

HEALTH PURCHASING VICTORIA

ANNUAL REPORT 2011-12

Health Purchasing
Victoria achieves best
value supply chain
outcomes for Victoria's
health sector

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2011-12: REPORT FROM BOARD CHAIR AND CHIEF EXECUTIVE

2011-12 was a year of significant change for HPV as we worked to capitalise on the success of the public health services sector in previous years to redefine the role of HPV. We also delivered the final year of our Strategic Plan 2009-12 while developing a new five-year Strategic Plan.

Highlights of 2011-12 include:

- Commencement of the Victorian Product Catalogue project
- Approval of the Strategic Plan 2012-2017 by the Victorian Minister for Health
- First intake of the HPV Procurement Professionals Program (PPP) Course
- Embedding of Sustainable Procurement Principles

COLLECTIVE TENDER PROGRAM

Working closely with public health services and the Department of Health, during the year, HPV:

- Completed the first Victorian statewide tender for Orthopaedic Prostheses, with a cost saving of \$4.0 million per annum or 10%, and financial incentives for rationalisation within health services.
- Undertook three Greenfield tenders and five retenders, with a further six tenders in progress at the end of June.
- Managed a total of thirty contract categories with a value of approximately \$425 million per annum.
- Delivered a total financial benefit of \$51 million in 2011-12 through the tenders and contracts program, and further benefits through quality assurance, procurement risk management, reduced local tendering effort and transparency of the tender process.

COLLABORATION

HPV further strengthened two-way ties with health services through a number of collaborations. Two part-time secondments supported HPV in delivering tender outcomes, while HPV provided procurement advice and support to projects at two health services.

146 health service staff participated in Executive Reference Groups and Product Reference Groups during the year, which directly contributed to statewide outcomes. We are very grateful for their outstanding contribution to the sector.

SUPPORTING PROFESSIONAL DEVELOPMENT

HPV commenced Procurement Professionals Program with a first intake of fourteen participants from metropolitan and regional health services and HPV. The diploma course will lead to an internationally recognised procurement qualification.

As the first cohort nears the end of the 12-month program, feedback from participants and their line managers has been incredibly positive and HPV looks forward to commencing a second intake in 2012-13.

HPV was encouraged by the Minister for Health and the Secretary of the Department of Health to take a bold, long term view when contemplating its next strategic plan

SUSTAINABLE PROCUREMENT

The Department of Health, Sustainability Victoria and Department of Sustainability & Environment continued to fund a 12-month project within HPV, which concluded during 2011-12, to strengthen sustainable procurement practices within the Victorian public health sector. An analysis of potential impact identified four high priority areas. One of these - Catering Supplies - became the focus of a further project in 2011-12.

VICTORIAN PRODUCT CATALOGUE

HPV expanded on the results of the pilot of the National Product Catalogue (NPC) data in HPV tenders. Funding and support from the Department of Health enabled HPV to take the lead on NPC implementation in Victoria. NPC data was mandatory in six tenders during the year and funding was also secured to build and implement the Victorian Product Catalogue across the State. This project will continue in 2012-13.

GOVERNANCE

In August 2011 HPV welcomed on to the Board, Mr Alex Johnstone, Ms Mary Malone and Dr Robyn Mason. Ms Alice Sidhu resigned from the Board in February 2012, as the nominee of the Department of Treasury & Finance, when she took up employment in the private sector. Ms Eileen Keane resigned her position on the Board in April 2012 to be appointed Director Change & Innovation at HPV. Mr Tim Barta resigned his position on the Board as the nominee of

the Department of Health, due to a change in his substantive employment. Their contributions are greatly appreciated.

FINANCIAL PERFORMANCE

HPV completed the year with a surplus of \$1,035,951, a result driven primarily by timing of project funding from the Department of Health for the Victorian Product Catalogue.

HPV PLANNING FOR THE FUTURE

HPV was encouraged by the Minister for Health and the Secretary of the Department of Health to take a bold, long term view when contemplating its next strategic plan. After extensive consultation between August and December 2011, a new five-year Plan was developed and endorsed by the HPV Board and approved by the Minister for Health.

The Victorian Auditor General's Office also undertook a performance audit of *Procurement in the Public Health Sector* and reported that HPV was performing central procurement well, with integrity and transparency, and was delivering significant savings. The report found that HPV was not fulfilling some key legislative functions. The gaps included ensuring probity, a greater role in education and other support, driving the use of technology and increasing the value under HPV contract.

As a result of both consultation and in response to the Victorian Auditor General's report, six Strategic Goals were adopted by the HPV Board with a view to

increasing the value delivered by HPV and enabling HPV to address all of its legislative functions.

THANK YOU

The success of HPV is a direct result of its close working relationships with hospitals and health services, without which HPV could not deliver on its objectives. We would like to acknowledge the work of our staff and those who work with them to ensure the success of our procurement activities. In particular we extend our sincere thanks to the following individuals for their ongoing commitment and support during 2011-12:

- The Minister for Health
- The Department of Health
- Victorian public hospitals and health services
- Suppliers to the Victorian public health sector
- 146 expert health service participants who were members of Executive Reference Groups and Product Reference Groups
- Committee and advisory group members involved in HPV activities
- The HPV team of dedicated staff
- HPV Board Members

Lastly, in accordance with the *Financial Management Act 1994*, we are pleased to present the following Report of Operations for Health Purchasing Victoria (HPV) for the year ending 30 June 2012.



Felix Pintado

Chair
Melbourne
16 August 2012



Megan Main

Chief Executive
Melbourne
16 August 2012

ABOUT HPV

Over the past three years, working collaboratively with the sector, HPV almost doubled the value under contract from \$237 million to \$425 million per annum.

ESTABLISHMENT

Health Purchasing Victoria (HPV) was established in 2001 as an independent statutory authority under Section 129 of the *Health Services Act 1988*.

HPV is responsible to the Minister for Health and works closely with the Department of Health.

OBJECTIVES

HPV exists to improve the collective purchasing power of Victorian public hospitals and health services and to achieve 'best value' outcomes in the procurement of health related goods, services and equipment.

HPV works in partnership with public hospitals and health services in order to understand their requirements, to facilitate large-scale collective tenders and manage common-use contracts on behalf of the state.

HPV applies the Code of Conduct for the Victorian Public Sector issued by the State Services Authority.

STRATEGIC DIRECTIONS 2009-12

In April 2009 HPV consulted with key stakeholders to review its direction and priorities for 2009-12. Three Strategic Directions and two Strategic Enablers were identified:

STRATEGIC DIRECTIONS

- Tendering and Contract Management Strategy
To deliver a robust and transparent tender program capable of achieving quantifiable benefits

- Supply Chain Improvement
Implement supply chain improvement strategy consistent with our agreed role
- Optimising Relationships
Develop targeted and strategic relationships to support collective procurement outcomes

STRATEGIC ENABLERS

- Data Systems and Management
Capture, manage, analyse and share information to improve collective procurement outcomes
- Organisational Sustainability
Optimise organisational performance

The report on our achievements for 2011-12 relates to these strategic directions and enablers.

THE WAY FORWARD – STRATEGIC PLAN 2012-2017

Over the past three years, the Strategic Directions and Strategic Enablers helped focus HPV on consolidating and improving relationships throughout the health sector. Working collaboratively with the sector, HPV almost doubled the value under contract from \$237 million per annum to \$425 million per annum during that period. Over that time HPV also delivered cumulative cost savings of at least \$72 million, plus a further \$50 million in cumulative cost avoidance.

HPV undertook a major five-year strategic planning process during 2011-12 to put in place an agreed set of objectives for the period 2012-17. No longer focusing on Directions and Enablers, the Strategic Plan 2012-2017 was designed to fully address our legislative responsibilities as prescribed by Part 6 of the *Health Services Act 1988*.

The Strategic Plan 2012-2017 specifically focuses on areas identified as significant gaps by the Victorian Auditor-General in his 2011 report into *Procurement Practices in the Health Sector* including ensuring probity, providing education and other support, driving the use of technology and increasing the value under HPV contract.

Over the next five years we will:

- Significantly expand the statewide tender and contract management program
- Lead collaboration on medical equipment procurement
- Support end-to-end supply chain efficiency gains
- Strengthen health sector procurement and probity capability
- Ensure evidence-based knowledge drives supply chain decisions
- Build capability and capacity within HPV

We will undertake our Strategic Plan 2012-2017 in the broader context of increasing demand for healthcare services, the need for financial sustainability of the health sector and the National Health Reform agenda.

The strategic initiatives outlined in the Strategic Plan 2012-2017 represent new and expanded activities which cannot be absorbed by the small organisation which HPV has traditionally been. To deliver our Strategic Plan we must significantly increase our revenue base to support the organisational growth needed to take on these activities. In addition, to deliver early benefits, we must commence working with our stakeholders as soon as possible to identify and prioritise opportunities that will increase the benefit delivered by HPV, and to achieve our purpose of achieving best value supply chain outcomes for Victoria's health sector.

The Strategic Plan 2012-2017 confirms our Values and establishes a new Statement of Purpose which replaces our previous Vision and Mission.

Our Purpose and Values support our Strategic Goals and describe how we work together.

PURPOSE

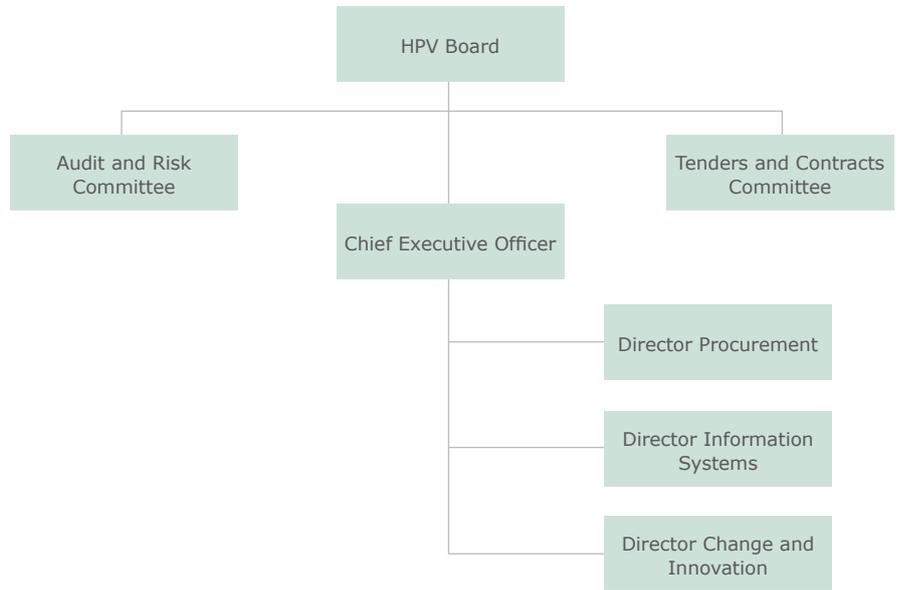
Health Purchasing Victoria achieves best value supply chain outcomes for Victoria's health sector.

VALUES

Our values drive our culture, processes and behaviours, how we work internally and externally, to achieve our purpose.

We value:	This means we:
COLLABORATION	<ul style="list-style-type: none">• Place priority on effective stakeholder relationships• Work with stakeholders for mutual benefit• Seek input and incorporate feedback
ACHIEVEMENT	<ul style="list-style-type: none">• Encourage initiative and aspire to excellence• Promote continual learning and improvement• Deliver outcomes that benefit our partners
TEAM WORK	<ul style="list-style-type: none">• Contribute beyond our own tasks to achieve our purpose and goals• Value the contribution of our external stakeholders and staff
INTEGRITY	<ul style="list-style-type: none">• Say what we mean, do what we say• Be honest, open and transparent, demonstrating a consistent approach in all our dealings
RESPECT	<ul style="list-style-type: none">• Equally recognise value of, listen to and acknowledge the contribution of all
COMMUNICATION	<ul style="list-style-type: none">• Share information openly in a timely and appropriate way

GOVERNANCE



BOARD MEMBERS

The Governor in Council, on the advice of the Minister for Health, appoints the Board of HPV. The Board reflects a mix of skills and experience, with strong representation by health service Executives.

We would like to acknowledge the contribution of Mr Tim Barta, Ms Eileen Keane and Ms Alice Sidhu who resigned their positions on the Board of HPV during 2011-12.

Board composition during 2011-12 was as follows:

Mr Felix Pintado (Chair)

B.Theol, Dip. Ed., GDHSM, MHA, FCHSM, CHE, FAIM, MAICD
 Appointed to the Board in 2001 and Deputy Chair from 2001-07, Felix has chaired HPV since July 2007. Felix is the Chief Executive of Royal Freemasons Ltd, one of Victoria’s most respected aged care providers.

He previously held senior executive positions in specialist and general hospitals in Victoria

and New Zealand, including Chief Executive of Dental Health Services Victoria and Latrobe Regional Hospital.

Felix is a Councillor of the Victorian State Branch of the Australasian College of Health Service Management. He is also a Board Director with the Australian Healthcare and Hospitals Association, and Aged and Community Care Victoria.

Mr Craig Bennett (Deputy Chair) *MSc (Health Economics), B.Econ(Hons), FCHSM*

Appointed to the HPV Board in July 2006. Craig Bennett took up his appointment as Chief Executive Officer of the Peter MacCallum Cancer Centre in May 2004. Previously he held senior management positions in both the private and public health care sectors in Australia and overseas. His particular interests include understanding the links between teaching, research and patient care.

Mr Tim Barta *BA(Hons)*

An HPV Board Member since July 2007, in 2011-12 Tim was Director, Data Integrity in the Department of Health. Previously Tim was the Director, Funding, Health & Information Policy in the Department of Human Services, and has also worked in the Victorian Government Departments of Treasury & Finance, and Premier and Cabinet.

Mr Simon Brewin *BBus C&HM, GDHSM, MBL, FCHSM, CHE*

Appointed to the Board in July 2008, Simon Brewin is Executive Director, Planning Infrastructure & Information Technology at Peninsula Health. Simon's career as a health services manager spans some 28 years with previous senior appointments at Southern Health, Bayside Health (The Alfred), Mercy Hospital for Women and other hospitals.

Mr Alex Johnstone *B.Sc. (Econ) Hons – Accountancy, FCPA, CPFA (UK) (August 2011 onwards)*

Appointed to the Board in August 2011, Alex is an experienced Executive Director of Finance. He was instrumental in the establishment of the National Health Service North East London Procurement Hub. Alex is currently Director of Resources and Planning at The University of Melbourne, Faculty of Medicine, Dentistry and Health Sciences. He is a member of the Chartered Institute of Public Finance and Accountancy and the Healthcare Financial Management Association, and is a Fellow of CPA Australia.

Ms Eileen Keane *MBA;*

GDipCompEd; BSc(Ed) (1 July 2011 to 11 April 2012)

Eileen joined the Board of HPV in July 2009. She has extensive procurement experience in the automotive industry within Australia and also Asia-Pacific and Africa. Eileen is a Six Sigma Black Belt and has led or mentored projects that have delivered multi-million dollar savings.

Mr Rick Law *BBA, Grad.DipAFin*

An HPV Board Member since July 2009, Rick is Director, Supply Chain at Peninsula Health. Previously Rick was Manager Financial Services with DHS, and has a strong manufacturing background in senior strategic roles in both Supply and Finance with Heinz Foods, Nissan Motor Manufacturing, Bata Footwear and ACI-Nylex.

Ms Mary Malone *B.Bus (August 2011 onwards)*

Appointed to the Board in August 2011, Mary has extensive senior leadership experience in the South Australian public health system in acute general public hospitals, both large and small, and state-wide mental health services.

Dr Robyn Mason *MBBS, M.Admin, FRACMA, FAICD (August 2011 onwards)*

Appointed to the Board in August 2011, Robyn has a medical degree and post-graduate qualifications in business and hospital management and is committed to excellence in the management and financing of Victoria's public health system.

Since mid-2009 Robyn has worked as a healthcare consultant. Prior to that she held a number of senior health management roles.

Ms Lea Pope *B App Sci (Phy), Grad Dip Gerontology, Grad Dip Business (Health Services Mgt)*
An HPV Board member since July 2010, Lea Pope has been Chief Executive Officer at Bass Coast Regional Health since September 2007. Lea's initial training was as a physiotherapist and she has had varied experience in acute care, rehabilitation and aged care before moving into management roles within the Department of Human Services and Bayside Health.

Ms Alice Sidhu *LLB; BA(Hons) (1 July 2011 to 20 February 2012)*
Appointed to the Board in July 2010 Alice commenced her career in supply chain, before moving into procurement working with Ericsson then HP, leading global projects. In 2008, Alice became the Department of Treasury & Finance's Director, Strategic Sourcing. The team is responsible for establishing and managing whole of government contracts, driving procurement reform and enhancing procurement capability across government.

Ms Linda Sorrell *MHA, BHSM, Grad Certificate in Casemix, RN*
Appointed to the HPV Board in July 2009. In 2007, Linda Sorrell was the first female Chief Executive of The Royal Melbourne Hospital in its 160-year history. A highly qualified executive with extensive experience working within the Government sector,

Linda has worked in a variety of hospital and network roles in both NSW and Victoria for many years. Linda is currently Chief Executive of the Australian and New Zealand College of Anaesthetists.

BOARD ATTENDANCE 2011-12

There were ten Board meetings held between 1 July 2011 and 30 June 2012.

Name	Meetings eligible	Number attended
Mr Felix Pintado (Chair)	10	10
Mr Craig Bennett (Deputy Chair)	10	7
Mr Tim Barta	10	8
Mr Simon Brewin	10	8
Mr Alex Johnstone (Appoint Aug 11)	8	7
Ms Eileen Keane (resigned Apr 12)	8	8
Mr Rick Law	10	8
Ms Mary Malone (Appoint Aug 11)	8	7
Dr Robyn Mason (Appoint Aug 11)	8	8
Ms Lea Pope	10	7
Ms Alice Sidhu (resigned Feb 12)	6	5
Ms Linda Sorrell	10	6

BOARD SUB COMMITTEES

The following Committees provided advice to the HPV Board during 2011-12:

Board Process Committee

Chair: Mr Felix Pintado

Members: Mr Tim Barta, Mr Craig Bennett, Mr Simon Brewin, Ms Linda Sorrell

The Board Process Committee was established for Board operational effectiveness and efficiency for items that may require urgent attention (usually between regular Board meetings) and for attending to CEO remuneration and resource matters.

AUDIT & RISK COMMITTEE

Chair: Mr Tim Barta

Deputy Chair: Ms Linda Sorrell

Members: Ms Kathy Grigg, Mr Alex Johnstone, Dr Robyn Mason, Mr Lynton Norris, Mr Felix Pintado (*ex officio*), Mr John Sutherland

The Audit & Risk Committee (ARC) advises the Board in key areas of governance. The ARC ensures that accurate, timely and relevant reports are produced on the financial operations of HPV. It advises the Board on matters relating to financial strategies, the internal audit function and also oversees the Risk Register and effectiveness of internal control systems in maintaining legislative compliance.

TENDERS & CONTRACTS COMMITTEE

Chair: Mr Simon Brewin

Deputy Chair: Ms Eileen Keane (*until April 2012*)

Members: Mr Mark Berryman, Mr Santo Cavaleri., Mr Rick Law, Ms Mary Malone, Mr Joe Neill, Mr David Ray, Ms Charmayne Thompson

The Tenders & Contracts Committee (TCC) advises the Board in achieving its fiduciary duty through the execution of the tender program, while maintaining appropriate segregation of powers. The TCC provides independent review and makes recommendations to the Board regarding HPV tendering and contracting activities.

REMUNERATION

The remuneration of Board members is determined by Government policy.

The Board reviews the performance and remuneration of the Chief Executive on an annual basis via the Board Process Committee.

RISK MANAGEMENT

The Board engaged Wyndarra Consulting in 2009 to provide Internal Audit services to HPV for a three year period, this was extended for a further three years in January 2012.

The 2011-12 Internal Audit Program included legislative compliance reviews of OH&S Workplace Safety, Employment Records, Records Management and PROV Records Management.

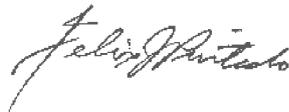
The Annual External Financial Audit was outsourced by the Victorian Auditor-General's Office to the accounting firm DFK Collins Pty Ltd.

In line with Victorian Government Purchasing Board guidelines, where a tender is likely to have a value in excess of \$10 million over the life of the contract, or where there is a likelihood of significant risk, a Probity Auditor is engaged for the term of the tender. HPV retained the services of Acumen Alliance for its probity advice during the financial year.

ATTESTATION

ATTESTATION ON COMPLIANCE WITH AUSTRALIAN/NEW ZEALAND RISK MANAGEMENT STANDARD

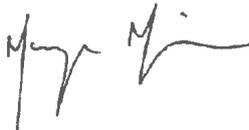
I, Felix Pintado, certify that Health Purchasing Victoria has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The Audit and Risk Committee verifies this assurance and that the risk profile of Health Purchasing Victoria has been critically reviewed within the last 12 months.



Felix Pintado
Chair of Board
Melbourne
16 August 2012

ATTESTATION ON DATA INTEGRITY

I, Megan Main, certify that Health Purchasing Victoria has put in place appropriate internal controls and processes to ensure that reported data reasonably reflects actual performance. Health Purchasing Victoria has critically reviewed these controls and processes during the year.



Megan Main
Chief Executive and Accountable Officer
Melbourne
16 August 2012

COMPLIANCE

This summary is provided in accordance with the Directions of the Minister for Finance.

HPV is an incorporated body established under Section 6 of the *Health Services Act 1988* and is regulated by the Act.

PURCHASING POLICES

No new purchasing policies were gazetted during 2011-12.

A new Principal Purchasing Policy was made by HPV in May 2011 in accordance with Section 134 of the *Health Services Act 1988* to govern the future tendering activities of HPV. This replaced the previous Purchasing Policy gazetted in August 2008.

All necessary consultation was carried out prior to gazettal of the new Purchasing Policy.

The Purchasing Policy made in November 2007 that gave effect to the Patient Food Preparation and Distribution Metropolitan Melbourne Strategy remains in force.

The Minister for Health did not disallow any purchasing policies in whole or in part during 2011-12.

DIRECTIONS

No Directions remain in force and no new Directions were made by HPV in 2011-12.

MINISTERIAL DIRECTIONS

HPV received no directions from the Minister for Health in relation to the exercise of HPV functions or powers in accordance with S134L (1) & (2) of the *Health Services Act 1988* in 2011-12.

The Minister did not disallow any direction or purchasing policy in operation for the financial year.

SECRETARIAL DIRECTIONS

HPV received no directions from the Secretary of the Department of Health regarding the terms and conditions upon which HPV may employ staff in accordance with S134L(3) of the *Health Services Act 1988* in 2011-12.

FREEDOM OF INFORMATION

HPV complies with all sections of the Victorian *Freedom of Information Act 1983*.

No requests for information under this Act were received during 2011-12.

WHISTLEBLOWER PROTECTION

HPV complies with the requirements of the *Whistleblower's Protection Act 2001* and encourages the disclosure of conduct believed to be inappropriate or corrupt. HPV has a Protected Disclosure Coordinator and information relating to the Act is provided to staff.

No reports or claims were made under the Act during 2011-12.

DISABILITY ACTION PLAN

The HPV Disability Action Plan (DAP) initially developed in April 2009 aims to improve outcomes for those with a disability who seek to engage with HPV or use its services. It focuses on four key outcome areas:

1. reducing barriers to people with a disability accessing HPV services;
2. reducing barriers to people with a disability gaining employment with HPV;

... in 2011-12 we maintained below 20% colour printing, despite increasing our staff levels by 61%.

3. promoting inclusion within the community of people with a disability; and
4. promoting positive cultural and workplace attitudes towards people with a disability.

HPV prides itself on being an all-inclusive employer.

BUILDING ACT 1993

Health Purchasing Victoria does not own any buildings, and leases office accommodation. Therefore HPV complies with the building and maintenance provisions of the *Building Act* 1993.

OFFICE BASED ENVIRONMENTAL IMPACTS

HPV continues to review how it can contribute further to reductions in environmental impacts. HPV has a recycling program and minimises power usage within its office.

HPV currently recycles:

- All paper and cardboard
- Glass
- Metal Cans
- Plastic, from grades 1 to 5
- All printer cartridges
- Mobile phone handsets

To reduce printing and paper consumption, we aim to maintain a ratio of 40:60 of colour to black and white printing. We've consistently maintained below 40% colour printing for the past two years; and for 2011-12, we exceeded this target with a ratio of below 20% colour printing for each quarter, despite increasing our staff levels by 61%.

SUSTAINABLE PROCUREMENT

With the assistance of Product Reference Groups, a standard environmental management clause has been added to Request for Tender specifications issued by HPV. Clauses may relate to the supplier's operations, or to aspects of the goods or services being requested and will be tailored to suit each tender. Sustainability Victoria additionally funded a project to identify sustainable opportunities specifically within the hospital catering supplies contract used by hospital food services.

With existing contracts already in place, it is not possible to 'retrofit' sustainability criteria; however we continue to provide relevant product information to assist health services in making more sustainable product selections.

NATIONAL COMPETITION POLICY

The guiding legislative principle of the National Competition Policy is that legislation should not restrict competition unless it can be demonstrated that:

- the benefits of the restriction to the community as a whole outweigh the costs; and
- the objectives of the legislation can only be achieved by restricting competition.

Health Purchasing Victoria was established to complement the aims of the National Competition Policy by increasing competition amongst suppliers.

Section 1340 of the *Health Services Act 1988* exempts HPV from Section IV of the *Trade Practices Act 1974* to allow the Victorian public healthcare sector to tender as a single entity.

IMPLEMENTATION OF THE VICTORIAN INDUSTRY PARTICIPATION POLICY (VIPP)

During 2011-12 HPV commenced thirty six contracts totalling over \$293 million in value to which the VIPP applied.

For contracts commenced during the year, 1180 existing local jobs were retained and a further 38 jobs created. Also the contracts incorporated 10 existing apprenticeships to be retained and a further 9 apprenticeships to be created.

Local content ranged from 7% to 90% with an average of 42% across the thirty six contracts commenced during the year.

Summary of the skills and technical transfer commitments include:

- All contractors committed to ongoing staff training and development, with
- Offerings for the provision of in-service training to hospital staff regarding technical applications of medical products.

During 2011-12 HPV did not complete any contracts to which the VIPP applied.

ADDITIONAL INFORMATION AVAILABLE ON REQUEST

In compliance with the requirements of the Directions of the Minister for Finance, details in respect of the Directions, including items listed below have been retained by Health Purchasing Victoria and are available to the relevant Ministers, Members of Parliament and the public on request (subject to freedom of information requirements, if applicable).

- a) A statement of pecuniary interest has been completed;
- b) Details of shares held by senior officers as nominee or held beneficially;
- c) Details of assessments and measures undertaken to improve the occupational health and safety of employees;
- d) General statement on industrial relations and details of time lost through industrial accidents and disputes, which is not otherwise detailed in the Report of Operations;
- e) Details of all consultancies and contractors including consultants/contractors engaged, services provided and expenditure committed for each engagement
- f) Details of overseas visits undertaken, including a summary of the objectives and outcomes of each visit.

STRATEGIC ACHIEVEMENTS

Strategic Direction 2009-12	Deliverable 2011-12	Status	Outcome 2011-12
1. Tender Strategy and Contract Management	Tender Program	Complete	Program completed as per MOU 2011-12 Schedule
	Number of tenders	Complete	
	Number of Contracts to be achieved within time frame	Complete	
	A Reference Group (PRG/ERG/PAG/SRG/SPF as appropriate) shall be appointed for each Tender	Complete	Reference Groups appointed for each tender
	MOU Compliance	Complete	Met 10% saving target for greenfield tenders (2); held annual cost growth to 2% below Health Index for retenders (5)
	Undertake strategic procurement analysis to identify cost reduction and other improvement opportunities in existing and potential new categories	Complete	Two Greenfield tenders identified: Chemicals and Haemodialysis Strategic analysis resources in place from May-12
	Partner with other jurisdictions to deliver Procurement outcomes	In Progress	Second jurisdictional summit conducted in Feb-12 National benchmarking program on strategic categories Commenced discussions with other jurisdictions about strengthening collaboration; legal review underway to assess legislative framework
	In consultation with health services, deliver a three-year forward tender program scoped and endorsed by health services	Complete	Confirmed Annual Tender Program 2012-13 (including 3-year forward tender plan) endorsed by health service CEOs Additional opportunities under investigation
	In consultation with health services, engage two health services in assisting HPV conduct Greenfield tenders or to conduct tenders on behalf of HPV	Complete	Barwon Health and Alfred Health managers seconded to HPV to assist with tenders; HPV supported Austin Health on a collaborative tender and provided advice to Barwon Health on a supply chain improvement project
	Assess cost versus benefit of expanding access to HPV contracts to other health and related services	In Progress	Access established with Ambulance Victoria Strong interest in HPV from other health related organisations Department of Health Legal review underway to assess legislative framework
	Use Schedule 3 funds to support the conduct of complex medical tenders and to manage the resultant contracts	Complete	Complex medical tender schedule completed as per tender program
	In consultation with health services and the Department of Health expand the integration of sustainability in the procurement process	Complete	Sustainable Procurement project completed and results shared with stakeholders

Strategic Direction 2009-12	Deliverable 2011-12	Status	Outcome 2011-12
1. Tender Strategy and Contract Management (continued)	In consultation with health services and suppliers continue to develop and implement a contract management framework to improve contract compliance, better manage supplier performance and extract greater value from existing HPV contracts	Complete	Contract management processes in place for Nurse Agency Services, Catering Supplies and Pharmaceutical Products. Patent expiry process implemented for Pharmaceuticals
	In consultation with health services and the Department of Health, deliver a compliance monitoring program which supports HPV and health services to strengthen compliance with HPV policies and contracts	Complete	Annual compliance survey conducted including collection of information regarding reasons for non-compliance Independent analysis of three HPV contract categories
2. Supply Chain Improvement	Focus on VPC as an enabler to Supply Chain Improvement (Strategic Enabler 1)	N/A	Current MOU/funding does not support any focus on supply chain activities or improvement effort in 2011-12
3. Optimising Relationships	Undertake customer satisfaction survey and address findings	Complete	Regional consultation workshops conducted and results incorporated into Strategic Plan development
	Attend and present at suitable senior level customer forums	Complete	Regional and Metro CEO forums attended; CEO participant at monthly IFC meetings Other attendance included Committee of Chairs of Medical Staffs, EDON meetings CEO advisory group established
	Develop a tailored approach to rural and regional health services based on their needs	Complete	Regional consultation during strategic planning process and ongoing through category management Key component of Communications Strategy going forward Capacity created for increased focus on customer engagement
	Continue to strengthen pre-tender customer consultation	Complete	Customer liaison register monitored via scorecard
	Improve communication of tender outcomes with timely provision of contract information including new opportunities, supplier or product changes resulting from retender	Complete	Internal targets set and monitored via scorecard Non-awarded products communication implemented for all tenders
	Review method of communication of contract outcomes and implementation guides across the sector to enable more timely uptake of information by health services	Complete	Web-based screencast trial completed Testing underway for ongoing process
	Apply learnings from second Strategic Procurement Forum and ongoing program of statewide engagement	Complete	Learnings applied in 2011-12 tender program Customer needs captured in Strategic Plan development
	Share relevant Procurement and Supply Chain information and tools across the sector	Complete	3rd Annual Strategic Procurement Forum confirmed for Aug-12
	Take active role in supporting the ongoing development of Procurement capability within the public health sector through education and networking	Complete	Procurement Professionals Program (HPV PPP) underway with 14 ongoing participants Assessing demand for second intake

Strategic Direction 2009-12	Deliverable 2011-12	Status	Outcome 2011-12
3. Optimising Relationships (continued)	Review Annual Contract Impact Scorecard with each nominated health service CEO	Complete	Scorecards for 2011-12 discussed with each of the nominated CEOs plus others
	Develop a process to create and share health service impact reports at conclusion of each tender in the Confirmed Annual Tender Program	Complete	Reports shared with largest twenty health services for all tenders concluded during 2011-12 Working on extending to all Victorian health services
	Develop options document addressing barriers to HPV growth	Complete	Options paper presented to Department of Health Aug-11 Formed basis for Strategic Plan 2012-2017
	Identify key contacts and maintain appropriate regular contact including with Secretary and Minister	Complete	Regular quarterly meetings with Minister for Health Regular meetings with Department of Health Executives
	Continue to identify and work with relevant stakeholders in other Departments and across government sector	Complete	Regular contact with various Government Departments including Treasury & Finance and Business & Innovation
	Encourage suppliers to attend briefings and tender debriefs	Complete	Inclusion in HPV update and supplier engagement letter Ninety four supplier debriefs conducted in 2011-12
	Continue to refine the information provided to suppliers via website	Complete	Supplier survey issued and feedback being addressed via changes to website
	Coordinate and host Jurisdictional Procurement and Supply Chain Summit and drive outcomes and follow-up	Complete	2-day Summit hosted by HPV for twenty one colleagues from Australia and New Zealand with follow-up Summit in Sydney Agreed actions and regular communication
	Continue to identify and work with other stakeholders and groups for mutual benefit	Complete	CEO presented at various forums including MTAA, AOA, VAGO Auditors' Conference, GS1 Global Healthcare Conference
	Develop 5 year Strategic Plan for the period 2012-2017 through stakeholder consultation and Board approval, and secure appropriate resources to deliver on agreed priorities	Complete	Final Plan endorsed by Board Feb-12 and approved by Minister for Health May-12 Phase 1 Getting Started funding secured
Strategic Enabler 1: Data Systems and Management	Implement new data management system and supporting processes	In Progress	Additional resources in place with delivery on track for Feb-13
	Continue to improve information available via website	Complete	HPV index now live on web in spreadsheet format Website enhancements underway with regular updates of information and links
	Develop standard UNSPSC categorisation for use across the public health sector	In Progress	In progress in conjunction with VPCS project
	Continue to deliver National Product Catalogue (NPC) Phase 3 project	In Progress	Project funding secured and software developer appointed Project underway, overseen by Steering Committee Synchronisation scoping and data cleansing underway

Strategic Direction 2009-12	Deliverable 2011-12	Status	Outcome 2011-12
Strategic Enabler 2: Organisational Sustainability	Monitor HR performance against defined KPI measures and report to team on regular basis	Complete	HR KPIs developed and reported at Team Meetings
	Identify and initiate HR related improvements according to results of the SSA People Matters Survey and the Internal HPV staff survey	Complete	SSA Survey completed by more than 80% of staff. Results reported in team meetings Team Day conducted with workshop topics selected to match survey outcomes and actions developed
	Undertake specific gap analysis of the current suite HR policies and procedures and Collective Agreement (CA) to ensure clear information to staff on employment related matters	Complete	HR policies reviewed Collective Agreement review in progress
	Identify and implement strategies to strengthen the HPV employment lifecycle in regards to each of the stages of the lifecycle	Complete	Strategies in place and periodically reviewed
	Analyse HPV processes according to LEAN Principles and apply unified practical applications	Complete	Continuous improvement register established Fourteen initiatives completed and sixteen in progress Funding sought for dedicated process improvement resource
	Analyse trends from Dashboard reporting and implement strategic initiatives to improve operational performance	Complete	Corporate scorecard updated and reported quarterly
	Plan and deliver organisational development activities based on identified needs to bring about a more self-aware and powerful team that can effect change and achieve its purpose	Complete	6-monthly Team Days conducted with staff survey results analysed and actioned
	Foster staff involvement in planning and delivering team activities and events	Complete	Various staff events with rotating staff responsibilities
	Prepare for office relocation at end of current lease in March 2013	Complete	Options for relocation analysed and presented to staff and Board Preferred option endorsed by Board and discussed with staff Planning underway for relocation in Dec-12

MEMORANDUM OF UNDERSTANDING PERFORMANCE

HPV signed a Base Memorandum of Understanding (MOU) with the Department of Health which detailed financial and operational Key Performance Indicators (KPIs) and targets for 2011-12. Further specific project and funding MOUs with agreed KPIs were agreed during the financial year, all the KPIs were reviewed monthly by the Board and the Department.

The Base MOU deliverables are listed below, with *Additional*

Greenfield Tenders; Phase 1 Getting Started of the Strategic Plan 2012-2017; Victorian Product Catalogue; Pharmaceutical Products Management and Sustainable Procurement project schedules following.

Legend:

- ✓ KPI on track
- ⚠ KPI at risk; significant work required
- ✘ KPI not currently on track to be achieved

Base MOU deliverables

Key Performance Indicator	2011-12 Target	Final Status (at 30-06-12)	Complete?
Number of tenders	1 Greenfield tenders (approx. \$28 million pa)	Greenfield: <ul style="list-style-type: none"> • Orthopaedic Prostheses 	Complete ✓
	5 Retenders (approx. \$49 million pa)	Retenders: <ul style="list-style-type: none"> • Respiratory Products • Surgical Instruments Open & Laparoscopic • Wound Care • Operating Room Consumables & Wound Drainage • Pathology Consumables (incl. Rapid MRSA Analysis) • Interventional Cardiology 	All achieved on time ✓
	4 Options for consideration (approx. \$132 million pa)	Options: <ul style="list-style-type: none"> • Trauma Implants • Medical and Industrial Gases • Pharmaceutical Products • Sterilisation Consumables • Examination & Surgical Gloves • Office Requisites 	All Options approved by Board ✓
	4 Retenders in progress (approx. \$145 million pa)	Retenders: <ul style="list-style-type: none"> • Peritoneal Dialysis Products • Catering Supplies • Trauma Implants • Pharmaceutical Products & IV Fluids • Catering Supplies 	All Retenders on track ✓

Key Performance Indicator	2011-12 target	Current Status	Complete?
Contract management	34 categories (approx. \$400 million pa) Additional Greenfield tenders subject to additional funding	34 contract categories (over 366 individual contracts) under current management (approximately \$425 million pa)	✓
Number of Contracts to be achieved within time frame	All	Complete	✓
Reference Group (PRG/ERG/ SRG/ PAG/SPF) for each Tender as appropriate	All	Complete	✓
Budgeted performance as per Schedule 2 to MOU	Deliver 10% savings opportunities for Greenfield Contracts (1) including a component of demonstrable cost containment Hold annual cost growth to 2% below ABS Health Index [ABS 6401.0 Consumer price index (Health) and (Food) at June] for Retenders Provide robust data to support measured savings	Total cost saving of \$4.4 million per annum achieved for seven tenders concluded during 2011-12. Total approximately \$28.5 million in recurrent savings through entire HPV tender program, plus \$17 million in cost avoidance. Robust supporting data for every tender, with calculation methodology extensively audited by Victorian Auditor General's Office	✓
Use Schedule 3 funds to support the conduct of complex medical tenders and to manage the resultant contracts	One Greenfield tender completed, one retender completed and one retender in progress in complex medical categories, as part of overall tender program listed above and detailed on the following page	Orthopaedic Prostheses Greenfield tender complete. Interventional Cardiology retender outcome and Trauma Implants retender proposal approved by Board	✓
In consultation with health services and the Department of Health expand the integration of sustainability in the tender process	Support for statewide sustainable procurement initiatives as agreed with health services and the Department of Health	DH and Sustainability Victoria funded a Sustainable Procurement Officer within HPV for 12 months until February 2012. Sustainability Victoria provided additional funding to investigate and apply opportunities to embed sustainability in HPV Catering Supplies retender.	✓
In consultation with health services and key suppliers continue to develop and implement a contract management regime to better manage supplier performance	Contract management processes incorporated into at least 3 contracted areas including Nurse Agency and Pharmaceuticals, with demonstrable benefits to health services, both financial and non-financial Price benchmarking undertaken for Pharmaceuticals and Orthopaedic Prostheses with other jurisdictions and results documented.	Contract management incorporated into 5 categories. National benchmarking completed for Pharmaceuticals and Orthopaedic Prostheses.	✓
Assess cost versus benefit of expanding access to HPV contracts to other health and related services	Opportunities identified, assessed and, if appropriate, captured and benefit to hospitals quantified.	A number of health or related services opportunities explored including detailed review with HPV facilitating Non-Emergency Patient Transport tender on behalf of Ambulance Victoria.	✓

Key Performance Indicator	2011-12 target	Current Status	Complete?
Continue to deliver National Product Catalogue (NPC) Phase 3 project	NPC data maintained manually for Pharmaceuticals NPC data utilised in at least one new tender VPC technology partner appointed subject to funding of project NPC data synchronisation established between NPC, VPC and at least 2 health services for at least 5 supplier catalogues subject to funding of project Responsibility assumed for administration of the rural hospital catalogue	Project Manager and implementation team appointed. NPC data used in 5 tenders. Cross-jurisdictional group formed to share knowledge, reduce duplication and deliver standard categorisation using the UNSPSC. HPV now managing all new item requests from rural hospitals and has commenced cleaning the catalogue.	✓
In consultation with health services, two health services engaged in assisting HPV conduct Greenfield tenders or to conduct tenders on behalf of HPV	Two Greenfield tenders conducted collaboratively with health services subject to approval of business cases and funding	3 tenders conducted collaboratively with health services during 2011-12.	✓
In consultation with health services, three-year forward tender program scoped and endorsed by health services	2012-15 tender program developed and endorsed	Proposed Tender Program 2012-15 endorsed by hospital and health services CEOs.	✓
In consultation with health services and the Department of Health, deliver a compliance monitoring program which supports HPV and health services to strengthen compliance with HPV policies and contracts	Annual contract compliance survey completed and instances of non-compliance addressed Compliance audits undertaken by health services and results shared with HPV, as per agreed program	Qualitative questions assisted HPV in supporting hospitals and health service CEOs in achieving compliance with contracts. VAGO audit recommendations also initiated an independent compliance audit on three contract categories.	✓
Annual Contract Impact Scorecard reviewed with each nominated health service CEO	Annual contract impact scorecard reviewed with each of Austin Health, Alfred Health, Melbourne Health, Southern Health, Eastern Health and Barwon Health	2011-12 Scorecards presented to CEOs of sample 6 health services as per MOU. Individual customised health service financial impact statements provided to largest 20 health services for each HPV tender outcome, as well as end-of-year summary.	✓

Additional Greenfield Tenders

Key Performance Indicator	2011-12 target	Current Status	Complete?
Identify and manage 3 Greenfield categories over 2 years, each with a value of approximately \$10 million per annum Estimated benefits (savings 10% and cost avoidance 5%) of approximately \$4.5 million per annum to be realised	Deliver one additional Greenfield tender in 2011-12 Begin work on two Greenfield tenders to be completed in 2012-13	Beds & Mattress tender complete. Interventional Radiology Prostheses tender on track. Cleaning Products and Dispensing Units tender on track.	✓

Phase 1 Getting Started

Key Performance Indicator	2011-12 target	Current Status	Complete?
'Get started' on Strategic Plan 2012-2017	Develop high level strategic goals to deliver \$30 million pa in additional financial benefits by 2013-14 Scope the requirement for future capacity to undertake ad hoc tenders requested by the department Undertake detailed opportunity analysis, further stakeholder consultation to agree priorities and planning of resource requirements (including business case) for progressive implementation of the draft Strategic Plan 2012-2017	Strategic Plan approved by Minister for Health. High level strategic goals mapped by quarter. 2012-13 Business Plan approved. Director Change & Innovation and Strategic Analyst appointed.	✓
Facilitate the Non-Emergency Patient Transport tender	Facilitate the Non-Emergency Patient Transport tender on behalf of Ambulance Victoria in line with the tender timeline and Terms of Reference	Tender on schedule.	✓

Victorian Product Catalogue Technology Solution and Catalogue Resources

Key Performance Indicator	2011-12 target	Current Status	Complete?
Develop a detailed project plan and governance structure	The project plan should be expanded to detail the activities and timeframes towards the implementation of the common catalogue. This project plan should be developed within 3 months and presented to the department for discussion and approval.	Project Manager and implementation team appointed. Project plan in two streams – Stream I is to build the VPC; Stream II is to synchronise with health service catalogues and identify additional activities required to achieve a 'common catalogue'. Governance structure in place with the First Steering Committee meeting held 20-07-12.	✓

Pharmaceutical Products Management

Key Performance Indicator	2011-12 target	Final Status at 30-06-12	Complete?
Extend the scope of tender activity to include Bio-similars	<p>Include bio-similars in retender scope for ERG and PRG consideration.</p> <p>Incorporate into strategic planning for implementation from 2012-13 with a savings target of \$1.0 million</p> <p>Work with ERG to identify all drugs for which bio-similars exist and annual expenditure.</p> <p>Assess opportunity to include bio-similars in HPV scope on a case-by-case basis as stand-alone tenders.</p> <p>Provide a report detailing items' historical statewide expenditure for up to the past three years.</p>	<p>Bio-similar products identified.</p> <p>ERG member agreed to collect data for a specified product, as the first bio-similar for scope evaluation.</p> <p>Data collection from 8 health services received.</p>	✓
Identify and action marketplace dynamics opportunities	<p>Establish a register of patent expiries, including annual expenditure and expiry date.</p> <p>Engage health service stakeholders to optimise application of the HPV contract marketplace dynamics clause (for products already on HPV contract) and Request-for-Tenders (for products not currently on HPV contract), with a target of 10% better pricing than best price identified within health services.</p> <p>Provide a report listing patents expiring in 2011-12 and 2012-13, historical statewide expenditure for those items and cost savings achieved in 2011-12 due to tender and application of market dynamics clause.</p> <p>Develop a strategy to increase the use of generic drugs by health services.</p> <p>Deliver savings of at least \$2.5 million pa in 2011-12 (pro-rata) through proactive patent expiry management.</p>	<p>Register of patent expiries established. Opportunities for remainder of 2011-12 and 2012-13 identified and program of RFQ/RFTs established.</p> <p>The outcome of all RFT activities for 2011-12 to date has exceeded the target price reduction of 10%.</p> <p>Report prepared detailing savings achieved through RFQs and RFT's conducted in 2011-12.</p>	✓
Investigate potential to negotiate pricing for single source drugs e.g. S100	<p>In consultation with the ERG, develop a plan to collect and analyse expenditure data on non-HPV-contracted single source drugs, in order to benchmark health service pricing and develop a negotiation strategy and implementation plan.</p>	<p>The list of non-HPV-contracted single source drugs identified and shared between jurisdictions.</p> <p>Jurisdictional data collection methodology consolidated.</p>	✓
Undertake pro-active supplier performance management	<p>Develop and gain ERG and PRG endorsement for supplier performance KPIs as part of retender development.</p> <p>Commence plan for implementation of contract management of suppliers and associated reporting (including KPI reporting) when new contract becomes effective.</p>	<p>ERG and PRG have endorsed new supplier performance KPIs, which have been included in the new contract.</p> <p>Contract Management Group to be constituted for ongoing contract management of this category, including review of contractor KPIs.</p>	✓
Investigate inventory systems and supply chain improvements for health services	<p>Incorporate into strategic planning for implementation from 2012-13</p>	<p>Project plan and deliverables for remainder of project being developed in consultation with health services.</p>	✓

HPV ANNUAL COMPLIANCE STATEMENT

TABLE: COMPARISON OF 2011-12 TO 2010-11 SURVEY RESULTS

Status	%	
	2010-11	2011-12
Fully Compliant	70.3%	72.3%
Exemption	2.1% (n=46)	3.1% (n=79)
Non-Compliant	0.9% (n=20)	0.5% (n=14)
Not Applicable	26.7%	24.1%
Total	100%	100%

BACKGROUND

Section 131(e) of the *Health Services Act* 1988 requires HPV to monitor compliance by public hospitals with purchasing policies and HPV directions and to report irregularities to the Minister. Hospitals and health services that have been granted a formal exemption; or opted out prior to the tender, are regarded as being compliant with the policy or direction for the purpose of this survey.

Contract compliance statements have been conducted annually since 2005. The Chief Executive of each hospital or health service is requested to provide a report of their organisation's compliance to the contracts arising from the HPV tender program.

CURRENT YEAR STATEMENT

The compliance survey was conducted during May 2012. The following table compares results of the 2012 statements to those of 2011 and shows an improvement on compliance from last financial year.

There were seventy nine instances (3.1%) of **Exemptions** reported and verified by HPV.

The increase in exemptions between 2010-11 and 2011-12 was driven mainly by managing the exemptions on the basis of local business impact of Catering Supplies and Office Requisites. These two categories accounted for 75 of 79 (or 95% of) exemptions.

Fourteen (0.5%) instances of **Non-Compliance** were reported from a combination of 74 sites and 35 contract categories. Of these fourteen instances:

- Six related to the use of local suppliers in rural areas. HPV continues to liaise with health services regarding exemptions on the basis of local business impact;
- Five related to transitions to contracted items which were in progress at time of reporting to HPV;
- One related to an existing contract for a specific piece of equipment in place at a health service, for a single line item not on HPV contract;
- One related to an exemption request in progress at time of reporting; and
- One related to clinical need when a contracted supplier was out of stock of a required item.

The large amount of reported instances of **Not Applicable** remains driven by three tenders with limited applicability:

- Nurse Agency Services (metropolitan and Barwon Health only)
- Pathology Services (Gippsland Group Bs only)
- Infusion Pumps (mandatory for five health services)

NEXT STEPS

HPV continues to work with hospitals and health services to improve compliance with HPV contracts.

MANAGEMENT AND ORGANISATION

LEADERSHIP TEAM

Megan Main *BEng(Hons), BSc, MBA, GAICD, AFCHSM*

Chief Executive

Megan was appointed Chief Executive in February 2008. Before joining HPV she was Director Supply Chain at Alfred Health for almost three years, prior to which she spent 12 months working as a consultant on The Alfred's Consumables Improvement Project.

Before entering the public health sector, Megan spent more than 10 years leading supply chain improvement and change management projects across a range of industries, both as a consultant and in line roles.

Megan is responsible to the Board for the overall performance of HPV and the achievement of its strategic directions as determined by the Board.

Nigel Aillsop *HNC(Bus), BA(Hons), MBA*

Director Procurement

Nigel joined HPV in February 2007, bringing over seventeen years' experience covering such diverse areas as supplier management, strategic procurement, inventory management, E-procurement and process improvement across commodities and services.

Nigel is responsible for delivery of the tender and contract management program, and developing opportunities for HPV growth. Nigel has a keen interest in driving continuous improvement and the delivery of value in everything that HPV does.

Richard Bowen *LL.B., B.Comm, GAICD*

Director Information

Richard joined HPV in May 2010, having consulted to HPV and the Victorian Department of Health since 2008.

Richard's background is strategy, supply chain and contract management. He has worked with some of Australia's largest organisations in health, distribution, financial services and retail.

Throughout 2011-12 Richard was the manager of the Victorian Catalogue Team at HPV and led Victoria's National Product Catalogue implementation.

He was also responsible for on-going development and implementation of HPV data strategy, management tools and systems to assist HPV in delivering better outcomes for Victoria's health services and hospitals.

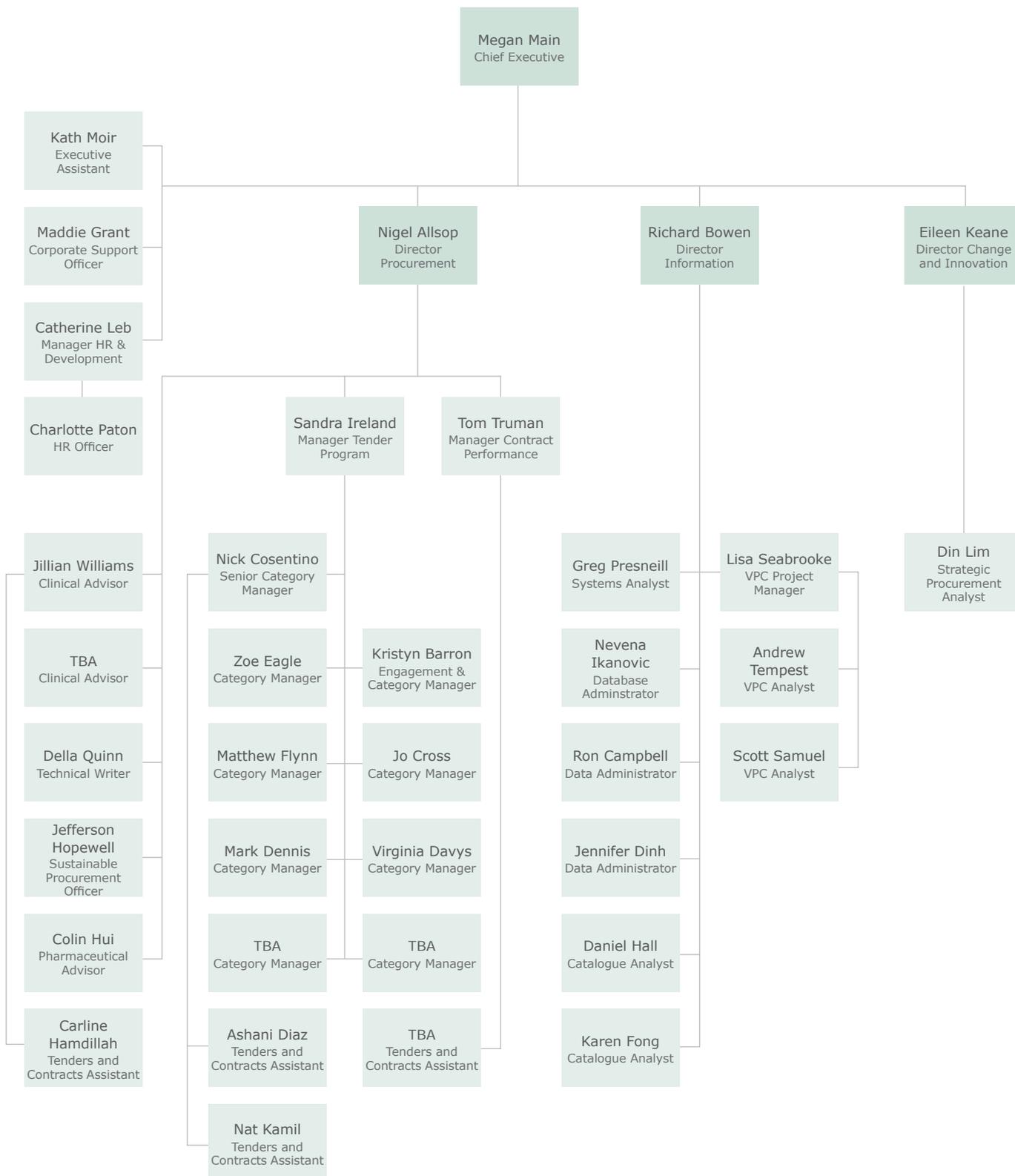
Eileen Keane *B.Sc.Ed. (Physics), Grad. Dip. Computer Ed., MBA*

Director Change & Innovation

Eileen joined HPV in May 2012 having spent the previous three years as a HPV Board Member and Deputy Chair of the Tenders and Contracts Committee.

Before joining HPV, Eileen worked in various manufacturing industries including Automotive and Aerospace. She has held a variety of senior level positions in both Procurement and Quality, where she has managed procurement projects in excess of \$500 million per annum. Her experience includes both in-line and consultancy roles where she has worked on improvement projects in strategic procurement, supply chain and organisational transformation. She is also a qualified Six Sigma Black Belt, so continuous improvement is always a high priority.

ORGANISATION CHART



HUMAN RESOURCE MANAGEMENT

It was an exciting year of growth in the HPV team. HPV finished 2011-12 with a team of 32, 15 of whom commenced during 2011-12. Most of these new team members filled new roles created by the expansion of HPV activities, in particular the project to develop and implement the Victorian Product Catalogue. Further growth of the team is planned for 2012-13.

HR PARTNERSHIPS

During 2011-12 two part time secondment arrangements enabled HPV to further strengthen two-way relationships with health services. The Barwon Health Supply Manager, Neville Daffy, was seconded to HPV to assist with the first statewide tender for Beds & Mattresses while the Alfred Health Deputy Pharmacy Director, Colin Hui, was seconded to assist with optimising the benefits derived from the Pharmaceutical Products category and retender.

HPV Director Procurement, Nigel Allsop, provided advice on a supply chain improvement project at Barwon Health and also provided procurement and probity support on a tender led by Austin Health on behalf of a number of health services.

DEVELOPMENT AND TRAINING

HPV remain committed to ongoing professional development. The HPV Performance Review and Development Plan (PRDP) includes an Annual Development Plan for all staff.

A mixture of team based facilitator-led training sessions, one-on-one mentoring sessions and topic-specific external courses all supported the different learning needs and styles of team members during 2011-12. All staff attended at least one external professional development activity during the year.

Topics of team based sessions during 2011-12 included DISC personality profiling; characteristics of high performing

teams; communication skills; working in the Go Zone™; and time management.

Off-site Team Days, held twice a year, continue to provide excellent opportunities to spend time on improving how we work together and share information with the Team. The restructuring of the fortnightly team meeting agenda to better meet employees' needs is one example of a suggested communication improvement.

During 2011-12 the first intake of 15 Procurement staff from health services and HPV commenced the 12-month HPV Procurement Professionals Program (PPP). This course has been accredited by the Chartered Institute of Purchasing & Supply (CIPS) to the qualification of Foundation Diploma, a qualification highly recognised world-wide.

The target audience for the PPP is procurement and contract management staff of HPV, health service purchasing and contract officers and those who manage procurement functions or have a high level of input into contracting and tendering practices. The first intake has resulted in a health procurement community with knowledge sharing and professional bonds developed by participants. HPV looks forward to the first intake graduating and the second intake commencing in 2012-13.

The HPV Director Procurement gained the industry recognised MCIPS, Member of the Chartered Institute of Purchasing & Supply (the highest level of accreditation

More than half of the team participated in HPV's annual influenza vaccination program and HPV continued to celebrate employees birthdays with morning teas.

within CIPS) during 2011-12 with other team members also working towards this goal.

EMPLOYEE WELLBEING

The weekly fruit time 'Platter and Chatter', co-ordinated by rostered Team members, was expanded to include further wellbeing initiatives, including lunchtime walks, stretching sessions and other healthy snacks.

More than half of the team participated in HPV's annual influenza vaccination program and HPV continued to celebrate employees birthdays with morning teas.

FEEDBACK AND RECOGNITION

HPV participated in the State Services Authority *People Matter* survey again in 2011-12, with 29 team members completing the survey. HPV also conducted its own annual Staff Satisfaction Survey. The results of these surveys were shared with staff, with action plans developed to focus on areas for improvement. These areas for improvement became the focus of the workshops at the Team Day in February 2012 where more specific targeted actions were put in place, with ongoing reporting to staff on progress towards achievements.

Each fortnight, HPV employees are nominated by their peers for recognition at team meetings for demonstrating HPV Values, or to celebrate significant business outcomes. In 2011-12, the following employees were recognised for their outstanding demonstration of the HPV values, throughout the year:

Teamwork – Jillian Williams, Nat Kamil and Kath Moir,
Communication – Jillian Williams and Kristyn Barron,
Achievement – Kristyn Barron,
Integrity – Jillian Williams,
Collaboration – Sandra Ireland,
Respect – Zoe Eagle.

ETHICAL STANDARDS

HPV adopts and applies the practices suggested by the State Services Authority relevant to an organisation of our size, with a merit and values based recruitment strategy underpinned by Equal Opportunity principles. HPV staff are bound the *Code of Conduct for the Victorian Public Sector*; acceptance of this *Code of Conduct* is a condition of employment at HPV.

INDUSTRIAL RELATIONS

No time was lost during the year through industrial disputes.

OCCUPATIONAL HEALTH AND SAFETY

HPV monitors occupational health and safety (OH&S) through regular informal assessment and formally via monthly staff meetings. Desks for new starters are ergonomically assessed, with supportive equipment provided where necessary.

WORKFORCE DATA

	2011 FTE ¹	2012 FTE ¹
Executive	1	3.8
Non Executive	18.6	26.7
Total	19.6	30.7

Workforce data is measured at 30 June.

Note: ¹ FTE stands for Full Time Equivalent

SUSTAINABLE PROCUREMENT PROJECT

Tools and guidance notes, are available through the HPV website for health service staff to assist in making more sustainable choices.

During 2011-12, the original project jointly funded by the Department of Health, Sustainability Victoria and the Department of Sustainability & Environment for a Sustainable Procurement Officer, was expanded further with an additional grant from Sustainability Victoria.

Initially focused on reviewing the procurement process to better understand how to aid both Victorian health services and our suppliers in improving supply chain sustainability, the project then took a more dedicated focus, identifying specific opportunities for more sustainable procurement through the retendering process for Catering Supplies.

It is recognised that healthcare facilities in general, especially large acute-care hospitals, are large consumers of energy and water, and also consume significant volumes of products to deliver healthcare to patients. Addressing sustainability in procurement requires data, analytical skills, imagination, but most importantly, the engagement of both product end-users and the supply chain on recognised issues and possible solutions. Healthcare services can additionally make a difference through their practices and in-house policies, for example, by minimizing waste and unused products, and recycling waste products & packaging where possible. HPV is assisting health services with procuring more sustainable product options within our contracts.

Working with a range of stakeholders in healthcare across Victoria, including suppliers, health services and the Department of Health the project has been an overwhelming success, with sustainable procurement being identified as a goal within our Strategic Plan 2012-2017. Specific achievements include:

- Introduction of standard questions for evaluation in the tender process, allowing supplier environmental management practices to be evaluated alongside product specifications;
- Identification of environmentally-preferable product options within product categories, and incorporating the information in HPV User Guides.
- Tools and guidance notes, available through the HPV website, for health service staff to assist in making more sustainable choices;
- Engagement with suppliers on their environmental sustainability actions within their current supply chains;
- Seeking to achieve best value outcomes on environmentally-preferable products and product sub-categories;
- Promotion of sustainable procurement as part of good procurement.

Our thanks to the Department of Health, Sustainability Victoria and the Department of Sustainability & Environment for funding this project in 2011-12.

SUMMARY OF FINANCIAL RESULTS

SUMMARY OF FINANCIAL RESULTS AND COMPARISON TO LAST FOUR REPORTING PERIODS

Year	2011-12 \$'000	2010-11 \$'000	2009-10 \$'000	2008-09 \$'000	2007-08 \$'000
Total Revenue	4,626	2,589	2,051	1,974	1,939
Total Expenses	3,590	2,502	2,332	1,856	1,723
Operating Surplus / (Deficit)	1,036	87	(281)	118	216
Retained Surplus / (Accumulated Deficit)	1,298	262	176	456	338
Total Assets	1,810	604	486	742	540
Total Liabilities	481	310	279	255	170
Total Equity	1,329	294	207	487	370

SUMMARY OF SIGNIFICANT CHANGES IN FINANCIAL POSITION

The Department of Health provided additional recurrent and one-off funding in 2011-12 for work to be undertaken in 2012-13 to support development and implementation of the Victorian Product Catalogue. Timing of these payments resulted in an operating surplus in 2011-12.

Performance against operational objectives is discussed in the section titled *Memorandum of Understanding Performance Report*.

FINANCIAL MANAGEMENT COMPLIANCE GUIDELINES

HPV is compliant with the guidelines established by the Minister for Finance. Compliance is reviewed by HPV's Internal Auditor on an annual basis.

FINANCIAL DELEGATIONS

A comprehensive policy regarding the delegation of authority throughout the organisation is in place and is reviewed by the Board on an annual basis. It was last reviewed in April 2012.

FINANCIAL REPORTING

Accountancy functions are outsourced to an external accountant UHY Haines Norton. The Board monitors financial performance at every meeting, and a report is provided to the Department of Health on a monthly basis. Detailed Financial Statements and the Auditor General's Certification are included later in this report.

USE OF CONSULTANTS

In 2011-12, Health Purchasing Victoria engaged 8 consultancies where the total fees payable to the consultants were less than \$10,000, these have a total expenditure of \$34,596.54 (exclusive of GST).

In the year 2011-12 total expenditure on consultancies (exclusive of GST) totalled \$146,379.99 No single consultancy exceeded \$100,000.

DETAILS OF INDIVIDUAL CONSULTANCIES

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (excluding GST)	Expenditure 2011-12 (excluding GST)	Future expenditure (excluding GST)
Ernst & Young	Benefits realisation model review	01/06/12	30/06/12	\$45,000.00	\$30,000.00	\$15,000.00
The Bellettes Bay Company	Strategic Planning Facilitation	24/08/11	02/12/11	\$50,000.00	\$45,000.00	\$0
Paxton Partners	Revenue options review	23/01/12	10/02/12	\$25,000.00	\$24,738.00	\$0
The Bellettes Bay Company	Board Governance review	01/02/12	15/03/12	\$13,000.00	\$12,045.45	\$0

OTHER TRANSACTIONS

Other related transactions and loans requiring disclosure under the Directions of the Minister for Finance have been considered and there are no matters to report.

No ex-gratia payments were made during the year.

No events occurred after balance date which would significantly affect HPV's operations in subsequent reporting periods.

DISCLOSURE INDEX

The Annual Report of Health Purchasing Victoria is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of compliance with statutory disclosure requirements.

Legislation	Requirement	Page Reference
MINISTERIAL DIRECTIONS		
REPORT OF OPERATIONS		
Charter and purpose		
FRD 22C	Manner of establishment and the relevant Minister	4
FRD 22C	Objectives, functions, powers and duties	4
FRD 22C	Nature and range of services provided	4
FRD 22C	Organisational chart of governing board, Audit Committee, Chief Executive Officer, senior officers and their responsibilities	7-10
Management and Structure		
FRD 22C	Organisational structure	26
Financial and other information		
FRD 10	Disclosure index	32-33
FRD 11	Disclosure of ex-gratia payments	31
FRD 15B	Executive officer disclosure	35
FRD 21B	Responsible person and executive officer disclosures	35
FRD 21B	Names and number of responsible persons	49
FRD 21B	Responsible persons remuneration received	49
FRD 21B	Remuneration of Executive Officers	50
FRD 22C	Application and operation of Freedom of Information Act 1982	12
FRD 22C	Application and operation of Whistleblowers Protection Act 2001	12
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FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2012

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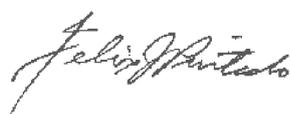
BOARD MEMBER'S AND CHIEF FINANCE AND ACCOUNTING OFFICER'S DECLARATION

We certify that the attached financial statements for Health Purchasing Victoria have been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards, Australian Accounting and Interpretations and other mandatory professional reporting requirements.

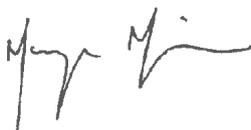
We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and notes to and forming part of the financial statement, presents fairly the financial transactions during the year ended 30 June 2012 and the financial position of Health Purchasing Victoria at 30 June 2012.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on this day.



Mr Felix Pintado
Chair of Board
Melbourne
16 August 2012



Ms Megan Main
Accountable Officer and Chief Finance and Accounting Officer
Melbourne
16 August 2012

COMPREHENSIVE INCOME STATEMENT

FOR THE YEAR ENDED
30 JUNE 2012

	Notes	2012 \$	2011 \$
Revenue from ordinary activities	2	3,960,260	2,589,049
Revenue from ordinary activities – Capital Grants	2	666,000	
EXPENSES			
Employee benefits expense	3	(2,595,328)	(1,881,134)
Depreciation expense	3	(35,556)	(40,730)
Other expenses from ordinary activities	3	(959,425)	(580,615)
Surplus/(Deficit) before income tax		1,035,951	86,570
Income Tax Expense	1(a)		-
Surplus/(Deficit) after income tax		1,035,951	86,570
Other Comprehensive Income			-
Comprehensive result for the year		1,035,951	86,570

The accompanying notes form part of these financial statements.

BALANCE SHEET

AS AT 30 JUNE 2012

	Notes	2012 \$	2011 \$
CURRENT ASSETS			
Cash and cash equivalents	7	1,475,624	449,572
Trade and other Receivables	8	12,125	17,068
Prepayments		27,049	25,058
TOTAL CURRENT ASSETS		1,514,798	491,698
NON-CURRENT ASSETS			
Property, plant and equipment	9	295,862	111,818
TOTAL NON-CURRENT ASSETS		295,862	111,818
TOTAL ASSETS		1,810,660	603,516
CURRENT LIABILITIES			
Trade and other Payables	10	181,664	118,161
Short term Provisions	11	211,662	135,649
TOTAL CURRENT LIABILITIES		393,326	253,810
NON-CURRENT LIABILITIES			
Long term Provisions	11	87,683	56,006
TOTAL NON-CURRENT LIABILITIES		87,683	56,006
TOTAL LIABILITIES		481,009	309,816
NET ASSETS		1,329,651	293,700
EQUITY			
Contributed Capital		31,570	31,570
Retained Earnings		1,298,081	262,130
TOTAL EQUITY		1,329,651	293,700
Capital and leasing commitments	15		
Contingent liabilities	16		

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

AS AT 30 JUNE 2012

	Contributed Capital	Retained Earnings	Total
	\$	\$	\$
Balance at 1 July 2010	31,570	175,560	207,130
Capital Contributed	-	-	-
Surplus/(Deficit) for the year	-	86,570	86,570
Other Comprehensive Income	-	-	-
Balance at 30 June 2011	31,570	262,130	293,700
Capital Contributed	-	-	-
Surplus/(Deficit) for the year	-	1,035,951	1,035,951
Other Comprehensive Income	-	-	-
Balance at 30 June 2012	31,570	1,298,081	1,329,651

Note: In the 2012 year Health Purchasing Victoria received capital grants of \$666,000 associated with the creation of the Victorian Product catalogue. The operating result for 2012 includes \$666,000 as grants received. Over the life of the assets created or acquired using these grants depreciation and amortisation of at least \$666,000 will be charged against operating results. At 30 June 2012 no charge for depreciation or amortisation has been made as the assets are not yet in use.

CASH FLOW STATEMENT

FOR THE YEAR ENDED
30 JUNE 2012

	Notes	2012 \$	2011 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Operating Grant Receipts		3,826,886	2,512,006
Capital Grant Receipts		666,000	-
Other Receipts		191,589	11,606
Payments to suppliers and employees		(3,473,506)	(2,406,394)
Interest received		34,684	19,486
Net cash provided by operating activities	12	1,245,653	136,704
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(219,601)	(80,280)
Net cash used in investing activities		(219,601)	(80,280)
Net increase/(decrease) in cash held		1,026,052	56,424
Cash at beginning of financial year		449,572	393,148
Cash at end of financial year	7	1,475,624	449,572

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Health Purchasing Victoria (HPV) is an independent statutory authority established on 1 July 2001 to implement centralised procurement arrangements. The *Health Services Act 1988* establishes HPV as a separate entity and outlines the functions, powers and membership criteria of HPV.

This general purpose financial report has been prepared in accordance with Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and *Financial Management Act 1994*. The financial report also complies with relevant Financial Reporting Directives (FRD) and relevant Standing Directions (SD) authorised by the Minister for Finance.

The financial report covers Health Purchasing Victoria as an individual entity. The Authority is established and domiciled in Australia.

The financial report of Health Purchasing Victoria as an individual entity complies with the Australian equivalents to International Financial Reporting Standards (A-IFRS). HPV is a not-for-profit entity and

therefore applies the additional paragraphs applicable to 'not-for-profit' entities in the Australian Accounting Standards.

The following is a summary of the material accounting policies adopted by the Authority in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

BASIS OF PREPARATION

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Functional and presentation currency

The functional currency of the Authority is measured using the currency of the primary economic environment in which the Authority operates. The financial statements are presented in Australian dollars which is the Authority's functional and presentation currency.

(a) Income Tax

In the opinion of the Authority, Health Purchasing Victoria is exempt from income tax under the *Income Tax Assessment Act*.

(b) Property, Plant and Equipment

Plant and equipment are initially recognised at cost and subsequently measured at fair value less accumulated depreciation and impairment. Depreciated historical cost is generally a reasonable proxy for depreciated replacement cost because of the short lives of the assets concerned.

Assets under construction are initially recognised at cost and are carried at cost until commissioned for use.

Non-current physical assets measured at fair value are revalued in accordance with FRD 103D *Non-current physical assets*. This revaluation process normally occurs at least every five years based on the asset's Government Purpose Classification, but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are used to conduct these scheduled revaluations and any interim valuations are determined in accordance with the requirements of the FRDs. Revaluation increments or decrements arise from differences between an asset's carrying value and fair value.

NOTES TO THE FINANCIAL STATEMENTS

DEPRECIATION

The depreciable amount of all fixed assets, is depreciated (generally on a straight line basis) over their useful lives to the Authority commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The depreciation rates used for each class of depreciable assets are:

CLASS OF FIXED ASSET/ USEFUL LIFE

Software	37.5%-40%
Office Equipment	11.25%-40%
Computer Equipment	37.5%-40%
Furniture, fixtures & fittings	11.25%-30%

These rates are unchanged from 2011.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the comprehensive operating statement.

(c) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist.

Subsequent to initial recognition these instruments are measured as set out below.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar

instruments and option pricing models.

Impairment

At each reporting date, the Authority assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the comprehensive operating statement.

(d) Impairment of Assets

At each reporting date, the Authority reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the comprehensive operating statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the Authority estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS

(e) Employee Benefits

Provision is made for the Authority's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(f) Provisions

Provisions are recognised when the Authority has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(i) Contributed Capital

Consistent with Australian Accounting Interpretation 1038 *Contributions by owners made to wholly-owned public sector entities* and FRD 119 'Contributions by Owners', appropriations for additions to the net asset base have been designated as contributed capital. Other transfers that are in the nature of contributions or distributions have been designated as contributed capital are also treated as contributed capital.

(j) Revenue

Interest revenue is recognised as it accrues taking into account the interest rates applicable to the financial assets.

(k) Government Grants

Grants are recognised when HPV gains control of the underlying assets in accordance with AASB 1004 *Contributions*. For reciprocal grants, HPV is deemed to have assumed control when performance has occurred under the grant. For non-reciprocal grants, HPV is deemed to have assumed control when the grant is received or receivable. Conditional grants may be reciprocal or non-reciprocal depending on the terms of the grant.

(l) Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(m) Rounding Off

All amounts shown in the financial statement are expressed to the nearest dollar

(n) Critical Accounting Estimates and Judgments

The Authority evaluates estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Authority.

NOTES TO THE FINANCIAL STATEMENTS

Key estimates — Impairment

The Authority assesses impairment at each reporting date by evaluating conditions specific to the Authority that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. Impairment testing as at 30 June 2012 confirmed no impairment of any assets.

(o) Superannuation expense

The superannuation expense for the reporting year is the amount of the statutory contribution

the statutory authority makes to the superannuation plans which provides benefits to its employees. Superannuation expenses are recognised as expenses in the reporting period in which they are incurred.

(p) Staff development & seminar expenses

Staff development & seminar expenses are recognised as an expense in the reporting period in which they are incurred.

(q) Other expenses

Other expenses are recognised as an expense in the reporting period in which they are incurred.

(r) Commitments for expenditure

Operating leases are charged to expenses in the periods in which they are incurred. The entity is not party to any finance leases.

(s) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2012 reporting period. As at 30 June 2012, the following standards and interpretations had been issued but were not mandatory for the reporting period ending 30 June 2012. The Authority has not and does not intend to adopt these standards early.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on financial statements
AASB 9 <i>Financial Instruments</i>	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 <i>Financial Instruments: Recognition and Measurement</i>).	Beginning 1 January 2013	Detail of impact still being assessed.
AASB 13 <i>Fair Value Measurement</i>	This Standard outlines the requirements for measuring the fair value of assets and liabilities and replaces the existing fair value definition and guidance in other AASs. AASB 13 includes a 'fair value hierarchy' which ranks the valuation technique inputs into three levels using unadjusted quoted prices in active markets for identical assets or liabilities; other observable inputs; and unobservable inputs.	1 Jan 2013	Disclosure for fair value measurements using unobservable inputs are relatively onerous compared to disclosure for fair value measurements using observable inputs. Consequently, the Standard may increase the disclosures for public sector entities that have assets measured using depreciated replacement cost.

NOTES TO THE FINANCIAL STATEMENTS

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on financial statements
AASB 119 <i>Employee Benefits</i>	In this revised Standard for defined benefit superannuation plans, there is a change to the methodology in the calculation of superannuation expenses, in particular there is now a change in the split between superannuation interest expense (classified as transactions) and actuarial gains and losses (classified as 'Other economic flows – other movements in equity') reported on the comprehensive operating statement.	1 Jan 2013	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. While the total superannuation expense is unchanged, the revised methodology is expected to have a negative impact on the net result from transactions of the general government sector and for those few Victorian public sector entities that report superannuation defined benefit plans.
AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i>	This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.	Beginning 1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities and has not decided if RDRs will be implemented to Victorian Public Sector.
AASB 2009-11 <i>Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]</i>	This Standard gives effect to consequential changes arising from issuance of AASB 9.	Beginning 1 January 2013	Detail of impact still being assessed.
AASB 2009-12 <i>Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 and 1031 and Interpretations 2, 4, 16, 1039 and 1052].</i>	This standard amends AASB 8 to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for purposes of certain operating segment disclosures. Thjs standard also makes numerous editorial amendments to other AASs.	Beginning 1 January 2013	The amendments only apply to those entities to whom AASB 8 applies, which are for-profit government departments. Detail of the impact is still being assessed.
AASB 2010-2 <i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>	This Standard makes amendments to many Australian Accounting Standards, including Interpretations, to introduce reduced disclosure requirements to the pronouncements for application by certain types of entities.	Beginning 1 July 2013	Does not affect financial measurement or recognition, so is not expected to have any impact on financial result or position. May reduce some note disclosures in financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on financial statements
AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]</i>	These amendments are in relation to the introduction of AASB 9.	Beginning 1 January 2013	This amendment may have an impact on departments and public sector bodies as AASB 9 is a new standard and it changes the requirements of numerous standards. Detail of impact is still being assessed.
AASB 2011-2 <i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & AASB 1054]</i>	The objective of this amendment is to include some additional disclosure from the Trans-Tasman Convergence Project and to reduce disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements.	Beginning 1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented to Victorian Public Sector.
AASB 2011-3 <i>Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments [AASB 1049]</i>	This amends AASB 1049 to clarify the definition of the ABS GFS Manual, and to facilitate the adoption of changes to the ABS GFS Manual and related disclosures.	Beginning 1 July 2012	This amendment provides clarification to users on the version of the GFS Manual to be used and what to disclose if the latest GFS Manual is not used. No impact on performance measurements will occur.
AASB 2011-4 <i>Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]</i>	This Standard amends AASB 124 <i>Related Party Disclosures</i> by removing the disclosure requirements in AASB 124 in relation to individual key management personnel (KMP).	1 July 2013	No significant impact is expected from these consequential amendments on entity reporting.
AASB 2011-8 <i>Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]</i>	This amending Standard makes consequential changes to a range of Standards and Interpretations arising from the issuance of AASB 13. In particular, this Standard replaces the existing definition and guidance of fair value measurements in other Australian Accounting Standards and Interpretations.	1 Jan 2013	Disclosures for fair value measurements using unobservable inputs is potentially onerous, and may increase disclosures for assets measured using depreciated replacement cost.

NOTES TO THE FINANCIAL STATEMENTS

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on financial statements
AASB 2011-9 <i>Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income</i> [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	The main change resulting from this Standard is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). These amendments do not remove the option to present profit or loss and other comprehensive income in two statements, nor change the option to present items of OCI either before tax or net of tax.	1 July 2012	This amending Standard could change the current presentation of 'Other economic flows- other movements in equity' that will be grouped on the basis of whether they are potentially reclassifiable to profit or loss subsequently. No other significant impact will be expected.
AASB 2011-10 <i>Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)</i> [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14]	This Standard makes consequential changes to a range of other Australian Accounting Standards and Interpretation arising from the issuance of AASB 119 <i>Employee Benefits</i> .	1 Jan 2013	No significant impact is expected from these consequential amendments on entity reporting.
AASB 2011-11 <i>Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements</i>	This Standard makes amendments to AASB 119 <i>Employee Benefits</i> (September 2011), to incorporate reduced disclosure requirements into the Standard for entities applying Tier 2 requirements in preparing general purpose financial statements.	1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented in the Victorian public sector.
AASB 2011-12 <i>Amendments to Australian Accounting Standards arising from Interpretation 20</i> [AASB 1]	This Standard makes amendments to AASB 1 <i>First-time Adoption of Australian Accounting Standards</i> , as a consequence of the issuance of IFRIC Interpretation 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i> . This Standard allows the first-time adopters to apply the transitional provisions contained in Interpretation 20.	1 Jan 2013	There may be an impact for new agencies that adopt Australian Accounting Standards for the first time. No implication is expected for existing entities in the Victorian public sector.

NOTES TO THE FINANCIAL STATEMENTS

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on financial statements
2011-13 <i>Amendments to Australian Accounting Standard – Improvements to AASB 1049</i>	This Standard aims to improve the AASB 1049 <i>Whole of Government and General Government Sector Financial Reporting</i> at the operational level. The main amendments clarify a number of requirements in AASB 1049, including the amendment to allow disclosure of other measures of key fiscal aggregates as long as they are clearly distinguished from the key fiscal aggregates and do not detract from the information required by AASB 1049. Furthermore, this Standard provides additional guidance and examples on the classification between 'transactions' and 'other economic flows' for GAAP items without GFS equivalents.	1 July 2012	No significant impact is expected from these consequential amendments on entity reporting.
2012-1 <i>Amendments to Australian Accounting Standards - Fair Value Measurement - Reduced Disclosure Requirements</i> [AASB 3, AASB 7, AASB 13, AASB 140 & AASB 141]	This amending Standard prescribes the reduced disclosure requirements in a number of Australian Accounting Standards as a consequence of the issuance of AASB 13 <i>Fair Value Measurement</i> .	1 July 2013	As the Victorian whole of government and the general government (GG) sector are subject to Tier 1 reporting requirements (refer to AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i>), the reduced disclosure requirements included in AASB 2012-1 will not affect the financial reporting for Victorian whole of government and GG sector.

	Notes	2012 \$	2011 \$
NOTE 2: REVENUE			
Operating activities			
- Interest		39,499	21,836
- Government Grants		3,826,886	2,512,006
- Indirect Contributions		28,970	33,110
Recoveries		64,905	22,097
		3,960,260	2,589,049
- Capital Grants – Victorian Product Catalogue		666,000	-

NOTES TO THE FINANCIAL STATEMENTS

	Notes	2012 \$	2011 \$
NOTE 3: SURPLUS FROM ORDINARY ACTIVITIES			
Surplus from ordinary activities has been determined after the following expenses:			
Employee benefits expense			
Salaries and wages and oncosts		2,297,259	1,706,204
Superannuation	5	173,200	142,567
Staff development & seminars		58,773	32,363
Staff and wages and oncosts – Projects		61,731	-
Superannuation – Projects		4,365	-
<i>Total employee benefits</i>		2,595,328	1,881,134
Depreciation expense			
Depreciation		35,556	40,730
Other expenses from ordinary activities			
Accounting and audit fees		106,665	97,428
Advertising		15,968	14,078
Computer maintenance		112,302	82,706
Consultants fees		156,380	10,085
Insurance		28,970	33,110
Legal fees		24,985	16,135
Members remuneration (including superannuation)		61,562	17,317
Office outgoings		28,188	25,604
Other		1,612	1,103
Printing and stationery		33,644	27,441
Subscriptions		16,253	10,612
Rent		150,301	146,959
Recruitment		80,205	1,860
Seminars		15,279	11,802
Telephone		19,713	11,757
Temporary contract agency staff		9,014	-
Project costs – non salary		74,025	61,374
Travel		24,359	11,244
<i>Total other expenses</i>		959,425	580,615
Total expenses		3,590,310	2,502,479

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: RESPONSIBLE PERSONS DISCLOSURES

Responsible Minister

The Hon David Davis, MLC, From 1 July 2011 to 30 June 2012
Minister for Health and Aging

Key management personnel

Authority Members

Mr Felix Pintado (Chair)	From 1 July 2011 to 30 June 2012
Mr Craig Bennett	From 1 July 2011 to 30 June 2012
Mr Timothy Barta	From 1 July 2011 to 30 June 2012
Mr Simon Brewin	From 1 July 2011 to 30 June 2012
Ms Eileen Keane	From 1 July 2011 to 11 April 2012
Mr Rick Law	From 1 July 2011 to 30 June 2012
Ms Linda Sorrell	From 1 July 2011 to 30 June 2012
Ms Alice Sidhu	From 1 July 2011 to 20 February 2012
Ms Lea Pope	From 1 July 2011 to 30 June 2012
Mr A Johnstone	From 3 August 2011 to 30 June 2012
Ms M Malone	From 3 August 2011 to 30 June 2012
Dr R Mason	From 3 August 2011 to 30 June 2012

Chief Executive Officer

Megan Main From 1 July 2011 to 30 June 2012

(a) Remuneration of Responsible Persons

Income	2012 No.	2011 No.
Nil	6	10
\$ 1 - \$ 9,999	2	-
\$ 10,000 - \$ 19,999	4	1
\$100,000 - \$119,999	-	-
\$120,000 - \$129,999	-	-
\$230,000 - \$240,000	1	1
Total Numbers	13	12
Total Amount	\$300,156	\$251,374

Amounts relating to Responsible Ministers are reported in the financial statements of the Department of Premier and Cabinet

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: RESPONSIBLE PERSONS DISCLOSURES (CONTINUED)

(b) Remuneration of Executive Officers (other than accountable officer)

Income	Total Remuneration		Base Remuneration	
	2012 No.	2011 No.	2012 No.	2011 No.
\$ 10,000 - \$ 19,999	1	-	1	-
\$ 90,000 - \$ 99,999	-	1	-	1
\$100,000 - \$109,999	-	-	-	-
\$110,000 - \$119,999	-	-	-	-
\$120,000 - \$129,999	-	1	-	1
\$130,000 - \$139,999	-	-	-	-
\$140,000 - \$149,999	-	1	-	1
\$150,000 - \$159,999	1	1	2	1
\$160,000 - \$169,999	1	-	-	-
Total Numbers	3	4	3	4
Total annualised employee equivalent (AEE) ^(a)	2.8	3	2.8	3
Total Amount	\$343,472	\$515,148	\$330,878	\$515,148

Note ^(a) Annualised employee equivalent is based on working 38 ordinary hours per week over the reporting period

(c) Retirement benefits

The Total Remuneration includes \$Nil paid in Retirement Benefits during the 2012 year (2011: \$Nil)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5: SUPERANNUATION

Details in relation to superannuation funds are as follows:

- The Authority contributed on behalf of its employees and directors eligible for remuneration during the year ended 30 June 2012 to Health Super, AMP Life, Sun Super CARE, REST, HESTA, Vic Super, Equip Super, Vision, Unisuper & Self Managed Funds, being complying funds under the Superannuation Industry (Supervision) Act 1993.
- No loans exist between the Authority and these superannuation funds.
- The total contributions paid by the Authority include amounts paid under salary sacrifice arrangements.
- The basis for the calculation of superannuation contributions in accordance with the employer statutory requirements specify that contributions of the Authority are based on a percentage of the employee's salary. During the period these contributions were at the rate of 9% of gross salaries. Contributions made by the Authority in accordance with employer obligations and excluding salary sacrifice arrangements were \$177,565 (2011:\$ 142,567)

	2012 \$	2011 \$
NOTE 6: AUDITORS REMUNERATION		
Remuneration of the auditors for:		
- audit services – annual financial report – Victorian Auditor General	6,950	6,690
- internal audit services	26,300	24,700
NOTE 7: CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	1,150,624	274,572
Bank Term Deposit	325,000	175,000
	1,475,624	449,572
NOTE 8: TRADE & OTHER RECEIVABLES		
CURRENT		
Trade Debtors	-	9,900
Other receivables	12,125	7,168
	12,125	17,068

NOTES TO THE FINANCIAL STATEMENTS

Notes	2012 \$	2011 \$
NOTE 9: PROPERTY, PLANT AND EQUIPMENT		
PLANT AND EQUIPMENT		
(a) Software		
At fair value	59,475	57,915
Less accumulated depreciation	(55,504)	(54,391)
	3,971	3,524
(b) Office Equipment		
At fair value	92,148	89,498
Less accumulated depreciation	(73,919)	(70,236)
	18,229	19,262
(c) Computer Equipment		
At fair value	200,487	176,224
Less accumulated depreciation	(146,389)	(123,132)
	54,098	53,092
(d) Furniture, fixtures and fittings		
At fair value	95,723	67,860
Less accumulated depreciation	(39,423)	(31,920)
	56,300	35,940
(e) Assets under construction – at cost		
	163,264	-
Total property, plant and equipment	295,862	111,818

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Movements in Carrying Amounts

	Assets under construction	Software	Office Equipment	Computer Equipment	Furniture, fixtures & fittings	Total
		\$	\$	\$	\$	\$
2011						
Balance at 1 July 2010	-	4,537	21,398	25,033	21,300	72,268
Additions	-	741	2,475	56,050	21,014	80,280
Depreciation expense	-	(1,754)	(4,611)	(27,991)	(6,374)	(40,730)
Disposals	-	-	-	-	-	-
Balance at 30 June 2011	-	3,524	19,262	53,092	35,940	111,818

	Assets under construction	Software	Office Equipment	Computer Equipment	Furniture, fixtures & fittings	Total
		\$	\$	\$	\$	\$
2012						
Balance at 1 July 2011	-	3,524	19,262	53,092	35,940	111,818
Additions	163,264	1,560	2,650	24,263	27,863	219,600
Depreciation expense	-	(1,113)	(3,683)	(23,257)	(7,503)	(35,556)
Disposals	-	-	-	-	-	-
Balance at 30 June 2012	163,264	3,971	18,229	54,098	56,300	295,862

	2012 \$	2011 \$
NOTE 10: TRADE AND OTHER PAYABLES		
CURRENT		
Unsecured liabilities		
Trade creditors	67,717	24,207
Sundry creditors and accruals	80,413	53,097
Statutory Charges	33,534	40,857
	181,664	118,161

NOTES TO THE FINANCIAL STATEMENTS

Notes	2012 \$	2011 \$
NOTE 11: PROVISIONS		
Employee Benefits Provisions		
CURRENT		
- Unconditional and expected to be settled within 12 months	170,736	116,068
- Unconditional and expected to be settled after 12 months	40,926	19,581
	211,662	135,649
NON-CURRENT		
Conditional Employee Benefits	87,683	56,006
Total Provisions	299,345	191,655
CURRENT EMPLOYEE BENEFITS		
Annual Leave Entitlements	153,619	98,343
Unconditional Long Service Leave Entitlements	40,926	19,581
Accrued Days off Entitlements	17,117	17,725
	211,662	135,649
NON-CURRENT EMPLOYEE BENEFITS		
Conditional Long Service Leave Entitlements	87,683	56,006
Total Employee Benefits	299,345	191,655
Movement in Long Service Leave		
Balance at Start of Year	75,587	76,521
Provision made during the year	53,022	35,014
Settlement made during the year	-	(35,948)
Balance at End of Year	128,609	75,587

Employee Benefits Provision

A provision has been recognised for employee entitlements relating to accrued days off, annual and long service leave for employees. In calculating the present value of future cash flows in respect to long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits has been included in Note 1(e).

NOTES TO THE FINANCIAL STATEMENTS

Notes	2012 \$	2011 \$
NOTE 12: CASH FLOW INFORMATION		
(a) Reconciliation of cash flow from ordinary activities		
Surplus/(Deficit) from ordinary activities	1,035,951	86,570
Noncash flows in surplus from ordinary activities:		
Depreciation & Carrying Value of Assets disposed of	35,556	40,730
Changes in assets and liabilities:		
(Increase)\Decrease in other assets and prepayments	2,952	(21,784)
Increase\Decrease in trade and other payables	63,505	29,359
Increase\Decrease in provisions	107,689	1,829
Net cash provided by operating activities	1,245,653	136,704

The Authority has unused financing facilities in the form of credit card limits of \$15,828 (2011: \$18,954)

NOTE 13: RELATED PARTY TRANSACTIONS

There were no transactions with related parties during the year.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14: FINANCIAL INSTRUMENTS

(a) Financial Risk Management

The Authority's financial instruments consist of deposits with banks, accounts receivable and accounts payable. It has no exposure to foreign currency and has minimal exposure to interest rate risk through its interest bearing current account with its bankers. The Authority does not have any derivative instruments at 30 June 2012.

The only potential risks the Authority is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis for measurement, and basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

Risk Management

Liquidity Risk

Authority members meet on a regular basis to analyse interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts. They conduct these processes to maintain sufficient funds to pay trade payables and employee entitlements within commercial trading terms

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The Authority does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Authority.

Interest Rate Risk

The Authority is not exposed to any material interest rate risk as it has no interest bearing debt and only derives interest from cash balances in its operating bank account. The rate of interest derived is floating with market rates. The Authority has performed an interest rate sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrated the effect on the current year results and equity which could result from a change in this risk is not material.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14: FINANCIAL INSTRUMENTS (CONTINUED)

Categorisation of financial instruments

Financial assets	Note	Category	Carrying amount 2012	Carrying amount 2011
Cash and cash equivalents	7	Cash and cash equivalents	1,475,624	449,572
Receivables	8	Loans and Receivables	4,960	17,068
Financial liabilities		Category	Carrying amount 2012	Carrying amount 2011
Trade payables	10	Measured at amortised cost	148,130	77,304

(b) Interest Rate Risk

The Authority's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Interest Bearing Floating Interest Rate		Non-Interest Bearing		Total	
	2012 %	2011 %	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$
Financial Assets:								
Cash and cash equivalents	3.98%	4.82%	1,475,624	449,572			1,475,624	449,572
Receivables			-	449,572	12,125	17,068	12,125	17,068
Total Financial Assets			1,475,624				1,487,749	466,640
Financial Liabilities:								
Trade and other payables			-	-	(148,130)	(77,304)	(148,130)	(77,340)
Total Financial Liabilities			-	-	(148,130)	(77,304)	(148,130)	(77,340)

All financial assets and liabilities are expected to be settled within 90 days.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14: FINANCIAL INSTRUMENTS (CONTINUED)

(c) Net Fair Values

For assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form. Financial assets where the carrying amount exceeds net fair values have not been written down as the Authority intends to hold these assets to maturity.

Details of aggregate net fair value and carrying amounts of financial assets and financial liabilities at balance date:

	2012		2011	
	Carrying Amount \$	Net Fair Value \$	Carrying Amount \$	Net Fair Value \$
Financial assets				
Cash and cash equivalents	1,475,624	1,475,624	449,572	449,572
Trade and other receivables	12,125	12,125	17,068	17,068
Financial liabilities				
Trade and other creditors	148,130	148,130	77,304	77,304

The Authority considers that the carrying amount of financial assets and financial liabilities recorded in the financial report to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

(d) Liquidity Risk

Maximum exposure to liquidity risk is the carrying amounts of financial liabilities.

	2012 \$	2011 \$
Trade and other payables are expected to be settled as follows:		
Less than 3 months	148,130	77,304
	148,130	77,304
Trade and other receivables are expected to be settled as follows:		
Less than 3 months	12,125	17,068
	12,125	17,068

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14: FINANCIAL INSTRUMENTS (CONTINUED)

(e) Sensitivity Analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the Authority believes the following movements are 'reasonably possible' over the next 12 months.

- A parallel shift of +1% and -1% in market interest rates (AUD) from year end rates of 3.54%.
- A parallel shift of +1% and -1% in inflation rate from year end rates of 1.2%.

The following table discloses the impact on net operating result and equity for each category of financial instrument held by the Authority at year end as presented to key management personnel, if changes in risk occur.

	Carrying Amount \$	Interest Rate Risk			+1% Equity \$\$
		-1% Profit \$	-1% Equity \$	+1% Profit \$	
2012					
Financial Assets					
Cash and Cash Equivalents	1,475,624	(14,756)	(14,756)	14,756	14,756
2011					
Financial Assets					
Cash and Cash Equivalents	449,572	(4,496)	(4,496)	4,496	4,496

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15: CAPITAL AND LEASING COMMITMENTS

(a) Capital Commitments

	2012 \$	2011 \$
Capital commitments		
Capital expenditure contracted for but not yet capitalised in the financial statements:		
Payable		
- not later than one year	367,944	-
- later than one year and not later than five years	-	-
	367,944	-

(b) Lease Commitments

	2012 \$	2011 \$
Operating lease commitments		
Noncancellable operating leases contracted for but not capitalised in the financial statements:		
Payable		
- not later than one year	116,725	149,498
- later than one year and not later than five years	-	114,834
	116,725	264,332

The property lease is a non-cancellable lease with a three-year term expiring on 1 April 2013 with rent payable monthly in advance.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15: CAPITAL AND LEASING COMMITMENTS (CONTINUED)

(c) Other Commitments

	2012 \$	2011 \$
Other commitments for Operating expenses		
Contracts for services not brought to account as expenses in the financial statements:		
Payable		
- not later than one year	170,990	53,535
- later than one year and not later than five years	145,555	65,100
	316,545	118,635

NOTE 16: CONTINGENT LIABILITIES

There are no contingent liabilities at 30 June 2012 (2011: NIL)

NOTE 17: ECONOMIC DEPENDENCY

Health Purchasing Victoria is dependent upon State of Victoria, via the Health Department, for the funding of a significant proportion of its operations.

NOTE 18: EVENTS AFTER THE BALANCE SHEET DATE

There are no events after the balance sheet date that would affect the financial report.

NOTE 19: SEGMENT REPORTING

The authority functions as described in Section 131 of the *Health Services Act 1988* on behalf of the Victorian public health sector.

HEALTH PURCHASING VICTORIA
ABN 28 087 208 309

NOTES TO THE FINANCIAL STATEMENTS

NOTE 20: AUTHORITY DETAILS

The registered office and principal place of business of the Authority is:

Health Purchasing Victoria
Suite 4, 261-271 Wattletree Road
Malvern VIC 3144

INDEPENDENT AUDIT REPORT

VAGO

Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000
Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010
Email comments@audit.vic.gov.au
Website www.audit.vic.gov.au

INDEPENDENT AUDITOR'S REPORT

To the Board Members of Health Purchasing Victoria

The Financial Report

The accompanying financial report for the year ended 30 June 2012 of Health Purchasing Victoria which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a statement of significant accounting policies and other explanatory information, and the Board Member's and Chief Finance and Accounting Officer's declaration has been audited.

The Board Members' Responsibility for the Financial Report

The Board Members of Health Purchasing Victoria are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Auditing in the Public Interest

INDEPENDENT AUDIT REPORT

(CONTINUED)

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of Health Purchasing Victoria as at 30 June 2012 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of Health Purchasing Victoria for the year ended 30 June 2012 included both in Health Purchasing Victoria's annual report and on the website. The Board Members of Health Purchasing Victoria are responsible for the integrity of Health Purchasing Victoria's website. I have not been engaged to report on the integrity of Health Purchasing Victoria's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
17 August 2012


for D D R Pearson
Auditor-General

Auditing in the Public Interest

ERRATUM

Health Purchasing Victoria Annual Report 2012

In page 30, paragraph six, 'Use of Consultants'.

Delete "In the year 2011-12 total expenditure on consultancies (exclusive of GST) totalled \$146,379.99"

and insert "In the year 2011-12 total expenditure on consultancies (exclusive of GST) totalled \$156,379.99"

Felix Pintado
Chairman of The Board



Date: 11 SEPTEMBER 2012

Megan Main
Chief Executive Officer



Date: 11 September 2012

Megan Main
Accountable Officer



Date: 11 September 2012

HEALTH PURCHASING VICTORIA

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