

INTERNAL AUDIT INVESTIGATION REPORT
ANONYMOUS RECRUITMENT AND SELECTION ALLEGATIONS
COMMERCIAL SERVICES

CONTENTS

| | Section |
|-------------------------------|----------------|
| Introduction and Scope | 1 |
| Findings | 2 |
| Conclusions | 3 |
| Recommendations | 4 |

1.0 INTRODUCTION AND SCOPE

Background

- 1.1 Internal Audit received a whistleblowing complaint on 22 August 2005. The complaint was complex in nature and covered a number of separate issues relating to the Commercial Services Directorate. The nature of the issues raised and allegations made in the whistleblowing complaint can be broadly categorised as follows;

| <u>Nature of Concern</u> | <u>Investigated By Internal Audit</u> |
|--|---|
| Irregularities in appointing staff | Yes |
| Irregularities in the appointment and use of sub-contractors and a failure to follow proper Council procedures | Yes |
| Failures of supervision and irregularities in the payment of sub-contractors | Yes |
| The future of Commercial Services | No |
| Management practices | No |
| Management style | No |

The investigation into the complaints made was limited to the consideration of financial and probity issues as these fall within the responsibility of the Internal Audit Service. The whistleblower was informed of this at the time and advised to raise any other issues through other formal Council complaints processes, their managers and/ or via their union representatives.

This report addresses the specific concerns relating to the recruitment of staff within Commercial Services. The concerns relating to the appointment, use and supervision of sub-contractors are addressed in a separate report.

Specific Concerns Addressed in this Report

- 1.2 The whistleblower's main allegations were that;

Audit Investigation Report – Recruitment and Selection

- a manager in Commercial Services, who was appointed in July 2004, had subsequently shown favouritism by appointing two former colleagues from another Council despite there being two good internal candidates;
- the manager had furthermore carried out the recruitment interviews on his own;
- another member of staff who was recruited in July 2005 had also had an unfair advantage in his interview because he was already aware of the questions he was going to be asked. This member of staff had also worked for the same Council as the manager concerned. Other staff from Commercial Services had then refused to be involved in the recruitment process knowing that the result was pre-determined.

Objectives & Scope

- 1.3 The objectives of the audit investigation were to;
- identify any weaknesses or irregularities in the recruitment and selection processes leading to the appointment of the two managers;
 - identify any irregularities in the appointment of the other member of staff.
- 1.4 The investigation initially involved the review of relevant information from Council systems and databases. These included the:
- Payroll System (Delphi);
 - Document Management System (DMS).
- Manual records maintained by Human Resources were also examined.
- 1.5 Visits were also made to the Commercial Services' administration office at Foss Islands in order to check relevant personnel and recruitment files. Fact finding interviews were also conducted with relevant staff during the investigation.

Timing of the Audit

- 1.6 The audit was undertaken between September and November 2005
- 1.7 This report was issued to Senior Managers in Commercial Services for their consideration and comment on the 6 January 2006.

2.0 FINDINGS

Background

- 2.1 Commercial Services (CSO) are the trading arm of the Council, providing direct services to residents, client departments and external customers. The CSO deliver a large range of services including building maintenance, civil engineering, cleaning, grounds maintenance, refuse collection and street cleaning. The CSO has two operational divisions, Construction and Services. The Construction division includes the Building Repairs and Maintenance and Civil Engineering departments.
- 2.2 The Executive granted approval to create three new management positions on 16 September 2003. The new posts were scale PO 6 – 9. (SCP 38 – 41).
- 2.3 A recruitment process was undertaken in March 2005. Following the interviews, two of the new posts were offered to candidates who were both currently employed by the same Council. One of the managers on the recruitment panel had also previously worked for the same Council. No appointment was made to the third position and the post currently remains vacant due to financial pressures.
- 2.4 Once appointed, one of the managers was given responsibility for the appointment of two staff to the building repairs and maintenance team.
- 2.5 The Council's Recruitment and Selection policy is intended to ensure that all posts are filled in a lawful, fair, efficient and cost effective manner. All employees involved in recruitment and selection are required to follow the policy and related procedures. The policy was last updated in August 2001. A copy of the policy is available on the intranet and can also be obtained from HR advisors across the Council.

Recruitment of New Managers (March 2005)

- 2.6 It was found that the recruitment for the three positions was carried out by a panel consisting of the Director, a manager and a representative from HR. The interviews were carried out at the Foss Islands Depot.
- 2.7 This investigation was conducted within six months of the recruitment process. The auditors therefore expected to find complete and accurate records in support of the action taken. However, no central file has been maintained with details of the recruitment and selection process followed.

Audit Investigation Report – Recruitment and Selection

2.8 The information available at the time of the investigation was instead limited to the supporting documentation retained by the HR representative. This documentation included:

- copies of the relevant job 'plan';
- copies of questions to be asked in the interview;
- a list of candidates for the three vacant posts;
- a blank short listing/scoring grid;
- the interview notes completed by the HR representative, and
- the original application forms for each of the candidates.

2.9 The recruitment folder also contained an outline programme for the interviews which stated that the process would include a site visit, an informal meeting and a formal interview. The auditors can only confirm that the formal interviews took place. No documentation or other notes have been found to record the outcome of the other events forming part of the interview process.

2.10 Following appointment, information regarding the two successful candidates was transferred to their relevant personnel files. Together with the documentation retained by the HR representative, the auditors have been able to confirm that;

- completed and signed application forms were received;
- formal interviews for the vacant positions were held on 1 and 2 March 2005;
- eight candidates were invited for interview and the interviews were conducted by an appropriate panel;
- each candidate was asked the same questions in the interview.

2.11 However, a number of concerns were identified in the process followed as detailed below;

- although it is understood that notes were taken by each member of the interview panel the lack of documentary evidence means that it is only possible to confirm that notes were taken by one member of the panel. In addition, there was no evidence that the interview scores had been recorded;

Audit Investigation Report – Recruitment and Selection

- no written references are held on file for either of the successful candidates. Incomplete notes in the files imply that only verbal references were taken up (the recruitment and selection policy however states that written references should be taken up prior to interview for short listed candidates. If a verbal reference is obtained the referee should be asked to confirm this in writing immediately);
- an internal candidate was short listed for an interview on Tuesday 2 March but did not attend. Although it is understood that a verbal reason was given by the candidate for withdrawing from the process, no written record was made.
- similarly, there is no written record to show why the other internal candidate was not short listed.
- one of the successful candidates only applied for one of the three vacant positions but was subsequently offered another of the posts for which he had not specifically been interviewed. It is understood that the candidate verbally expressed an interest in the other post at the time of the interview he attended for the other position.

2.12 In addition, the auditors were unable to find any documentation or other evidence to confirm that;

- a chair person was appointed for the interview panel (the recruitment and selection policy states that this should normally be the line manager);
- the posts were properly advertised (it is understood that the vacancies was advertised in the Yorkshire Post and Construction News but the dates and content are not known);
- the short-listing criteria had been agreed in advance and a scoring methodology had been used to prepare the short list (the recruitment and selection policy states that details of the short listing criteria, the reasons for short listing, and the relevant application forms should be kept for six months after the short listing process);
- copies of the interviewers' notes and scores had been retained (the recruitment and selection policy states that at the end of each interview, panel members should complete an interview assessment form for each candidate using notes made during the interview. Interview notes and assessment forms must be kept for 6 months in case a candidate makes a formal complaint).

2.13 The City of York Council's recruitment and selection policy states that at least one member of an interview panel should have been formally trained in recruitment and selection and that this knowledge should be up to date, with attendance at refresher courses, if necessary.

Audit Investigation Report – Recruitment and Selection

- 2.14 The manager involved in the recruitment process confirmed that the last training he had received was in the late 1990's whilst he was at employed at another Council. He had not received any training or guidance regarding the City of York Council's policies and procedures since his own appointment. Similarly there was no record that the other panel members had received any refresher training during the past three years.
- 2.15 Whilst no evidence has been found to prove the original allegation that the outcome of the appointment process was based on favouritism, failure to follow the Council's procedures and retain proper written records has meant that it is not possible confirm that the process was carried out without bias. This significantly increases the risk of complaint by unsuccessful candidates.

Recruitment of Other Staff (July 2005)

- 2.16 In July 2005, Commercial Services appointed two new members of staff. The recruitment process was carried out by a manager and a HR representative. One of the successful candidates was currently employed by the same Council as the manager had previously worked for.
- 2.17 From the recruitment and selection documentation retained, the auditors can confirm that;
- a total of 27 applications were received for the vacant posts and 7 applicants invited for interview. However, it is not possible to ascertain how the applicants were short listed;
 - formal interviews for the positions were carried out on Monday 25 and Friday 29 July 2005;
 - each candidate was asked the same questions and scored using the same criteria;
 - an interview assessment form was completed by all members of the interview panel, for each candidate;
 - both candidates, who were offered positions, obtained the highest scores of the 7 interviewees.

At the time of the investigation, written references were in the process of being obtained for the two successful candidates.

- 2.18 Apart from the failure to retain short-listing notes, the Council's recruitment and selection policy was correctly followed. In addition, no evidence has been found to confirm the original allegation that one or more of the candidates had advance knowledge of the questions which were going to be asked.

3.0 CONCLUSIONS

Concerns Raised by the Whistleblower

The investigation has concluded the following in respect of each of the specific allegations made by the whistleblower (as set out in paragraph 1.2 of this report);

Allegation

Conclusion

Favouritism had been shown in the appointment of two managers.

Not proven. No evidence has been found of favouritism or corruption in the recruitment process followed for the appointment of the two managers. Evidence was however found of some poor practice and control weaknesses.

The interviews had been conducted by a single manager.

Not proven. The recruitment process was carried out by an appropriately constituted recruitment panel.

Another member of staff who was recruited had an unfair advantage.

Not proven. There is no evidence to suggest any wrongdoing in respect of the appointment of the other member of staff. The Council's recruitment and selection policy was followed in the appointment of the other member of staff except that records should have been retained showing how the candidates for the post were short-listed.

Control Weaknesses and Other Concerns Identified by the Audit

3.2 A number of control weaknesses have been identified as a result of the investigation. The process followed for the appointment of the two managers was not properly documented and did not comply with the Council's recruitment and selection policy, despite a HR representative being on the panel. In the absence of a clear audit trail it is therefore not possible to confirm that the:

- process was transparent and carried out without bias, and;
- most appropriate applicants were appointed to the two positions.

3.3 The specific control weaknesses identified were;

- not all the candidates that attended the interviews had signed and dated their completed application forms;
- accurate and complete records regarding the distribution and receipt of completed application forms were not maintained. Similarly no record of electronically submitted forms was held;
- no record was kept of the short-listing process;
- inadequate records were made of the interviews and there was no scoring mechanism to show suitability for the post;
- the reasons for changes to the shortlist were not recorded;
- the reason for offering the post of one manager to a candidate who had applied for a different post, was not recorded;
- written references were not taken up for either of the successful candidates.

3.4 As a result of these failings the Council has been exposed to an increased risk of complaint and risk to its reputation. The failure to obtain written references also increased the risk that unsuitable people are appointed.

4.0 RECOMMENDATIONS

- 4.1 Accurate and complete records relating to the distribution and receipt of application forms should in future be retained and held on a central recruitment and selection file for the relevant position.

Management Response

A summary pro-forma has been created to log the distribution and receipt of all application packs/forms, which will be held on the relevant central recruitment file.

- 4.2 An appropriate scoring mechanism should be in place for each part of the recruitment and selection process. This mechanism should be documented, completed and a copy retained on the central recruitment and selection file.

Management Response

A scoring mechanism was used for both the short listing and the interview assessment, based on the person specification for the posts. Individual scoresheets were kept by panel members initially to provide feedback to unsuccessful candidates, but these could not be located. In future they will be returned to the central file to be kept for 6 months per standard practice.

- 4.3 Upon completion of any recruitment and selection process, all documentation¹ should be held centrally in a structured file in order to maintain a complete and comprehensive audit trail.

Management Response

Accepted and noted.

- 4.4 Written references should always be obtained. Verbal references should be confirmed in writing as soon as possible. Written references should be requested and held on file for the two managers.

Management Response

Written references are always taken up, but not always received. Verbal references are therefore taken up and recorded on file.

- 4.5 Managers with responsibility for staff recruitment should undertake the Council's recruitment and selection course. Managers should also undertake refresher training after three years.

¹ Including: List of recruitment panel, application forms from all applicants, short listing criteria and method of selection, assessment scores, interview questions, notes and scores, reason for appointment etc from all members of the recruitment panel.

Audit Investigation Report – Recruitment and Selection

Management Response.

Accepted and noted. Commercial Services will review its compulsory training programme for managers.

- 4.6 Candidates applying via email, internet etc should be asked to sign their completed application form at the interview.

Management Response

Accepted and noted.

Additional Information Provided by Management

Commercial Services has recently reviewed its recruitment and selection processes and standard pro-forma's and example documents are stored on the shared drive. A representative from Human Resources sits on all recruitment panels and advises accordingly on the implementation of the correct procedure and supporting documentation.