

Purpose

This policy outlines the requirements for establishing a governance framework to monitor and manage procurement across Heywood Rural Health.

Target Audience

This policy and its associated procedures are mandatory for all HRH departments and employees.

Policy

The Procurement Governance policy has three components:

- Procurement government framework – establishes the processes, authorities, accountabilities and relationships for HRH to manage an efficient and effective procurement function.
- Evaluation and compliance – outlines the role HRH 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 HRH, when carrying out a procurement activity, is managed.

Definitions

Governance - Governance can be defined as the processes by which HRH 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.

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PROCEDURE / PROTOCOL / GUIDELINES

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



1. Procurement Governance

The CEO of HRH 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 CEO is responsible for establishing and implementing HRH procurement governance framework. The CEO must set up the governance framework before undertaking any procurement activity.

The CEO 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.

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The CEO must ensure that:

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

CPO Responsibilities

The CPO is responsible for providing expert advice and guidance to the CEO and the HRH Board, on matters related to the procurement governance framework and any strategic procurement Initiatives.

The CPO must:

- Endorse major procurement categories;
- Oversee the development, application and on-going assessment of the governance framework for approval by the CEO or the HRH Board, including:
 - Assessing the capability of HRH and develop plans to improve capability to ensure it is appropriate for the scope, nature and complexity of the procurement activity carried out by HRH.
 - Identifying major procurement categories for HRH. and
 - Reviewing performance in procurement and capability at regular intervals and report annually to the CEO or Board.
- Ensure that all procurement activity applies strategies, policies, procedures, practices and probity that comply with HPV Policies and any other requirements on the Health Services Act 1988 statutory or policy requirements of other governing bodies, or imposed by the CEO/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 HRH.
- Ensure that probity is maintained in all purchasing, tendering and contracting activities of the health service through the implementation of an appropriate 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 HRH. This strategy provides an overview of the organization's procurement profile and includes the following components:

- Procurement Activity Plan which documents HRH procurement strategy at both an organizational level and individual procurement level;
- Contract Management Strategy that provides a framework, based on the spend profile of HRH, 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

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- Procurement Capability Plan that identifies the steps to be taken to improve capability with HRH to be able to undertake all procurement needs of the entity

HRH standard procurement documents must be used, and approval process followed, for all procurement operations within HRH.

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 HRH 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 a list of all anticipated procurement activities in the next 12-18 month period. The activity plan must be reviewed at least annually to keep the market informed of changes or 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 HRH 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.

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Procurement Capability Plan

The identification of capability development initiatives within HRH procurement strategy and procurement activity plan will assist in appropriate decision making and prioritization. It will support specific initiatives that will be undertaken to improve HRH 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 establish to assist with training, recruitment, professional development, and retention of staff skilled in procurement.

2. Evaluation and Compliance of Procurement Activity

HRH is required to submit formal compliance and other reports to HPV 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 CEO audit compliance with purchasing policies and HPV directions and provide and audit report to the HPV Board.

HPV may require HRH to undertake an audit, of a health services procurement policies and /or practices, to evaluate the effectiveness of the Health Purchasing Policies or the implementation of those policies by HRH.

Health services are 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.

Specific health service reporting requirements include:

- Audit reports detailing the outcomes of audits of compliance with HPV purchasing policies and HPV directions as requested by the HPV Board in the HPV Audit Schedule or as part of a separate request in accordance with clause stated clauses
- An annual attestation of compliance with the HPV Health Purchasing Policies in the health services' annual report of operations identifying material non-compliance issues
- An annual report to HPV of health services' compliance with the HPV Health Purchasing Policies identifying all non- compliance issues and remedial actions relating to the issue(s)
- 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)
- Periodic status reports to HPV of compliance with HPV collective agreements identifying any non-compliance issues and remedial actions relating to the non-compliance issue(s)
- Annual submission of health service activity reports:

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- Procurement activity plan setting out all procurement activities forecast for the next 12-18 months
- Current contracts register with a list of all current contracts in place at the time of submission
- Details of any on-selling arrangements as per clause 2.6 (j) of Health Purchasing Policy 5. Collective Purchasing
- Other specific reporting requirements communicated to health services in advance of the requirement
- Details HRH Procurement Activity Plan; and
- Contracts in place, entered into or varied, including details of their total value and the details of contracted suppliers

Health service audit reports and annual attestations of compliance to the HPV Health Purchasing Policies must be verified by the health service Audit Committee or 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 HRH when carrying out a procurement activity. The complaint should be a letter, email or fax lodged with the CEO 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 HRH requires from the complainant in terms of scope and format;
- Contact and lodgment details for all documents;
- Timelines for conducting the investigation and providing a response;
- The range of outcomes available to HRH in responding to a complaint;
- The escalation process for a review by HPV, should the findings and actions taken by HRH 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.

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

HRH must maintain a register and annually report to their board 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.

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A complainant can refer a complaint to the HPV Board for review if they are not satisfied with the findings and actions of HRH. 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:

- Evidence that HRH did not correctly apply Health Purchasing Policies in relation to a procurement activity;
- Evidence that HRH complaints management procedures were not applied correctly;
- A copy of all relevant correspondence between the complainant and HRH 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 HRH and complainant of its findings and any further action it intends to take in relation to the matter;
- Can require the CEO 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.

Evaluation

HRH 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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Department: Governance
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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 Delegation
Financial Management Policy

Key Legislation, Acts & 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). HRH is a Schedule 5 public hospital and must comply with Health Purchasing Policies.

References

Health Purchasing Policy - Procurement Governance – Establishing a governance framework for procurement, HPV 26 June 2014, accessed at: www.hpv.org.au

Authors / Contributors

Name	Position	Review date	Next Review
Leigh Beddows	Support Services Manager	June 2020	
Leigh Beddows	Support Services Manager	December 2018	
Jennie Stinson	Finance Manager	July 2016	

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