



National Audit Office

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# Diversity and Inclusion Strategy 2018–2021

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Our vision is to help the nation spend wisely.

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. 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, nationally and locally, have used their resources efficiently, effectively, and with economy. The C&AG does this through a range of outputs including value-for-money reports on matters of public interest; investigations to establish the underlying facts in circumstances where concerns have been raised by others or observed through our wider work; landscape reviews to aid transparency; and good-practice guides. Our work ensures that those responsible for the use of public money are held to account and helps government to improve public services, leading to audited savings of £741 million in 2017.

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

The National Audit Office (NAO) plays a critical role in supporting Parliament to hold government to account and in helping to improve public services. Never has the NAO's work been more important than now, as government continues to deal with Brexit and increasing pressure to provide services in more efficient and effective ways.

We are entirely reliant on the talent of our people to carry out successfully our role, and we can only operate as a high-performing organisation if we draw that talent from the widest possible pool and provide an inclusive and supportive environment in which to develop our staff. Building the diversity of our workforce and embedding a culture of fairness and inclusion therefore remain key priorities for the NAO and are an integral part of our business strategy.

To help us achieve these objectives, we have refreshed our diversity and inclusion (D&I) strategy, building on the progress we made as part of the previous strategy, which expired in 2018. I am proud of the successes that the NAO has achieved over the past few years. For example, we have: improved BAME (Black, Asian and Minority Ethnic) diversity in our graduate intake; co-founded the Access Accountancy initiative to improve social mobility in the accountancy profession; implemented a flexible working culture and appointed Dignity at Work leads and mental health first aiders to provide support to our staff. However, we have made slower progress on other aspects of our D&I agenda. For example; the make-up of our workforce is less diverse at more senior levels; engagement among our disabled colleagues continues to be comparatively low; and, while incidents are low, some staff still feel uncomfortable formally reporting unfair treatment and inappropriate behaviour. We therefore need to step up our efforts in these areas in order to accelerate the rate of progress and make a tangible impact.

I believe that this strategy will enable us to make great strides in our diversity journey over the next three years and I look forward to working with colleagues to implement the planned actions. I very much hope that, by the end of the strategy, the NAO will be an even more diverse and inclusive organisation, and well placed to continue its support to Parliament and the wider public sector.

**Amyas Morse**

**July 2018**

## Setting the scene

### Our vision

**1** To become a fully inclusive and more diverse organisation that enables the NAO to be higher performing and to secure improvements in the increasingly complex and user-focused way public services are delivered.

### The business case

**2** The business case for D&I at the NAO is simple. First, it reflects our core values of being fair, collaborative, independent and authoritative.

**3** Second, D&I is an asset and enabler for us to meet our business objectives of developing and applying knowledge, increasing our influence and delivering high performance. Supporting and developing a truly diverse and inclusive workforce will enrich our workplace and bring greater breadth of thinking and skill to our work. This will enable us to keep pace with growing complexity in the work we do and to understand our clients and their changing user needs.

**4** Finally, we take seriously our legal obligation under the Public Sector Equality Duty 2010 to have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act in relation to the nine protected characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, sex and sexual orientation;
- advance equality of opportunity between people who share a protected characteristic and those who do not and broaden our consideration to include those characteristics not currently covered by legislation, for example social mobility; and
- foster good relations between people who share a protected characteristic and those who do not.

**5** To be successful the D&I strategy needs to be integrated with our business strategy and people processes. A silo approach will not create the pace of change we are looking to achieve. Long-term, we want D&I to become an intuitive and implicit aspect of every discussion, activity, client interaction and people process in the NAO.

**6** This will be a journey of engaging and influencing throughout the NAO, to change mind-sets and secure buy-in to the premise that collaborating as diverse teams will enable us to adapt and thrive in an ever-changing world.

## **Governance**

**7** At the NAO the Leadership Team acts as the D&I Strategy Group (DIS) and is responsible for approving the three-year D&I Strategy, monitoring its implementation and ensuring the NAO meets the requirements of the Public Sector Equality Duty. DIS receives regular updates from the newly formed Diversity and Inclusion Operational Committee (DIOC) and from Human Resources (HR). DIOC has a consultative role in developing the strategy, monitors progress against the strategy, identifies and recommends solutions to D&I issues and provides assurance to DIS.

**8** DIOC is chaired by a member of the Leadership Team and is made up of:

- chair persons from each of the employee-led diversity networks,
- two people directors
- two Dignity at Work leads.
- the D&I HR specialist.

**9** The NAO has seven employee networks:

- women's network;
- ethnic minorities network;
- disability network;
- religion & belief network;
- social mobility network;
- LGBT network; and
- age network.

Each of the employee networks is sponsored by an executive leader and a people director, who will continue to work with the networks to ensure that their issues are heard and addressed.

## Our performance so far

**10** The NAO introduced its first diversity strategy in 2000 and the most recent strategy, which was published in 2015, was based on three pillars: improving our talent pipeline; building an inclusive work environment; and reflecting diversity in our work. One of our long-standing commitments has been to improve diversity in our talent pipeline and we have achieved some success in recruiting a more diverse graduate intake. For example, BAME graduate applications increased from 36% to 39% over the past three years, and BAME graduates made up 31% of the intake in 2017, rising from 26% in 2015. The number of women in our graduate intake has been between 44% and 50% over the past few years, so there is more work to do to achieve consistently a 50:50 gender balance. We have also started collecting social mobility data on new recruits, which has allowed us to assess the performance of candidates applying for our trainee programmes from socially disadvantaged backgrounds.

**11** We have faced challenges to improve the diversity of the talent pipeline at more senior levels. In terms of gender diversity, we have seen no significant movement in representation at senior grades (38% women at manager level and above in 2016 compared with 37% in 2018). That said, the 2017 Audit Principal talent programme, which is the feeder grade for manager, is 67% female and 75% of promotions to audit manager in 2017-18 were female. There is a low rate of turnover at manager level and the number of promotion opportunities currently reflects that. This limits the impact of recent promotion rounds where women have been more successful than men. BAME representation at manager level and above has also remained static over the past three years at 7%. This will continue to be an important focus area of this strategy.

**12** We have continued to improve our performance management and appraisal process, introducing a challenger role to ensure that decisions are made based on evidence against clear criteria. This has helped us to ensure that there was no material difference in the distribution of the highest performance ratings by gender, ethnicity or disability, in our 2017 annual appraisal round.

**13** We introduced the concept of inclusion in our previous strategy and over the past three years we have: raised awareness of inclusive behaviours; challenged people to reflect on their own biases; commissioned a Live Bias Review to understand bias in our decision-making processes; and created Dignity at Work leads to support people who experience or witness inappropriate behaviour. As a result more of our staff believe that the NAO respects individual differences (76% in 2017, up from 67% in 2015) and feel fairly treated (79% in 2017, up from 77% in 2015).

**14** We have also seen encouraging progress in establishing a flexible culture, to support an inclusive working environment, with 86% of our workforce in 2017 working flexibly to deliver their work commitments. As an extension to this, and to support our commitment to strengthen diversity at all grades, we will be considering how we can introduce even more flexibility into our job roles.

**15** We have taken steps to improve engagement and inclusion levels among particular groups. For example, we commissioned the Business Disability Forum (BDF) to conduct a review into our workplace adjustments process and the engagement of disabled staff. We developed a detailed action plan, working with the disability employee 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. This work will continue into the new strategy.

**16** With regard to social mobility, we have started to build a picture of issues facing staff from socially disadvantaged backgrounds through the inclusion of social mobility questions in our People Survey and our diversity data. Employees have established a staff network for social mobility, with whom we have worked closely over the period.

**17** Pillar Three focused on diversity in our work and a wide range of our value-for-money (VfM) reports over the past three years have included a diversity perspective. In 2015, we published a report on equality, diversity and inclusion in the civil service, which contributed to the debate that fed in to the Cabinet Office's Talent Action Plan refresh published in 2016. And in 2017 we published a report into reducing modern slavery, which reviewed the progress made by the Home Office on this issue.

## Key features of the new strategy

**18** Our new strategy retains the two key internally focused pillars from the previous D&I strategy of building a diverse talent pipeline and creating an inclusive work environment. While we have made some progress against these pillars over the past three years, as outlined above, the overall pace of change has been slower than desired.

**19** The third pillar from the previous D&I strategy, which focused on diversity in our outward-facing work, remains an important part of our overall strategy and we will continue to identify D&I issues relating to the provision of public services. We have introduced a number of changes to our VfM processes over the past three years such that D&I issues are now systematically considered as part of our planning work.

**20** Our new strategy deliberately focuses on three characteristics: gender, race, and disability, to enable us to make some real, sustainable and accelerated change over the next three years with the limited resources we have available. We know that these are areas where we have not made significant progress in the past few years, despite several planned interventions. However, we want to be clear that other characteristics remain important to us and we will continue to embed the good work that has already been carried out in these areas. It is also important to emphasise that many of the actions set out in this strategy focus on embedding inclusive working practices for everyone and should therefore improve equality for *all* under-represented groups in the NAO, as well as those who do not possess a protected characteristic.



## Pillar One: A robust pipeline of diverse talent at all levels of the NAO

**21** This pillar focuses on recruiting a diverse intake of graduates and school-leavers to the NAO's trainee schemes, and to our other feeder grade of analyst, and improving the diversity of staff progressing to senior levels of the organisation.

### **Diversity in our trainee and analyst recruitment**

**22** The vast majority of recruits to the NAO come through our trainee schemes, with the explicit aim of retaining and progressing this key group of staff beyond the formal training programme. A diverse intake at trainee level is, therefore, necessary to establish a robust base from which to improve diversity at more senior levels. This aspect of our strategy primarily focuses on improving female and BAME representation in our trainee and analyst cadre, although improvements to our recruitment processes will benefit all applicants from under-represented groups.

**23** Our previous strategy focused on improving the representation of black trainees in the NAO, with some success (the 2017 graduate intake was made up of 15% black graduates, compared with 6% in 2015). Going forward, we will widen our focus on increasing our intake of graduates from all ethnic minority backgrounds, a figure that stood at 31% for 2017. This compares favourably to a 2017 study,<sup>1</sup> which showed that BAME made up 30% of the working population with degrees. However, we need to do more to improve our BAME conversion rates, focusing on how we identify and interpret talent, particularly from the numerical reasoning test.

**24** In terms of gender, women made up 50% of our 2017 graduate intake. However, we have faced challenges in achieving an even gender balance of applications in previous years. Women and men had similar rates of success at all stages of our assessment process so our focus will be on ensuring gender equality in the number of applications we receive to our trainee schemes and encouraging women to progress their application at each assessment stage. We will also consider the diversity of the pipeline coming through our analyst campaigns. While women made up 67% of our analyst recruits in 2017 there were no BAME recruits.

<sup>1</sup> Office for National Statistics, *Labour Force Survey*, 2017.

**25** The following table sets out the actions we plan to take over the next three years:

	Action	Timescale
1	Consider the recommendations from the external review of our trainee selection process, conducted in March 2018, implementing recommendations which focus on improving the fairness of the selection process for under-represented groups including gender, BAME and those from socially disadvantaged backgrounds	Year 1
2	Refine our attraction strategy to enhance our reach, focusing on women and BAME candidates	Year 1
3	Devise and embed a process to better monitor the progression of under-represented groups through our trainee and analyst recruitment campaigns, with a particular focus on proactively encouraging women to progress their applications at each assessment stage	Year 2
4	Consider how we could refocus the summer internship scheme to include gender and explore options to increase numbers participating in the scheme (the current internship scheme focuses on BAME and social mobility)	Year 2
5	Conduct annual unconscious bias training for recruitment assessors and provide refresher training in advance of each recruitment campaign	Year 2, 3

**Progression of women and BAME staff to senior positions**

**26** Our representation of female and BAME staff at more senior levels of the NAO has remained relatively static over the past few years, despite efforts to address this in previous strategies. At 31 March 2018, women made up 41% of managers and 28% of directors (and 46% of other NAO staff), and BAME staff made up 7% and 5% of managers and directors respectively (and 21% of other NAO staff). We need to continue our efforts to improve the progression of these groups of staff in order to secure a more diverse workforce at manager and director level and to reduce the NAO’s gender pay gap of 10.6% (March 2017).

27 The following table sets out the actions we plan to take over the next three years:

	<b>Action</b>	<b>Timescale</b>
1	Formalise the 'independent challenger' role, introduced to the appraisal process in 2017, in selection processes for promotion and talent programmes	Year 1
2	Consider how we can proactively encourage women to apply for promotions	Year 1
3	Consult on introducing a formal sponsorship scheme to support women and BAME staff to progress their careers in the NAO	Year 1
4	Explore more informal ways to support women and BAME staff in their careers, for example coaching, work shadowing	Year 1, 2, 3
5	Explore options to enhance flexibility in job roles, particularly those at more senior levels, for example job-sharing and job design.	Year 2

### **What will success look like in three years?**

28 By the end of the strategy period, our targets are to:

- consistently achieve female representation in the trainee intake at 50%;
- maintain at least 50% female representation in our analyst recruits;
- improve BAME representation to 20% in our analyst recruits;
- year-on-year improvements in the progression rates for BAME candidates through the trainee selection process to achieve an intake which reflects the proportion of shortlisted candidates;
- achieve 45% female representation at manager level (41% at March 2018);
- achieve 35% female representation at director level (28% at March 2018);
- a year-on-year reduction in the NAO's gender pay gap (10.6% at March 2017); and
- achieve 10% BAME representation at manager level (7% at March 2018).

## Pillar Two: A culture of fairness and inclusion where difference is valued, creating an engaged and innovative workforce

**29** The NAO invested heavily in raising awareness of inclusive behaviours, and the associated benefits, as part of the previous strategy. However, our People Survey scores present a mixed picture on the subject of inclusion and fair treatment:

- 79% of staff felt they were treated fairly at work in 2017, up from 75% four years ago but down by 3% on 2016;
- 76% felt that the NAO respected individual differences in 2017. This has not changed significantly from 2016 (77%), but is up from 60% in 2014; and
- 54% agreed that the NAO took effective action to deal with discrimination in 2017, up from 42% in 2014. However, the figure has plateaued since then.

**30** To improve these results, we need to do more to ensure that all our staff feel fairly treated, included and engaged. Our focus will be on winning hearts and minds and driving real change in behaviours and attitudes at work.

### **Fair treatment**

**31** The NAO will not tolerate bullying, harassment or discrimination of any kind. An area of continued focus is to ensure those who experience inappropriate behaviours at work feel comfortable raising concerns and seeking resolution. We also need to get better at challenging inappropriate behaviour. In 2017 a small percentage of our staff said they had experienced bullying (4%) or harassment (5%). While this compares well to the civil service, which stands at 11% (for bullying and harassment combined), we do not expect any member of staff to be subjected to bullying or harassment of any kind. Furthermore, of those staff who sought resolution to a bullying or harassment issue, 42% said that their issue was not resolved satisfactorily.

**32** The following table sets out the actions we plan to take over the next three years:

	<b>Action</b>	<b>Timescale</b>
<b>1</b>	Work with our people directors to ensure everyone has completed the unconscious bias e-training and evaluate the impact of the training	Year 1
<b>2</b>	Improve and maintain the profile of our Dignity At Work (DAW) leads, who offer support to those who have experienced or witnessed inappropriate behaviour, and create a formal reporting line for DAW leads into the Leadership Team	Year 1, 2, 3
<b>3</b>	Work with the DAW leads to identify how we can build confidence in staff to challenge inappropriate behaviour and to formally raise concerns if resolution cannot be reached informally	Year 1, 2, 3

## **Inclusive behaviours**

**33** We need to continue to promote and embed inclusive behaviours and skills in order to develop our culture of inclusion. This is particularly important for our leaders and managers, given their people management and development responsibilities.

**34** The following table sets out the actions we plan to take over the next three years:

	<b>Action</b>	<b>Timescale</b>
<b>1</b>	Work with Learning & Development (L&D) colleagues to instil the learning from the corporate 'way we work' training programme in how staff operate both personally and as a team	Year 1
<b>2</b>	Implement a reciprocal mentoring programme for senior leaders, pairing with those from under-represented groups, to develop a greater understanding of the perspectives of colleagues who do not share the same characteristics	Year 1, 2
<b>3</b>	In collaboration with diversity networks, develop an annual programme of events and internal campaigns, aligned to national days and/or themes, to encourage inclusion to become a part of how we think and interact with others	Year 1, 2, 3
<b>4</b>	In collaboration with the DAW leads and L&D, develop interactive, activity-based, unconscious bias toolkits, which can be used at cluster level to drive personal and team change around inclusion	Year 2 (once all staff have completed the unconscious bias e-learning)
<b>5</b>	Use new and existing initiatives to recognise, value and celebrate inclusive and collaborative working. For example, NAO annual awards and our performance management framework	Year 2, 3

## A disability inclusive organisation

**35** Increasing disability confidence in the NAO is a key priority in building a disability inclusive workplace. The 2017 People Survey results indicated that 19% of disabled colleagues, compared with 4% of staff who did not report a disability or long-term health condition, felt they had experienced discrimination, and 56% of those felt it was on the basis of their disability. An external review by the BDF into the engagement of our disabled staff and effectiveness of our workplace adjustments in 2017 also found that:

- organisational commitment to disability inclusion did not always translate into a positive lived experience for disabled employees;
- some disabled employees were concerned about the fairness of the NAO's performance management process; and
- the provision of workplace adjustments, which should help disabled employees reach their full potential, was inconsistent.

**36** We developed a comprehensive Disability Action Plan following the BDF report. A summary of the outstanding actions in the plan are as follows:

	<b>Action</b>	<b>Timescale</b>
1	Upskill line and assignment managers in supporting and managing people with disabilities through training and strengthening support at cluster level	Year 1
2	Update our workplace adjustment process and guidance via the introduction of a 'passport' style system	Year 1
3	Clarify and enhance the process for fairly reflecting workplace adjustments in the performance management, talent management and promotion processes	Year 1
4	Review the system for ensuring the fair allocation of work opportunities to disabled staff and increase transparency in the allocation process	Year 1
5	Achieve level three of the Disability Confident scheme	Year 2

**37** Alongside this we intend to continue our focus on mental health, embedding our mental health first aiders as a key point of contact for staff needing support and as champions to raise awareness and acceptance around mental health conditions.

**38** We believe that these actions will provide a stronger foundation for effective performance management, create higher engagement and inclusion levels and improve career development support for disabled staff.

### **What will success look like in three years?**

**39** Targets in relation to our People Survey are:

- fair treatment: achieve a score of at least 80% each year (79% in 2017);
- respect for difference: maintain a score of at least 75% each year (76% in 2017);
- action to deal with discrimination: improve our score to 60% or higher each year (54% in 2017); and
- resolving bullying and harassment incidents satisfactorily: achieve a score of 60% or higher each year (42% in 2017).

**40** For each of the above People Survey scores, we expect to see an improvement in the responses given by staff from under-represented groups. Ultimately, we would like to eliminate all differences in People Survey responses between minority and majority groups.

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