Foreword

The National Audit Office (NAO) supports Parliament to hold government to account and to improve public services. With government facing an unprecedented period of change, the NAO must be on top of its game in order to fulfil its role and add value to the public sector. This relies heavily on our people. I strongly believe that we can only do this by continuing to show respect for each and every member of staff, and an appreciation of the differences they bring, and by building on our inclusive and collaborative working culture.

In 2015, we launched a three-year strategy to embed diversity and inclusion across the NAO. The strategy is centred around three pillars: to build a diverse pipeline of talent; to create an inclusive work environment; and to reflect diversity in our work. This report focuses on our achievements in the second year of the strategy, 2016-17.

One of our key areas of focus during 2016-17 was unconscious bias, which can undermine our success as an inclusive culture. Building on awareness training we provided for staff, we brought in experts in the field of unconscious bias to help us better understand where we were at risk of displaying unconscious bias as an organisation, and to help raise awareness of those biases in order to minimise their impact on the decisions we make.

We have taken on board a range of recommendations and are now implementing those across our talent programmes and recruitment and promotion selection processes.

Our record of recruiting a diverse mix of graduates to our accountancy training programme is strong, but we want to maintain this trend and increase our intake of candidates from socially disadvantaged backgrounds. We have, therefore, developed our graduate selection processes to help make them fairer, and we continue to focus on the social mobility agenda through the expansion of our internship and work experience programmes.

We are certainly not at the end of our diversity journey, and we still have a lot of work to do – ensuring fair and consistent treatment of our people when it comes to performance management being one of our priorities. However, it is important to recognise how far we have travelled since we launched our strategy, and I am proud that our organisation is a more diverse and inclusive place to work.

Building and valuing a diverse and inclusive workforce takes purpose and dedicated action, but the benefits are substantial, both to ourselves and those we serve. I look forward to what we can achieve in the final year of our current diversity and inclusion strategy.

Amyas Morse, June 2017
Our year in highlights

Our intake of graduates from a BAME background grew from 21% in 2016 to 41% in 2017 (based on job offers accepted), and the number of black candidates in each year’s intake rose from 4 in 2016 to 11 in 2017.

Fifty percent of female applicants were successful in promotion to director compared with 25% of women in the previous year. Four of the five promotions to director in 2016-17 were female.

More than 70% of our internship students, drawn from BAME and socially disadvantaged backgrounds, were offered a place on the NAO graduate scheme.

More of our people feel they are treated fairly at work (82% of staff, up from 77% in 2015) and that the NAO respects individual differences (77% of staff, up from 67% in 2015) according to the 2016 People Survey.

There was no difference in the percentage of BAME staff who received the highest performance rating in 2016 annual appraisals compared with white staff.

We reflected diversity and inclusion issues in a range of our value-for-money reports, and have updated our guidance to ensure diversity issues are considered early on in the scoping process.

We have raised awareness of unconscious bias across the organisation, with a particular focus on understanding how unconscious bias affects our decision-making processes and the fairness of our talent programmes.

As part of our focus on mental health, one in 20 of our staff are now trained in Mental Health First Aid.
Pillar One

Talent pipeline

The NAO has continued to focus on areas which support the recruitment and development of diverse talent.

Recruitment

In support of our commitment to recruit from a wider pool of people, we have updated our graduate recruitment process to better support BAME candidates and recruit people from socially disadvantaged backgrounds.

We developed a campaign designed to expand our recruitment reach across a wider range of universities. In 2016, we received applications from 223 universities, compared with 202 universities in the previous year, and the proportion of applicants who attended universities outside of the Russell Group receiving a job offer from us increased from 25% to 39%.

Ethnicity

The proportion of applications to the graduate scheme from BAME candidates remained stable at 38% in 2016 and 39% in 2017. However, the proportion of BAME graduate candidates receiving job offers increased from 21% to 41%. This included eight candidates from our 2016 internship scheme.

Black African and Caribbean graduates are historically under-represented in the accountancy profession. In the NAO, we have a target to increase the number of black NAO graduates recruited year-on-year. Our progress against the target is evidenced by increasing the number of black graduates joining the NAO, up from one in 2014 to four in 2016, with 11 due to join the scheme in 2017.
We will be analysing the factors behind the improved performance; however, the introduction of ‘blind’ recruitment (removing personally identifiable information from CVs of applicants), along with an increased level of guidance to candidates on our recruitment process, including clear tips on how to approach the different stages of selection, may have helped level the playing field.

Profile of graduate intake 2015 to 2017: BAME

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
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<tbody>
<tr>
<td>BAME</td>
<td>26%</td>
<td>21%</td>
<td>41%</td>
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1 2017 data are based on offers made, as acceptances have not yet been finalised.

Social mobility

We have continued to focus on improving social mobility by: introducing contextualisation (considering the talent and potential of applicants based on the personal context in which their academic achievements were gained); supporting the work of Access Accountancy;\(^1\) and raising awareness of accountancy as a career for students from socially disadvantaged backgrounds, through work experience placements and skills workshops.

The introduction of contextualisation enabled us to be flexible about our graduate scheme eligibility requirements for candidates who narrowly missed our baseline of 300 UCAS points, as their background demonstrated they had outperformed their circumstances. Two such candidates were offered jobs. We plan to evaluate the impact of contextualisation over the coming year to help us decide on next steps in this area.

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\(^1\) www.accessaccountancy.org
In October 2016, fourteen Year 13 students from disadvantaged backgrounds took part in our work experience programme, which was extended to include our Newcastle office for the first time. Our original target, as stated in our diversity and inclusion strategy, was to provide eight such placements.

Our Summer Internship Programme in 2016 was expanded to include students from disadvantaged backgrounds. Five such students joined the internship programme, and three of these were successful in gaining a position on our graduate programme.

During the year we ran an event in collaboration with Pure Potential, an organisation that works to raise the ambition and aspiration of students from socially disadvantaged backgrounds. The event provided an opportunity for students to develop skills such as writing a targeted CV and successful interview technique, as well as hearing the experiences of our trainees and directors.

Developing talent

To support building diversity in our talent pipeline through to senior positions, we have made a number of changes to our people processes to promote greater equality of work allocation and ensure that staff, regardless of their background, are encouraged and supported in their career development.

Work allocation

Over the past 12 months we have focused on equal access to career-developing work through the introduction of blind allocation (assigning projects to staff without knowledge of their personal data) at graduate trainee level, where possible, and more open and transparent offering of work opportunities, for example by advertising high-profile vacancies on our intranet. This has helped to spread our high-quality work more evenly across different groups of NAO people.
Talent programmes

We aim for the composition of our talent programmes to be reflective of the wider feeder grades. The 2016 Emerging Leaders Programme, aimed at qualified accountants (audit principals) and senior analysts, comprised 57% women and 11% BAME staff. This compares with 46% women and 18% BAME staff who currently occupy these grades. These results are encouraging, however, more work needs to be done to ensure we meet our strategic target of talent programmes reflecting the make up of the wider grades from which successful candidates are drawn.

Profile of our 2017 talent programme

<table>
<thead>
<tr>
<th></th>
<th>Participants</th>
<th>Feeder population</th>
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<tbody>
<tr>
<td>Women</td>
<td>57%</td>
<td>46%</td>
</tr>
<tr>
<td>BAME</td>
<td>11%</td>
<td>18%</td>
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Promotions

We aim for a year-on-year improvement of under-represented groups at manager level and above, and for the composition of promotion shortlists to be reflective of the wider feeder grades.

The gender diversity of our Directorate increased from 25% in 2015-16 to 29% in 2016-17. This was primarily due to an increase in the success rate of female applicants for promotion to director, from 25% of candidates who applied in 2015-16, to 50% in 2016-17. Four out of five (80%) promotions to director in 2016-17 were female.

The gender diversity of our managers has remained relatively stable over the past three years at circa 40%. Four of the nine (44%) promotions to manager were female in 2016-17.
Diversity in our promotion shortlists is encouraging, with 38% women and 5% BAME shortlisted for director promotion in 2016-17, compared with 40% and 7% in the feeder grades respectively. Shortlisted candidates for manager were made up of 32% women and 16% BAME, compared with 46% and 18% in the feeder grade respectively. We acknowledge we still have some way to go to fully achieve our targets in this area.

We are taking action to better understand the issues at play with regard to promotion. During the year we conducted a survey of women’s experiences of the promotion process. As a response to feedback, we introduced a number of changes including: clearer job criteria; interview questions more directly aligned to these criteria; relevant and timely feedback to candidates; and improved diversity in our interview panels.

<table>
<thead>
<tr>
<th>Year</th>
<th>Director %</th>
<th>Manager %</th>
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<tbody>
<tr>
<td>2014-15</td>
<td>28%</td>
<td>39%</td>
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<tr>
<td>2015-16</td>
<td>25%</td>
<td>42%</td>
</tr>
<tr>
<td>2016-17</td>
<td>29%</td>
<td>40%</td>
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Performance management

We aim for a consistent and objective performance management process, and a year-on-year reduction in appraisal rating variances between under-represented groups. In previous years there has been a notable difference between BAME and white colleagues in terms of the relative proportion receiving the higher performance ratings.

January 2016 saw the introduction of a new performance management framework, following extensive consultation on its design within the NAO. For 2016, there was no significant difference between the two groups receiving the top rating – 17% of white staff compared with 18% of BAME staff. We will continue to review our performance management framework to make sure it is as well suited as possible to the needs of the NAO and to monitor the diversity profile of appraisals for all under-represented groups, and take action to address any concerns.

Looking ahead

Over the next year we will concentrate on diversifying our talent pipeline by reaching out to a wider group of talented students and continuing to ensure fair and equal recruitment and promotion processes, and workplace experiences.

Areas of focus will include:

- Recruitment – undertake an external re-branding exercise to re-fresh our recruitment web pages and external material to project a more representative image of the NAO, reflecting our diversity and inclusion values. We will also continue to monitor the impact of blind screening and contextualisation on the diversity of our graduate intake.

- Work allocation and performance management – continued focus on fair treatment of BAME staff in work allocations, and ensure the improvement in the outcome of performance appraisals is maintained.

- Talent and promotion programmes – we will implement the recommendations from a number of recent external reviews (see Pillar Two) in our selection processes for talent programmes and promotions.

- Diversity data – we will improve the quality of personal diversity data held by the NAO through a disclosure campaign, including the collection of social mobility data from existing employees for the first time. This will enable the NAO to monitor more accurately the impact of its policies on particular groups of staff, and take action to address any differences.
Pillar Two

Inclusive working environment

We have continued to embed inclusive practices and behaviours into our ways of working and ensure we have an inclusive working environment for all our people.

Our people survey

We encourage sustainable inclusive workplace behaviour as indicated by a year-on-year improvement in People Survey responses to questions related to inclusivity. We have seen improved scores in the 2016 People Survey, with more employees reporting feeling that the NAO respects individual differences and that they are treated fairly at work than in 2014 and 2015.
Unconscious bias

As we continue to build a more diverse and inclusive NAO we have concentrated on raising awareness of unconscious bias, improving equality in the decisions we make, and ensuring fair treatment for all our people.

Live bias review

We aim to use inclusive selection tools and processes so we are not unintentionally biased towards any particular group. In November 2016 we appointed Pearn Kandola to conduct live bias reviews during the selection process for our talent programme, Emerging Leaders, to understand how unconscious bias played out in real-life selection meetings. The review aimed to raise awareness of individual, group and process biases. The report concluded that there was no evidence that any unsuccessful applicant should have been selected; however, it did recommend a number of improvements including:

- introduce specific roles into decision meetings, for example an independent challenger;
- enhance the clarity of selection criteria upon which decisions are based; and
- improve consistency in how selection criteria are used to make decisions.

For our talent programmes, we have implemented these recommendations. We have also reflected on how the findings could improve other people-related decision processes, such as the annual moderation meetings relating to performance appraisal.

Unconscious bias e-training

At the start of 2017, we launched unconscious bias e-training for all our people, aimed at improving self awareness of biases, understanding the impact of bias in the work environment, and embedding ways to minimise the effect of bias.

Office-wide training on the way we work

All managers in the NAO should demonstrate an inclusive approach in their work, and this is reflected in our strategy. In 2016, the NAO launched a three-year training programme for all staff called ‘The Way We Work’. One of the programme’s objectives is to improve the way we bring together our collective skills and knowledge to create a more fulfilling and inclusive work setting.
More than 90% of our people completed module one of the programme, which focused on understanding individual work preferences. The course provided everyone with a common language as well as a number of helpful methods to support more inclusive and engaging conversations about how to appreciate our individual working styles and work together more successfully.

Mental health

We have raised awareness of mental health issues via workshops, and worked in particular to improve line managers’ confidence in supporting those in their teams with mental health issues. To complement this training and strengthen the support we offer around mental health, we trained 40 people from across the office in Mental Health First Aid (MHFA). The course taught participants to identify, understand and help a person who may be developing or have a mental health issue.

Disability

In March 2017, we appointed the Business Disability Forum (BDF) to conduct a review of the levels of engagement of disabled staff and our reasonable adjustments process. BDF interviewed a number of key stakeholders, facilitated focus groups with disabled employees and line managers, and held workshops to explore improvements to the reasonable adjustments process. BDF is finalising its report, which will contain a number of recommendations for improving the experience of disabled colleagues at the NAO.

Feedback from participants on the Way We Work training

I have acquired new skills

<table>
<thead>
<tr>
<th>Pre-course</th>
<th>Post-course</th>
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<tbody>
<tr>
<td>Agree 85%</td>
<td>Agree 86%</td>
</tr>
<tr>
<td>Disagree 15%</td>
<td>Disagree 15%</td>
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Feedback from participants on MHFA training

I have a high level of knowledge and understanding on how to support those with a mental health problem

<table>
<thead>
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<th>Pre-course</th>
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<tr>
<td>0%</td>
<td>71%</td>
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**LGBT**

We have a positive story to tell on LGBT (lesbian, gay, bisexual, and transgender) issues and our 2016 People Survey indicated no significant areas of concern with regard to our LGBT colleagues. We have, however, continued to work closely with the LGBT network and Stonewall to identify areas where the NAO could make even further improvements, for example in raising the profile of the network and in encouraging support from straight allies. We have also purchased a rainbow flag and flown it at relevant times, such as Pride Week.

**Looking ahead**

Over the next year our intention is to instil our learning around unconscious bias, improve the experience of colleagues affected by disability and mental health conditions, and enhance the way we collaborate and interact across the NAO.

Areas of focus will include:

- **Unconscious bias** – ensure all staff have completed the unconscious bias e-learning training. We will also develop a range of engaging and interactive tool kits on unconscious bias for use at cluster level to help staff manage their biases and minimise their impact.

- **Office-wide training** – we will launch module two of The Way We Work programme, which will develop knowledge of individuals’ working preferences and explore how staff can develop more effective working relationships, thereby helping to create a more inclusive work environment.

- **Mental health** – we will develop the role of our newly trained Mental Health First Aiders and raise awareness of the support they can offer across the NAO.

- **Disability** – we will work with BDF to implement the recommendations of its review, ensuring disabled colleagues are fully supported and fairly treated, particularly in relation to performance management and progression.

- **Leadership** – a key strategic aim is to drive visible top-down commitment towards diversity and inclusion. Following the appointment of a number of new members to the Leadership Team, we will support all executive leaders in displaying visible inclusive behaviours and in sponsoring our employee networks, to help us achieve this aim.
Pillar Three

Diversity in our work

Our main target in this area is to ensure that we consider diversity issues in the course of our work and develop our understanding of diversity in public bodies and services.

Our reports to Parliament

Over the past 12 months we have updated our internal guidance for value for money (VfM) staff to ensure diversity issues are considered early on in the VfM study scoping process. We have also highlighted a number of diversity-related issues through our VfM studies.

We have published a range of VfM reports in 2016-17 which contain a diversity and inclusion aspect. A selection of those reports are highlighted here.

Mental health services: preparations for improving access

This report reviewed the government’s progress in putting in place access and waiting time standards in support of its ambition to achieve parity of esteem between mental health and physical health. The report highlighted that people with a mental health condition are more likely than others to be homeless, unemployed, and live in areas of high social deprivation. However, a high proportion of people with mental health conditions do not have access to the care they need. The report concluded that the access and waiting time standards for mental health services should help to improve services and outcomes for people, but warned that achieving the standards would be a very significant challenge.
Children in need of help or protection

This report reviewed progress in improving the system to help and protect children. Findings indicated that nationally the quality of help and protection for children is unsatisfactory. Access to help or protection was also not consistent across the country – children living in deprived areas were 11 times more likely to have a child protection plan than those in the most affluent areas. Recommendations included setting out clearly how to ensure all children have equal access to high-quality services, and developing better indicators to monitor the lives and outcomes of children.

Recovering the cost of NHS treatment for overseas visitors

The Department of Health set a target to recover up to £500 million a year for treating overseas visitors by 2017-18 to improve the financial position of the NHS. The report highlights some of the potential unintended, undesirable consequences of this cost recovery programme, including the risk that vulnerable groups (such as homeless people or some ethnic groups, who may already feel marginalised) might be disproportionately less likely to seek necessary treatment. The Department acknowledged that guidance for NHS staff would be needed to mitigate the risks to vulnerable people.

Local support for people with a learning disability

A report into how the NHS and local authorities improve the lives of people with a learning disability found that, although £8 billion was spent annually, there were limited measures to assess the quality and impact of support for people with a learning disability. The report recognised early progress with the Transforming Care programme, which aims to move some people with a learning disability from mental health hospitals into the community. However, the report highlighted difficulties including challenges in making money follow the patient, limited availability of specialist accommodation, and lack of workforce plans to recruit and train people to provide support in the community.

Looking ahead

The following are some of the actions we are taking in the coming year:

- We will build on our success of reflecting diversity and inclusion issues in our work by continuing to include these in our future VfM reports, where appropriate.
- As part of this, we will review the VfM forward work programme to highlight VfM studies that have the potential to include a diversity and inclusion element.