VAGO
Victorian Auditor-General's Office

HealthShare Victoria Procurement

June 2025

Independent assurance report to Parliament
2024–25:19

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Victorian Auditor-General's Office

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Independent assurance report to Parliament

Published by order, or under the authority,
of the Parliament of Victoria

June 2025

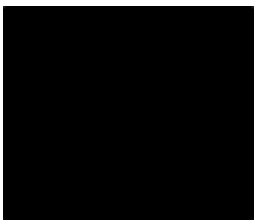
The Hon Shaun Leane MLC
President
Legislative Council
Parliament House
Melbourne

The Hon Maree Edwards MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

Under the provisions of the *Audit Act 1994*, I transmit my report *HealthShare Victoria Procurement.*

Yours faithfully



Andrew Greaves
Auditor-General
19 June 2025

The Victorian Auditor-General's Office (VAGO) acknowledges the Traditional Custodians of the lands and waters throughout Victoria. We pay our respects to Aboriginal and Torres Strait Islander communities, their continuing culture, and to Elders past and present.

Contents

Audit snapshot

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

Why we did this audit

HealthShare Victoria (HSV) is an independent statutory authority responsible for managing procurement and logistics for Victoria's public health system. It partners with health services and suppliers to deliver best-value health-related goods and services.

In its procurement role, HSV negotiates collective agreements that health services must use where relevant. While most agreements have agreed pricing and terms for goods and services, some only provide a list of approved suppliers without prices. This means health services must run their own process to select a supplier.

We did this audit to assess if HSV's collective agreements deliver measurable savings and benefits to health services. Our audit included HSV and 5 health services.

Key background information

Goods and services is the **second-largest expense** for health services after employee costs

HSV reported

$1.4 billion

in estimated spending on goods and services under collective agreements in 2023–24

1,086

supplier contracts covering 72 collective agreements in 2023–24

What we concluded

HSV cannot show that its collective agreements deliver measurable cost savings and benefits to health services. This is due to weaknesses with data quality, monitoring off-contract spending and measuring cost savings and benefits. While HSV reports estimated savings, it does not track or validate if they are achieved.

HSV's approach to benchmarking the price of goods and services in its collective agreements against similar organisations has significant gaps. HSV does not have a formal process for assessing how competitive its collective agreements are.

Most business cases supporting a collective agreement include market analysis, past spending and benefits, and consider different sourcing options. But they often lack clear objectives for establishing or renewing a collective agreement.

HSV has a compliance framework to make sure health services use collective agreements, including through audits, attestations and education. However, there are gaps in how it manages spending outside of its agreements. HSV has begun work to identify and address this.

We made 7 recommendations to HSV to improve its procurement practices, including to measure actual cost savings and benefits, strengthen compliance activities and improve data quality and benchmarking.

1.
Our key findings

What we examined

Our audit followed 2 lines of inquiry:

1. Are collective agreements delivering value for money for health services?
2. Does HealthShare Victoria (HSV) demonstrate a sound methodology for assessing cost savings and benefits from collective agreements?

To answer these questions, we examined data and activities for the period July 2019 to May 2025 from the following agencies:

- HSV
- selected health services:
  - Monash Health
  - Peter MacCallum Cancer Centre
  - South West Healthcare
  - Bass Coast Health
  - Terang and Mortlake Health Service.

Identifying what is working well

In our engagements we look for what is working well – not only areas for improvement.

Sharing positive outcomes allows other public agencies to learn from and adopt good practices. This is a part of our commitment to better public services for Victorians.

Background information

Overview of Victorian health services' spending on goods and services

Victorian health services spend a lot on goods and services. Typically, this is their second-largest expense after employee costs, at around 25 per cent of total operating spending.

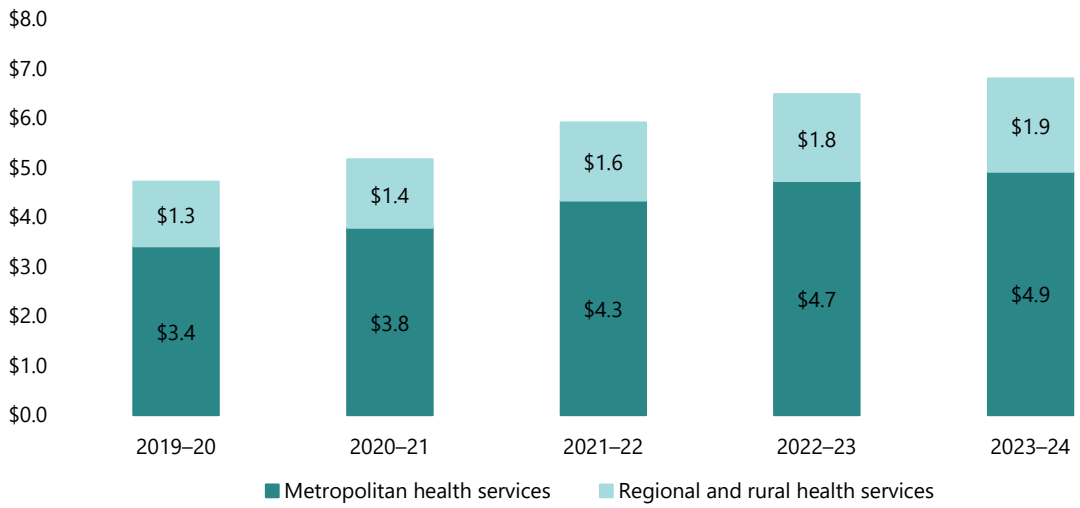
In 2023–24, health services spent $6.8 billion on goods and services. This is an increase of 44 per cent from $4.7 billion in 2019–20, as shown in Figure 1.

Metropolitan health services accounted for $4.9 billion (70 per cent) of this. Spending varied widely across the state, ranging from $701 million at Monash Health to $2 million at Timboon and District Healthcare Service.

The reasons for this spending growth include:

- the COVID-19 response (such as procuring personal protective equipment, testing supplies and vaccines)
- new hospitals opening
- post-COVID recovery efforts, including more patients to be treated
- increased costs of procedures, including adopting new technologies
- inflation.

Figure 1: Victorian health services' goods and services spending from 2019–20 to 2023–24 ($ billion)



Source: VAGO, based on unverified data provided by HSV from the Department of Health.

Of this $6.8 billion total spending in 2023–24, HSV estimates that $5.7 billion (84 per cent) is contestable. This 84 per cent represents goods and services which HSV or health services can select suppliers through a competitive process to get better value for money.

Given the level of spending, it is essential for the health sector to continuously identify and pursue cost-saving opportunities to free up resources for other critical health care priorities.

Purchasing arrangements available to health services

There are many purchasing arrangements available to Victorian health services, as Figure 2 shows. One of these arrangements is through collective agreements.

A collective agreement is a contract negotiated by HSV. Under this collective agreement, health services must buy specified goods or services at fixed prices and terms unless they have a valid exemption.

For example, under a collective agreement, a health service must buy a particular brand of needles at the agreed price and conditions.

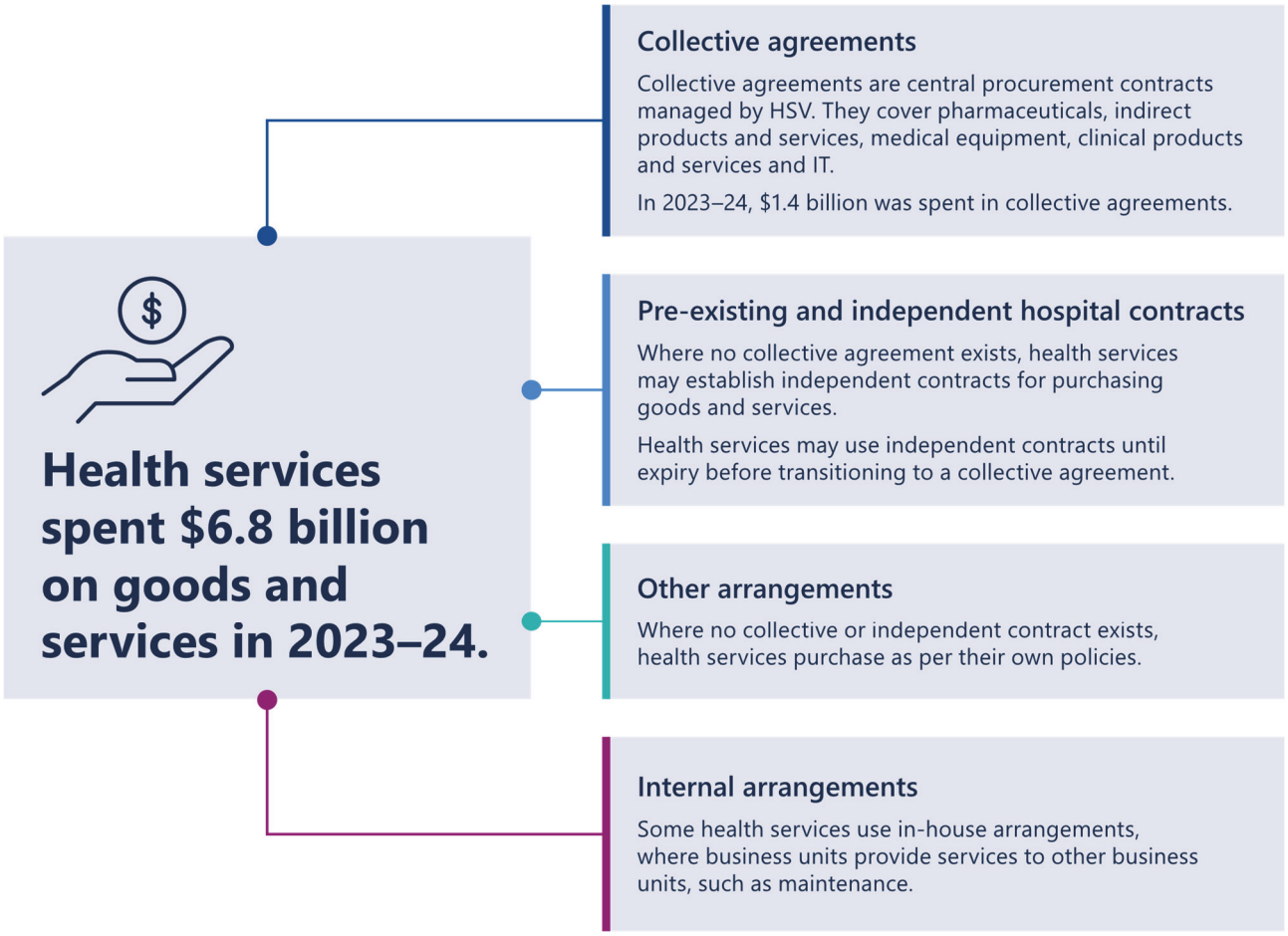
Not all health service purchasing can be under an HSV collective agreement. This is due to factors such as:

- pre-existing contracts
- internal health service arrangements
- goods being unsuitable for central procurement.

In establishing collective agreements, HSV must also consider:

- the clinical needs of patients and other users of health or related services
- how tendering affects the viability of small and medium-sized businesses
- local employment growth or retention.

Figure 2: Purchasing arrangements available to health services



Source: VAGO.
Note: There is no available data on health services' spending under each arrangement other than collective agreements.

Reported value of collective agreements

The reported value of HSV's collective agreements is substantial and growing and has increased by 17 per cent from 2020–21 to 2023–24.

The total value of collective agreements in ...	was ...
2020–21	$1.2 billion.
2023–24	$1.4 billion.

In 2023–24, these agreements accounted for around 21 per cent of total health sector spending on goods and services, or 24.6 per cent of contestable spending.

As of June 2024, there were 1,086 supplier agreements in place across 72 collective agreements, covering a range of goods and services within 5 categories:

- indirect products and services
- clinical
- information technology (IT)
- medical equipment
- pharmaceuticals.

Appendix D provides a breakdown of the 2023–24 contract values for these 72 collective agreements. The top 10 collective agreements in terms of spending accounted for 50 per cent of the total contract value in 2023–24.

Roles and responsibilities

HSV's purpose is to partner with Victoria's public health services and suppliers to deliver the right products and services to the right place at the right time. This ensures better value for money and improved outcomes for patients.

HSV operates across 4 key streams.

The ...	involves ...
supply chain stream	managing the logistics and distribution of a wide range of goods to several public health services across Victoria, with goal to eventually include all Victorian public health services.
procurement stream	establishing and managing large-scale collective agreements in partnership with health services for: • medical consumables • pharmaceuticals • medical equipment • non-medical products and services.
regulation stream	overseeing compliance with HSV's purchasing policies.
consultancy stream	providing education and training to health services to help them: • meet probity requirements • comply with reporting obligations under the *Modern Slavery Act 2018* • build procurement capability through training.

The *Health Services Act 1988* requires HSV to develop purchasing policies that outline procurement obligations for Victorian public hospitals and public health services.

These policies mandate that health services must use HSV collective agreements to purchase goods and services where applicable. Other eligible services may also access these agreements if they qualify.

Eligible services include:

- community health organisations
- women's health organisations
- ambulance services
- denominational hospitals
- aged care facilities
- bush nursing hospitals
- disability services
- multi-purpose services.

Previous VAGO audits

VAGO has done 2 previous audits of HSV when it was known as Health Purchasing Victoria (HPV). These were *Health procurement in Victoria* (2005) and *Performance of Health Purchasing Victoria* (2011).

In these audits, we found significant gaps in HPV's operations, particularly in its failure to:

- fully implement its mandated functions
- maximise its role in achieving procurement savings.

The 2005 audit identified that HPV's procurement strategies needed to be reviewed to improve effectiveness. And the 2011 audit found that HPV had not effectively used all its legislated responsibilities.

Both audits pointed to a lack of adequate oversight and accountability. They recommended stronger leadership within HPV and greater involvement from the Department of Health to make sure HPV:

- fully complied with its legislative obligations
- achieved more effective procurement outcomes.

What we found

This section focuses on our key findings, which fall into 3 areas:

1. HSV cannot show the actual savings and benefits it delivers to health services through its collective agreements.
2. Gaps in benchmarking affect HSV's ability to assess and achieve value for money. And it could improve its business case documentation.
3. HSV does not effectively track contract leakage and health services do limited monitoring.

The full list of our recommendations, including agency responses, is at the end of this section.

Consultation with agencies

When reaching our conclusions, we consulted with the audited agencies and considered their views.

You can read their full responses in Appendix A.

Key finding 1: HSV cannot show the actual savings and benefits it delivers to health services through its collective agreements

HSV's benefits management framework

HSV aims to deliver cost savings and broader benefits to health services through its collective agreements. To support this, it has developed a benefits management framework to guide how it identifies, measures and validates both potential and actual benefits.

HSV's benefits methodology includes elements of best-practice methods, such as:

- reducing cost
- avoiding cost
- finding further opportunities for savings.

Limitations in tracking and reporting savings and benefits from collective agreements

HSV does not track actual savings and benefits after collective agreements are signed, so it does not know if health services achieve their expected savings.

HSV continues to report estimated savings and benefits even when health services do not switch to recommended alternatives for goods and services due to clinical or operational barriers. For example, in 2023–24, HSV identified $10.8 million in further opportunities for savings for all Victorian health services. But some of the audited health services confirmed that they did not always realise these savings due to clinical or operational reasons.

Gaps in setting savings and benefits targets

HSV's *Guide to Benefits Realisation* recommends establishing a benefits realisation plan for each collective agreement, including:

- identifying and classifying benefits
- setting baseline and target measures
- establishing monitoring frameworks.

But it has not done this. Instead, HSV sets savings and benefits targets in its procurement activity plan.

However, this approach relies on supplier-reported spending data and estimates before collective agreements are established. This is inconsistent with better practice methodologies and with HSV's own guidance, which emphasise setting savings targets after procurement and then monitoring benefits over time.

Estimated savings and benefits also vary significantly across agreement categories. Almost a quarter of agreements estimate negative benefits, which indicates cost increases rather than savings. HSV told us this is due to diminishing returns caused by inflation and repeated tendering for the same goods and services.

Procurement activity plan

HSV develops a biennial procurement activity plan that outlines its sourcing activities for the upcoming 2 years. This plan directs HSV's strategic procurement efforts, which helps it meet savings targets and prioritise which goods and services should be procured through collective agreements.

HSV does not track non-financial benefits

In its business cases, HSV identifies non-financial benefits, such as:

- improved service quality
- risk management
- environmental outcomes.

However, it does not consistently measure or track them. Although some are harder to quantify, these benefits are important to the overall value of collective agreements.

Without tracking and reporting non-financial benefits, HSV cannot provide a complete picture of the impacts of its agreements.

Requirements for secondary procurement are unclear, leading to inconsistent practices

Some audited health services conduct additional sourcing activities within HSV's collective agreements to achieve better value, such as obtaining multiple quotes from panel suppliers. This is known as secondary procurement.

While secondary procurement can provide cost savings, HSV advised us that such practices may conflict with:

- *HSV Purchasing Policy 5. Collective Purchasing and Supply Chain*
- HSV's recent changes to collective agreement terms, which restrict health services from independently seeking further quotes.

HSV has updated its collective agreement terms for some categories to preserve its central procurement role and ensure equity, consistency and value for money. However, its policy does not clearly state what health services are allowed to do regarding secondary procurement, and its approach also differs across categories.

Challenges with data reliability and quality

HSV faces significant challenges with the reliability and quality of accounts payable and purchase order data from health services across the sector. These datasets have inconsistent definitions, gaps and inaccuracies, which affect HSV's ability to analyse spending and support procurement decisions.

While supplier sales data is better maintained, it is difficult for HSV to match it with health services' data to confirm its accuracy.

These data quality issues increase the risk that financial savings and benefits are inaccurately calculated. This undermines HSV's ability to assess the effectiveness of collective agreements.

Addressing this finding

To address this finding, we have made 4 recommendations to HSV about:

- implementing a statewide common catalogue and standardised classification system
- improving how it tracks and validates actual savings and benefits
- strengthening its benefits management framework
- communicating the conditions under which health services can undertake secondary procurement.

Key finding 2: Gaps in benchmarking affect HSV's ability to assess and achieve value for money. And it could improve its business case documentation

Opportunities for improvement in establishing collective agreements

HSV follows a structured 8-stage procurement process for collective agreements, which involves comprehensive market analysis and sourcing options.

Most business cases we looked at included an analysis of:

- the current market, such as:
  - the number of available suppliers
  - the degree of competition
  - market trends
- financial and non-financial benefits
- past spending.

They considered various sourcing options and had the appropriate approvals.

However, our assessment of sourcing proposals and sourcing outcomes (business case documentation) found opportunities for improvement, such as:

- defining objectives more clearly
- conducting strategic analysis to support establishing or renewing agreements.

Business case

In this report, we have used the term 'business case' to refer to both the sourcing proposal and the sourcing outcome.

The first step in HSV's 8-stage procurement process is about assessing the business case (sourcing proposal), which outlines the spending category and market strategy. If the sourcing proposal is approved, HSV goes to market and speaks with potential suppliers.

After HSV negotiates with suppliers, the second step involves preparing the business case (sourcing outcome). This document details the results from engaging the market and HSV's final recommendation about which supplier to use.

Challenges and gaps in benchmarking collective agreement pricing

Benchmarking involves comparing an organisation's performance and the price of goods and services in collective agreements against similar organisations to identify:

- best practices
- competitive pricing
- opportunities for cost savings.

HSV's approach to benchmarking has significant gaps. It has not benchmarked its performance, and it does not have a formal benchmarking policy to guide systematic price comparisons across goods and services and make sure it gets value for money.

Although its procurement process includes market testing and industry insights from various sources, this does not fully replace structured benchmarking against comparable organisations and sectors.

Over the past 15 years, HSV has conducted only limited formal benchmarking, with the most recent data dating back to 2010. While HSV asserts that it benchmarks pharmaceutical pricing and does impact analysis, these activities are informal and their consistency is undocumented.

Without a formal benchmarking framework, HSV's ability to assess procurement outcomes and identify cost-saving opportunities is limited. If it established such a policy, this would:

- enhance transparency
- support data-driven decision-making
- improve value for money.

Addressing this finding

To address these issues, we have made 2 recommendations to HSV about:

- strengthening business case documentation requirements
- establishing a formal and structured benchmarking framework.

Key finding 3: HSV does not effectively track contract leakage and health services do limited monitoring

Collective agreements and contract leakage in health services

HSV plays a critical role in making sure health services procure goods and services efficiently and comply with government policies. Health services must also have systems and processes in place to prevent off-contract spending, referred to in this report as contract leakage.

However, we found gaps in how HSV manages contract leakage as well as how health services monitor it.

We found ...	**because ...**	**And ...**
contract leakage is occurring	HSV does not systematically track health service spending outside collective agreements (contract leakage).	• in 2019, during renegotiation for sterilisation products, HSV identified $2.5 million in leakage. • a recent pilot study confirmed potential ongoing leakage of approximately $3 million across 4 health services across 24 collective agreements. (None of these were among the 5 health services examined in this audit.)
health services lack robust monitoring	none of the 5 audited health services could calculate their contract leakage or show effective management.	key challenges include: • limited data capabilities • procurement staff shortages • inadequate finance systems.

These gaps in compliance monitoring and managing contract leakage reduce HSV's ability to make sure both it and health services achieve value for money. Addressing these issues will require:

- stronger data-driven oversight
- improved systems, capability and capacity to gather and analyse spending data within health services
- a more rigorous compliance framework, including active monitoring of purchasing data through reviews or audits using, with a focus on high-risk or known areas of contract leakage.

Contract leakage

Contract leakage refers to when health services purchase goods or services from a supplier that is not part of a mandatory HSV collective agreement even though the agreement covers those goods or services. For example, a health service might purchase surgical gloves from a non-contracted supplier even though surgical gloves are available under a HSV collective agreement. This spending is considered contract leakage.

Working well: Initiatives to improve contract leakage monitoring

HSV has a pilot project to address contract leakage using a data analytics tool. The project shows a proactive approach to enhancing procurement oversight.

By using purchase order data from 4 health services, HSV successfully identified contract leakage. It estimated potential leakage of $3 million across 24 collective agreements.

The tool is a promising development that will improve data visibility and compliance monitoring. Using structured, data-driven methodology sets a strong example of continuous improvement in procurement practices.

Health service exemptions from collective agreements

HSV allows health services to be exempt from collective agreements under specific conditions, such as:

- pre-existing contracts
- clinical or operational risks
- local business impact.

The number of exemption requests has significantly declined from 39 in 2020–21 to just 6 in 2023–24. HSV attributes this to improved guidance, proactive engagement with health services and stronger collective agreements.

However, HSV does not track key metrics such as processing times or trends. This limits its ability to identify systemic issues or assess if collective agreements are meeting health services' needs.

Addressing this finding

To address this finding, we have made one recommendation to HSV about enhancing compliance monitoring.

See the next page for the complete list of our recommendations, including agency responses.

2.
Our recommendations

We made 7 recommendations to address our findings. HealthShare Victoria has accepted the recommendations in full, in part or in principle.

			Agency response(s)	
Finding: HealthShare Victoria cannot show the actual savings and benefits it delivers to health services through its collective agreements				
HealthShare Victoria	1	In collaboration with health services, develop and implement a statewide common catalogue and standardised classification system for accounts payable and purchase order data across the sector.	Accepted in principle	
	2	In collaboration with health services, improve how it tracks and validates actual savings and benefits for all collective agreements by: • establishing a clear method for validating savings achieved by health services • consistently tracking purchase volumes, unit prices and actual spending • using supplier data for all health service purchases to calculate actual savings and benefits.	Accepted in principle	
	3	Implement a benefits realisation plan for each collective agreement that clearly outlines how HealthShare Victoria and health services should track and validate financial and non-financial benefits throughout the collective agreement lifecycle.	Accepted in part	
	4	Communicate to all health services the conditions under which they can undertake secondary procurement within collective agreements, including any approval or reporting requirements.	Accepted	
Finding: Gaps in benchmarking affect HealthShare Victoria's ability to assess and achieve value for money. And it could improve its business case documentation				
HealthShare Victoria	5	Improve business case documentation by making sure all sourcing proposals and outcomes: • clearly define objectives • include a strategic analysis for establishing or renewing collective agreements.	Accepted	

			Agency response(s)	
	6	In line with best practice, develop a benchmarking policy to guide regular benchmarking exercises across all major procurement categories.	Accepted in principle	
Finding: HealthShare Victoria does not effectively track contract leakage and health services do limited monitoring				
HealthShare Victoria	7	In collaboration with health services, develop and deploy its data analytics tools to support HealthShare Victoria and Victorian health services to: • monitor compliance with collective agreements • improve tracking and analysis of potential contract leakage.	Accepted	

3.

Measuring and reporting savings and benefits

HSV's benefits management framework includes some best-practice elements, such as measuring cost reduction, avoiding cost and identifying further opportunities for savings. However, HSV does not follow all aspects of its framework, particularly as it does not measure actual savings and benefits.

While HSV reports exceeding its overall savings and benefits targets, these figures do not reflect actual savings. Additionally, 23 per cent of collective agreements show estimated cost increases rather than savings.

Data quality issues also hinder HSV's ability to accurately assess the financial and non-financial savings of its collective agreements. As a result, HSV cannot show if it is delivering value for money to Victorian health services.

Covered in this section:

- Benefits management framework
- Tracking and reporting savings and benefits from collective agreements
- Financial savings and benefits targets
- Non-financial benefits
- Data reliability

Benefits management framework

HSV's benefits management

HSV is responsible for delivering cost savings and broader benefits to health services through collective agreements.

HSV has developed a benefits management framework that guides how it plans, tracks and evaluates these savings and benefits. This includes a:

- Guide for Benefits Reporting, which outlines the processes and procedures for tracking and reporting benefits
- *Guide to Benefits Realisation*, which details the steps involved in understanding, planning, realising, reporting and evaluating benefits within the procurement process.

The ...	involves ...	We found HSV ...
understanding step	understanding the operating environment, including: • key performance indicators • defining benefits • setting baselines (targets) • assessing risks and dependencies.	defines estimated savings and benefits and sets targets.
planning step	developing a benefits realisation plan that: • identifies and classifies benefits • sets baseline and target measures • establishes monitoring frameworks • creates benefits profiles to track and guide the realisation process.	does not develop a benefits realisation plan for each collective agreement.
managing and reporting step	ongoing monitoring and updating progress against the benefits realisation plan	does not update progress against the benefits realisation plan.
evaluating step	evaluating outcomes against planned benefits after the benefits realisation plan is implemented, including: • measuring actual versus target achievements • capturing lessons learned • implementing corrective action to optimise benefits.	does not measure actual benefits versus target achievements.

Tracking and reporting savings and benefits from collective agreements

Methodology for calculating financial savings and benefits

Tracking and reporting actual savings and benefits from collective agreements is essential to be able to evaluate their performance.

HSV measures and reports estimated financial savings and benefits based on its Guide for Benefits Reporting, which identifies 3 sources of savings and other benefits.

Through …	HSV …	For example …
cost reduction	compares old prices to new prices.	if HSV negotiates a new collective agreement that lowers the price of a product from $10.00 to $9.70, it achieves a cost reduction of $0.30 per item.
cost avoidance	avoids costs based on indexation.	if HSV negotiates a fixed-price collective agreement for a product at $1.00 per unit for 3 years, it avoids potential price increases driven by inflation. Assuming a 3 per cent annual inflation rate, prices could rise to $1.03 in the second year and $1.06 in the third year. By locking in the price at $1.00, HSV avoids these inflationary price increases, leading to total cost avoidance over the collective agreement term.
further opportunities	identifies further opportunities for savings through switching to a functional equivalent product or service.	health services could switch from a branded medical device that costs $15.00 per unit to a clinically equivalent generic alternative priced at $12.50 per unit. This would result in a cost reduction of $2.50 per unit while maintaining the same level of functionality and quality.

HSV developed its benefits methodology following a 2012 external review of its previous methodology. The review recommended expanding benefits calculations beyond reducing and avoiding costs to include all further opportunities, such as purchasing best-match alternative products and services. This is in line with best practice.

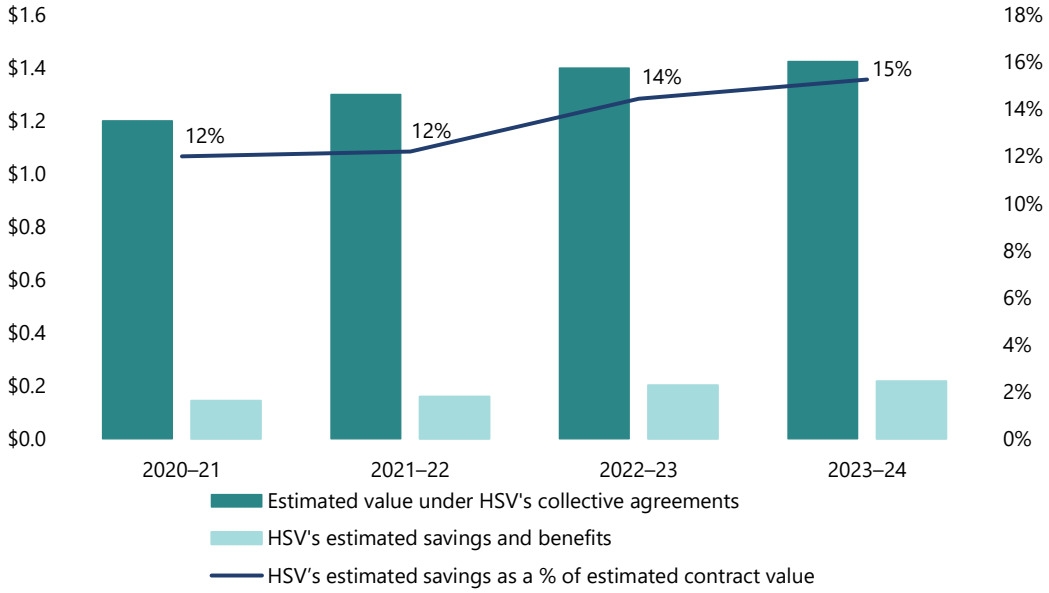
This approach balances cost efficiency with quality through clinically equivalent alternatives. It also reflects global health care procurement trends, where using generic products often delivers substantial savings.

Estimated financial savings and benefits

HSV estimates its annual procurement spending under collective agreements using historical spending data provided by suppliers. It then uses its benefits methodology to calculate the corresponding estimated financial savings and benefits.

Figure 3 shows a steady increase in the percentage of collective agreement spending attributed to estimated financial savings and benefits. This percentage increased from 12 per cent in 2020–21 to 15 per cent in 2023–24.

Figure 3: Estimated spending, financial savings and benefits from collective agreements, 2020–21 to 2023–2024 ($ billion)



Source: VAGO, based on HSV data and its 2020–21 to 2023–24 annual reports.

Challenges in verifying actual savings and benefits

HSV reports estimated savings and benefits. However, it does not verify if health services realise these savings.

HSV does not verify if health services make savings in line with …	**which …**
best practice, as outlined in the Victorian Government Purchasing Board's *Value for money: Goods and services guide*	recommends assessing the actual value delivered and costs incurred over a contract's lifecycle.
its own *Guide to Benefits Realisation*	states that benefits should be identified, tracked, realised and optimised.
its 2012 review	recommended that HSV collaborate with health services to develop a method for comparing: • actual and projected volume • product mix across goods and services. This would make sure HSV measures actual savings throughout the collective agreement and not just at sourcing.
its 2021 internal audit	concluded that HSV was working to improve its benefits reporting system to: • capture data at a product and supplier level • report on realised benefits.

HSV advised that it tried measuring benefits using actual health services' spending data, but the process was resource-intensive because there was no common product catalogue.

Without a common product catalogue, each health service may use different:

- product descriptions
- pricing structures
- spending categories.

This makes it difficult to accurately track and compare purchases across the health system.

Common product catalogue

A common product catalogue is a list of standardised products used by multiple organisations to simplify procurement and ensure consistency.

This means HSV cannot verify if health services realise expected savings and benefits, which could affect the accuracy of its reported savings and benefits.

For example, HSV includes further opportunities for cost savings in the savings and benefits figures it reports, even when health services do not adopt them. These are potential savings that health services can achieve by switching to functional equivalents (a substitute product that performs the same job or function as the original).

While identifying these as 'potential opportunity savings' in business cases is appropriate, this does not reflect actual savings and benefits.

Two audited health services also advised that obtaining clinical approval can take months and demands significant clinical staff time. In some cases, audited health services provided clinical or operational reasons for not implementing HSV's recommendations.

HSV identified ...	**However ...**
total further opportunities for savings and benefits of $10.8 million (5 per cent of total savings and benefits) during 2023–24.	HSV could not confirm if health services realised these opportunities.
further opportunities for savings and benefits of $879,027 and $4,923 per year for 2 of the audited health services by transitioning to an alternative non-emergency patient transport.	• Monash Health advised that the recommended supplier: – did not have the capacity to support an organisation of its scale in Victoria – would require extensive time to purchase additional fleet and recruit staff to meet their needs. • South West Healthcare advised that given its current supplier has both vehicles and an office located on-site, it would not be practical to pursue a new supplier as recommended by HSV.
further opportunities for savings and benefits of $4.2 million if all health services switched to functionally equivalent products under the Trauma Implants collective agreement, including $1 million of savings on intramedullary nails.	• Monash Health advised that its orthopaedic department rejected the proposed alternative because the original supplier's product required less repeat surgery and had the lowest rates of post-operative complications. • South West Healthcare and Monash Health rejected the proposed functional equivalent because they used a superior product and the current supplier had a better level of service based on previous experience.

Given HSV does not track actual savings and benefits, reported figures:

- may overstate achieved benefits
- do not provide an accurate measure of value delivered to health services.

This represents a critical gap in HSV's practice.

Financial savings and benefits targets

Target setting under the *Guide to Benefits Realisation*

Measuring and monitoring actual savings and benefits against pre-determined targets is essential for determining if collective agreements are performing as expected.

HSV's *Guide to Benefits Realisation* outlines the process for developing a benefits realisation plan, which includes:

- identifying and classifying savings and benefits
- setting baseline and target measures
- establishing monitoring frameworks.

Limitations in HSV's target setting

HSV does not develop a benefits realisation plan for each collective agreement, which is a crucial step in aligning benefits with strategic objectives and business cases.

Instead, HSV sets financial savings and benefits targets in its procurement activity plan at both the category level as well as for individual collective agreements. HSV consolidates these targets into an overall savings target.

The procurement activity plan's savings and benefits targets reflect HSV's estimated savings before procurement.

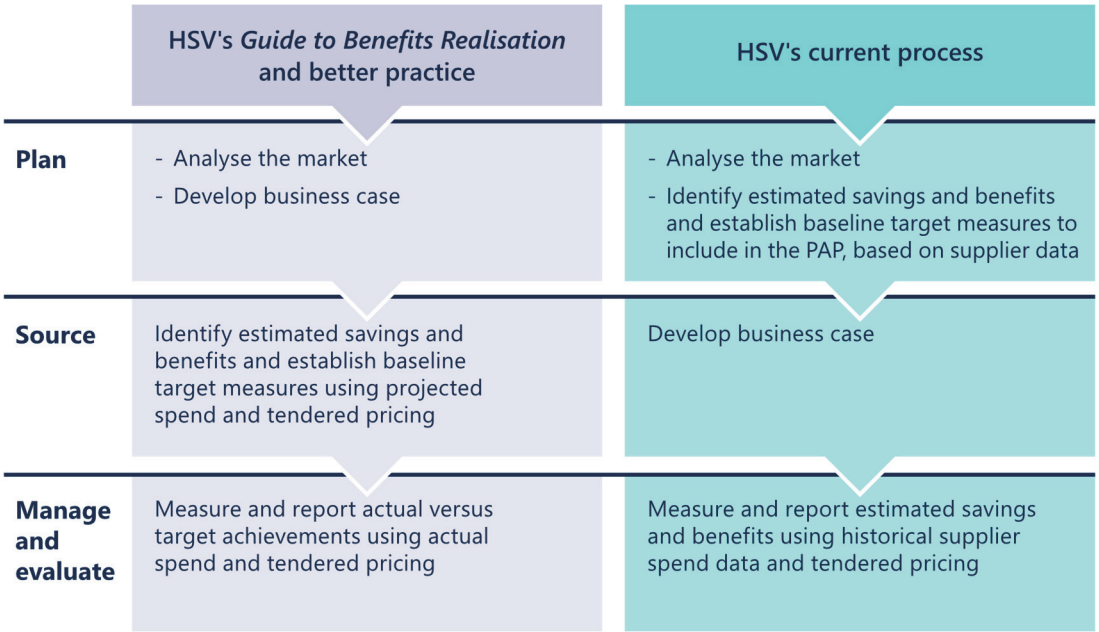
After awarding suppliers with contracts, HSV collects supplier-reported spending data for each health service over the previous 12 months. It then estimates annual spending under the new collective agreement based on the price set for the goods and services.

This analysis assumes no major change in purchasing patterns. HSV reports these as actual savings, but they are in fact still estimates.

As Figure 4 shows this approach is inconsistent with better practice and HSV's *Guide to Benefits Realisation*, which recommends:

- savings and benefit targets be set after procurement
- actual savings and benefits are measures throughout the collective agreement lifecycle.

Figure 4: Inconsistencies with best practice in savings and benefits target setting



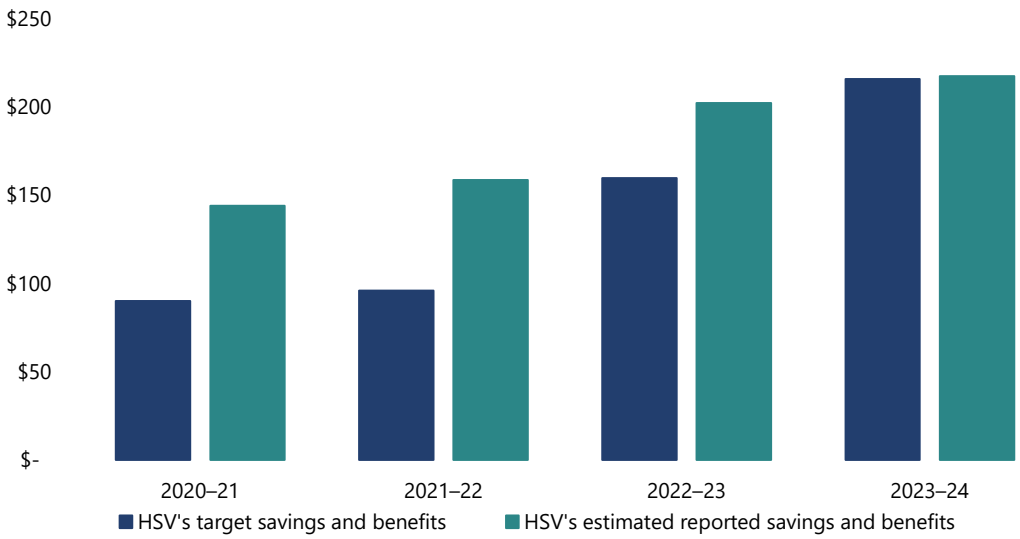
Source: VAGO.

Target versus estimated financial savings and benefits

For the 5-year period from 2020–21 to 2024–25, HSV committed to achieving $838 million in savings and benefits. This target was agreed with the Department of Health and the Department of Treasury and Finance.

As Figure 5 shows, HSV's estimates of total savings and benefits have consistently exceeded targets up to 2023–24. However, HSV cannot show that health services achieved these estimated savings and benefits.

Figure 5: HSV's target versus reported estimated financial savings and benefits from 2020–21 to 2023–24 ($ million)



Source: VAGO, based on HSV data.

Since 2023–24, there has been a shift in HSV's benefits methodology, which now focuses solely on reducing costs and it does not consider cost avoidance or further opportunity savings.

This shift has reduced the recognised cumulative benefits to $251.2 million over 4 years.

The annual cumulative target for ...	was set at ...
2023–24	$29.0 million.
2024–25	$48.3 million.
2025–26	$74.3 million.
2026–27	$99.6 million.

Our calculations as a percentage of each collective agreement total spending

To compare savings across collective agreements of different sizes, we calculated benefits as a percentage of the total spending under the collective agreement (value under contract). This means that instead of just reporting dollar savings, we compare the estimated savings and benefits as a proportion of health services' estimated spending under the collective agreement.

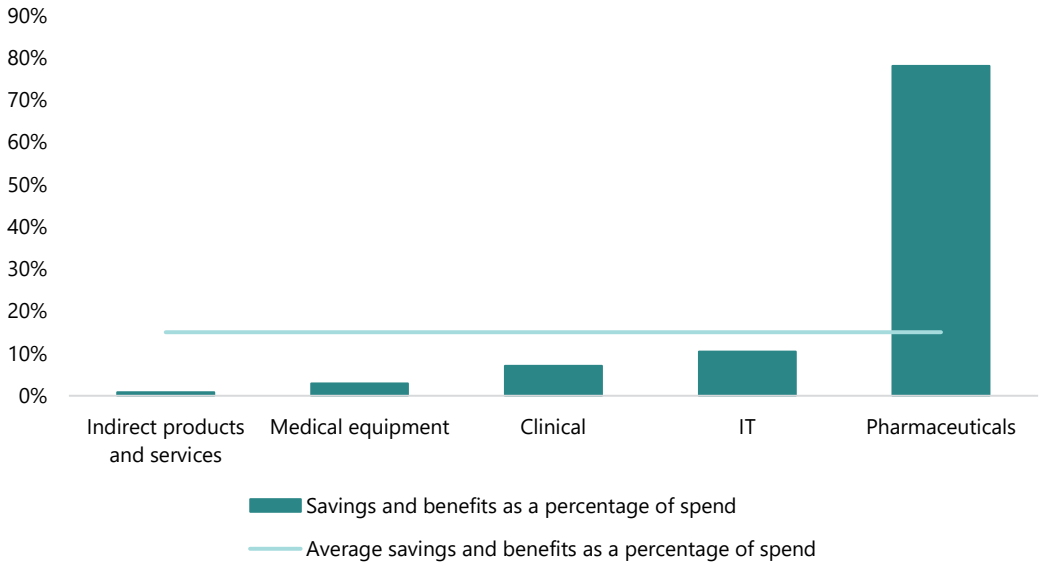
This approach follows the Department of Treasury and Finance's method for reporting actual financial benefits in state Budget papers for government contracts.

As Figure 6 shows, financial savings and benefits as a percentage of spending vary significantly across categories, ranging from 1 per cent for indirect products and services (an estimated $4.5 million in savings and benefits from $547.1 million of health services' spending) to 78 per cent for pharmaceuticals (an estimated $171.8 million in savings and benefits from $220.1 million of health services' spending).

There is an average of 15 per cent across all categories.

Refer to Appendix D for more information on reported spending and estimated savings and benefits under each collective agreement and category.

Figure 6: Estimated financial savings and benefits as a percentage of spending by categories, 2023–24



Source: VAGO, based on HSV data.

Variability in savings and benefits

There is significant variability in performance across collective agreements. Our review of all collective agreements found that 23 per cent have estimated negative benefits, indicating increases in costs rather than savings or positive outcomes.

HSV explained that these negative outcomes are due to diminishing returns after repetitive tendering for the same goods and services.

HSV also noted that, without its oversight, costs could have increased by 30 to 40 per cent. HSV did not provide evidence to support this.

For example, the ...	reported negative benefits of ...	indicating ...	Whereas the ...	showed an exceptionally high benefit of ...
Clinical Waste agreement	-30.9 per cent	potential cost increases.	Biopharmaceuticals Long-Acting Granulocyte-Colony Stimulating Factor agreement	428.8 per cent.
Laundry & Linen Services-Metro agreement	-28.6 per cent		Biopharmaceutical - Infliximab agreement	210.8 per cent.

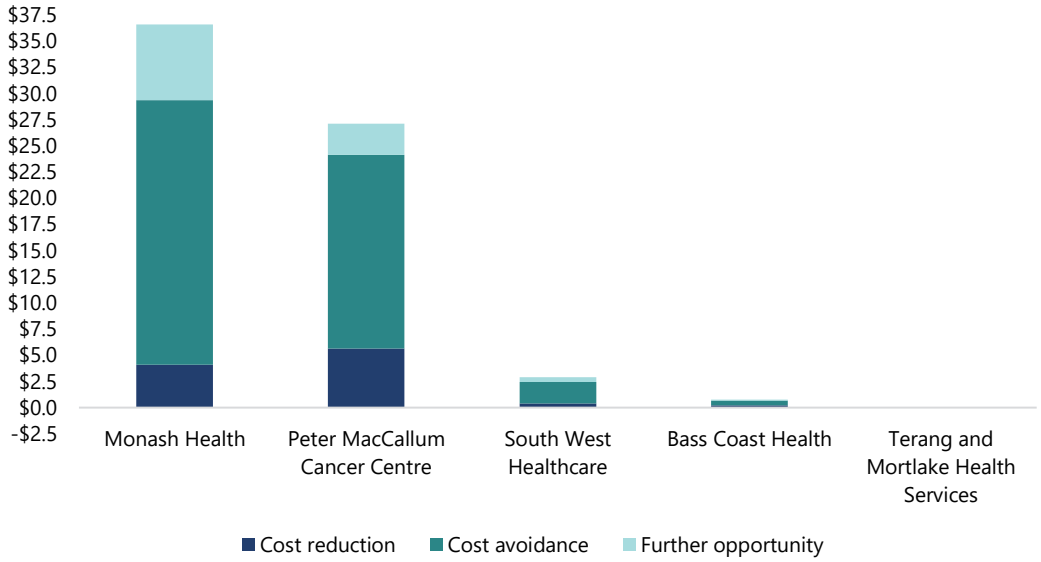
These examples show the differences in savings and benefits across collective agreements. The variability in performance across agreements highlights the difficulty in accurately assessing financial outcomes without a structured approach to tracking benefits.

Estimated savings and benefits for audited health services

Figure 7 shows HSV's estimated savings and benefits for the audited health services, with cost avoidance representing the most significant form of savings. This is mostly due to the amount of existing collective agreements that have been renewed or extended rather than new collective agreements created for services not previously covered.

In addition to spending levels, the variation in estimated savings and benefits also reflects differences in product mix, which is influenced by the type of patients each health service treats.

Figure 7: Estimated financial savings and benefits across audited health services, 2023–24 ($ million)



Note: Due to Terang and Mortlake Health Service's small spending on goods and services, its estimated savings and benefits are too negligible to be shown on the graph. These savings and benefits are as follows: -$2,444 (cost reduction), $5,078 (cost avoidance) $9,178 (further opportunities for savings).
Source: VAGO, based on HSV data.

Feedback from smaller health services

Smaller audited health services, such as Bass Coast Health, Terang and Mortlake Health Service, and South West Healthcare, advised that collective agreements help reduce staffing and resource demands for procurement processes.

They are confident that these agreements deliver more competitive pricing than they could achieve through individual negotiations. While they could not quantify their savings and benefits, HSV's estimates suggest that they may still be achieving some savings.

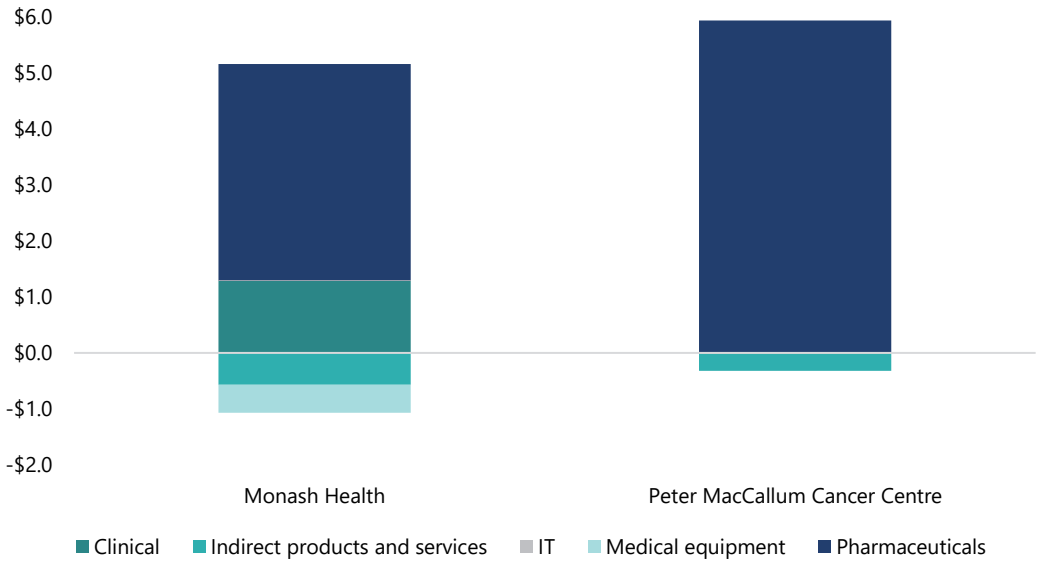
Feedback from metropolitan health services

In contrast, the larger audited metropolitan health services – Monash Health and Peter MacCallum Cancer Centre – raised concerns that savings are concentrated in pharmaceuticals.

As Figure 8 shows, in 2023–24 HSV estimated the following cost reduction savings:

- Peter MacCallum Cancer Centre estimated $5.6 million in total. However, of this amount, $5.9 million came from pharmaceuticals, while the other collective agreements resulted in a cost increase of $319,000.
- Monash Health estimated $4 million in total, with pharmaceuticals accounting for $3.8 million (94 per cent).

Figure 8: Estimated cost reduction savings at Monash Health and Peter MacCallum Cancer Centre, 2023–24 ($ million)



Source: VAGO, based on information from HSV.

Secondary procurement

Some audited health services advised us that they conduct further sourcing activities within collective agreements to get better value. This practice, often referred to as secondary procurement, involves seeking additional quotes or negotiating with multiple panel suppliers approved under HSV's collective agreements.

HSV has advised that such practices may conflict with its ...	**because ...**
HSV Purchasing Policy 5. Collective Purchasing and Supply Chain	they may undermine HSV's legislated functions under the *Health Services Act 1988*, which includes: • leading collective procurement • achieving system-wide value for money • avoiding duplication of effort across the health system.
terms in some recent collective agreements	under these agreements, health services are no longer permitted to independently conduct secondary procurement. Only HSV can do this.

Unclear guidance

HSV Purchasing Policy 5. Collective Purchasing and Supply Chain does not explicitly prohibit further sourcing within a panel arrangement.

The policy states that health services must avoid practices that 'may have a subverting effect' on HSV's functions, yet it does not define what this entails nor provide any examples.

At the same time, HSV expressly supports health service–led sourcing for capital equipment which includes beds, mattresses, patient trolleys and treatment chairs. HSV acknowledges that pricing for capital equipment can vary depending on:

- specifications
- volume
- local requirements.

In one instance, Monash Health got additional quotes for a bulk purchase of beds, and by negotiating with 2 panel suppliers, it secured lower unit prices and saved around $450,000. This allowed Monash to purchase more beds within the same budget it would have spent at the standard HSV price.

Changes to collective agreement terms

Although secondary procurement may offer potential savings, HSV's recent changes to its non-capital collective agreements aim to preserve its role in coordinating sourcing. These changes also aim to:

- maintain overall value for money
- ensure equity across health services
- ensure consistent procurement practices
- safeguard the collective purchasing power of its agreements.

However, one audited health service raised concerns that HSV's new changes may also restrict the use of rebates. These refer to discounts or payments returned to buyers based on purchase volumes and which are common in pharmaceutical purchasing.

For example, this audited health service told us it receives a 12 per cent rebate on a single pharmaceutical product, which generates an estimated $340,000 in savings from a projected $2.2 million annual spend.

Restricting such rebate arrangements could result in significant lost value across the health system. HSV advised rebate arrangements may breach contract terms or distort the intended outcomes of collective agreements.

Non-financial benefits

Identifying non-financial benefits

HSV also identifies non-financial benefits in business cases. Although some can be difficult to quantify, they can provide additional value to the collective agreement.

Non-financial benefits can include environmental, social and risk management outcomes, such as:

- Environmentally friendly alternatives being available
- reduced procurement risks through supplier vetting
- improved service quality through long-term supplier relationships
- lowered commercial and legal risks through standardised and legally endorsed terms.

Gaps in monitoring non-financial benefits

HSV outlines non-financial benefits in the business case for each collective agreement.

They are often important in gaining endorsement or approval for a business case, as they highlight potential long-term value or sector-wide improvements.

Where possible, HSV should measure and monitor them. But it has not done this consistently, even in cases where the benefits – such as waste reduction and carbon emissions – are relatively easy to quantify.

HSV has said that, in some cases, to measure and monitor these benefits it will need increased effort and support from health services to:

- identify non-financial benefits
- implement changes
- report on outcomes.

However, we found instances where tracking non-financial benefits would not have required direct input from health services and HSV has failed to monitor them.

For example, the business case for Compounded Chemotherapy and MAB Preparations outlined social procurement commitments that HSV asked of suppliers, such as:

- supporting safe and fair workplaces
- women's equality and safety
- environmentally sustainable business practices.

However, HSV has not tracked if its suppliers fulfilled these commitments. This creates a gap in understanding the broader impact of collective agreements.

As HSV does not monitor all these benefits, it cannot assess if health services are realising them. This gap not only limits HSV's ability to show the full value of its collective agreements, but it also risks undermining its decision-making process.

Data reliability

Importance of accurate, comprehensive and timely data

Accurate, comprehensive and timely data is critical for effective procurement decision-making and achieving benefits.

Reliable data should underpin how HSV measures:

- savings
- financial benefits
- overall value from collective agreements.

Incomplete or inaccurate data can lead to flawed analyses and undermine HSV's ability to deliver value to health services.

Statewide data challenges

HSV has told us that the quality, consistency and meaningfulness of procurement data is a statewide issue.

When analysing spending and savings data for collective agreements, HSV faces significant challenges, due to:

- the quality of health services' systems
- the availability of comprehensive spending, price and volume data.

Some purchase orders and invoices have little to no information or product descriptions, and they provide limited clarity on the goods or services procured.

This is not compliant with the Department of Treasury and Finance's Financial Reporting Directions, which require accurate and complete procurement records. These gaps hinder HSV and effective procurement oversight and HSV and health services' ability to monitor compliance.

Additionally, health services specify goods and services differently, making comparative analysis more complicated.

Examples of the data challenges identified by HSV that make it difficult to use accounts payable data include:

- the same supplier appearing under multiple names
- missing or unclear invoice descriptions
- inconsistent product descriptions. For example, HSV identified 94 different variations for the drug adrenaline (epinephrine) from its standard name.

Assessment of data quality

We assessed 3 main datasets collected by HSV against the 7 dimensions of data quality outlined in the Department of Premier and Cabinet's *Data Quality Guideline*. Although this guideline does not formally apply to HSV, it is recognised as best practice and provides a framework for assessing critical and shared datasets.

These datasets were:

- supplier sales data
- health services' accounts payable data
- health services' purchase order data.

Our assessment found that HSV's supplier sales data met most data quality requirements, while health services' accounts payable and purchase order data had significant gaps and weaknesses across several dimensions.

Appendix E shows the results of our assessment of the datasets HSV collects against the key data quality dimensions.

Health services' accounts payable and purchase order data should conform to a standardised framework. This would allow HSV to:

- accurately determine total purchases for each health service
- make more precise calculations of contract value and financial benefits under collective agreements.

Given the limitations of health services' data, HSV relies on its suppliers to capture and report spending data and requires all contracted suppliers to periodically submit sales data based on agreed standards and definitions.

But it faces challenges in validating this data against health services' data. This data is rarely useful for analysis due to inconsistent:

- definitions
- groupings
- terminology.

This undermines HSV's ability to effectively measure collective agreements' performance and savings, particularly for new collective agreements where historical data is difficult to interpret through accounts payable and purchase order records.

HSV also cannot easily validate self-reported supplier data, creating risks such as:

- excluding category items not supplied by participating suppliers
- underestimating historical spending and volumes due to incomplete supplier data.

Despite these challenges, HSV could leverage supplier-reported data more effectively. This is particularly the case for existing agreements, where suppliers have historical pricing and volume information.

By systematically tracking price and volume changes across collective agreement periods, HSV could more accurately assess realised savings. While this may involve additional effort and coordination from both HSV and health services, it would strengthen the accuracy and credibility of reported savings.

4.

Business case development

HSV follows a structured procurement process and prepares business cases in line with key elements of best practice, but there are areas for improvement.

Most business cases address market, spending and benefits analysis as well as different sourcing options. However, there are often no clear objectives for why a collective agreement is established or renewed or how it aligns with the annual procurement activity plan.

HSV does not have a formal process for benchmarking its performance or the price of goods and services in collective agreements, and the benchmarking it does do is limited. Without a clear and standardised process, HSV cannot effectively assess the competitiveness or value of its collective agreements.

Covered in this section:

- Establishing collective agreements
- Benchmarking

Establishing collective agreements

HSV's collective agreement procurement process

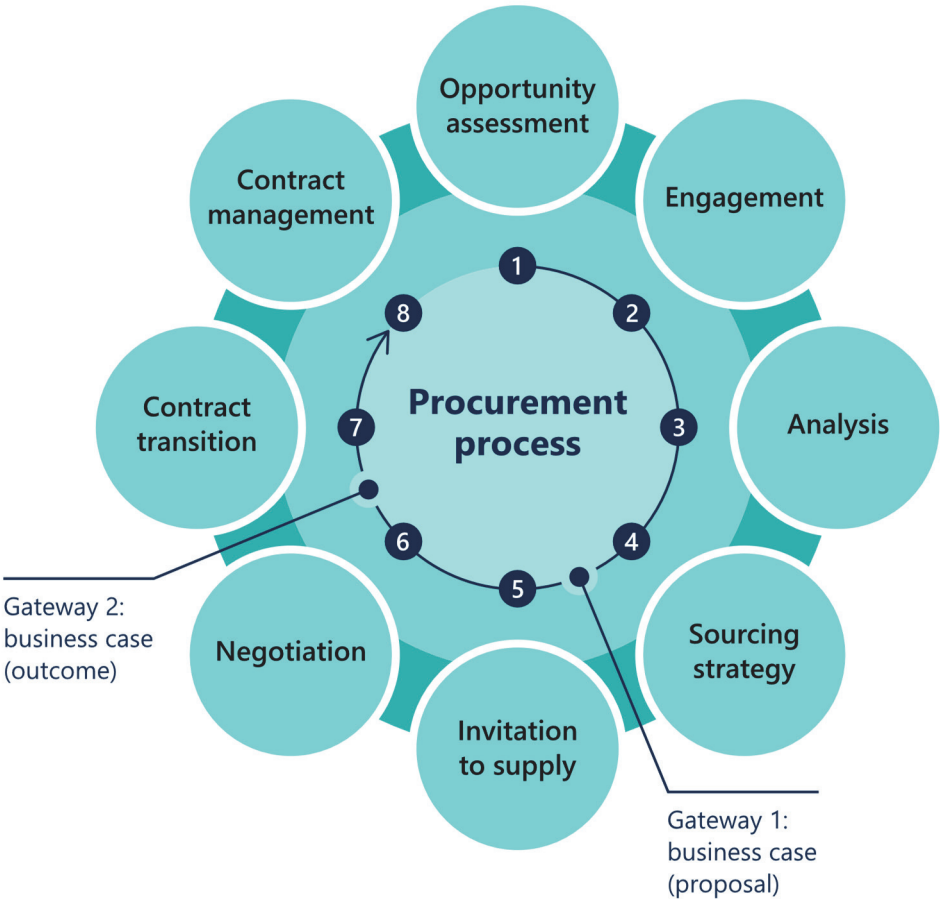
A business case provides an evidence-based rationale for:

- market engagement
- resource allocation
- funding commitments.

As Figure 9 shows, HSV follows an 8-stage procurement process with key stages requiring business cases at 2 'gateways'.

At the ...	HSV ...
first gateway	develops a sourcing proposal, which outlines the category of goods and services and the market strategy. This serves as a business case explaining why HSV is running a tender or seeking quotes. If it is approved, HSV proceeds to invite suppliers to bid.
second gateway	evaluates supplier offers and negotiates pricing before preparing a sourcing outcome. This is another business case that summarises the results and recommends which supplier(s) should be given the contract.

Figure 9: HSV's collective agreement procurement stages



Source: VAGO, based on HSV's sourcing procedure manuals.

Assessing key elements of business cases

We examined the business case documentation for a sample of 16 collective agreements to assess if they provided an audit trail of the decision-making process and met best-practice standards.

We selected these based on the following criteria:

- coverage across the 5 collective agreement categories
- different activity types, including:
  - creating new collective agreements
  - renewing or extending existing collective agreements
  - looking at renewal options
  - reviewing price
- feedback from health services on specific products and collective agreements.

Our assessment focused on the following elements in each business case:

- clear objectives for establishing or renewing an agreement, including an assessment to confirm the agreement aligns with HSV's strategic goals and that it meets a service need
- analysis of past spending data and future spending projections
- comprehensive market analysis
- expected financial and non-financial benefits, including assumptions and methodologies for calculating financial benefits
- consideration of sourcing options.
- approval and sign-off.

Figure 10 summarises the results of our assessment of HSV's business case documentation against the key elements.

Figure 10: Assessment of key elements of collective agreement business cases

Key elements of the business case	Substantially met	Partially met	Not met
Objectives: has a clear set of objectives	6	10	0
Spending: has analysis of user consumption and spending data based on projected volume and product mix	14	0	2
Market analysis: has detailed research of the current marketplace and the existing opportunities and/or constraints for government	16	0	0
Benefits: outlines the expected financial and non-financial benefits	13	0	3
Sourcing options: explores sourcing options to respond to the problem and deliver benefits	16	0	0
Approval and sign-off: has formal endorsement by decision-makers confirming approval to proceed	14	0	2

Note: 'Substantially met' means the business case documentation adequately addresses requirements. 'Partially met' means it partially addresses requirements with identifiable gaps. 'Not met' means there are weaknesses that mean the documentation falls short of the minimum required.
Source: VAGO analysis of business cases provided by HSV.

Most business cases substantially met the key elements we assessed against. However, HSV could improve its business case documentation by more clearly outlining the objectives for establishing

the collective agreement and explaining how the category strategically aligns with the annual procurement activity plan.

HSV advised us that it engages with the health sector on potential focus areas and provides visibility of upcoming and renewing collective agreements through the procurement activity plan. But this was not clearly reflected in the business cases we reviewed.

By addressing these gaps, HSV could:

- make sure all business cases align with its strategic direction and annual plans
- enhance the effectiveness of all its sourcing decisions
- enhance the value delivered through all collective agreements.

Benchmarking

Challenges in benchmarking collective agreement pricing

Benchmarking is the process of comparing an organisation's performance and pricing for goods and services against similar organisations.

Benchmarking its collective agreement pricing against comparable organisations can help HSV:

- identify best practices
- improve cost management
- make data-driven decisions.

However, as identified in our 2005 audit *Health procurement in Victoria*, there are several factors that complicate the benchmarking process, including:

- differences in purchase volumes (larger volumes may secure volume discounts)
- contract terms (for example, if delivery is included or if there are separate freight charges)
- payment terms
- frequency of previous market tests (more frequent tests may lead to lower prices)
- market conditions at the time of pricing
- sequence of contract negotiations (prices in one jurisdiction may serve as benchmarks for others).

Despite this, benchmarking remains an important tool for assessing procurement performance and identifying opportunities for improvement.

Gaps in HSV's benchmarking approach

HSV's benchmarking approach has significant gaps. Without a formal benchmarking process, HSV is limited in its ability to systematically evaluate procurement outcomes and make sure it gets value for money.

We found …	And …
HSV has conducted limited formal benchmarking over the past 15 years, with the most recent data dating back to 2010.	at this time, the Australian National Healthcare Benchmark Program revealed that, while HSV performed well in pharmaceutical procurement, it could have saved an added $4.5 million annually by matching the lowest prices available.
HSV claims to have benchmarked pharmaceutical pricing and conducted impact analyses during re-tendering, and it told us that category managers engage in informal benchmarking with other jurisdictions.	although HSV claims to do this, there is no evidence to support the consistency or comprehensiveness of these activities. These actions are ad-hoc and not part of a formal, structured benchmarking strategy.
HSV does not have a formal benchmarking policy to ensure systematic and transparent price comparisons across goods and services.	while HSV's procurement process incorporates market testing through open competition, this does not fully substitute for structured benchmarking against comparable organisations and sectors.
HSV has not implemented the 2012 recommendation to develop a return-on-investment measure as part of its performance measurement system	without regular benchmarking and return-on-investment analysis, HSV is missing an opportunity to help it demonstrate whether its collective agreements are delivering value for the health system.
HSV has not benchmarked its performance against comparable organisations	without a clear understanding of its performance, HSV cannot understand how well it is performing relative to industry peers.

If HSV established a formal benchmarking process, this would align its pricing and cost-management practices with best practices across comparable markets.

In turn, this would allow it to make more informed, data-driven decisions and get better value for money.

HSV's 2012 external review also recommended that it develop scorecards to capture procurement performance, including measuring its return on investment.

This would involve quantifying the financial and non-financial benefits achieved through collective agreements and comparing these against HSV's operational costs of carrying out procurement. This would help HSV show the value generated by its activities and support ongoing performance monitoring and accountability.

5.
Monitoring compliance

HSV has a compliance framework to monitor and support health services' compliance with its purchasing policies and collective agreements. It does this through audits, attestations and education and training.

Despite this, contract leakage is known to occur. This makes it difficult to verify if collective agreements provide the best value for money. HSV has begun work to identify and address potential contract leakage.

Audited health services lack robust monitoring systems to make sure they comply with HSV collective agreements. This contributes to contract leakage.

Covered in this section:

- Use of collective agreements by health services
- Exemption process

Use of collective agreements by health services

HSV's compliance framework

The *Financial Management Act 1994* requires public sector agencies, including health services, to maintain effective controls over procurement processes to make sure they comply with government supply policies.

All health services must purchase from collective agreements unless HSV grants an exemption. If they fail to, this may mean they do not achieve the best value for money on their purchases.

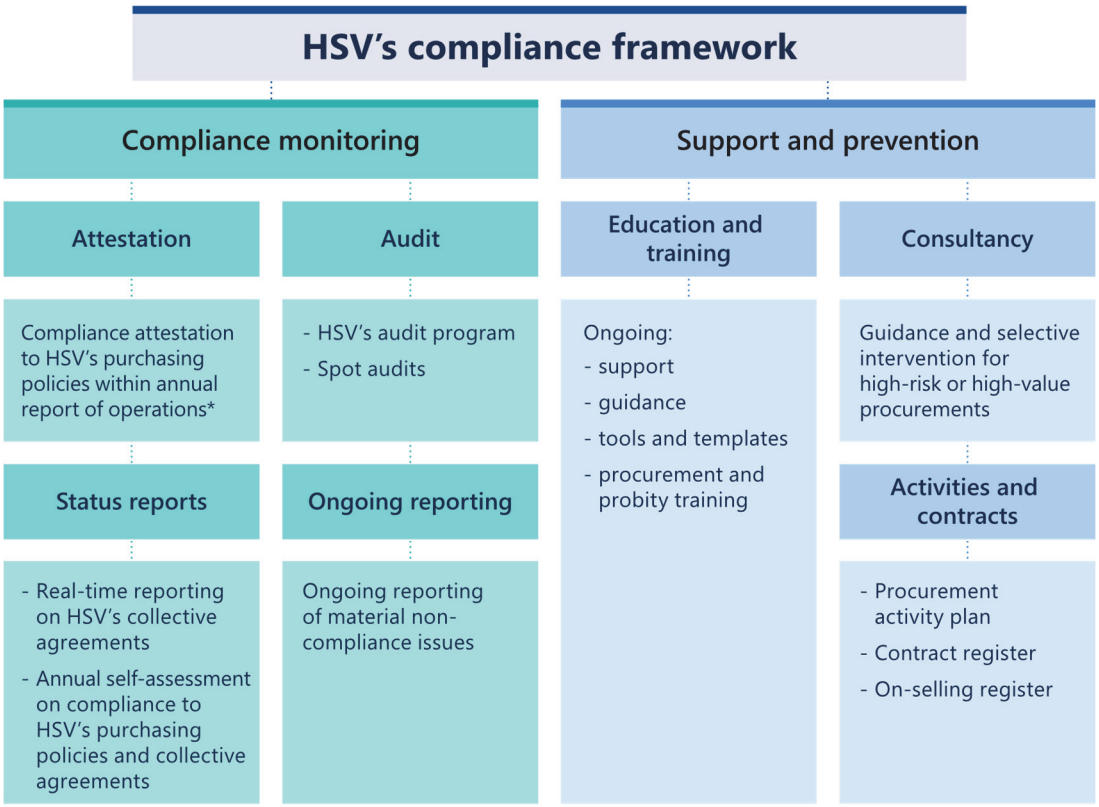
The *Health Services Act 1988* requires HSV to monitor health services to make sure they comply with HSV's purchasing policies and directions. It also requires HSV to report irregularities to the health minister.

HSV has developed a compliance framework as shown in Figure 11.

The framework includes:

- compliance monitoring activities, such as:
  - a recurring 3-year program where health services are required to conduct an audit on their compliance with HSV's purchasing policies and directions
  - an annual self-assessment where health services evaluate their compliance with HSV's purchasing policies and mandatory collective agreements, including identifying and explaining any instances of non-compliance, such as contract leakage
  - annual attestation
- support and prevention activities, such as:
  - education
  - training
  - guidance.

Figure 11: HSV's compliance framework



*HSV has exempted health services from attesting compliance with HSV's collective agreements for on and off-contract spending in their annual reports, as specified in *HSV Purchasing Policy 1: Governance*.
Source: VAGO, based on HSV's compliance framework guidance.

HSV does not actively monitor contract leakage

Despite HSV's compliance activities, contract leakage is still occurring. For example, during the 2019 renegotiation of the Sterilisation Consumables and Related Services collective agreement, HSV's predecessor, HPV, identified over $2.5 million in contract leakage across more than 50 health services. This was approximately 21 per cent of the total value of the collective agreement.

Identifying contract leakage is complex because detailed product-level scope needs to be interpreted across numerous collective agreements. Some purchases may appear non-compliant but may, in fact, fall outside the scope of a collective agreement. This could be due to a product's:

- size
- volume
- specific clinical requirements, such as a different format or variation needed for patient care not covered under the collective agreement at the time of purchase.

Changes to compliance attestation requirements

Under HSV's purchasing policies, HSV requires health services to attest that they have appropriate internal controls and processes in place to make sure they materially comply with all requirements. This includes using mandatory HSV collective agreements.

In 2022–23, HSV began reviewing its purchasing policies and found that health services' compliance attestations were not robust enough to detect non-compliance.

To reduce the risk of inaccurate reporting to parliament, starting 2022–23, HSV exempted health services from attesting in their annual reports that there is no contract leakage. However, health services are still required to provide an overall attestation of compliance with HSV's purchasing policies.

This decision was driven by:

- data quality issues
- reliance on manual systems
- limited capacity or capability within some health services.

Health services remain responsible for complying with collective agreements and preventing contract leakage. While HSV's exemption decision was made to address concerns over data quality and reporting accuracy, this exemption means there is reduced oversight of contract leakage.

However, compliance monitoring continues, and HSV has initiated a project to develop systems and processes for identifying contract leakage, as discussed below.

HSV's pilot program to address contract leakage

HSV initiated a pilot project in March 2023 with 4 health services to develop systems and processes for identifying contract leakage.

In the pilot, HSV tested for contract leakage by reviewing purchase orders over a 3-month period for these health services and comparing them to the:

- central pricing schedule, which is a list of pre-negotiated prices for goods and services
- the Victorian product catalogue, which is a list of approved products available for purchase by Victorian health services.

It used purchase order data instead of accounts payable data, as purchase orders include product or part numbers. This made it easier to match items to HSV's collective agreements.

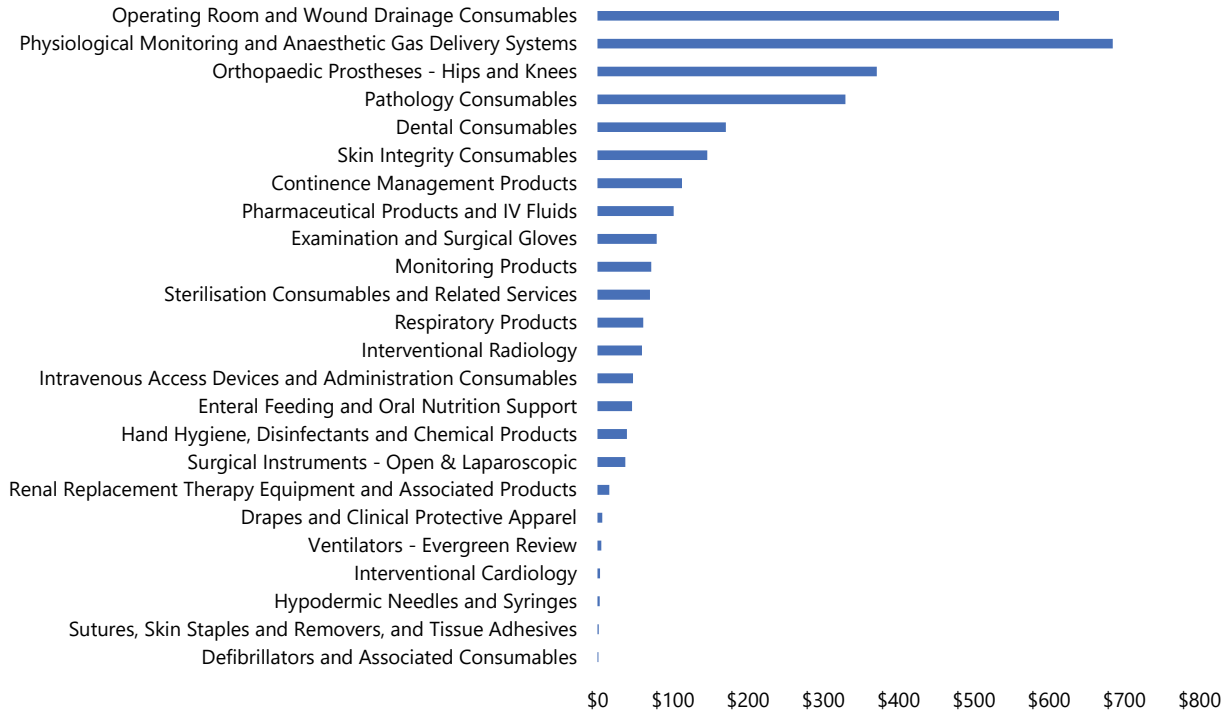
By comparing this data to the Victorian product catalogue, HSV identified purchases made by health services from suppliers without a contract for those products.

HSV's initial analysis confirms that contract leakage is happening. It has identified approximately $3 million in potential leakage across 24 collective agreements in the 4 health services in the pilot.

However, this estimate is likely to be overstated. HSV is working with the health services to confirm the actual leakage.

Figure 12 shows the extent of contract leakage across the 24 collective agreements at the 4 health services in the pilot.

Figure 12: Value of potential collective agreement contract leakage at health services in the pilot ($ thousand)



Source: VAGO, based on HSV's contract leakage testing.

In one case, HSV and one of the health services in the pilot identified over $800,000 in potential contract leakage through a combination of HSV's analysis and the health service's own review.

This leakage happened because its maintenance team incorrectly applied ministerial directions and instructions intended for construction works and services instead of HSV policies.

HSV expects to complete the pilot project in 2026. This includes developing a data analytics tool to:

- help health services assess spending data more accurately
- support compliance attestations.

The tool will also enable HSV to better monitor and follow up on potential contract leakage.

HSV's approach in the pilot is sound. Leveraging purchase order data, given the current issues with accounts payable data, allows for more precise analysis.

Developing data analytics is a promising step towards improving data consistency and visibility. However, HSV's future work should focus on collaborating with the sector to gradually enhance data quality. This would provide a more complete view of procurement activity.

Health services' monitoring for contract leakage

While HSV has a responsibility to monitor compliance, health services must also have systems and processes to prevent contract leakage.

Health services are better positioned than HSV to detect contract leakage by analysing their own finance and procurement system data.

HSV also has an important role in enabling and overseeing compliance by:

- monitoring system-wide patterns
- supporting capability uplift
- prompting action where necessary.

However, the 5 audited health services do not know if leakage is happening and cannot provide evidence they are effectively preventing it.

HSV and audited health services have identified several challenges faced by health services, including:

- a lack of systems, capability and capacity to gather and analyse data for assessing spending under collective agreements
- staff shortages, particularly in procurement and finance, and particularly for small to medium-sized and regional health services.

Monash Health has also identified challenges in determining if purchases are compliant, as collective agreements may not include the goods or services that meet a health service's specific requirements.

For example, a health service might need a product in a different size or format that is not covered by the collective agreement. Without detailed guidance on what constitutes contract leakage, it is unclear if such purchases would be considered non-compliant.

The finance and procurement systems at audited health services do not easily allow them to identify purchases made through a collective agreement. This means it is difficult for these health services to make sure they comply with HSV's policies, including using mandatory collective agreements.

Health services are required to comply with the *Financial Management Act 1994* and HSV's purchasing policies. Failure to do so could:

- mean health services miss opportunities to achieve best value for money
- undermine the broader objectives of collective agreements.

Exemption process

Exemption criteria

Under *HSV Purchasing Policy 5: Collective Purchasing and Supply Chain*, health services that wish to opt out of a collective agreement must apply for an exemption.

The policy defines the process, criteria and conditions for granting exemptions, ensuring a structured approach to procurement outside of collective agreements.

To maintain consistency, HSV has also developed a guide for its employees to follow when managing exemption requests.

Health services may apply for an exemption under the following circumstances.

Under HSV's policy, health services can apply for an exemption due to ...	which is when ...
a pre-existing contract	a health service has an active contract for specific goods or services at the time they are notified that those goods or services are included in HSV's procurement activity plan.
clinical risk	an exemption is necessary to ensure clinically appropriate treatment or care.
operational risk	opting out is required for effective administration or the health service's operational needs.
impact on local business	participation in the collective agreement would significantly harm the viability of small or medium-sized businesses or negatively affect local employment growth or retention.

While exemptions may be necessary, there are risks if HSV does not manage the process effectively.

Justifying and maintaining a record of exemptions is crucial for upholding the integrity and cost-effectiveness of collective agreements.

A central record:

- helps HSV to make sure health services comply
- enables trend analysis.

By tracking exemptions, HSV can identify patterns, such as frequent requests, that may indicate issues with the scope or offerings of the collective agreements.

Trends in exemption requests

HSV records all exemption requests and notifies its procurement and supply chain committee, following the agreed authority delegations for decisions about exemptions.

As shown in Figure 13, the number of exemption applications submitted by health services has declined from 39 in 2020–21 to 6 in 2023–24.

HSV attributes this decline to:

- improved guidance
- process education
- proactive engagement with health services
- the value delivered by collective agreements.

Figure 13: Summary of exemption applications and outcomes by year

Year	Applications	Withdrawn	Approved	Rejected	Under review	Expired	Value $
2020–21	39	14	10	8	5	2	273,000
2021–22	12	5	0	1	6		
2022–23	10	5	0	1	4		
2023–24	6	4	0	0	2		
Total	**67**	**28**	**10**	**10**	**17**	**2**	**273,000**

Note: Each exemption request recorded as 'under review' was resolved in the following financial year. Of the 17 requests recorded as under review between 2020–21 and 2023–24, these were either withdrawn or rejected.
Source: VAGO, based on information from HSV.

While HSV reviews exemptions objectively, if it formally tracked key metrics this could improve transparency and help identify systemic issues within collective agreements. These key metrics could include:

- exemption processing times
- patterns in exemption requests by health services
- potential links to contract leakage.

6.
Appendices

There are 5 appendices covering responses from audited agencies, information about how we perform our work, reported spending and estimated savings and benefits under collective agreements, and an assessment of HSV datasets.

Appendix A: Submissions and comments

Appendix B: Acronyms and glossary

Appendix C: Audit scope and method

Appendix D: Reported spending and estimated savings and benefits under collective agreements

Appendix E: Assessment of HSV datasets

Appendix A:
Submissions and comments

We have consulted with Bass Coast Health, HealthShare Victoria, Monash Health, Peter MacCallum Cancer Centre, South West Healthcare and Terang and Mortlake Health Service, and we considered their views when reaching our audit conclusions. As required by the *Audit Act 1994*, we gave a draft copy of this report, or relevant extracts, to those agencies and asked for their submissions and comments.

Responsibility for the accuracy, fairness and balance of those comments rests solely with the relevant agency head.

Responses received

2 June 2025

Mr. Dave Barry
Deputy of The Auditor – General
Level 31, 35 Collins St,
Melbourne Vic. 3000

Dear Mr. Barry,

Re: Proposed report - HealthShare Victoria Procurement

Thank you for providing a copy of the VAGO proposed report relating to HealthShare Victoria Procurement processes.

Bass Coast Health acknowledges the report's recommendations and will work collaboratively with HSV to implement the recommendations as required.

If you require further clarification in relation to Bass Coast Health's response to the proposed report, please contact Shaun Brooks, Chief Financial Officer [redacted]

Kind regards,

[redacted]

Professor Simone Alexander
Interim Chief Executive Officer
Bass Coast Health

CC: Shaun Brooks, Darren Taylor – Bass Coast Health
[redacted] - VAGO

Graham St Wonthaggi Vic 3995 e info@basscoasthealth.org.au
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Response provided by the Secretary, Department of Treasury and Finance

Department of Treasury and Finance

1 Treasury Place
Melbourne Victoria 3002 Australia
Telephone: +61 3 9651 5111
dtf.vic.gov.au

D25/57810

Mr Andrew Greaves
Auditor-General
Level 31
35 Collins Street
MELBOURNE VIC 3000

[redacted]

Dear Auditor-General Andrew

POPOSED INDEPENDENT ASSURANCE REPORT TO PARLIAMENT: HEALTHSHARE VICTORIA PROCUREMENT

Thank you for the opportunity to respond to the proposed report on HealthShare Victoria Procurement.

DTF notes the findings and recommendations raised in the report. I am grateful for VAGO's work to help ensure HealthShare Victoria continues to improve its approach to managing procurement and logistics for Victoria's public health system.

My department will engage with the Department of Health to explore opportunities to further improve Victorian health procurement outcomes.

I confirm that I am not aware of any investigations or proceedings that are underway in relation to this audit and have not identified any material inaccuracies in the report.

Yours sincerely

[redacted]

Chris Barrett
Secretary

3/6/2025

VICTORIA State Government

HealthShare Victoria

HealthShare Victoria
ABN 28 087 208 309

Level 11, 50 Lonsdale Street
Melbourne VIC 3000

T 03 9947 3700

healthsharevic.org.au

Andrew Greaves
Auditor-General
Victorian Auditor-Generals Office
Level 31, 35 Collins Street
Melbourne Vic 3000

6 June 2025

Re: Proposed report: HealthShare Victoria Procurement ed: 23/5/2025

Dear Mr Greaves

Thank you for your letter of 23 May 2025, providing HealthShare Victoria the opportunity to review and comment on the proposed report (Report) for HealthShare Victoria (HSV) Procurement dated 23 May 2025.

In respect to the three findings in the report, HSV makes the following comments:

a. Key Finding 1: HSV acknowledges the use of actual savings and benefits (rather than estimated savings as per the HSV Benefits Framework) would improve measurement of the outcomes delivered from collective agreements. To-date, this has not been possible due to data challenges (quality, completeness, timeliness, functional equivalent matching) impacting accurate reporting of actual savings and benefits. HSV accepts the proposed recommendation noting this will be a significant investment of time and resources to align data capture and reporting in collaboration with Department of Health and health services to make this possible.

b. Key Finding 2: HSV supports the opportunities for improvement in benchmarking practices in assessing outcomes and business case documentation. Business case changes are straight forward to introduce however the benchmarking changes will need careful consideration of privacy and confidentiality obligations.

c. Key Finding 3: Health service spending outside collective agreements (referred to as contract leakage) has to-date been an area of ambiguity and limited focus for health services compounded by data limitations and a lack of resources. However, HSV has been collaborating with health services to address this, and initiatives are underway to improve tracking and analysis of potential contract leakage consistent with the proposed recommendation.

We have attached an action plan responding to the recommendations including timings to this letter. **Attachment 1:** HSV Procurement Draft Recommendation Action Plan

HSV appreciates the professional and collaborative approach from your team throughout the audit. We are available to meet with VAGO to discuss our feedback and clarify any questions.

If you have any questions, please do not hesitate to contact Brett Comer, Interim Chief Financial Officer at [redacted].

Yours sincerely,

[redacted]

John Delinaoum
Acting Chief Executive

OFFICIAL: Sensitive

HealthShare Victoria action plan to address recommendations from HealthShare Victoria Procurement

No.	VAGO recommendation	Acceptance	Agreed management actions	Target completion date
1	In collaboration with health services, develop and implement a statewide common catalogue and standardised classification system for accounts payable and purchase order data across the sector.	☐ Yes ☐ No ☐ In part ☒ In principle	Agree in principle with the proposed benefits of developing a statewide common catalogue and standardised classification system. This is a significant undertaking which will require funding and support from the Department of Health. The initiative would be phased over two years with a funding proposal to undertake consultation, discovery and design in FY26 before implementation in FY27.	July 2027
2	In collaboration with health services, improve how it tracks and validates actual savings and benefits for all collective agreements by: • establishing a clear method for validating savings achieved by health services • consistently tracking purchase volumes, unit prices and actual spending • using supplier data for all health service purchases to calculate actual savings and benefits.	☐ Yes ☐ No ☐ In part ☒ In principle	This is predicated on being able to implement recommendation 1. Agreed with proposed change to include all health service purchases from suppliers both on or off-contract. This will assist with monitoring total health service expenditure, potential saving and benefit opportunities and contract leakage.	September 2027

3	Implement a benefits realisation plan for each collective agreement that clearly outlines how HSV and health services should track and validate financial and non-financial benefits throughout the contract lifecycle.	☐ Yes ☐ No ☒ In part ☐ In principle	This is predicated on being able to implement recommendation 2. Agreed with clarity sought on what should be contained in benefit realisation plan, given that currently realised benefits can't be measured by HSV and would be subject to resource capacity. Additionally, recommend that health services receive from HSV a guide to implementing any proposed changes arising from the collective agreement that best optimise benefit realisation at a health service level.	September 2027
4	Communicate to all health services the conditions under which they can undertake secondary procurement within collective agreements, including any approval or reporting requirements.	☒ Yes ☐ No ☐ In part ☐ In principle	Agreed with recommendation on improving guidance on how health services can remain compliant with HSV PPs when undertaking secondary procurement within collective agreements.	April 2026
5	Improve business case documentation by making sure all sourcing proposals and outcomes: • clearly define objectives • include a strategic analysis for establishing or renewing collective agreements.	☒ Yes ☐ No ☐ In part ☐ In principle	Agreed. HSV has commenced updating its business case documentation with view to finalise this in FY26.	April 2026

6	In line with best practice, develop a benchmarking policy to guide regular benchmarking exercises across all major procurement categories.	☐ Yes ☐ No ☐ In part ☒ In principle	Agreed noting that any benchmarking should be developed in collaboration with the Department of Health to support its adoption and use by the sector and that any benchmarking is limited to publicly available information and not commercially sensitive.	July 2026
7	In collaboration with health services develop and deploy its data analytics tools to support HSV and Victorian health services to: • monitor on and off contract spend with collective agreements • improve tracking and analysis of potential contract leakage.	☒ Yes ☐ No ☐ In part ☐ In principle	Agreed. Note in agreeing to this it can only occur with all health services support, engagement and partnership as the tool is deployed to health services who then must assess possible non-compliance and then the health service must confirm anomalies and then HSV are able to look at any non-compliance notified to HSV.	December 2026

Response provided by the Deputy Chief Executive, Monash Health

Finance Executive Office

Postal Address:
Monash Medical Centre
Level 2 Block E
246 Clayton Road
Clayton VIC 3168

Tel (03) 9594 2286

6 June 2025

Mr Andrew Greaves
Auditor-General
Victorian Auditor General Office
Level 31, 35 Collins Street
Melbourne VIC 3000

Dear Mr Greaves,

Proposed draft report – HealthShare Victoria Procurement

Thank you for your invitation to comment on the Victorian Auditor-General Office's proposed draft report HealthShare Victoria Procurement.

Monash Health welcomes your findings and accepts your recommendations. We look forward to working with HealthShare Victoria in addressing these findings.

I thank your staff for their work and conduct during this engagement.

Yours sincerely

[redacted]

Rachelle Anstey

Deputy Chief Executive | Chief Financial Officer

Response provided by the Chief Executive Officer, Peter MacCallum Cancer Centre

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Melbourne Victoria
3000 Australia

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Locations
Melbourne
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Box Hill
Moorabbin
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Peter Mac
Peter MacCallum Cancer Centre
Victoria Australia

4 June 2025

Mr Dave Barry
Deputy of the Auditor-General
Victorian Auditor-General's Office
Level 31, 35 Collins Street
Melbourne Vic. 3000

Dear Mr Barry,

Thank you for your correspondence dated May 23 2025, reference 34898 25, regarding the proposed report *HealthShare Victoria Procurement* for our review and commentary.

We acknowledge the proposed report, and the provisional Peter MacCallum Cancer Centre (Peter Mac) feedback contained within and VAGO's response. The report accurately reflects our comments and recommendations of the VAGO audit report and findings.

When engaged, Peter Mac looks forward to collaborating with HealthShare Victoria on the action items to achieve a mutually beneficial outcome.

We have nothing further to add at this time.

Yours sincerely,

[redacted]

Professor Jason Payne
Chief Executive Officer
Peter MacCallum Cancer Centre

Patron: Her Excellency Professor the Honourable Margaret Gardner AC – Governor of Victoria

Peter Mac respectfully acknowledges the Traditional Owners of the land, the Wurundjeri Woi- Wurrung people of the Kulin Nation. We pay our respects to Elders past and present.

Response provided by the Chief Executive Officer, South West Healthcare

South West Healthcare

10 June 2025

Dave Barry
Deputy of the Auditor-General
Victorian Auditor-General Office
Level 31/35 Collins Street
MELBOURNE VIC 3001

Dear Deputy Auditor General

Thank you for providing the proposed report on HealthShare Victoria Procurement and the opportunity to provide feedback.

I note there are no recommendations for South West Healthcare in the report. South West Healthcare has reviewed the proposed report and has no feedback. We are committed to continuing to work with HealthShare Victoria to improve procurement outcomes.

Should you require further information, please contact Jacob Taylor, Acting Executive Director Finance and Corporate on [redacted]

Thank you for the opportunity to provide feedback.

Your sincerely

[redacted]

Craig Fraser
Chief Executive Officer

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ABN 41 189 754 233

Response provided by the Chief Executive Officer, Terang and Mortlake Health Service

TERANG & MORTLAKE
HEALTH SERVICE
ABN 43 323 722 091

All correspondence to:
TERANG CAMPUS
13 Austin Avenue,
P.O. Box 122, Terang, Victoria, 3264.
Telephone: (03) 5592 0222 Facsimile: (03) 5592 0250

28th May 2025

Dave Barry

Deputy of the Auditor – General

Victorian Auditor-General's Office

Re: Proposed report: HealthShare Victoria Procurement

Dear Mr Barry

Thank you for the opportunity to respond to the proposed report *HealthShare Victoria Procurement*.

We agree with the recommendations of the report acknowledging our minor role in the review and our reliance on HSV to action them. We have a supportive and productive relationship with HSV and feel the recommended actions will enhance the benefits to our health service.

Please contact us if we can be of further assistance and we look forward to the final report.

Yours sincerely

[redacted]

Julia Ogdin

Chief Executive Officer

Terang and Mortlake Health Service

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23 Boundary Road,
Mortlake, Victoria, 3272.
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Appendix B:
Acronyms and glossary

Acronyms

We use the following acronyms in this report:

Acronym	Full spelling
HPV	Health Purchasing Victoria
HSV	HealthShare Victoria
VAGO	Victorian Auditor-General's Office

Glossary

The following terms are included in or relevant to this report

Term	Explanation
Contract leakage	This refers to when health services purchase goods or services from a supplier that is not part of a mandatory HSV collective agreement even though the agreement covers those goods or services.
Level of assurance	This is a measure of the confidence we have in our conclusions. The quality and quantity of evidence we obtain affects our level of assurance. We design our work programs with the information needs of our report users in mind. We consider if we need to provide them with reasonable assurance or if a lower level of assurance may be appropriate.
Limited assurance	We obtain less assurance when we rely primarily on an agency's representations and other evidence generated by that agency. However, we aim to have enough confidence in our conclusion for it to be meaningful. We call these types of engagements assurance reviews and typically express our opinions in negative terms. For example, 'nothing has come to our attention to indicate there is a problem.' See our assurance services fact sheet for more information.
Reasonable assurance	We achieve reasonable assurance by obtaining and verifying direct evidence from a variety of internal and external sources about an agency's performance. This enables us to draw a conclusion against an objective with a high level of assurance. We call these performance audits. See our assurance services fact sheet for more information.

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: • Monash Health • Peter MacCallum Cancer Centre • South West Healthcare • Bass Coast Health • Terang and Mortlake Health Service	• 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: • 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.

Appendix D: Reported spending and estimated savings and benefits under collective agreements

Figure D1: Reported spending under collective agreements, reported total financial savings and benefits and financial savings and benefits as a percentage of spending by collective agreement, 2023–24

Collective agreement	Estimated value of spending under collective agreement	Estimated total savings and benefits	Savings and benefits as a percentage of spending
Clinical			
Hypodermic Needles and Syringes	$5,188,820	−$313,648	−6.0%
Continence Management Products	$10,906,940	−$653,176	−6.0%
Hand Hygiene, Disinfectants and Chemical Products	$8,340,365	−$493,940	−5.9%
Cranial Neurosurgery Prostheses and Associated Consumables	$3,941,085	−$87,466	−2.2%
Monitoring Products	$17,016,581	−$115,925	−0.7%
Enteral Feeding and Oral Nutrition Support	$12,582,795	−$76,835	−0.6%
Sterilisation Consumables and Related Services	$12,009,597	−$14,198	−0.1%
Robotics Surgical System	$22,506,149	$13,333	0.1%
Interventional Radiology	$23,223,003	$69,762	0.3%
Dental Consumables	$2,827,267	$10,323	0.4%
Intravenous Access Devices and Administration Consumables	$22,478,944	$263,670	1.2%
Operating Room and Wound Drainage Consumables	$16,536,789	$428,580	2.6%
Respiratory Protection Equipment (RPE) Fit Testing Services	$2,496,193	$76,587	3.1%
Surgical Instruments - Open & Laparoscopic	$30,077,043	$1,669,718	5.6%
Orthopaedic Prostheses - Hips and Knees	$40,766,978	$3,042,840	7.5%
Respiratory Products	$7,723,616	$761,656	9.9%
Examination and Surgical Gloves	$20,887,466	$2,328,539	11.1%

Collective agreement	Estimated value of spending under collective agreement	Estimated total savings and benefits	Savings and benefits as a percentage of spending
Interventional Cardiology	$26,822,861	$3,293,168	12.3%
Sutures, Skin Staples and Removers, and Tissue Adhesives	$9,696,529	$1,226,575	12.6%
Drapes and Clinical Protective Apparel	$46,505,437	$5,940,900	12.8%
Spinal Prostheses	$6,306,857	$1,121,843	17.8%
Trauma Implants	$22,097,183	$5,616,676	25.4%
Heart Valve Replacement Products	$1,882,840	$309,390	16.4%
Skin Integrity Consumables	$ 22,506,150	$1,877,773	8.3%
Clinical total	**$395,327,489**	**$26,296,145**	**6.7%**
Indirect products and services			
Clinical Waste	$20,000,000	−$6,180,810	−30.9%
Laundry & Linen Services - Loddon Mallee Region	$1,757,678	−$502,484	−28.6%
Laundry & Linen Services – Metro Cluster	$20,264,016	−$4,525,658	−22.3%
Natural Gas (Large Sites)	$22,426,783	−$2,717,545	−12.1%
Non-Emergency Patient Transport	$26,362,747	−$1,441,692	−5.5%
Medical and Industrial Gases	$10,070,861	−$90,996	−0.9%
External Contracted Medical Imaging Services	$80,000,000	$-	0.0%
Utilities: Contract Management Services	$143,000	$-	0.0%
Agency Labour - Clinical and Support	$57,758,922	$46,856	0.1%
Language Services	$11,724,197	$31,654	0.3%
Electricity >40MWh	$90,000,000	$1,138,991	1.3%
Medical Locum Agency Services	$48,253,418	$1,088,020	2.3%
Building Services - Trades Metro	$20,700,000	$998,757	4.8%
Catering Supplies	$58,520,929	$4,089,799	7.0%
Heating, ventilation, and air conditioning, and related services (HVAC)	$8,782,498	$741,040	8.4%
Statewide Security	$28,810,000	$2,817,265	9.8%
LPG for Regional Health Services	$1,991,720	$259,710	13.0%

Collective agreement	Estimated value of spending under collective agreement	Estimated total savings and benefits	Savings and benefits as a percentage of spending
Pathology Services (Gippsland Region)	$7,872,287	$1,078,990	13.7%
Workplace Supplies	$16,861,934	$2,905,374	17.2%
Electrical Compliance	$2,167,726	$460,936	21.3%
Fire Protection System Maintenance	$2,170,188	$493,900	22.8%
Waste Management Services	$7,418,762	$2,332,150	31.4%
Fire Protection System Maintenance	$3,060,387	$1,430,465	46.7%
Security (Manpower) Services	$-	−$50,800	-
Utility Bill Validation and Reporting Services	$-	$3,899	-
Utility Metering and Data Services	$-	$110,785	-
Indirect products and services total	**547,118,056**	**$4,518,606**	**0.8%**
IT			
Microsoft Enterprise Agreement (EA)	$50,000,000	$2,900,000	5.8%
SuccessFactors Implementation Panel	$10,000,000	$1,142,616	11.4%
Mobile Workstations and Associated Equipment	$2,000,000	$258,426	12.9%
Menu Planning/Food Services System	$1,000,000	$131,060	13.1%
Cisco Infrastructure and Associated Services Panel	$20,000,000	$3,489,820	17.4%
SuccessFactors Licensing Agreement	$1,000,000	$186,179	18.6%
VMware Enterprise Agreement	$2,250,000	$900,000	40.0%
IT total	**$86,250,000**	**$9,008,101**	**10.4%**
Medical equipment			
Renal Replacement Therapy Equipment and Associated Products	$28,171,734	−$2,643,655	−9.4%
Health Service Sourcing	$74,627,469	$-	0.0%
Beds, Mattresses, Patient Trolleys and Treatment Chairs	$9,445,849	$52,487	0.6%
Defibrillators and Associated Consumables	$1,016,022	$34,000	3.3%

Collective agreement	Estimated value of spending under collective agreement	Estimated total savings and benefits	Savings and benefits as a percentage of spending
Ventilators - Evergreen Review	$1,909,045	$69,320	3.6%
Medical Imaging Equipment and Radiotherapy Equipment	$50,680,000	$3,811,988	7.5%
Physiological Monitoring and Anaesthetic Gas Delivery Systems	$3,322,721	$286,915	8.6%
Pathology Consumables	$7,662,391	$843,362	11.0%
Pathology Equipment and Associated Consumables	$14,754,100	$1,817,601	12.3%
Rapid Antigen Test (RAT) Kits	$1,412,001	$199,369	14.1%
Infusion Pumps - Evergreen Review	$6,475,168	$1,318,881	20.4%
Medical equipment total	**$199,476,502**	**$5,790,268**	**2.9%**
Pharmaceuticals			
Radiopharmaceuticals	$2,873,201	−$409,508	−14.3%
Contrast Media and Non-Radioactive Kits	$7,310,285	−$480,101	−6.6%
Compounded Chemotherapy and MAB Preparations	$59,983,256	$1,860,711	3.1%
Pharmaceutical Products and IV Fluids	$136,343,051	$138,407,283	101.5%
Biopharmaceutical - Infliximab	$12,260,114	$25,845,652	210.8%
Biopharmaceuticals Long-Acting Granulocyte-Colony Stimulating Factor	$1,328,363	$5,695,637	428.8%
Gippsland Compounded Chemotherapy and MAB Preparations	$-	$305,493	-
Grampians Compounded Chemotherapy and MAB Preparations	$-	$551,483	-
Pharmaceuticals total	**$220,098,270**	**$171,776,650**	**78.0%**
Grand total	**$1,448,270,318**	**$217,389,770**	**15.0%**

Note: Utility Bill Validation and Reporting Services, Utility Metering and Data Services and Robotics Surgical System do not have spending information.
Source: VAGO, based on data provided by HSV.

Appendix E: Assessment of HSV datasets

Figure E1: Assessment of HSV datasets

Data quality dimensions	Supplier data	Health services accounts payable data	Health services purchase order data
Accuracy – is the data accurate, valid and commonly understood?	Adequate (2)	Needs attention (1)	Needs attention (1)
Completeness – is the data complete and are there any known gaps?	Adequate (2)	Needs attention (1)	Needs attention (1)
Representative – is the data relevant and does it include all data?	Adequate (2)	Adequate (2)	Adequate (2)
Timeliness/Currency – can the data be made available when required and is it current?	Good (3)	Adequate (2)	Adequate (2)
Collection – is the data collection method appropriate and consistent?	Good (3)	Good (3)	Good (3)
Consistency – is the data consistent with related datasets with agreed standards and formats?	Good (3)	Needs attention (1)	Needs attention (1)
Fit for purpose – is the data appropriate for its intended use?	Adequate (2)	Needs attention (1)	Needs attention (1)
Total score (out of 21)	**17 (81%)**	**11 (52%)**	**11 (52%)**

Note: 'Good' applies to datasets with a rating quality of 3 and identifies areas that have good data quality. 'Adequate' applies to datasets with a rating quality of 2, meaning the requirement stated by the dimension has been partially met but there is still room for improvement. 'Needs attention' means there are weaknesses that make the dataset fall short of the minimum requirements.
Source: VAGO.

Auditor-General's reports tabled in 2024–25

Report title	Tabled
Results of 2023 Audits: Technical and Further Education Institutes (2024–25: 1)	July 2024
Building a Capable and High-performing Public Service Workforce (2024–25: 2)	August 2024
Protecting the Biosecurity of Agricultural Plant Species (2024–25: 3)	October 2024
Responses to Performance Engagement Recommendations: Annual Status Update 2024 (2024–25: 4)	October 2024
Auditor-General's Report on the Annual Financial Report of the State of Victoria 2023–24 (2024–25: 5)	November 2024
Fair Presentation of Service Delivery Performance 2024 (2024–25: 6)	November 2024
Staff Wellbeing in Fire Rescue Victoria (2024–25: 7)	November 2024
Reporting on Local Government Performance: Follow-up (2024–25: 8)	February 2025
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All reports are available for download in PDF and HTML format on our website at https://www.audit.vic.gov.au

Our role and contact details

The Auditor-General's role

For information about the Auditor-General's role and VAGO's work, please see our online fact sheet About VAGO.

Our assurance services

Our online fact sheet Our assurance services details the nature and levels of assurance that we provide to Parliament and public sector agencies through our work program.

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