

10 April 2018

Hon. Jill Hennessy MP
Minister for Health
GPO Box 4057
MELBOURNE VIC 3001

Dear Minister

MINISTERIAL STATEMENT OF EXPECTATIONS - VICTORIAN PHARMACY AUTHORITY

Thank you for your letter dated 19 December 2017.

The Victorian Pharmacy Authority (the Authority) is pleased to provide this response to your Statement of Expectations for 2017-18 and 2018-19, including activities planned and currently being undertaken.

Performance objectives and improvements

Risk-based strategies

Develop for introduction during 2018 a program of risk-based audits of pharmacy ownership and commercial arrangements (following costing and funding of options) as recommended in the 2017 Review of the Pharmacy Business Licensing Application and Renewal Processes in Victoria (the Licensing Review).

- The Authority will introduce during 2018 an audit program of pharmacy business ownership and commercial arrangements.
- The purpose of the program will be to audit pharmacy businesses ownership and commercial arrangements for compliance with the *Pharmacy Regulation Act 2010* (the Act)
- The program will involve an ownership and financial audit with a focus on undeclared and unlawful interests in pharmacy businesses. Financial audits will be outsourced.
- Selection of pharmacies for audit will be risk-based but there will also be a random component. The selection process will be under the Authority's control via a committee of Authority members.
- The Authority has developed a model audit with its lawyers and auditors.
- The Authority is commencing the audit program with a pilot to test the model and to firm up the processes and costing. It is intended to roll out the full program in the latter half of 2018. Preliminary findings of the pilot audit are expected to be available by 30 June 2018.
- The final structure of the audit program will be subject to costing and funding considerations.
- Documentation submitted for ownership audit will be assessed initially by Authority staff using an assessment tool. Business arrangements assessed as high-risk will be referred to a monthly meeting of the Authority for further consideration. They will include but not be limited to:
 - those involving complex and technical commercial arrangements;
 - those for which there is any indication there may be undisclosed proprietary interests or undue influence; or
 - apparent gaps in the documentation supplied by the applicant.

The Authority may then decide to refer these arrangements to external lawyers or auditors for further scrutiny.

- Financial audits will be outsourced following an initial ownership audit as described above. The financial audit will then determine if the pharmacy commercial arrangements and financial statements accord with disclosed ownership arrangements.

Timeliness

Implement pharmacy licensing process improvements recommended by the Licensing Review (as adopted by the Authority), to ensure compliance with legislated pharmacy ownership requirements, while maintaining efficient and timely assessment of applications.

- The Authority's existing service standards require review given the introduction of more complex application process on 1 January 2018.
- The Authority will introduce new service standards commensurate with the new application process and report on its performance against these in its quarterly performance report.
- The Authority has reviewed and will modify its staffing levels and profile to ensure efficient and timely assessment of applications.
- The Authority will seek feedback from stakeholders on its revised service standards and continue to keep stakeholders informed of changes to its processes.

Compliance related assistance and advice

Provide informative advice to stakeholders including regular communiques to assist in ensuring compliance with pharmacy ownership legislation, and review information where necessary based on feedback from stakeholders.

- Guidance on pharmacy business commercial arrangements is currently being rolled out to assist applicants and stakeholders to understand the requirements of the Act. Guidance will cover service agreements, franchise and licence agreements, sale agreements, partnership agreements and leases. This will facilitate both the lodgement of compliant applications and the possible future introduction of certification requirements. Publication commenced with guidance on pharmacy trusts in February 2018.
- Communiqués and circulars will include information on process changes, publication of guidance documents and general information on compliance with the ownership provisions of the Act on an ongoing basis.

Transparency and accountability

Building on the Performance Measurement Framework and Quarterly Performance Report developed by the Authority during 2017, develop and publish three to five key performance indicators against which the performance of the Authority can be measured. Report on progress in achieving published key performance indicators annually, on the Authority's website or through the annual reporting arrangements.

Explore the experience, if any, of other pharmacy business/relevant regulators' efforts to detect and deal with undeclared ownership as recommended by the Licensing Review.

- The Authority will publish its performance against the following key performance indicators annually in its Performance Measurement Framework:
 - Pilot audit program of pharmacy business ownership and commercial arrangements to commence with preliminary findings available by 30 June 2018
 - Full audit program of pharmacy business ownership and commercial arrangements to commence by 31 December 2018

- Service standards for processing applications to be reviewed and revised by 30 June 2018
- Publication of further guidance on pharmacy business commercial arrangements will be completed by 31 December 2018
- The Authority has and will continue to consult with its interstate counterparts to explore their experience and share information on detecting and dealing with undeclared ownership.

In developing actions to achieve these improvements and targets, the Authority will consult with stakeholders as appropriate.

The Authority will report on progress to achieve these objectives via its website after the conclusion of the 2017-18 and 2018-19 financial years.

The Authority is committed to identifying opportunities to improve its regulatory performance and will continue to review and streamline its processes.

Yours sincerely



Toni Riley
Chair