



National Audit Office

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NATIONAL AUDIT OFFICE



# DIVERSITY AND INCLUSION ANNUAL REPORT 2015-16



# Foreword

The NAO is an organisation with an important and far-reaching mission to secure improvements in the way public services are delivered. We need to encourage creative thinking and harness a range of skills and experience to maximise our impact. By removing barriers and creating an inclusive culture we can offer our people the opportunity to develop their potential and make a full contribution to the NAO.

This is the first annual report against our three-year diversity and inclusion strategy and we have made good progress under each of the three strategic pillars; Talent pipeline, Inclusive work environment and Diversity in our work.

There has been a strong focus in 2015-16 on inclusion in the workplace, and we have introduced a new approach to flexible working, trusting our people to work in a way which meets personal and business needs. Our support of Access Accountancy and the social mobility agenda has also continued

with the introduction of a work experience programme for school pupils. Focusing on diversity in our work is also something we take seriously, as it helps drive improvement in the services delivered by our clients.

Although we have made some progress there are still areas where we need to improve. We recognise, for example, that our talent pipeline is not as diverse as we would like and selection will be a particular focus over the next year.

Supporting and developing a truly diverse and inclusive workforce will inevitably enrich our workplace and bring a greater breadth of thinking and skill to the work we do and insight we provide for our clients. I look forward to continuing our Diversity and Inclusion journey over the next two years of the strategy.

**Amyas Morse**



# Our year in highlights



Hosted eight work experience students from socially disadvantaged backgrounds



Proactively encouraged a more flexible working environment and this has led to a 13% increase in ad hoc flexible working.



Females made up 38% of applications to manager. Females made up 50% of promotions to manager



A clear focus on raising awareness of inclusion led to 79% of people understanding what behaviours support an inclusive culture



People survey results showed a 8% increase in those feeling individual difference is respected



Published a value-for-money study into diversity in the civil service



Continued focus on recruiting a diverse intake of graduates:

- 26% Black, Asian and minority ethnic (BAME)
- 46% women
- 7.2% disabled



We launched new competencies with a greater focus on expected behaviours, aligned to our values



75% of managers attended mental health workshops



All executive leaders sponsor an employee network and have a reciprocal mentoring relationship

# Pillar One

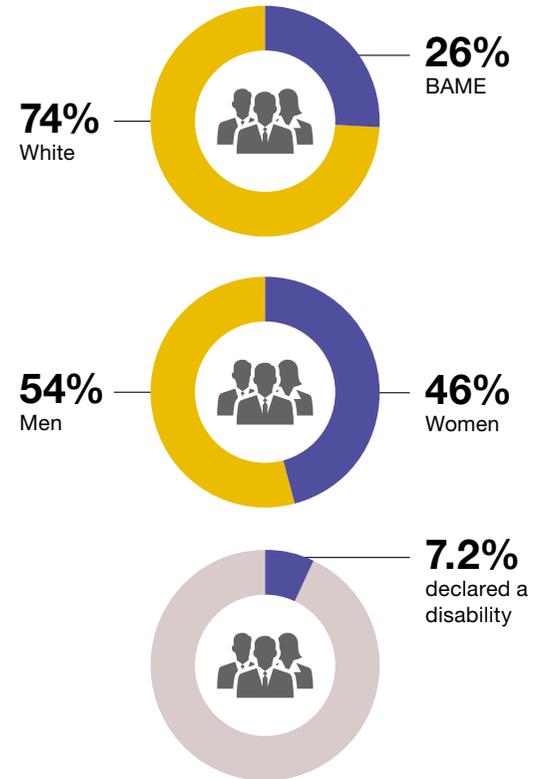
## Talent pipeline

The NAO continually strives to maximise the diverse talent of its workforce. Over the past 12 months we hosted our first work experience programme focused on students from disadvantaged backgrounds and introduced an updated performance management system with clear behaviour competencies linked to our values and business objectives. Detailed diversity and inclusion data can be found in our [Equality Report](#)

### Recruitment

The NAO is committed to recruiting from the widest possible pool, based on talent rather than background. Over the past 12 months the NAO has recruited a diverse mix of graduates while focusing specifically on black graduates and candidates from disadvantaged backgrounds.

### Profile of graduate intake

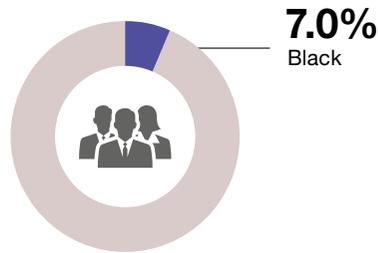


### Ethnicity

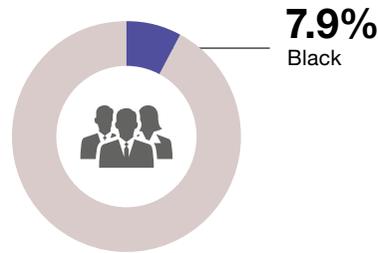
The NAO recruited 23% Black, Asian, and minority ethnic (BAME) graduates in 2015; 38% of whom were of black origin (compared to 10% in 2014). In 2015, we ran a successful BAME internship programme hosting seven students, including two black candidates. Five of the seven, including two black candidates, were offered a position on our graduate scheme.

### Black graduates

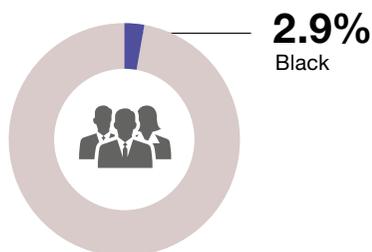
#### 2014 applicants



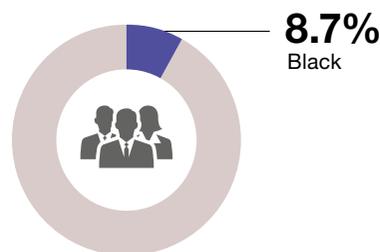
#### 2015 applicants



#### 2014 joiners



#### 2015 joiners



Despite a successful track record on BAME recruitment we still face challenges converting applicants to offers, in the same proportion as white colleagues. We are reviewing our current application process to identify and address barriers to BAME applicants.

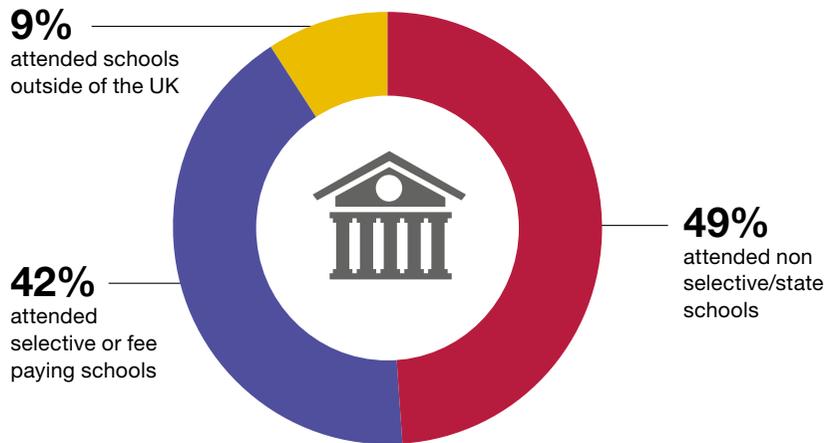
### Social mobility

As part of our commitment to improving social mobility, both at the NAO and in the wider community, we have continued to support and shape Access Accountancy through representation on the Patron Group and Steering Committee. Access Accountancy is a collaboration between accountancy organisations and professional bodies to improve social mobility in the profession.

In 2015, we ran our first Access Accountancy work experience programme hosting eight Year 13 students from disadvantaged backgrounds. The programme provided an opportunity for students to learn key skills and gain confidence working in a professional environment. The majority decided to further their education through the university route however, one decided to apply for, and was accepted onto, the NAO school leaver programme.

Over the past 12 months we have also started to collect social economic data from all new recruits. The profile of our 2015 graduate intake indicated 49% were educated through non-selective state schools. This compares favourably to 30% across the accountancy profession as a whole (State of the Nation Report: Social Mobility & Child Poverty in Britain 2015, Social Mobility & Child Poverty Commission)

Socioeconomic profile of graduate intake



Talent programmes

Over the past year we have refreshed our talent programmes which included widening our entry criteria.

The 2015 Emerging Leaders programme, for qualified accountants and Senior Analysts included 67% women (compared to 42% in 2013). In addition 50% of BAME applicants were accepted onto the programme.

The 2016 Direct programme, aimed at managers, had 50% female applicants of which 55% were successful. There are no BAME managers on the programme this year, reflecting the small number of BAME staff in this grade. We are looking at ways to improve BAME representation at manager level and this will remain an area of focus going forward.



## Work allocation

In the last 12 months there has been greater scrutiny around work allocation within clusters, to ensure equal access to opportunities. This has extended to our talent programmes, promotions and development opportunities where there has been active oversight to ensure participation reflects the diversity of the office.

## Performance management

A new performance management scheme was launched in January 2016 with a greater emphasis on looking forward and supporting development, performance improvement and behavioural change. A key feature of the new framework is the provision of regular and open feedback. The new scheme is supported by an updated behavioural framework, aligned to business objectives and values.



# Pillar Two

## Inclusive work environment

**Over the past year we have raised awareness of inclusion across the office and begun to embed inclusion in all our ways of working. This has resulted in a higher inclusion score in our people survey with 8% more respondents saying the NAO respects individual differences.**

### Inclusion training

At the start of the year over 90% of staff attended an externally facilitated workshop focused on creating a more inclusive NAO. The workshop aimed to raise awareness of inclusive behaviours and build people's confidence to challenge inappropriate behaviour. Feedback from our latest people survey showed 67% of people feel they are treated fairly at work, up from 59% in 2014.

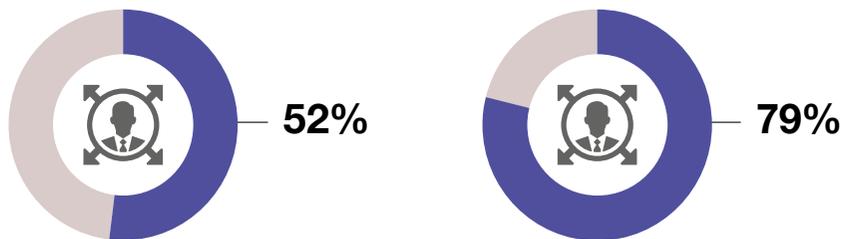
During the year we have built on the Inclusion workshops with the appointment of 30 Dignity at Work Cluster Leads who support and encourage the Diversity and Inclusion agenda at a more local, cluster level. These individuals have facilitated team conversations to further develop ideas raised in the workshops and stimulated round-table discussion on subjects such as inappropriate behaviour at social events and client sites.

## Impact of the inclusion workshops

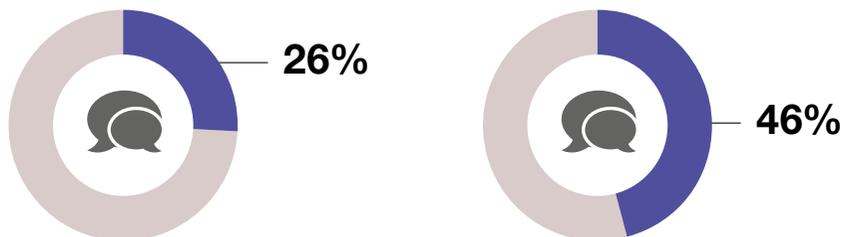
### Before

### After

People who felt highly or very clear on which behaviours support an inclusive culture



People who felt highly or very confident to challenge inappropriate behaviour



## Top down commitment

It is important to secure genuine visible commitment to Diversity and Inclusion from leadership. Over the past 12 months the Leadership Team has participated in workshops to identify priority Diversity and Inclusion objectives and has collectively supported progress on these during the year. The key objectives are:

- Introduction of a flexible way of working; encouraging and role modelling to support cultural change
- Updating our approach to change management to establish a clear, inclusive process which embeds the needs of our people in the way that we deliver change
- Ensuring selection at the NAO is fair and transparent for talent programmes and promotions

The Leadership Team has also taken a lead on developing and implementing the new performance management framework which embodies our values.

Each member of the Leadership Team is benefiting from reciprocal mentoring arrangements and every Executive Leader obtained 360 degree feedback which will be used to inform their objectives for 2016-17.

## Flexible working

In September 2015, the NAO introduced a new informal approach to flexible working, empowering staff with greater control over where and when they work. The new approach was supported by a set of guiding principles and bespoke online training on how to manage flexible workers.

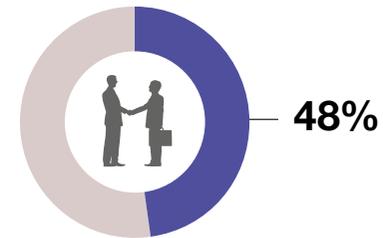
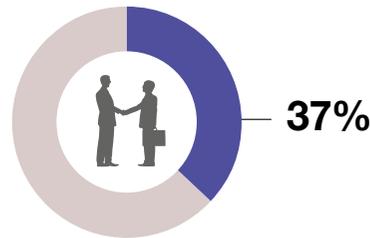
We have spent the past six months embedding this new approach and have seen the number of people with regular flexible working arrangements rise from 37% to 48% and the percentage who work flexibly on an ad hoc basis at least once a month increase by 13% to 70%. Staff are feeling more trusted to work in a way that meets both their personal needs and those of the business and the business is seeing the positive benefits this has on engagement and performance.

## Impact of new approach to flexible working

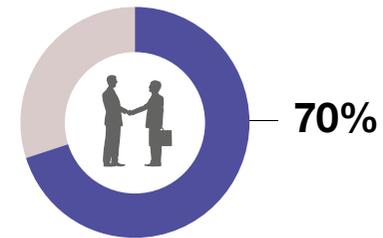
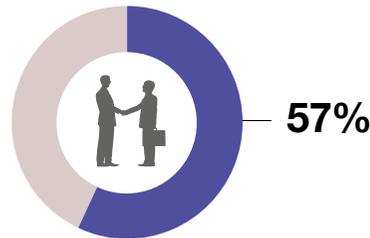
Sept 2015

Mar 2016

People who have a regular flexible working arrangement



People who work flexibly on an ad hoc basis at least once a month



## Mental health awareness workshops

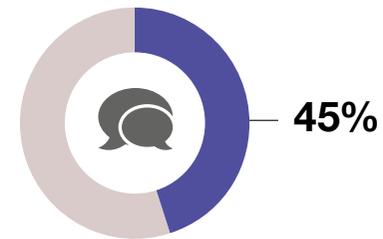
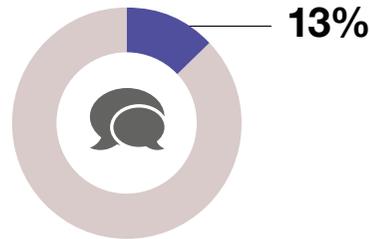
To support colleagues who may be experiencing mental ill health, we held a series of mental health workshops in March 2016. These were primarily aimed at staff with management responsibilities and 75% of managers attended a workshop. The workshops raised peoples confidence in having conversations with those who may have a mental health condition. They also signposted resources to help managers deal with mental health issues in the workplace.

## Impact of mental health workshops

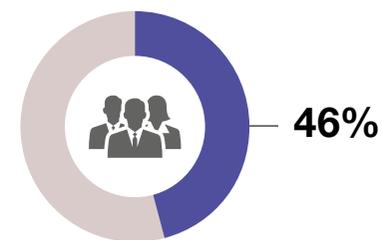
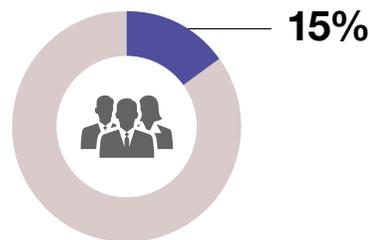
Before

After

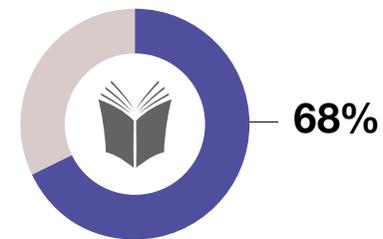
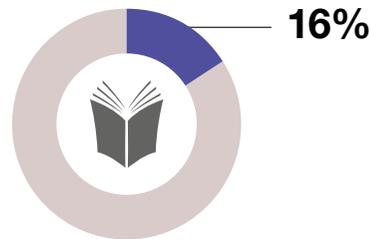
People who are highly or very confident in having conversations around mental health



People who are highly or very confident in communicating with their team around mental health



People who are highly or very aware of resources available to support them in dealing with mental ill health issues in the workplace



# Pillar Three

## Diversity in our work

**Over the past 12 months we have published a value-for-money report into diversity in the civil service, the recommendations of which were fed into the updated civil service Talent Action Plan. We have highlighted a number of diversity related issues through our other value-for-money studies.**

### Our reports to Parliament

Our report on Equality, diversity and inclusion in the civil service was published in 2015. It made recommendations across three areas: improve the current approach to diversity and inclusion, improve project management and share best practice. This piece of work contributed to the debate that fed into the Cabinet Office's Talent Action Plan refresh, published in March 2016.

A report on Entitlement to free early education and childcare highlighted that parents of disadvantaged two-year-olds and those from certain ethnic backgrounds, are less likely to use their free entitlement. The quality of provision for those from deprived areas was also lower. Recommendations include setting out publicly how the Department for Education will intervene in local authorities with unexplained lower levels of take-up for the 2-year-old entitlement and to intervene where there was lower quality provision long term, particularly in deprived areas.



In the health sector we undertook two studies looking at access to cancer treatment and to general practice and resulting outcomes. The reports highlighted variations in experience across groups such as age, ethnicity and those from deprived socioeconomic groups. NAO recommendations included further investigation into the reasons for inequalities with action plans developed, against a timeline, to address these variations. In addition when making changes to improve access NHS England should analyse the impact on different patient groups.

The Early review of the Common Agricultural Policy Delivery Programme found that the Department for Environment, Food & Rural Affairs had not considered the diverse needs and abilities of its customers in designing the application process for CAP funding, which was intended to be online only. The NAO recommended that the Department should provide a range of application methods to take into account the lower levels of digital literacy and access among some farmers.

## Getting to the heart of diversity early on in our work

In January 2016, a new online guidance portal was introduced to streamline the value-for-money planning process and more clearly highlight key areas of consideration in our work, including those around ethics and diversity. This should enable us to reflect Diversity and Inclusion issues more consistently in our work.



# Looking ahead

Over the next year we will continue to embed good practice, integrating diversity and inclusion as an important business and people consideration in the way we work. We will continue to deliver against the diversity and inclusion strategy with a particular focus on:

- Social mobility – develop our social mobility agenda including extending our internship programme to those from socially disadvantaged backgrounds.
- Diverse graduate intake – review our graduate recruitment process to widen the diversity of our graduate intake with a particular focus on increasing the number of BAME graduates. We will benchmark against best practice to ensure selection decisions are based purely on talent and future potential.
- Work allocation – monitor the impact of changes made to the allocation process at cluster level and ensure there is improvement in equal access to work opportunities across diverse groups.
- Selection – work with People Directors to ensure there is greater encouragement of diverse groups applying for talent and promotion programmes. We will deliver unconscious bias training and collaborate with the Women's Network to understand barriers specific to female progression.
- Inclusion – continue to build a more inclusive working environment through effective use of the new performance management framework and behavioural competencies. We will deliver office wide training focused on developing a collaborative, coaching style of working in teams.
- Diversity in our work – raise awareness, within our value-for-money teams, of how diversity and inclusion can be incorporated into our value-for-money studies to highlight issues among diverse groups and improve the way in which public services are delivered.

