

TITLE: Procurement Governance
Type: Policy
Department: Budget & Finance
Section: Governance
Approved by: Executive



POLICY STATEMENT

The Procurement Governance policy has three components:

- Procurement government framework – establishes the processes, authorities, accountabilities and relationships for Western District Health Service to manage an efficient and effective procurement function.
- Evaluation and compliance – outlines the role of Western District Health Service to ensure compliance with Health Purchasing Policies.
- Procurement complaints management – establishes how complaints or a concern raised by a supplier in relation to the process and probity applied by a Western District Health Service, when carrying out a procurement activity, is managed.

PURPOSE

This policy outlines the requirements for establishing a governance framework to monitor and manage procurement across Western District Health Service.

CLINICAL ALERTS

N/A

TARGET AUDIENCE/SCOPE

This policy and its associated procedures are mandatory for all Western District Health Service departments and employees.

DEFINITION/S OF KEYWORDS

Governance - Governance can be defined as the processes by which Western District Health Service holds itself to account for defensible and justifiable procurement decisions and processes. Governance embodies demonstration of leadership, accountability and responsibility.

Compliance – Is to be compliant with a legal agreement or established standards, goods, services and/or processes are required to adhere to the specified requirements.

Procurement Strategic Analysis – A procurement strategy describes the contribution that effective procurement will make to fulfil an organisations/health services aims and objectives. The definition of procurement in this context is not limited to purchasing – it can have a wider meaning and can address the ways in which the organisation/health service can deliver its services – from providing the service in-house to joint commissioning and outsourcing.

Collective Purchasing – Is a collective purchasing agreement set by HPV as mechanism to leverage demand and drive a better value for money outcome.

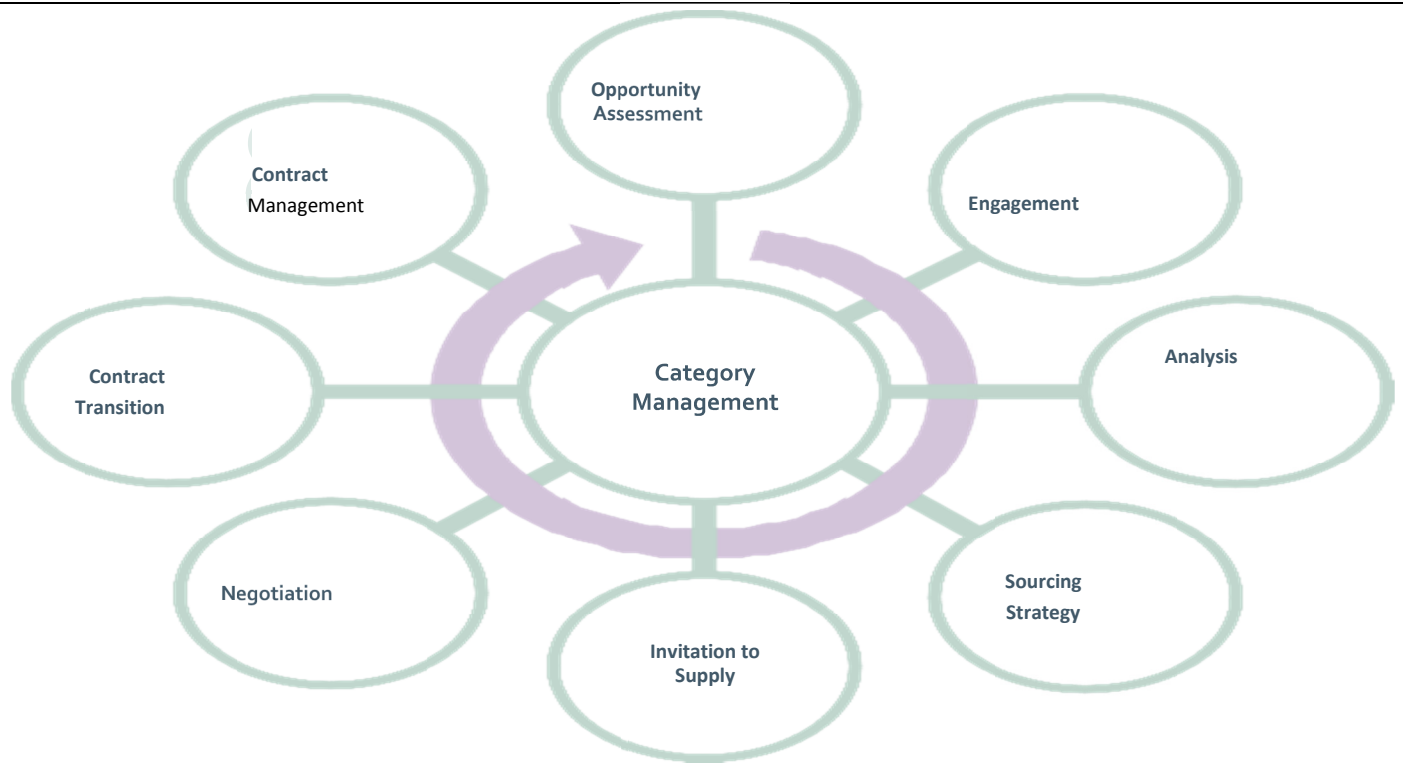
EQUIPMENT

N/A

DETAILED PROCESS / PROTOCOL / GUIDELINES

The following figure illustrates the end to end procurement process model. The Procurement Governance policy applies to the entire procurement process.

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1. Procurement Governance

The Chief Executive (CE) of Western District Health Service is accountable to HPV for ensuring that all procurement activities comply with HPV policies and directives that are made in accordance with s134 of the Health Services

Act 1988 (the Act). The CE is responsible for establishing and implementing Western District Health Service procurement governance framework. The CE must set up the governance framework before undertaking any procurement activity.

The Chief Executive must establish the role of Chief Procurement Officer (CPO) that has visibility and oversight of the entire non-salary spend profile of the health service. This includes, but is not limited to, consumable supplies including prostheses and pharmaceuticals, capital equipment, information technology supplies and services, engineering, facilities management and support services, and professional and clinical services.

The CPO, or a senior executive assigned to this role, must:

- Hold a qualification in procurement or hold qualifications with a definable procurement component; or
- Have experience and expertise in managing a procurement function (or have access to procurement expertise and advice) that matches the health service's procurement profile.

As such the CE has nominated the Director of Corporate Services as the Chief Procurement Officer (CPO) for Western District Health Service.

The CE **must** ensure that:

On an annual basis that the procurement strategy and its associated components, are aligned with the procurement profile of Western District Health Service and that it is aligned with HPV objectives.

CPO Responsibilities

The CPO is responsible for providing expert advice and guidance to the CE and the Western District Health Service Board, on matters related to the procurement governance framework and any strategic procurement initiatives.

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The CPO must:

- Endorse major procurement categories;
- Oversee the development, application and on-going assessment of the governance framework for approval by the CE or the Western District Health Service Board, including:
 - Assessing the capability of Western District Health Service and develop plans to improve capability to ensure it is appropriate for the scope, nature and complexity of the procurement activity carried out by Western District Health Service.
 - Identifying major procurement categories for Western District Health Service. and
 - Reviewing performance in procurement and capability at regular intervals and report annually to the CE or Board.
- Ensure that all procurement activity applies strategies, policies, procedures, practices and probity that comply with Health Purchasing Policies and any other requirements on the Health Services Act 1988 or directed by the CE/Board through the instrument of delegation.
- Ensure that the complaints management and reference group establishment process demonstrates due process and integrity.
- Develop a procurement strategy for Western District Health Service.
- Ensure that probity is maintained in all purchasing, tendering and contracting activities of the health service through the implementation of a probity assurance framework
- Ensure there are processes in place to maintain the security of confidential and commercially sensitive information to which the health service has access further to their tendering, purchasing and contracting activities

Governance Framework

The governance framework is underpinned by a procurement strategy for Western District Health Service. This strategy provides an overview of the organisation's procurement profile and includes the following components:

- Procurement Activity Plan which documents Western District Health Service procurement strategy at both an organisational level and individual procurement level;
- Contract Management Strategy that provides a framework, based on the spend profile of Western District Health Service, for how procurement categories and individual procurement will be managed at the contractual stage;
- Supplier Engagement Plan that documents all the processes, systems and communication strategies to maintain good relationships with existing and prospective suppliers; and
- Procurement Capability Plan that identifies the steps to be taken to improve capability with Western District Health Service to be able to undertake all procurement needs of the entity.

Western District Health Service standard procurement documents must be used, and approval process followed, for all procurement operations within Western District Health Service.

The CPO must ensure:

- Contract Management is conducted in a manner appropriate to the risk and complexity of the procurement activity, with appropriate record keeping and monitoring mechanisms;
- Collective Purchasing (complying with HPV collective purchasing agreements, reporting compliances and assisting with identification of aggregations opportunities);
- A Western District Health Service Purchase Order is issued to suppliers and contractors when goods and services are being purchased;
- Keep an appropriate record of contracts on a contracts register;
- Monitor contracts to ensure that key events are managed effectively including:
 - The contract expiry date, by initiating the necessary procurement action well in advance of expiry;
 - That timely decisions are made with regard to any contract options available;
 - The expiry date of insurance or other relevant certificates and that new certificates are obtained prior to expiry.

Procurement Activity Plan

The procurement activity plan details planned procurement activity for at least the next 12-18 month period. The activity plan must be reviewed at least annually to keep the market informed of changes or

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developments. A high-level summary plan must be published on the health service website to improve transparency for suppliers.

Contract Management Strategy

A contract management strategy defines upfront how procurement categories and individual procurements will be managed at the contractual stage based on their complexity level. It is a high level document that forms part of Western District Health Service procurement strategy.

Supplier Engagement Plan

A supplier engagement plan documents the processes, systems and communication approaches put in place to ensure the highest level of trust and accountability in all dealings with suppliers. It encompasses keeping the market informed about supply opportunities, managing supplier relationships during the procurement process, and managing complaints and debriefs. Providing timely, accurate and relevant information to the market is central to maintaining a positive view of government and supporting supplier participation in the government market.

Procurement Capability Plan

The identification of capability development initiatives within Western District Health Service procurement strategy and procurement activity plan will assist in appropriate decision making and prioritisation. It will support specific initiatives that will be undertaken to improve Western District Health Service procurement policies, procedures, processes and systems that enable the effective administration of the procurement function and to driving continuous improvement. This will also assist in determining what plans and programs are established to assist with training, recruitment, professional development, and retention of staff skilled in procurement.

2. Evaluation and Compliance of Procurement Activity

Western District Health Service is required to comply with HPV reporting requirements to assist HPV in its role of ensuring probity and implementing and reviewing policies and practices to promote best value in health sector procurement.

The HPV Board in accordance with the Health Services Act 1988 may request that the CE audit compliance with purchasing policies and HPV directions and provide an audit report to the HPV Board.

Specific reporting requirements include:

- a. the provision of audit reports detailing the outcomes of audits of compliance with HPV purchasing policies and directions as requested by the HPV Board in the HPV Audit Schedule or as part of a separate request in accordance with clause 3.1 above.
- b. an annual attestation of compliance with the HPV Health Purchasing Policies in the health services' annual report of operations identifying any material non-compliance issues. The attestation must be made by the CEO and follow the form prescribed by HPV in its guidance material.
- c. an annual self-assessment submitted to HPV regarding the health services:
 - i. compliance with the HPV Health Purchasing Policies identifying all non-compliance issues and remedial actions relating to the issue(s); and
 - ii. compliance to HPV collective agreements identifying all non-compliance and remedial actions relating to the issue(s)
- d. regular status reports to HPV on the health services' compliance with HPV collective agreements as per the obligations set out in *HPV Health Purchasing Policy 5. Collective Purchasing* identifying any non-compliance issues and remedial actions relating to the issue(s)
- e. an ongoing obligation to report to HPV material non-compliance issues that arise in relation to the HPV Health Purchasing Policies as soon as the health service becomes aware of the issue, and remedial actions relating to the issue(s)
- f. annual submission of health service activity reports, including:

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- i. details of all procurement activities that the health service anticipates taking to market in the next 12-18 months
- ii. details of all current contracts in place at the health service at the time of submission
- iii. details of all on-selling arrangements that relate to HPV contracted products or services as per clause 2.6 (j) of *Health Purchasing Policy 5. Collective Purchasing*
- g. other specific reporting requirements communicated to health services in advance of the requirement

Health service audit reports and annual attestations of compliance with the HPV Health Purchasing Policies must be verified by the health service Board.

3. Procurement Complaints Management

A procurement complaint is an issue or concern expressed by a supplier in relation to the procurement process and probity applied by Western District Health Service when carrying out a procurement activity. The complaint should be a letter, email or fax lodged with the CE or CPO.

The Complaints Policy sets out the process and procedures for addressing complaints and has been implemented to ensure that the procurement complaints are treated fairly and in a timely manner. The Complaints Policy outlines:

- How an investigation into a complaint will be conducted;
- What documentation Western District Health Service requires from the complainant in terms of scope and format;
- Contact and lodgement details for all documents;
- Timelines for conducting the investigation and providing a response;
- The range of outcomes available to Western District Health Service in responding to a complaint;
- The escalation process for a review by HPV, should the findings and actions taken by Western District Health Service not resolve the matter to the satisfaction of the complainant;
- Details other government bodies that may be able to assist; and
- Records of all procurement complaints will be maintained by the CPO (or their delegate) on the Procurement Complaints Register.

Western District Health Service is to inform the HPV Board within five working days of a complaint that could not be resolved to the satisfaction of both parties.

Western District Health Service must disclose in its annual report the following information in relation to each complaint received:

- Procurement activity to which the complaint relates;
- status of the complaint confirming:
 - Whether the complaint was resolved;
 - Whether it is still under investigation; or
 - Whether it could not be resolved.

A complainant can refer a complaint to the HPV Board for review if they are not satisfied with the findings and actions of Western District Health Service. This could be related to the management of the complaint or the application of the Health Purchasing Policies.

Complaints submitted to the HPV Board must be lodged by letter, email or fax within 10 working days of the receipt of the findings by the organisation to:

The Chair
HPV Board
Health Purchasing Victoria
Level 34, 2 Lonsdale Street
Melbourne Victoria 3000

The complainant must provide the following material:

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- Evidence that Western District Health Service did not correctly apply Health Purchasing Policies in relation to a procurement activity;
- Evidence that Western District Health Service complaints management procedures were not applied correctly;
- A copy of all relevant correspondence between the complainant and Western District Health Service in relation to the nature of the complaint; and
- Any additional material requested by the HPV Board to assist in the findings.

The HPV Board:

- Will inform Western District Health Service and complainant of its findings and any further action it intends to take in relation to the matter;
- Can require the CE to audit its application of the Health Purchasing Policies in relation to the procurement activity;
- Can inform the Minister of Health of its review of a complaint and advise the Minister of further action that could be taken; and

May note the outcome of a review in relation to any complaint in its annual report to Parliament.

4. Quality

Quality is the totality of features and characteristics of a product or service that bear upon its ability to satisfy stated or implied needs. Staff responsible for the administration of procurement arrangements shall ensure that the supplier operates in accordance with an approved quality plan.

In the quotation or tender process suppliers shall provide evidence that they have a quality system in place that may apply to the delivery of that procurement process. The minimum standard requested of contractors shall be equivalent to a quality control system. Any quality plan produced by the supplier shall become an integral part of the contract with the supplier. Further information on quality processes directly related to procurement can be obtained from the CPO.

5. Occupational Health & Safety

The Occupational Health and Safety Act 2004 requires that Western District Health Service ensure that no person is exposed to a risk to their health and safety because of the operations of the health service. The act requires that the health services ensures that its employees and suppliers carry out their business in safe premises, using proper and safe plant and equipment, employing systems of work that are safe and in which there has been adequate instruction, training and supervision. This is particularly so when a supplier is conducting operations on behalf of the health service at a site controlled by Western District Health Service.

All requests for tender or quotation shall include a requirement that, where applicable, the supplier include in the submission the preparation of a health and safety plan specific to the delivery. The health and safety plan shall be consistent with the requirements of AS4801 Occupational Health and Safety Management Systems.

The health service representative is obliged to endorse the plan provided by the supplier and to ensure that the delivery of goods or services takes place in accordance with the plan.

CONSUMER INFORMATION

N/A

EXPECTED OUTCOME

That Health Purchasing Victoria (HPV) policies are adhered to.

EVALUATION

Western District Health Service is to ensure that this policy and all other related policies are to be reviewed on an annual basis or as required in accordance with its Governance guidelines.

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KEY ALIGNED DOCUMENTS

HPV Procurement Governance Policy
 HPV Strategic Analysis Policy
 HPV Market Approach Policy
 HPV Contract Management & Asset Disposal Policy
 HPV Collective Purchasing Policy
 T- Procurement Activity Plan
 T- Supplier Engagement Plan
 T - Procurement Capability Plan
 Complaints Management Procedure
 Contract Management Strategy
 T - Annual Reporting Template (HPV Compliance)
 Instrument of Delegations
 Financial Management Policy

KEY LEGISLATION, ACTS and STANDARDS

Health Purchasing Policies are made by the Health Purchasing Victoria (HPV) Board in accordance with s134 of the Health Services Act 1988 (the Act). Western District Health Service is a Schedule 5 public hospital and must comply with Health Purchasing Policies.

REFERENCES TO BEST PRACTICE

N/A

EDUCATION

AUTHORS / CONTRIBUTORS OF CURRENT VERSION

	NAME	POSITION	SERVICE
Document Owner	N. Templeton	Budget & Finance Manager	Finance
Lead Author / Reviewer	N. Starkie	Director of Corporate Services	Finance
Contributor/s			
Validation	Rohan Fitzgerald	Chief Executive	Executive
Committee/s & date/s	Executive 03.12.2019		

CHANGE HISTORY

VERSION	AUTHOR	CHANGES	DATE
New	Nick Starkie	Initiated	February 2017
#2	Nick Templeton	Scheduled review: Incorporate updated HPV policy into WDHS policy	February 2019
#3	Nick Starkie	Inclusion of Quality and OH&S	December 2019