

HealthShare Victoria Audit Program Guidance Notes

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1. Introduction

1.1 Purpose

The application of these guidance notes supports the auditing requirement specified within the HSV Purchasing Policies (HSV PPs). HealthShare Victoria¹ (HSV) recommends that health services and their auditor refer to these guidance notes and referenced supporting material when completing the HSV PP compliance audit.

1.2 Background

HSV has a legislated responsibility to ensure that probity is maintained in health service purchasing, tendering and contracting activities. On 3 November 2022, HSV gazetted amended policies - the five (5) purchasing policies which are now called the HSV Purchasing Policies (the HSV PPs) to support its statutory functions. These HSV PPs provide a strategic framework for health services to deliver best practice procurement, including probity.

All Schedule 1 and 5 public hospitals listed under the *Health Services Act 1988 (Vic)* (the Act) must comply with the HSV PPs from 1 January 2024. (A transition period is in place between 1 January 2023 and 1 January 2024).

HSV Purchasing Policy 1. Governance (HSV PP1)

The *Governance policy* aims to ensure the framework for procurement accountability, policy compliance and probity are established from the outset. Responsibility for strategic procurement lies with the health service Accountable Officer (AO) to ensure accountability, oversight and consolidation of procurement activities, capability planning, supplier engagement, contract management and emergency procurement.

Detailed in section 2.2 e) and 2.2 f) of HSV PP1, health services must satisfy several compliance reporting requirements under the HSV PPs. In particular, section 2.2 f) requires specific health services to provide audit reports to HSV detailing compliance with HSV purchasing policies and directions.

HSV Purchasing Policy 2. Strategic analysis (HSV PP2)

The *Strategic analysis policy* outlines the requirements for determining the complexity of a health service's procurement activities and assessing the market dynamics and capability required to match the complexity of the procurement activity.

HSV Purchasing Policy 3. Market approach (HSV PP3)

The *Market approach policy* outlines the requirements for approaching the market and engaging with potential suppliers. The policy mandates the framework for a health service to follow in case of a critical incident. It also defines the transparency and probity requirements for engaging with external stakeholders to ensure fairness.

HSV Purchasing Policy 4. Contract management and asset disposal (HSV PP4)

The *Contact management and asset disposal policy* establishes a consistent contract management framework for health services. It aims to help health services derive maximum benefit from the procurement outcome over the term of the agreement.

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)*.

HSV Purchasing Policy 5. Collective purchasing and supply chain (HSV PP5)

The *Collective purchasing and supply chain policy* outlines the requirements for health services to comply with HSV's collective purchasing agreements and supply chain agreements, which seek to leverage demand and drive better value for money.

2. The auditing process

2.1 Scope

In accordance with subparagraph 132(2)(d) of the Act, the compliance audit scope includes the five HSV PPs and any HSV directions in force.

The auditor and health service should determine the size of the sample test(s) based on materiality, volume and risk across all of the health services' procurement streams, which includes, medical consumables, pharmaceutical, clinical, medical equipment, indirect product and services sourcing, and supply chain as applicable.

2.2 Audit requirement

A health service specified under Schedule 1 and 5 of the Act is required to conduct a compliance audit:

- Every three years as per the auditing schedule specified².
- If HSV has concerns about a health service's compliance and requests a spot audit outside of the three-year cycle.

When meeting their three-yearly auditing requirement, health services should schedule their audits early in the nominated year so that the 30 June deadline is met. If this deadline cannot be achieved, the health service may seek an extension by e-mail to compliance@healthsharevic.org.au. This request, addressed to the HSV Chief Executive (CE) should detail the reasons why the extension is required and nominated date for submission.

A health service that is unable to complete the compliance audit in the nominated year may submit a request to HSV to change the auditing schedule. This request addressed to the HSV Chief Executive (CE) should detail the reasons why the change is needed.

Spot audits may be conducted as part of an escalated compliance approach, or as required when the potential risks and/or harms substantiate the action (for example, protected disclosures or media investigations).

2.3 Engagement

Each health service is responsible for facilitating the audit by engaging an auditor with the appropriate qualifications, skills and independence to conduct the audit. The health service is required to provide the required information to HSV by the due date. If possible, HSV recommends the health service's internal auditors be engaged to complete the audit.

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

² The auditing schedule is available on the [Chief Procurement Officer \(CPO\) Compliance Portal](#)

2.4 Health service auditor requirements

The auditor engaged by the health service is responsible for conducting the audit, which involves:

- Reviewing the health service's self-assessment against each of the HSV PPs' requirements.
- Reviewing the health service's evidence of compliance against each requirement within the HSV PPs.
- Noting issues of non-compliance or partial compliance and the associated risk rating.
- Identifying suggested controls or /recommendations to rectify the compliance issues identified.
- Identifying opportunities for improvement for the health service to implement.

The audit should be conducted through observation, enquiry and reference to documentary evidence which may include:

- samples of procurement categories or activities
- policies and procedures
- resources and other reference material
- Part 3 of each HSV Purchasing Policies.

2.5 Audit report format

While the auditor is responsible for determining the manner in which the audit is conducted, HSV recommends that the audit report adopt the following format:

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 risk rating.
- Conclusion of compliance to each of the HSV PPs.

Summary of findings

Policy and reference	Finding category	Risk rating	Summary of findings	Suggested control
HSV PP and policy requirement	Select either: <ul style="list-style-type: none"> • Non-compliant • Partially compliant • Opportunity for improvement • Compliant 	Auditor's risk rating of finding. Should consider the previous audit issues detailed at Appendix B.	Auditor high level observation	Auditor recommendation.
<i>For example: HSV PP1 Section 2.2 a)</i>	<i>Non-compliant</i>	<i>High risk</i>	<i>No Procurement Governance Framework in place.</i>	<i>That the health service clearly details the Procurement Governance Framework</i>
Summary of health service response				
<i>Procurement Governance Framework to be developed and finalised by (x) date.</i>				

Detailed findings

Expand on each of the points identified in the above table:

- Note the finding being detailed.
- Provide further information on the auditor's observations and the issues of compliance identified and/or opportunity for improvement.
- Detail reasons for the risk rating provided.
- Further explain the auditor's suggested control or /recommendation in the table.
- Include the health service's response to the finding noted and timeframes proposed by management to remedy the risk.

Appendices

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

2.6 Submission

In accordance with subsection 132(4) of the Act, the AO is required to submit the audit report to HSV. The audit report should be accompanied by a written statement of response to the audit report endorsed and signed by the health service's AO.

The health service AO's written statement should address the following, if they have not been referenced in the audit report as management comments:

- All partial or non-compliance issues identified.
- Recommendations for improvement identified by the auditor.

The audit submission (audit report and AO written statement) must be completed by 30 June of the nominated year for the three-yearly auditing program. If a compliance audit has been requested for other reasons, HSV's letter of request will specify the required submission date.

HSV accepts audit submissions electronically or by post.

- Electronic submissions can be made through the CPO Compliance Portal on the HSV website, or by email to compliance@healthsharevic.org.au (preferred method).
- Submissions by post can be sent to:
Chief Executive
HealthShare Victoria
Level 34, Casselden
2 Lonsdale Street
Melbourne VIC 3000

2.7 Release of submissions when required by law

Any audit submission provided to HSV may be released under the *Freedom of Information Act 1982* (Vic) (unless an exemption applies). HSV may also be required to release submissions for other reasons including for the purpose of parliamentary or cabinet processes, oversight investigations or where otherwise required by law (for example, under a court subpoena or IBAC inquiry). While HSV seeks to consult the health service before providing confidential information to another party, HSV cannot guarantee that confidential information will not be released through these or other legal means.

2.8 HSV review and response

Following receipt of an audit submission, HSV will review the information received and respond appropriately in accordance with its Graduated Compliance Model. This approach:

- Encourages the lowest level of intervention or compliance action - such as education and support.
- Recognises the capacity of health service(s) to become compliant.
- Promotes compliance action proportionate to the level of risk.
- Provides sufficient flexibility to escalate or de-escalate compliance action if required.
- Champions an evidence-based decision-making process.
- Considers the behaviour and compliance history of the health service.

3. Compliance levels

The compliance audit assesses the health service's activities and performance to determine whether the organisation complies with relevant HSV PP policy requirements. For auditing purposes, compliance level definitions are detailed in the table below.

Compliance level	Definition	Additional information
Compliant	A compliant level means that the health service has demonstrated, or provided supporting evidence, that it has achieved compliance for 90 per cent or more of the HSV PP policy requirement as of 30 June of the nominated year.	
Partially Compliance	A partially compliant level means that the health service has demonstrated, or provided supporting evidence, that it has achieved compliance for 75 per cent or more of the HSV PP policy requirement as of 30 June of the nominated year.	<p>If a health service is partially compliant or non-compliant with a HSV PP policy requirement, the audit report must outline:</p> <ul style="list-style-type: none"> • Reasons for the partial compliance or noncompliance and risk rating. • Identify appropriate actions and timeframes to achieve full compliance.
Not Compliant	A not compliant level means that the health service has not demonstrated, or failed to provide supporting evidence, compliance to the HSV PP policy requirement as of 30 June of the nominated year (i.e. less than 75 per cent compliance).	
Exempt	The health service has been granted an exemption from HSV. HSV will also publish this exemption in the Victorian Government Gazette.	
Not Applicable	The particular requirements is not applicable to the health service.	

The concept of ‘material’ not compliance is noted, but not referred to in these guidance notes. Material not compliance is defined in the [HSV Compliance Guidelines](#) as:

‘... a compliance or probity issue that a reasonable person would consider has a material impact on the health service, regulatory body or State Government with reference to the nature and extent of the risk as defined by the health services’ risk management framework.’ (HSV Compliance Guidelines).

The compliance levels detailed above requires a health service or its auditor to provide further information if a policy requirement is assessed as partially compliant or non-compliant. The information provided and associated risk rating will identify whether the compliance issue is ‘material’ in nature.

4. Self-Assessment

The Self-Assessment was primarily developed to assist health services with completing their annual self-assessment of compliance, however this tool may also aid the audit process. This tool seeks to simplify the health service compliance requirement, while providing a consistent framework for assessing compliance against the HSV PPs.

Utilisation of this tool is not a mandatory requirement of HSV’s auditing framework.

HSV recognises the triennial audit program is an independent process. Based on the size of a health service, its chosen auditor is expected to use their own discretion in deciding how the audit is conducted and whether the tool is utilised.

While the tool and these guidance notes seek to support health services in conducting the compliance audit, they should not be treated as legal advice or relied upon as such. As per subsection 134(3) of the Act, it is the responsibility of a health service to understand and meet the policy requirements of the HSV PPs.

4.1 Using the tool

The tool sits within a Microsoft Excel comprising seven tabs or worksheets, instruction tab, one tab for each of the HSV PPs and one for HSV Collective Agreements. The tool is designed so that a health service, or its auditor can work systematically through each of the five HSV PPs when assessing compliance against the policy requirements.

The following steps are suggested:

Step 1: Consider the advice provided under the ‘Instruction’ tab.

As noted in the instructions, these guidance notes complement the tool and should be considered in parallel.

Step 1: Select ‘ HSV PP One (1)’ tab.

HSV Purchasing Policy 1. Governance		HSV PP1 Compliance Status	
Governance principle: Health services to establish, implement, and regularly review a Procurement Governance Framework (PGF) to monitor and manage procurement across the health service.		Compliant	
Associated requirements:	Compliance Status	Health Service Evidence	Health Service Comments
2.2 a) Health service’s roles, responsibilities, and capabilities, including the Accountable Officer (AO) and Chief Procurement Officer (CPO), are identified and documented within the PGF.	Compliant	POL001 - Procurement Governance Policy Last reviewed: 1 July 2022	
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.	Partially Compliant	Procurement Strategy Elements have been developed and approved except the Supplier Engagement Plan. This is to be approved by the AO on the 30 December 2022	

Step 2: Select the Compliance Status

For each associated requirement select the 'Compliance Status'

- Compliant
- Partially Compliant
- Not Compliant
- Exempt
- Not Applicable

Step 3: Provide details of supporting evidence to support your Compliance Status in 'Health Service Evidence' column. For associated requirements marked 'Partially Compliant' or 'Not Compliant', provide reasons, appropriate actions and timeframes to achieve compliance.

Step 4: Provide any additional comments as need in 'Health Service Comments' column.

Step 5: Repeat steps 1 – 4 for the rest of the HSV PP Tabs.

4.2 Compliance risk weighting

A health service's compliance with a policy requirement and the overall HSV PPs is determined by its responses to the 'Compliance Status' of each associated requirements.

A weighting in accordance with the associated risk level is provided for each policy requirement (and questions detailed) and key sections of the HSV PPs. Depending on a health service's answer to a 'Compliance Status', the compliance level is determined to either be compliant, partially compliant or non-compliant. For partially compliant and not compliant, the health service must specify the reasons for this result and identify within the audit report the appropriate actions - including timeframes - for achieving full compliance.

4.3 Compliance traffic lights

The tool features a traffic light system to quickly identify a health service's compliance rating. Depending on the health service's response to the 'Compliance Status' the health service overall compliance status for the policy will be: compliant (green), partially compliant (amber) or not compliant (red). These traffic lights enable a health service and HSV to easily identify compliance improvement opportunities.

5. Additional guidance

HSV recommends that the health service and its auditor consider the additional guidance provided below when completing the audit.

5.1 HSV guides

HSV has developed a number of guides, tools and resources³ to support health services in understanding their legislated obligations under the HSV PPs. The guides clarify a number of HSV PP policy requirements and are relevant to the auditing process.

For ease of reference, the HSV guides are detailed below:

HSV Policies	Guides	Tools & Templates
HSV Purchasing Policy 1. Governance	<ul style="list-style-type: none"> Key Changes to the HSV Purchasing Policies Guide to Creating a Clear Governance Framework Guide to Developing a Procurement Activity Plan Guide to Procurement Categorisation Guide to Developing a Supplier Engagement Plan Guide to Ensuring Probity in Procurement Practices Guide to Complaints Management Guide to Maintain or Enhance Value for Money Guide to Managing Unsolicited Proposals Guide to Improving Access to Health Sector Procurement by SMEs 	<ul style="list-style-type: none"> Probity Compliance Checklist Procurement Policy Template Supplier Engagement Plan Template Procurement Strategy Template
HSV Purchasing Policy 2. Strategic Analysis	<ul style="list-style-type: none"> Guide to Complexity Assessment Guide to Assessing Capability Guide to Procurement Strategic Analysis Guide to Opportunity Assessment 	<ul style="list-style-type: none"> Complexity Analysis Tool (Multi) Complexity Analysis Tool (Single) Capability Assessment Template Market Analysis Tool Risk Analysis Tool Business Case Template
HSV Purchasing Policy 3. Market Approach	<ul style="list-style-type: none"> Guide to Market Approach Guide to Evaluation, Negotiation and Selection Guide to Specification Writing / Statement of Requirements Guide to Insurance and Liability Considerations Guide to Accessing Alternative Approaches to Market 	<ul style="list-style-type: none"> Preparing a Specification Template Conflict of Interest Declaration Form Template
HSV Purchasing Policy 4. Contract Management and Asset Disposal	<ul style="list-style-type: none"> Guide to Developing a Contract Management Strategy Guide to Contract Management 	<ul style="list-style-type: none"> Template Contract Management (Complex) Template Contract Management (Simple) Common Use Clauses <ul style="list-style-type: none"> Transition Clause Confidentiality Clause Supplier Code of Conduct Clause

³ The guides, tools and resources are available on HSV website: www.healthsharevic.org.au

		<ul style="list-style-type: none"> • Keeping Purchasing Data Clean and Complete Tool • KPI and supplier performance scorecard tool • Contract Management Strategy Tool
HSV Purchasing Policy 5. Collective Purchasing and Supply Chain	<ul style="list-style-type: none"> • Guide to Exemption from HSV Collective Agreements or Supply Chain • Guide to Completing Spend Analysis • Guide to Benefits Realisation • Guide to On-selling Products and Services 	<ul style="list-style-type: none"> • Application for On-selling
Other	<ul style="list-style-type: none"> • Guide to Environmental Procurement • Guide to Ethical and Social Procurement • Guide to Sustainable Procurement 	<ul style="list-style-type: none"> • Compliance Assessment Tool • HSV Compliance Framework • Graduated Compliance Guidelines • Audit Guidance Notes

6. More information

Related documents and templates are available on the HSV website.

7. 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.