



**"BETTER SAFE THAN SORRY"
THE CASE OF HOSPITAL PRÓ VIDA S.A.**

"MELHOR PREVENIR DO QUE REMEDIAR"

O CASO DO HOSPITAL PRÓ-VIDA S.A.

"MEJOR PREVENIR QUE REMEDIAR"

EL CASO DEL HOSPITAL PRÓ-VIDA S.A.

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Submitted on: 03/06/2019

Approved in: 02/18/2020

Doi: 10.14210/alcance.v28n2(mai/ago).p278-296



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RESUMO

O caso para ensino descreve alguns eventos que ocorreram no Hospital Pró-Vida, que é uma instituição localizada no estado de Santa Catarina que atua no mercado há aproximadamente 20 anos. O hospital disponibiliza, por meio do seu corpo clínico, 22 especialidades para atender seus pacientes, sendo a obstetrícia seu carro chefe. A história gira em torno da reunião entre o administrador e os conselhos administrativo e fiscal do hospital. Eles precisam tomar algumas decisões para alavancar os negócios e uma possível estratégia seria, por meio da Governança Corporativa, fortalecer sua imagem perante a sociedade e atrair mais investidores. Porém, seu Jorge Ramos, administrador, logo percebe que não será tão fácil, devido a inúmeros conflitos internos, dentre eles, os diferentes objetivos entre o corpo clínico e a administração do hospital. Como contornar tais conflitos e implantar uma governança corporativa realmente efetiva?

Palavras-chave: Governança Corporativa; Caso para Ensino; Conselhos de Administração e Fiscal.

ABSTRACT

This teaching case describes some events that occurred at Hospital Pro Vida, an institution founded around twenty years ago in the state of Santa Catarina. Through its clinical staff, the hospital offers twenty-two medical specialties, with obstetrics as its flagship. The story for the case revolves around a meeting between the administrator and the hospital's administrative and tax committees. They need to make some decisions to boost their business, one possible strategy being to strengthen their image in society through Corporate Governance, and thus attract more investors. However, its administrator, Jorge Ramos, soon realizes that this will not be easy, due to numerous internal conflicts, such as the conflicting goals of the clinical staff and the hospital administration. How can they overcome these conflicts and implement a truly effective corporate governance?

Key words: Corporate Governance; Teaching Case; Board of Directors and Fiscal Council.

RESUMEN

El caso para la enseñanza describe algunos eventos que ocurrieron en el Hospital Pró-Vida, que es una institución ubicada en el estado de Santa Catarina que actúa en el mercado a aproximadamente 20 años. El hospital ofrece, a través de su cuerpo clínico, 22 especialidades para atender a sus pacientes, siendo la obstetricia su coche jefe. La historia gira en torno a la reunión entre el administrador y los consejos administrativo y fiscal del hospital. Ellos necesitan tomar algunas decisiones para aprovechar los negocios y una posible estrategia sería, a través de la Gobernanza Corporativa, fortalecer su imagen ante la sociedad y atraer a más inversores. Sin embargo, Jorge Ramos su administrador, pronto percibe que no será tan fácil, debido a innumerables conflictos internos, entre ellos, los diferentes objetivos entre el cuerpo clínico y la administración del hospital. ¿Cómo evitar tales conflictos e implementar un gobierno corporativo realmente efectivo?

Palabras clave: Gobierno Corporativo; Caso para Enseñanza; Consejo de Administración y Fiscal.

INTRODUCTION

For more than 20 years, Hospital Pró Vida S.A. has been a reference in Santa Catarina – Brazil. The hospital provides twenty-two specialties through its clinical staff, with obstetrics as its flagship. There is a tense atmosphere in the institution on an unusual Tuesday night. Jorge Ramos, hospital administrator, is anxious about the meeting that is about to start. Board meetings are held quarterly, and are important to help define the hospital's strategy. Jorge has been working at the institution for ten years. He is an earnest, responsible, well-educated person. His background is in Information Systems and has a specialization in Hospital Management.

Jorge's biggest concern is the lack of consensus during the meetings. Currently, there is a disagreement between the board and the administration regarding the acquisition of a piece of land to be used for the future expansion of the hospital's capacity. The meetings usually take place as follows: Jorge, together with Alice de Oliveira, the hospital's accountant, report on the approval of the balance sheet. They also present the financial reports and they go over the minutes of previous meetings. At the end of the presentations, both Jorge and Alice take any Q&A from the shareholders. It is at this moment that the main argument begins.

Now what Jorge?

Before the meeting begins, Jorge says to Alice:

- I'm worried Alice. We have a very important issue to resolve regarding the land acquisition for the hospital expansion, but the board have not reached a common ground. You know how difficult it is to reach a consensus. The directors and our management team think differently, each side has its own point of view. The directors focus more on operational improvements that involve their work, rather than the administration of the hospital.

- I've noticed that, Jorge. Many doctors work in different hospitals, and they do not have the same interests.

The conversation is suddenly interrupted by the presence of the board members at the meeting (the time: 19h30). Jorge is tense. Alice begins the presentation of the 2016-2018 management Fiscal Council. Pedro, chairman of the board, expresses his concerns, visibly upset.

- How did the board approve a land purchase for the expansion of the hospital at a cost of \$2,000,000.00 with only one assessment? How could they have accepted this sum so easily? Is the cost per square meter in line with market values? We need at least two more evaluations, and also, to hire a specialist to confirm the dimensions of the land. I reject this absurd purchase without the due assessments!

Jorge promptly replies:

- Mr. Pedro we will check what happened. You can also request to participate in the board of directors' meetings. As you are aware of the low attendance of members at the meetings of the fiscal council, it is understood that whatever the board of directors decides, the others will agree on.

Carlos, member of the fiscal council, says:

- Jorge, we need to check this situation, it is a big financial cost for the hospital, and due to a poor second half of 2017, we cannot take chances like that. We need working capital! It is a significant sum of money! Where are our investors? Certainly, the hospital will not be able to afford this expansion by itself!

These questions cause a stir among the board. Some are in favour of the expansion and others are completely against it. Jorge tries to get around the situation in the best possible way, making it clear that the board members have approved the decision. However, the board, could request further evaluations, making it clear that they would need to carry out this expansion, as the hospital can no longer support the current demand.

When another topic is being discussed, regarding a change of board members, the atmosphere is still tense. The members look at each other. Some are shaking their heads due to rumours spread previously, confident that there will be changes. Hospital Pró Vida has always strived for best practices in its management, even with all the great challenges of 2018. Consequently, its managers are apprehensive and at the same time committed to achieving the institution's goals.

Alice continues with her presentation, mentioning a new item for 2018: DVA (Demonstration of Value Added), which the hospital will release. This action would bring light to the value of wealth that the hospital has generated. In this way, everything the company buys and/or acquires becomes wealth.

Jorge interrupts Alice's presentation to add:

- It is the first time that the hospital has had less income – the performance of obstetric surgical procedures was 7% lower between 2016 to 2017. As a result, the cash flow has been compromised. The return on financial investments was lower in the hospital's balance sheets, which is not a good sign from a financial point of view. We urgently need new investors. A factor that contributed to this negative result was the lower performance of surgical procedures with higher value, such as orthopaedics procedures. Hospital doctors are not committed to the institution's financial results. Most professionals are performing procedures in other hospitals, and have other interests. This fact opens a gap that we can fill by opening up the vacancies on our clinical staff to other professionals, and not only the partners. Of course, because we are a limited corporation, we must overcome some barriers.

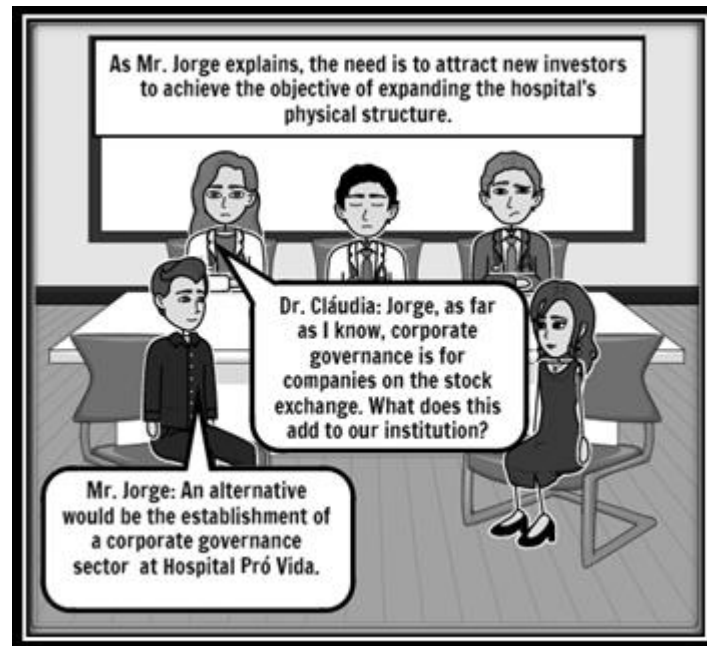


Figure 1. Meeting in Pró Vida Hospital.

Dr. Pedro joins the debate:

- I'm apprehensive. We know that we didn't have good performance in 2017 and now we are looking at buying a piece of land for this future expansion. How can I be sure that the use of this corporate governance system will improve our situation?

- Corporate governance can be implemented in any company. It is important for the hospital because it is a means of demonstrating the transparency of the company's actions. It is a message that the company gives to society, showing that the board values its shareholders and that its financial statements are audited and disclosed.

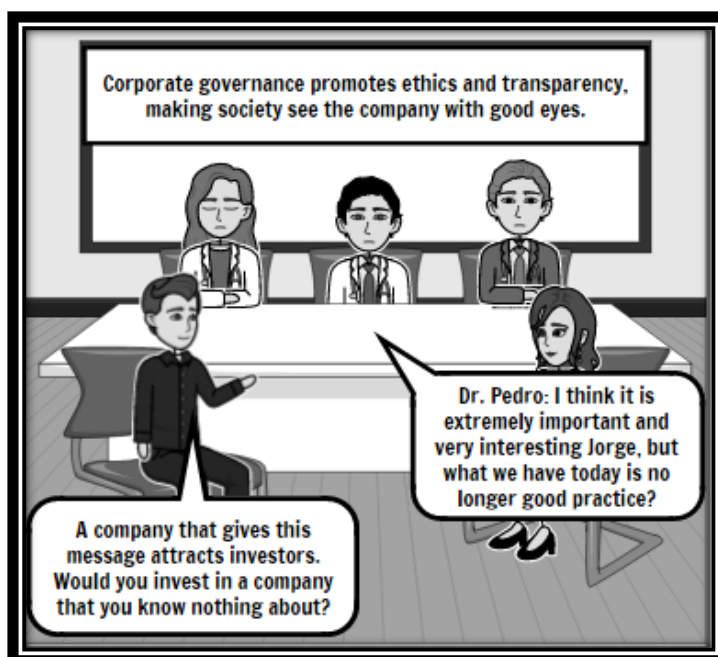


Figure 2. Meeting in Pró Vida Hospital.

Jorge continues:

- In the case of our hospital, we already have the administrative and fiscal board, which are some of the governance mechanisms. Nevertheless, my question is: are they effective? Do our boards monitor them and are they able to align the objectives of all stakeholders in the institution?

The members express their agreement, but with some concerns:

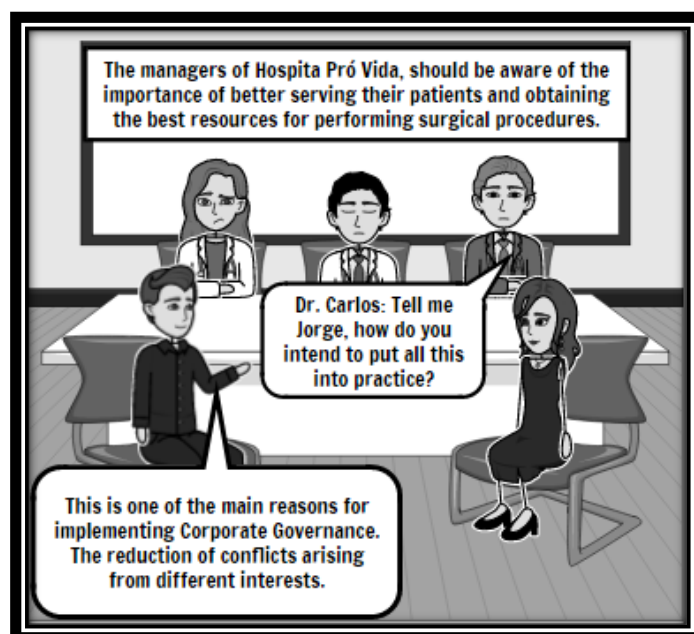


Figure 3. Meeting at Pró Vida Hospital.

Jorge's argument:

- Well, the administration focuses on the hospital's profit, it seeks to attract new investors. The technical board focuses on operational improvements. Both have their reasons, there is no right and wrong. However, it is necessary to reconcile the interests of both, aiming at the best decision for the institution. Our target customer, especially pregnant women, is going through a special moment, which is the birth of a child. Without a doubt, this is a very special time for the family. We need to raise resources to support this operation, so we need to reconcile our goals. Thinking not only about the financial aspect, but also about the operational side, aiming cater for our patients' needs in the best possible way, and to find the best solutions for all the parties involved.

Dr. Pedro quickly reiterates his concern:

- I think what you have said is extremely valuable and interesting, but what exactly would this implementation of corporate governance look like?

The great thing!

Jorge explains to everyone that Corporate Governance is in vogue in Brazil these days, but it has been widely discussed overseas for quite some time. Therefore, the hospital seeks to expand its capacity to provide better services and believes that by implementing good governance practices, it can strengthen the hospital's image before society and attract possible investors.

- Currently, our board of directors is composed of nine internal directors. We are always seeking improvement and qualification on courses in the area of Corporate Governance. As you well know, most of our advisors are doctors, some are entrepreneurs and professionals with specialization in management (just a few), but the medical profession always takes precedence. We also have the assessment of the board and directors that is carried out once a year.

Jorge continues:

- Our fiscal council is composed of six members, and there is a separation between the fiscal board and the executive board. All board members are shareholders. We have executives and doctors who work at the institution. Many of the members have been advisers at other times. The term of office is 1 year, and re-election is permitted. They hold quarterly meetings and there is no annual assessment by the board and directors. The role of the board is allow to remark on and approve the firm's accounts; members can also elect and remove directors, and establish their duties and responsibilities. If there are signs of mismanagement, they should voice this in the management report and accounts of the board.

After clarifying the board's responsibilities, according to the statute of the Pro Vida Hospital, Jorge says:

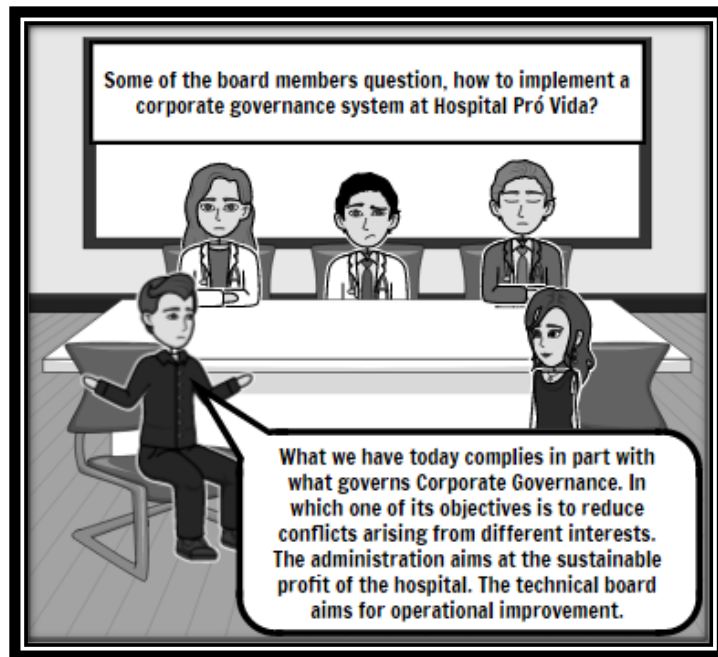


Figure 4. Meeting in Pró Vida Hospital.

- Elections, the establishment of directors' duties and responsibilities within the hospital, and removal of directors all follow the principle of SA laws. The fiscal council should supervise the management and evaluate the board to ensure accountability, supervise the management of the directors and the board of directors as a whole, and make remarks on the management report and accounts of the board. These attributions are very important, as the presence of effective monitoring gives the hospital credibility before society. But I wonder, is the fiscal council fulfilling its role properly? What can we do to make our corporate governance more effective?

With this question in the air, the meeting comes to an end, and the members leave the room with thoughtful expressions on their faces.

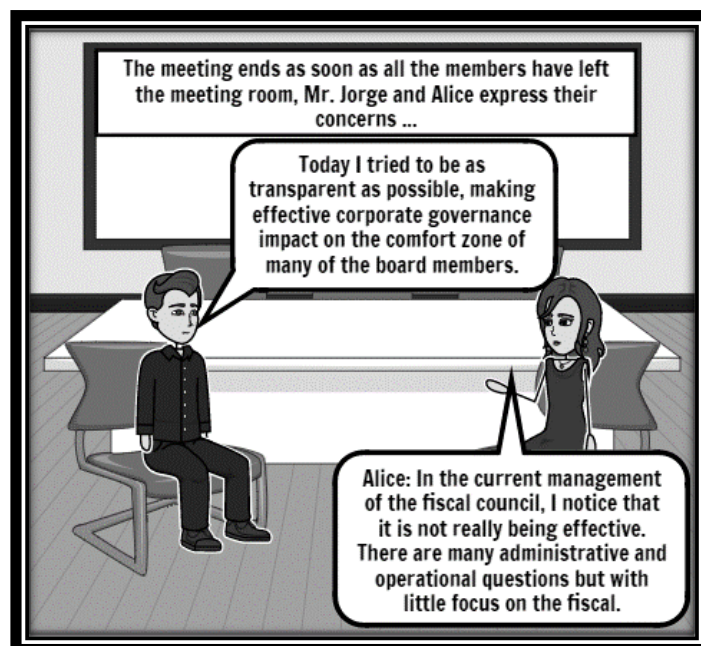


Figure 5. Meeting in Pró Vida Hospital.

Alice continues:

- The participation of members of the fiscal board at our meetings is below our expectations. Some members have not yet attended a single meeting, and the few who have tend not to ask relevant questions.

- In my opinion Alice, we need to make our advisors aware of this situation and try and improve it. This is no easy task. I believe that all members have understood the message, I just don't know what to expect from now on. My career is at stake because I know that this proposal doesn't please everyone. Bringing new investors is an audacious goal. But this could be a great opportunity for the institution.

They both leave the meeting room, aware that a lot of work is ahead...

TEACHING NOTES

EDUCATIONAL OBJECTIVES

The case study seeks to provide students with a knowledge of Corporate Governance, in a context with real data. The selected institution is in the health industry, and it is seeking to implement best Corporate Governance practices through its Board of Directors and Fiscal Council.

In a broad sense, this study aims to highlight the creation of Corporate Governance mechanisms in the view of a limited corporation. The case can be applied in undergraduate courses in Administration, in the disciplines of Corporate Governance and Sustainability, Organizational Theories - Management Processes and Models, MBA and Specialization in Administration, Finance and Accounting.

DATA SOURCES

Data collection were carried out primarily through interviews with the institution's administrator, to gather information about the hospital's Board of Directors. In-person monitoring was also carried out at the meetings of the Fiscal Council during 2018. In addition, secondary sources were used, including analysis of the minutes of the meetings of the board meetings of the Fiscal Council of Hospital Pró Vida S.A. in 2016-2018. This case study is based on real data, but some fictitious elements have been incorporated to complement the narrative. The name of the institution and employees have been changed to ensure anonymity.

APPLICATION OF THE CASE IN THE CLASSROOM

It is recommended that the students read the case study beforehand. For a better dynamic and applicability of the case, some procedures are suggested for the course teacher:

- Split the class into 3 groups. The questions must be answered by everyone (estimated time 90 minutes).
- Group Presentations (estimated time of 60 minutes).
- For a more enriching discussion, the students will be able to elaborate the answers based on the course material and other materials, such as books and websites. Suggested reading:

Andrade, A., Rossetti, J. P. (2009) Corporate Governance: Fundamentals, Development and Trends. São Paulo: Atlas. Brazilian Institute of Corporate Governance. Available at: <<http://www.ibgc.org.br/index.php/governanca/governanca-corporativa>>. Accessed on: 16 mar. 2018

Michael, J. (2008) Firm theory: Management behavior, agency costs and Ownership structure.

Silveira, A. M. (2015) Corporate Governance in Brazil and in the World: Theory and Practice. Rio de Janeiro: Elsevier.

Villares, P.D. (2003) Duties of the Directors and Auditors. Chairman of the Board of IBGC and the Latin American Institute of Corporate Governance.

- It is recommended that you consult the website of the Brazilian Institute of Corporate Governance, as it is a reference for the theme in Brazil (<https://www.ibgc.org.br/>)

Observations: for the group presentations, draw up a table, and ask each group focus on one column, so that each item analysed is answered by each group. Question 3 can be presented by all the groups. It should be kept in mind that there is no right or wrong answer to this question.

QUESTIONS FOR DISCUSSION

Question 1 - Hospital Pró Vida intends to raise funds for the acquisition of a piece of land that will enable the future expansion of its capacity. Within this context, present the main concepts of corporate governance and analyse how the implementation of corporate governance could help it to achieve this objective?

Question 2 - Based on good corporate governance practices in practice in Brazil, analyse the importance of the Board of Directors and the Fiscal Council for companies. Complete the table below with the governance practices of the board and fiscal councils recommended in Brazil, the practices observed at the Hospital Pró Vida, and new practices that could be implemented:

Best Practices – IBGC	Current practices at Hospital Pró Vida S.A.	Potential New Practices

Question 3 - Describe at least two existing conflicts at Hospital Pró Vida and analyse how the mechanisms of corporate governance can help to reduce these conflicts. Indicate some actions that the manager Jorge Ramos could suggest in the next meetings with the Fiscal Council.

SUGGESTED ANSWERS

ORIGIN OF CORPORATE GOVERNANCE

AGENCY THEORY - OPPORTUNISM AND INFORMATION ASYMMETRY

Di Miceli 2015, p. 69, says that shareholders expect executives, their representatives, to make decisions that will maximize the company's wealth. But Agency Theory argues that executives will often make decisions that maximize their own wealth. The differences in interest between the two parties - shareholders and executives - represents a cost to the company.

For Jensen and Meckling 2008, p. 89, the agency relationship is defined as a contract under which one or more persons (the principal(s)) employ(s) another person (agent) to perform a service on their behalf that involves delegating some decision authority to the agent. If both parties in the relationship are obtaining benefits, then there is good reason to believe that the agent will not always act in the interests of the principal. The principal can limit any disagreements regarding his interests by applying appropriate incentives to the agent and incurring monitoring costs to limit the agent's irregular activities. Within this context, Corporate Governance consists of a series of mechanisms that aim to reduce such irregularities.

CORPORATE GOVERNANCE

According to the IBGC Code of Best Corporate Governance Practices 2015, corporate governance is the system by which companies are monitored and inspired, by involving the relationships between partners, board of directors, executive officers, supervisory and other stakeholders. The basic principles of corporate governance permeate, to a greater or lesser extent, all the practices of the Code, and their adoption results in an environment full of trust, both internally and with third parties, as shown in Figure 6.

Transparency	This consists of making information available to interested parties, beyond what is required by the legislation or regulations. It should not be restricted to economic and financial performance, but should also include other factors (including intangible factors) that guide management actions and that lead to the preservation and optimization of value of the organization.
Equity	This is characterized by the fair and equal treatment of all partners and other interested parties (stakeholders), considering their rights, duties, needs, interests, and expectations.
Accountability	Governance agents must be accountable for their actions in a clear, concise, understandable, and timely manner, assuming the full consequences of their acts and omissions and acting with diligence and responsibility within the scope of their roles.
Corporate Responsibility	Governance agents must ensure the economic and financial viability of organizations, reduce negative externalities of their businesses and operations, and increase positive ones, taking into account, in their business models, the different capitals (financial, manufactured, intellectual, human), social, environmental, reputational) in the short, medium and long terms.

Figure 6. Basic principles of Corporate Governance

Source: IBGC (2015).

According to the IBGC 2015, corporate governance is the system by which companies and other organizations are managed, monitored and encouraged, by involving the relationships between partners, the board of directors, the executive board, supervisory, control and other interested parties. There is a conflict of interest over the land acquisition at Pró Vida Hospital. There have been reports that point out the disagreement between the directors and the management, in relation to personal interests. The directors are focused on operational improvements, such as the future expansion of the hospital and the search for investors, and is seeking to ensure sustainable financial stability for the institution.

The implementation of the corporate governance is important for the hospital, and this is done through its mechanisms, in particular the Boards and the Audit, which are effective under the current management. For example, the approval of the land acquisition, of which all members of the fiscal council had been informed, but due to the infrequent attendance of the members at the meetings, the necessary assessments were not carried out in a timely manner. Questioning the boards about this purchase leads to disagreement between the boards and impacts on the process, as they will have to review this purchase approval.

GOOD PRACTICES AND GOVERNANCE MECHANISMS

According to Di Miceli 2015, p. 220, the term corporate governance began to be used in the late 1990s in Brazil. IBGC (Brazilian Institute of Corporate Governance) was the pioneer organization dedicated to the area. It was founded in 1995 under the name IBCA (Brazilian Institute of Board of Directors), but was renamed in 1998. The area grew in strength in the country, due to various conflicts between shareholders, motivated by a series of conflicts considered harmful by minority shareholders.

The aim of implementing the Corporate Governance mechanisms at Hospital Pró Vida S.A., such as boards and auditors, are to monitor, manage, supervise, and improve the management within the institution, while emphasizing ethics, equity, transparency, and social responsibility, generating good results for the organization.

GOVERNANCE MECHANISM: BOARD OF DIRECTORS

According to IBGC 2015, the board of directors is the collegiate body responsible for an organization's decision-making process in relation to its strategic direction. It acts as guardian of the organization's principles, values, corporate purpose, and governance system, being its main component. In addition to deciding the strategic direction of the business, it is up to the board of directors to monitor the board, according to the best interest of the organization, acting as a link between the board and the partners, as shown in Figure 7.

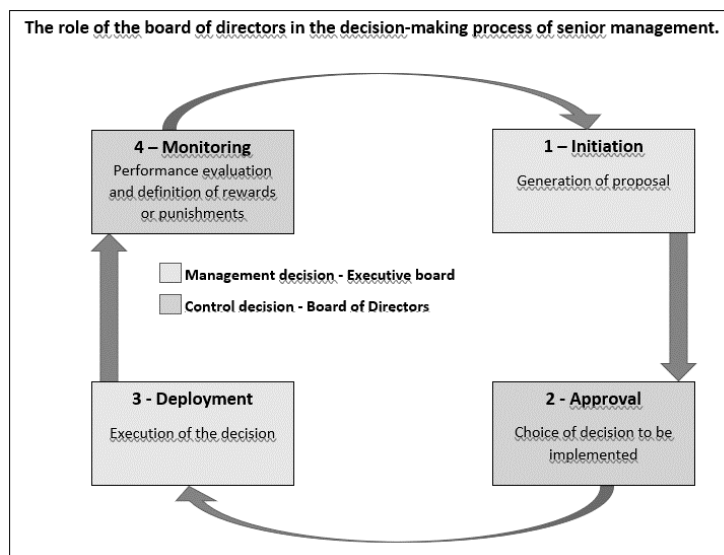


Figure 7. Role of the Board

Source: Di Miceli (2015).

The IBGC 2015 states that in order to fulfil its mission, the board of directors must discuss and clearly define the purpose, principles and values of the organization and oversee them, preserve, reinforce or, if necessary, promote changes in culture and organization identity, provide strategic direction, monitor and support the board in the implementation of strategic actions. It must approve policies and guidelines that affect the organization as a whole, be permanently attentive to externalities generated by the organization's performance, and listen closely to the interested parties (as well as ensuring that the board and other employees also do so) to improve company's performance. The roles of councils and counsellors are always evolving, as shown in Figure 8.

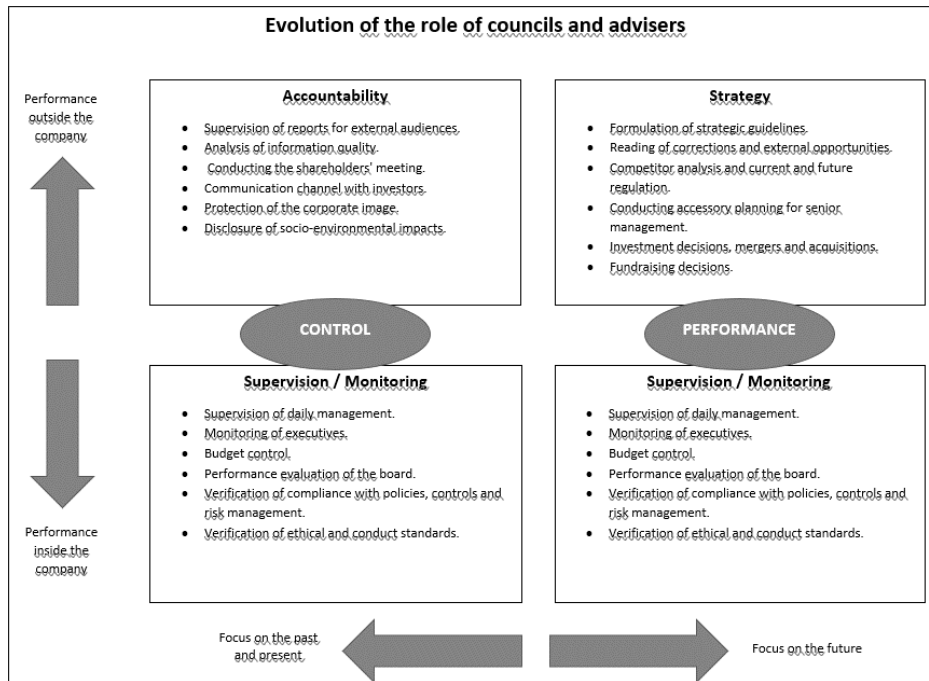


Figure 8. Evolution of the roles of boards
Source: Di Miceli (2015).

For Di Miceli 2015, p.149, the role of the board in good governance practices goes beyond the legal requirements. In Brazil, the area was perceived, until a few years ago, as a forum for discussing issues loosely defined as "strategies". On the other hand, abroad, notably in the Anglo-Saxon countries, monitoring executives was emphasized as a major responsibility of the board. Over the years, the role of the board has expanded worldwide, and two other relevant dimensions have been included - the quality of the information disclosed to external audiences and the formulation and enforcement of corporate policies.

Di Miceli 2015, p. 151 adds that directors are categorized as internal, external, or independent. Internal directors are those who also hold executive positions, e.g. CEO. Outsiders are those who are not executives, but who have a substantial relationship with them (e.g. degrees of kinship) or with the controlling shareholders of the company, and therefore cannot be characterized as independent. Independent directors are those whose only relevant link to the company is his or her performance as a board member.

At Hospital Pró Vida, the board of directors has been in place since its foundation, as shown in Figure 9. It was already a premise for the future management of the institution, which currently has nine board members, all of whom are shareholders, mostly doctors with specialization in hospital management. However, the IBGC best practices recommend that the majority of the board members should be independent.

Best Practices - IBGC	Current practices at Hospital Pró Vida S.A.	New practices to be implemented
Separation between the Executive board and the Fiscal board	This separation currently exists.	Compliant
Experience, qualification, and diversity of directors	Every board member takes a 30-day Knowledge Management course. Board members include entrepreneurs and professionals with specialization in Management	More professionals require additional knowledge in areas such as economics or law
Composition: 5 to 11 members	9	Compliant
Majority of directors should be independent	Most of the members are internal	Appoint more independent directors

(Continue)

(Conclusion)

Best Practices - IBGC	Current practices at Hospital Pró Vida S.A.	New practices to be implemented
One-year term with reelection permitted	2 years, with re-election permitted	Compliant
6 to 12 meetings per year	6 meetings per year	Compliant
Annual assessment of the board and directors	Annual	Compliant
Time availability	Yes, there is time availability	Compliant
Set the general orientation of the company's business (strategies)	The is usually presented at the second general meeting of the board	Compliant
Elect and remove the directors and establish their duties	SA laws	Compliant
Define the compensation of the board	Compensation is defined	Compliant
Supervise management and evaluate the board	There is accountability	Compliant
Choose and remove independent auditors	There are no independent auditors	Appoint independent auditors
Call ordinary and extraordinary general meetings	There are general meetings	Compliant
Supervise the management of the directors	The board itself oversees	Compliant
Express its opinions on the management report and accounts of the board	All directors are autonomous in this regard	Compliant

Figure 9. Board at Pró Vida S.A.

In regard to the recommended practices, and those effectively implemented at Hospital Pró Vida, according to the actual situation faced by the institution, it was found that the hospital is compliant with some of criteria recommended by the IBGC. There are some areas for improvement, such as hiring an external consultancy to enable multiple views, from specialists with different backgrounds, and also the lack of independent advisers. Emphasizing the credibility of the Hospital's practices will show people with no ties to the institution, with different backgrounds and interests, that the institution is focused on enhancing its image before society.

FISCAL COUNCIL

According to the IBGC 2015, the Fiscal Council is an integral part of the governance system of Brazilian organizations. It may be permanent or temporary, depending on the bylaws of the institution. It is an independent mechanism of inspection, by the board of directors, to report to the partners, set up at the decision of the general meeting, with the aim of safeguarding the organization's principles. The fiscal councillors have the power to act individually, despite the collegiate nature of the body.

Di Miceli 2015, p. 156 highlights that it is the responsibility of the fiscal council, in short, to give its opinion on the figures generated by the company's management, and to give its opinion so that the appropriate responses to be issued at the shareholders' meeting. It also supervises the board members' duties within the company. On the other hand, concepts such as the "strategic role" of the fiscal council are clearly unreasonable, since it is an external body that acts after (and not *ex ante*) the occurrence of events.

At Hospital Pró Vida, the fiscal council has been in place since its creation, but the current management has not been effective in carrying out its attributions. The presence of all the directors is not always expected at the quarterly meetings. However, some of the members have not attended a single meeting, and the few who do attend usually do not ask questions relevant to the supervisor and do not request documents to prove the information shown in the balance sheet and financial reports, according to Figure 10.

Best Practices - IBGC	Current Practices at Hospital Pró Vida S.A.	New Practices - To be implemented
Any of its members may inspect the acts of the administrators.	In the current 2016-2018 management, there is no audit, and no follow-up	Increase the inspection of members
Give its opinion on the annual management report and on any other information it deems necessary or useful for the deliberation of the general meeting	It does not usually have an opinion on the annual report	More monitoring of the annual report
Give its opinion on the proposals of the management , to be submitted to the general meeting, relating to the modification of share capital, investment plans or capital budgets, distribution of dividends, transformation, incorporation, merger, or spin-off	There is no monitoring of these proposals under the current management	Greater monitoring of management proposals
Call the ordinary general meeting, if the management bodies delay this invitation, and an extraordinary meeting, more than 1 month ahead, whenever serious or urgent reasons occur, including in the agenda of the meetings the matters they consider necessary	The current management does not do this, as in the case of approving the purchase of the land in which the council did not give an opinion and did not prevent it	More effectiveness in meetings
Analyze , at least quarterly, the balance and other financial statements prepared periodically by the company	There is currently no effective monitoring	More analysis of financial statements
The supervisory board, at the request of any of its members, can ask the management bodies for clarification or further information related to its supervisory role, as well as preparing special financial or accounting statements. (art. 163, § 2) (Law 10,303 / 01)	They do not usually ask for clarification	Greater effectiveness in supervising management
Its operation is not permanent , except in the case of mixed-capital companies	The members are usually the same, they just alternate.	Seek greater diversity among its members.

Figure 10. Fiscal Council and Pró Vida S.A.

Analysing the recommended practices, and those actually in place at Hospital Pró Vida, according to its current bylaws, it was found that in the 2016-2018 management, the hospital did not comply with all the criteria for the fiscal council recommended by the IBGC. Some points we can highlight, as mentioned above, are hiring an audit and/or consultancy to enable multiple takes with specialists from different backgrounds, and the lack of independent counsellors that would bring more dynamism to the meetings and more accuracy in the decision-making.

The supervisory board must act as an internal auditor that supervises all that goes on in the hospital. Since the board has access to information on the decisions of the board of directors, decision-making is carried out only after much discussion, in a series of meetings, emphasizing how the fiscal council should act, vigilant and questioning, as in the issue of land acquisition for future expansion. Through an external audit, this information would be added to the institution's activities. For example, what its market image is like and how it will be able to expand its range of shareholders and/or stakeholders to continue providing its services with excellence. This excellence includes in its mission, vision, and values.

AN ALTERNATIVE CORPORATE GOVERNANCE MECHANISM FOR HOSPITAL PRÓ VIDA S.A.

Most of the current conflicts at Hospital Pró Vida S.A. are related to the personal interests of its directors, ego, fear of competition and reluctance to change. If the fiscal council is to be made really effective, a second action that could be implemented is the creation of an external audit, to follow-up on different, independent points of view, seeking to reach a consensus among the interested parties and achieve better results for the institution. Jorge could start a project to search for consultancy companies, and look into this idea with the boards, recommending bringing in some board members with no links to the hospital, or with different backgrounds, such as lawyers, economists, administrators, accountants. Finally, all this should be complemented with technical knowledge. The main duties of the audit committee, according to Di Miceli 2015, are to:

- Monitor the process of the financial statements, including compliance with accounting principles and the supervision of figures disclosed to the market;
- Conduct the process of selection, monitoring and periodic evaluation of the activities and ensure the independence of the external audit;
- Supervise and coordinate the external audit, including defining its annual work plan;
- Monitor situations involving conflicts of interest, including transactions with related parties; and
- Periodically and formally evaluate the system of internal controls, giving an opinion on its effectiveness.

Constitution: qualification of members	
<ul style="list-style-type: none"> ▪ Extensive knowledge of the company's business. ▪ Familiarity with accounting, financial reporting and auditing standards. ▪ Experience in risk management systems. ▪ Independence, transparency and openness. ▪ Proactiveness in communicating concerns about risk decisions to the board of directors. 	
Roles and responsibilities	
Monitor and evaluate the control environment	<ul style="list-style-type: none"> ▪ Evaluate the Internal Audit: <ul style="list-style-type: none"> ❖ Scope of the general scope; ❖ Targeting at risk areas; ❖ Quality of reports; ❖ Adequacy of resources; ❖ Role in improving management processes and work routines; ▪ Evaluate the Independent Audit: <ul style="list-style-type: none"> ❖ Qualifications, experience and resources; ❖ Review of the scope, materiality levels and contents of the reports; ❖ Level of responsibility with reference to information; ❖ Accounting and control systems to be reviewed; ❖ Areas of particular interest; ❖ Anticipation and identification of new regulatory requirements; ❖ Coordination with internal audit work.
Identify, assess and analyze risks	<ul style="list-style-type: none"> ▪ Define risk acceptance levels by the company. ▪ Pay attention to the adequacy of key corporate risk controls: <ul style="list-style-type: none"> ❖ Strategic: competition, supplies, customers; ❖ Compliance: legal and regulatory; ❖ Contractual; ❖ Information technology; ❖ Financial and foreign exchange operations; ❖ Accounting and tax fraud; ❖ Environment; ❖ Brand, image, reputation; ❖ Personal and property security; ▪ Structuring management and risk programs: warning systems and mitigation mechanisms.

(Continue)

(Conclusion)

Roles and responsibilities	
Supervise the preparation of financial reports	<ul style="list-style-type: none"> ▪ Implement formal processes and protocols: define the annual calendar and extension of reviews; ▪ Examine, adjust and approve accounting practices; ▪ Assist management in the complete understanding of the statements; ▪ Identification of non-compliance and proposition of corrections; ▪ Guide communications with market analysts and investors; ▪ Guide the production of reports of special interest.

Figure 11. Constitution, functions and responsibilities of the Audit Committee

Source: Andrade and Rossetti (2009).

Regarding the possible steps for implementing corporate governance at the hospital Pró Vida, Jorge could structure an action plan that he could use for his project, through the elaboration of a graph like Gantt's, a tool to help in his explanation, with all stages of the project clearly and in chronological order. To implement the external audit with the collaboration of the fiscal council, as shown in Figure 12:

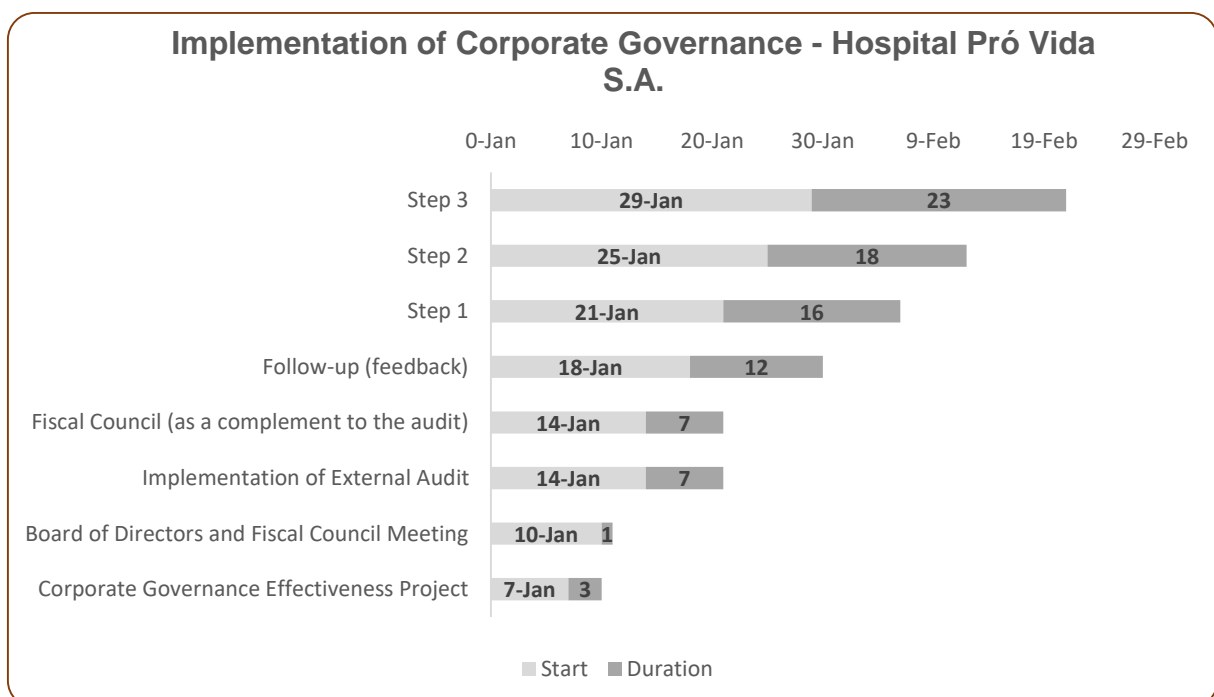


Figure 12. Steps for effective Corporate Governance at Hospital Pró Vida S.A.

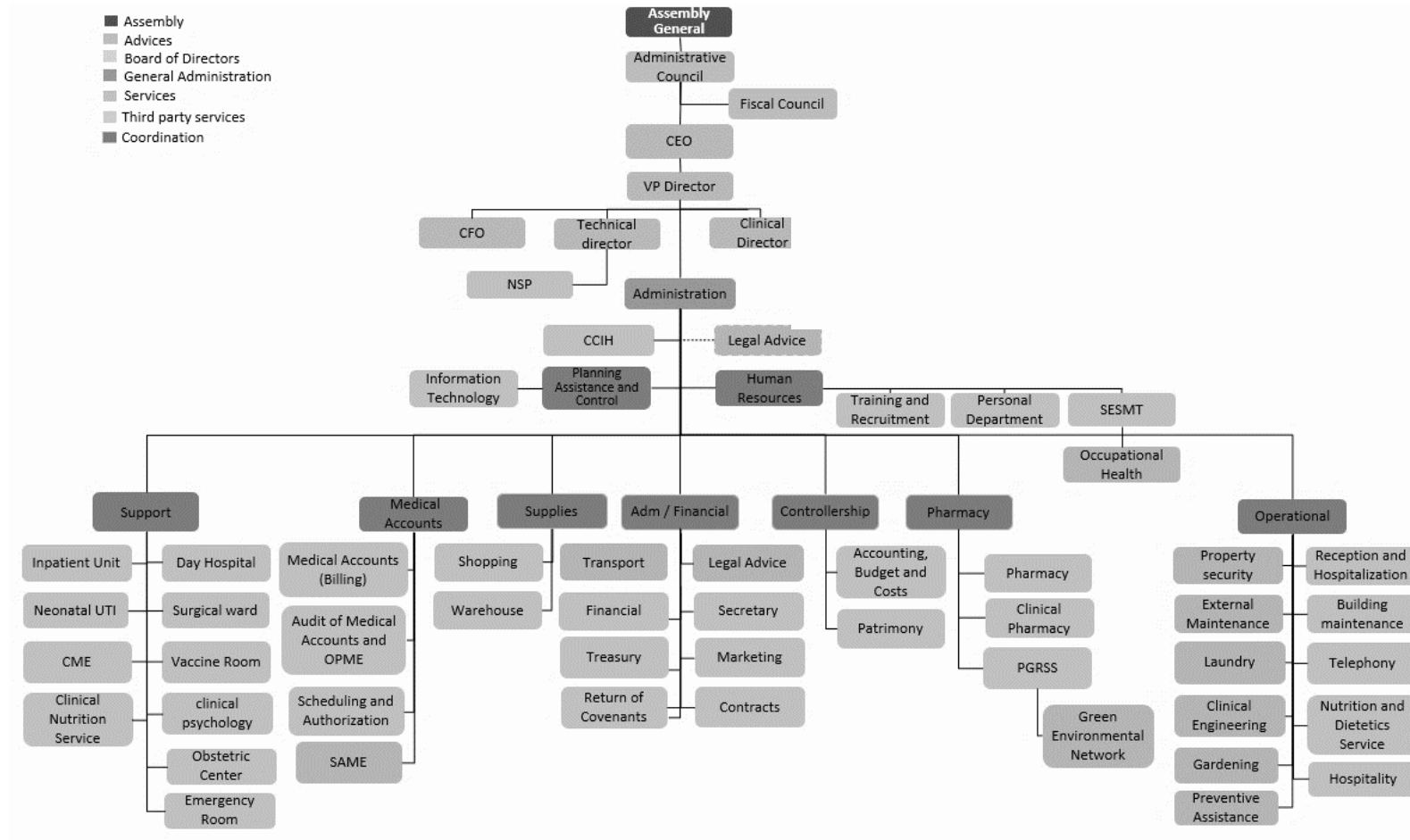
As a result of the proposed implementation of an external audit, the institution, which is currently undergoing changes in terms of both its structure and governance mechanisms, will be able to provide future actions and/or decisions with more fluidity on matters such as possible acquisitions. Their actions will have transparency of the information passed on, highlighting the importance of this action and seeking to arrive at a consensus among all interested parties.

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APPENDIX

APPENDIX 1 – Organizational Chart of Hospital Pró Vida S.A.



Source: Hospital Pró Vida S.A.

Appendix 2 – Photographs of Hospital Pró Vida S.A.



Source: Hospital Pró Vida S.A.



Source: Hospital Pró Vida S.A.