HealthShare Victoria
Compliance framework guidelines

Practical support for mandated health services implementing HSV's compliance requirements

31 July 2026

Version 2.0

HealthShare Victoria	**Guidelines** **Compliance framework**

Author	Finance, Risk and Governance
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Contents

Disclaimer

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

1. Introduction

1.1 Purpose

These guidelines have been prepared by HealthShare Victoria[1] (HSV) to provide guidance to Victorian health services on HSV's compliance functions set out in section 131 of the *Health Services Act 1988* (Vic). These guidelines provide details on HSV reporting requirements for hospitals and health services required to comply with HSV's purchasing policies (HSV PPs). They are intended as a resource to assist health services in achieving the aim of improved procurement practices across the Victorian health sector and are relevant to Health Service Boards, Accountable Officers (AOs) and Chief Procurement Officers (CPOs).

1.2 Application

These guidelines apply to all Schedule 1 and 5 public hospitals and health services (mandated health services) as listed in the Health Services Act.

Mandated health services must follow the HSV Compliance Framework and meet all its requirements. These guidelines also support compliance with the HSV Purchasing Policies (HSV PPs), which became mandatory on 1 January 2024.

1.3 Confidentiality and use of information

As per section 132 of the Health Services Act, HSV has the power to require the AO of a mandated health service to provide HSV with information and data relating to the supply of goods and services and the management and disposal of goods. In carrying out its functions, HSV may request that mandated health services provide information that may be confidential or commercially sensitive in nature. HSV will treat confidential and commercially sensitive information as OFFICIAL – Sensitive[2] and will not use this information for any purpose other than carrying out its functions under the Health Services Act. This may include disclosure to the Department of Health, Minister for Health or as otherwise required by law.

Mandated health services must ensure that all confidential and commercially sensitive information that they have access to, as a result of accessing HSV collective agreements, or through other engagements with HSV, is protected as OFFICIAL – Sensitive. Under the HSV Purchasing Policy 5 Collective Purchasing and Supply Chain 2.2 b), mandated health services must abide by the terms of collective agreements entered into by HSV. This includes all terms relating to confidential and commercially sensitive information.

In addition, mandated health services must ensure, in their market approach, that all potential suppliers are treated fairly and have access to similar information, and that standards of probity, confidentiality, and security are applied in all interactions between the mandated health service and actual or potential suppliers.

1.4 HSV legislative functions and powers

These guidelines are based on HSV's legislative functions and powers. HSV's functions are set out in the Health Services Act and include section 131(d) and (g):

- to monitor compliance by public hospitals with purchasing policies and HSV directions and to report irregularities to the Minister
- to ensure that probity is maintained in purchasing, tendering and contracting activities in public hospitals

These functions give HSV both an educative and a monitoring role to oversee health service procurement practices and ensure compliance with HSV gazetted purchasing policies and directions. As set out in section 132(d), HSV may require the AO of a mandated health service to audit compliance with the HSV PPs and to provide audit reports to HSV. This does not encompass HSV conducting audits. Under section 131(d), HSV

[1] HealthShare Victoria is the assumed trading name for Health Purchasing Victoria that remains as an independent public entity incorporated under the *Health Services Act 1988* (Vic).

[2] Office of the Victorian Information Commissioner – Information security resources

has the power to escalate compliance issues by notifying the Department of Health and/or the Minister for Health in accordance with HSV's graduated compliance monitoring and escalation process.

Where possible, HSV will endeavour to work alongside the mandated health service to ensure compliance issues are resolved prior to any escalation. Mandated health services are expected to operate under the HSV PPs, to take actions to bring their health service into accord with procurement and probity requirements, and to provide HSV with information required for its monitoring role.

2. Compliance landscape

2.1 HSV Purchasing Policies

The HSV Purchasing Policies (HSV PPs) were gazetted on 3 November 2022 and come into effect 1 January 2023 and are mandatory for all mandated health services. Mandated health services were given 12 months to transition to the new HSV PPs and were required to be fully compliant by 1 January 2024.

In accordance with section 131(b)(i) of the Health Services Act, the HSV PPs fulfil HSV's requirements to develop, implement and review policies and practices to promote best-value procurement and probity in relation to the supply of goods and services to public hospitals and the management and disposal of goods by public hospitals.

The HSV PPs position procurement as a core business function to support better procurement outcomes and emphasise strategic planning, early and thorough market engagement to maximise value for money, and a renewed focus on procurement capability. At their core, the HSV PPs envisage a shift in market approach from a financial-based assessment to one grounded in best-practice procurement principles.

2.2 HSV Compliance Framework

The HSV Compliance Framework (***Appendix B***) was approved by the HSV Board to clarify HSV's legislative functions and to assist mandated health services in meeting policy requirements. It sets out a compliance program and the obligations of both HSV and mandated health services.

The framework takes a multi-faceted approach comprising both:

Compliance monitoring activities

- report on compliance with the HSV PPs through a number of mechanisms, i.e. audits, self-assessment and an annual attestation.
- monitoring and escalation of non-compliance issues.

Support and prevention activities

- provide education, training, advice, guidance, and selective intervention in health service procurement events.

The HSV PPs underpin the HSV Compliance Framework and are based on the principles of value for money, open and fair competition, accountability, risk management, probity, and transparency.

HSV's Compliance Team and HSV's Customer Engagement representatives provide ongoing guidance to help mandated health services to meet their obligations under the framework.

3. Overview of compliance reporting obligations

In keeping with HSV's legislative functions, the HSV Compliance Framework is based on the principle that mandated health services are accountable for their compliance with the HSV PPs.

Mandated health services are expected to take steps to align their health service with the framework and to comply with requests from HSV for information required to enable HSV to carry out its monitoring function. Each mandated health service is required to take responsibility for elements of the compliance program set out below.

Reporting obligation	HSV PP Reference	Description	Due date
Audit program	HSV PP1 2.2 f)	Submit a Board/Audit and Risk Committee-approved audit report detailing the outcomes of audits of compliance against the HSV PPs, HSV Directions and the Health Services Act as per HSV's audit schedule.	Audit reports are due by 30 June of the nominated financial year as per HSV's audit schedule.
Attestation	HSV PP1 2.2 e) ii)	Annual attestation of compliance against the HSV PPs within the mandated health service's Report of Operations.	
Emergency procurement activations	HSV PP1 2.2e) iii)	Annual reporting of emergency procurement activities within the mandated health service's Report of Operations.	
Self-assessment	HSV PP1 2.2 e) i)	Conduct an annual self-assessment against the HSV PPs and HSV collective agreements.	31 May of each year.
Procurement Activity Plan (PAP) or similarly named plan	HSV PP1 2.2 e) iv)	Annual submission of a Procurement Activity Plan to HSV and publish on the mandated health service's website.	
Contracts register	HSV PP1 2.2 e) v)	Annual submission of a mandated health service's contracts register.	
On-selling register	HSV PP1 2.2 e) vi)	Annual submission of a mandated health service's on-selling register.	

4. Probity

4.1 Overview

The principle of probity underpins the HSV PPs and the HSV Compliance Framework.

The HSV PPs set out the minimum probity requirements for each mandated health service's procurement function. The HSV Compliance Framework builds on this by providing support and guidance to health services on how to ensure probity in their procurement practices.

4.2 Accountability for probity

Probity is the CPO's[3] responsibility, accountability ultimately rests with the mandated health service AO and Board. The engagement of external probity advisors and/or auditors does not transfer the responsibility for probity.

The mandated health service CPO is responsible for implementing an appropriate procurement assurance framework. This should help identify who is responsible and accountable for probity-related activities within procurement.

4.3 Managing probity risks

Ensuring probity in procurement requires consideration of the complexity, risks and governance requirements of procurement activities. Mandated health services should have their own procedures in place to guide these activities.

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

4.4 HSV's role in probity

HSV is responsible under section 131 of the Health Services Act for monitoring the compliance of mandated health services with the legislative requirement to ensure probity in procurement practice, as well as for providing mandated health services with assistance in the form of education, training, guidance, and selective intervention in health service procurement events.

HSV will provide high-level guidance and recommendations on certain probity-related matters where required. This does not extend to auditing probity activities or providing probity advice in an official or legal capacity (this should be provided by a probity advisor or auditor).

4.5 Identification of probity risks

HSV may identify actual or potential probity risks (or breaches) in mandated health service procurement activities.

Where appropriate, HSV may recommend:

- that the mandated health service seeks independent advice and/or oversight from an officer of the mandated health service who is both independent from the process and possesses the necessary skills and qualifications; or from a probity advisor/auditor; and/or
- that HSV partner with a mandated health service to assist with a procurement event following an evaluation and consultation process with the health service.

4.6 Intervention in procurement events

A decision by HSV to assist with a mandated health service procurement event will be made after consultation with the mandated health service and any other relevant party (e.g. Department of Health) and an evaluation process that considers all the circumstances not limited to the:

- complexity of the procurement (probity risk and contract value);
- capability within the health service to manage the procurement; and
- directions from Department of Health (if applicable).

4.7 Requests for procurement assistance

Mandated health services may request to transfer to HSV responsibility or provide oversight for a procurement activity or event due to probity risk, a competition law issue or for other reasons such as the opportunity for a statewide procurement activity. The decision to assist will be at HSV's discretion and will be determined on a case-by-case basis.

5. Audit program

A compliance audit is an assessment of a mandated health service's activities to determine whether the health service complies with a set of regulatory requirements.

5.1 HSV powers

Section 132(d) of the Health Services Act states that HSV may require the AO of a public hospital to audit compliance with purchasing policies and HSV directions and provide audit reports to HSV.

Under section 132(e), HSV may also require that the AO of a public hospital provide information and data relating to its procurement activities. Where requested by HSV, this must be provided to HSV within 28 days, unless otherwise specified in the request.

5.2 Audit program

The audit program is a recurring three-year audit program that commenced in the 2016-17 financial year. HSV's audit schedule is available on HSV's website. Mandated health services will be notified by HSV 12 months prior to the scheduled audit.

5.3 Audit report submission

As part of HSV's audit program, mandated health services are required to undertake an audit of compliance against the HSV PPs and directions in accordance with the HSV schedule. Mandated health services are to submit the following information via the Compliance portal to HSV by 30 June of the nominated year (or in the case of spot audits, the date specified by HSV in the request):

- Audit report
- Written statement of response to the audit report endorsed and signed by the mandated health service AO.

The mandated health service AO's written statement in response should address all non-compliance issues and recommendations for improvement identified by the auditor, actions being taken to address these issues and the estimated timeframe for these actions.

HSV will review and monitor submissions and follow up with mandated health services and auditors, where required, to seek clarification or identify appropriate actions to address non-compliance or recommendations for improvement, in accordance with the process for monitoring and escalation set out in these guidelines.

5.4 Audit engagement

The audit required is an advisory engagement and therefore not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board.

As HSV does not have the power to conduct the audit, each mandated health service is responsible for facilitating the audit by engaging an auditor with the appropriate qualifications, skills, and independence. The mandated health service must provide the required information to HSV by the due date. If possible, HSV recommends that the mandated health service's internal auditors conduct the audit.

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

5.5 Audit scope

The scope of the audit covers the HSV PPs 1 to 5, HSV directions and the Health Services Act. The HSV Audit Guidelines provide a suggested audit template, mandatory policy requirements and suggested controls to assist auditors in undertaking the audit.

The mandated health service CPO and auditor(s) should agree on the size of the sample test(s), which should comprise samples across all 5 of HSV's procurement streams:

- clinical
- information technology (IT)
- equipment
- indirect products and services
- pharmaceuticals

Audits should be reasonably indicative of the mandated health service's procurement activities. As such, the sample test(s) may vary depending on the nature of a mandated health service and its procurement function.

The audit of the 5 HSV PPs, HSV Directions, and the Health Services Act should be undertaken through observation, enquiry, and reference to documentary evidence, such as samples of procurement categories or activities, resources, policies and procedures, and other reference material, which will vary depending on each policy requirement. The samples should be referenced to support the audit findings and recommendations.

5.6 Requirements of mandated health service auditors

Mandated health service auditors are responsible for reviewing whether the mandated health service being audited complies with HSV PPs, HSV directions, and the Health Services Act. They must report on any areas of non-compliance and provide recommendations to rectify the non-compliance(s).

In addition, auditors are required to assign a compliance rating (**Compliant**, **Partially Compliant** or **Not Compliant**) and a risk rating for all non-compliance issues and to the recommendations made to prevent future breaches.

For more information, please see HSV's Audit program guidance notes.

5.7 Format of audit report

While the mandated health service CPO and mandated health service auditor are responsible for determining the manner in which the audit is conducted, it is recommended that the audit report contain the following information:

Executive summary

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

Summary of findings example

HSV PP and reference	Compliant rating	Risk rating	Summary of compliance	Recommendation
HSV PP and policy reference	Either: • Compliant • Partially Compliant • Not Compliant • Compliant with improvement opportunities	Auditors risk rating should be in line with the health services Risk Management Framework	Auditor observations and sighted evidence and/or testing results	Auditor recommendation to be compliant with the HSV PP requirements
Example				
HSV PP1 2.2) a)	*Not Compliant*	*High Risk*	*No procurement governance framework in place*	*Implement a procurement governance framework aligned to HSV PP1 2.2 a).*
Health Service Management Response				
Management Response: Management accepts the recommendation to develop and finalise a Procurement Governance Framework. **Responsibility:** Health service representative **Timeframe:** By xx/xx/xxxx				

Detailed Findings

Expand on each of the findings identified, including:

- the finding being detailed;

- auditor observations;
- evidence reviewed;
- testing undertaken and results obtained;
- issues of compliance identified;
- opportunities for improvement;
- reasons for the risk rating assigned;
- explanation of the recommendation provided; and
- the health service's response and proposed remediation timeframe.

Appendices

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

5.8 Audit schedule

The HSV audit schedule sets out audits for financial years and is available to CPOs via the secure Compliance Portal on the HSV website.

While mandated health services are required to submit audit reports and a response to HSV by 30 June of the nominated year, they are encouraged to schedule these earlier in the year or, where possible, as part of their health service's forward internal audit program.

5.9 Request for change to audit schedule

Where a mandated health service is unable to complete the compliance audit in the nominated year, they must submit a letter from the mandated health service AO or a delegate to the HSV. The request must include the reasons why the compliance audit cannot be completed and propose an alternative date.

This will be considered and, if required, elevated to the HSV Board. If the HSV CE and/or Board consider the reasons satisfactory, the audit may be rescheduled to the date requested by the mandated health service or to a mutually agreed date between HSV and the mandated health service. Where the HSV CE and/or Board consider the reasons to be unsatisfactory, HSV may decline the request.

5.10 Spot audit

Spot audits may be required if HSV has concerns regarding non-compliance with HSV PPs, probity, or other matters, including, but not limited to, protected disclosures or media investigations.

5.11 Reporting

Outcomes from HSV's review of mandated health services audits will be reported to the HSV Board.

HSV audit program summary	
Audit period	By 30 June of the nominated year as per the audit schedule
Responsibility for completing the audit	Mandated health service nominated auditor
Responsibility for submitting the audit report to HSV	AO/CEO
Requirement for review by the internal audit committee/Board	In accordance with the mandated health services governance oversight structure

6. Attestation

An attestation is a personal commitment from the Accountable Officer (AO) of a mandated health service's compliance with certain regulatory requirements.

6.1 Annual attestation

Mandated health services are required to complete an annual attestation of compliance against the HSV Purchasing Policies in their annual report of operations. The attestation must be completed by the mandated health service AO and follow the form prescribed by HSV below.

6.2 Attestation form options

The prescribed form, as set out in this section, will be included in the Department of Health model accounts.

Option 1: Health services are fully compliant with the HSV PPs

I, [*Accountable Officer*], on behalf of [*name of health service*], certify that the [*name of health service*] is fully compliant with respect to the HSV Purchasing Policies as required by the *Health Services Act 1988* (Vic). [*Name of health service*] has implemented appropriate internal controls, which have been critically reviewed throughout the year.

[*Insert signature*]
[*Full name*]
[*Accountable Officer / Chief Executive Officer*]
[*Health Service*]
[*Day/Month/Year*]

Option 2: Mandated health services have identified non-compliances (that are not material) with the HSV PPs, but have an agreement in place with HSV to rectify the issues

I, [*Accountable Officer*], on behalf of [*name of health service*], certify that [*name of health service*] has no material compliance deficiency with respect to the HSV Purchasing Policies as required by the *Health Services Act 1988* (Vic). While instances of non-material non-compliance have been identified during the reporting period, [*name of health service*] has an agreement in place with HealthShare Victoria to address and rectify these issues. These instances do not constitute material non-compliance and have not had a significant impact on procurement governance or operational integrity. [*Name of health service*] has implemented appropriate internal controls, which have been critically reviewed throughout the year.

[*Insert signature*]
[*Full name*]
[*Accountable Officer / Chief Executive Officer*]
[*Health Service*]
[*Day/Month/Year*]

Option 3: Health services have identified material non-compliances with the HSV PPs

I, [*Accountable Officer*], on behalf of [*name of health service*], certify that [*name of health service*] has the following material compliance deficiency(ies) with respect to the HSV Purchasing Policies as required by the *Health Services Act 1988* (Vic):

[*For each Material Compliance Deficiency, insert a reference to the relevant HSV Purchasing Policy requirement, HSV agreement, or HSV Supply Chain arrangement, summary of the issue, and action(s) being taken to address the issue, and their anticipated timeframe(s).*]

[*Insert signature*]
[*Full name*]
[*Accountable Officer / Chief Executive Officer*]

[*Health Service*]
[*Day/Month/Year*]

Option 4: Health services purchase goods and services from another health service

I, [*Accountable Officer*], on behalf of [*name of health service*], hereby certify that [*name of health service*] has no material compliance deficiency with respect to the HSV Purchasing Policies as required by the *Health Services Act 1988* (Vic). [*Name of health service*] has undertaken appropriate due diligence and relevant checks of purchases through [*name of other health service*] and certify that there are no material deficiencies. [*Name of health service*] has implemented appropriate internal controls, which have been critically reviewed throughout the year.

[*Insert signature*]
[*Full name*]
[*Accountable Officer / Chief Executive Officer*]
[*Health Service*]
[*Day/Month/Year*]

Attestation summary	
Attestation period	By 30 June of the nominated year as per the audit schedule
Responsibility for preparing the attestation	CPO
Responsibility for completing the attestation	AO/CEO
Requirement for review by the internal audit committee/Board	In accordance with the mandated services governance structure

6.3 Material non-compliance issue

A 'material' non-compliance issue relating to the HSV PPs, HSV Director and/or the Health Services Act is defined as a compliance or probity issue that a reasonable person would consider has a material impact on the mandated health service, regulatory body (HSV) or State with reference to the nature and extent of the risk as defined by the mandated health services' risk management framework.

Examples of 'material' non-compliance issues may include:

- Probity breach in a mandated health service procurement activity with reputational/ media implications resulting in a high (or greater) risk to the agency after mitigating strategies have been applied.
- Threat of legal action on the part of a supplier relating to a mandated health service procurement activity resulting in a high (or greater) risk to the agency after mitigating strategies have been applied.
- Insufficient capability within a mandated health service to manage a high-risk procurement activity resulting in a high (or greater) risk to the agency after mitigating strategies have been applied.
- A conflict of interest emerges that was not disclosed prior to the commencement of a mandated health service procurement activity resulting in the risk of a legal challenge or reputational damage resulting in a high (or greater) risk to the agency after mitigating strategies have been applied.

7. Self-assessment

A self-assessment is an internal review conducted by a mandated health service to evaluate its own activities and determine whether it complies with regulatory requirements.

7.1 Annual self-assessment

All mandated health services accessing HSV collective contracts must complete an annual self-assessment of their compliance to the HSV Purchasing Policies and HSV collective agreements and supply chain. The assessment of compliance should relate to the compliance status at that point in time. The purpose of the

assessment is to provide a mechanism for health services to regularly review compliance with HSV requirements.

The self-assessment will comprise of 2 areas:

HSV PP Compliance

Mandated health services will be asked to assess their compliance with the HSV PPs for the relevant financial year. This includes identifying all instances of non-compliance with the HSV PPs, the reasons for any non-compliance, the actions the health service is taking to address the non-compliance, and the timeframes for these actions.

HSV Collective Agreement Compliance

Mandated health services will be asked to assess their spend (compliant and non-compliant) on all mandatory HSV collective agreements for their mandated health service and to provide reasons for non-compliance.

7.2 Responsibility

It is the responsibility of the mandated health service CPO to complete the self-assessment prior to the mandated health service AO's review and submission to HSV.

The AO of each mandated health service must approve the report and submit it to HSV.

7.3 Compliance Portal

Mandated health services will be required to complete their self-assessment through the online Compliance Portal on the HSV website. It must be submitted by the date set by HSV. Any changes required after submission must be approved and resubmitted via the HSV.

7.4 Reporting

Aggregated self-assessment data will be published in the HSV's Report of Operations and reported to the HSV Board.

Annual self-assessment summary	
Annual self-assessment	31 May of each financial year
Responsibility for preparing the annual self-assessment	CPO or CPO delegate
Responsibility for approving the annual self-assessment	AO/CEO

8. Activity reports

8.1 Overview

Mandated health services must submit the following activity reports to HSV by 31 May each financial year:

- Procurement Activity Plan (PAP): All procurement activities expected to go to market in the next 12–18 months.
- Current Contract Register: A list of all active contracts at the time of submission.
- On-selling Arrangements: Details of any on-selling activities.

8.2 Compliance Portal

The CPO of a mandated health service is responsible for submitting all registers to HSV each year, along with the annual self-assessment. Submission should be made through the Compliance Portal on HSV's website.

8.3 Review of Procurement Activity Plan and Contract Registers

HSV will review the submitted registers to:

- Check completeness, accuracy, and request more information if needed.

- Identify procurement activities with high probity risk.
- Find opportunities for collective sourcing across the state.

HSV may recommend that mandated health services seek advice or oversight for high-risk activities. This may include a probity advisor, probity auditor, or an independent officer with the right skills.

If HSV has concerns about the Procurement Activity Plan and/or the contracts register, they will discuss these with the mandated health service.

8.4 Review of on-selling registers

HSV will review on-selling activities in line with HSV PP5 Collective Purchasing and Supply Chain.

HSV will follow up if:

- approval is required; and/ or
- on-selling arrangements do not comply.

Activity report summary	
Activity report (Procurement activity plan, contract register, register of on-selling activities)	31 May of each financial year
Responsibility for reporting	AO/CEO, CPO or CPO delegate

9. Status reporting on HSV collective agreements

9.1 Status reporting

Mandated health services must give HSV real-time updates on their compliance with the HSV collective agreements.

Real-time updates help HSV to:

- confirm that mandated health services have moved to the new HSV collective agreements by the end of the transition period; and
- track any changes in compliance during the financial year.

9.2 HSV collective agreement analysis tool

The HSV collective agreement analysis tool (HSV CAAT) has been developed to help mandated health services identify non-compliant spending against HSV collective agreements. Please contact your HSV Customer Engagement representative or email the HSV Compliance Team at compliance@healthsharevic.org.au for more information on the HSV CAAT.

9.3 Responsibility

The CPO or their delegate of a mandated health service must complete the compliance status reports for the HSV collective agreements.

HSV Customer Relationship Managers may support mandated health services by explaining requirements and transition timeframes for new collective agreements.

Status reporting summary	
Status reporting on HSV collective agreements	Ongoing requirement to: • Confirm transition to new HSV collective agreements within the transition period. • Report changes in a mandated health service compliance status
Responsibility for reporting	CPO / CPO delegate

10. Ongoing reporting material non-compliance issues

10.1 Overview

Mandated health services are required to proactively report 'material' non-compliance issues to HSV within 30 days of the CPO becoming aware of the issue.

This is required to fulfil HSV's legislative requirement under the Health Services Act to monitor compliance and ensure probity in the purchasing, tendering and contracting activities of mandated health services. HSV requires this information to identify the support mandated health services need, to address significant issues that may arise.

10.2 Material non-compliance issue

A 'material' non-compliance issue is defined as a compliance or probity issue relating to the HSV PPs, HSV Direction and/or the Health Services Act that a reasonable person would consider has a material impact on the mandated health service, regulatory body (HSV) or State with reference to the nature and extent of the risk as defined by the health services' risk management framework.

Examples of 'material' non-compliance issues may include:

- Probity breach in a mandated health service procurement activity with reputational/ media implications resulting in a high (or greater) risk to the agency after mitigating strategies have been applied.
- Threat of legal action on the part of a supplier relating to a mandated health service procurement activity resulting in a high (or greater) risk to the agency after mitigating strategies have been applied.
- Insufficient capability within a mandated health service to manage a high-risk procurement activity resulting in a high (or greater) risk to the agency after mitigating strategies have been applied.
- A conflict of interest emerges that was not disclosed prior to the commencement of a mandated health service procurement activity resulting in the risk of a legal challenge or reputational damage resulting in a high (or greater) risk to the agency after mitigating strategies have been applied.

10.3 Reporting to HSV

Issues should be reported to HSV's Compliance Team at compliance@healthsharevic.org.au. HSV will follow up with the mandated health service to determine appropriate actions to address issues raised.

Material non-compliance issue summary	
Reporting material non-compliance issues	Ongoing requirement to report these issues within 30 days of the CPO becoming aware of the issue.
Responsibility for reporting	AO/CEO or CPO

11. Compliance monitoring and escalation

11.1 Monitoring of mandated health service compliance

One of the functions of HSV under section 131(d) of the Health Services Act is to monitor compliance by mandated health services with the HSV PPs, HSV Directions and the Health Services Act and to report irregularities to the Minister.

As part of the HSV Compliance Framework, HSV requires mandated health services to undertake a range of activities, including reporting to enable HSV to monitor compliance and ensure probity within health services' procurement functions.

HSV will review all reports received by mandated health services and may query submissions if further information is required, there are anomalies between submissions and HSV records, or where insufficient reasons have been provided for non-compliance issues.

HSV will monitor all issues of non-compliance with the HSV PPs and HSV collective agreements, as well as with all probity breaches identified as part of the framework:

- non-compliance with the HSV PPs or breaches of probity.
- recommendations for improvement to prevent potential non-compliance issues from occurring in the future.
- actions to address both non-compliance issues and recommendations for improvement from mandated health service auditors.
- indicative timeframe for the implementation of actions to address non-compliance or recommendations for improvement.

HSV will regularly monitor these registers, and mandated health services concerned will be required to provide regular reports on actions taken to address the issues.

HSV will provide a summary of these issues to the HSV Board on a biannual basis, along with actions taken to address them and any residual risks.

11.2 Identifying non-compliance

Probity or other non-compliance issues may be identified by a mandated health service or by HSV in a range of situations, for example:

- by mandated health service staff;
- as part of HSV's compliance monitoring function through the annual compliance self-assessment, scheduled compliance audits, spot audits, submission of procurement activity plans and contract data, or other activities; and
- through other requests for information by HSV or dealings with a mandated health service.

11.3 HSV powers

In carrying out this monitoring function, if HSV becomes aware of a breach of probity or noncompliance with the HSV PPs or the Health Services Act, HSV may take any of the actions set out in section 132 of the Health Services Act.

11.4 Guidance on HSV escalation

The following steps are an example of the process that HSV may follow to resolve a breach of probity arising in a mandated health service procurement event or non-compliance with HSV PPs, HSV Direction and/or the Health Services Act.

The steps that HSV will take in each case will vary depending on the circumstances of the breach. It is at HSV's discretion to determine which actions are appropriate in any given circumstances; however, where possible, HSV will work with the health service concerned to resolve the issue before escalating it.

1. Notify the mandated health service of the issue.
2. Provide the mandated health service with support and education to assist in resolving the issue.
3. If requested, consult with the mandated health service to seek agreement on actions to be taken to address the issue.
4. Request that the mandated health service take specific actions to address the issue if required, including but not limited to:
    a. requesting that the health service engage a probity advisor or probity auditor;
    b. requesting that the issue be referred to the mandated health service AO; and/or
    c. referring to the HSV Board for direction on appropriate actions to resolve the issue.
5. Request a written statement from the mandated health service AO regarding the mandated health service's actions to address the issue including an indicative timeframe for implementing these actions.
6. Monitor the issue and any actions taken to address it by requesting information on the matter from the mandated health service AO on a regular basis (every six months or as deemed necessary),

7. If actions are not being addressed or a significant non-compliance issue arises, request that the mandated health service AO conduct an initial or further audit of compliance with the HSV PP and provide audit reports to HSV
8. Report the issue to the:
   a. HSV Board
   b. Department of Health
   c. Minister for Health (the Minister)

11.5 Escalation principles

In considering whether to report the issue to the Department of Health and/or the Minister, HSV will consider a number of factors at its discretion, which may include but are not limited to:

- Advice and recommendations of a probity advisor, probity auditor or legal advice.
- Extent and nature of the risk.
- Whether the mandated health service has been given a reasonable opportunity and taken reasonable actions to address the issue.
- Whether the issue has been resolved.
- If the issue has not been resolved, whether the reasons for the issue remaining are reasonable.
- Any other matters set out in section 133 of the Health Services Act.

11.6 Escalation to the Department of Health or The Minister

Where HSV considers it is appropriate, for example, where there is a significant breach of probity or noncompliance with the HSV PPs, the HSV Board may report a matter to the Department of Health and/or the Minister immediately.

In the event that an issue is escalated to the Department of Health and/or the Minister, HSV will keep the relevant mandated health service informed regarding any correspondence HSV receives on the matter.

12. HSV's Procurement Activity Plan

12.1 Compliance with HSV's Procurement Activity Plan

The HSV Procurement Activity Plan (PAP)[4] sets out all the categories of goods and services that HSV plans to include in its collective sourcing program in the given year.

Once HSV's PAP is approved for the relevant year, mandated health services must ensure compliance.

Mandated health services cannot enter into a new contract or renew any current contract with suppliers for categories of goods or services which are the subject of the HSV PAP, unless there is a contractual capacity to terminate the contract when an HSV collective agreement for the goods and services concerned is entered into.

This obligation is removed for any category of goods or services removed from the HSV PAP.

HSV has developed a standard clause that mandated health services must include within their contracts to enable them to terminate their existing contracts and transition to HSV collective contracts when required.

Refer: HSV PP4 Contract Management and Asset Disposal section 2.2 b).

[4] The term Procurement Activity Plan (PAP) may be known by another name within your health service. It is used in this document to describe the schedule of planned procurement activities—strategic, focused, leveraged, and transactional—anticipated over the coming 12–18 months.

12.2 Development of HSV Procurement Activity Plan

HSV revises its collective annual and long-term procurement plans on a semi/annual basis. The long-term procurement plan is presented to the HSV Procurement and Supply Chain Committee on a quarterly basis.

Prior to confirming the HSV PAP, HSV will consult with the sector on the semi/annual procurement plan, issuing a PAP for feedback.

In developing HSV's PAP, HSV will have reference to a number of factors, but not limited to:

- Mandated health service summary procurement activity plans;
- overall expenditure of the category in question across the state;
- feedback arising from consultation with mandated health services; and
- directions from the Department of Health (if applicable).

If an opportunity is identified for HSV to provide benefits to all mandated health services by conducting a state-wide procurement activity, then the opportunity will be considered by the HSV's Chief Procurement Officer in the first instance.

13. Compliance information and support

13.1 Complaints

Where a mandated health service has a complaint relating to an HSV decision or action, the complaint should be directed to the HSV CE, who is the HSV Board's delegated representative.

Complaints will be managed in accordance with the HSV's External Complaint Procedure.

13.2 Communication

HSV will share updates on the HSV Compliance Framework via the following methods:

- Communications to the mandated health service CE and/or CPO
- HSV website
- Monthly external newsletter HSV Update (opt in by adding email address at www.healthsharevic.org.au)

14. More information

Related documents and templates are available on the HSV website.

Appendix A Definitions

Term	Definition
Attestation	An attestation is a personal commitment from the Accountable Officer/Chief Executive Officer (AO/CEO) of a mandated health service's compliance with certain regulatory requirements.
Collective Purchasing Agreement / Collective Agreement	Collective Purchasing, also referred to as a Collective Agreement or Collective Purchasing Arrangement, is a contract for the purchase of goods or services for the benefit of two or more entities. A Collective Agreement may be established by HSV on behalf of mandated health services.
Exempt/Exemption	The mandated health service has applied for and received an exemption from HPV in accordance with the process set out in the HSV Purchasing Policy 5 Collective Purchasing and Supply Chain and the HSV Exemption Guideline either for a defined range of products or services or for the entire contract
Material non-compliance issue	A material non-compliance issue is defined as a compliance or probity issue relating to the HSV Purchasing Policies that a reasonable person would consider has a material impact on the mandated health service, regulatory body (HSV) or State with reference to the nature and extent of the risk as defined by the health services' risk management framework.
Non-compliance issue	Any failure to comply with the requirements set out in the HSV Purchasing Policies 1-5. In relation to HSV Collective Agreements that are mandated for the health service in question, the health service is not compliant with the terms and conditions of the contract, or has sourced product(s) or service(s) via an alternate supplier that: • are within the scope of product(s) or service(s) covered by a HSV contract • were not acquired under the HSV contract • there is no formal exemption from HSV
On-selling	On-selling occurs if a mandated health service purchases goods or services under a HSV collective agreement and then re-supplies the products to another entity. This includes the provision or sale of products or services to a separate entity (for example, another health or related service or non-health entity) through the provision of warehousing and logistics services or otherwise, including where products or services are provided at no cost. This could be under the terms of another agreement, for example, provision of clinical or non-clinical services, tenancy or public private partnership (PPP). For clarity, where a public hospital supplies products or services purchased under HSV Collective Agreements to their wholly owned entities, this is not considered to be on-selling for the purpose of the HSV Purchasing Policies.
Probity	Probity is the evidence of ethical behaviour in a sourcing process. It means acting according to strong moral principles of honesty and decency and complying with (and being able to demonstrate compliance to) probity principles, guidelines and requirements. Maintaining probity involves more than simply avoiding corrupt or dishonest conduct. Probity requires the application of public sector values such as impartiality, accountability, transparency and fairness.
Probity Advisor	A probity advisor is an external consultant engaged to work in a procurement team under the direction of the category manager or lead. A probity advisor will provide advice on the establishment of probity arrangements in a procurement process such as information management protocols and input into the development of invitation to supply documents. A probity advisor cannot sign off on a procurement process if independent assurance is required.
Probity Assurance Framework	A probity assurance framework involves establishing the necessary processes and procedures to implement a risk-based approach to ensuring that the probity oversight of procurement activities is commensurate with the probity risk. It will determine the extent and type of probity advice and the level of expertise required for an activity, and whether the advice is sought internally or outsourced to a qualified probity practitioner.

Term	Definition
Probity Auditor	A probity auditor is a person or external consultant who reviews procurement processes to provide independent assurance that the process complies in all material aspects with relevant procurement policies, procedures and guidance. A probity auditor is independent of the procurement team and their reports are for senior levels of management in the organisation.
Probity Principles	Accountability of the participants and transparency of procurement processes. • Fairness and impartiality in carrying out procurement-related processes • Management of actual, potential and perceived conflicts of interest • Maintenance of confidentiality and security of documentation and information • Attainment of value for money under the prevailing circumstances • Establishing a complaints process
Procurement Activity	A process by which a buyer engages the market to request suppliers to respond to a sourcing need. That is, it is the process for requesting prices and proposals from the market. Types of procurement activities are; invitation to supply (ITS), request for quotation (RFQ), request for proposals (RFP), a request for tender (RFT) and expression of interest (EOI). A procurement activity may be restricted, where the offer is extended to a restricted list of suppliers or open, where the offer is advertised and open to any supplier wishing to respond.
Value for Money (VFM)	Involves a balanced judgment of financial and non-financial factors. Typical factors include fitness for purpose, quality, whole-of-life costs, risk, environmental and sustainability issues and price.

Appendix B HSV Compliance Framework

The HSV Compliance Framework (the Framework) has been established and approved by the HSV Board to clarify HSV's legislative functions and to assist health services in ensuring policy compliance by setting out a compliance program and the obligations of both HSV and mandated health services.

The Framework comprises a multi-faceted approach set out below involving:

Support and Prevention activities

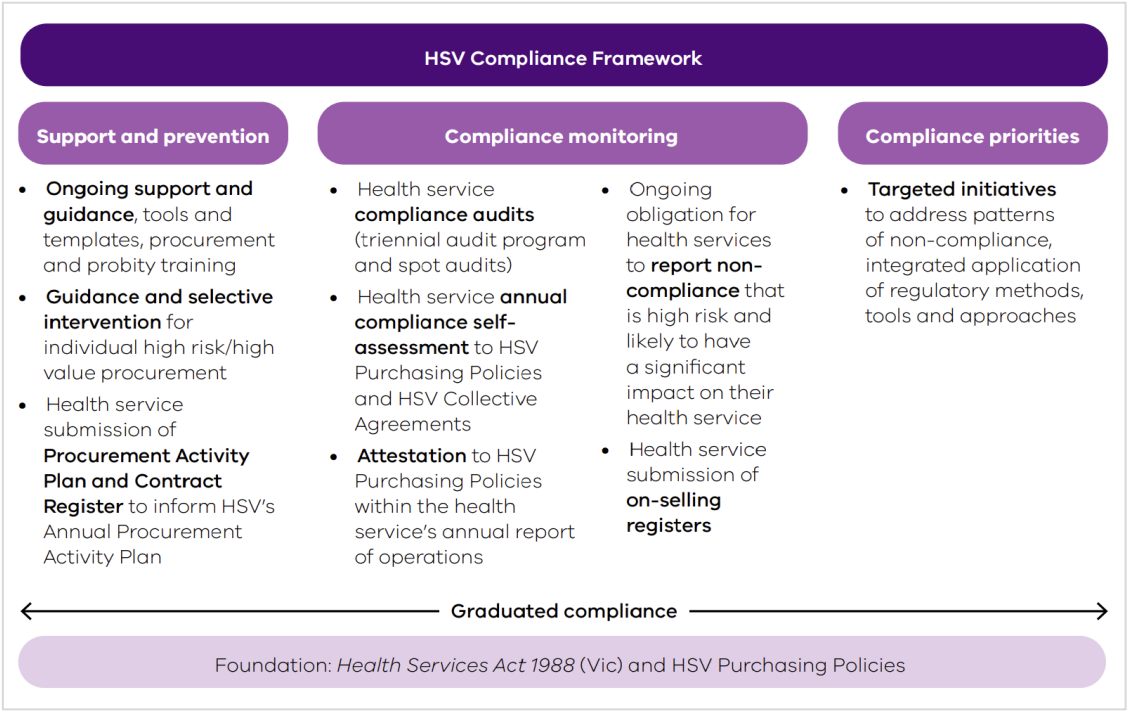
HSV helps mandated health services meet their obligations by providing guidance, education, and support. This ensures probity and strengthens compliance with HSV PPs.

Compliance Monitoring

HSV must monitor compliance under section 131(d) of the Health Services Act. We do this through mandated health service reporting requirements outlined in the HSV Graduated Compliance Guidelines. These reports give HSV the information needed to respond appropriately and set future compliance priorities.

Compliance Priorities

HSV may run targeted initiatives to address patterns of non-compliance, integrated application of regulatory methods, tools and approaches.



Appendix C Annual self-assessment and criteria

Criteria

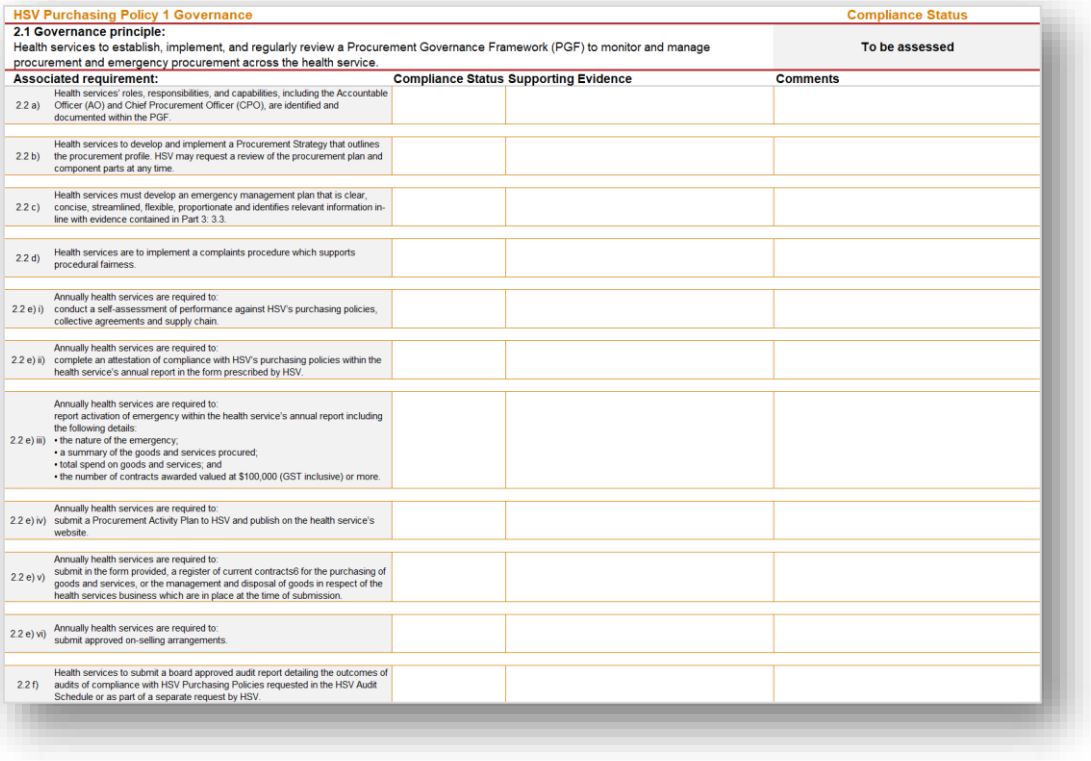
To complete the annual compliance self-assessment, mandated health services must choose from the criteria listed below. If any areas are partly compliant or not compliant, the health service must explain why. They also need to outline the actions they are taking to fix these issues.

Criteria	Definition
Compliant	The mandated health service is fully compliant with all requirements of the HSV Purchasing Policy.
Partially Compliant	The mandated health service is compliant with the majority of the requirements within the HSV Purchasing Policy. For all instances of non-compliance, please specify in the comments box provided: • the specific areas of non-compliance; • actions being taken to address non-compliance issues; and • the anticipated date that these actions will be completed,
Not Compliant	The mandated health service is not compliant with the requirements of the HSV Purchasing Policy. For all instances of non-compliance, please specify in the comments box provided: • the specific areas of non-compliance; • actions being taken to address non-compliance issues; and • the anticipated date that these actions will be completed.
Exempt/Exemption	The mandated health service has applied for and received an exemption from HSV for a requirement(s) or all, of a HSV Purchasing Policy.
Not Applicable	The particular requirement is not applicable to the mandated health service.

Section 1: Summary (example only)

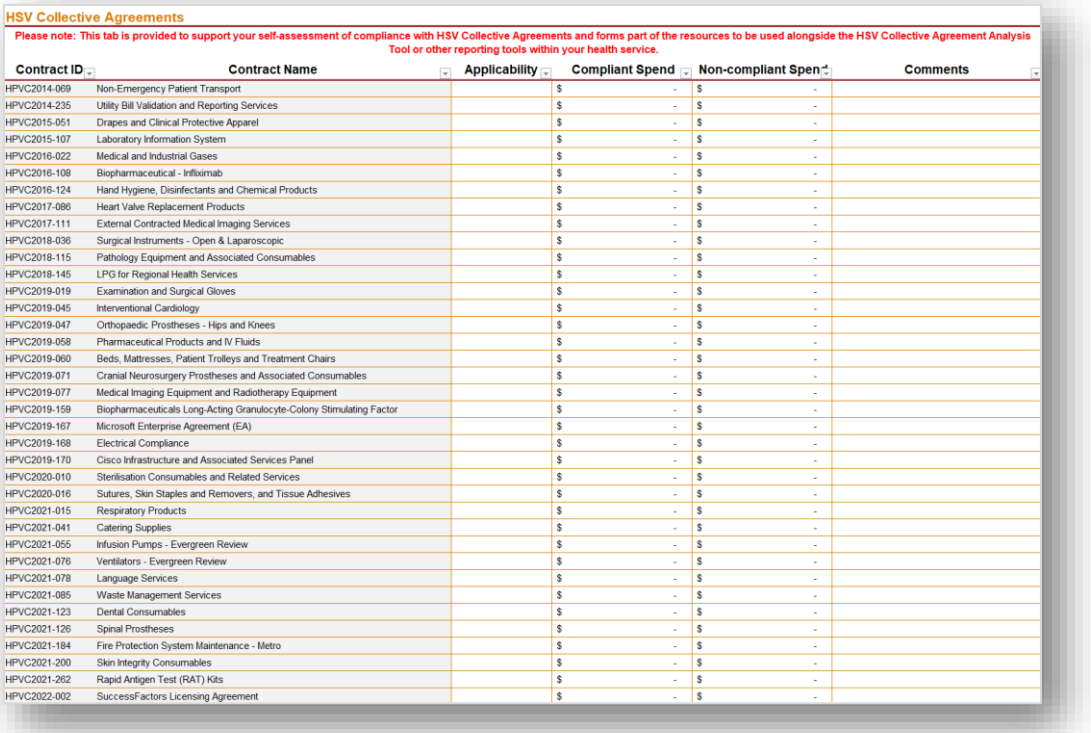
HSV Purchasing Policy: Self-assessment summary		
Health service details		
Health Service:		
Self-Assessment Date:		
Assessor:		
Self-Assessment Progress Bar:		0% Completed
HSV Purchasing Policy: Summary		
HSV Purchasing Policy 1 Governance	To be assessed	
HSV Purchasing Policy 2 Strategic Analysis	To be assessed	
HSV Purchasing Policy 3 Market Approach	To be assessed	
HSV Purchasing Policy 4 Contract Management and Asset Disposal	To be assessed	
HSV Purchasing Policy 5 Collective Purchasing and Supply Chain	To be assessed	

Section 2: HSV Purchasing Policies requirements (example only)



HSV Purchasing Policy 1 Governance				Compliance Status
2.1 Governance principle: Health services to establish, implement, and regularly review a Procurement Governance Framework (PGF) to monitor and manage procurement and emergency procurement across the health service.				To be assessed
Associated requirement:		**Compliance Status**	**Supporting Evidence**	**Comments**
2.2 a)	Health services' roles, responsibilities, and capabilities, including the Accountable Officer (AO) and Chief Procurement Officer (CPO), are identified and documented within the PGF.			
2.2 b)	Health services to develop and implement a Procurement Strategy that outlines the procurement profile. HSV may request a review of the procurement plan and component parts at any time.			
2.2 c)	Health services must develop an emergency management plan that is clear, concise, streamlined, flexible, proportionate and identifies relevant information in-line with evidence contained in Part 3: 3.3.			
2.2 d)	Health services are to implement a complaints procedure which supports procedural fairness.			
2.2 e) i)	Annually health services are required to: conduct a self-assessment of performance against HSV's purchasing policies, collective agreements and supply chain.			
2.2 e) ii)	Annually health services are required to: complete an attestation of compliance with HSV's purchasing policies within the health service's annual report in the form prescribed by HSV.			
2.2 e) iii)	Annually health services are required to: report activation of emergency within the health service's annual report including the following details: • the nature of the emergency; • a summary of the goods and services procured; • total spend on goods and services; and • the number of contracts awarded valued at $100,000 (GST inclusive) or more.			
2.2 e) iv)	Annually health services are required to: submit a Procurement Activity Plan to HSV and publish on the health service's website.			
2.2 e) v)	Annually health services are required to: submit in the form provided, a register of current contracts6 for the purchasing of goods and services, or the management and disposal of goods in respect of the health services business which are in place at the time of submission.			
2.2 e) vi)	Annually health services are required to: submit approved on-selling arrangements.			
2.2 f)	Health services to submit a board approved audit report detailing the outcomes of audits of compliance with HSV Purchasing Policies requested in the HSV Audit Schedule or as part of a separate request by HSV.			

Section 3: HSV collective agreements (example only)



HSV Collective Agreements

Please note: This tab is provided to support your self-assessment of compliance with HSV Collective Agreements and forms part of the resources to be used alongside the HSV Collective Agreement Analysis Tool or other reporting tools within your health service.

Contract ID	Contract Name	Applicability	Compliant Spend	Non-compliant Spend	Comments
HPVC2014-069	Non-Emergency Patient Transport		$ -	$ -	
HPVC2014-235	Utility Bill Validation and Reporting Services		$ -	$ -	
HPVC2015-051	Drapes and Clinical Protective Apparel		$ -	$ -	
HPVC2015-107	Laboratory Information System		$ -	$ -	
HPVC2016-022	Medical and Industrial Gases		$ -	$ -	
HPVC2016-108	Biopharmaceutical - Infliximab		$ -	$ -	
HPVC2016-124	Hand Hygiene, Disinfectants and Chemical Products		$ -	$ -	
HPVC2017-086	Heart Valve Replacement Products		$ -	$ -	
HPVC2017-111	External Contracted Medical Imaging Services		$ -	$ -	
HPVC2018-036	Surgical Instruments - Open & Laparoscopic		$ -	$ -	
HPVC2018-115	Pathology Equipment and Associated Consumables		$ -	$ -	
HPVC2018-145	LPG for Regional Health Services		$ -	$ -	
HPVC2019-019	Examination and Surgical Gloves		$ -	$ -	
HPVC2019-045	Interventional Cardiology		$ -	$ -	
HPVC2019-047	Orthopaedic Prostheses - Hips and Knees		$ -	$ -	
HPVC2019-058	Pharmaceutical Products and IV Fluids		$ -	$ -	
HPVC2019-060	Beds, Mattresses, Patient Trolleys and Treatment Chairs		$ -	$ -	
HPVC2019-071	Cranial Neurosurgery Prostheses and Associated Consumables		$ -	$ -	
HPVC2019-077	Medical Imaging Equipment and Radiotherapy Equipment		$ -	$ -	
HPVC2019-159	Biopharmaceuticals Long-Acting Granulocyte-Colony Stimulating Factor		$ -	$ -	
HPVC2019-167	Microsoft Enterprise Agreement (EA)		$ -	$ -	
HPVC2019-168	Electrical Compliance		$ -	$ -	
HPVC2019-170	Cisco Infrastructure and Associated Services Panel		$ -	$ -	
HPVC2020-010	Sterilisation Consumables and Related Services		$ -	$ -	
HPVC2020-016	Sutures, Skin Staples and Removers, and Tissue Adhesives		$ -	$ -	
HPVC2021-015	Respiratory Products		$ -	$ -	
HPVC2021-041	Catering Supplies		$ -	$ -	
HPVC2021-055	Infusion Pumps - Evergreen Review		$ -	$ -	
HPVC2021-076	Ventilators - Evergreen Review		$ -	$ -	
HPVC2021-078	Language Services		$ -	$ -	
HPVC2021-085	Waste Management Services		$ -	$ -	
HPVC2021-123	Dental Consumables		$ -	$ -	
HPVC2021-126	Spinal Prostheses		$ -	$ -	
HPVC2021-184	Fire Protection System Maintenance - Metro		$ -	$ -	
HPVC2021-200	Skin Integrity Consumables		$ -	$ -	
HPVC2021-262	Rapid Antigen Test (RAT) Kits		$ -	$ -	
HPVC2022-002	SuccessFactors Licensing Agreement		$ -	$ -	

Appendix D HSV and mandated health services responsibilities

Role	Description
HealthShare Victoria (HSV)	HSV has functions under section 131 of the Health Services Act including monitoring health service compliance, ensuring probity in the procurement activities of health services, and the provision of support and education to health services to improve procurement practices across the Victorian health sector.
Mandated Health Service Board	The mandated health service Board is accountable for ensuring the health service complies with the Health Services Act and HSV Purchasing Policies.
Mandated Health Service Accountable Officer / Chief Executive Officer (AO/CEO)	The mandated health service AO/CEO has overall responsibility for the health service procurement function. The AO/CEO is responsible for reviewing and endorsing compliance activities and actions and for formal communications with HSV and the health service Board.
Mandated Health Service Chief Procurement Officer (CPO)	The mandated health service CPO is responsible for strategic oversight of the health service procurement function and the provision of expert advice and guidance to their health service executives and Board.

Role	Responsibility
Responsible (R)	Responsible for completing the activity.
Accountable (A)	Hold overall accountability for the activity and non-compliance issues raised.
Support, monitor and escalate non-compliance issues where required (S)	Responsible for monitoring and overseeing requirements under the HSV Purchasing Policies and providing support and guidance to assist towards these ends.

Compliance activity	Mandated Health Service CPO	Mandated Health Service AO/CEO	Mandated Health Service Board	HSV
Ensuring probity	R	A	A	S
HSV audit program and spot audits	R	R/A	A	S
Annual attestation of compliance against HSV Purchasing Policies	R	R/A	A	S
Annual self-assessment against HSV Purchasing Policies	R	R/A	A	S
Annual submission of activity report: • Procurement Activity Plan • Contracts register • On-selling register	R	A	A	S

Appendix E Resources

Subject area	Resource
HSV Purchasing Policy 1 Governance	• Guide to complaints management • Guide to creating a clear governance framework • Guide to developing a procurement activity plan • Guide to developing a supplier engagement plan • Guide to ensuring probity in procurement practice • Guide to improving access to health service procurement by SMEs • Guide to maintain or enhance value for money • Guide to managing unsolicited proposals • Guide to procurement categorisation • Buying for Victoria - Develop an emergency procurement plan • HSV Purchasing Policies compliance self-assessment tool • Interim report template • Procurement activity plan, contracts and on-selling reporting activities template • Checklist for monitoring conflict of interest policy • Probity compliance checklist template • Procurement policy template • Procurement strategy template • Supplier engagement plan template • Buying for Victoria - Emergency procurement plan template
HSV Purchasing Policy 2 Strategic analysis	• Guide to complexity assessment • Guide to opportunity assessment • Guide to procurement strategic analysis • Business case template • Capability assessment template • Complexity analysis tool (multiple) • Complexity analysis tool (single) • Market analysis tool • Risk analysis tool
HSV Purchasing Policy 3 Market approach	• Guide to accessing alternative approaches to market • Guide to supplier evaluation, negotiation and selection • Guide to insurance and liability considerations • Guide to market approach • Guide to specification writing (statements of requirements) • Checklist for monitoring conflict of interest policy • Conflict of interest declaration form template • Preparing a specification template • Buying for Victoria: invitation to supply templates
HSV Purchasing Policy 4 Contract management and asset disposal	• Guide to contract management • Guide to developing a contract management strategy • Guide to Supplier Code of Conduct clauses • Guide to transition contract clause • Guide to keeping purchasing data clean and complete • Complex contract management template

Subject area	Resource
	• Simple contract management template • Contract management strategy tool • Key performance indicators and supplier performance scorecard tool
HSV Purchasing Policy 5 Collective purchasing and supply chain	• Guide to benefits realisation • Guide to completing a spend analysis • Guide to on-selling products and services • Application for on-selling template
Reporting requirements	• Triennial audit schedule • HSV PP Self-assessment template • Activity report template (Procurement Activity Plan, Contracts Register and On-selling Register) • Attestation options
HSV Compliance	• HSV Compliance Framework • HSV Graduated Compliance Model
Training	• HSV Purchasing Policies • Probity in procurement • Contract management • Modern Slavery