

# Health Sector Assurance Forum

## *Aged Care Royal Commission - Lessons From Complexity & Provider Corporate Governance*

*Presented by*

- *Dr Len Gainsford B Econ MBA MA DBA PFIIA CRMA GAICD*
- *Principal, Len Gainsford & Associates*
- *Independent Chair, Australian Government Audit & Risk Committee*

# This presentation

1. **Complexity & Provider Corporate Governance**
2. **Aged Care Royal Commission**
3. **Internal audit & its ARC**
4. **Where to start – *Codes of Conduct***
5. **Findings**

# Complex Systems

- **Self-organise without external control & exhibit feedback resulting in newly created & emergent behaviours**
- **Tend to be open, loosely bounded & influenced by their environment**

# Complexity

- **Complex Adaptive Systems are complex systems, with elements or agents that can socially learn & adapt their behaviours to changing environments**
- **While complex, an aged care healthcare system should be based on common statements of purpose, goals & values**

- **An aged care provider's corporate governance & a provider's performance in producing aged care outputs & outcomes are not the same**
- **Improved outputs & outcomes (e.g. transparency & accountability) will result from the better performance of aged care provider corporate governance**

# Provider Corporate Governance



# Aged Care Royal Commission



- **Royal Commission *Letters Patent* 6 December 2018**
- **‘what the Australian Government, aged care industry, Australian families & the wider community can do to strengthen the system of aged care services to ensure that the services provided are of high quality & safe’**
- **‘systems to ensure that high quality care is delivered, such as governance arrangements & management support systems’**

# Aged Care Royal Commission

## 31 October 2019 Interim Report



- **Complaints system is hard to access, slow to act**
- **Older person treatment worsened after complaint**
- **Defensive providers are ignorant of what happens**
- **Aged care system lacks information transparency**
- **Complaints & provider staff details not published**
- **Regulator reports use computer-generated text**



- **Provider financial reporting is required under the *Accountability Principles 2014***
- **Provider corporate governance reporting is not required under the *Aged Care Act 1997***
- **The Aged Care Quality & Safety Commission's *Standard 8 Requirement (3)(f)* sets guidance for 'an effective organisation-wide governance system design for feedback & complaints'**

- **The *Aged Care Act* 1997 Records Principles 2014 requires providers to keep records on care recipient processes**
- **The *Aged Care Quality & Safety Commission Act* 2018 sets rules on roles, rights & responsibilities**
- **No mention of AS4269-1995 complaints resolution**

# AICD 'Red Flags'

- **AICD 'red flags' for aged care provider directors**
- **Treating a complainant as the problem rather than an opportunity to take action & improve**
- **Siloed & inward-looking leadership & culture**
- **Prioritising collegiality & harmony over accountability**

# Bad & Good Governance



- **Internal audit & its ARC needs to audit, review, assure & advise on aged care provider corporate governance**
- **Includes ASX-listed Regis, Estia & Japara, faith-based & ethnically focussed providers & the Aged Care Quality & Safety Commission regulator**



## Content analysis - *Codes of Conduct*

Good governance practices of accountability, transparency & consistency

Participation culture involving relationship-based priorities & expectations

Principles-based approaches allowing for differences in governance practices

Unconscious processes recognising bias & the limits of independence

Levels of discourse involving constructing connected & meaningful texts

Outcomes measured in helping to build public trust

Ensuring personal priority while recognising potential stakeholder conflicts

Listening to narratives which focus on listening retention

Extent of cooperation & social interaction in entities

Beliefs & belief systems involving searching for new opportunities

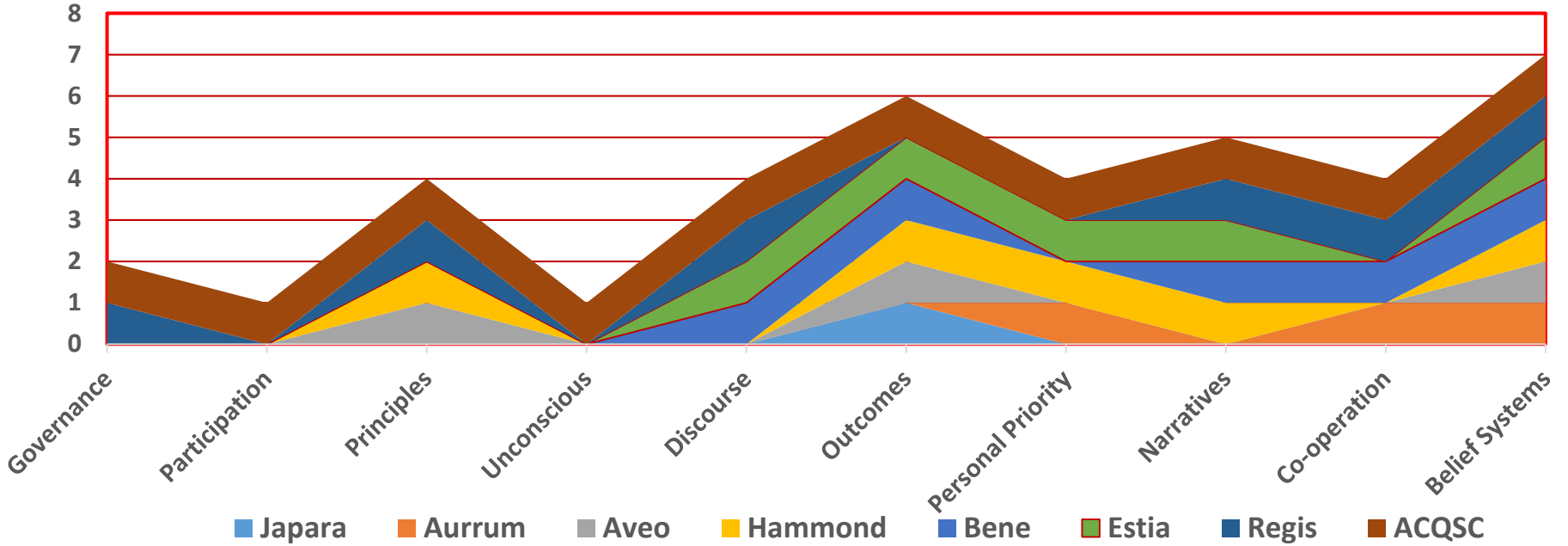
Gainsford 2014 Swinburne University of Technology Centre for Enterprise Performance

# Favourite expressions

- **‘We expect all employees to observe the spirit & the letter of all laws at all times’**
- **‘The mere suspicion of fraud is unacceptable in (this organisation) we will take strong steps to prevent it from happening’**

# Codes of Conduct Results

## Aged Care Provider & Regulator Codes of Conduct - Content Analysis





# Findings

- **Internal audit & its ARC audits, reviews, assures & advises on aged care provider corporate governance**
- **Adopt Royal Commission findings, address AICD ‘red flags’ & observe ASX rules for listed entities**
- **Insist on provider corporate governance assessment & reporting on *Code of Conduct* compliance**
- **Recommend improvements to governance practices, participation & principles-based approaches**