

# HEALTH PURCHASING VICTORIA

ANNUAL REPORT 2012-13

Working with Victoria's health sector to achieve  
best-value supply chain outcomes

## CONTENTS

## OPERATING REPORT

Report from Board Chair and Chief Executive	1
About HPV	5
Governance	6
Attestations	11
Compliance	12
Strategic Objectives Performance Report	16
HPV Annual Compliance Statement	21
Management and Organisation	23
Organisation Chart (as at 30 June 2013)	25
Human Resources & Development	26
Sustainable Procurement Project	29
Disclosure Index	32

## FINANCIAL REPORT

Board Member's, Accountable Officer's and Accounting Officer's Declaration	35
Comprehensive Operating Statement	36
Balance Sheet	37
Statement of Changes in Equity	38
Cash Flow Statement	39
Notes to the Financial Statements	40
Independent Audit Report	63

## REPORT FROM BOARD CHAIR AND CHIEF EXECUTIVE

2012-13 was a year of landmark growth and change for Health Purchasing Victoria (HPV) as we embarked on the first year of our new five-year Strategic Plan 2012-17.

The Strategic Plan will help steer HPV on course to fulfil the full range of its legislative functions and will underpin HPV's reporting and performance. Guided by a range of local and global health supply chain factors, the Plan was developed to help position HPV to best support the financial sustainability of the Victorian health sector.

This financial year also saw the amendment of the *Health Services Act 1988* to provide an opportunity for Community Health Centres and Women's Health Services to 'opt in' to access HPV contracts.

In order to further support probity and training for the sector, we commenced a comprehensive review of the procurement processes of HPV and health services to ensure an alignment with best practice standards.

We also provided more regular reporting of benefits to the sector through the introduction of a new benefits realisation model and opportunity alerts to help pinpoint potential areas of additional cost savings for health services under a range of contracts.

It was a year characterised by bold and significant growth, guided by our core aim to achieve the best possible value and outcomes for the health sector. This growth necessitated a move during the year to the city centre.

This financial year, HPV delivered an estimated \$55 million in financial benefits including \$17 million in new benefits from HPV's expanded sourcing program.

### Key highlights of 2012-13:

- Total annualised benefits of \$55 million achieved from HPV contracts and tenders with \$507 million under HPV contract
- Completion of seven Greenfield tenders including Interventional Radiology, Haemodialysis Equipment, Cleaning Products and Natural Gas
- Development of a new benefits realisation model endorsed by health services to better pinpoint financial and non-financial outcomes of HPV activities
- Establishment of Stream 1 of the Victorian Product Catalogue (VPC) to allow HPV to maintain the VPC internally
- Investigation of a statewide eProcurement system commenced to maximise efficiencies and improve data integrity and reporting across the sector
- Scoping of health supply chain opportunity undertaken and endorsement secured for a coordinated approach

2012-13 was a year of landmark growth and change for Health Purchasing Victoria that saw the organisation deliver an estimated \$55 million in financial benefits for the sector from an expanded sourcing program

At the annual CIPS Awards in November 2012, the Procurement Professionals Program was awarded “Best People Development Initiative 2012”

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### Strengthening Collaboration

A total of 153 health services’ staff participated in Executive and Product Reference Groups during the year. Without this close, collaborative input, HPV would not be able to achieve the level of benefits and cost savings delivered to the sector.

HPV further strengthened its collaborative relationship with health services through ongoing secondments. This year also saw the placement of an intern from the Australian College of Health Service Management at HPV for six months.

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### Reforming supply chain and procurement

A key strategic goal for HPV is to drive measurable end-to-end supply chain efficiencies. In 2012-13, HPV seconded a Head of Supply Chain from Melbourne Health who has commenced a high-level review of the Victorian health supply chain.

At the beginning of 2013, the Victorian Government Purchasing Board (VGPB) also announced broad-ranging reforms affecting procurement practices in the government sector. HPV benchmarks its policies against the VGPB and health services are required to adopt standards of probity at least equal to those required by the VGPB as a condition of funding.

For the health sector in particular, HPV sees a number of tangible benefits to this reform including:

- Better value-for-money outcomes
- More efficient and effective use of procurement resources
- Stronger planning, market analysis and contract management processes
- Improved equity of access for local business and small and medium enterprises

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### Towards a common catalogue

HPV completed the first stream of the Victorian Product Catalogue (VPC), delivered in accordance with the project plan to allow HPV to manage the VPC internally. The second stream of the project will comprise two stages – the release of the VPC via a web interface and the implementation across all Victorian public hospitals and health services.

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### Supporting probity

HPV has further strengthened probity and education in the health sector in response to findings from the Victorian Auditor General’s Report in 2011 to provide additional training to the health sector.

The cornerstone of HPV’s procurement training offering, the Procurement Professionals Program (PPP), commenced its second intake with 10 students attending. The PPP provides clinical managers with the opportunity to gain an internationally recognised qualification through the Chartered Institute of Purchasing and Supply (CIPS).

At the annual CIPS Awards in November 2012, the PPP was awarded “Best People Development Initiative 2012”.

### Sustainable Procurement

With the assistance of Product Reference Groups, a standard environmental management clause was added to Request for Tender specifications issued by HPV. This clause 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.

As well as this clause, HPV will continue to provide relevant product information to assist health services to make more sustainable product selections.

In addition, Sustainability Victoria funded a project that identified a range of sustainable opportunities specifically with the hospital catering supplies contract that was used by hospital food services.

### Board Members

HPV welcomed Mr Julian Glynn, Ms Bernadette McDonald and Mr Ian Quick as new Members of the Board of HPV.

Mr Tim Barta also returned to the Board during 2012-13 in a new capacity as the nominee of the Department of Treasury and Finance.

Mr Rick Law retired from the HPV Board after three years at the end of 2011-12.

Ms Lea Pope retired from the Board after three years at the end of 2012-13.

Mr Craig Bennett resigned from the Board in February 2013 due to a change in his substantive employment. Craig was the metropolitan health services nominee on the Board for over six years and Deputy Chair since 2012.

Ms Bernadette McDonald also resigned from the Board, in April 2013, due to a change in her substantive employment which meant she could not remain the nominee of the Department of Health.

The significant contributions of Rick, Lea, Craig and Bernadette to the development and achievements of HPV are greatly appreciated.

### Financial Performance

HPV completed the year with a surplus of \$1,809,821 due primarily to lower than budgeted relocation costs, delays in recruitment and timing of completion of a number of major technology infrastructure projects for which funding was received in 2012-13.

HPV's continued success is a direct result of the collaborative efforts of hospitals and health services

**Thank You**

HPV's continued success is a direct result of the collaborative efforts of hospitals and health services that provided direct input into the creation of the HPV tender program.

We sincerely acknowledge the contributions of the following key stakeholders who continually provided their commitment and support during 2012-13:

- The Hon David Davis, MLC, Minister for Health
- Victorian Department of Health
- Victorian public hospitals and health services
- Committee and advisory group members involved in HPV activities
- 153 expert health service participants who were members of Executive Reference Groups and Product Reference Groups
- Suppliers to the Victorian public health sector
- HPV's 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 2013.



**Felix Pintado**  
**Chair**  
**Melbourne**  
**15 August 2013**



**Megan Main**  
**Chief Executive**  
**Melbourne**  
**15 August 2013**

## ABOUT HPV

### Establishment

Health Purchasing Victoria (HPV) was established in 2001 and is 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 aims 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 across more than 30 contract categories.

HPV works in collaborative 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.

HPV's growth will continue to be guided by its core values of Collaboration, Achievement, Team Work, Integrity, Respect and Communication

### HPV: the future

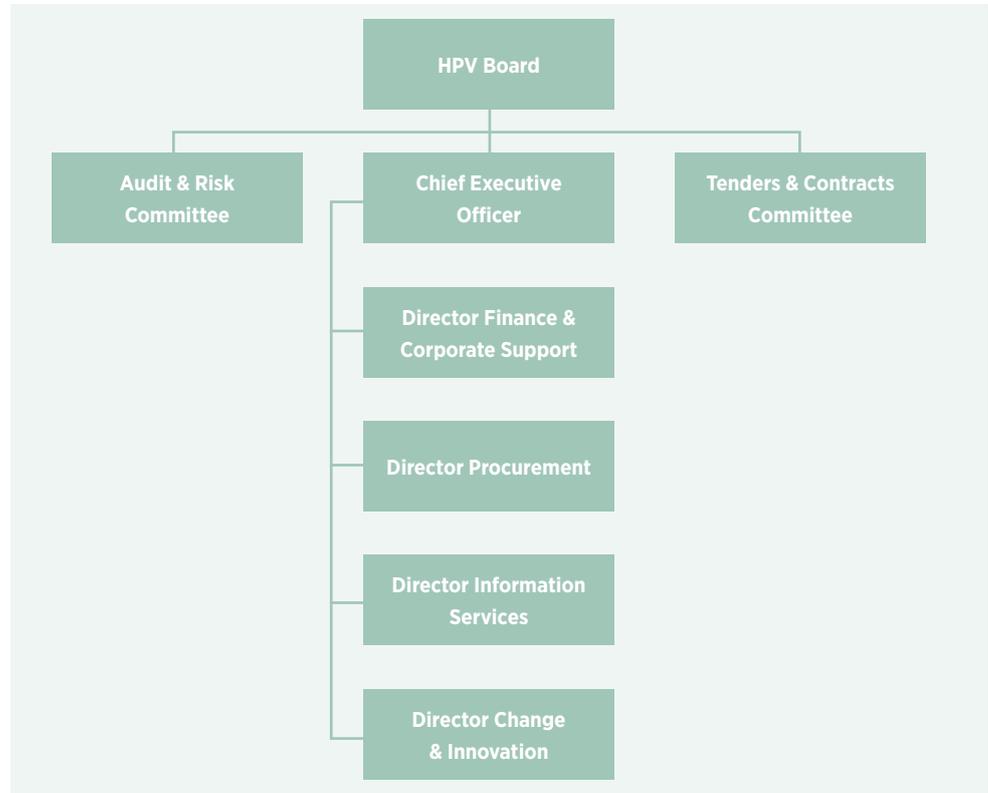
Over the next five years we will focus on six Strategic Goals in order to:

- ✓ Significantly expand the state-wide 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

HPV's growth will continue to be guided by the following values:

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

## 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 Craig Bennett, Ms Bernadette McDonald and Ms Lea Pope who resigned their positions on the Board of HPV during 2012-13.

Board composition during 2012-13 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 2001-2007, 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*  
*July 2013 to February 2013*

Craig was appointed to the HPV Board in July 2006. He 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)*  
*Reappointed in September 2012*

Tim Barta was an HPV board member from 2007-2012, and was reappointed in September 2012 as the nominee of the Department of Treasury and Finance. Tim is currently the Director of Cost Control and Efficiency in the Department of Treasury and Finance, and has previously held executive positions in the Department of Health.

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

Appointed to the Board in July 2008, Simon 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), CPA (Aus)*

Appointed to the Board in August 2011, Alex is an experienced Executive Director of Finance and was engaged in the development of the National Health Service London Procurement Project. Alex is currently Director of the Enabling Enterprise Systems Excellence Program at The University of Melbourne.

He is a fellow of CPA Australia and a member of the Australian Institute of Company Directors.

**Ms Mary Malone** *BBus*

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

**Dr Robyn Mason** *MBBS, M.Admin, FRACMA, FAICD*

Appointed to the Board in August 2011, Robyn has a medical degree and postgraduate 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 Bernadette McDonald** *B.N, M.Health Admin, GAICD*  
*September 2012 to April 2013*

Appointed to the Board in September 2012, Bernadette began her career in the clinical world of nursing, but has worked in senior management roles in health services for more than 23 years. She has extensive experience of change management and leading significant reform and innovation programs across the Victorian health sector. Most recently, she has been appointed as the Chief Executive Officer of Orbost Regional Health.

**Ms Lea Pope** *B App Sci (Phy), Grad Dip Gerontology, Grad Dip Business (Health Services Mgt)*  
*July 2010 to June 2013*

An HPV Board member since July 2010, Lea 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 Linda Sorrell** *MHA, BHSM, Grad Certificate in Casemix, RN*

Linda was appointed to the HPV Board in July 2009. In 2007, Linda 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.

**Mr Julian Glynn** *BSc, BEc, AFSAA*  
*Appointed in July 2012*

Appointed to the Board in July 2012, Julian is an experienced corporate finance and business professional with a broad knowledge of business and government. Julian brings to the board experience working with government on policy and business issues and has been a business adviser to the Commonwealth Department of Finance.

He has been active in the Army Reserve, including service as a peace keeper overseas and also as an army fire-fighter during the 1983 Ash Wednesday fires and in the immediate aftermath of the Victorian Black Saturday bushfires.

**Mr Ian Quick** *B.Ec, Grad Dip (Comp Sci)*  
*Appointed in December 2012*

Appointed to the Board in December 2012, Ian is a finance, IT and business professional with broad experience over a range of industries. He brings to the Board significant experience in increasing business and project efficiencies in addition to a focus on strategic planning. He was previously on the Board of the Royal Children's Hospital and has been involved with many community organisations including as President of Save Our Suburbs.

## Board Attendance 2012-13

There were ten Board meetings held between 1 July 2012 and 30 June 2013.

Name	Meetings eligible	Number attended
Mr Felix Pintado (Chair)	10	9
Mr Craig Bennett (Deputy Chair)	6	5
Mr Tim Barta	8	5
Mr Simon Brewin	10	8
Mr Julian Glynn	9	8
Mr Alex Johnstone	9	8
Ms Mary Malone	9	7
Dr Robyn Mason	9	9
Ms Bernadette McDonald	6	4
Ms Lea Pope	9	9
Mr Ian Quick	5	5
Ms Linda Sorrell	10	9

## Board Sub Committees

The following Committees provided advice to the HPV Board during 2012-13:

### Board Process Committee

**Chair:** Mr Felix Pintado

**Members:** Mr Simon Brewin, Ms Linda Sorrell, Dr Robyn Mason

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:** Ms Linda Sorrell (*independent*)

**Deputy Chair:** Ms Kathy Grigg (*independent*)

**Ex Officio:** Mr Felix Pintado

**Members:** Mr Tim Barta, Mr Alex Johnstone (*independent*), Dr Robyn Mason (*independent*), Mr Lynton Norris, Ms Lea Pope (*July 2010 to June 2013*), 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

**Members:** Mr Mark Berryman, Mr Santo Cavaleri, Mr Julian Glynn, 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 sourcing program, while maintaining appropriate segregation of powers. The TCC provides independent review and makes recommendations to the Board regarding HPV tendering and contracting activities.

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### **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.

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### **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 2012-13 Internal Audit Program included legislative compliance reviews of Privacy of Information, Freedom of Information, Confidentiality and Superannuation.

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 Oakton Consulting Technology for its probity advice during the financial year.

## ATTESTATIONS

### Attestation on Compliance with Australian/New Zealand Risk Management Standard

I, Megan Main, certify that Health Purchasing Victoria has risk management processes in place consistent with AS/NZS ISO 31000:2009 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.



**Ms Megan Main**  
**Chief Executive Officer and Accountable Officer**  
**Melbourne**  
**15 August 2013**

### 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.



**Ms Megan Main**  
**Chief Executive Officer and Accountable Officer**  
**Melbourne**  
**15 August 2013**

### Attestation on Insurance

I, Megan Main, certify that Health Purchasing Victoria has complied with the Ministerial Direction 4.5.5.1 - Insurance.



**Ms Megan Main**  
**Chief Executive Officer and Accountable Officer**  
**Melbourne**  
**15 August 2013**

## COMPLIANCE

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

HPV is a statutory authority established under Section 129 of the *Health Services Act* 1988 and is regulated by the Act.

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### Purchasing Policies

No new purchasing policies were gazetted during 2012-13. The Principal Purchasing Policy, created in May 2011, replaced the previous Purchasing Policy that was gazetted in August 2008. The Minister for Health did not disallow any purchasing policies in whole or in part during 2012-13.

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### Directions

No Directions remain in force and no new Directions were made by HPV in 2012-13.

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### 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 2012-13.

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

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### 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 2012-13.

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### 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 2012-13.

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### Whistleblower Protection

The *Whistleblowers Protection Act* 2001 was repealed in February 2013 and replaced by the *Protected Disclosure Act* 2012. HPV is no longer an entity that can receive disclosures under this new Act. Information regarding how to access the procedures established by the Independent Broad-based Anti-corruption Commission, a public body that can receive and investigate protected disclosures has been provided to staff. Prior to this change, there were no reports or claims made under the repealed Act in 2012-13.

### Disability Action Plan

The HPV Disability Action Plan (DAP) aims to improve outcomes for those with a disability who seek to engage with HPV or access 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
3. Promoting inclusion within the community of people with a disability
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 relocated to a different leased property in December 2012. The new building Casselden has achieved a 4.5-star NABERS Energy and 3-star NABERS Water rating certification. Casselden is also certified as a 5-star Green Star office design, which corresponds to a ranking as an example of Australian excellence in environmentally sustainable design of the built environment.

Casselden minimises power usage with innovative use of low energy lighting and reduction of electricity consumption throughout the building including a recent lift refurbishment project.

The HPV office now has recycling systems for the following waste streams:

- Food Waste
- Co-mingled recyclable paper & packaging
- Security paper
- Toners

Additionally, the following are available through the building concierge:

- Battery recycling
- Mobile muster
- E-waste annual collection

HPV purchases A4 copy & print paper containing 80% recycled content, and A3 copy & print paper of 10% recycled content. The virgin fibre content is certified as complying with the Australian Forestry Standard and is bleached by an elemental chlorine-free process.

The HPV Disability Action Plan (DAP) aims to improve outcomes for those with a disability who seek to engage with HPV or access its services

During 2012-13, HPV commenced nine contracts totalling over \$7.467million in value to which the VIPP applied

### 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. This clause may relate to the supplier's operations, or to aspects of the goods or services being requested and have been 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 134O of the *Health Services Act 1988* exempts HPV from Section IV of the *Trade Practices Act 1974* to allow the Victorian public hospitals and health services to tender as a single entity.

### Implementation of the Victorian Industry Participation Policy (VIPP)

During 2012-13, HPV commenced nine contracts totalling over \$7.467million in value to which the VIPP applied. For contracts that commenced during the year, 7,057 existing local jobs were retained with a further 215 jobs created. Furthermore, these contracts incorporated 228 existing apprenticeships to be retained and 59 apprenticeships to be created.

Local content ranged from 0% to 100% with an average of 54% across the 109 contracts commenced during the year. All contracts that commenced in 2012-13 were state-wide procurement contracts.

Summary of the skills and technical transfer commitments include:

- All contractors have committed to ongoing staff training and development
- The range of knowledge transfer activities for hospital staff includes technical applications of medical products, safe handling training, industry forums, formal and informal training

During 2012-13, HPV completed one contract to which VIPP applied.

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### Additional information available on request

In compliance with the requirements of FRD22D *Standard Disclosures in the Report of Operations*, details in respect of the 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 duly completed by all relevant officers
- b. Details of shares held by a senior officer as nominee or held beneficially
- c. Details of publications produced by the entity about the entity
- d. Details of changes in prices, fees, charges, rates and levies
- e. Details of any major external reviews carried out
- f. Details of major research and development activities
- g. Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- h. Details of major promotional, public relations and marketing activities undertaken to develop community awareness
- i. Details of assessments and measures undertaken to improve the occupational health and safety of employees
- j. General statement on industrial relations and details of time lost through industrial accidents and disputes
- k. List of major committees, the purpose of each committee and the extent to which the purposes have been achieved
- l. Details of all consultancies and contractors including consultants/contractors engaged, services provided and expenditure committed for each engagement

## STRATEGIC OBJECTIVES PERFORMANCE REPORT

Strategic Goal	Strategic Objective 2012-17	Deliverable 2012-17	Outcome 2012-13
<b>1. Increase the benefit to Victoria's health sector from collective procurement of goods and services</b>	Expand the goods and services tender program while maintaining minimum 10% saving on greenfield tenders	Increase the range and value of goods and services under collective procurement	Value under contract increased from \$425m to \$507m; range of categories expanded to include medical equipment, utilities and new clinical and non-clinical categories
		Deliver saving targets	7 Greenfield tenders concluded with weighted average cost reduction exceeding 10% 7 retenders concluded with weighted average cost reduction exceeding target New benefits realisation model endorsed by stakeholders and implemented
		Analyse expenditure to identify and prioritise new categories for collective procurement	15 Greenfield categories identified and prioritised during 2012-13 The United Nations Standard Products and Services Code (UNSPSC) analysis ongoing
		Determine and map strategic procurement priorities for state-wide, regional and hospital level procurement	Being undertaken in conjunction with Victorian Government Procurement (VGPB) procurement reform
		Match tender and contract management processes and resources to category complexity	Sourcing process tailored to each sourcing project
	Improve the value realised from critical HPV contracts	Assess the criticality of each HPV category and apply appropriate category management to highest priority categories including procurement strategy	Category management in place for four categories and further work in progress
		Establish process to share targeted analysis and advice to ensure best value is achieved	Standard impact reports for like-to-like, best match and best value being routinely shared
		Support reduction in clinical variation and, where feasible and appropriate, product rationalisation and standardisation	Ongoing consultation and analysis of high priority categories
	Expand the HPV customer base to achieve greater benefit to Victorian public health	Test the benefits of collaborative procurement with other jurisdictions	Work ongoing with other jurisdictions and non-government entities to investigate procurement collaboration opportunities within the legislative framework
		Proactively extend access to existing HPV contracts to other health and related services where there is a public health benefit	Legislation amended to enable access by Community Health and Women's Health Services
		Undertake procurement of health-related goods and services on behalf of organisations for whom procurement is not 'core business'	Facilitated NEPT tender on behalf of Ambulance Victoria; facilitating AV helicopter tender

Strategic Goal	Strategic Objective 2012-17	Deliverable 2012-17	Outcome 2012-13
<b>1. Increase the benefit to Victoria's health sector from collective procurement of goods and services (continued)</b>	Improve value delivered to health by non-HPV group purchasing arrangements such as Whole of Victorian Government contracts	Analyse benefit opportunity of health services accessing Whole-of-Victorian-Government and other group purchasing arrangements and establish business cases as appropriate	Ongoing collaboration between HPV and Department of Treasury & Finance
		Facilitate access and assist implementation on behalf of health services	HPV communicating government contracts arrangements to health and related services
	Improve sustainable health procurement practices	Continue to embed sustainable procurement practices in the health sector	Sustainable procurement principles included in tender documents and timelines; seminar conducted on Carbon Tax impacts for waste contracts
	Improve clinician awareness of and input to HPV	Increase the focus on engagement of senior clinicians to serve as advocates of HPV and to assist in opportunity identification	Clinical engagement embedded in sourcing process from initial scoping to final decision
		Ensure consistently high calibre members of expert reference and advisory groups	Ongoing process to review expert reference group participation and seek additional targeted support where risks are identified
<b>2. Achieve economies of scale in equipment procurement</b>	Establish a collective equipment management program	Map current equipment asset management, funding and procurement policies and practices against best practice with the Department of Health and health services and define new, expanded HPV role	Mapping complete
	Manage collective procurement of agreed categories of equipment	Analyse state-wide equipment funding streams, future demand and historical expenditure to identify and prioritise potential categories for collective procurement	Analysis of funding streams complete
		Apply HPV procurement and probity processes to the procurement of agreed equipment categories	Four categories prioritised for HPV-led procurement
<b>3. Drive measurable end-to-end supply chain efficiencies</b>	Scope potential improvements to health supply chain cost and efficiency	Complete a supply chain scoping study and share with key stakeholders	Study conducted outlining high-level status of Victorian health supply chain compared to other jurisdictions and industries
		As part of scoping study, determine short, medium and long term priorities	Shift from 'improvement' to 'reform' emphasis Long term goal of coordinated, consolidated, efficient state-wide supply chain
	Secure funding for supply chain improvements	Develop a plan for short term priorities	Short term priorities focusing on support for improvements to internal logistics within health services
	Drive agreed supply chain improvements	Commence quick win project	Universal bracket project underway between HPV and University of Melbourne

Strategic Goal	Strategic Objective 2012-17	Deliverable 2012-17	Outcome 2012-13
<b>4. Support procurement and probity practice improvement</b>	Establish and support best practice procurement and probity standards	Develop and agree minimum acceptable procurement standards	HPV leading implementation of Victorian Government Purchasing Board (VGPB) procurement reform across public health sector Gap analysis complete with action plan developed and process mapping commenced
		Develop and provide online, a suite of policies, guidelines, templates, checklists and best practice examples	Gap analysis tool published on HPV website
		Provide expert procurement advice as requested	Provision of expert procurement advice to the sector as needed
		Synthesise current and emerging procurement and probity requirements and assist the sector to comply	Compliance monitoring addressed as part of Procurement Reform Project. New Probity and Compliance Assessment role scoped
		Provide on-site consultancy support where appropriate, either locally or across one or more regions	Senior resource seconded to a health service for expert analysis capability; ad hoc advice provided regularly HPV capability in procurement reform shared via website; regular updates on major initiatives to enable follow up as required by health services
	Strengthen procurement and probity knowledge	Identify and facilitate opportunities for professional development of the sector	Capability matrix under development as part of the procurement reform project
			Second intake of HPV Procurement Professionals Program commenced
	Monitor procurement and probity compliance	Monitor compliance by health services to HPV contracts	Compliance monitored via self-assessment

Strategic Goal	Strategic Objective 2012-17	Deliverable 2012-17	Outcome 2012-13
<b>5. Improve the integrity and availability of the information used to drive supply chain decisions</b>	Improve the quality and availability of supply chain data	Improve the capture, management and analysis of sales data for all health service expenditure	Consultation undertaken to develop HPV ICT Strategy
		Enable access by health services to HPV data	Data currently available via searchable index VPCS Stream 2 will begin delivering pricing schedules to health services in 2013
		Enhance the HPV Index until the Victorian Product Catalogue (VPC) provides health services with the ability to search for products	Clinical and non-clinical searchable index available
		Improve tender outcome reporting at individual health service level	Regular and ad hoc reports provided, tailored for individual health services
		Strengthen benchmarking capability and outcomes	Impact report includes benchmarking across health services Relative benchmarking commenced where denominator data available and relevant Cross-jurisdictional and international benchmarking being reviewed
		Investigate tendering and contract management systems for HPV and the sector	Included in ICT strategy
	Improve communication and information sharing	Strengthen communication with stakeholders via the HPV intranet, HPV website, newsletters and other online tools	Communications Advisor appointed; monthly newsletter format updated; website rebuild underway
		Ensure ease of participation in HPV processes for expert advisory group members and other stakeholders	New office has videoconferencing facilities
	Deliver the Victorian Product Catalogue project	Complete the VPC technology solution	VPC implemented within HPV including synchronisation with National Product Catalogue (NPC)
		Support health services to effectively and fully implement the VPC	VPC Steering Committee in place with broad stakeholder representation Project on track against revised project plan as agreed with Board to investigate alternative pathways to deliver benefits of 'single source of truth' for catalogue information
		Establish and manage ongoing synchronisation of data between the National Product Catalogue, VPC and health services	On track against revised project plan
	Drive development and implementation of essential information standards across the health sector	Facilitate development of e-commerce standards for the sector that are consistent with NeHTA standards	The potential to provide an integrated solution for e-commerce and provision of VPC data to hospitals is currently being investigated
		Support optimal realisation of benefits from the HealthSmart FMIS	HPV has been coordinating meetings and providing support to the project as required
		Drive adoption of standard UNSPSC classifications for goods and services expenditure	National discussion underway to shape a unified state approach

Strategic Goal	Strategic Objective 2012-17	Deliverable 2012-17	Outcome 2012-13
<b>6. Build capability and capacity</b>	Ensure excellence in governance, management, staffing and processes	Continue to strengthen targeted recruitment and retention	Expansion during 2012-13 with focus on recruiting candidates with diverse public and private experience Flexible resourcing structure to accommodate ad hoc projects
		Ensure an appropriate organisational design and mechanisms to effectively lead and manage the growth of the HPV team over the next five years	International networks strengthened to understand global best practice in leading supply chain and lessons learnt being applied
		Maintain an appropriate level of resources to deliver outcomes as HPV scope expands	HPV supported to expand to address full range of legislative responsibilities
		Ensure strong collaboration with the health sector through two-way secondments	Four health service secondees working within HPV and two HPV secondees working with health services during 2012-13
	Maintain and continually strengthen key relationships based on respect and trust	Develop a relationship management and communication strategy including regional forum purpose	Strategic Communications workshop held Sep-12; new Communications Advisor role commenced Mar-13; Communications Strategy developed
		Provide leadership and expertise on current and emerging issues and possible implications and benefits for the health sector	Workshops conducted on key issues such as Carbon Tax impact
		Showcase health sector initiatives and successes (for example supplier awards)	Minister for Health supplier forum conducted and key learnings adopted in HPV activities and planning Supplier Relationship Management process defined and presented to suppliers
	Improve key HPV business sustainability functions	Improve management systems and investigate tools to assist productivity	ICT Strategy approved by Board; ICT strategy will inform future choices and priorities
		Improve monitoring of organisational key performance indicators and reporting	Ongoing review of regular structured systems based reporting

### Strategic Objectives Performance Report Summary

Overall, HPV forged ahead with delivering against key goals in the first year of its Strategic Plan, which will set the foundation for HPV to fulfil its full range of legislative requirements.

HPV ended the year with an operating surplus of \$1,809,821, which was partly due to the timing of completion of key projects such as the website redevelopment, e-sourcing project and the VPC project timeframes being revised.

## HPV ANNUAL COMPLIANCE STATEMENT

### Background

Section 131(d) 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 and 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 June 2013. The following table compares results of the 2013 statements to those of 2012. Of note was the implementation of seven new contracts in 2012-13.

There were forty-eight instances (1.9%) of **Exemptions** reported and verified by HPV. The decrease in exemptions between 2011-12 and 2012-13 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 43 of 48 (or 90%) of exemptions. Fifty-seven (2.2%) instances of **Non-Compliance** were reported from a combination of 74 sites, 31 mandatory contract categories and 4 limited applicability contracts.

Of these fifty-seven instances:

- Twenty related to a health service in the final stages of transitioning to HPV contracts that is close to fully compliant
- Fifteen related to assumptions made that exemption status would roll over from an old contract to a new contract
- Sixteen 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
- Four related to an exemption request in progress at time of reporting
- Two related to transitions to contracted items which were in progress or would be at the end of the existing contract

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

- Nurse Agency Services (metropolitan and Barwon Health only)
- Pathology Services (Gippsland region only)
- Infusion Pumps (mandatory for five health services)
- Natural Gas >5TJpa (mandatory for 30 sites)

**Table: Comparison of 2012-13 to 2011-12 survey results**

Status	%	
	2011-12	2012-13
Fully Compliant	72.3%	71.2%
Exemption	3.1% (n=79)	1.9% (n=48)
Non-Compliant	0.5% (n=14)	2.2% (n=57)
Not Applicable	24.1%	24.7%
Total	100%	100%

### Next Steps

HPV continues to work with hospitals and health services to improve compliance with and to streamline the exemption process if appropriate, particularly when a new contract replaces an existing expired contract.

## MANAGEMENT AND ORGANISATION

### Leadership Team

**Ms 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.

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

#### Director Change and 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.

**Mr Nigel Allsop** *HNC (Bus), BA (Hons), MBA*

#### Director Procurement

*1 July 2012 – 21 September 2012*

Nigel joined HPV in February 2007, and brought more than seventeen years' experience covering such diverse areas as supplier management, strategic procurement, inventory management, e-Procurement and process improvement across commodities and services. Nigel was responsible for delivery of the tender and contract management program, and developing opportunities for HPV growth.

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

#### Director Information

*1 July 2012 – 6 July 2012*

Richard joined HPV in May 2010, having consulted to HPV and the Victorian Department of Health since 2008. Richard's background was strategy, supply chain and contract management. He had worked with some of Australia's largest organisations in health, distribution, financial services and retail.

**Mr Martin Edwards** *MCSE, DipMgt*

**Director Information Services**

*Commenced 18 September 2012*

Martin commenced as the Director of Information Services in September 2012. Prior to joining HPV, Martin was the General Manager of ICT and Chief Information Officer at St Vincent's Hospital Melbourne where he worked for 6 years as leader in strategic development and championed such initiatives as the Roaming Clinical Desktop. He has been responsible for managing information and delivering Information and Communication Technology solutions in global and national organisations. Before working in the public health sector, Martin held senior IT positions in Australia and in the UK entertainment industry.

**Ms Alba Chliakhtine** *MeBus, MBus (LogMgt), GradDipPurch&MatMgt*

**Director Procurement**

*Commenced 15 January 2013*

Alba's procurement career spans a wide range of industries including technology, aerospace, manufacturing, financial services and online sourcing services. She has held a number of senior management roles in procurement and operations where she was responsible for warehousing, procurement, customs and shipping. In her procurement career, Alba led the successful development of diverse procurement and supply strategies encompassing a broad range of supply categories. In addition, Alba's work also extends to supporting not-for-profit organisations in the culturally and linguistically diverse (CALD) sector.

**Ms Sasha Oliver** *B.Bus, CA*

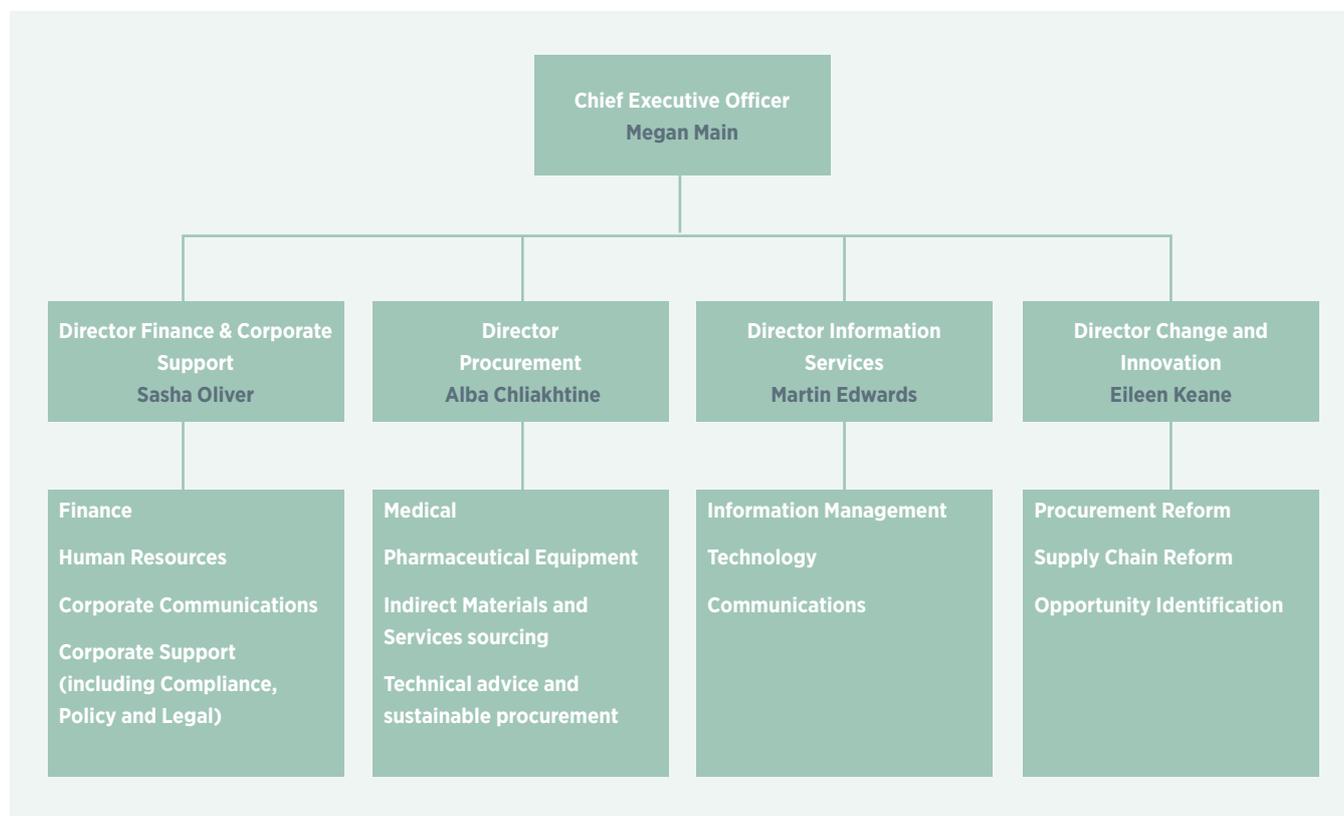
**Director Finance and Corporate Support**

*Commenced 29 April 2013*

Sasha is a Chartered Accountant. Prior to joining HPV, Sasha was the Director of Commercial Management at the Department of Health.

Previously, she also worked at the Department of Health as a consultant project manager working on the Health Reform Program (High Cost Project and Supply Chain Reform). Before working in the public health sector, Sasha held positions in KPMG's taxation division and also across various industries both nationally and internationally at such companies as Asite, Computershare, Coles Myer, Origin Energy and ANZ.

## ORGANISATION CHART (AS AT 30 JUNE 2013)



## HUMAN RESOURCES & DEVELOPMENT

HPV's flagship training program for health services, the Procurement Professionals Program (PPP), was recognised with an award for 'Best People Development Initiative' in October 2012 by the Chartered Institute of Purchasing and Supply (CIPS).

Throughout the year, HPV continued to strengthen its collaboration with health services through strategic secondments. A year of tremendous growth for HPV, 23 people joined HPV in 2012-13 as the organisation embarked on the first year of its Strategic Plan 2012-17.

A year of tremendous growth for HPV, 23 staff joined the team in 2012-13 and the organisation continued to strengthen its collaboration with the health sector

### A values-driven culture

HPV staff continued to follow the organisation's core values, using them to guide their work and to develop a strong and engaged culture within HPV:

- Collaboration
- Achievement
- Team Work
- Integrity
- Respect
- Communication

### Workforce

During 2012-13, an additional 23 people joined HPV and as at the end of June, 46 staff members were employed by HPV. FTE statistics are provided in the table below:

	2011 FTE	2012 FTE	2013 FTE
<b>Executive</b>	1	3.8	5
<b>Non Executive</b>	18.6	26.7	37
<b>Total</b>	19.6	30.5	42

NB: FTE stands for full time equivalent

The growth of HPV has mainly been driven by the need for management of new tenders and contracts to achieve additional savings for the sector. Other projects such as the Victorian Product Catalogue (VPC), Supply Chain Reform and Procurement Reform have also driven growth.

In April 2013, the Director Finance and Corporate Support was appointed with the aim to review and improve the HR function, policy framework, employment contracts and systems into the future as a result of the rapid growth in employees at HPV.

### Secondments

During 2012-13 three part-time secondments enabled HPV to further strengthen two-way relationships with health services. These secondments continue to provide HPV with direct access to subject matter experts to strengthen outcomes for health services. HPV welcomed secondees from Melbourne Health and Eastern Health who provided advice and expertise in relation to Supply Chain Reform and specialised contracts including electricity and the Fixed Wing tender being completed in conjunction with Ambulance Victoria.

The CEO of Melbourne Health invited HPV to second a team member to help lead Melbourne Health's Procurement Excellence Project with consulting support provided by McKinsey. HPV's Head Clinical Sourcing, Sandra Ireland, was seconded for 3 months in December 2012 to explore cost reductions in both clinical and non-clinical areas with a strong focus on clinical engagement and reduction in clinical variation.

This secondment enabled HPV to further deepen its knowledge of global best practice in health procurement. For the first time, a secondee from the Australasian College of Health Service Management (ACHSM) completed a 6-month rotation at HPV in June 2013. The secondee assisted with the tender and contract program. This opportunity should result in future secondments between HPV and ACHSM.

**A new computer-based HR system was implemented in 2013 to improve efficiency in key HR processes and functions**

### Human Resource Management System (HRMS)

In late 2013, HPV implemented a new computer-based HRMS to improve efficiency in all processes relating to HR information. The new system covers key functions such as payroll, employee entitlements, tracking of HR dates/events, skills assessment, training needs, performance appraisals and streamlined reporting/analysis of HR information. The self-service web-based portal enables employees to manage their own personal information, review payroll history, apply and manage leave and also provides line managers with central visibility of key employee details within a secure, user-friendly system.

### Collective Agreement

HPV worked towards finalising the Health Purchasing Victoria Collective Agreement 2013 that will replace the Health Purchasing Victoria Collective Agreement 2009 in this financial year. A draft copy of the agreement has been provided to all staff for review and comment.

Legal counsel has been engaged to develop standard employment contracts for all employee types that reflect the new terms of the agreement. Once these are finalised, they will be shared with employees for review and feedback.

After feedback has been incorporated from legal counsel and staff in relation to the new agreement and the standard contracts, employees will be asked to vote on the agreement.

If a positive outcome is reached, the new agreement will be lodged with the Fair Work Commission for ratification. If approved, the agreement will be implemented during the second quarter in the 2014 financial year.

The PPP was developed by HPV in 2010 to enhance the knowledge and skills of employees involved in or managing procurement in Victoria's 80+ public hospitals and HPV

## Training and Development

### Procurement Professionals Program (PPP)

HPV was recognised as the winner of the 2012 CIPSA Procurement Award for Best People Development initiative for the HPV Procurement Professionals Program (HPV PPP) in October 2012. The PPP was developed by HPV in 2010 to enhance the knowledge and skills of employees involved in or managing procurement in Victoria's 80+ public hospitals and HPV.

This achievement recognises HPV as a provider of Australasian procurement professional development courses. The inaugural class graduated in 2012 and in 2013, a second intake including both HPV and health services' employees commenced.

### Occupational Health and Safety (OHS)

HPV monitors OH&S through regular informal assessment and formally via monthly staff meetings. Upon moving to the new premises at Casselden on 2 Lonsdale Street; HPV immediately renewed its emergency procedures to comply with Casselden's emergency procedures.

New wardens were inducted and trained by Casselden security staff in a session that included a full tour of the building and a walk-through of key emergency areas. HPV staff have been advised and shown where to meet in the case of an emergency and have been advised of the location of the primary assembly area.

HPV staff also completed a questionnaire to ensure a thorough understanding of the evacuation procedures. HPV has established a Personal Emergency Evacuation Plan for staff who are unable to descend via the stairs.

In the first week of occupancy at Casselden, all HPV staff were offered ergonomic assessments of their workstation by a Certified Professional Ergonomist. These assessments were completed over two days and HPV was able to ensure all staff had the opportunity to be professionally assessed at their new desk. All new starters were ergonomically assessed with supportive equipment provided where necessary.

### Industrial Relations

There were no Industrial Relations issues or disputes during the year.

### WorkCover

A valid WorkCover claim was lodged in relation to a staff member currently on leave. Detailed Return-to-Work planning has already commenced in consultation with the staff member and their medical practitioners.

### 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 by the *Code of Conduct for the Victorian Public Sector*; acceptance of this *Code of Conduct* is a condition of employment at HPV.

## SUSTAINABLE PROCUREMENT PROJECT

HPV is assisting health services to procure more sustainable product options from within our contracts. There are many opportunities to address sustainable product choices through the supply chain and end-users.

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.

In recognition of the fact that healthcare facilities, especially large acute-care hospitals, are large consumers of energy and water and also consume significant volumes of products to deliver healthcare to patients, HPV embarked on a long-term sustainability procurement reform project.

The initial 12-month project funded by the Department of Health, Sustainability Victoria and Department of Sustainability and Environment to strengthen sustainable procurement practices within the Victorian public health sector, concluded during 2011-12. Sustainability Victoria committed a further round of funding to focus on the potential to implement Sustainable Procurement principles in the high-priority area of Catering Supplies. This project was completed in August 2012. We thank the Department of Health, Sustainability Victoria and the Department of Sustainability & Environment for funding these activities.

Working with a range of stakeholders across Victoria including suppliers, health services and the Department of Health, the project has been a successful pilot and identified as a goal within our Strategic Plan 2012-17.

Key achievements of this project included:

- 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
- Development of guidance notes on sustainable procurement for health service staff
- Promotion of sustainable procurement as part of best practice procurement

HPV will continue to provide relevant product information to assist health services to make more sustainable product selections with existing contracts where it is not possible to 'retrofit' sustainability criteria. Additionally, HPV provided supply chain metrics for aggregate health services' consumption of office and copy paper and nitrous oxide (an anaesthetic agent that also acts as a Greenhouse gas) to the Department of Health for their environmental reporting. During 2012-13, expert advice was provided relating to the introduction of carbon pricing, which directly affected several HPV contracts. Additionally HPV was able to deliver on its functions by advising health services on best practice approaches to supplier negotiations over the impact of carbon pricing for the health services' own contracts.

HPV has worked with a range of stakeholders across Victoria including suppliers, health services and the Department of Health to strengthen sustainable procurement practices

## SUMMARY OF FINANCIAL RESULTS

### Summary of Financial Results and comparison to last four reporting periods

Year	2012-13 \$'000	2011-12 \$'000	2010-11 \$'000	2009-10 \$'000	2008-09 \$'000
Total Revenue	8,239	4,626	2,589	2,051	1,974
Total Expenses	6,429	3,590	2,502	2,332	1,856
Operating Surplus / (Deficit)	1,810	1,036	87	(281)	118
Retained Surplus / (Accumulated Deficit)	3,108	1,298	262	176	456
Total Assets	4,161	1,810	604	486	742
Total Liabilities	1,021	481	310	279	255
Total Equity	3,140	1,329	294	207	487

### Summary of Significant Changes in Financial Position

The Department of Health provided additional recurrent funding in 2012-13 so that an increased amount of tenders and contracts could be completed to increase savings delivered to hospitals and health services. Additional funding was provided to commence evaluation and feasibility analysis of Supply Chain Reform and to ensure all functions were being carried out by HPV in accordance with the *Health Services Act* 1988. Specific funding was also provided for the relocation of the HPV offices from Malvern to Casselden, Lonsdale Street.

Due to the relocation costs being less than budgeted and delays in recruiting staff with adequate experience and knowledge, an operating surplus in 2012-13 was derived. The surplus will be used towards the payment of operational expenses in 2013-14.

Performance against operational objectives is discussed in the section titled *Strategic Objectives 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 March 2013.

### 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. In April 2013, the Director Finance and Corporate Support was appointed with the aim to review accountancy functions and systems into the future.

## Consultancies

In 2012-13, Health Purchasing Victoria engaged 2 consultancies where the total fees payable to the consultants were less than \$10,000, these have a total expenditure of \$12,477 (exclusive of GST).

### Details of Consultancies over \$10,000

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (excluding GST)	Expenditure 2012-13 (excluding GST)	Future expenditure (excluding GST)
<b>The Bellettes Bay Company</b>	Preparation and design for Ministerial Procurement and Supply Chain Forum	03/10/12	10/12/12	\$15,000	\$11,260	\$0
<b>Ernst &amp; Young</b>	Completion of Benefits Realisation Model review	07/06/12	31/11/12	\$47,600	\$18,143	\$0
<b>McCombe Consulting</b>	Data collection and analysis of state-wide medical equipment needs	26/09/12	28/02/13	\$22,727	\$22,725	\$0
<b>JCL Management</b>	Advice for natural gas Request for Tender	19/12/12	11/03/13	\$149,000	\$149,000	\$0
<b>Castell Consulting</b>	Aerospace advice for the Ambulance Victoria HEMS project	23/04/13	14/02/14	\$127,000	\$20,941	\$106,059
<b>McCombe Consulting</b>	Advice for the implementation of the state-wide strategy for the procurement of medical equipment	22/04/13	31/10/13	\$36,365	\$21,750	\$14,250

## 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
<b>Ministerial Directions</b>		
<b>Report of Operations</b>		
<b>Charter and purpose</b>		
FRD 22D	Manner of establishment and the relevant Ministers	5
FRD 22D	Objectives, functions, powers and duties	5
FRD 22D	Nature and range of services provided	5
<b>Management and structure</b>		
FRD 22D	Governance structure - members of governing board and sub-committees including audit and risk committee	6-10
FRD 22D	Organisational structure - Chief Executive Officer, senior officers and their responsibilities	23-25
<b>Financial and other information</b>		
FRD 10	Disclosure index	32-33
FRD 11	Disclosure of ex-gratia payments	31
FRD 21B	Responsible person and executive officer disclosures	50-51
FRD 22C	Details of consultancies over \$10,000	31
FRD 22C	Details of consultancies under \$10,000	31
FRD 22D	Application and operation of <i>Freedom of Information Act 1982</i>	12
FRD 22D	Application and operation of <i>Whistleblowers Protection Act 2001</i>	12
FRD 22D	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	13
FRD 22D	Major changes or factors affecting performance	16-20
FRD 22D	Occupational health and safety	28
FRD 22D	Operational and budgetary objectives and performance against objectives	16-20
FRD22D	Reporting of office-based environmental impacts	13
FRD 22D	Significant changes in financial position during the year	30
FRD 22D	Statement of availability of other information	15

<b>Legislation</b>	<b>Requirement</b>	<b>Page Reference</b>
FRD 22D	Statement on National Competition Policy	14
FRD 22D	Subsequent events	31
FRD 22D	Summary of the financial results for the year	30
FRD 22D	Workforce Data Disclosures including a statement on the application of employment and conduct principles	26-28
FRD 25A	Victorian Industry Participation Policy disclosures	14
SD 4.2(j)	Sign-off requirements	35
SD 3.4.13	Attestation on data integrity	11
SD 4.5.5.1	Attestation on insurance	11
SD 4.5.5	Attestation on Compliance with Australian/New Zealand Risk Management Standard	11
<b>Financial Statements</b>		
<b>Financial statements required under Part 7 of the FMA</b>		
SD 4.2(a)	Statement of changes in equity	38
SD 4.2(b)	Comprehensive operating statement	36
SD 4.2(b)	Balance sheet	37
SD 4.2(b)	Cash flow statement	39
<b>Other requirements under Standing Directions 4.2</b>		
SD 4.2(a)	Compliance with Australian accounting standards and other authoritative pronouncements	35
SD 4.2(c)	Accountable officer's declaration	35
SD 4.2(c)	Compliance with Ministerial Directions	12
SD 4.2(d)	Rounding of amounts	43
<b>Legislation</b>		
<i>Freedom of Information Act 1982</i>		12
<i>Whistleblowers Protection Act 2001</i>		12
<i>Victorian Industry Participation Policy Act 2003</i>		14
<i>Building Act 1993</i>		13
<i>Financial Management Act 1994</i>		35

## FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

<b>Board Member's, Accountable Officer's and Accounting Officer's Declaration</b>	<b>35</b>
<b>Comprehensive Operating Statement</b>	<b>36</b>
<b>Balance Sheet</b>	<b>37</b>
<b>Statement of Changes in Equity</b>	<b>38</b>
<b>Cash Flow Statement</b>	<b>39</b>
<b>Notes to the Financial Statements</b>	<b>40</b>
<b>Independent Audit Report</b>	<b>63</b>

## BOARD MEMBER'S, ACCOUNTABLE OFFICER'S AND ACCOUNTING OFFICER'S DECLARATION

We certify that the attached financial statements for Health Purchasing Victoria have been prepared in accordance with Part 4.2 of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards, Australian Accounting 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 and cash flow statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2013 and financial position of Health Purchasing Victoria as at 30 June 2013.

At the time of signing we are not aware of any circumstances 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**  
**Melbourne**  
**15 August 2013**



**Megan Main**  
**Accountable Officer**  
**Melbourne**  
**15 August 2013**



**Sasha Oliver**  
**Chief Finance & Accounting Officer**  
**Melbourne**  
**15 August 2013**

## COMPREHENSIVE OPERATING STATEMENT

FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 \$	2012 \$
<b>Revenue from ordinary activities</b>	2	7,632,976	3,960,260
<b>Revenue from ordinary activities – Capital Grants</b>	2	606,000	666,000
<b>EXPENSES</b>			
Employee benefits expense	3	(4,330,408)	(2,595,328)
Depreciation expense	3	(252,387)	(35,556)
Other expenses from ordinary activities	3	(1,846,360)	(959,425)
<b>Surplus/(Deficit) before income tax</b>		1,809,821	1,035,951
Income Tax Expense	1(a)	-	-
<b>Surplus/(Deficit) after income tax</b>		1,809,821	1,035,951
Other Comprehensive Income		-	-
<b>Comprehensive Result for the Year</b>		1,809,821	1,035,951

The accompanying notes form part of these financial statements

## BALANCE SHEET

AS AT 30 JUNE 2013

	Notes	2013 \$	2012 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	1,203,692	1,150,624
Trade and other Receivables	9	68,971	12,125
Other financial assets	10	1,525,000	325,000
Prepayments		34,855	27,049
<b>TOTAL CURRENT ASSETS</b>		<b>2,832,518</b>	<b>1,514,798</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	759,135	154,795
Intangible Assets	12	569,129	141,067
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,328,264</b>	<b>295,862</b>
<b>TOTAL ASSETS</b>		<b>4,160,782</b>	<b>1,810,660</b>
<b>CURRENT LIABILITIES</b>			
Trade and other Payables	13	502,507	181,664
Short term Provisions	14	460,135	211,662
<b>TOTAL CURRENT LIABILITIES</b>		<b>962,642</b>	<b>393,326</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term Provisions	14	58,668	87,683
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>58,668</b>	<b>87,683</b>
<b>TOTAL LIABILITIES</b>		<b>1,021,310</b>	<b>481,009</b>
<b>NET ASSETS</b>		<b>3,139,472</b>	<b>1,329,651</b>
<b>EQUITY</b>			
Contributed Capital		31,570	31,570
Retained Earnings		3,107,902	1,298,081
<b>TOTAL EQUITY</b>		<b>3,139,472</b>	<b>1,329,651</b>
Capital and leasing commitments	18		
Contingent Liabilities	19		

The accompanying notes form part of these financial statements

## STATEMENT OF CHANGES IN EQUITY

AS AT 30 JUNE 2013

	Contributed Capital	Retained Earnings \$	Total \$
<b>Balance at 1 July 2011</b>	31,570	262,130	293,700
Capital Contributed	-	-	-
Surplus/(Deficit) for the year	-	1,035,951	1,035,951
Other Comprehensive Income	-	-	-
<b>Balance at 30 June 2012</b>	31,570	1,298,081	1,329,651
Capital Contributed	-	-	-
Surplus/(Deficit) for the year	-	1,809,821	1,809,821
Other Comprehensive Income	-	-	-
<b>Balance at 30 June 2013</b>	31,570	3,107,902	3,139,472

Note: In the 2013 year Health Purchasing Victoria received capital grants of \$106,000 (2012: \$666,000) associated with the creation of the Victorian Product Catalogue. A further \$500,000 was received for the cost of internal fitout at new premises. The operating result for 2013 includes \$606,000 as grants received. Over the life of the assets created or acquired using these grants, depreciation and amortisation of at least \$1,272,000 will be charged against operating results. At 30 June 2013 a charges of \$128,165 for depreciation and amortisation have been made in relation to these assets.

The accompanying notes form part of these financial statements

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 \$	2012 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating Grant Receipts		7,137,572	3,826,886
Capital Grant Receipts		606,000	666,000
Other Receipts		2,000	191,589
Payments to suppliers and employees		(5,493,373)	(3,473,506)
Interest received		84,778	34,684
Net cash provided by operating activities	15	2,336,977	1,245,653
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for property, plant and equipment		(700,861)	(80,945)
Payment for Intangible assets		(383,048)	(138,656)
Payment for other financial assets		(1,200,000)	(150,000)
Net cash used in investing activities		(2,283,909)	(369,601)
Net increase/(decrease) in cash held		53,068	876,052
Cash at beginning of financial year		1,150,624	274,572
Cash at end of financial year	8	1,203,692	1,150,624

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

Health Purchasing Victoria is exempt from income tax under the *Income Tax Assessment Act*.

#### (b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments, and bank overdrafts. Bank overdrafts are

shown within short-term borrowings in current liabilities on the balance sheet.

#### (c) Receivables

Receivables consist of:

- contractual receivables, which includes mainly debtors in relation to services and accrued investment income; and
- statutory receivables, which includes predominantly amounts owing from the Victorian Government and Goods and Services Tax (“GST”) input tax credits recoverable.

Receivables that are contractual are classified as financial instruments and categorised as loans and receivables. Statutory receivables are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

Receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less any accumulated impairment.

Trade debtors are carried at nominal amounts due and are due for settlement within 30 days from the date of recognition. Collectability of debts is reviewed on an ongoing basis, and debts which are known to be uncollectible are written off. A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified.

## NOTES TO THE FINANCIAL STATEMENTS

### (d) Other financial assets

Bank Term deposits other than short term investments are accounted for as other financial assets. All deposits will mature in less than 12 months.

### (e) Prepayments

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

### (f) 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.

### 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

Software	20.0%-40%
Office Equipment	1.25%-40%
Computer Equipment	37.5%-40%
Furniture, fixtures & fittings	11.25%-30%
Leasehold Improvements	14.29%

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.

### (g) 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.

### (h) Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance such as computer software and development costs.

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Authority.

## NOTES TO THE FINANCIAL STATEMENTS

Expenditure on research activities is recognised as an expense in the period on which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- an intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

### (i) Payables

Payables consist of:

- contractual payables which consist predominantly of accounts payable representing liabilities for goods and services provided to the Authority prior to the end of the financial year that are unpaid, and arise when the Authority becomes

obliged to make future payments in respect of the purchase of those goods and services. The normal credit terms for accounts payable are usually Nett 30 days.

- statutory payables, such as goods and services tax and fringe benefits tax payables.

Contractual payables are classified as financial instruments and are initially recognised at fair value, and then subsequently carried at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

### (j) 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.

### (k) 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.

### (l) 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.

### (m) 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.

## NOTES TO THE FINANCIAL STATEMENTS

### **(n) Revenue**

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

### **(o) 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.

### **(p) 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.

### **(q) Staff development & seminar expenses**

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

### **(r) Other expenses**

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

### **(s) 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.

### **(t) Comparatives**

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

### **(u) Rounding Off**

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

## NOTES TO THE FINANCIAL STATEMENTS

### (v) 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.

#### 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 2013 confirmed no impairment of any assets.

#### (w) 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.

### (x) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2013 reporting period. As at 30 June 2013, the following standards and interpretations had been issued but were not mandatory for the reporting period ending 30 June 2013. The Authority has not and does not intend to adopt these standards early.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on financial statements
<i>AASB 9 Financial Instruments, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures</i>	AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. HPV has not yet decided when to adopt AASB 9.	Beginning 1 January 2013	HPV has assessed there is little likelihood of a material change in the measurement or disclosure of financial instruments.

## NOTES TO THE FINANCIAL STATEMENTS

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on financial statements
AASB 13 <i>Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13</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. In particular, AASB 2011-8 replaces the existing definition and guidance of fair value measurements in other Australian Accounting Standards and Interpretations.	Beginning 1 January 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 entities that have assets measured using depreciated replacement cost. HPV does not currently use these this valuation methodology.
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.	Beginning 1 January 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. The current and revised standard does not require HPV to disclose the detail reserved for defined benefits superannuation 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. HPV will be directed by the Victorian Government.

## NOTES TO THE FINANCIAL STATEMENTS

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on financial statements
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 &amp; 1038 and Interpretations 10 &amp; 12]</i>	This Standard gives effect to consequential changes arising from issuance of AASB 9.	Beginning 1 January 2013	HPV has assessed there is little likelihood of a material change in the measurement or disclosure of financial instruments.
AASB 2010-2 <i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements and AASB 2012-11 Amendments to Australian Accounting Standards - Reduced Disclosure Requirements and Other Amendments</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. AASB 2012-11 makes various editorial corrections to Australian Accounting Standards - Reduced Disclosure Requirements (Tier 2). These corrections ensure that the Standards reflect decisions of the AASB regarding the Tier 2 requirements.	Beginning 1 July 2013	Does not affect financial measurement or recognition, so is not expected to have any impact on HPV's financial result or position. May reduce some note disclosures in financial statements.
AASB 2012-7 <i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>	This Standard adds to or amends the Australian Accounting Standards - Reduced Disclosure Requirements for AASB 7 Financial Instruments: Disclosures, AASB 12 Disclosure of Interests in Other Entities, AASB 101 Presentation of Financial Statements and AASB 127 Separate Financial Statements. AASB 1053 Application of Tiers of Australian Accounting Standards provides further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general purpose financial statements.	Beginning 1 July 2013	Does not affect financial measurement or recognition, so is not expected to have any impact on HPV's financial result or position. May reduce some note disclosures in financial statements.
AASB 2011-2 <i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project - Reduced Disclosure Requirements [AASB 101 &amp; 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. HPV will be directed by the Victorian Government.

## NOTES TO THE FINANCIAL STATEMENTS

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on financial statements
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).	Beginning 1 July 2013	No significant impact is expected from these consequential amendments on HPV reporting.
AASB 2011-10 <i>Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)</i> <i>[AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 &amp; AASB 2011-8 and Interpretation 14]</i>	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> .	Beginning 1 January 2013	No significant impact is expected from these consequential amendments on HPV 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.	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 in the Victorian public sector. HPV will be directed by the Victorian Government.
2012-1 <i>Amendments to Australian Accounting Standards - Fair Value Measurement - Reduced Disclosure Requirements [AASB 3, AASB 7, AASB 13, AASB 140 &amp; AASB 141]</i>	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> .	Beginning 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. HPV will be directed by the Victorian Government on the application of reduced reporting requirements at an entity level.

## NOTES TO THE FINANCIAL STATEMENTS

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on financial statements
<i>AASB 2012-2 Amendments to Australian Accounting Standard - Disclosures - Offsetting Financial Assets and Financial Liabilities</i>	This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.	Beginning 1 January 2013	HPV does not currently have rights of financial set-off.
<i>AASB 2012-3 Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities</i>	This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	Beginning 1 January 2014	HPV does not plan to adopt these standards until their effective date. As such, this amendment will not be adopted until the year ended 30 June 2016.

	Notes	2013 \$	2012 \$
<b>NOTE 2: REVENUE</b>			
<b>Operating activities</b>			
- Interest		87,890	39,499
- Government Grants		7,458,875	3,826,886
- Indirect Contributions		32,281	28,970
- Recoveries		53,930	64,905
		7,632,976	3,960,260
- Capital Grants – Victorian Product Catalogue Office Fitout		106,000 500,000	666,000 -

## NOTES TO THE FINANCIAL STATEMENTS

	Notes	2013 \$	2012 \$
<b>NOTE 3: SURPLUS FROM ORDINARY ACTIVITIES</b>			
Surplus from ordinary activities has been determined after the following expenses:			
<b>Employee benefits expense</b>			
Salaries and wages and oncosts		3,879,475	2,358,990
Superannuation	5	294,238	177,565
Staff development & seminars		156,695	58,773
<i>Total employee benefits</i>		4,330,408	2,595,328
<b>Depreciation expense</b>			
Depreciation & Amortisation		181,120	35,556
Asset Retirement		71,267	-
<i>Total Depreciation</i>		252,387	35,556
<b>Other expenses from ordinary activities</b>			
Accounting and audit fees		162,778	106,665
Advertising		16,614	15,968
Computer maintenance		330,237	112,302
Consultants fees		256,296	230,405
Insurance		32,281	28,970
Legal fees		68,726	24,985
Members remuneration (including superannuation)		92,935	61,562
Office outgoings		23,767	28,188
Other		21,425	1,612
Printing and stationery		37,020	33,644
Subscriptions		10,297	16,253
Rent		411,237	150,301
Recruitment		158,323	80,205
Relocation		98,798	-
Seminars		16,077	15,279
Telephone		20,058	19,713
Temporary contract agency staff		36,401	9,014
Vehicle, Parking and Travel		53,090	24,359
<i>Total other expenses</i>		1,846,360	959,425
<b>Total expenses</b>		<b>6,429,155</b>	<b>3,590,309</b>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 4: RESPONSIBLE PERSONS DISCLOSURES

#### Responsible Minister

The Hon David Davis, MLC, Minister for Health From 1 July 2012 to 30 June 2013

#### Key management personnel

##### Authority Members

Mr Felix Pintado (Chair)	From 1 July 2012 to 30 June 2013
Mr Craig Bennett	From 1 July 2012 to 21 February 2013
Mr Timothy Barta	From 1 July 2012 to 30 June 2013
Mr Simon Brewin	From 1 July 2012 to 30 June 2013
Ms Linda Sorrell	From 1 July 2012 to 30 June 2013
Ms Lea Pope	From 1 July 2012 to 30 June 2013
Mr A Johnstone	From 1 July 2012 to 30 June 2013
Ms M Malone	From 1 July 2012 to 30 June 2013
Dr R Mason	From 1 July 2012 to 30 June 2013
Mr Julian Glynn	From 1 July 2012 to 30 June 2013
Ms Bernadette McDonald	From 20 September 2012 to 18 April 2013
Mr Ian Quick	From 19 December 2012 to 30 June 2013

#### Chief Executive Officer

Megan Main From 1 July 2012 to 30 June 2013

#### (a) Remuneration of Responsible Persons

Income	2013 No.	2012 No.
Nil	5	6
\$ - \$9,999	1	2
\$10,000 - \$19,999	5	4
\$20,000 - \$29,999	1	-
\$230,000 - \$240,000	1	1
Total Numbers	13	13
<b>Total Amount</b>	\$322,749	\$300,156

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	
	2013 No.	2012 No.	2013 No.	2012 No.
\$1 - \$9,999	-	-	1	-
\$10,000 - \$19,999	1	1	-	1
\$20,000 - \$29,999	1	-	1	-
\$40,000 - \$49,999	-	-	1	-
\$50,000 - \$59,999	1	-	-	-
\$70,000 - \$79,999	1	-	1	-
\$100,000 - \$109,999	-	-	-	-
\$120,000 - \$129,999	1	-	1	-
\$150,000 - \$159,999	-	1	-	2
\$160,000 - \$169,999	1	1	1	-
Total Number of executives	6	3	6	3
Total annualised employee equivalents*	2.47	2.0	2.47	2.0
<b>Total Amount</b>	<b>\$452,733</b>	<b>\$ 343,472</b>	<b>\$428,309</b>	<b>\$ 330,878</b>

\* Note: Total annualised employee equivalents is calculated by dividing the total number of ordinary hours that an employee worked over the reporting period by the total number of full-time working hours per annum (38 hours per week over 52 weeks)

#### (c) Retirement benefits

The Total Remuneration includes \$24,424 paid in Retirement Benefits during the 2013 year (2012: \$Nil). Retirement benefits comprise payments for unused leave paid at cessation of employment.

#### (d) Payments to other personnel (ie contractors with significant management responsibilities)

No payments were made in relation to services of persons with significant management responsibilities.

### 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 2013 to 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 exclude 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:

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 5: SUPERANNUATION (Continued)

	2013	2012
AMP Life	3,358	12,998
AMP Signature Super & AMP Superannuation	7,361	-
AMP Superwrap	13,473	2,056
ASME Staff	1,039	906
Australian Super	17,971	7,126
AXA	3,962	-
BT	8,780	2,895
CARE	8,642	6,067
Equipsuper	8,031	7,201
Health Super	86,648	63,537
Hesta	35,190	21,622
Media Super	6,286	4,669
Mercer Super Trust	12,828	9,053
One Path Integra	1,523	-
Plum Super	5,729	160
Recruitment Super	11,113	112
REST	9,081	7,052
Spectrum Super	5,713	-
Summit Super	514	13,075
Sunsuper	1,817	3,032
Unisuper	6,930	906
VicSuper	9,351	5,286
Vision Super	4,865	649
VISSF	2,737	5,269
Wealthtrac	7,141	519
Other	22,361	4,674
<b>Total</b>	<b>302,444</b>	<b>178,864</b>

Unpaid at 30 June 2013: \$2,723 (2012: \$Nil)

### NOTE 6: EX GRATIA PAYMENTS

No ex gratia payments were made during the year. (2012: Nil)

	Notes	2013 \$	2012 \$
<b>NOTE 7: AUDITORS REMUNERATION</b>			
Remuneration of the auditors for:			
- audit services - annual financial report - Victorian Auditor General		7,050	6,950
- internal audit services		22,415	26,300

## NOTES TO THE FINANCIAL STATEMENTS

Notes	2013 \$	2012 \$
<b>NOTE 8: CASH AND CASH EQUIVALENTS</b>		
Cash at bank and on hand	1,203,692	1,150,624
	1,203,692	1,150,624
<b>NOTE 9: TRADE &amp; OTHER RECEIVABLES</b>		
CURRENT		
Trade Debtors	49,194	-
Other receivables	19,777	12,125
	68,971	12,125
<b>NOTE 10: OTHER FINANCIAL ASSETS</b>		
Bank Term Deposits	1,525,000	325,000
	1,525,000	325,000

Bank Term Deposits under 'Other financial assets' class include only term deposits with maturity greater than 90 days.

### NOTE 11: PROPERTY, PLANT AND EQUIPMENT

(a) Office Equipment		
At fair value	11,758	92,148
Less accumulated depreciation	(5,973)	(73,919)
	5,785	18,229
(b) Computer Equipment		
At fair value	293,799	200,487
Less accumulated depreciation	(85,096)	(146,389)
	208,703	54,098
(c) Furniture, fixtures and fittings		
At fair value	7,997	95,723
Less accumulated depreciation	(1,868)	(39,423)
	6,129	56,300
(d) Leasehold Improvements		
At fair value	573,112	-
Less accumulated depreciation	(43,594)	-
	529,518	-
(e) Assets under construction - at cost		
	9,000	26,168
Total property, plant and equipment	759,135	154,795

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 11: PROPERTY, PLANT AND EQUIPMENT (Continued)

#### (a) Movements in Carrying Amounts

	Assets under con- struction	Office Equipment	Computer Equipment	Furniture, fixtures & fittings	Leasehold Improve- ments	Total
	\$	\$	\$	\$	\$	\$
<b>2012</b>						
<b>Balance at 1 July 2011</b>	-	19,262	53,092	35,940	-	108,294
Additions	26,168	2,650	24,263	27,863	-	80,944
Depreciation expense	-	(3,683)	(23,257)	(7,503)	-	(34,443)
Disposals	-	-	-	-	-	-
<b>Balance at 30 June 2012</b>	26,168	18,229	54,098	56,300	-	154,795
<b>2013</b>						
<b>Balance at 1 July 2012</b>	26,168	18,229	54,098	56,300	-	154,795
Additions	9,000	4,503	187,319	4,994	573,112	778,928
Depreciation expense	-	(2,337)	(53,716)	(4,793)	(43,594)	(104,440)
Assets discarded	-	(12,432)	(7,480)	(50,236)	-	(70,148)
Transfers	(26,168)	(2,178)	28,482	(136)	-	-
<b>Balance at 30 June 2013</b>	9,000	5,785	208,703	6,129	529,518	759,135

	Notes	2013 \$	2012 \$
<b>NOTE 12: INTANGIBLE ASSETS</b>			
(a) Software			
At cost		651,279	59,475
Less accumulated amortisation		(82,150)	(55,504)
		569,129	3,971
(b) Assets under construction – at cost			
		-	137,096
		569,129	141,067

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 12: INTANGIBLE ASSETS (Continued)

#### (a) Movements in Carrying Amounts

	Assets under construction	Software	Total
	\$	\$	\$
<b>2012</b>			
<b>Balance at 1 July 2011</b>	-	3,524	3,524
Additions	137,096	1,560	138,656
Amortisation expense	-	(1,113)	(1,113)
Disposals	-	-	-
Transfers	-	-	-
<b>Balance at 30 June 2012</b>	137,096	3,971	141,067
<b>2013</b>			
<b>Balance at 1 July 2012</b>	137,096	3,971	141,067
Additions	471,006	34,855	505,861
Amortisation expense	-	(76,680)	(76,680)
Assets discarded	-	(1,119)	(1,119)
Transfers	(608,102)	608,102	-
<b>Balance at 30 June 2013</b>	-	569,129	569,129

	Notes	2013 \$	2012 \$
<b>NOTE 13: TRADE AND OTHER PAYABLES</b>			
CURRENT			
Unsecured liabilities			
Trade creditors		265,140	67,717
Sundry creditors and accruals		192,967	80,413
Statutory Charges		44,400	33,534
		502,507	181,664

## NOTES TO THE FINANCIAL STATEMENTS

	2013 \$	2012 \$
<b>NOTE 14: PROVISIONS</b>		
CURRENT		
<b>Employee Benefits Provisions</b>		
- Unconditional and expected to be settled within 12 months	213,206	149,049
- Unconditional and expected to be settled after 12 months	188,484	35,728
	401,690	184,777
<b>Employee Benefit on-costs Provisions</b>		
- Unconditional and expected to be settled within 12 months	31,021	21,687
- Unconditional and expected to be settled after 12 months	27,424	5,198
	58,445	26,885
NON-CURRENT		
<b>Conditional Employee Benefit entitlements</b>	51,216	76,546
<b>Conditional Employee Benefit on-costs</b>	7,452	11,137
	58,668	87,683
Total Employee Benefits	518,803	299,345
<b>Movement in Long Service Leave and associated on-costs</b>		
<b>Balance at Start of Year</b>	128,609	75,587
Provision made during the year	145,967	53,022
Settlement made during the year	-	-
<b>Balance at End of Year</b>	274,576	128,609

### 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(j).

## NOTES TO THE FINANCIAL STATEMENTS

	2013 \$	2012 \$
<b>NOTE 15: CASH FLOW INFORMATION</b>		
(a) Reconciliation of cash flow from ordinary activities		
Surplus/(Deficit) from ordinary activities	1,809,821	1,035,951
Non-cash flows in surplus from ordinary activities:		
Depreciation & Carrying Value of Assets disposed of	252,387	35,556
Changes in assets and liabilities:		
(Increase)\(Decrease) in receivables and prepayments	(64,652)	2,952
Increase\ (Decrease) in trade and other payables	119,962	63,505
Increase\ (Decrease) in provisions	219,459	107,689
<b>Net cash provided by operating activities</b>	<b>2,336,977</b>	<b>1,245,653</b>

The Authority has unused financing facilities in the form of credit card limits of \$13,820 (2012: \$15,828)

### NOTE 16: RELATED PARTY TRANSACTIONS

There were no transactions with related parties during the year.

### NOTE 17: 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 2013.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 17: FINANCIAL INSTRUMENTS (Continued)

#### (a) Financial Risk Management (continued)

##### *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 and bank term deposits. The rate of interest derived is floating with market rates for the bank account and fixed at the time of lodgement for the term deposits. 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.

#### **Categorisation of financial instruments**

	Note	Category	Carrying amount	Carrying amount
			2013	2012
<b>Financial assets</b>				
Cash and cash equivalents	8	Cash and cash equivalents	1,203,692	1,150,624
Receivables	9	Loans and Receivables	58,694	4,960
Other financial assets	10	Loans and Receivables	1,525,000	325,000
<b>Financial liabilities</b>				
		Category	Carrying amount	Carrying amount
			2013	2012
Trade payables	13	Measured at amortised cost	458,107	148,130

#### (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:

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 17: FINANCIAL INSTRUMENTS (Continued)

	Weighted Average		Interest Bearing		Non-Interest Bearing		Total	
	Effective Interest Rate		2013	2012	2013	2012	2013	2012
	2013 %	2012 %	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$
<b>Financial Assets:</b>								
Cash and cash equivalents	2.62%	3.54%	1,203,692	1,150,624	-	-	1,203,692	1,150,624
Receivables			-	-	58,694	4,964	58,694	4,964
Other financial assets	3.85%	5.55%	1,525,000	325,000	-	-	1,525,000	325,000
<b>Total Financial Assets</b>			<b>2,728,692</b>	<b>1,475,624</b>	<b>58,694</b>	<b>4,964</b>	<b>2,787,386</b>	<b>1,480,588</b>
<b>Financial Liabilities:</b>								
Trade and other payables			-	-	(458,107)	(148,130)	(458,107)	(148,130)
<b>Total Financial Liabilities</b>			<b>-</b>	<b>-</b>	<b>(458,107)</b>	<b>(148,130)</b>	<b>(458,107)</b>	<b>(148,130)</b>

All financial liabilities are expected to be settled within 90 days. All non-cash financial assets are expected to be settled within 120 days. Cash and cash equivalents are at floating interest rates and Other financial assets are at fixed interest rates.

#### (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:

	2013		2012	
	Carrying Amount \$	Net Fair Value \$	Carrying Amount \$	Net Fair Value \$
<b>Financial assets</b>				
Cash and cash equivalents	1,203,692	1,203,692	1,150,624	1,150,624
Trade and other receivables	58,694	58,694	4,964	4,964
Other financial assets	1,525,000	1,525,000	325,000	325,000
<b>Financial liabilities</b>				
Trade and other creditors	458,107	458,107	148,130	148,130

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.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 17: FINANCIAL INSTRUMENTS (Continued)

#### (d) Liquidity Risk

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

	2013 \$	2012 \$
Trade and other payables are expected to be settled as follows:		
Less than 3 months	458,107	148,130
	<b>458,107</b>	148,130
Trade and other receivables are expected to be settled as follows:		
Less than 3 months	58,694	4,964
	<b>58,694</b>	4,964

#### (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 2.62% and 3.85%.
- A parallel shift of +1% and -1% in inflation rate from year end rates 2.4%.

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 \$	-1% Profit \$	Interest Rate Risk		
			-1% Equity \$	+1% Profit \$	+1% Equity \$
<b>2013</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	1,203,692	(12,037)	(12,037)	12,037	12,037
Other financial assets	1,525,000	(15,250)	(15,250)	15,250	15,250
<b>2012</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	1,150,624	(11,506)	(11,506)	11,506	11,506
Other financial assets	325,000	(3,250)	(3,250)	3,250	3,250

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 18: CAPITAL AND LEASING COMMITMENTS

#### (a) Capital Commitments

	2013 \$	2012 \$
Capital commitments		
Capital expenditure contracted for but not yet capitalised in the financial statements:		
Payable		
- not later than one year	-	404,738
- later than one year and not later than five years	-	-
	-	404,738

#### (b) Lease Commitments

	2013 \$	2012 \$
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements:		
Payable		
- not later than one year	652,733	128,397
- later than one year and not later than five years	650,998	-
- later than five years	1,083,898	-
	2,387,629	128,397

The property lease is a non-cancellable lease and expires on 28 February 2017 with a 5 year option to extend the lease to 28 February 2022. Rent is payable to Department of Health (sub lease arrangement.)

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 18: CAPITAL AND LEASING COMMITMENTS (Continued)

#### (c) Other Commitments

	2013 \$	2012 \$
Other commitments for Operating expenses		
Contracts for services not brought to account as expenses in the financial statements:		
Payable		
- not later than one year	144,963	188,089
- later than one year and not later than five years	95,574	160,110
- later than five years	11,783	-
	252,320	348,199

All amounts shown in Note 18 are nominal amounts inclusive of GST.

### NOTE 19: CONTINGENT LIABILITIES

There are no contingent liabilities at 30 June 2013 (2012: NIL)

### NOTE 20: ECONOMIC DEPENDENCY

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

### NOTE 21: EVENTS AFTER THE BALANCE SHEET DATE

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

### NOTE 22: SEGMENT REPORTING

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

### NOTE 23: AUTHORITY DETAILS

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

Health Purchasing Victoria  
Level 34, Casselden Place  
2 Lonsdale Street  
Melbourne Vic 3000

## INDEPENDENT AUDIT REPORT

# VAGO

Victorian Auditor-General's Office

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## INDEPENDENT AUDITOR'S REPORT

### To the Board Members, Health Purchasing Victoria

#### *The Financial Report*

The accompanying financial report for the year ended 30 June 2013 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 2013 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 2013 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  
16 August 2013

  
for John Doyle  
Auditor-General



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