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. 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. Corporate governance is
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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 govern-
  ance;
■ 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. Min-
isters, assisted by government departments,
administer relevant legislation on behalf of the
government of the day and have primary respon-
sibility 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 jurisdic-
tions. Government “health” departments also
oversee funding arrangements and perform a
range of other functions, such as making key
appointments into key hospital positions or gov-
erning 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 commu-

nity inclusion and liaison functions.

Chief Executive Officers (CEOs) have the day-
to-day management and control of the adminis-
tration of the hospital. They must ensure, for
example, that the hospital has sufficient profes-

sional and other staff and adequate resources to
adequately service the health care needs of the
population in their area. Medical Advisory Com-
mittees 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 respon-
sibilities 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 corpo-
rate governance task is no less significant. It must
be performed by public sector officials and Minis-
ters. 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 Corpo-
rate Governance and Accountability Compen-
dium. However, not all jurisdictions have
produced such guidelines.

Clinical governance

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

Alison Choy Flannigan
Partner, Ebsworth & Ebsworth Lawyers

Prue Power
Executive Director, Australian Healthcare and Hospitals Association