

Introduction

IN RECOGNITION OF the importance and the complexity of governance within the Australian health care sector, the Australian Healthcare and Hospitals Association has established a regular governance section in *Australian Health Review*. The aim of this new section is to provide relevant and up-to-date information on governance to assist those working at senior leadership and management levels in the industry. We plan to include perspectives on governance of interest to government Ministers and senior executives, chief executives, members of boards and advisory bodies, senior managers and senior clinicians.

This section is produced with the assistance of Ebsworth & Ebsworth lawyers, who are pleased to team with the Australian Healthcare and Hospitals Association in this important area. We expect that further articles in this section will cover topics such as:

- Principles of good corporate governance
- Corporate governance structures in the public health sector in Australia
- Legal responsibilities of public health managers
- Governance and occupational health and safety
- Financial governance and probity.

We would be pleased to hear your suggestions for future governance topics.

What is governance?

Governance describes the responsibilities of those who are accountable for the leadership, direction and control of an organisation. It also refers to the overall processes of direction, control, leadership and management of an organisation and includes the many activities undertaken for these purposes.

In the Australian health care industry, governance encompasses a number of obligations, including:

- the overall conduct and management of institutions, such as hospitals, clinics, surgeries, homes and centres;
- clinical governance — patient safety and continuous quality improvement;

- public health obligations, including in relation to communicable diseases;
- community access obligations — health service resources and availability;
- the framework of and compliance with laws governing the organisation;
- obligations associated with public funding and probity;
- occupational health and safety and employment law obligations;
- obligations to other health care providers, including private health care facilities and health practitioners; and
- confidentiality and privacy, particularly in relation to medical records.

In health care, we tend to consider both corporate and clinical governance.

Corporate governance

Corporate governance is defined as the system by which organisations are directed and managed. It provides the structure through which the objectives of the organisation are set and the means by which attaining those objectives and monitoring performance are determined. It influences how the objectives of the organisation are achieved, how risk is monitored and assessed, and how performance is optimised.¹ Corporate governance involves a set of relationships between an organisation's management, its board, its shareholders and other stakeholders. In the public health care context, these relationships occur between management of the organisation, the governing board and government agencies and Ministers. The relevant stakeholders include patients, their families, staff and the Australian community as a whole.

Good corporate governance should provide proper incentives for the board and/or management to pursue objectives that are in the interests of the organisation and the shareholders and/or stakeholders and should facilitate effective performance monitoring.² Corporate governance is

distinguished from the day-to-day management of the organisation, although how well and by whom it is managed are key governance concerns.

More specifically, corporate governance deals with:

- legislative frameworks for health care systems;
- legal requirements, under statute and common law;
- strategic planning and policy making;
- proper financial management;
- organisational structures;
- frameworks for corporate and clinical governance;
- human resources or people management frameworks;
- values and codes of conduct;
- delegation and accountability arrangements; and
- community engagement policies and practices.

Who is responsible for corporate governance?

Within the public hospital and health service context in Australia, there are many people involved in corporate governance functions. Ministers, assisted by government departments, administer relevant legislation on behalf of the government of the day and have primary responsibility within a state or territory for the provision of health care. The notion of ultimate Ministerial responsibility for public health institutions is a fundamental feature of all Australian jurisdictions. Government “health” departments also oversee funding arrangements and perform a range of other functions, such as making key appointments into key hospital positions or governing or advisory boards.

In some states and territories, the relevant government department is responsible for the entire operating and staffing of the public health services. In the larger states, this is done through area arrangements. Boards, where they exist, may have legal responsibility for the overall running of a public health service, for appointing the CEO and for making other key appointments. Within frameworks established by government, boards

may also set the strategic direction, approve budgets and generally ensure that the health service carries out its functions. Advisory boards, which operate in some states, perform community inclusion and liaison functions.

Chief Executive Officers (CEOs) have the day-to-day management and control of the administration of the hospital. They must ensure, for example, that the hospital has sufficient professional and other staff and adequate resources to adequately service the health care needs of the population in their area. Medical Advisory Committees are responsible for providing clinical advice to hospital managers and advising on the accreditation of medical staff. Senior clinicians and hospital managers (including Directors of Nursing and departmental heads) are responsible for the safe treatment and quality care of patients.

Where governing boards exist for public health services, the corporate governance task can be more readily discerned by reference to traditional concepts. Even in these cases, statutory responsibilities set out in state public health legislation are highly relevant to the role and responsibilities of the board. Governance practices established in the corporate sector under the *Corporations Act 2001* (Cwlth) will provide reference points, but do not define the role and responsibilities of the board for these organisations.

Where there is no board structure, the corporate governance task is no less significant. It must be performed by public sector officials and Ministers. In some jurisdictions advisory bodies have been created to assist CEOs to perform their duties. As the term implies, these bodies are advisory only.

In some jurisdictions, relevant departments have published corporate governance guidelines; for example, NSW Health has published a Corporate Governance and Accountability Compendium. However, not all jurisdictions have produced such guidelines.

Clinical governance

In a public health service context, corporate and clinical governance are intertwined. Clinical gov-

ernance provides the system whereby clinicians and managers are accountable for the quality of patient care, making decisions based on both clinical effectiveness and cost effectiveness. As outlined in the first paper in the series, an “Overview of clinical governance policies, practices and initiatives” (page 10), the jurisdictions in Australia have embraced clinical governance by attempting to hold health care providers accountable for the quality and safety of care they deliver.

One broad point of intersection between corporate and clinical governance is in the area of risk management. Clinical governance should be patient focused, universally applicable and encompass a partnership between clinicians, managers and the public.³

Clinical governance includes frameworks for monitoring and continually improving the quality of care in, and performance of, a health care organisation. To be successful, clinical governance requires effective leadership by clinicians who have responsibility for improving quality; it must involve all health professionals who provide care on a daily basis and it must have commitment and support from managers.⁴ It is concerned with clinical audit, guidelines, complaint

procedures, clinical supervision, risk management, evidence-based practice, continuing professional education and reflective practice.

In our first paper Jeffrey Braithwaite and Joanne Travaglia document the approaches to clinical policies and practices and provide a discussion of current best practices. Please explore their comprehensive review of clinical governance.

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- 1 ASX Corporate Governance Council. Principles of good corporate governance and best practice recommendations. March 2003: p. 3.
- 2 Organisation for Economic Co-operation and development. OECD Principles of Corporate Governance. 2004: p. 11.
- 3 Smith LF, Harris D. Clinical governance — a new label for old ingredients: quality or quantity? [editorial] *Br J Gen Pract* 1999; 49: 339-40.
- 4 Campbell S, Roland M, Wilkin D. Primary care groups — Improving the quality of care through clinical governance. *BMJ* 2001; 322: 1580-2. □