"> <li>None to note from previous audits.</li> </ul>

Sect	High risk 	Medium risk 	Low risk 
2.5	<ul style="list-style-type: none"> <li>There is no Contract Management Strategy in place.</li> <li>The health service has a Contract Management Strategy but it does not include the requirements discussed under section 2.5.</li> </ul>	<ul style="list-style-type: none"> <li>The Contract Management Strategy does not include processes for identifying and managing contract risks, including contingency planning.</li> <li>The Contract Management Strategy does not include how performance measures are established and monitored for contracts for each complexity.</li> <li>The Contract Management Strategy does not describe processes to ensure procurement employees have sufficient capability to manage each contract.</li> </ul>	<ul style="list-style-type: none"> <li>None to note from previous audits.</li> </ul>
2.9	<ul style="list-style-type: none"> <li>It is unclear who has the role and responsibility for monitoring and managing contracts.</li> <li>The health service does not have a contract management policy or procedure to guide business areas on how to effectively manage a contract.</li> </ul>	<ul style="list-style-type: none"> <li>Procurement Framework changes have not been applied to contracts entered into prior to the framework being updated.</li> </ul>	<ul style="list-style-type: none"> <li>None to note from previous audits.</li> </ul>
2.10	<ul style="list-style-type: none"> <li>No Contract Management Strategy is in place for individual category levels or for any of the health service's high risk spend categories.</li> <li>There are no procedural requirements for the contract management of critical and/or high-risk procurement activities.</li> </ul>	<ul style="list-style-type: none"> <li>The health service has a Contract Management Strategy in place but it has not reviewed or updated it in the last 12 months.</li> </ul>	<ul style="list-style-type: none"> <li>None to note from previous audits.</li> </ul>
2.11	<ul style="list-style-type: none"> <li>Procurement contracts are being managed by people who do not have sufficient capability.</li> <li>Procurement contracts are in place but the deliverables, performance standards and review procedures are not defined.</li> <li>There is a lack of understanding and training for individual roles and responsibilities regarding contract engagement (e.g. a lack of clarity around who is responsible for</li> </ul>	<ul style="list-style-type: none"> <li>Procurement contracts are in place and deliverables, performance standards and review procedures are included but are unclear and vague.</li> </ul>	<ul style="list-style-type: none"> <li>Contracts are being managed by people who have the right capability, however their roles and responsibilities are not documented.</li> </ul>

2.12	developing and implementing required HPV mandated documents).			
	<ul style="list-style-type: none"> <li>There is no contract management (e.g. contract expiry date and automatic renewals). This meant that suppliers missed out on the negotiation period.</li> <li>The health service receives services from suppliers without a valid contract.</li> <li>There is no requirement for staff to record contract details.</li> </ul>	<ul style="list-style-type: none"> <li>Contract management training is not periodically provided to contract managers.</li> <li>There is an absence of documented evidence that formal annual vendor performance reviews are undertaken.</li> <li>The contract register is not user-friendly because it is unclear when a contract has ceased.</li> </ul>	<ul style="list-style-type: none"> <li>None to note from previous audits.</li> </ul>	
	2.16	<ul style="list-style-type: none"> <li>The health service does not proactively work with suppliers. As a result the health service does not monitor supplier performance or note any breaches of agreement.</li> <li>There is no process in place to notify HPV when there is a significant breach of an agreement that cannot be resolved with the supplier.</li> </ul>	<ul style="list-style-type: none"> <li>There is no evidence that non-clinical terms have been monitored and reported.</li> <li>There are no records kept when there is a breach of agreement.</li> </ul>	<ul style="list-style-type: none"> <li>None to note from previous audits</li> </ul>
	3.2	<ul style="list-style-type: none"> <li>There is no role assignment of the asset management process and it is not being managed.</li> </ul>	<ul style="list-style-type: none"> <li>There is no clear process for asset disposal, including the new assets that will be acquired and how disposed assets will be replaced.</li> </ul>	<ul style="list-style-type: none"> <li>The asset register has no final checks after the asset disposal form is completed.</li> </ul>
	3.5	<ul style="list-style-type: none"> <li>There is no disposal of assets process in place.</li> </ul>	<ul style="list-style-type: none"> <li>The asset disposal process does not include all requirements discussed under section 3.5.</li> <li>The disposal of assets form has not been authorised by the Director of Finance.</li> </ul>	<ul style="list-style-type: none"> <li>None to note from previous audits.</li> </ul>
<b>Policy</b>				
<b>Sect</b>	<b>High risk</b> 	<b>Medium risk</b> 	<b>Low risk</b> 	
2.4	<ul style="list-style-type: none"> <li>The health service has numerous inconsistent and poorly managed catalogues.</li> <li>The health service does not purchase from a HPV collective agreement without applying for an HPV exemption.</li> <li>The health service does not report compliance with HPV agreements.</li> </ul>	<ul style="list-style-type: none"> <li>None to note from previous audits.</li> </ul>	<ul style="list-style-type: none"> <li>It is good practice to seek formal HPV approval for purchasing arrangements.</li> </ul>	

2.6	<ul style="list-style-type: none"><li>• The health service is on-selling products and/or services acquired from a HPV collective agreement without HPV approval.</li><li>• The health service does not report annually to HPV including details of its on-selling arrangements.</li><li>• The health service does not have a confidentiality process in place to protect commercially-sensitive information.</li></ul>	<ul style="list-style-type: none"><li>• There are no service agreements in place for some organisations the health service provides products or services for.</li><li>• The health service is on-selling and has notified HPV, but has not completed appropriate documentation.</li></ul>	<ul style="list-style-type: none"><li>• A health service's annual report is submitted slightly late.</li><li>• It is good practice to seek formal approval from HPV for purchasing arrangements.</li></ul>
-----	--	---	--

## Appendix C: Suggested control categories

The tool details suggested controls proportionate to a health service's procurement profile, size and structure. For the purpose of these guidance notes and the tool, the suggested control categories and relevant health services are as follows.

Suggested control category	Health service	
<b>Metro and regional</b>	Albury Wodonga Health	Monash Health
	Alfred Health	Northern Health
	Austin Health	Northeast Health Wangaratta
	Bairnsdale Regional Health Service	Peninsula Health
	Ballarat Health Services	Peter MacCallum Cancer Centre
	Barwon Health	The Royal Children's Hospital
	Bendigo Health Care Group	Royal Victorian Eye and Ear Hospital
	Central Gippsland Health Service	The Royal Women's Hospital
	Dental Health Services Victoria	South West Healthcare
	Eastern Health	Swan Hill District Health
	Echuca Regional Health	West Gippsland Healthcare Group
	Goulburn Valley Health	Western District Health Service
	Latrobe Regional Hospital	Western Health
	Melbourne Health	Wimmera Health Care Group
<b>Rural and small metro</b>	Alexandra District Health	Great Ocean Road Health
	Bass Coast Health	Kyabram and District Health Services
	Beaufort and Skipton Health Service	Kyneton District Health Service
	Beechworth Health Service	Maldon Hospital
	Benalla Health	Mansfield District Hospital
	Boort District Health	Maryborough District Health Service
	Casterton Memorial Hospital	Moyne Health Services
	Castlemaine Health	NCN Health
	Cohuna District Hospital	Omeo District Hospital
	Colac Area Health	Portland District Health
	Djerriwarrh Health Services	Queen Elizabeth Centre
	East Grampians Health Services	Rochester and Elmore District Health Service
	East Wimmera Health Service	Rural Northwest Health
	Edenhope & District Memorial Hospital	Seymour Health
	Gippsland Southern Health Service	Stawell Regional Health
	Heathcote Health (McIvor Health and Community Services)	South Gippsland Hospital

	Hepburn Health Service	Tallangatta Health Service
	Hesse Rural Health Service	Terang and Mortlake Health Services
	Heywood Rural Health	Tweddle Child and Family Health Service
	Inglewood and Districts Health Service	West Wimmera Health Service
	Kerang District Health	Yarram and District Health Service
	Kilmore and District Hospital	Yarrawonga Health
	Kooweerup Regional Health Service	Yea and District Memorial Hospital

