2 Governance Framework

2.1 Good Governance

The NSW Health System is committed to the principles and practice of good governance, across all public health organisations, in a way that involves stakeholder and community participation.

As stated by the Audit Office of NSW[1] "Good governance is those high-level processes and behaviours that ensure an agency **performs** by achieving its intended purpose and **conforms** by complying with all relevant laws, codes and directions and meets community expectations of probity, accountability and transparency. Governance should be enduring, not just something done from time to time".

2.2 Governance Framework Elements

This Compendium sets out the key elements of a robust governance framework for organisations within the Health portfolio.

The governance framework recognises the organisation's purpose, its legislative, policy and ethical obligations, as well as its workforce and employment responsibilities. The framework is supported by the organisation's CORE values (collaboration, openness, respect and empowerment) and structures and is underpinned by the seven governance standards.

1	Establish robust governance and oversight frameworks
2	Ensure clinical responsibilities are clearly allocated and understood
3	Set the strategic direction for the organisation and its services
4	Monitor financial and service delivery performance
5	Maintain high standards of professional and ethical conduct
6	Involve stakeholders in decisions that affect them
7	Establish sound audit and risk management practices

1 NSW Auditor-General's Report Volume Two 2011
CORPORATE GOVERNANCE – STRATEGIC EARLY WARNING SYSTEM p12

The governance framework is summarised in the following diagram. At the centre depicts the key elements of effective governance which public health organisations are responsible for managing and in the outer circles are the key external governance requirements that apply to these organisations across all their activities.

2.3 Corporate Governance Standards

The key components of the governance framework are the seven governance standards for organisations in the Health portfolio. The Standards apply to public health organisations, with those agencies required to publish an Annual Corporate Governance Attestation Statement outlining their governance arrangements and providing key information relating to their operation.

These seven standards are detailed in sections 2.2.1 to 2.2.7.

2.3.1 Standard 1: Establish robust governance and oversight frameworks

Every organisation in the Health portfolio (health organisation) should ensure that the authority, roles and responsibilities of its governance, management and operating structures are clearly defined, documented and understood.

Health organisations should ensure that:

- The authority, roles and responsibilities of its governing, management and operating structures, including reporting relationships of the board, chief executive and senior management, are documented clearly and understood.
- The legal and policy obligations of the organisation are identified and understood; and responsibilities for compliance are allocated.
- Financial and administrative authorities are approved by the chief executive and/or board and are published in a delegations manual for the organisation which is readily accessible.
- A system is in place to ensure that the policies and procedures of the organisation are documented, endorsed by the board and/or chief executive and are readily accessible to staff.
- Leadership and accountability responsibilities for Aboriginal health are built into the roles of executives and managers at all levels of the system.

- Aboriginal leadership in health decisions is embedded at a state, regional and local level to ensure programs, policies and service delivery are appropriate and meaningful, and focused on Aboriginal community priorities.

2.3.2 Standard 2: Ensure clinical responsibilities are clearly allocated and understood

Public health organisations that deliver clinical services must ensure that clinical management and consultative structures within the organisation are appropriate to the needs of the organisation and its clients. The role and authority of clinical directors and general managers should be clearly defined, documented and understood.

Local health districts and statutory health corporations that deliver clinical services should ensure that:

- clear lines of accountability for clinical care are established and are communicated to clinical staff and staff who provide direct support to them.
- the authority of facility/network general managers is clearly understood.
- a Medical and Dental Appointments Advisory Committee (MADAAC) is established to review and make recommendations about the appointment of medical staff and visiting practitioners
- a Credentials Subcommittee is established to make recommendations to the Medical and Dental Appointment Advisory Committee on all matters concerning the scope of practice and clinical privileges of visiting practitioners or staff specialists; and to advise on changes to a practitioner's scope of practice.
- an Aboriginal Health Advisory Committee is established with representation from Aboriginal Community Controlled Organisations (ACCHSs) and/or other Aboriginal community organisations, and with clear lines of accountability for clinical services delivered to Aboriginal people.
- a systematic process for the identification, and management of clinical incidents and minimisation of risks to the organisation is established.
- an effective complaint management system for the organisation is developed and in place.
- effective forums are in place to facilitate the involvement of clinicians and other health staff in decision making at all levels of the organisation.
- appropriate accreditation of healthcare facilities and their services is achieved.
- licensing and registration requirements are checked and maintained.
- the Decision Making Framework for Aboriginal Health Workers to Undertake Clinical Activities is adopted to ensure that Aboriginal Health Workers are trained, competent, ready and supported to undertake clinical activities.

2.3.3 Standard 3: Set the strategic direction for the organisation and its services

It is important that all health organisations have clear, articulated and relevant plans for meeting their statutory or other purposes and objectives. Strategic plans provide a mechanism for the progressive achievement of the long term vision of an organisation. As such, they are a mechanism to link the aspirations of the future with the reality of the present.

Health organisations should ensure that:

- The strategic goals of the organisation are documented within a **Strategic Plan** approved by the chief executive and where appropriate by the board with a 3-5 year horizon.
- Detailed plans for asset management, information management and technology, research and teaching and workforce management are linked to the **Strategic Plan.**
- A **Local Healthcare Services Plan** and appropriate supporting plans including operations/business plans at all management levels.
- A **Corporate Governance Plan** is implemented.
- An **Asset Management Plan (AMP)** is submitted annually to the NSW Ministry of Health
- An **Strategic Asset Management Plan** (SAMP) is submitted annually to the NSW Ministry of Health
- An **Aboriginal Health Action Plan** is developed that aligns with the *NSW Aboriginal Health Plan 2013-2023.* The action plan must help:
    - Ensure that all relevant NSW Health policies, programs and services consider Aboriginal people as a priority population and reflect the needs of Aboriginal communities.
    - Recognise and strengthen the ongoing role NSW Health has in contributing to the social determinants of health for Aboriginal people through activities such as employment, resource distribution, and education/training.
    - Strengthen Aboriginal health governance, and build and maintain partnerships that facilitate community consultation and self-determination.

2.3.4 Standard 4: Monitor financial and service delivery performance

Boards and chief executives are responsible for ensuring appropriate arrangements are in place to secure the efficiency and effectiveness of resource utilisation by their organisation; and for regularly reviewing the financial and service delivery performance of the organisation.

Health organisations should ensure that:

- A committee is established for the organisation and that finance matters and performance and it's meeting frequency complements the board meeting cycle.
- The organisation complies with critical government policy directives and policies, including the Accounts and Audit Determination for Public Health Organisations, annual budget allocation advice, the Fees Procedure Manual, Goods and Services Procurement Policy, and the Accounting Manual.
- Local Health District and Network Service Agreements with the Secretary, NSW Health are signed and in place.
- Performance agreements are in place with the chief executive and health executive service staff and performance is assessed on an annual basis.
- Budgets and associated activity/performance targets are issued to relevant managers no later than four weeks after the delivery of the NSW State budget.
- Systems are in place for liquidity management and to monitor the financial and activity / performance of the organisation as a whole, and its facilities.
- Financial reports submitted to the Ministry of Health and the Finance and

Performance Committee represent a true and fair view, in all material aspects, of the financial condition and the operational results for the organisation.

- Specific grants or allocation of monies for specific purposes are spent in accordance with the allocation or terms of the grant.
- Aboriginal health performance, service access, service utilisation and quality measures are included in all relevant service agreements.

2.3.5 Standard 5: Maintain high standards of professional and ethical conduct

Health organisations must have systems and processes in place to ensure that staff and contractors are aware of and abide by the NSW Health Code of Conduct and relevant professional registration and licensing requirements. Public health organisations must also have policies, procedures and systems in place to ensure that any alleged breaches of recognised standards of conduct or alleged breaches of legislation are managed efficiently and appropriately.

Health organisations should ensure that:

- Boards and chief executives lead by example in order to ensure an ethical and professional culture is embedded within their organisations, which reflects the CORE values of the NSW Health system.
- Staff and contractors are aware of their responsibilities under the NSW Health Code of Conduct and that obligations are periodically reinforced.
- All disciplinary action is managed in accordance with relevant NSW Health policies, industrial instruments, legislative, contractual and common law requirements.
- Suspected corrupt conduct, indecent acts, sexual or physical violence or the threat of sexual or physical violence by a staff member against another person (adult or child) is reported to the appropriate agency; and is assessed and managed by an appropriate senior officer within the local health district and/or facility.
- There are systems and processes in place and staff are aware of their obligations to protect vulnerable patients / clients – for example, children and those with a mental illness.
- Suspected professional misconduct or unsatisfactory professional conduct by staff and visiting practitioners is reported to the relevant healthcare professional council and any other relevant agencies, with appropriate action to be taken by the local health district and/or facility to protect staff, patients and visitors.
- The organisation is responsive to external oversight and review agencies such as the Health Care Complaints Commission, NSW Coroner, NSW Ombudsman, the Commission for Children and Young People, NSW Privacy, Independent Commission Against Corruption and the Audit Office of NSW.
- Cultural competence is embedded as a core feature of recruitment, induction, professional development and other education and training strategies.
- Models of good practice are implemented that provide culturally safe work environments and health services through a continuous quality improvement model.

2.3.6 Standard 6: Involve stakeholders in decisions that affect them

Health organisations must have systems and processes in place to ensure the rights and interests of key stakeholders are incorporated into the plans of the organisation and that they are provided access to balanced and understandable information about the organisation and its proposals.

All public health organisations should ensure that:

- Appropriate consultative and communication strategies are in place to facilitate the input of consumers of health services, and other members of the community, into the key policies, plans and initiatives of the organisation.
- Appropriate consultative strategies are in place to involve staff in decisions that affect them and to communicate the strategies, values and priorities of the organisation to staff.
- A Local Partnership Agreement is in place with Aboriginal Community Controlled Health Services and Aboriginal community services within their boundaries, which enables Aboriginal communities to lead decisions regarding the design, delivery, and evaluation of services provided to local Aboriginal communities.
- Appropriate information on key policies, plans and initiatives of the organisation is made available to the public.
- Policies, plans and initiatives of the organisation are updated regularly and readily accessible to the staff.
- The performance of the organisation in delivering key plans, targets and initiatives is reported to the public at least annually.
- There are accountability processes in place to ensure partnerships between ACCHSs and Aboriginal community services are established, meaningful, and appropriately facilitate Aboriginal self-determination.

2.3.7 Standard 7: Establish sound audit and risk management practices

Each public health organisation must establish and maintain an effective internal audit function that is responsible for overseeing the adequacy and effectiveness of the organisation's system of internal control, risk management and governance.

The audit and risk management structures of the organisation should provide an assurance to the board and chief executive that the authorities and roles allocated to management effectively support the achievement of the goals of the organisation.

All public health organisations should ensure that:

- An Audit and Risk Management committee for the organisation is established.
- An internal audit function for the organisation is established.
- Risk management is embedded in the culture of the organisation. The risk management framework (enterprise wide) should encompass the identification, elimination, minimisation and management of both clinical and non-clinical risks.

2.4 Reporting on Governance Standards

2.4.1 Corporate Governance Attestation Statements

Corporate Governance Attestation Statements must be completed for the financial year by 31 August each year

Public health organisations must publish an annual **Corporate Governance Attestation Statement** that outlines their governance arrangements and includes key information on their operations.

Compliance with the actions in the governance statements does not ensure the quality of governance for the organisation, rather it provides the minimum structural elements for good governance which is necessary to support the organisation to meet its objectives and obligations as a public sector entity.

Where an organisation has not met one of the governance standards, the statement should include a qualification as to whether the organisation is intending to meet the standard but is still working towards implementation of the minimum actions required, or the reasons the standard is not applicable.

The *Corporate Governance Attestation Statement* is available in a template format for completion and should be:

- certified by the chief executive and board chair (where applicable) as accurately reflecting the corporate governance arrangements for the preceding financial year;
- *submitted to the Ministry of Health by 31 August* each year to ensure the information is available during the organisation's annual performance review;
- published (whole statement) on the organisation's Internet site.

A Governance Standards Checklist has been developed as a guide for boards and chief executives in undertaking corporate governance assessments. A checklist template is available on the next page. The checklist highlights a number of actions that public health organisations can and should take in order to meet each governance standard.

Implementation of these actions does not automatically ensure the quality of governance and compliance with standards for the organisation. However, the checklist provides key structural elements which are considered to provide a basis within a good governance framework, that will when effectively implemented, support the organisation in meeting its objectives and obligations as a public sector entity.

Governance Standards – Checklist

The following table summarises a number of recommended actions that public health organisations should take in order to meet each governance standard. Implementation of these recommended actions does not ensure the quality of governance for the organisation, but provides structural elements required as a basis for good governance to support the organisation in meeting its objectives and obligations as a public sector entity.

Activity	Requirements
Set the strategic direction for the organisation and its services	Have a 3-5 year strategic plan in place to identify the strategic priorities for the district and its key services. Have an Asset Strategic Plan with a four and 10-year horizon, which is aligned to the strategic priorities of the district and is reviewed annually and revised to reflect achievements. The District Service Agreement, identifying the annual operating targets and funding allocations for the district, should be publicly available. Annual operating plans for each of the facilities/wards/units within the district must be in place and clearly identify budgets and performance targets across all operational units of the district.
Set clear accountabilities for management and service delivery	Members of the board, the chief executive and the senior management of the district must be aware of the role of the district, the role of national governance authorities, the Minister for Health and the Ministry of Health. Governing structures required by model by-laws must be established to provide effective oversight of clinical and corporate responsibilities. Accountabilities for health service delivery and for the provision of health support services within the district must be clearly established. The authorities reserved for the board and those delegated to the management and councils within the district must be clearly documented. The board and chief executive must be able to demonstrate compliance with the 7 corporate governance standards
Promote professional and ethical decision making and conduct	Members of the board must be aware of their roles and responsibilities and lead by example (eg. fiduciary duties, duty of care and diligence). Staff and contractors of the district must be made aware of the NSW Health Code of Conduct when appointed and obligations must be periodically reinforced. A fraud and corruption prevention program must be in place. All instances of improper conduct must be managed appropriately and reported to the relevant statutory authority. All facilities demonstrate action towards becoming more culturally competent.
Review the financial and service delivery performance of the network	All national and state reporting obligations with respect to financial management and service delivery must be fulfilled. A system must be in place to monitor the performance of all hospitals/ wards/units. Funding specifically allocated for Aboriginal health programs and services is accounted for separately and protected.

Activity	Requirements
Recognise and manage risk	A compliance program must be in place to ensure the legal and policy obligations of the district are identified, understood and are eliminated, minimised, managed and monitored. A risk management plan is established which identifies the responsibilities of managers and staff in responding to/and escalating risks and opportunities. An effective incident management system must be in place to record and review corporate and clinical incidents and to action recommendations. An internal audit function for the district must be established. The internal auditor must review the financial and accounting practices and associated internal controls of the district to ensure they meet relevant government and accounting standards. An external auditor for the district must be appointed.
Respect the rights of stakeholders	Information on the policies, publications and performance must be published on the internet. A consumer and community engagement plan should be in place to facilitate broad input into the strategic policies and plans of the district. A patient service charter must be established to identify the commitment of the district to protecting the rights of patients in the health system. A Local Partnership Agreement is in place with Aboriginal Community Controlled Health Services and Aboriginal community services within their boundaries. Mechanisms must be in place to ensure the district respects the privacy of personal and health information that it holds. An effective complaint management system must be developed and in place for the district. The district must be responsive to reports of statutory agencies such as the Coroner, Health Care Complaints Commission, Commission for Children and Young People and Ombudsman.

Governance Framework – Resources & References

Corporate Governance

Australian

The corporate governance standards set out in this section have been developed with reference to the following:

- Australian Standard, AS8000-2003, Good Governance Principles, November 2004, Standards Australia International, Sydney. http://www.standards.org.au/
- Australian Standard, AS3806-2006, Compliance Programs, March 2006, Standards Australia International, Sydney. http://standards.org.au/
- Australian Securities Exchange, Corporate Governance Council website: https://www2.asx.com.au/about/regulation/asx-corporate-governance-council

NSW Legislation

- The legislative framework that underpins the NSW Health system can be found at: www.health.nsw.gov.au/legislation/pages/default.aspx

NSW Government

- NSW Audit Office, Better Practice Guides for Public Sector Governing and Advisory boards: http://www.audit.nsw.gov.au/publications/better-practice-guides

NSW Department of Premier and Cabinet

- Department of Premier and Cabinet - Guides and Publications for Agencies: http://www.dpc.nsw.gov.au/programs-and-services/boards-and-committees/
- Department of Premier and Cabinet - Public Service Commissioner's Appointment Standards: Boards and Committees in the NSW Public Sector

NSW Health

- Annual Corporate Governance Attestation Statement template: http://internal.health.nsw.gov.au/cgrm/cger/governance_statement.html
- NSW Health Policy Directive *Internal Audit* (PD2022_022)
- NSW Health Policy Directive *Enterprise-wide Risk Management* (PD2022_023)
- Decision making framework for Aboriginal Health Workers: http://www.health.nsw.gov.au/workforce/aboriginal/pages/decision-making-framework.aspx

Local Documentation

Approved By-Laws

Approved Delegations Manual

Approved enterprise-wide risk management framework and plans

Approved service delivery plans

Approved financial management plans

Approved Audit Plan

Consultation framework to facilitate local and clinician engagement

Annual Governance Attestation Statement to confirm compliance with the approved governance framework and minimum governance standards.