

Appendix C:

Audit scope and method

Scope of this audit

Who we examined

We examined the following agencies:

Agency	Their key responsibilities
HSV	Providing centralised procurement and supply chain management services to public health services in Victoria
Selected health services: <ul style="list-style-type: none"> • Monash Health • Peter MacCallum Cancer Centre • South West Healthcare • Bass Coast Health • Terang and Mortlake Health Service 	<ul style="list-style-type: none"> • Delivering clinical care • Managing local procurement and contracts • Ensuring compliance with HSV's policies

Our audit objective

Are collective agreements delivering measurable cost savings and benefits to health services?

What we examined

We examined how HSV's collective agreements have delivered savings and other improvements in procuring health goods and services. This involved analysing data and activities from the past 4 years (2021 to 2024) to provide a comprehensive view of the performance of collective agreements over time.

Aspects of performance examined

Our mandate for performance audits and reviews includes the assessment of economy, effectiveness, efficiency and compliance (often referred to as the '3Es + C').

In this audit we focused on the following aspects:

Economy	Effectiveness	Efficiency	Compliance
			

Key:

-  Primary focus
-  Secondary focus
-  Not assessed

Conducting this audit

Assessing performance To form a conclusion against our objective we used the following lines of inquiry and associated evaluation criteria.

Line of inquiry	Criteria
1. Are collective agreements delivering value for money for health services?	1.1 Health services are using collective agreements, as required by HSV policies, and achieving lower procurement costs compared to direct procurement.
	1.2 HSV prepares business cases for each collective agreement that, in line with better practice, include: <ul style="list-style-type: none"> • clear objectives for the establishment or renewal of the agreement • analysis of past spend data and future spend projections • comprehensive market analysis • expected financial and non-financial benefits, including assumptions and methodologies for calculating financial benefits • consideration of sourcing options.
	1.3 HSV benchmarks its procurement costs and savings from collective agreements to comparable organisations to assess the competitiveness of its agreements.
2. Does HSV demonstrate a sound methodology for assessing cost savings and benefits from collective agreements?	2.1 HSV measures and quantifies savings and benefits ensuring that benefits are clearly defined, required data is collected and analysed, and progress is tracked.
	2.2 HSV's data for assessing savings and benefits is comprehensive, accurate, and timely.

Our methods As part of the audit we:

- reviewed documents to understand the frameworks, guidelines and procedures that HSV has in place for collective agreements. This included:
 - business cases for a selection of collective agreement
 - reports on procurement savings and benefits
 - strategic plans and annual reports
 - governance documents and compliance guidelines
- conducted interviews with key stakeholders to gain insights into how well collective agreements are achieving cost savings and benefits for health services, and to assess the effectiveness of HSV's methods for realising these benefits
- collected and analysed data from HSV and selected hospitals to measure:
 - actual savings achieved compared to expected savings
 - the financial and non-financial benefits realised through collective agreements
 - trends and patterns in procurement costs over time
- selected a purposeful sample of collective agreements to assess the overall effectiveness of HSV's procurement strategies. The selection of collective agreements was based on their strategic importance to the health sector, total spending and stage in the collective agreement lifecycle (initiation, mid-term or renewal)
- selected a sample of 5 health services based on volume of purchasing (both quantity and cost), location and diversity of operations (for example, general hospitals and specialist facilities).

Level of assurance

In an assurance review, we primarily rely on the agency's representations and internally generated information to form our conclusions. By contrast, in a performance audit, we typically gather evidence from an array of internal and external sources, which we analyse and substantiate using various methods. Therefore, an assurance review obtains a lower level of assurance than a performance audit (meaning we have slightly less confidence in the accuracy of our conclusion).

Compliance

We conducted our audit in accordance with the *Audit Act 1994* and ASAE 3500 Performance Engagements to obtain reasonable assurance to provide a basis for our conclusion.

We complied with the independence and other relevant ethical requirements related to assurance engagements.

We also provided a copy of the report to the Department of Premier and Cabinet and the Department of Treasury and Finance.

Cost and time

The full cost of the audit and preparation of this report was \$715,000.

The duration of the audit was 9 months from initiation to tabling.
