

**To the Chair and Members of the
AUDIT COMMITTEE**

DANVM DRAINAGE BOARD GOVERNANCE REVIEW UPDATE

EXECUTIVE SUMMARY

1. At the April meeting of the Council's audit committee, Internal Audit reported concerns over the governance arrangements at the Danvm Drainage Board. This report provides the committee with an update on progress made since that report.
2. The original work followed complaints made by a member of the Public to the Mayor, after the complainant had already raised the matters directly with the drainage board and not received a satisfactory response from the Board.
3. Our audit opinion was that Governance at the Drainage Board failed to meet governance standards applicable to the Public sector. In particular, there were:
 - A lack of strategic planning relating to water management
 - Questions regarding the appropriateness of the use of Public resources
 - Inadequate transparency and accountability relating to decision making and responsiveness to complaints from the Public
 - Inadequate arrangements and compliance with declarations of interest requirements.
4. We also found other significant concerns regarding the activities of some former Board Members, such that we felt we needed to make South Yorkshire Police aware of these concerns. In the event, having looked at the information presented to them, South Yorkshire Police decided no action should be taken.
5. Two Board members including the former Chair of the Board resigned during the course of the review.
6. The reason this is important to Doncaster Council and its Audit Committee is that the drainage board raises a large proportion of its funding via Doncaster Council. It is a significant partnership and presents a number of lessons to the Council in relation to its working with partners and the Council's expectations that partners should comply with the same standards of governance that the Council itself has in place. Our current work on partnerships' governance will seek to ensure partnerships meet the high standards expected of them, but that where they are falling short, the Council's representatives on the

partnerships can be supported to raise matters appropriately and help achieve appropriate remedial action.

7. A schedule detailing progress against all recommendations is set out at **Appendix 1**.

UPDATE

8. Good progress has been made since our report in April. Our review raised 40 recommendations in total. As at October 2015, 23 have been fully implemented and all remaining recommendations except one are in progress. The timing of the follow up in September / October was agreed with the Board to allow them time to have implemented the majority of the recommendations. Whilst it is slightly disappointing therefore that not more of the recommendations have been implemented, there is an encouraging direction of travel and improved governance at the Board.
9. The only action not progressed is to produce a procedure for dealing with breaches of the Code of Conduct by Commissioners and any appropriate sanctions that could be put in place. We have also raised three further recommendations to improve actions already carried out where we feel that the action has not addressed the issue as well as intended. Actions here include following up on Commissioners' declarations of interest, stipulating a timescale for new Commissioners to complete their training and to revise the complaints policy to be more balanced. All these actions will be addressed by a task and finish working group
10. Further issues raised by the members of the public making the original complaints have been referred to the National Audit Office (NAO).

These are reported by the board as "The correspondence is extensive and highlights concerns around conflict of interest and lack of competition issues in the awarding of two phases of a Water Level Management Study.

Specifically, the concerns are around three main areas:

- That a company had a dual role in the procurement process as Advisor and Supplier to the Drainage Board, therefore having a substantial conflict of interest;
- That that company benefitted unfairly in the procurement process of Phase 2 of a study, as it had performed Phase 1, and was involved in the preparation of tender documents requiring work to be completed that had been completed in Phase 1, with the result that the process was not competitive; and
- That Danvm Drainage Commissioners did not put in place appropriate contractual arrangements with the company for Phase 1 of the work and that IDB Financial Regulations were not adhered to.

The National Audit Office highlighted the issues with Defra which in turn approached ADA to investigate. A full and detailed response on the issues raised was submitted by the Board directly to Defra. The response has been acknowledged by Defra which will in turn respond to the NAO"

Internal Audit will liaise as required with any of the parties involved in these investigations.

RECOMMENDATIONS

11. The Audit Committee is asked to note the progress of the audit review.

BACKGROUND

12. The Danvm Drainage Board was formed in April 2012 by a Constitution Order under the Land Drainage Act 1991 (as amended) following amalgamation of the Dearne & Dove IDB, Dun Drainage Board, Knottingley to Gowdall IDB and Went IDB and covers an area of 21,526 hectares. The Board's purpose is to protect people and their property against river and surface water flooding, through water level management within low lying areas predominately from the north of Doncaster up to the River Aire.
13. The Danvm Drainage Board works with other public bodies such as the Environment Agency and Local Lead Flood Authority to manage water levels for the overall benefit of people, property, commerce, industry, agriculture and the aquatic environment within the defined Drainage District.
14. There are 25 Board Members (Commissioners), of which 12 are elected landowners and 13 are nominated Commissioners from levy-paying Local Authorities. The Board meets three times a year, with administrative and technical support being provided through a tendered Clerk of Works Service Contract. The current contract is with JBA Bentley.
15. Approximately 86% of the funding for Danvm Drainage Board comes from a levy against Local Authorities as shown below:

For the 2014/15 Financial Year,

	£	%
Drainage Rates (from local landowners)	134,630	14
Levies: -		
Barnsley Metropolitan Borough Council	28,139	}
Doncaster Metropolitan Borough Council	425,234	}
East Riding of Yorkshire Council	9,744	}
Rotherham Metropolitan Borough Council	1,878	}
Selby District Council	300,591	}
Wakefield Metropolitan District Council	76,375	}
Total	976,591	100

The levy against Doncaster MBC provides Danvm Drainage Board with 44% of its standard income

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

16. Drainage Boards play a significant part in water level management within and

beyond the Borough. Effective governance supports the Board's arrangements for the delivery of its objectives.

BACKGROUND

17. This report provides the Audit Committee with information on the outcomes from internal audit work at the Danum Drainage Board and allows the Committee to discharge its responsibility for monitoring the Council's exposure to risks associated with the activities of external organisations with whom the Council has significant financial and non-financial interests.

IMPACT ON THE COUNCIL'S KEY PRIORITIES

18. Internal Audit assesses how effectively the Council is managing risks that threaten the achievement of the Council's objectives. Any improvement in the management of the risks will have a positive impact thereby increasing the likelihood of the Council achieving its objectives. Internal Audit's work is, therefore, relevant to all priorities but in particular the following:

Outcomes	Implications
Working with our partners we will provide strong leadership and governance.	The work undertaken by Internal Audit improves and strengthens governance arrangements within the Council and its partners.
Council services are modern and value for money.	Approximately 85% of the funding for Danvm Drainage Board comes from a levy against Local Authorities. Local Authorities are required to ensure that public funds are spent appropriately and represent value for money. Effective Governance at the Drainage Board help improve performance and the efficiency of the organisation which in turn impacts on the funding levy paid by Doncaster residents
People live safe, healthy, active and independent lives. <ul style="list-style-type: none"> • <i>Mayoral Priority: Safeguarding our Communities</i> • <i>Mayoral Priority: Bringing down the cost of living</i> 	The Board's purpose is to protect people and their property against river and surface water flooding, through water level management within low lying areas predominately from the north of Doncaster up to the River Aire.

RISKS AND ASSUMPTIONS

19. Failure to address governance weaknesses at the Drainage Board exposes the council to the risks associated with partnership working that can impact on a number of levels as follows:

- Failing to ensure an effective Strategic Fit with the authorities flood risk management responsibilities
- Reputational damage to DMBC due to flawed partnership working
- Conflict of interest not being managed
- Damaged relationships with partners
- Failing to achieve value for money for Doncaster residents

LEGAL IMPLICATIONS

20. The Council’s Monitoring Officer has been closely involved in aspects of the review and the resolution of the complaints raised by the members of the public.

CONSULTATION

21. There was consultation with relevant board members and the Clerk and his staff throughout the review. There was also considerable engagement with the members of the public who raised the concerns originally.

This report has significant implications in terms of the following:

Procurement		Crime & Disorder	
Human Resources		Human Rights & Equalities	
Buildings, Land and Occupiers		Environment & Sustainability	x
ICT		Capital Programme	

BACKGROUND PAPERS

22. Doncaster MBC, Internal Audit Report - Danvm Drainage Commissioners – Governance Audit 2014

REPORT AUTHOR & CONTRIBUTORS

Colin Earl, Head of Internal Audit,
Tel 01302 862939 E-mail - colin.earl@doncaster.gov.uk

Colin Earl
Head of Internal Audit

Appendices

- Appendix 1 - Doncaster MBC, Internal Audit Report - Danvm Drainage Commissioners – Governance Audit 2014**