

HPV Health Purchasing Policy 1. Procurement Governance

Establishing a governance framework for procurement

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Health Purchasing Policies are made by the Health Purchasing Victoria (HPV) Board in accordance with s134 of the *Health Services Act 1988 (the Act)*. All Schedule 1 and 5 public hospitals and health services as listed under *the Act* must comply with these policies which are legally binding, effective from date of publication in the Government Gazette.

The Health Purchasing Policy framework is based upon the VGPB supply policies, and must be complied with in conjunction with any relevant provisions of the current Victorian health policy and funding guidelines.

1. Introduction

- 1.1. This policy outlines the requirements for establishing a governance framework to monitor and manage procurement across a health entity. The policy is mandated for all Schedule 1 and 5 public hospitals and health services (as listed in the *Health Services Act 1988* (Vic), hereafter referred to as 'mandated health services').
- 1.2. The Procurement Governance policy has three components:
 - a. Procurement governance framework - establishes processes, authorities, accountabilities and relationships for mandated health services to manage an efficient and effective procurement function
 - b. Evaluation and compliance - outlines the role of Health Purchasing Victoria's (HPV) Board in ensuring mandated health service compliance with the Health Purchasing Policies
 - c. Procurement complaints management - establishes how complaints or a concern raised by a supplier in relation to the process and probity applied by a mandated health service, when carrying out a procurement activity, is managed
- 1.3. Figure 1 illustrates the end to end procurement process model. The Procurement Governance policy applies to the entire process.

Figure 1: Procurement Model



2. Procurement governance framework

- 2.1. Governance can be defined as the processes by which a mandated health service holds itself accountable and ensures its procurement decisions and processes are justifiable and defensible.
- 2.2. The Chief Executive Officer of a mandated health service (CEO) is responsible for establishing and implementing the health service's procurement governance framework. The CEO must set up the governance framework before undertaking any procurement activity.
- 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.

Roles and responsibilities

- 2.4. The CEO of the mandated health service must establish the role of Chief Procurement Officer (CPO) that has visibility and oversight of the entire non-salary spend profile of the health service. This includes, but is not limited to, consumable supplies including prostheses and pharmaceuticals, capital equipment, information technology supplies and services, engineering, facilities management and support services, and professional and clinical services.
- 2.5. The CPO, or a senior executive assigned to this role, must:
 - a. hold a qualification in procurement or hold qualifications with a definable procurement component; or
 - b. have experience and expertise in managing a procurement function (or have access to procurement expertise and advice) that matches the health service's procurement profile

Note 1. The CPO must be a senior executive, or the role may be incorporated into the role of an existing senior executive, such as the Chief Financial Officer (CFO), or the Chief Executive Officer (CEO).

- 2.6. The CPO must:
 - a. provide expert advice and guidance to the CEO or the health service's Board, where the CEO in a smaller health service takes on the role of CPO, on matters related to the procurement governance framework and any strategic procurement initiatives
 - b. endorse major procurement categories
 - c. oversee the development, application and on-going assessment of the governance framework for approval by the CEO or the health service's Board, where the CEO in a smaller health service takes on the role of CPO, including:
 - i. assessing the capability of the health service and developing plans to improve capability to ensure it is appropriate for the scope, nature and complexity of the procurement activity carried out by the health service
 - ii. identifying major procurement categories for the health service
 - iii. reviewing performance in procurement and capability at regular intervals and report annually to the CEO or Board
 - d. ensure that all procurement activity applies strategies, policies, procedures, practices and probity that comply with HPV policies and any other requirements in the *Health Services Act 1988* (Vic), the statutory or policy requirements of other governing bodies, or imposed by the CEO/Board through an instrument of delegation

- e. ensure that the complaints management and reference group establishment process demonstrates due process and integrity
- f. develop a procurement strategy for the health service
- g. ensure that probity is maintained in all purchasing, tendering and contracting activities of the health service through the implementation of a probity assurance framework
- h. ensure there are processes in place to maintain the security of confidential and commercially sensitive information to which the health service has access further to their tendering, purchasing and contracting activities

2.7. The CEO may establish a procurement steering committee. The role of the procurement steering committee is to coordinate procurement activity across the mandated health service by involving departmental heads representing the various supply chains present in the health service.

Developing a procurement strategy

2.8. The governance framework is underpinned by a procurement strategy for the mandated health service. This strategy provides an overview of the organisation's procurement profile and includes the following components:

- a. Procurement Activity Plan - detailing a list of all anticipated procurement activities that the health service anticipates taking to market in the next 12-18 months
- b. Capability Development Plan - that identifies the steps to be taken to improve capability within the health service to be able to undertake all the procurement needs of the entity
- c. Supplier Engagement Plan - that documents all the processes, systems and communication strategies to maintain good relationships with existing and prospective suppliers
- d. Contract Management Strategy - that provides a framework, based on the spend profile of the health service, for how procurement categories and individual procurement will be managed at the contractual stage

Details for developing these four respective components are available in the respective guides, available at the Health Purchasing Victoria website at <http://www.hpv.org.au>.

Note 2. The Procurement Activity Plan details all anticipated procurement activities for at least the next 12 to 18 months, enabling health services to plan their allocation of resources and to inform the market. The Procurement Activity Plan is based on the best available information and must be reviewed at least annually to keep the market informed of changes or developments. A high level summary plan must be published on the mandated health service's website to improve transparency for suppliers.

2.9. The CEO must ensure that the procurement strategy is reviewed annually to confirm alignment with the procurement profile of the mandated health service and broader government objectives.

Note 3. The extent of information captured in the procurement strategy will depend on the spend profile of the individual health service. Where a health service chooses to share or outsource aspects of their procurement responsibilities to other health services, this may significantly simplify the procurement strategy.

3. Evaluation and compliance

- 3.1. The HPV Board, or its delegate, in accordance with the *Health Services Act 1988* (Vic) may require the CEO to audit compliance with HPV purchasing policies and directions and provide an audit report to the HPV Board or delegate.
- 3.2. Health services are required to comply with HPV reporting requirements to assist HPV in its role of ensuring probity and implementing and reviewing policies and practices to promote best value in health sector procurement.
- 3.3. Specific health service reporting requirements include:
 - a. the provision of audit reports detailing the outcomes of audits of compliance with HPV purchasing policies and directions as requested by the HPV Board in the HPV Audit Schedule or as part of a separate request in accordance with clause 3.1 above.
 - b. an annual attestation of compliance with the HPV Health Purchasing Policies in the health services' annual report of operations identifying any material non-compliance issues. The attestation must be made by the CEO and follow the form prescribed by HPV in its guidance material.
 - c. an annual self-assessment submitted to HPV regarding the health services:
 - i. compliance with the HPV Health Purchasing Policies identifying all non-compliance issues and remedial actions relating to the issue(s); and
 - ii. compliance to HPV collective agreements identifying all non-compliance and remedial actions relating to the issue(s)
 - d. regular status reports to HPV on the health services' compliance with HPV collective agreements as per the obligations set out in *HPV Health Purchasing Policy 5. Collective Purchasing* identifying any non-compliance issues and remedial actions relating to the issue(s)
 - e. an ongoing obligation to report to HPV material non-compliance issues that arise in relation to the HPV Health Purchasing Policies as soon as the health service becomes aware of the issue, and remedial actions relating to the issue(s)
 - f. annual submission of health service activity reports, including:
 - i. details of all procurement activities that the health service anticipates taking to market in the next 12-18 months
 - ii. details of all current contracts in place at the health service at the time of submission
 - iii. details of all on-selling arrangements that relate to HPV contracted products or services as per clause 2.6 (j) of *Health Purchasing Policy 5. Collective Purchasing*
 - g. other specific reporting requirements communicated to health services in advance of the requirement
- 3.4. Health service audit reports and annual attestations of compliance with the HPV Health Purchasing Policies must be verified by the health service Board.

Note 4. Mandated health services may use the services of the HPV Secretariat to regularly review policies and processes to ensure compliance with Health Purchasing Policies.

4. Procurement complaints management

- 4.1. A procurement complaint is an issue or concern expressed by a supplier in relation to the process or probity applied by a mandated health service when carrying out a procurement activity. The complaint should be a letter, email or fax lodged with a mandated health service's CPO.
- 4.2. The mandated health service must develop a procurement complaints management policy that sets out the process and procedures for addressing complaints, or ensure that procurement complaints are managed according to this policy in their general complaints management policy.
- 4.3. The investigation of a complaint and subsequent response must be overseen by a person not involved in the subject matter of the complaint. A mandated health service's procurement complaints management policy must be published in a public domain and easily accessible to a complainant.
- 4.4. The procurement complaint management policy must outline:
 - a. how the investigation will be dealt with including any specific processes defined in an individual procurement activity or contract
 - b. what documentation the organisation requires from the complainant in terms of scope and format
 - c. contact and lodgement details for all documents
 - d. timelines for conducting the investigation and providing a response
 - e. the range of outcomes available to the organisation in responding to a complaint
 - f. the escalation process for a review by HPV, should the findings and actions taken by the organisation not resolve the matter to the satisfaction of the complainant
 - g. other government bodies that may be able to assist
- 4.5. Mandated health services are to inform the HPV Board within five working days of any complaint that could not be resolved to the satisfaction of both parties.
- 4.6. The health service must maintain a register and report annually to their Board the following information in relation to each complaint received:
 - a. procurement activity to which the complaint relates
 - b. status of the complaint confirming whether it:
 - i. was resolved
 - ii. is still under investigation
 - iii. could not be resolved

Referring a complaint to the HPV Board for review

- 4.7. A complainant can refer a complaint to the HPV Board for review if not satisfied with the findings and actions of the mandated health service involved. This could be related to the management of the complaint or the application of the Health Purchasing Policies.
- 4.8. Complaints submitted to the HPV Board must be lodged by letter, email or fax within 10 working days of the receipt of the findings by the organisation to:

The Chair
HPV Board
Health Purchasing Victoria
Level 34, 2 Lonsdale Street
Melbourne Victoria 3000

- 4.9. The complainant must provide the following material:
 - a. evidence that the mandated health service did not correctly apply Health Purchasing Policies in relation to a procurement activity
 - b. evidence that the mandated health service's complaints management procedures were not applied correctly
 - c. a copy of all relevant correspondence between the complainant and the mandated health service in relation to the nature of the complaint
 - d. any additional material requested by the HPV Board to assist it in its findings
- 4.10. The HPV Board:
 - a. will inform the mandated health service and complainant of its findings and any further action it intends to take in relation to the matter
 - b. can require the CEO to audit its application of Health Purchasing Policies in relation to the procurement activity
 - c. can inform the Minister of Health of its review of a complaint and advise the Minister of further action that could be taken
 - d. may note the outcome of a review in relation to any complaint in its annual report to Parliament