



National Audit Office

July 2012

Diversity Annual Report 2011-12

Our vision is to help the nation spend wisely.

We apply the unique perspective of public audit to help Parliament and government drive lasting improvement in public services.

The National Audit Office scrutinises public spending on behalf of Parliament. The Comptroller and Auditor General, Amyas Morse, is an Officer of the House of Commons. He is the head of the NAO, which employs some 880 staff. He and the NAO are totally independent of government. He certifies the accounts of all government departments and a wide range of other public sector bodies; and he has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their resources. Our work led to savings and other efficiency gains worth more than £1 billion in 2010-11.

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Introduction by the C&AG

An ambitious diversity programme that helps attract the best talent and encourages all staff to contribute fully is essential if we are to deliver our challenging corporate strategy. This report sets out progress against our diversity strategy during 2011-12. It is accompanied by a separate report, Equality Information, which provides more detailed equality monitoring information.

This is the third annual report against our three year strategy 2009-10 to 2011-12. We have a good record of achievement during 2011-12. We have taken action to help ensure that staff feel supported and well treated and to help recruit and retain a diverse workforce. Examples of these actions are included in this report. Our commitment to fairness was reflected in our corporate values which we launched in early 2012 following widespread consultation with staff. Our values now include: 'Fair - that our work, and the way we treat people, are fair and just.'

Whilst we have had an active diversity programme in 2011-12 it is clear that there has been little change in the ethnic and gender profile at our more senior grades (Director and above), and we still find that ethnic minority staff receive proportionately fewer of the highest annual appraisal ratings than white staff. Our new strategy 2012-13 to 2014-15 sets ambitious objectives, actions and targets to achieve progress in these key areas. We are determined to see an increase in the pace of change for the benefit of our staff, our business and, ultimately, our clients and stakeholders.

Our Board and Leadership Team attach a high priority to making progress on these important issues. The Diversity Delivery Board helps maintain our focus. It is chaired by Gaby Cohen, a member of the Leadership Team and NAO Board, and includes a broad representation of staff from across the Office. The Diversity Delivery Board will oversee delivery of our new strategy and will report regularly on progress to the Leadership Team.

Amyas Morse

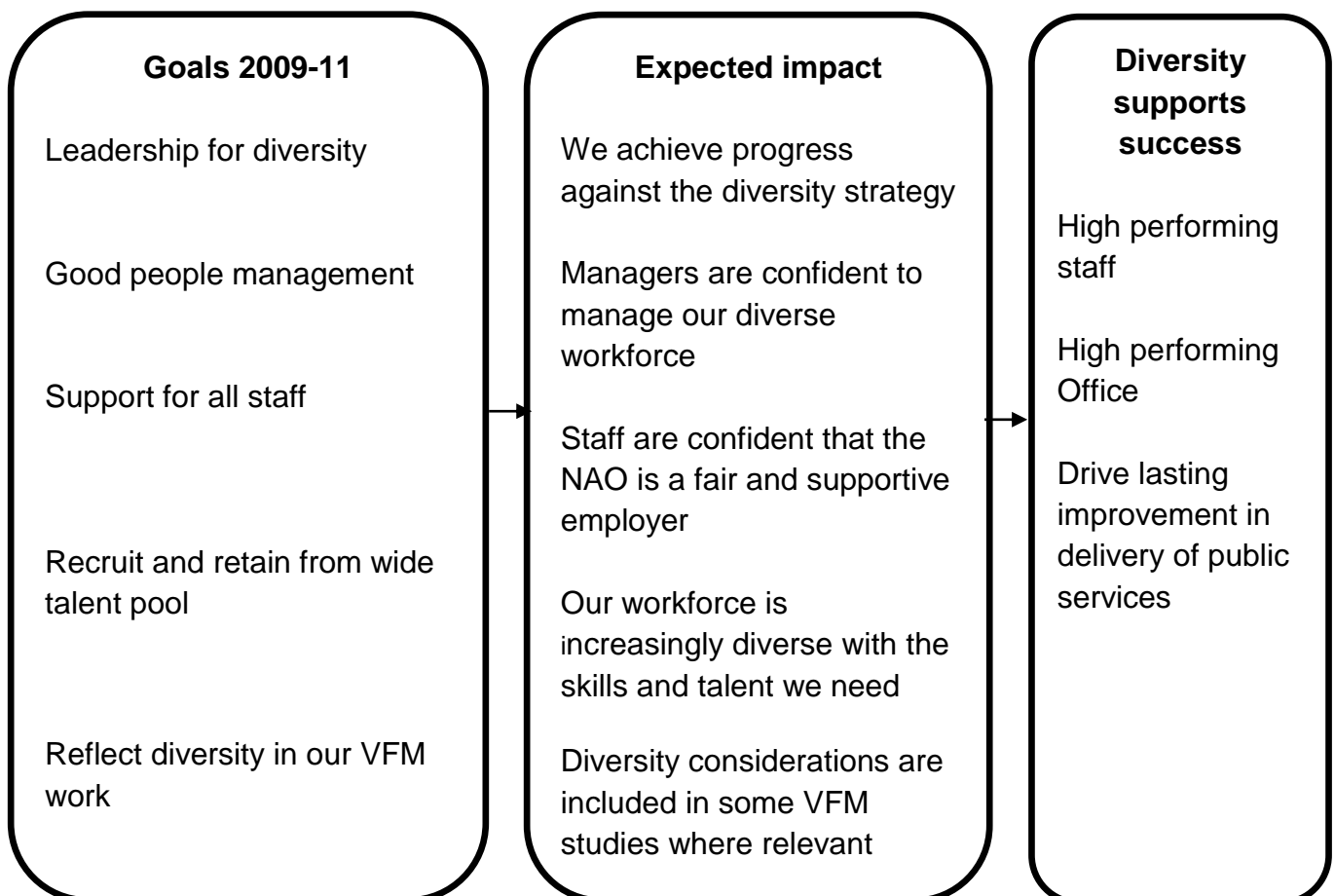
Comptroller and Auditor General

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Our diversity goals 2009-10 to 2011-12

The aim of our diversity strategy 2009-10 to 2011-12 was to support the success of our business by helping us to: promote a positive working environment for all staff; to recruit, retain, develop and motivate the talented staff we need to deliver our work; and to maximise the relevance and impact of our VFM reports which promote improvement in public services delivered to a diverse society.

The diagram below sets out how diversity supports our success. The strategy included detailed actions under each of the goals, along with key success criteria.



Our strategy (2009-10 to 2011-12) was launched in January 2009. Since then the legislative framework has evolved with the introduction of the Equality Act 2010, and in 2011 the Public Sector Equality Duty came into force. The Equality Duty means that we must demonstrate our commitment to:-

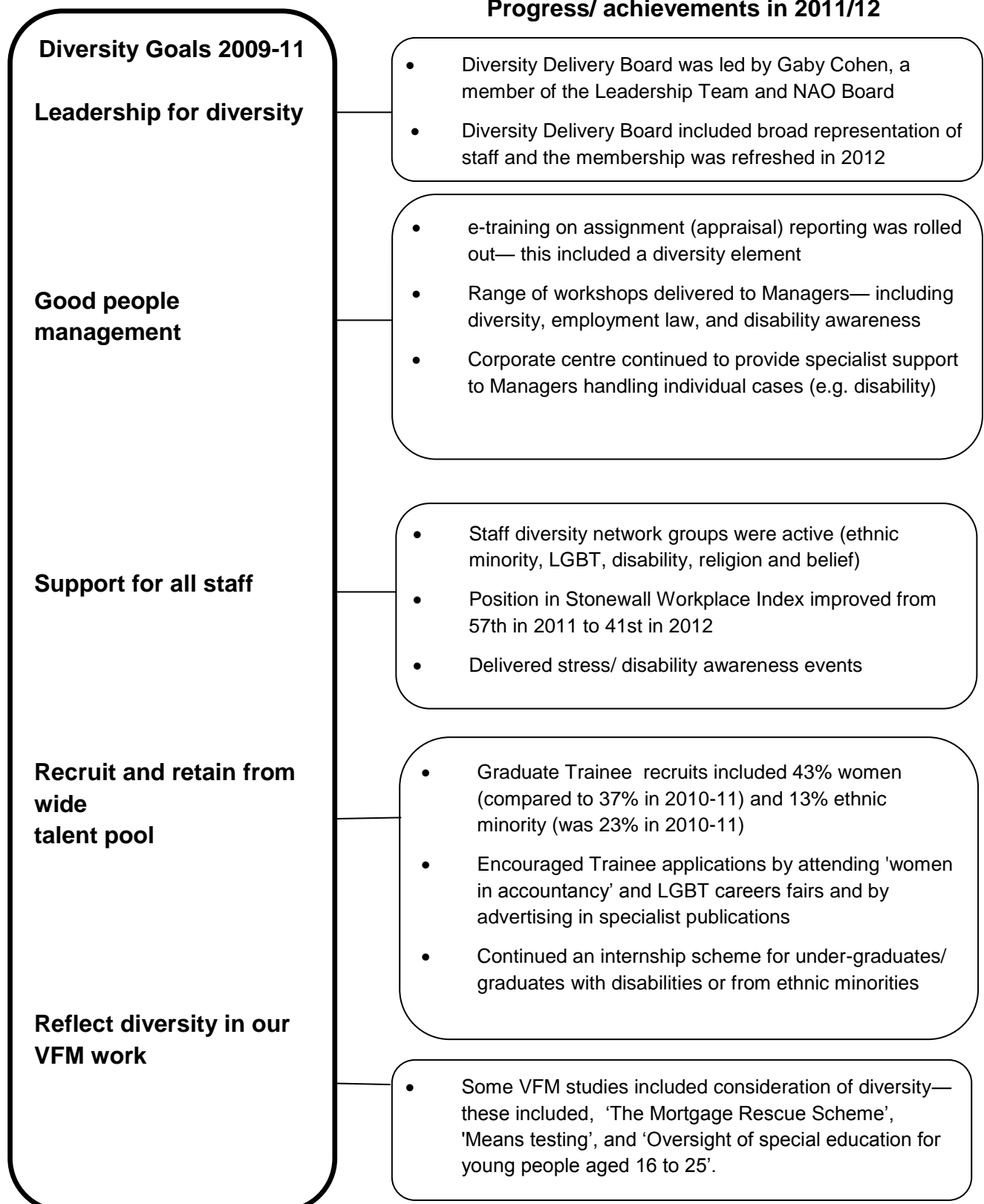
- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010;

- Advance equality of opportunity between people who share a protected characteristic and those who do not; and

- Foster good relations between people who share a protected characteristic and those who do not.

We are required to publish equality information to help identify equality issues. This is published in our separate 'Equality Information' report. We are also required to publish equality objectives which aim to enable us to perform better the equality duty. Our equality objectives are included in our forward strategy.

Progress in 2011-12



Details of our diversity-related initiatives in 2011-12 are summarised on page 7. In order to give a full picture of progress over the year the table below provides details of action or decisions we have taken which were informed by our diversity and equality information, consistent with the public sector equality duty.

Links between equality information and decisions/ action

EQUALITY INFORMATION

In 2011-12 only 13% of graduate recruits were from ethnic minorities (target was 20%) and the pass rate on the new numerical test was lower for ethnic minorities than for white applicants

The representation of ethnic minorities in our most senior grades (Director and above) has remained consistently low over time; and
In 2011-12 no staff from ethnic minorities secured a place on our talent management programmes to Manager and Director and only 2 had applied.
There was a similar pattern in terms of promotions to Manager and Director posts

Ethnic minority staff have consistently received fewer 'A' ratings in annual appraisals than white staff (33.1% and 39.4% respectively in 2011)

Equality information about staff which we hold on our HR information system is incomplete. Whilst we have complete data on gender, ethnicity and age, we have data on other protected characteristics for only around a third of staff

ACTION

We have commissioned an on-line practice test which potential applicants can complete before the numerical test. Research shows that practice tests can be particularly beneficial for ethnic minorities

When Director posts were advertised externally we introduced a clear statement in job adverts welcoming applications from this under-represented group;
Our strategy 2012-13 to 2014-15 includes actions to address this issue, such as mentoring and more active management of the ethnic minority 'talent pipeline'; and
Our strategy 2012-13 to 2014-15 includes a commitment to complete a survey of ethnic minority staff to help clarify reasons for limited career progression. The results will inform the development of our ethnic minority mentoring scheme and our unconscious bias training will include direct reference to performance appraisal

In 2011-12 we applied robust moderation and introduced a quality assurance process to ensure objectivity and fairness. We commissioned an external review of our appraisal scheme which led to a decision to complete a fundamental review of our performance management and appraisal scheme. We will also roll-out unconscious bias training.

Our strategy 2012-13 to 2014-15 includes action to improve data completeness and quality

How are we doing?

KEY FACTS

	2004-05	2008-09	2011-12	Target by 2011-12
Women as % of the workforce	43%	45%	43%	No target
Ethnic minorities as % of the workforce	13.7%	16%	16%	No target
% Grad Trainees from ethnic minorities	29%	13%	13%	20%
% Grad Trainees who are women	38%	37%	43%	Above 39%
% Women Audit Managers	30%	34%	37%	34%
% Ethnic Minority Audit Managers	3.8%	5%	6.2%	6%
% Women Directors and above	27%	32%	27.4%	34%
% Ethnic Minority Directors	3%	5%	5.3%	7%
% staff declaring a disability	1.2%	6%	6%	6%-8%
% BME staff achieving 'A' appraisal rating	30%	31%	33.1%	No target
% white staff achieving 'A' appraisal rating	37%	37.6	39.4%	No target

The figures on page 9 provide an indication of the extent to which various aspects of our workforce have changed over the last few years. To give a fuller picture of progress we should also consider the following points alongside the statistics:-

- We have an active diversity programme led by a member of the NAO Leadership Team and Board. Our policies and procedures are compliant with legislation and we have demonstrated our commitment to the Public Sector Equality Duty through the activity and progress summarised in this report. There is, however, a need to improve the completeness and accuracy of staff diversity monitoring information relating to the full range of protected characteristics, and to develop a more systematic approach to evidencing how equality information informs decisions or action.
- Our workforce has become increasingly diverse over time and we are recruiting a diverse intake of trainees. Whilst only 13% of graduate trainees were from ethnic minorities in 2011-12 we met our target of 20% when taking the average of the last 3 years, and we achieved 24% in 2012-13. However, there has been relatively little change in the representation of ethnic minorities and women in our most senior grades and we need to do more to retain and progress talented staff from these groups to our more senior posts.
- There continues to be a difference between white staff and ethnic minority staff in annual appraisal ratings, with white staff more likely to receive the highest ratings. There is a need to make further progress in eliminating this difference.
- From the 2010 and 2011 staff surveys 65% of staff agreed that the NAO respects individual differences. This was higher than our staff survey (using slightly different questions) back in 2006 which showed that only 52% of staff agreed that the NAO valued the diversity of staff. There is, however, room for further improvement.
- The results of the 2011 equal pay audit showed that whilst there were some differences in pay between men and women (with men overall receiving higher pay) this did not reflect structural inequality in our pay scheme but was due to other factors such as grade seniority and length of service.

We will achieve further progress

A new diversity strategy was launched in April 2012. This covers the period 2012-13 to 2014-15 and represents a broad diversity programme (relevant to all protected characteristics) with the following aims:-

- Recruit, retain and promote a diverse mix of staff;
- Ensure our policies and procedures promote equality and diversity;
- Promote the further development of a culture of diversity; and
- Further embed diversity in our audit work.

The strategy includes specific diversity and equality objectives, supporting actions and targets for achieving progress in key areas. These key areas are where limited success has been achieved to date (see box below) and where the Office is determined to increase the pace of change for the benefit of staff, our business and our clients and stakeholders.

The key diversity and equality objectives are set out in the box below:-

KEY DIVERSITY AND EQUALITY OBJECTIVES

- Increase the representation of ethnic minorities in our more senior posts (Audit Manager and Director);
- Improve further the representation of women in senior posts; and
- Address differences between ethnic groups in appraisal ratings.

The Table on the next page shows how our diversity targets in the new strategy (2012-13 to 2014-15) compare to the targets over the previous strategy (2009-10 to 2011-12). This highlights our ambition going forward and the key areas where we are determined to see change.

Diversity targets from the previous and the new strategy

Staff group/diversity issue	Target 2009-10 to 2011-12	Target 2012-13 to 2014-15
Graduate trainees - ethnic minority	20% by 2011	Average at least 22% over the 2012 to 2014 period
Graduate trainees - women	Above 39% by 2011	Average at least 40% over the 2012 to 2014 period
Profile of staff passing TOPPs training scheme	Similar pass rate for all ethnic groups	Similar pass rate for all ethnic groups
Directors - ethnic minority	7%	Year on year increase in number
Audit Managers - ethnic minority	6%	Year on year increase in number
Directors - women	34%	At least 34%
Managers - women	34% (Audit Managers)	40% (Audit managers and corporate service managers)
Staff with a disability	6% to 8%	6.5% to 8%
Completeness of diversity data	No target	Complete data on all 9 diversity strands for at least 70% of staff
Difference between ethnic groups in appraisal ratings	No target	Eliminate differences between ethnic groups
Staff utilisation	No target	No group will be less allocated or have access to lower quality work than other groups
Staff perception	More staff (than in 2006) will agree that the NAO values diversity	Year on year improvement in staff perceptions (staff survey)
Position in Stonewall index	No target	Maintain top 50 position
VFM studies	Teams will consider diversity and some studies will include diversity theme	Teams will consider diversity and some studies will include diversity theme

The Diversity Delivery Board will continue to oversee progress against the strategy and will keep the Leadership Team and NAO Board informed of progress. Our diversity strategy, along with progress reports and equality information, will be published on our web-site.