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**Subject:** Procurement Governance  
**Section:** Administration  
**Responsibility:** Chief Executive Officer

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### **Objective**

An established procurement governance framework is a requirement of mandated health services before undertaking any procurement activity.

Health purchasing policies are made by the Health Purchasing Victoria (HPV) Board in accordance with s134 of the Health Services Act 1988. These policies are legally binding, effective from date of publication in the Government Gazette, and must be complied with.

### **Definitions**

**Chief Procurement Officer (CPO)** - The Chief Procurement Officer role is established by the Chief Executive Officer of a mandated health service. The role has visibility and oversight of the entire non-salary spend profile of the health service.

**Procurement Strategy** - A procurement strategy provides an overview of the organisation's procurement profile and includes several components including a procurement activity plan, a contract management strategy, a supplier engagement plan and a capability development plan.

**Procurement Activity Plan** - A procurement activity plan provides detailed planned procurement activity for at least the next 12 to 18 month period. It should be based on the best available information and reviewed at least annually to keep the market informed of changes or developments.

**Procurement Complaints Management** - A mandated health service requires a complaint management process that can investigate and respond to complaints made in relation to procurement processes. The process must ensure investigations are dealt with and specifies what documentation is required from the complainant and in what format, contact and lodgement details, timelines for conducting the investigation and providing response, range of outcomes available to the organisation providing the response, a process for review by Health Purchasing Victoria (HPV) if the findings and actions taken by the organisation do not resolve the matter to the satisfaction of the complainant, and other government bodies that may be able to assist.

**Health Purchasing Victoria (HPV)** - Established in 2001 to improve the collective purchasing power of Victorian public health services and hospitals. HPV achieves 'best value' outcomes in the procurement of health related goods, services and equipment through more than 40 contract categories.

### **Principles**

The health purchasing policy framework is based upon the Victorian Government Purchasing Board (VGBV) supply policies and must be complied with in conjunction with s1.4.3 of the Victorian health funding conditions.

A procurement governance framework must ensure roles and responsibilities are clearly identified and defined, include the development of procurement strategies and plans, and that these are implemented and monitored for compliance.

The Chief Executive Officer:

- Is responsible for establishing, implementing and maintaining Kerang District Health procurement governance framework before undertaking any procurement activity.
- Must ensure roles and responsibilities are clearly identified and defined, procurement strategies and plans are developed, implemented and monitored for compliance.
- Must establish the role of the Chief Procurement Officer (CPO) to have visibility and oversight of the entire non-salary spend profile of Kerang District Health.
- Must ensure that Kerang District Health procurement strategy is reviewed annually to confirm alignment with the procurement profile of Kerang District Health and broader government objectives.
- Must ensure that evaluation and compliance activities take place and that a compliance audit/report is endorsed and submitted to the HPV Board.

The Chief Procurement Officer must:

- Hold qualifications in procurement and/or;
- Have experience and expertise in managing a procurement function.
- Be a senior executive.
- Provide expert advice to the CEO.
- Endorse major procurement categories.
- Oversee the development, application and ongoing assessment of this governance framework.
- Ensure compliance with HPV policies.
- Develop a procurement strategy for Kerang District Health which includes:
  - ✓ Procurement strategic analysis with a complexity assessment (identifies procurement spend profile, assessment of procurement activity before it begins)
  - ✓ Market Analysis review (which considers the outcomes of the complexity analysis and further market analysis, considerations on when to engage an independent probity advisory or auditor – based on risk, preparations of business cases supporting decisions to proceed with procurement)
  - ✓ Capability assessment (to be carried out with appropriate knowledge and expertise)
  - ✓ Market Approach (developed and applied to encourage participation, adopts a market engagement strategy, is fair and equitable, eliminates unnecessary barriers ensuring all potential suppliers are treated fairly, have access to similar information and that standards of probity, confidentiality and security are applied) outlines the management of submissions, evaluations of bids from suppliers, negotiation processes and supplier selection.
  - ✓ Contract Management & Asset Disposal (conducted in a manner appropriate to the risk and complexity of procurement activity, with appropriate record keeping and monitoring mechanisms, , and developing asset disposals processes)
  - ✓ Collective Purchasing (complying with HPV collective purchasing agreements, reporting compliances and assisting with identification of aggregations opportunities).
- Ensure that procurement complaints management processes exist and that complaints are managed according to this policy.
- Ensure reference group establishment processes demonstrate due process and integrity.
- Ensure that a high-level summary of the Kerang District Health Procurement Activity Plan is published on the Kerang District Health website to improve transparency for suppliers.

### **Evaluation**

Annual audit of complaints and reported incidents of non-compliance to this policy

Robert Jarman

**Chief Executive Officer**

*Aligned Policies*

*Purchasing policy*

*Procurement Complaints Management policy*

*Contract Management policy*

*Standards:*

*NSQHS Standard 1 Governance 1.1.1*  
*AACQA Standard 1 – 1.7*

*Reference:*

***State and Commonwealth Legislation - Health Services Act s134***  
*Health Purchasing Policy, procurement governance, Health Purchasing Victoria.*  
*Bendigo Health Procurement Governance policy.*

*Date Developed:*

*15.05.2015*

*Review Date/s:*

*Next Review Date:*

*15.05.2018*