

# Guide to creating a clear governance framework

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## What is procurement governance?

Procurement governance is the allocation of accountabilities, roles, responsibilities, standards, communications and major practices within an organisation in relation to its procurement activities. Good procurement governance helps to establish and support the business need for a product or service and ensures that the appropriate level of authority and capability is allocated to the procurement of that particular need.

## Why create a procurement governance framework?

A procurement governance framework (or similarly documented governance process/procedure) defines the procurement governance arrangements of the organisation. Its purpose is to drive behaviour towards achieving the organisation's procurement objectives and ensuring that value for money is achieved while maintaining other public procurement principles such as accountability, probity and scalability.

## Creating a procurement governance framework

A procurement governance framework can be documented by developing a procurement policy and a procurement strategy for your organisation, these may collectively be the framework or alternatively the policy or strategy may be sufficient to contain all the relevant information on accountabilities, roles etc. A procurement framework/policy or strategy provides an overview of your health service's governance approach or framework, with the procurement strategy documenting the way your health service will conduct its procurement activities. Importantly depending on the size of your health service one 'document' may serve the purpose of explaining the who, what, and where of the procurement governance for the health service.

Documenting the governance framework *or similar document* and establishing a review process will help with strategic planning, benchmarking, measuring performance and improving productivity in procurement activities.

### Governance Framework Requirement

The requirement for a governance framework<sup>1</sup> is set out in the Governance Policy, which is mandated for all public hospitals and health services listed under Schedules 1 and 5 of the *Health Services Act 1988 (Vic)*.

Health services can choose to adopt any template for their procurement strategy<sup>2</sup>, and the level of detail in the procurement strategy is determined by the Chief Procurement Officer<sup>3</sup>. HSV has developed a procurement strategy template, with notes, which is available for health services to use. If you choose to use a format different to that provided by HSV, you should ensure that your procurement strategy includes the following:

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<sup>1</sup> The PGF may consist of Policies and/or Procedures to make up the PGF but may/or may not be called the PGF

<sup>2</sup> The Procurement Strategy may consist of a Procurement Activity plan, Capability Development Plan, Contract Management Plan and A Supplier Engagement Plan, but may or may not be called the Procurement Strategy.

<sup>3</sup> The AO of a health service may choose not to create a separate role for the CPO role, but instead include the duties within an existing role in the health services. The AO must be satisfied that governance structures and reporting requirements are in place to conduct the health service's procurement activity and to maintain compliance with HSV purchasing policies.

- The purpose of the governance framework, and the major procurement principles adopted (e.g. probity, value for money, scalability, accountability etc.).
- A summary of your spend profile at the category level, and an analysis of the main areas of spend.
- The strategic direction of your procurement activities.
- How the procurement function is aligned to your health service's strategic direction.
- A detailed map of procurement roles, responsibilities and reporting structure.
- The procurement process, showing how procurement activities will be planned and approached, and the key approval points.
- A summary of key suppliers and stakeholders, and a communication plan for engaging with these groups.
- How compliance will be monitored and how performance will be measured.
- Details of the complaints management process.
- How the framework will be reviewed and updated to ensure currency.
- The framework to be approved / authorised by the appropriate Body at the health service, this maybe the Board or a Board sub-committee.

Good governance in procurement requires openness and transparency in procurement processes, an important element of which is ensuring there are clear and easily accessible avenues for complaint for suppliers, and other stakeholders.

## **Governance Policy Requirement**

The HSV Purchasing Policy 1. Governance requires that a procurement strategy (note it may be termed /titled differently) should include a supplier engagement plan, a capability development plan, a contract management strategy and a procurement activity plan. Separate guidelines are available on how to develop these.

## **What is a complaints management system?**

A complaints management system/process provides a mechanism for suppliers (or agents acting in the interest of suppliers) to raise concerns about how an organisation manages a procurement activity. The complaints management system/process will complete and complement dispute resolution processes that are specific to individual procurement activities or supply contracts and agreements.

## **Why develop a complaints management system?**

Effectively handling procurement complaints demonstrates that your health service places a high level of importance on the way it conducts procurement and how it interacts with the market.

A complaints management system/process gives a supplier involved in a procurement activity or an agent acting in the interests of the supplier, mechanisms to raise concerns about how an organisation manages a procurement activity.

To maintain high standards of probity, complaints need to be handled in a consistent, fair and transparent manner. Ideally, complaints should be resolved - to the satisfaction of both parties. Escalating complaints to external bodies can result in added costs and delays in delivering your procurement activities.

## **Complaints Management System**

The complaints management system/process for procurement activities is only equipped to deal with complaints related to a procurement process. Matters of improper conduct, corruption or fraud etc., are to be

dealt with under other existing channels (such complaints must be directed to the appropriate body for review).

## Developing a complaints management system

A complaints management system/process sets out the process and procedures to be followed by your health service when addressing a complaint related to a procurement process:

An effective complaints management system/process will:

- a) how the investigation will be dealt with;
- b) the documentation required for the health service to conduct an investigation;
- c) contact and lodgement details for all documents;
- d) timelines for conducting the investigation and provision of a response;
- e) the range of outcomes available to the health service for responding to a complaint;
- f) the process for review by HSV; and
- g) other government bodies that may be able to assist.

To demonstrate impartiality when investigating a complaint, the person managing the complaint needs appropriate knowledge of procurement policies and relevant processes. They must not be directly involved in the subject matter of the complaint.<sup>4</sup>

## Complaints referred to the HealthShare Victoria

If the complaint cannot be resolved to the satisfaction of both parties, the complainant may refer the matter to the HealthShare Victoria for review.

## More information

Related documents and templates are available on the HSV website.

## Disclaimer

The information presented in this document is general in nature and based on HealthShare Victoria's interpretation of the *Health Services Act 1988 (Vic)* and any ancillary legislation and regulations in effect at the time, and should not be relied upon as legal advice. Please consider seeking professional and independent advice from your legal representative as to the applicability and suitability of this information and the legislation to your own business needs or circumstances.

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<sup>4</sup> Smaller health services may choose to engage with another health service within the region to conduct the investigation.