



National Audit Office

Diversity Annual Report 2013-14

JUNE 2014

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This report can be found on the National Audit Office website at www.nao.org.uk

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Introduction by the C&AG

As auditors of central government we are well placed to help drive improved value for the taxpayer in the delivery of public services. Our strategy aims to deliver a step change increase in the value we add through our work; an ambitious goal at a time when both we and our clients are striving to achieve more with less. Success will require the positive engagement of all our people and our diversity strategy is designed to ensure that we attract, develop and promote the best talent by removing any real or perceived barriers to progression.

This is the second annual report against our three-year diversity strategy 2012-13 to 2014-15 which was launched in April 2012. The key priorities include improving the retention and progression of ethnic minority staff to our more senior grades and the higher representation of women in our more senior grades. These priorities sit within a broader action plan which is relevant to all employee groups.

We have made progress against some elements of our strategy, but we are concerned that the pace of change is slower than expected, and some new issues are emerging which will require concerted action to address. In terms of ethnicity, we need to see some of the initiatives that were implemented last year bed in before we can realise the full benefits, for example the launch of an ethnic minority mentoring scheme and the roll out of unconscious bias training for all employees. But our data indicate a concern about the equality of allocation of tasks and roles between white and ethnic minority staff which we urgently need to understand and act on. We have reviewed our Diversity Action Plan and are working with our People Directors to identify the urgent action we can take immediately to put our diversity performance back on track.

There have been some important achievements to celebrate. We were a founding member of Access Accountancy, a profession-wide initiative to provide greater opportunities to talented students from disadvantaged backgrounds. Closer to home, we were awarded a gold rating in the Opportunity Now and Race for Opportunity benchmarking surveys for gender and ethnicity equality respectively. We also achieved our target of holding equality information across protected characteristics for 70 per cent of employees. This information will help inform future policy decisions to ensure a fair workplace which promotes diversity.

Our Board and Leadership Team attach a high priority to making progress against our diversity strategy and will be considering our progress in detail in July 2014 with a view to ensuring we are taking the right immediate actions and to framing our next strategy which will determine our approach from 2015. The Diversity Delivery Board which helps maintain our focus is chaired by Gaby Cohen, a member of the Leadership Team and NAO Board, and includes a broad representation of employees from across the Office.

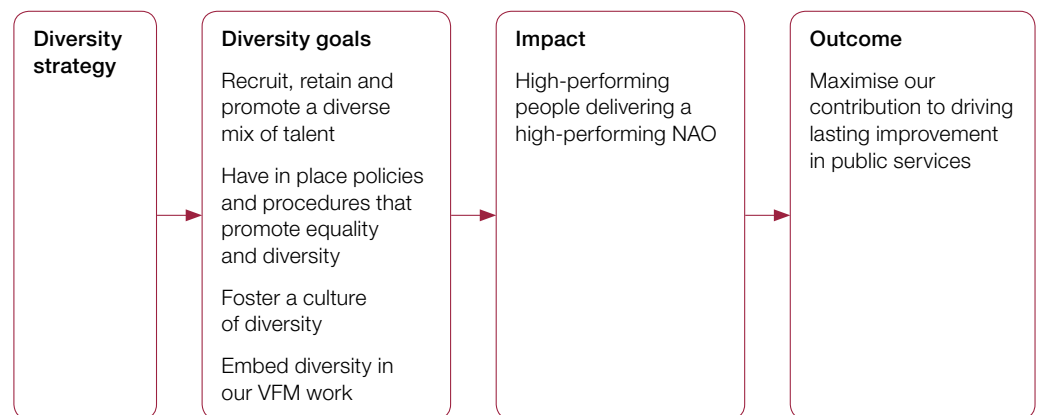
Amyas Morse
Comptroller and Auditor General

Overview of our diversity strategy

Diversity makes good business sense to the NAO. To achieve our ambitious strategy we need high-performing employees, drawn from as diverse and wide a talent pool as possible, working collaboratively. Our work covers the full range of public services delivered to all citizens. As such we need to keep in view the fairness with which public services are delivered and reflect this in our work, where appropriate, if we are to understand what matters to service users. Finally, as a public body we have a legal obligation to eliminate unlawful discrimination and promote equality and good relations in our own organisation.

Our current diversity strategy was launched in April 2012 and sets out our ambitious diversity objectives, targets and supporting actions for the period 2012-13 to 2014-15. This strategy aims to build on the progress we have already made as a result of our longer-term commitment to diversity, but also to increase the pace of change in key areas where we have seen less success – particularly the retention and progression of more ethnic minority colleagues and women to our senior grades.

The diagram below sets out how our diversity goals support our success.



This report summarises progress over the second year of the current strategy and highlights where further progress is needed. As part of our public sector equality duty we are also required to publish equality information to help identify equality issues. This is published in our separate *Equality Information* report.

Progress against our strategic goals in 2013-14

Goal 1: Recruit, retain and promote a diverse mix of talented employees

We have taken significant action to support this goal and had some notable success, for example in exceeding our target for ethnic minority graduate recruits. But we have not made the overall progress expected and are developing a more robust Action Plan to address this. Over the year we have:

- co-founded 'Access Accountancy', a social mobility initiative launched collaboratively with members of the UK accountancy profession and major accountancy bodies. The scheme aims to provide greater opportunities to talented students from disadvantaged backgrounds in the UK to enter the accountancy profession. We have pledged to: provide work experience placements, collect applicant socio-economic data, participate in a school outreach programme and participate in externally validated reviews of Access Accountancy;
- developed and launched a tailored administration apprenticeship scheme in partnership with an accredited training provider as a pipeline for entry-level roles in our corporate services. The scheme provides opportunities for four local school leavers to study for NVQ Levels 2 and 3 in Business Administration over 24 months while gaining valuable on-the-job experience;
- continued to work with specialist organisations, including City Brokerage and the African Caribbean Society, to encourage a diverse pool of potential trainee recruits to consider the NAO as an employer of choice. Thirty-five per cent of delegates who attended a City Brokerage event sponsored by the NAO went on to apply for the NAO training schemes;
- expanded the summer diversity internship programme to host 12 interns in 2013 increasing from eight interns in 2012. The internship supports undergraduates from an ethnic minority background or with a disability. Two of the 12 interns we employed in 2013 are joining us as trainees this autumn;
- increased the proportion of black, Asian and minority ethnic (BAME) graduate trainees recruited to 32 per cent in 2013 compared to 25 per cent in 2012; however the proportion of female trainees recruited fell to 34 per cent in 2013 compared to 43 per cent in 2012. Despite this reduction we achieved our three-year target of at least 40 per cent of trainees recruited being female;

- increased the proportion of BAME colleagues recruited to non-trainee posts from 14 per cent in 2012-13 to 27 per cent in 2013-14. However, representation of BAME employees at senior levels and above remains too low;
- recruited women into a range of non-trainee posts. Women accounted for 49 per cent of non-trainee recruits in 2013-14;
- launched and completed a pilot BAME mentoring scheme in response to a survey about BAME career aspirations. Twenty-one employees were selected for the scheme: one participant has been promoted to Audit Manager, and one has secured a place on our Future Leaders programme. Seven participants have since left the NAO, having gained a very positive experience with us;
- worked with line Directors to identify those with potential to progress to Audit Manager and Director and encourage them to apply to join our talent management programmes. We have continued our success from 2012-13, 17 per cent of participants on our Future Leaders programme were BAME employees and 42 per cent of participants were female employees. On our Direct programme, 17 per cent of participants were BAME employees and 33 per cent of participants were female employees; and
- strengthened the female talent pipeline through promotions to the Senior Analyst, Audit Manager and Director grades. Fifty per cent of promotees to Senior Analyst were women (compared to 55 per cent of women making up the feeder grade), 64 per cent of Audit Manager promotees were women (compared to 43 per cent in the feeder grade) and 25 per cent of those promoted to Director were women (compared to 37 per cent in the feeder grade).

Goal 2: Ensure our policies and procedures promote equality and diversity

We have:

- launched a revised performance management and appraisal system for the 2013 appraisal year, which increased the number of performance rating categories from three to five, and introduced a rating of potential;
- completed a diversity audit of our allocation system to find out if particular groups are less likely to be allocated or utilised than others and the impact this might be having on appraisal ratings. This analysis indicates that we have a serious issue to address and we are discussing with People Directors how we might address the differences identified;
- addressed concern regarding the over-representation of BAME trainees who were not offered Audit Principal contracts by engaging an external consultancy to independently review the documentation used to make decisions. The review concluded that our process was fair but flagged up potential areas for unfair bias;
- worked in collaboration with the NAO disAbility Network to update the reasonable adjustments guide, including more examples of the type of adjustments we can make and information for colleagues managing team members with a disability;
- delivered 'Managing Mental Health in the Workplace' workshops in partnership with Mind and the Business Disability Forum to all Development Managers and Directors and subsequently opened the workshops up to all employees;
- conducted an equal pay audit in 2013, which showed that while there were some differences in pay between men and women (with men overall receiving higher pay) this was not due to structural inequalities in our pay scheme, but other factors such as length of time in grade. The mean NAO gender earnings gap increased in 2013, in common with the national trend, but the pay gap between men and women at the NAO is 10.7 per cent, well below the 15.7 per cent gender pay gap recorded nationally; and
- achieved our strategic target of holding equality information across all protected characteristics for at least 70 per cent of employees. We now have complete data for 71 per cent of employees, increasing from 35 per cent in 2012. This information will help inform future policy decisions and help us monitor the impact of policies.

Goal 3: Promote the further development of a culture of diversity

We have:

- continued to oversee progress against our diversity strategy through the Diversity Delivery Board, Chaired by Gaby Cohen, a member of the NAO Board and Leadership Team. The Delivery Board includes employees drawn from across the NAO;
- gained Leadership Team commitment to sponsor particular aspects of diversity including the NAO's Ethnic Minority Network, disAbility Network and Women's Network groups;
- participated in the Opportunity Now benchmarking index in the Top 10 public sector employers and achieved a gold rating. We also maintained our Top 10 place among public sector employers in the Race for Opportunity benchmarking index and improved our rating from silver to gold;
- continued to run 'Unconscious bias' workshops for all new starters and published a guide to unconscious bias for colleagues involved in the recruitment process;
- retained an external diversity expert to challenge and advise on our approach to diversity and inclusion;
- published a diversity calendar of events to promote engagement with diversity internally;
- appointed an external consultancy to conduct a review into bullying and harassment, following the results of the 2013 people survey, which showed a small rise in the percentage of staff who had experienced or witnessed bullying and harassment at work; and
- delivered a 'Mental Health Awareness Week' as part of our ongoing commitment to employee health and well-being, to raise awareness of mental health issues and strategies for managing and promoting mental health.

Goal 4: Further embed diversity in our audit work

We have:

- Reflected equality and diversity issues in our VFM work. For example, we produced a report on maternity services in England which highlighted inequalities in maternity care between BAME and white women. Seventy-five per cent of BAME mothers rated care during labour and birth as very good or excellent, compared with 86 per cent of white mothers. We also found that BAME women were more likely to experience shortfalls in choice and continuity of care. These issues were subsequently taken up at the Committee of Public Accounts session on the report.
- Considered the fairness of the distribution of government funding for local services and investment in a number of our reports. For example, our report on adult social care commented on regional variations in spend, care and pricing.
- Carried out accessibility testing on our external website to ensure that the content, including all our reports, is accessible to the widest possible audience.

Impact of diversity and equality information

Details of our diversity-related initiatives in 2013-14 are summarised on pages 6–10. 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.

Equality information

In 2013-14 graduate recruits from ethnic minorities increased from 25 per cent to 32 per cent following a 12 per cent increase in 2012-13. The average pass rate on the new numerical test was higher for ethnic minorities than for white recruits.

The representation of ethnic minorities in our most senior grades (Director and above) has remained consistently low over time.

Fewer ethnic minority employees have consistently received the highest appraisal rating than white employees: 27.9 per cent and 39.9 per cent respectively in 2012 and 7 per cent and 12 per cent respectively in 2013.

Twenty-three per cent of white newly qualified trainees were not awarded a permanent Audit Principal (AP) contract, compared to 44 per cent of BAME newly qualified trainees.

Equality information about employees which we hold on our HR information system was incomplete. While we had complete data on gender, ethnicity and age, we only held data on other protected characteristics for approximately a third of employees.

Action

Benefits continue to accrue from the introduction of an online practice test which potential applicants can complete before the numerical test. Research shows that practice tests can be particularly beneficial for ethnic minorities.

Validated the numerical test against performance in professional exams and confirmed that the test does help predict exam performance.

Developed links with City Brokerage and the African Caribbean Society to encourage trainee applications from ethnic minorities.

Launched an ethnic minority mentoring scheme with 21 participants.

Introduced more active management of the ethnic minority 'talent pipeline' by identifying and encouraging employees with potential to apply for our talent management programmes. In 2013, three ethnic minority colleagues gained places on our talent management programmes.

One of our six Directors recruited in 2013-14 is from a BAME background.

Introduced a new appraisal system which has a 5-point rating system rather than a 3-point rating system and applied robust moderation and introduced a quality assurance process to ensure objectivity and fairness.

Completed a diversity audit of our staff allocation system to find out if particular groups are less likely to be allocated or utilised, which may explain differences in appraisal ratings. We are agreeing actions with People Directors to address differences identified between BAME and white employees.

Continued to deliver 'unconscious bias' training to all new starters.

We addressed concern regarding the over-representation of BAME trainees who were not due to be awarded AP contracts by engaging an external consultancy to independently review the documentation used to make initial decisions regarding contract offers to ensure our processes were fair. The review confirmed our processes were fair and the consultant's recommendations informed the final decision-making process.

We ran a data drive campaign asking employees to complete their equal opportunities data. We now hold equality information across all protected characteristics for 71 per cent of employees, against a target of 70 per cent. This information will help inform future policy decisions and monitor the impact of policies.

We have also launched a more robust 'reasonable adjustments guide'. The guide aims to enhance the support we provide to colleagues with declared disabilities.

How are we doing against our strategic targets?

Key figures

Measure	2011-12 (%)	2012-13 (%)	2013-14 (%)	Direction of change (%)	Target by 2014-15 (%)
Women as a percentage of the workforce	43	43	44	↑	No target
Ethnic minorities as a percentage of the workforce	16	15.4	16	↑	No target
Percentage of graduate trainees from ethnic minorities	13	25	32 (3-year average 23%)	↑	22 (3-year average)
Percentage of graduate trainees who are women	43	43	34 (3-year average 40%)	↓	40 (3-year average)
Percentage of women managers (Audit Manager and Band 1)	37	36	38	↑	40
Percentage of ethnic minority Audit Managers	6.2	6	5	↓	Year-on-year increase
Percentage of women Directors and above	27.4	31	30	↓	34
Percentage of ethnic minority Directors	5.3	7	8	↑	Year-on-year increase
Percentage of employees declaring a disability	6 (data from employee survey)	7 (data from employee survey)	8 (data from HR system)	↑	6-8
Percentage of BAME employees achieving the highest appraisal ratings	33 (‘A’ rating)	28 (‘A’ rating)	47 (‘outstanding’ and ‘strong’ ratings)	↓	No difference between % BAME and % white employees achieving the highest ratings
Percentage of white employees achieving the highest appraisal ratings	39 (‘A’ rating)	40 (‘A’ rating)	61 (‘outstanding’ and ‘strong’ ratings)	↓	No difference between % BAME and % white employees achieving the highest ratings

↑ Improving and achieving target

↓ Decreasing but still achieving target

↑ Improving but still below target

↓ No improvement and below target

Note

1 Our diversity targets were set as part of our three-year strategy in consultation with our diversity networks and the Diversity Delivery Board. We look at diversity targets in accountancy firms, to inform our own target setting, and we ensure that the NAO targets reflect a challenging level of improvement for us across the three-year strategy. They will be reviewed during 2014-15 as part of developing the next strategy for 2015-2018.

Achieving further progress

During the first two years of our current diversity strategy we have made progress against the action plan, putting in place initiatives which will help us achieve a more diverse workforce going forward – such as membership of Access Accountancy, our ethnic minority mentoring scheme, unconscious bias training, and more proactive management of our talent pipeline. There remain a number of key priorities that we must address over the remainder of the period covered by the strategy in order to drive further progress and realise the business benefits. These include:

- considering the factors which might have led to the reduction in 2013-14 in the representation of women in our graduate intake to ensure we continue to achieve our three-year target;
- securing further progress in increasing the representation of ethnic minorities and women in our more senior grades by exploring any barriers to progression;
- continuing to drive progress against initiatives which are already underway, such as our ethnic minority mentoring scheme and active management of our talent pipeline, to encourage employees from ethnic minorities to apply for our talent programmes and for promotion opportunities as they arise;
- addressing the areas for further improvement which have already been identified through the Race for Opportunity and Opportunity Now benchmarking exercises;
- implementing agreed actions arising from the diversity audit of our employee allocation system to ensure that no groups are less likely to be allocated or utilised;
- continuing to monitor the impact of our new appraisal scheme on different groups and achieve further progress in reducing the differences between the white and BAME employee groups; and
- continuing to oversee progress against the strategy through the Diversity Delivery Board and 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 website.

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