



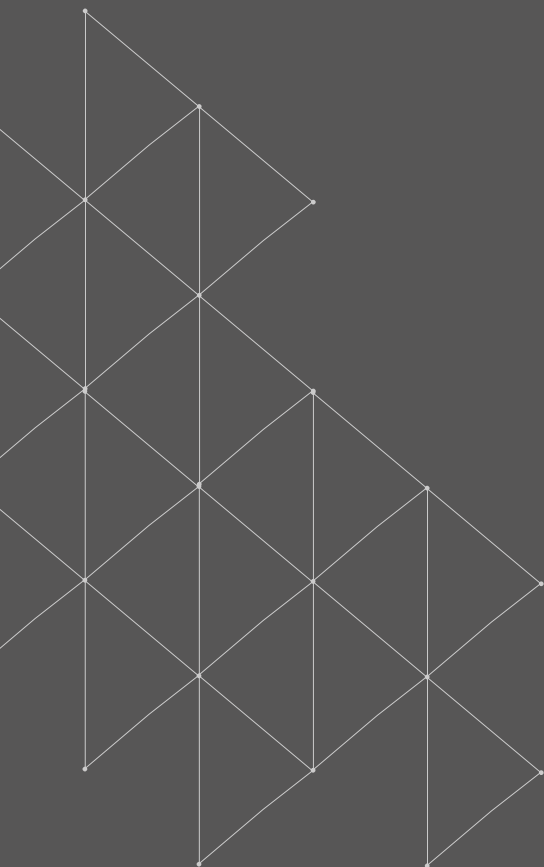
National Audit Office

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# Diversity and Inclusion Annual Report

## 2017-18

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# Foreword

The NAO plays an important role in public sector accountability and improving the delivery of public services. To enable us to fulfil this role, we must: develop and apply our knowledge; increase our influence; and deliver high performance. We can only achieve these objectives if we have a committed, talented and engaged workforce, and this sits at the heart of our strategy.

Our current Diversity and Inclusion (D&I) strategy was launched in 2015 and expires this year. This report reflects on our progress over the last three years and summarises our activity and achievements in the last year of the strategy. We have made some good progress on attracting a diverse range of people to apply to the NAO and on reaching equality in performance appraisal ratings. We've also taken positive steps to support disabled colleagues and those from socially disadvantaged backgrounds and we've continued to work closely with all six of our employee diversity networks to address specific issues they have raised during the year. However, we have made slower progress in other areas of D&I. For example, we have not seen substantial improvement in the diversity of our workforce, particularly at more senior levels, due in part to the low number of promotion opportunities, and we acknowledge that this

is a longer term goal for us. Our new strategy, covering the next three years, identifies specific actions we will take to enable us to make faster progress in these areas, whilst building and maintaining the good work that we have already achieved.

I am committed to ensuring that the NAO becomes a fully diverse and inclusive organisation and I look forward to leading the NAO as it continues its diversity journey.

**Amyas Morse**

**June 2018**

# Highlighted achievements in 2017-18



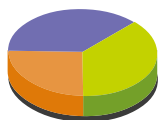
Attracted a more diverse range of applications to our trainee recruitment programmes, following the re-branding of our trainee website highlighting our diverse workforce



Improved our understanding of issues facing staff from socially disadvantaged backgrounds through the introduction of social mobility measures into our staff diversity profile and people survey



Met our legal obligations on gender pay gap reporting through the publication of a report setting out a mean gender pay gap of 10.6% on the snapshot date of 31 March 2017. The gap reflects the lower proportion of women in senior roles in the NAO



Achieved equality in the distribution of our highest performance ratings by gender, ethnicity and disability



Strengthened our team of Dignity at Work Leads, who provide informal support to staff who have experienced or witnessed inappropriate behaviour, by appointing and training Directors, Executive Leaders and Board level representatives



Improved our support to staff facing mental health issues by launching our Mental Health First Aid initiative and training over 60 mental health first aiders



Continued the process of improving equality for disabled colleagues through the implementation of a Disability Action Plan to support delivery of recommendations from an external review of disability in the NAO



Increased awareness of D&I issues in public services through the publication of a range of value-for-money reports containing a D&I perspective

# Reflections on the last three years

We have achieved much over the three year life of the D&I strategy. The D&I agenda has gained greater prominence across the organisation and is more widely and frequently referred to as part of business as usual. In particular we have:

- Raised awareness of inclusion, inclusive behaviours, unconscious bias and different ways of working
- Embedded a culture where people feel able to work flexibly to deliver their work commitments
- Provided a Leadership Team voice for the employee networks by appointing Network Leadership Sponsors
- Introduced social mobility onto the D&I agenda, first at the point of recruitment and then across all employees
- Updated our recruitment practices introducing blind recruitment and contextualisation to improve the diversity of our trainee intake
- Raised awareness of mental health conditions and improved support for colleagues experiencing mental health issues through our trained mental health first aiders
- Reinforced our commitment to eliminate inappropriate behaviour through workshops on dignity at work and establishing internal Dignity at Work leads across the business.

Of course, there is still much to do before the NAO can say that it is a fully diverse and inclusive organisation. However, the last three years have laid the foundations on which we can make further progress towards achieving our vision.



# Pillar One

## TALENT PIPELINE

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

### Recruiting diverse talent

In order to reflect the diversity we are looking to attract to the NAO, we rebranded our trainee website using interactive videos and short clips to highlight our diverse workforce and make it easier for applicants to access information about our training schemes.

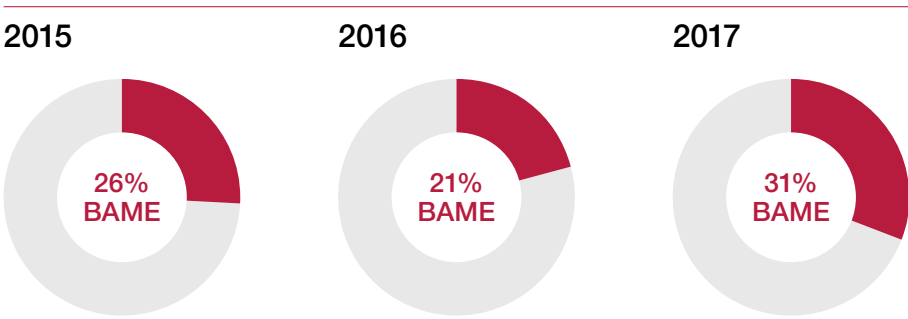
We have also continued to run our internship programme, focused on undergraduates from ethnic minorities and socially disadvantaged backgrounds, which has helped raise our profile amongst these groups.

### Ethnicity

We have continued our efforts to increase the proportion of BAME graduates joining the NAO. We partnered with Sanctuary Graduates in 2017 to run an attraction campaign, which involved canvassing over 100 Universities, raising the profile of the NAO amongst our target group. For the second year running we also took part in the Bright Network Festival, a UK careers event aimed at connecting graduates with employers, which was attended by over 1,500 undergraduates including 62% BAME, 62% from non selective state schools and 45% women.

Applications from BAME candidates to our graduate programme have steadily increased over the past three years from 36% in 2015 to 39% in 2017. We have, however, found it challenging to maintain a consistent graduate intake of at least 30% BAME candidates. BAME recruits made up 26%, 21% and 31% respectively of our 2015 to 2017 graduate intakes.

### Ethnic profile of joiners to our graduate programme 2015 to 2017



### Social mobility

Over the past year we have continued to focus on attracting and recruiting candidates from a socially disadvantaged background by maintaining our commitment to Access Accountancy and hosting our summer internship and work experience placements aimed at this group.

To further our understanding of the impact of social background on recruitment, our 2016 graduate and school leaver intake data was analysed by Bridge Group (a charity that promotes socio-economic equality in the UK) and benchmarked against other accountancy organisations who took part in the review. The results indicated that the NAO performed well against other organisations, in attracting those from disadvantaged backgrounds, but was less successful in converting applications into offers on our graduate scheme. An external review of our trainee selection process, commissioned in March 2018, will help us to address this issue going forward.

In addition to our graduate programme, our school leaver programme attracts a number of diverse students, including those from socially disadvantaged backgrounds. In 2017 we actively visited a larger number and wider range of schools, colleges and academies to reach to a more diverse audience. Our 2017 school leaver intake included 38% who received income support and 50% who attended a state run, non selective school, compared to 11% and 33% respectively in 2016.

### Developing our Talent

#### Performance management and work allocation

Over the past year we have been particularly focussed on ensuring that our performance management and appraisal process is objective and free from bias. We have introduced and embedded a ‘challenger’ role to the appraisal moderation process to help ensure all appraisal decisions are made using evidence against clear criteria and that any potential bias is picked up and questioned. This has helped us to achieve equality in the distribution of the highest performance ratings by gender, ethnicity and disability, in our 2017 annual appraisal round. However, we have more to do to address differences between groups in the profile of staff awarded our lowest performance rating, for example, between BAME and white staff, and disabled and non disabled staff.

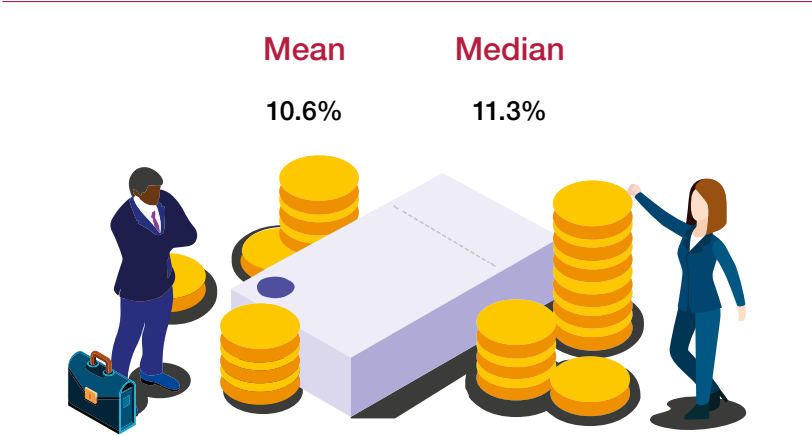
Building on previous work on ensuring fairness in work allocations, we changed our approach to assigning work portfolios last year by considering first the development needs of those from ethnic minorities and allocating those staff to suitably challenging work, before allocating work to other groups of staff.

### Career progression

Improving the representation of women in the NAO, particularly at more senior levels, has remained a key area of focus in the period. We have struggled to consistently maintain a 50:50 gender ratio in our graduate training programme and the gender make up of our qualified, manager and director grades has not shifted significantly in recent years. Whilst we have seen improvements in the proportion of women succeeding in promotion campaigns, the small number of campaigns run each year has limited the impact of these outcomes on the overall make up of the workforce.

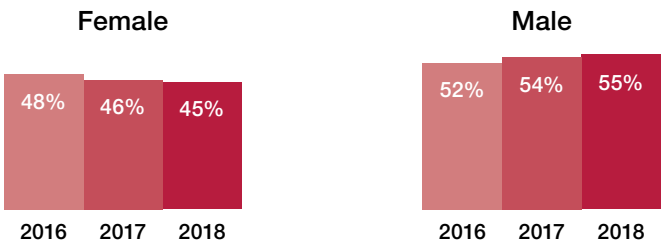
These issues were highlighted in the publication of the NAO gender pay gap report in January 2018, which confirmed that the main reason for the existence of a 10.6% pay gap was the low proportion of women in senior roles. The NAO is committed to addressing this issue and has identified a number of new actions to support women in the workplace (see ‘looking ahead’).

### Gender Pay Gap 2017

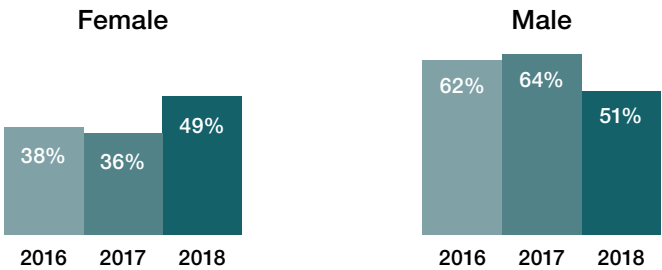


### Manager promotions by gender 2017-18

#### Make up of feeder grade



#### Make up of promotion applicants

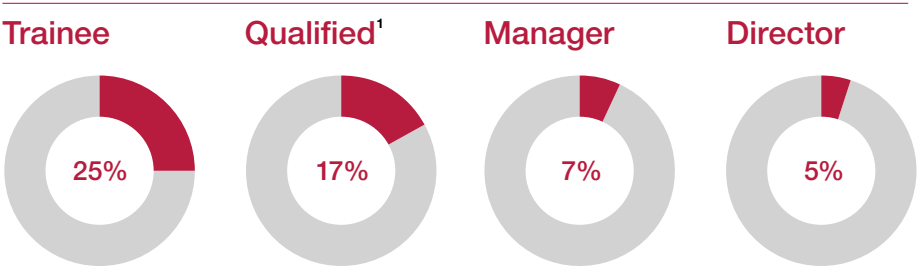


#### Success rate of applicants



Progression of BAME trainees also remains an area where we would like to make more progress. There is a fall in BAME representation once trainees qualify as chartered accountants and at manager grade. We need to fully understand the reasons for this in order to decide on actions to strengthen our BAME pipeline.

### BAME representation 2017



**Note**  
 1 Qualified = principal auditors and senior analysts.

We aim for the composition of our talent programmes to be reflective of the wider feeder grades. The 2017 Emerging Leaders Programme, for accountancy qualified staff, and 2018 Leaders Programme, for managers, comprised 67% and 38% women respectively. This compares with 45% and 41% women who currently occupy these grades. We are also focussing on BAME representation on these programmes however numbers are currently too low to draw any reasonable conclusions.

### Looking ahead

Over the next year we will concentrate on diversifying the make up of our trainee programmes and supporting the progression of women and ethnic minorities to senior positions.

Areas of focus will include:

- Attracting diverse candidates – we will develop a stronger social media presence and other engagement strategies to enhance our reach to diverse groups, focussing particularly on gender and ethnic minorities
- Selection process – we are taking more proactive actions in the current graduate recruitment campaign to ensure a more balanced intake, including encouraging women to progress their applications at each assessment stage. We have also commissioned an external review of our trainee selection process, including an analysis of the impact on diverse groups, to address diversity in our pipeline and, in particular, strengthen our female and BAME representation
- Performance – we will explore the reasons for variation between different groups in the lower performance rating and identify actions to take
- Progression – we will consult on introducing a formal sponsorship scheme to support women and ethnic minority staff to progress their careers in the NAO. We will also look at enhancing flexibility in job roles, particularly those at more senior levels.
- Promotion – we will consider how we can proactively encourage more women to apply for promotions



# Pillar Two

## INCLUSIVE WORKING ENVIRONMENT

**We have continued to invest in raising awareness of, and embedding, inclusive behaviours and their associated benefits.**

We have worked closely with our six employee networks, who have made a valuable contribution to raising the profile of different characteristics. This has included:

- arranging for the Cabinet Office to present findings from the Race Disparity Audit to our staff,
- inviting KPMG to share their approach and success around social mobility
- supporting HR on new policies and guidance, for example, advising on appropriate wording for our refreshed diversity data self-service page.

We have also enhanced our support to the staff networks by appointing a People Director partner to each network, to help embed change at an operational level across each of the characteristics, and through assigning new Executive Leaders to sponsor a network, to champion network issues at a senior level.

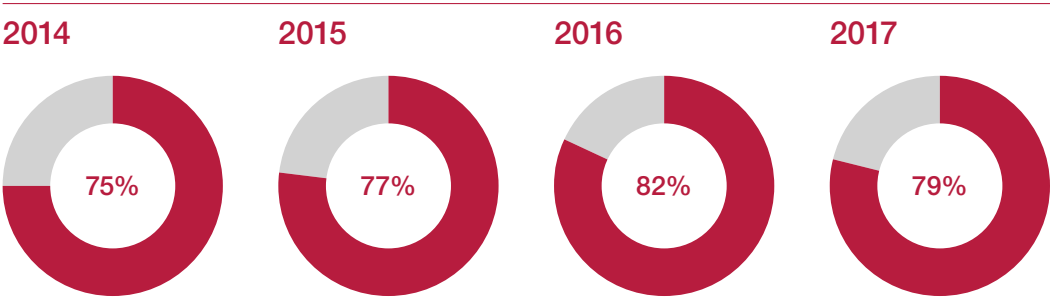
## Fair Treatment

We have continued to monitor the views of staff regarding how they are treated in the workplace and the results have been mixed, showing that we need to step up our efforts in this space. Direct experience of bullying, harassment and discrimination has reduced marginally in the last year, which is encouraging, but there has been a fall in the percentage of staff seeking resolution to issues involving unfair treatment.

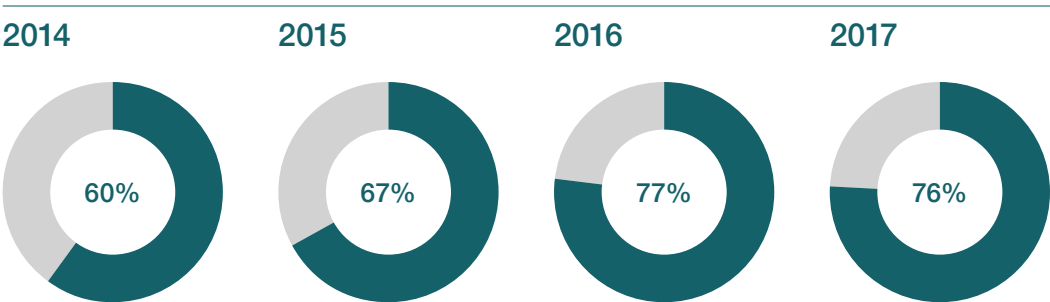
In 2015 we introduced our Dignity at Work Leads; staff volunteers, who are trained to offer informal, confidential support to those who have experienced or witnessed inappropriate behaviour. In that same year 61% of those who experienced bullying and/or harassment sought informal resolution, but this dropped to 37% in 2017.

### 2017 People Survey data

#### I am treated fairly at work: Strongly agree/agree

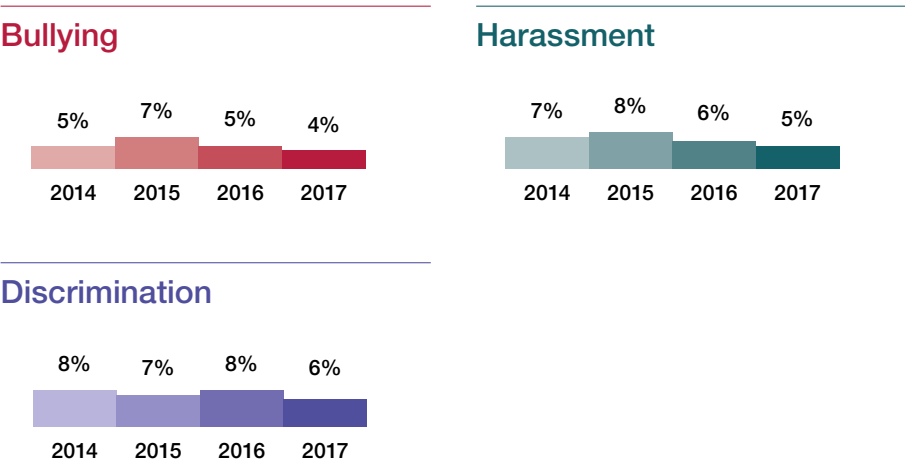


#### The NAO respects individual differences: Strongly agree/agree



To address the decline we improved the visibility of our Dignity at Work champions, for example, by providing them with purple lanyards, and we also arranged refresher training for them. In addition we appointed Director, Executive Leader and Board level Dignity at Work Leads, to widen the range of support available to staff affected by unfair treatment. Finally, the Leadership Team publically re-stated their commitment to addressing bullying and harassment in the workplace.

#### Over the past 12 months have you personally experienced: Strongly agree/agree



### Support for disabled colleagues

We commissioned the Business Disability Forum (BDF) to conduct a review of our reasonable adjustments process and engagement levels of our disabled staff in 2017, in response to variations in our people survey results between disabled and non disabled colleagues. The report commended our corporate commitment to supporting disabled colleagues and made a number of recommendations to help us to translate that commitment into practical actions on the ground. We developed a detailed action plan, in partnership with the disability network, to address the recommendations and progress has already been made in achieving Level 2 of the Disability Confident scheme which is designed to help organisations recruit and retain disabled people. We are aiming to achieve Level 3 (the highest level) within the next 12-18 months and will continue to implement the action plan in 2018.

Over the past year we have further strengthened our focus on mental wellbeing, including launching our Mental Health First Aid initiative and training an additional 20 people to support staff with mental health conditions, bringing the total number of Mental Health First Aiders to over 60. Our mental health first aiders have supported more than 40 colleagues since we started keeping records six months ago..

In collaboration with our mental health staff interest group, the mental health first aiders have raised awareness and acceptance around mental health conditions by; organising ‘time to talk’ days, running seminars on mindfulness and posting blogs encouraging people to look after their own mental wellbeing.

### Support for staff from socially disadvantaged backgrounds

In 2017 we launched a diversity disclosure campaign to encourage all staff from across the office to declare their social background, to help us monitor the impact of policies and practices on staff from lower socio-economic groups. To date 53% of staff have completed their socio-economic profile and we are working with our social mobility network to consider how we can improve response rates. As we build up this data, we will be better placed to support staff from less advantaged backgrounds.

Our 2017 people survey included questions on social mobility for the first time. This established a base line to monitor future engagement levels and enabled us to analyse the workplace experience of those from lower socio economic groups.

### Raising awareness of inclusion through our employee networks

As well as working with the disability and social mobility employee networks to increase support for those groups of staff, we have supported our other four employee networks in their activities to raise awareness of particular characteristics. For example:

- the LGBT network invited Stonewall to speak to staff during Diversity and Inclusion week on the power of allies in creating inclusive work cultures.
- the Faith network worked in collaboration with the Disability network to invite Philip Rutnam (Civil Service Disability Champion) to speak to staff during Diversity and Inclusion week on building an inclusive workplace.
- the Women’s network collaborated with HR to develop messaging to staff around acceptable behaviour in the workplace, responding to wider concerns in the media around sexual harassment
- the Ethnic Minority network organised a seminar by the Race Disparity Unit in the Cabinet Office to present the findings of the Race Disparity Audit

### Unconscious Bias

We have continued to raise awareness of unconscious bias and how our views and opinions, which we may or may not be conscious of, affect our everyday behaviour and decision making. In the past 12 months we have addressed this through the second module of the ‘Way we Work’ corporate training programme, focused on how we can better work within and across teams and effectively manage our people. Almost 95% of the office have completed this two day workshop.

#### Quotes from participants:

“I’ve found the growing emphasis on ‘our people’ and the ‘way we work’ means I have felt more confident in challenging unfair practice when I see it.”

“I found both Way We Work training modules have helped me to better understand my colleagues and adapt my own behaviour to accommodate.”

We also launched our unconscious bias e-learning module in 2017 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. To date 45% of the office have completed the training. We need to increase the completion rate to 100% and embed the learning from the training going forward.

## Looking ahead

Over the next year our intention is to continue to promote and embed inclusive behaviours and skills to enhance the way we collaborate and interact across the NAO. There will also be a continued focus on building a more disability inclusive workplace.

Areas of focus will include:

- Inclusive behaviours – we will work with our learning and development team to instil the learning from our corporate ‘Way We Work’ training programme to enhance the way we operate, both personally and as teams
- Unconscious Bias – we will be proactive in ensuring 100% of our staff complete the unconscious bias e-learning module
- Reciprocal mentoring – we will build our knowledge of how to set up an effective reciprocal mentoring scheme, pairing senior leaders with those from under-represented groups to provide them with an opportunity to develop a greater understanding of the perspectives of individuals who don’t share the same characteristics.
- Disability confidence – we will upskill our line and assignment managers in managing people with disabilities, through training and strengthening support at a cluster level.
- Workplace adjustments – we will update our workplace adjustment process and guidance as well as enhance our process for fairly reflecting workplace adjustments in the performance management, talent management and promotion processes.



# Pillar Three

## DIVERSITY IN OUR WORK

Our main objective under this pillar is to ensure that we consider diversity issues in the course of our work.

### Our reports to Parliament

Over the past 12 months the NAO has published a number of value-for-money (VFM) reports highlighting the impact of public services on diverse groups. A selection of those reports are shared here.

#### International Citizen Service

A report on the International Citizen Service (ICS). ICS was set up in 2011 by the Department for International Development to give young volunteers from the UK and developing countries who couldn't otherwise afford to, the chance to contribute to poverty reduction and to develop personally. The report set out how the Department had not achieved its ambition that ICS UK volunteers are broadly representative of the UK population and that the **volunteer population was less diverse than the applicant population**. The report recommended that ICS consider how the current programme's diversity objective might be featured in a new programme.

#### Delivering STEM Skills for the Economy

Our report into 'Delivering STEM Skills for the Economy' highlighted the **underrepresentation of females** in most STEM (science, technology, engineering and mathematics) subjects at both A-level and in higher education. The report recommended strengthening collaboration with delivery partners to promote female participation in STEM education.

#### Reducing Modern Slavery

A report into 'Reducing Modern Slavery' reviewed Home Office's progress in reducing the prevalence of modern slavery. The study highlighted that **male victims were more likely to receive a positive decision and be confirmed as a victim** (57% compared with 42% of female potential victims). It also indicated that **UK nationals were most likely to get a positive decision** (88%), while Albania, Nigeria and Vietnam nationals (the top three countries in terms of referrals since 2009) received 31%, 32% and 27% positive decisions respectively. Recommendations provided to the Home Office included developing indicators with targets to allow measurement of the effectiveness of interventions and working with local and central law enforcement organisations to develop mechanisms for addressing regional variations in tackling modern slavery.

## Looking Ahead

Our work on diversity and inclusion in value for money and related products will be taken forward as part of our mainstream VFM programme. Future actions being considered include:

- Reviewing forthcoming studies through a diversity and inclusion lens and highlighting, to project leads, those likely to have varied impact across diverse groups.
- Providing support to staff on how to incorporate diversity and inclusion in our value for money and related studies.

