



National Audit Office

Report

by the National Audit Office

Diversity Annual Report 2014-15

JUNE 2015

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Our public audit perspective helps Parliament hold government to account and improve public services.

The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, is an Officer of the House of Commons and leads the NAO, which employs some 810 people. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services, and our work led to audited savings of £1.15 billion in 2014.

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Introduction by the Comptroller and Auditor General (C&AG)

The National Audit Office (NAO) has a strong reputation for the independence, professionalism and credibility of our work, a reputation earned by the combined effort of the people we employ. We are an organisation with an important and far-reaching mission to secure improvements in the way public services are delivered.

At a time of austerity, when we are striving for continued improvement in client value, we will only succeed if we draw our talent from the widest possible pool and then continually develop the skills and capability of all our people. Our diversity strategy is key to helping us achieve this.

This is the third annual report against our three-year diversity strategy 2012 to 2015. There are a number of significant achievements to celebrate. In terms of ethnicity and disability, progress has been made in addressing the differences in appraisal ratings. We have continued to recruit a diverse intake of graduates, 40% female and 27% black and minority ethnic (BAME). Our placement of 82nd in the Stonewall Top 100 Workplace Equality Index showed external recognition for our work on promoting a better working environment for lesbian, gay, bisexual and transgender employees. We have also launched a significant training programme focused on developing inclusive behaviours and building an inclusive culture.

We have also faced some real challenges in progressing our diversity and inclusion agenda over the past few years, particularly in retaining and promoting women and BAME colleagues at senior levels, despite a range of initiatives designed to address this issue. We are committed to improving the diversity of our workforce at all levels in the NAO and we will therefore continue to focus on this issue in our new Diversity and Inclusion strategy.

The new Diversity and Inclusion strategy centres on improving the diversity of our talent pipeline and building an inclusive work environment based on fairness, recognising that it is important for everyone to feel valued and able to contribute, irrespective of their background.

We are determined to make the NAO a more diverse and inclusive organisation. I personally have taken on the role of Champion for diversity and inclusion and chair of the Diversity Delivery Board, which provides strategic support and constructive challenge regarding the NAO's diversity programme.

Our Board and Leadership Team attach a high priority to making progress against our diversity and inclusion strategy and will be ensuring that progress is made and actions remain relevant.

This report summarises our progress over the third year of the 2012–2015 strategy. As part of our commitment to the Public Sector Equality Duty we also publish equality data in our separate 'Equality Information' report.

Amyas Morse
Comptroller and Auditor General

Progress against our strategic goals in 2014-15

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

We have continued to make progress to support this goal and have had some notable success in recruiting a more diverse graduate intake and reducing variation in performance ratings between different groups. We have made slower progress in other areas, such as the progression of women and BAME colleagues to senior positions, and this will remain a focus of the new Diversity and Inclusion strategy.

Over the past year we have:

- made progress in addressing differences in 2014-15 appraisal ratings, with the same proportion of disabled colleagues now achieving an 'outstanding' or 'strong' rating as non-disabled colleagues. We have also reduced the variation in 'outstanding' and 'strong' performance ratings between white and ethnic minority groups from 13 percentage points in 2013-14 to 8 percentage points in 2014-15. These achievements have been the result of increased awareness and reflection of unconscious bias, and specific actions to ensure fairer allocation of work opportunities;
- increased the proportion of female graduate recruits from 34% in 2013/14 to 40% in 2014/15, achieving our three-year average target of 40%;
- recruited 27% graduate ethnic minorities, a fall from 32% in 2013/14, however we continue to exceed our three-year target of 22%;
- been awarded the 'Best Employer Contribution to Kingston University Students' by the University of Kingston. This was part of our work with non-Russell Group universities to run mock assessment centres and provide useful application and interview guidance to students;
- continued to work in partnership with City Brokerage, to encourage a diverse pool of talented trainees, and established a strong relationship with Elevation Networks to target recruitment of black graduates, an area where the NAO continues to face challenges;

- established ourselves as an active member of the Access Accountancy Steering Group, committed to providing greater opportunities to talented students from disadvantaged backgrounds. Our chief operating officer has taken a position as a trustee of the Patron Group and as part of the initiative we will provide 8–10 work experience placements in 2015 as well as collect socio-economic data from all our online applicants; and
- undertaken a review of our talent programmes, consulting widely across the business to develop an inclusive talent strategy. The new approach will give everyone the opportunity to develop and progress, and provide access to a broad range of online training resources.

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

Over the past 12 months we have introduced and updated a number of policy and guidance documents, reflecting our commitment to building an environment which is respectful and supportive of our employees.

Over the past year we have:

- launched an updated Dignity at Work policy, which underpins our approach to dignity at work issues. The policy sets out the behaviours we expect to see in the NAO, as well as those behaviours that are unacceptable, and provides guidance on what staff should do if they experience or witness bullying and harassment. The launch was accompanied by mandatory Dignity at Work e-training for all staff and attendance at an interactive workshop, both of which focused on challenging inappropriate behaviour and building a more inclusive work environment;
- implemented a BAME action plan to drive fair and consistent treatment of BAME colleagues across areas such as work allocation and performance management. Progress has been made with the implementation of a more considered and collaborative process for allocating work opportunities and through ensuring increased awareness among directors and line managers of unconscious bias and the importance of fair and balanced performance assessments;
- developed a new Disability Leave policy in consultation with our disability network, the Trade Union Side and the Business Disability Forum. It is designed to provide disabled employees with reasonable time off work for reasons related to their disability;
- updated the Maternity Handbook to provide clarity around existing guidance and to include a line manager checklist to ensure managers are aware of their responsibilities in relation to maternity; and
- carried out a review of flexible working in the NAO and consulted with the business on adopting a more modern approach to flexible working. This will be launched in 2015.

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

Progress under this goal has been driven by NAO-wide training focused on inclusive behaviours and through raising awareness on the importance of building a diverse and inclusive culture.

Over the past year we have:

- seen the C&AG take on the role of Champion for diversity and inclusion at the NAO and chair the Diversity Delivery Board, showing visible personal commitment to building a diverse and inclusive work environment;
- appointed a Leadership Team sponsor for each of the five employee networks. Each executive leader is committed to raising awareness of barriers to progression and actively driving progress in their sponsored areas;
- delivered workshops across the NAO focused on inclusive behaviours and building an inclusive culture. This was in response to concerns raised in the people survey. The workshops increased participant knowledge of behaviours which support an inclusive culture, built staff confidence in challenging inappropriate behaviour and provided a forum for teams to discuss collectively what they could do to generate a more inclusive team environment;
- retained a Top 100 place in the Stonewall Workplace Equality Index 2015 moving up 9 places to 82nd and ranked 6th out of 37 employers in the public sector. This is a great achievement against increasingly higher standards set by Stonewall and meets our aspiration to improve our position in each year of participation;
- created a new position for director of Engagement and Change, reporting directly to the chief operating officer, who will provide expert leadership in all aspects of change including developing inclusive communication and engagement strategies;
- held a successful well-being week, which included workshops on autism, to both help people working with autistic colleagues and to equip managers with practical management strategies. Both of these workshops were run by the National Autistic Society; and
- created a new Staff Advisory Forum, which provides a mechanism to openly discuss strategic issues in the business and for members to offer views to management which are representative of the wider organisation. The membership is drawn from all grades and includes representatives from the employee networks, the Diversity Delivery Board, and the Trade Union.

Goal 4: Further embed diversity in our audit work

We recognise that we are well placed to influence diversity and inclusion across the public sector and have undertaken work in our audit teams to progress this goal.

Over the past year we have:

- carried out a 'Value for Money' study looking at Equality, Diversity and Inclusion in the civil service (July 2015). This study focuses on the government's approach to achieving an equal, diverse and inclusive workforce. It is part of a wider programme of our work on civil service reform and capability. It focuses on whether the civil service is promoting equality, diversity and inclusion in the workforce to optimise capability for the future; and
- we have considered diversity and inclusion in a number of our 'Value for Money' reports including a study into 'Out-of-hours GP services in England', which highlighted that notable proportions of the population, particularly younger people and people from black and minority ethnic communities, are not aware that out-of-hours GP services and NHS 111 exist.

Figure 1

How are we doing against our strategic targets?

Measure	2012-13 (%)	2013-14 (%)	2014-15 (%)	Direction of change	Target by 2014-15 (%)
Women as a percentage of the workforce	43	44	44	▲	No target
Ethnic minorities as a percentage of the workforce	15	16	18	▲	No target
Percentage of graduate trainees from ethnic minorities	25	32 (3-year average 23%)	27 (3-year average 26%)	▼	22 (3-year average)
Percentage of graduate trainees who are women	43	34 (3-year average 40%)	40 (3-year average 39%)	▲	40 (3-year average)
Percentage of women managers (Audit manager and Band 1)	36	38	40	▲	40
Percentage of ethnic minority managers (Audit managers and Band 1)	6	5	7	▲	Year-on-year increase
Percentage of women directors and above	31	30	31	▲	34
Percentage of ethnic minority directors	7	8	8	▲	Year-on-year increase
Percentage of employees declaring a disability	7 (data from employee survey)	8 (data from HR system)	9.5 (data from HR system)	▲	6–8
Percentage of BAME employees achieving the highest appraisal ratings	28 (‘A’-rating)	47 (‘outstanding’ and ‘strong’ ratings)	38 (‘outstanding’ and ‘strong’ ratings)	▲	No difference between % BAME and % white employee achieving the highest ratings
Percentage of white employees achieving the highest appraisal ratings	40 (‘A’-rating)	61 (‘outstanding’ and ‘strong’ ratings)	46 (‘outstanding’ and ‘strong’ ratings)	▲	No difference between % BAME and % white employee achieving the highest ratings

▲ Improving and achieving or exceeding 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 looked at targets in accountancy firms to inform our own target setting and we ensured that the NAO targets reflect a challenging level of improvement across the three years.

Achieving further progress

During the past three years we have made progress in areas such as recruiting a more diverse graduate population, improving equality of the work experience provided to trainees, reducing bias in performance ratings and raising awareness of inclusive behaviours and the importance of an environment where everyone has a voice.

We believe that a fully diverse and inclusive workforce is integral to our success as an organisation. To achieve this we aim to build an inclusive environment where the richness of ideas, backgrounds and perspectives are valued and harnessed to create real sustainable value. Our new and ambitious 2015–2018 Diversity and Inclusion strategy reflects these aims and is built around three core pillars.

- 1 Talent pipeline: to create a truly diverse organisation we need to recruit, develop and support the promotion of a diverse mix of talent through all stages of their career.
- 2 Inclusive work environment: to build an inclusive work environment where difference is valued, the power of diversity is harnessed and everyone has equal opportunity to contribute and reach their full potential.
- 3 Diversity in our delivery: integrating diversity into all of our work and promoting progress in all public bodies.

To build a diverse talent pipeline, at all levels in the NAO, we will:

- continue to work in partnership with external bodies to recruit a diverse mix of graduates, including those from a wider socio-economic pool. We will provide work placements for 8 students from socially disadvantaged backgrounds and continue to host events in support of black recruits.
- focus on achieving equal access to work opportunities through close monitoring of work allocation by cluster directors.
- support fair selection for talent programmes and promotional opportunities by reducing unconscious bias and ensuring challenge at the shortlisting and decision-making stages. We are keen to embed the practice of systems that are genuinely based on ability and talent and are driven by transparent and fair criteria.
- review our performance management process, to ensure that it is seen as consistent and transparent and that it delivers open and honest feedback so that people understand the decisions made.

We will encourage and support the development and recognition of an inclusive culture by:

- updating existing training and development programmes to improve awareness and practice of inclusive behaviours at all levels of the organisation;
- incorporating inclusive behaviours in the NAO competency framework and as a core part of performance management discussions;
- encouraging the use of effective upward feedback as a tool for continued professional and personal development;
- supporting a new approach to flexible working that gives people greater control over where and when they work, while recognising the continuing importance of team working and business need; and
- managing and leading change in a way that is both engaging and inclusive. We have appointed a director of Engagement and Change who will focus on improving the way in which we communicate that carries all our people with us and builds a culture where change is accepted as a way of life.

In striving to consider diversity issues in the course of our work we will:

- finalise a 'Value for Money' study of diversity in the civil service and follow this up with further work on the extent to which departments are delivering on their Public Sector Equality Duty; and
- consider the potential to include diversity considerations in the scope of work for all mainstream 'Value for Money' reports.

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