October 2022

National Audit Office

2022 Human Resources

Audit / Tax / Advisory / Risk

Smart decisions. Lasting value.

Contents

Background

1. The National Audit Office (NAO) support Parliament in scrutinising the government's performance, providing high quality, objective evidence and analysis. The NAO's current strategy (2020-25) focuses on providing effective support to Parliament whilst providing insight to those responsible for public services.

2. As part of its own external scrutiny, the Board of the NAO commissions its external auditors, Crowe U.K. LLP (hereafter referred to as "Crowe"), to undertake an annual Value for Money (VFM) study to assess the extent to which the organisation is achieving VFM in its use of resources. This year's review focused on the NAO's Human Resources function.

3. In accordance with the 2020-2025 NAO Strategy, the NAO's three key strategic priorities are:
    - improving its support for effective accountability and scrutiny
    - providing more accessible independent insight
    - increasing its impact on outcomes and value for money.

4. Three key enablers have been identified to achieve NAO's strategy:

    attract, retain and develop high quality people

    make more effective use of technology, data and knowledge

    aim to be an exemplar organisation.

5. The overall objective of this review is to provide assurance that the on-going investment in the Human Resources area (including Learning and Development) is being undertaken in line with VFM principles and is aligned to the 2020-2025 strategy.

6. Staff costs for the NAO are approximately 70.5% (2020-21: 70.0%) of the NAO's annual cost base[1], of which permanent employee costs represent 66.9% (2020-21: 67.6%). This includes all salaries and related staff costs and cover those in front line operations and business support teams.

7. In 2021-22, the Human Resources team supported an average of 911 full time equivalent (FTE) employees (2020-21: 863), with staff numbers projected to continue to increase. Including the use of temporary staff, the team supported 939 FTE (2020-21: 882). As at 8th September 2022 the team support an average of 922 full time equivalent members of permanent staff alongside 21 temporary staff.

8. Across the accountancy and audit sector all major practice firms cite recruitment and retention of people as one of their key risks[2]. Therefore, it is essential that both recruitment and retention strategies are operating effectively to enable the NAO not only to attract high quality people, but to retain and develop staff internally.

9. The last two years have seen a substantial shift in the working environment, notably the adoption of hybrid working models across professional service firms. In response to the changing environment the NAO adopted its Future Working Principles in October 2021. This is one of a package of measures the NAO has introduced under its Organisational Development Plan to provide staff with a great work experience and a supportive working environment.

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[1] NAO Annual Report and Accounts (2021-22)
[2] From a comparison exercise of the largest 10 accountancy firms published Transparency reports summary of key risks

Approach

10. The overarching approach to our review has been informed by considering the following questions:

1 **Value**

Does investment and ongoing expenditure committed to Human Resources provide value for money and support the NAO in the achievement of its strategic objectives?

2 **Function Set-up**

Is the Human Resources area set up in accordance with good practice and are risks being well managed?

3 **Delivery and Variation Management**

Are efficient and effective mechanisms in place to deliver the intended outcomes of the Human Resources area and respond to change?

Key Findings

The following section seeks to outline the key findings from each of the main topic areas for this review, which are found in the 'Detailed Findings,' section one through to four of this report.

Human Resources (see Detailed Findings Section One for further information)

11. **Overall, from the work undertaken given the nature and size of the organisation, the Human Resources function of the NAO (and Learning and Development (L&D) team) is working effectively.** The teams are seen as working efficiently and are able to respond and support the wider organisation. Within the wider strategy there is a key focus on Diversity and Inclusion. Recent recruitment to the Human Resources team has enhanced the level of resource investment in Diversity and Inclusion (D&I), contributing on-going development and embedding inclusive practices across the organisation. Investment in Human Resources Business Partners has also enhanced support to the groups[3] in the management of HR related matters.

12. The activities of the HR and L&D teams are in line with those we would expect of similar organisations. In some areas the NAO exceed those expectations, such as D&I, where there has been additional investment and strong leadership from the Comptroller and Auditor General and the Executive Team.

13. A number of our findings are reflective of areas or initiatives that the NAO is aware of and is addressing through the Organisational Development Plan (ODP). Our recommendations are therefore focused on ensuring initiatives are embedded and their impacts reviewed rather than addressing gaps in existing provision or the value for money of existing services. This will help ensure that investment remains focussed on areas of need.

Recruitment & Retention (see Detailed Findings Section Two for further information)

14. As part of its strategy the NAO aims to attract high quality people to fulfil its ambitions of being an exemplar organisation. The Recruitment and Selection processes adopted seek to ensure that the NAO is an employer of high-quality professionals, drawing talent from the whole community regardless of background and well positioned to reflect changing demographics in the United Kingdom.

15. The HR team plays a leading role in the recruitment processes for trainees and analysts which have traditionally been the predominant resource of new recruits for the financial audit and value for money service lines.

16. As the number of roles outside these two key entry points increases, it is important that the HR Team continue to work closely with the service lines and other specialist areas to ensure there is an appropriate balance between the responsibilities of hiring managers and the central recruitment team. This will enable the NAO to measure the total costs of its recruitment activity and review whether it is securing value for money. It is important that as the market changes, the NAO can recognise evolving skills requirements and developing specialist areas, to respond effectively as new skill demands are identified. This includes having knowledge of these markets in the recruitment team, who can identify the best sources to market for more specialist roles.

[3] The NAO has five operational groups in addition to the corporate group which delivers the NAO's strategic and operational functions

17. In line with our experience across the audit firms the NAO is currently experiencing an exceptionally challenging labour market and intense competition for skills. This is being played out across all grades, including trainees, and is in contrast with lower levels of turnover during the pandemic. The NAO had previously considered the impact of turnover on staff development and career progression. Given the NAO is now experiencing increased attrition across a number of grades, we recommend that the longer-term viability of the retention strategies are reviewed once (and if) attrition levels return to a point of stability. If the market maintains its current volatility then this may require a more fundamental shift in retention strategies.

Learning and Development (see Detailed Findings Section Three for further information)

18. The Learning and Development team is critical in contributing to the achievement of the NAO's strategy, for which separate actions are identified within the Organisational Development Plan (ODP). The ODP in its structure and approach provides clarity and direct linkages to the elements of the strategy that each separate action aims to achieve. L&D have contributed to key areas to generate the desired outcomes of the strategy. These include but are not limited to their engagement as part of the Audit Transformation Project, the Audit Pathways and on-going development of staff, particularly within the Director Curriculum.

19. The size of the L&D team is comparable to benchmarked organisations. However the application of benchmarks is inherently challenging given the approaches by different organisations as to the nature of activities and responsibilities of their relevant teams.

20. There is an opportunity for the NAO to build on its existing methodology which evaluates L&D activity. This will strengthen its understanding of the impact and effectiveness of its learning interventions. Plans are already in place to review the impact of new interventions once they have been in operation for a year and to exploit new functionality offered by its learner experience platform. These evaluations will support decisions to allocate resources and the development of individual learning interventions and to the wider activities of the L&D team, which are continually measured for their effectiveness.

21. More broadly, there is an opportunity for the NAO to evaluate the impact of the performance coach initiative which was introduced in late 2020 to enhance line management and support the facilitation of improved performance and career development discussions. This initiative was one of the key actions under the Organisational Development Plan. As it continues to embed the NAO should not only consider the perspectives of those being coached, but additionally the impact of the actions that are being put in place in response to performance discussions.

Ways of working (see Detailed Findings Section Four for further information)

22. The development and embedding of the Ways of Working principles, as introduced by the NAO in October 2021 was well supported by the Human Resources and Learning & Development teams. Resources were made available to support staff through guidance on the intranet, particularly relating to the management of wellbeing and working remotely.

23. Our work relating to ways of working is reflective of the period to May 2022[4], and as such our view is limited to those consulted during this time frame. It was therefore too early to provide an overall assessment of the impact the Ways of Working initiative had in achieving strategic goals, given the relatively short period of time which had elapsed since the easing of coronavirus restrictions following the Omicron variant. Of those consulted initial perspectives were positive and reflected that the new approach empowered individuals to consider the most efficient and effective ways of undertaking their work and their performance as a team.

24. In line with our expectations, the NAO is undertaking a thorough review of the impact and effectiveness of the revised ways of working, including holding focus groups with staff. The exercise will be supplemented by outcome data, including, but not limited to, delivery and appraisal data. The exercise should also consider the analysis across grades, particularly that of new starters and graduate intakes.

25. Consideration should be given as to the measurement of the effectiveness of existing support mechanisms in place. Whilst mechanisms may have been effective during the pandemic, there is a need to consider alternative approaches following new ways of working.

[4] As agreed at the meeting of the Audit and Risk Assurance Committee (26 May 2022).

Conclusion on value for money

26. **We consider that the on-going investment in the NAO's Human Resources department (including Learning and Development), represents value for money for the organisation.** Our assessment relates to the activities undertaken by each of the teams and their contribution to the overall strategy of the organisation.

27. The NAO has skilled individuals in both the Human Resources and Learning and Development teams and as such there are no issues that would require immediate attention.

Recommendations

The recommendations raised relate to actions and issues identified as part of this review. A number are known to management and are part of the ongoing development of the ODP.

Future staffing requirements

Given the challenges of the current recruitment market the NAO should ensure that the HR team remains focused on securing new talent in its key audit grades, particularly at trainee and qualified levels. However, the HR team will also need to develop sufficient understanding of new and more specialist roles as these emerge to effectively support the recruitment of suitable candidates.

Involvement of service line staff in non-trainee recruitment

As the level of recruitment to non-trainee roles continues to rise and the types of skills/experience for some roles become more specialised and complex, the recruitment team should continue to work closely with the relevant service lines in developing appropriate recruitment strategies for these roles. They should also ensure that there is an appropriate balance of responsibilities between the central team and the service line to secure best value from the resources deployed on campaigns. The full cost of recruitment, including central team and service line time, should continue to be monitored.

Employee value proposition (EVP)

We recommend that the NAO focusses on its key differentiators, including development of an employee value proposition (EVP) which summarises the key people benefits and points of focus in recruitment and retention.

Career Management Paths

Given the current issues in recruitment and retention we recommend that once attrition levels return to a point of stability, that the longer-term viability of the retention strategies are reviewed. If the market maintains its current volatility then this may require a more fundamental shift in retention strategies.

Performance Measures for the Learning and Development team

The NAO should build on its existing methodologies for monitoring and evaluating the effectiveness of its learning interventions, including consideration of how improvements in workforce performance can be measured as a result of these interventions. This will help the L&D team to measure its impact and effectiveness across the NAO.

Distribution of the Learning and Development team's activities

The NAO should consider whether existing records that support the allocation of time across members of the Learning and Development team provide sufficient granularity of the nature of the tasks being undertaken. Additional granularity would provide greater opportunities for analysis which can support and evidence value for money of certain activities, and / or provide insight into the nature of the tasks being undertaken.

Performance Coaches

The NAO should consider the distribution of time allocated across performance coaches to provide assurance that staff are able to give sufficient time to the initiative, and to provide a consistency of experience across all staff at the NAO.

Performance measures of Performance Coaches

Performance measures and indicators should be developed to facilitate the assessment of the effectiveness of the performance coaches. This should seek to extend existing quantitative measures that focus on personal development plan completion, to include qualitative measures focussing on the impact and quality of discussions. Consideration should be given to the collection of feedback on performance coaches from those they coach.

Mental health and well-being support mechanisms

The NAO should review existing models and training available to staff to support mental health and wellbeing in the post pandemic period. This should incorporate the outcomes from the current review of ways of working.

Acknowledgement

The Crowe team would like to acknowledge the support and co-operation of staff that provided assistance during this assignment.

Crowe U.K. LLP

Detailed Findings

1. Human Resources team, resources and activities

Human Resources Team

Overview of the Human Resources Team.

1.1. The Human Resources (HR) team at the NAO is led by the Director of Human Resources. The Director is supported by the Head of Human Resources Operations and Head of HR Policies and Services (including business partnering). Human Resources is included within the Corporate Group, under the direction of the Executive Director, Strategy and Resources.

1.2. The activities of the Human Resource team are split into four distinct teams; Well-Being and Business Partnering; Resourcing, Reward and Performance Management; Diversity and Inclusion; and Data and Systems. The Resource,
Reward and Performance Management team is responsible for the recruitment and management of the NAO's trainees (Professional Training).

1.3. The team comprises of 23.2 full-time equivalents (FTE) (Headcount: 24). This represents an increase of 33.3% on the team composition from 2018-2019. Chart 1.1 illustrates and compares the changes in FTE of the HR team to the FTE of the NAO.

Chart 1.1: Comparison between HR and NAO Staff FTE[5]

Financial year	Full-Time Equivalent (HR)	% Increase	Full-Time Equivalent (NAO)	% Increase
2018 – 2019	17.4	-	806	-
2019 – 2020	19.9	14.4%	819	1.6%
2020 – 2021	22.5	13.1%	863	5.4%
2021 – 2022	23.2	3.1%	911	5.6%
2022 – 2023	23.2	-	940	3.2%

[5] Measured as 'Full-time equivalent permanent staff'

1.4. The increase in FTE across the last four financial years reflects increases in the FTE of the NAO (16.6% over the same period) and the rise in demand for HR services since 2018-19. There have been notable increases in security clearance cases (an increase of 81%) and a 120% increase in non-trainee recruitment campaigns. The Organisational Development Plan (ODP) incorporates a number of people initiatives delivered since 2020, which has included increased investment in Business Partnering following a strategic decision undertaken in 2019-20. An increased focus on Diversity and Inclusion (D&I) from 2020-21 has resulted in the creation of two additional D&I roles. These roles are included in the HR team's overall complement.

1.5. Research undertaken by XpertHR as part of their annual survey[6] highlighted that three in four organisations note an increasing HR workload as a key contributor in the increased size of the HR function. Four in ten stated that the second most prominent reason for growth in size of the HR team is increasing employee numbers. This is consistent with the reasons underlying the increased growth at the NAO as detailed in paragraph 1.4.

1.6. The NAO has five operational groups in addition to the corporate group which delivers the NAO's strategic and operational functions and includes Human Resources. Each group is led by an Executive Director and supported by a People Development Director (PDD) responsible for overseeing people issues at group level[7]. Alongside the development of an individual's career (explored further in 'Section 3: Learning and Development'), the PDD is responsible for ensuring group assignment managers embrace diversity and that all members of the group feel welcome. There is a dedicated HR Business Partner for the group who is part of the central HR team that provide specialist people support to the group.

1.7. Executive Directors and stakeholders were supportive of the HR Business Partners and the wider HR team, in supporting people related matters at group level. Their contribution was particularly valued in the management of complex cases which required closer engagement between PDDs and the team.

Activities of the Human Resource Team

1.8. In determining the value for money of the HR team, we have assessed the key activities of the HR team and associated time costs. Chart 1.2 summarises the % distribution of tasks for the team by chargeable time in the financial year 2021-22. The level of FTE resource allocated to each of these areas, is summarised at chart 1.3. The top three areas of recorded chargeable hours correspond with the NAO strategy, which focusses on the attraction and retention of high-quality people, and a workforce that is diverse and inclusive.

[6] HR roles and responsibilities 2021 survey: Key metric (Noelle Murphy, 2021)
[7] Group roles also include: Resource Director, FA Quality Director and a VFM Quality Director. Such roles are not directly responsible for the management of HR matters within the group.

Chart 1.2: % of recorded chargeable time

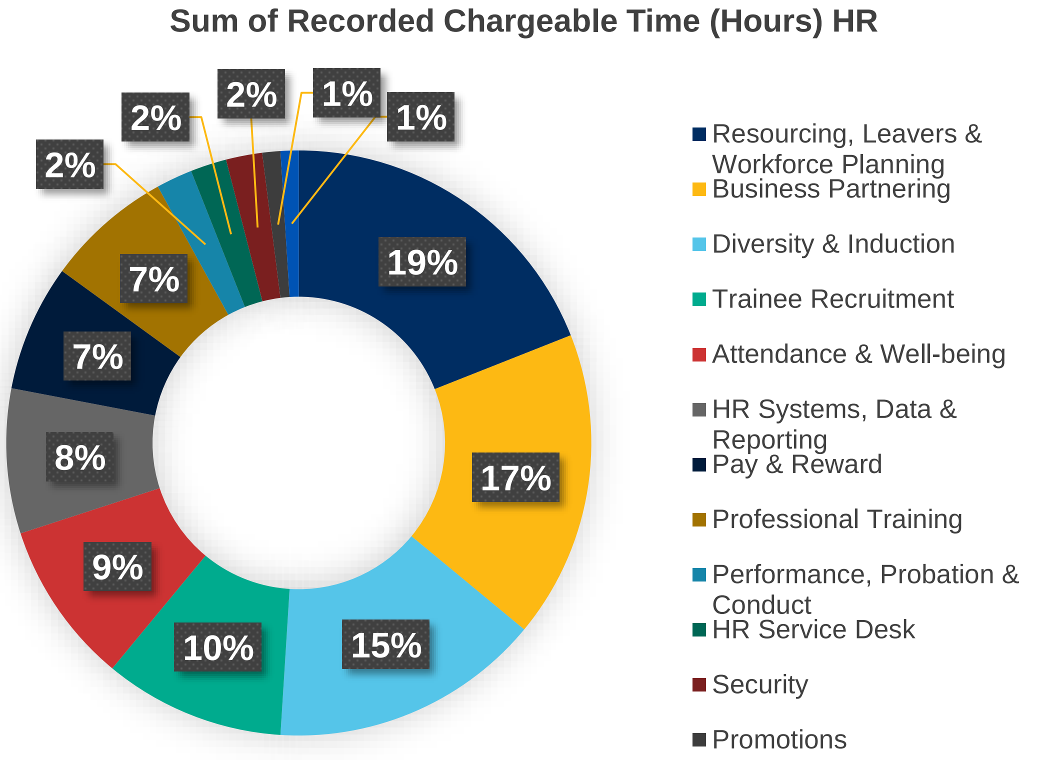


Chart 1.3: FTE allocated to task area, financial year 2021-22[8]

Task Area	FTE Allocated
Performance, Promotions & Resourcing	5.5
Diversity & Inclusion	3.7
Business Partnering	3.3
HR Systems & Reporting	2.0
Professional Training	2.0
Trainee Recruitment	2.0
Attendance & Well-being	1.0
Pay & Reward	1.0
Total FTE	**20.5**[9]

[8] Chart 1.3 reflects the main allocations of the HR team but don't directly reflect the time bookings in chart 1.2. This is due to members of the HR team working on areas that are not directly related to their direct area of responsibility. For example, whilst there are two FTE allocated to 'Trainee Recruitment' in chart 1.3, other members of the HR team will support on trainee recruitment during certain periods of the year.
[9] The FTE for the team is 23.2. The above chart does not include 2.7 FTE that relates to the Director and a Band 1 that are allocated across all the relevant task areas.

1.9. Across the last three financial years 'Resourcing, Leavers and Workforce Planning' was the overall area where HR spent most of their time; representing 24.8% (2020-21: 31.4%) of chargeable hours. In the current financial year, the next most significant areas are 'Business Partnering' 21.6% (2020-21: 12.3%) and 'Diversity & Inclusion' 19.7% (2020-21:18.5%).

Diversity & Inclusion

1.10. As detailed in paragraph 1.4 a strategic decision was made to focus on Diversity and Inclusion (D&I) across the NAO. As a public authority the NAO has specific requirements to comply with the Public Sector Equality Duty (PSED), which is not a requirement of comparator professional firms.

1.11. Diversity and Inclusion is an intrinsic element of all people processes across the NAO, from recruitment through to the allocation of work across the organisation. The Diversity and Inclusion Strategy 2021-2025 identified four key themes:

- Proactively strengthen the diversity of our pipeline
- Maximising the potential of all our people
- Building a culture of inclusion and respect
- Setting clear ambitions and holding ourselves to account

1.12. The Diversity and Inclusion Operation Committee (DIOC) exists to provide assurance on the progression of actions in line with the overarching strategy. The DIOC consists of members across the NAO diversity networks, alongside representatives from the group PDD and HR. The DIOC is chaired by an Executive Director. As presented in chart 1.3: 'FTE allocated to task area, financial year 2021-22,' 3.7 FTE were responsible for D&I at the NAO. This represents 15.9%10 of overall FTE for the team and reflects the strategic prioritisation of D&I by the organisation.

1.13. The on-going effectiveness of initiatives and the impact of these on D&I across the NAO is monitored on a daily basis with data / information available to all staff. There is more formal monthly reporting to the Executive Team. The NAO also publishes a comprehensive D&I annual report on its performance which is published externally

1.14. In comparison to our benchmarked organisations, the NAO is ahead in terms of the level of information collected and the regularity of reporting. The NAO is unique across benchmarked organisations in the setting and application of D&I targets. The benchmarked organisations do consider D&I across recruitment, representation across grades, performance related elements (i.e. bonus award) and people survey analysis. However, the NAO is an exemplar in its access and presentation of information related to D&I across work allocations, e.g. the allocation of audit principals and senior analysts allocated as leads / managers for projects.

1.15. Research on D&I pay gap reporting across professional practices highlighted that whilst the gender pay gap as a legislative requirement is published, firms across the sector are increasing the scope of their D&I pay gap reporting by including ethnicity and disability. This is consistent with that of the NAO. Emerging areas of practice include reporting on socio-economic background, alongside sexual orientation.

1.16. At the NAO there is a monthly people survey where staff rate their views with scores out of 10. Previously these surveys were annual, the new approach provides up to date feedback. The people survey responses for the year 2021-22 highlighted an increase from 6.7 to 7.3[11] in relation to the fair treatment of staff. This is further substantiated with increases in scores across the areas of valuing opinions and the support that staff receive in relation to addressing misconduct.

1.17. The scores are reflective of the investment in such areas as D&I by the NAO. **As developed structures / programmes embed themselves across the organisation and the focus of the D&I strategy becomes focussed on inclusion, it is important for the NAO to reflect on existing levels of investment in D&I and how measures of inclusion and culture can be effectively monitored.**

[10] Total FTE for the Human Resources team.

[11] Please note that following the transition to a monthly survey in the year, targets for the forthcoming year, 2022-2023 have been set for total engagement scores of 7.4. A target for 2021-2022 was not assigned.

Benchmarking of the Human Resources team

1.18. In 2021-22, the total cost of the NAO's HR team was £2.8m (2020-21: £2.9m). This is made up of direct employee costs of £1.5m (2020-21: £1.4m) and external costs £1.3m (2020-21: £1.5m). External costs include the provision of professional training related to the Institute of Chartered Accounts for England and Wales (ICAEW) (2021-22: £720k) and additional costs including external recruitment fees and advertising costs, occupational health and well-being provision, and pension administration.

1.19. As part of the HR team's monthly target analysis, a key metric for the team is the benchmarking of the NAO against the Human Resources Tracking Survey carried out by Civil Service HR across the Civil Service Departments[12]. The monthly targets consider both the cost of the HR function per FTE and the ratio of employees to HR Staff. It is important to note that the 'HR Function' metrics include Learning and Development for the purposes of the application of the Civil Service Benchmark. Civil Service HR departments include Learning & Talent Development, which includes responsibility for skills development and the provision of learning solutions. A summary of how the NAO compared against benchmarks for Civil Service Department of similar size (up to 1,000 staff) is presented below within chart 1.4.

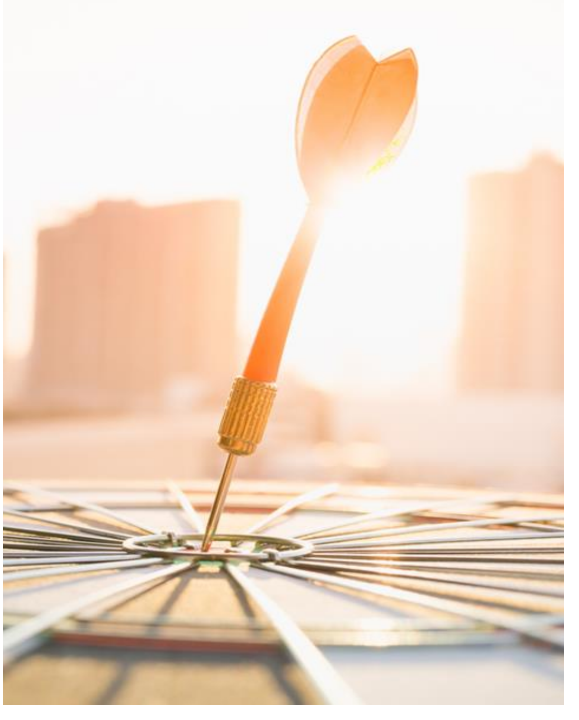


Chart 1.4: Comparison of HR team benchmarks

<table>
<tr><th colspan="3">HR Team – Financial year 2021-22</th></tr>
<tr><th></th><th>The National Audit Office</th><th>Civil Service Departments[13]</th></tr>
<tr><td>Cost of the HR Function (including L&D) per FTE[14]</td><td>£2,240</td><td rowspan="2">£2,350</td></tr>
<tr><td>Cost of the HR Function (excluding L&D) per FTE</td><td>£1,647</td></tr>
<tr><td>Ratio of employees to HR Staff (including L&D staff)</td><td>42.9</td><td rowspan="2">35.7</td></tr>
<tr><td>Ratio of employees to HR Staff (excluding L&D staff)</td><td>39.3</td></tr>
</table>

[12] Civil Service HR Data and Functions Survey updates (2019/20 Draft V 0.1)
[13] Civil Service HR Data and Functions Survey updates (2019/20 Draft V 0.1)
[14] Cost: Includes only salary costs for the HR team.

1.20. Applying benchmarks to the NAO when we compare to other Civil Service Departments, is challenging given that there are no organisations within the Civil Service that operate on the same basis as the NAO, particularly in its provision of an audit professional training programme. The benchmark comparison above in chart 1.4 highlights that HR staff in the NAO support a higher number of employees per head than the Civil Service benchmarks when we include only HR staff, however including L&D staff the NAO support a lower number of employees per head.

1.21. The cost of the HR Function per FTE (including L&D) is lower than the Civil Service Benchmarks. The same is also true when we consider the cost of the HR function excluding L&D.

Human Resource operational processes

1.22. The processes in operation within the Human Resources team should be efficient to enable more focus on strategic analysis and input to the NAO.

1.23. In our assessment the systems in place that support the NAO in managing HR related matters, including payroll, are sufficient and effective. Self-service options include updating personal details such as bank details, the appraisal process and staff expenses. The existing enterprise resource planning system integrates with the people management system and provides the NAO with a single-entry point for HR related matters.

1.24. In 2016 the NAO prioritised the integration of systems supporting the audit planning and allocation process, finance and HR. This has the benefit of ensuring single source data and integrated business reporting. At the time of implementation there was no suitable system available that could deliver this level of integration, and provide an integrated payroll function compliant with the data requirements of the civil service pension scheme. Payroll is therefore delivered by a third-party provider, and reliant on monthly data downloads.

1.25. Existing payroll processes (as previously reported within our 2019-20 VFM study on the Finance Function) rely on a number of manual steps to extract information, and as a consequence require additional manual steps to ensure data accuracy. It is understood that the NAO have reviewed options for improved integration with their outsourced payroll provider, but no suitable cost-effective options have been identified.

1.26. The functionality of existing systems should be regularly reviewed to minimise the level of manual interventions in the administration of the monthly payroll cycles.

2. Recruitment and retention strategies

Summary

2.1. As part of its strategy the NAO seek to attract and retain high-quality people to fulfil its ambitions of being an exemplar organisation. The Recruitment and Selection processes are designed to help the NAO be a diverse employer representative of the community which it represents.

2.2. The HR Director leads the wider HR team in the delivery of campaigns designed to meet business needs and support the organisational D&I objectives. The wider HR team provides advice and guidance to hiring managers on the running of a campaign, as well as being the contact point for candidates. It is recommended that as the number of roles outside of those recruited as part of the trainee and analyst intakes rise, the NAO continues to monitor the balance of responsibilities between the recruitment team and service line teams to ensure the balance remains appropriate for the organisation. This will not only help to provide insight on the engagement of service line staff in recruitment, but in addition provide information on the total cost of related recruitment being from the service lines. Total cost consideration will enable the evaluation of value for money.

2.3. Where the recruitment of new and more specialist roles is required, the NAO should ensure that the HR team are able to develop their skills and experience to effectively support the recruitment of suitable candidates. This includes the team's ability to identify and work with specialist agencies and consultants who can best access specialist markets.

2.4. In the current period (as at drafting in August / September 2022), the NAO are experiencing increased attrition across a number of grades and an exceptionally challenging labour market. This is in line with the wider audit sector, with a number of firms reporting challenges in recruitment and retention of auditors. Given current challenges in recruitment and retention we recommend that when (and if) attrition levels return to a point of stability (or there are specific grades at which attrition is static), that the longer-term viability of the retention strategies are reviewed to facilitate the ongoing development of the workforce. If the market maintains its current volatility, then this may require a more fundamental shift in retention strategies.

2.5. We have observed workload pressures across the wider audit profession. The NAO will be inherently impacted as firms seek to recruit experienced audit staff to address the growing demands of the market. We recommend that the NAO continues to focus on its key differentiators, including development of an Employee Value Proposition (EVP), in supporting auditor retention.

Recruitment

2.6. As illustrated in chart 1.2 in 'Section One: Human Resources Team' for the last financial year 2021-22, Trainee Recruitment stood at 13.2% (2020-21: 14.6%) of chargeable hours[15] allocated by the HR team. It is not possible to identify the total hours associated with non-trainee recruitment as these hours are included within 'Resourcing, Leavers & Workforce Planning' which represents approximately a quarter of the chargeable hours of the team (24.8%) (2020-21: 31.4%).

Trainee Recruitment

2.7. In 2021-22, Trainee recruitment in terms of HR resources represents 8.6% (2020-21: 8.9%) or the equivalent of two full-time equivalent positions. There are two key recruitment routes for the trainee positions within the NAO (the Graduate Scheme and Apprenticeship Scheme). The Apprenticeship Scheme receives applications including, but not limited to school leavers that meet the criteria for apprenticeship requirements.

2.8. The NAO seek to recruit 70 – 80 graduates and apprentices annually through the professional accountancy qualification. Across the last two cohorts, the NAO HR team received on average 2,200 applications from graduates and 740 applications from those seeking apprenticeships. Approximately 2%-3% of all candidates will be made an employment offer with approximately 20% of offers declined. Recruitment costs across the trainee campaigns for the last three financial years is illustrated below (this includes both external and staff costs). The cost per hire is based on the numbers recruited and as such will sensitive to changes in changing responses to offers made (see 2.9). The data shows a consistent per head cost figure of approximately £3,500. This compares positively with costs from limited benchmarking data from professional firms.

[15] Chargeable hours relate to the main task areas, and do not include time allocated to corporate tasks, CPD, line management, annual leave, sick leave etc.

Chart 2.1: Recruitment costs for trainee campaigns across the last three financial years

Financial year	Total cost of recruitment (£)	Cost per hire (£) [16]
2019-20	293,000	3,400
2020-21	310,000	3,600
2021-22	304,000	3,600

2.9. The graduate recruitment process commences in October with the majority of new trainees starting the following September, there can be a small intake in January. Whilst the recruitment process is generally completed during May / June, the window for assessments has been extended to August 2022. This reflects the recruitment market challenges currently being experienced across professional firms. Currently, the 2022 graduate and apprentice campaigns are running behind target, with 59 positions accepted. The number of offers declined by candidates for the 2022 campaign is higher (26.3%) than in 2021 (14.9%) and 2020 (22.8%).

2.10. The HR team manage the end-to-end process of recruitment with applications for graduate and apprenticeships being processed through TopScore[17]. The utilisation of this software enabled the NAO to transition from in-person to remote recruitment relatively smoothly, and mitigated the disruption during the pandemic period. The TopScore system supports assessors in the collection of feedback during the Assessment Centre as information is recorded directly onto the system. The initial assessment of candidates, based on online and competency-based questions, is captured and marked on the system.

2.11. Upon joining the NAO, graduates are provided with a comprehensive six-week induction process led by the Learning and Development team.

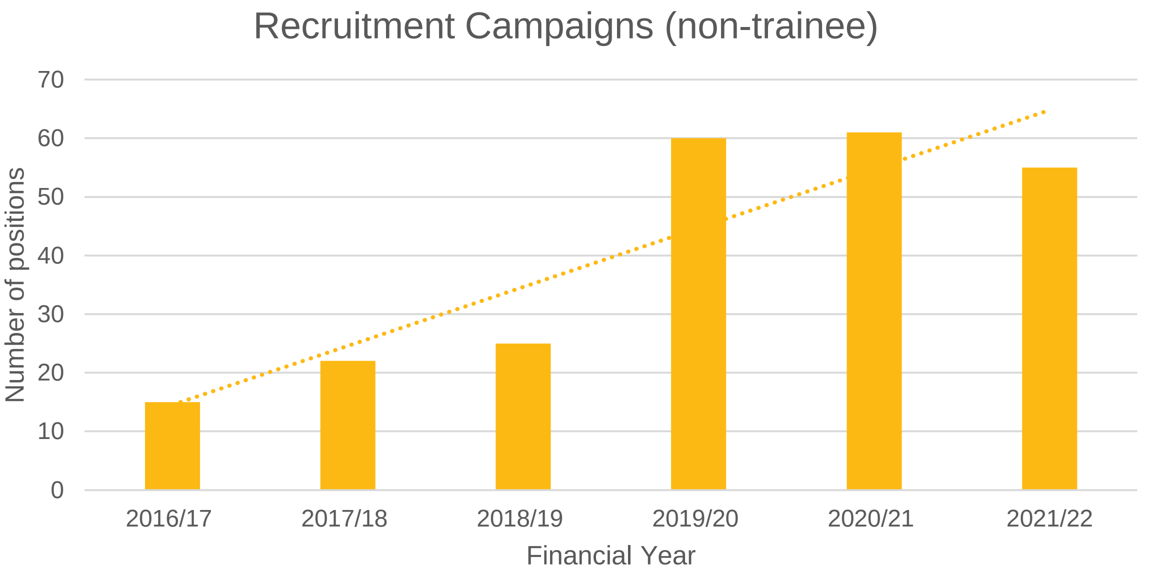
2.12. Feedback in respect of the graduate recruitment process, including the ongoing support provided to new hires by HR, was positive across stakeholders. This is further substantiated by below average attritions risks as recorded by the people survey. Support in the recruitment of staff is a critical aspect of the work of HR in supporting the strategy of the NAO.

Non-Trainee Recruitment

2.13. In addition to the trainee programme the recruitment team also support six monthly campaigns, to recruit Analysts into the VFM service which has traditionally formed the main resource pipeline into this specialism. This accounts for around 10-12 new recruits each year. The HR team are involved in a number of recruitment campaigns to a wider range of functions across all grade levels. These campaigns include those for the Value for Money analyst recruitment which is undertaken twice a year and relates to approximately 40 positions. The following chart illustrates the number of non-Trainee positions that have been recruited across the last six financial years.

[16] This is based on the recruitment of 85 trainees. Cost per hire includes, Advertising Costs, Recruitment fair costs (non-staff), Assessment costs (non-staff) and internal staff costs including HR and service line staff.
[17] TopScore Tech are a provider of virtual assessment centre software

Chart 2.2: Numbers of positions recruited (non-Trainee):



2.14. Chart 2.2 illustrates the increasing trend in recruitment non-trainee recruitment. As part of the NAO's strategy that focusses on the development and sharing of expertise, the 2021-22 financial year saw the continued focus on recruitment into each of the six hubs (insight teams) and other specialist areas. Additional recruitment campaigns have also been undertaken within Corporate Group; 12 campaigns (compared to 2020-21: 20) were run for 16 posts (2020-21: 22). Recruitment campaigns are intrinsically linked to the retention rates for the organisation. Recruitment campaigns for non-trainee recruitment will increase if resignation rates (as discussed in paragraph 2.24) continue to be in excess of targeted rates.

2.15. Unlike trainee recruitment where the HR team will lead on the campaigns and initial assessment of candidates, non-trainee recruitment requires a greater level of engagement from the service line. This is particularly evident with those related to one-off campaigns. From stakeholder interviews there was a perception that on occasions the investment time of the service line in such campaigns, is in excess of that which would be expected, due to the capacity within the HR team.

2.16. It is recommended that the NAO monitor the balance of responsibilities between the recruitment team and the service line to ensure that this remains appropriate for the organisation.

2.17. Alongside the engagement of service line staff, the NAO should continue monitoring its future staffing requirements, particularly in relation to the requirement of new and more specialist roles where this is required. Monitoring skills in this way will ensure that the skills and experience of the recruitment team, are relevant to the types of roles being recruited. This should include HR's ability to identify and work with specialist agencies/consultants who can best access specialist markets.

Retention strategies

2.18. The NAO's performance framework, highlights that a measure of success for the strategic enabler '…retain and develop high-quality people…' is defined as 'Our people feel highly engaged in their work and report having access to learning and career development opportunities when they need them…' This is predominantly measured through the review of the NAO staff surveys conducted on a monthly basis. The average engagement score target set for the current financial year, 2022-23, is 7.4[18].

2.19. The Organisational Development Plan (ODP) sets out the individual changes and associated actions that are to be addressed in order to deliver the 2020-25 Strategy. The ODP is split across separate themes and those predominantly related to People are the responsibility of either the HR or Learning and Development teams.

2.20. Retention strategies are intrinsically linked to an individual's experience at an organisation. This commences from the point of offer, induction through to on-going learning and development opportunities, workload and work / life balance, promotion opportunities and reward.

2.21. The NAO's ODP details key actions to be delivered that contribute to the overall retention strategy at the organisation. A number of these actions relate to the learning and development support for employees, and focus on career development including performance coaches and personal development plans. These are explored further in 'Section 3. Learning and Development.' As such the following analysis considers those areas not overseen by the Learning and Development team.

People Survey and Resignation rates

2.22. The latest people survey in June 2022, highlighted the growing downwards trend in engagement scores since February 2022. Engagement across 2021 was largely consistent at 7.0[19]. However, the results have fallen from 7.0 to 6.6 from February 2022 to June 2022. (a decrease of 5.71%). The largest contributor to the decrease relates to the 'Loyalty' theme that considers an individual's likelihood of leaving the NAO where they are offered a role elsewhere. Across the last five months, this has decreased 6.15%. Lowest scores that are considered as engagement drivers relate to Growth[20], Reward[21] and Workload[22].

2.23. We have observed workload pressures across the wider audit profession – this is a product of talent and resourcing shortages, an enhanced regulatory environment and a resetting of the audit market. The NAO will be inherently impacted as firms seek to recruit experienced audit staff to address the growing demands of the market. **We recommend that the NAO focusses on its key differentiators, including clarification and communication of the key factors supporting employee retention. We have viewed this in a number of firms captured within a summary Employee Value Proposition (EVP), incorporating factors such as engagement, learning and development, advancement, inclusivity, workplace strategy, health and wellbeing and leadership. The NAO have these factors as part of its approach to people engagement but these are not captured in an easily accessible summary form.**

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[18] NAO strategy: Progress update and estimate memorandum for 2022-23
[19] The scores reflected are scores out of 10.
[20] Growth related questions: I feel that I'm growing professionally, I see a path for me to advance my career in our organisation, My job enables me to learn and develop new skills and My manager encourages and supports my development
[21] Reward related questions: I am fairly rewarded (e.g. pay, promotion, training) for my contributions to National Audit Office.
[22] Workload related questions: The demands of my workload are manageable.

2.24. The NAO monitor resignation rates across all grades as part of the monthly balanced scorecard. Whilst resignation rates during the pandemic remained low, resignation rates have increased significantly with actual resignation data consistent with that of the risk in attrition highlighted in the people survey. As at May 2022, the resignation rates across the Audit Principal and Auditor[23] grades were 21%, against an original target of 15%. To better reflect market conditions and to recognise the level of attrition required to allow for career progression for the NAO's trainee pipeline, the target percentage was increased to 20% for the financial year 2022-23. This builds on the trend for the prior financial year 2021-22, where resignation rates for this grade was above target by 2.1 percentage points (17.1%). Most leavers are within the financial audit specialism, although Analyst resignation rates were also above target by 4%, at 20.0%.

2.25. A major cause for departure, as cited across 46% of leavers within exit interviews, is career growth and progression. This is consistent with data from 2020 and 2021.

2.26. We have discussed the actions that the NAO is undertaking in relation to personal development within 'Section 3. Learning and Development'. The following focusses on the opportunities for progression across certain grades and service lines.

Career progression

2.27. The financial year 2021-22 recorded resignation rates that were below target for both Director and Audit Manager grades; 6.2% (Target: 10%) and 3.6% (Target: 7%) respectively. Low resignation rates should be considered in the context of the macroeconomic environment. The pandemic environment that prevailed in early 2021-22 will have likely increased uncertainty for individuals in considering career moves. Notwithstanding any externalities, whilst this is a strong indicator that the NAO is successful in retaining its staff at more senior levels, there is embedded, within the model for professional practices, an expectation of a level of 'churn' in the workforce, which provides the scope for promotion opportunities for those in more junior roles.

2.28. The NAO, as part of its career management path considerations, are reviewing a number of options that could address lower turnover at more senior grades. These include, but not limited to: secondments (explored below), flexible working, early retirement options and career transition support. As shown in chart 4.3 within 'Section 4: Post pandemic ways of working,' formal flexible-working arrangements across both Directors and Audit Managers already have the highest rates across the organisation.

2.29. It is however important to highlight that in the current financial period (as at drafting in August / September 2022), the NAO are experiencing increased attrition across a number of grades. For example, in the current year, levels of Audit Manager resignations have increased, with a rate of 8.4% to the end of September. This is in line with trends within the wider audit sector, with a number of firms reporting challenges in recruitment and retention of auditors. If the market maintains its current volatility, then this may require a more fundamental shift in retention strategies.

2.30. Given the current issues in recruitment and retention we recommend that once attrition levels return to a point of stability, that the longer-term viability of the retention strategies are reviewed.

[23] Ibid.

Secondments and work placements

2.31. As detailed in its strategy, the NAO should consider, particularly across grades that have had historically lower turnover rates (affecting promotional progression), other opportunities for staff to develop including those through external work placements and secondments. These opportunities should be explored further once the current issues in recruitment and retention have returned to a point of stability. The recent revisions to the UK Ethical Standard and Auditing Standards have imposed restrictions on the undertaking of placements within audited bodies. Other potential solutions should be explored and there are current examples of this being undertaken successfully which provide case studies to be communicated across the workforce.

2.32. Chart 2.3 below captures both the inward and outward secondments undertaken across the last three financial years. The outward secondments, representing the number of NAO staff seconded to an external organisation, is illustrated in the final column. There is an upward trend in 2021-2022, following the emergence from the pandemic although the numbers are low given the size of the workforce.

2.33. The development of the secondment programme must be balanced with the associated cost of arrangement. This must consider the direct staff time in the investment and arrangement of the secondment, costs of salaries, dependent upon arrangement and wider indirect costs, including travel. Given the opportunities through the pandemic, associated with remote working and the global workforce, there are opportunities for the NAO to consider the feasibility of options for placements to other organisations outside of the United Kingdom such as other Supreme Audit Institutions.

Chart 2.3: Number of inward and outward secondments for the last three financial years

Financial Year	Total Numbers	Outward secondments	Parliamentary Secondments / Attachments to Parliament
2019 / 2020	3	1	10
2020 / 2021	4[24]	1	10
2021 / 2022	5	4	9

[24] This includes a swap of staff between the NAO and the related organisation

3. Learning and Development

Summary

3.1. The NAO's five-year strategy for 2020-2025 highlighted as a key strategic enabler, the need to 'attract, retain and develop high quality people'. The NAO's Learning and Development (L&D) team are key in the delivery and development of learning resources for the organisation, and work closely with the service line teams to deliver the necessary resources in a way that promotes the best learning for individuals across the organisation. This is highlighted in the development of the learning programme to support staff in relation to the Audit Transformation Programme (ATP). Building on the progress in the prior financial year the Audit Pathways continues to support new starters through their audit training. The director curriculum launched in the year supports more senior colleagues in their development.

3.2. There are opportunities for the NAO to strengthen its understanding of the impact and effectiveness of these learning interventions beyond that currently measured through qualitative feedback performance measures. These should capture resulting improvements in performance across the workforce, and it will be key for the L&D team to demonstrate and monitor the impact of such learning interventions.

3.3. Activities of the L&D team are tracked through the time management system, where staff time is allocated to specific tasks. The NAO should consider whether existing records that support the allocation of time across members of its L&D staff, provide sufficient detail of the nature of the tasks being undertaken. Additional detail would enable more analysis which can support and evidence value for money of certain activities, and / or provide insight into the nature of the tasks being undertaken

3.4. Alongside more structured learning interventions, staff are encouraged to take ownership of their own development and reflect and identify, opportunities for growth. The performance coach initiative, supplemented with the personal development plan aims to encourage reflective practice of an individual's performance. This will enable discussions for individuals to identify growth opportunities within the NAO. Allocation principles highlight the need to reflect individual development areas when deciding on resource allocation. Whilst a relatively new initiative, there is a need for the NAO to continue to review its impact, both in terms of staff feedback through the people survey as well as reviewing the approach to allocations across the NAO. Particular focus should be given to the number of intra-group resource transfers and an understanding as to the reason for such movements.

3.5. The consideration of qualitative feedback on performance coaches should be considered to establish whether there is a consistent experience and exposure to development opportunities across all staff. The distribution of time allocated by performance coaches should be reviewed to provide assurance, that coaches not only have sufficient capacity to undertake this role but that those being coached have a consistent high quality experience.

The Learning and Development Team

Costs and FTE of the Learning and Development Team

3.6. The Learning and Development (L&D) team is led by the Head of Learning, Development and Talent. The team report into the Executive Director responsible for People.

3.7. The team comprises 8.04 full-time equivalents (FTE) (Headcount: 10). This represents an increase of 17% on the team composition from the financial year 2018-2019 as per chart 3.1 below.

Chart 3.1: L&D FTE

Financial year	Full-Time Equivalent	% Increase
2020-21	6.88	-
2019-2020	6.99	1.60%
2020-2021	7.19	2.86%
2021-2022	8.04	11.82%
2022–2023	8.60	6.97%

3.8. The increase in FTE within L&D across the last four financial years reflects the strategic focus of the NAO, to provide its staff with the necessary and appropriate training that is required to embed quality across the work it undertakes. This is alongside the support it provides to its staff in their development, from people management skills training through to new approaches adopted for personal development via the performance coaches. It also reflects the number of people initiatives delivered as part of the Organisational Development Plan (ODP) since 2020. This includes the increased investment in L&D Business Partnering, Audit Pathway development, the establishment of the Directors Curriculum and the continued evolution of the blended learning officering available.

3.9. The size of the L&D team, in terms of FTE, is comparable to that of benchmarked organisations. When we compare the ratio of employees (measured as FTE) to L&D staff, the NAO are above that of benchmarked organisations. Though this is likely due to the significant investments as part of the ODP and the establishment of the Audit Pathways. The application of any benchmarks in relation to L&D is inherently challenging given the varying nature of the activities conducted by the different teams. By way of an example, the NAO's L&D team have been substantially involved in the development of Audit Pathways, alongside the support relating to the development of learning for the Audit Transformation project. For other organisations this may be the responsibility of the organisation's technical training team

3.10. The NAO's L&D team costs consist of a balance of direct employee costs and external costs. These are recorded in chart 3.2 below, presented for the last two financial years.

[25] Learning and Development Area Plan (2022-23)

Chart 3.2: L&D costs

Financial year	Total cost of recruitment (£)	Cost per hire (£)[14]
2020-21	544,000	336,000
2021-22	601,800	267,000

3.11. The above salary costs include salary, employer's pension and employer's national insurance contributions. External costs consist of those relating to the provision of the eLearning Platform and wider external support in the delivery of training at the NAO. It is important to note that costs related to the professional training for trainees are not included within L&D budgets but within HR. Across benchmarked organisations there is inconsistency of where such costs are allocated.

3.12. The comparison of the cost of the L&D team per FTE of the organisation and that of the L&D team itself, is detailed in the chart 3.3 below.

It was not possible due to the information submitted in the benchmarking exercise to provide comparison to similar organisations.

Chart 3.3: L&D Costs per FTE of the NAO and the L&D Team

Financial year	Cost per FTE (L&D Team)	% Change	Cost per FTE (NAO)	% Change
2020-2021	75,661	-	630	-
2021-22	74,851	(1.0 7%)	661	4.80%

Links to the organisational strategy

3.13. The Learning and Development Strategy 2019 – 22 was approved in May 2019, and was based upon several key building blocks, as summarised in chart 3.4 below[26].

Chart 3.4: Building blocks of the Learning and Development Strategy

Governance L&D linked to business performance	**Evidence-based decisions** Use data to evidence and inform L&D change	**A broad learning offer** Broaden the L&D offer but prioritise areas of learning
Focus on learning application at work Learning offer aligns role requirements	**Continuous learning** Learners have access to the learning they need, when they need it.	**Managers role models of behaviour change** Line managers committed to embedding learning

The specific Learning and Development Strategy developed was superseded by the ODP when the NAO's strategy was reviewed in 2020. However, the core principles have remained the same.

[26] Extract from: Learning and Development Strategy 2019-2022 (Slide 10)

3.14. The ODP sets out the individual changes and actions that are necessary to be addressed in order to deliver the organisational strategy for 2020-2025. The ODP is split across seven key themes, of which People is one of these. L&D team activities predominantly relate to these areas, for which the Head of Learning, Development and Talent is responsible. Accountability for actions within the People theme are the responsibility of the Executive Director, Local Group.

3.15. The alignment of the work packages within the ODP to that of the organisational strategy, links actions to the achievement of its overall objectives. Progress on actions is reviewed formally on a quarterly basis and de-prioritised with the agreement of the Executive Team.

3.16. One of the five elements of the monthly balanced scorecard relate to People. Underlying performance metrics for these areas are measured and reported as part of the NAO's performance framework. L&D Performance and Compliance Measures include; mandatory training completion and learning impacts, demonstrated through evaluation plans and the percentage of staff holding a Personal Development Plan (PDP).

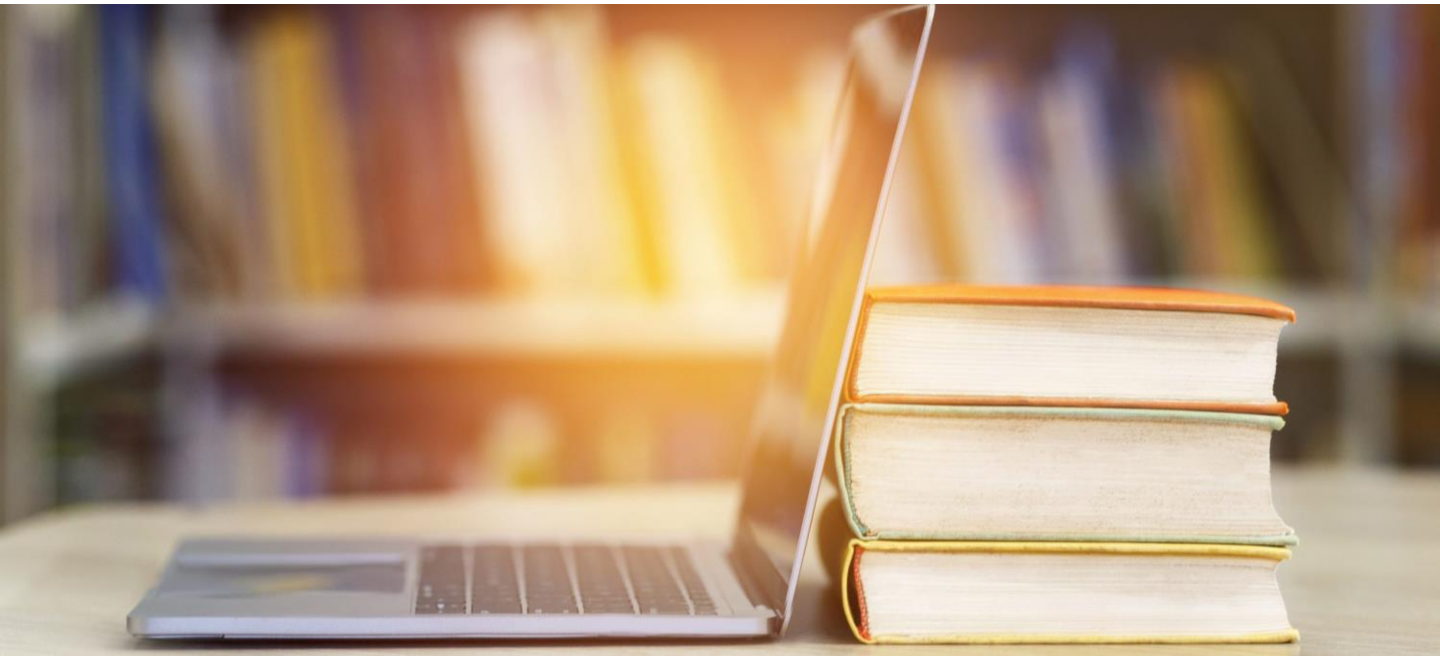
3.17. Whilst evaluation plans capture feedback on learning interventions and the waitlists of specific training, which can evidence engagement, there is an opportunity for the L&D team to further develop the metrics applied. The Chartered Institute of Personnel and Development considers evaluation activities such as those associated with the following:

Impact – the demonstration of learning interventions and how these have impacted performance (financial and operational).

Transfer – the demonstration of how learning undertaken has been transferred to and applied in a with area.

Engagement – the demonstration of the engagement across stakeholders involved in learning activities.

3.18. Furthering the performance measures to capture resulting improvements in performance across the workforce, will be key to the L&D team in order to demonstrate and monitor the impact of learning interventions.



Activities of the Learning and Development Team

3.19. An analysis of the activities of the Learning and Development team is summarised below based on timecard data, as per chart 3.5

Table 3.5: Analysis of timecard information (in hours) relating to L&D Activities .

Area[27]	2020-2021	2021-22
Development / delivery of training	6,395	4,685
External support	586	407
Internal support	2,045	2,964
L&D operations	418	3,260
L&D Team Training	732	394
Total	10,175	11,711

3.20. In 2021-22, 40% (2020-21: 62.9%) of time allocated was related to the development and delivery of training across the NAO. 50% of time was allocated to the Audit Pathways Development, alongside development and delivery of training relating to the Audit Transformation Programme (ATP). Within the classification of Internal Support, the predominant driver is Internal Liaison accounting for 66%, the equivalent of 1,964 hours (2020-21: 2,043.93). 'Internal liaison' time highlights the time that the L&D team are engaged with the NAO on various ad-hoc pieces of advice and / or where their advice was sought. The time allocated here can refer to activities undertaken for the office where such work does not require to be set up as a project. 'L&D operations' for 2021-22 related to the time allocated to the procurement and development of the e-learning platform, alongside team administration and communication / content reviews**.**

The NAO should consider whether it has sufficient visibility of the nature of the work undertaken within internal support, to enable the organisation to determine whether such tasks being undertaken are value for money for the organisation. Alternatively, the nature of these task being undertaken may be separately defined as a task within the time allocation system.

3.21. Business partnering is a specific element of the L&D team's activities, totalling 906 hours for the financial year 2021-22. L&D business partners will formally engage on a monthly basis with their group, but they are available to provide support as and when required. Those we interviewed were positive as to the contribution of the L&D business partners.

[27] The categories allocated are based on Crowe allocation of timecard information into categories for analysis.

Training

3.22. The L&D team are involved in the development and support in the learning provision across the NAO. We have highlighted close working relationships with the service line in the development of training, particularly within the financial audit service line. Provision of insight and advice into the most suitable delivery mechanisms to enhance learning was commended by those consulted as part of the review. Engagement in this way provides that the provision of learning is relevant and applicable across the organisation.

3.23. The delivery approaches of the L&D team are in line with benchmarked organisations. Across the NAO and similar organisations, e-learning modules are included in the most frequently utilised delivery mechanisms as well as remote live courses. In-person live courses are also used; however, this must be considered in the light of the emergence from the pandemic.

3.24. The content of development programmes that the L&D team are responsible within benchmarked organisations related to management and leadership training, inter-personal skills training and mandatory training requirements of the organisation. This is consistent with the NAO. However, the L&D team at the NAO are additionally responsible for the delivery and development of (as well as input from the service lines) technical skills related training included within Audit Pathways and development of the ATP training programme. The nature of such training means these may be delivered by other teams within wider professional practices.

3.25. We have highlighted below, key areas that illustrate the contribution of the L&D team in the development of a high-quality workforce.

Audit Pathways

3.26. The development of Audit Pathways is a key output for the Learning and Development team, amongst the wider professional and on-the-job training, that is provided to both graduates and apprentices during their trainee programme. The programme is designed to supplement the ICAEW training, in order to provide individuals with the skills necessary to deliver both financial and value for money audits at the NAO. This is a blended learning offering across technical competencies and non-audit skills.

3.27. Blended learning approaches have been adopted that encourage and support continuous learning, and is a key building block included within the L&D Strategy. Learning is provided through, but not limited to, workshops, videos, action-learning sets and e-learning. The move from a classroom-based approach encourages and supports retention of information, but allows learners the opportunities to access the learning when required. This is consistent with best practice in this area. The Audit Pathway received an award from the Learning Excellence Awards in the category ‘Accounting, Bookkeeping and Financial Management.’

Director Curriculum

3.28. To address on-going talent management at the NAO, the Director Curriculum was established and has been in place for the past twelve months. This covers a range of initiatives including mentoring and coaching opportunities. The ongoing development of senior level staff is a positive initiative and in line with the practices developed across a number of the larger firms, that focus on the development of its workforce beyond qualification.

Audit Transformation Programme

3.29. The Audit Transformation Programme (ATP) represents a significant investment for the NAO and is the foundation for the actions included within the financial audit elements of the ODP. The ATP programme seeks to transform and modernise financial audit to deliver consistently high-quality and efficient audits. The ATP training aims to provide auditors with the necessary knowledge and skills to successfully transition as part of the 2022-34 audit cycle.

3.30. The ATP learning offering was developed in line with the Financial Audit service line and involved the review and approval of the Financial Audit Programme Board. The engagement between colleagues across the business was perceived as highly effective. It was highlighted that the insight that the L&D team were able to provide on advice and support on the most effective learning approaches, was particularly valuable.

3.31. The ATP training development has been the focus of L&D for the last year. As such, it is important that priorities for the business are re-assessed appropriately once such training is delivered to confirm that resources are directed where there is most need. This will be particularly important in the establishment of key skills training required for the VFM service line, building on the work undertaken as part of the Audit Pathways.

Development of high-quality people

3.32. The second year of the NAO Strategy saw a continuance of the establishment and embedding of the new people management arrangements which seek to focus on an individual's personal development at the NAO. This is considered a key component in the retention of staff.

Performance Coaches

3.33. Staff across the NAO are allocated a Performance Coach. The aim of the performance coach initiative is to support the NAO's people so that they "...become better at what they do, enhancing their careers and ensuring (the NAO) have the skills and capabilities (the NAO) need…" Specific responsibilities for the Performance Coaches are noted below[28]:

- Holding regular, high quality and forward-looking discussions about short term and longer-term career aspirations
- Enabling the people they manage to capture these discussions meaningfully in Personal Development Plans and annual performance objective setting
- Supporting those they manage to identify and access appropriate work opportunities to match their career plans
- Encouraging those they manage to identify and participate in a rounded programme of training and development

3.34. Group performance coaches report (typically as part of a monthly meeting) to their People Development Directors. The aim of such meetings is for the performance coaches to report across those they coach on key issues that require escalation. Performance coaches differ from assignment managers, given their focus on career development whilst assignment managers are responsible for the day-to-day management of the individual on assignments. There are instances where a performance coach will also be an individual's assignment manager.

3.35. A key mechanism introduced in June 2020 is for all staff to review their development opportunities through the Personal Development Plan (PDP). The PDP seeks to record an individual's reflections on their knowledge, skills, capabilities and attributes to identify areas for development and identify career development opportunities. An important element of the process is having development conversations with a performance coach.

3.36. Existing effectiveness measures of the performance coach initiative include a balance of sources such as the People Survey. A summary of responses recorded for such questions are referenced on the next page in chart 3.6 (as at March 2022). In the most recent survey, two questions out of a total of three questions relating to manager openness and caring for staff scored above 8.0. It should be noted that these questions relate to both assignment managers and performance coaches, and as such the distinction cannot be made between the two.

[28] Source: Improving line management update for staff Sep 2020

Chart 3.6: Results from the People Survey as at March 2022

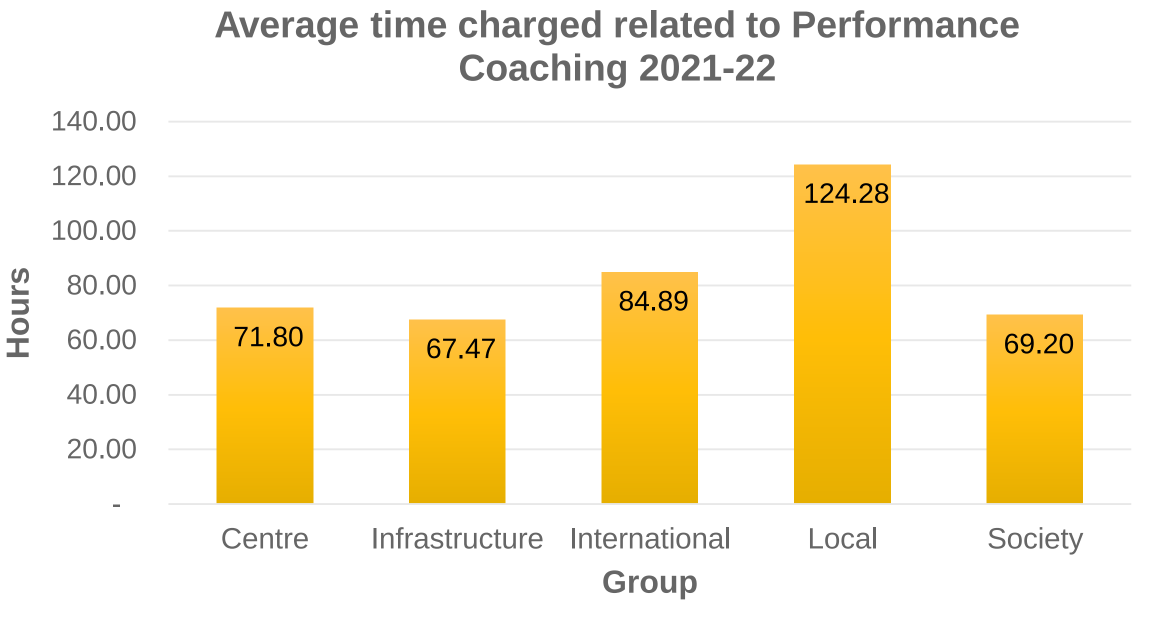
Sub driver	Question	Average across groups
Manager	My manager cares about my opinions.	7.83
Mentoring	My manager encourages and supports my development.	7.72
Mentoring	My manager provides me with the support that I need to complete my work.	7.63
Caring	My manager cares about me as a person.	8.00
Openness	My manager communicates openly and honestly with me.	7.97

3.37. Since the performance coach role was introduced the NAO has held a number of sessions, attended by the Comptroller & Auditor General, to obtain feedback from existing performance coaches to understand not only their experiences as coaches, but also the nature of the discussions being had. This will assist with developing further training for new performance coaches to better enable them to undertake their role.

3.38. The initiative was widely considered as a positive contribution to an individual's development at the NAO, however variation in the performance of performance coaches was highlighted in our interviews. In the majority of cases this was viewed as a result of capacity of the performance coaches rather than capability.

3.39. An exercise was completed to understand the amount of time spent across the performance coach initiative. The analysis included time charged relating to performance coaching, performance coaches and line management. The following chart 3.7 illustrates time charged across groups based on the number of individuals allocating time to performance coaching.

Chart 3.7: The average time allocated to Performance Coaching for the financial year 2021-2022



3.40. The above chart illustrates that there is consistency in hours charged to performance coaching across the Centre, Infrastructure and the Society Groups but that higher hours were charged for the International and Local Groups. Whilst the number of hours charged varied by individuals across each of the groups, the data can include time charged by those receiving coaching as well as line management time not specifically related to the performance coach initiative.

3.41. A recent Internal Audit report highlighted that it is important that the NAO considers the expectations of the performance coach role and whether sufficient capacity exists within an individual's forward allocation, given that engagement as a performance coach is not allocated a specific time within an individual's overall allocation i.e. it is not formally a demarked role. **As such it is recommended that whilst a specific time directive is not the preferred option at this stage, the NAO reviews the distribution of time across performance coaches which considers the number of individuals being coached that they are responsible for. This will not only enable the NAO to assess that staff are sufficiently able to allocate time to the initiative but also that there is consistency of experience across staff at the NAO.**

3.42. Qualitative feedback on performance coaches should be considered as a mechanism to provide assurance that staff across the NAO are having a consistent experience and exposure to development opportunities. A set of performance measures should be considered to measure the effectiveness of the initiative.

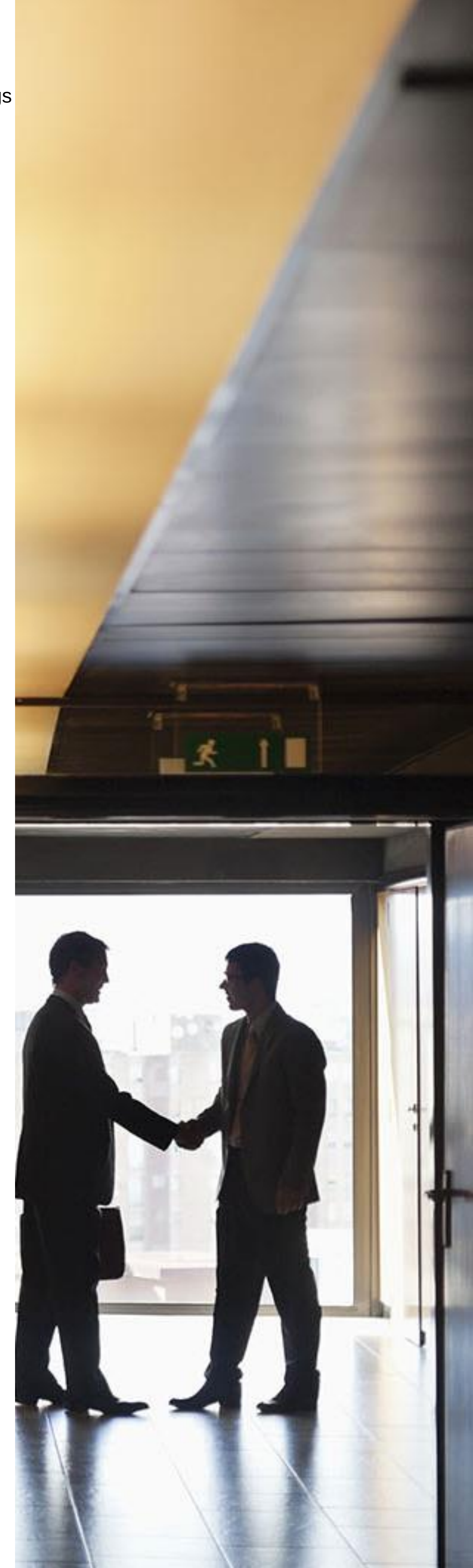
People Development Directors

3.43. The learning and development offer, whilst supporting the NAO in the provision of development and training courses, relies on individuals and the NAO to provide an environment in which individuals are responsible for their own development and articulate their objectives through the PDPs. An individual's career development, as defined in the NAO strategy, is to be supported by the organisation, particularly in the access of learning and career development opportunities.

3.44. The NAO provide its staff the opportunity to work across the financial audit and value for money service lines, developing specialist skills where this fits with their personal preferences and intended career path. The target for trainees for allocation to the VFM service line is 10%. As reported in the most recent balanced scorecard this is currently tracking at 8%. Whilst a key metric such as this can be reported to identify opportunities across the service lines, it is more difficult to track and monitor the extent to which allocations are made which address a designated development requirement for an individual

3.45. A set of five principles underpin allocation decisions. These are listed below:

- **Sufficient people, with the right skills and capability to deliver the work, are allocated to each audit or project**
- **Development needs are visible**
- **Opportunities are clearly communicated**
- **Decision-making is unbiased**
- **Decision-making is transparent**



3.46. The delivery of work that the NAO is committed to is the first, and key priority, however the NAO is committed to simultaneously taking development needs of staff into account as captured in the PDP. Representation of particular groups is considered in the allocation process. This is monitored not only through the diversity dashboard but as part of the balanced scorecard. Key metrics such as those relating to diversity of those leading work and diversity in promotion, are reported on a monthly basis although these are monitored on an on-going basis. The approach to the measurement of diversity and inclusivity in this way is unique to the NAO when we compare to the benchmarked organisations.

3.47. People Development Directors (PDD) work alongside the Resource Director of each group to provide assurance that development considerations as well as the wider allocation principles, are factored into allocation decisions. The focus on development considerations in allocation seeks to balance discussion such that development is given the same priority as resourcing at a group level. Historically the perception was that resourcing requirements were prioritised over staff development. Allocations across both VFM and Financial Audit are undertaken at group level and only where allocations cannot be addressed within the groups, intra-group resource transfers are required.

3.48. There was consensus across those consulted that development is being considered in the discussion of group allocations. However, the balance of discussions in certain circumstances still focusses on staff allocation as a business priority, over that of the development. **Given this initiative is still embedding, it is important that the NAO continue to review its impact, both in terms of staff feedback through the people survey, alongside reviewing the approach to allocations across the groups and the extent that allocations are driven by a developmental need. However, it is fully recognised and in accordance with the operation of audit firms that there has to always remain a focus on the delivery of the core business. During a period of increased attrition, there is an inherent impact upon the development balance which needs to be monitored to prevent a further impact on attrition levels.**

Personal Development Plans

3.49. Personal Development Plans (PDP) were previously accessible through a word version on the intranet. Since 2021 PDPs are now accessible through the people management system and the expectation is that staff update these on a regular basis. Staff are reminded of the need to complete PDP actions when these are due within Financial Force. It is envisaged that a better understanding of the individual and collective learning needs across a group, and thus the organisation as a whole, will be achieved through the PDPs.

3.50. Whilst a key measure included in the monthly balanced scorecard (as of May 2022) includes the reporting on the % completion of PDPs across the NAO, this is a quantitative measure. Whilst this is important, it does not reflect the quality of the conversations occurring between the performance coaches and the individual, which is largely dependent on the performance coach themselves.

3.51. To inform a PDD's understanding of the development needs across a group and on an individual level, the PDPs are used to inform decision making at team and group level. In particular, information provided by the PDPs are to be used as a basis for the PDDs to inform allocations at group level.

3.52. Guidance and information on the PDPs is available to all staff on the intranet page. Guidance is supplemented with links to support individuals to prepare for PDP completion as well as guides for ensuring quality conversations. The broader People Management Skills programme is delivered and designed to develop and strengthen people management skills for anyone that is responsible for people, as an example, either a performance coach or assignment manager. This is based on the principles of continuous learning.

3.53. There was consensus that the PDPs were a useful tool for individuals across the organisation to focus their attention on development and in particular to initiate discussions with their performance coach as to their career development at the NAO. As at March 2022, 99% of employees were recorded as having an active PDP, indicating substantial take up across the organisation. Information was not available to determine how regularly the PDPs are updated. This is an area monitored as part of the balance scorecard reporting and is shared with the Executive Team on a monthly basis.

3.54. The creation of the PDPs within the enterprise resource planning software encourages staff to update their plans on an on-going basis. Recent changes undertaken by the Learning and Development team enables the PDDs to run data directly from the PDPs to aid decision making and support allocations. Our interviews across groups highlighted varied utilisation of the increased functionality. A number reported that conversations with performance coaches on the development needs across the groups was the preferred option, rather than reliance being placed solely on the analytics tool. L&D Business Partners within their groups will review information submitted as part of the PDP with the individual groups on a monthly basis

3.55. It is important that the NAO do not over emphasise the benefit of further analysis tools in relation to the PDPs in preference to the continued development of the performance coach initiative as well as further training specifically for performance coaches. The conversations held between those being coached and the PC are essential in the understanding and identification of opportunities for development. Further, it is of importance that these conversations properly capture an individual's development to be highly effective.

4. Post pandemic ways of working

Summary

4.1. The financial year 2021-2022 saw the introduction of the new ways of working across the NAO, building on consultation and feedback from across its staff. The approach is a blended approach of working in the offices, client sites and remote work and based on the principles of the outcomes, trust and accountability.

4.2. Our review did not focus on the impact and effectiveness of the implementation of the post pandemic ways of working, but rather on initial perspectives on engagement as at May 2022 [29]. This was a decision made to reflect that the revised ways of working have not yet been embedded for a year and that in the early part of the year, their application was impacted by the Omicron variant.

4.3. The development and embedding of the ways of working principles was well supported by HR and L&D teams with resources available to support staff on the intranet, particularly those supporting staff in relation to the management of wellbeing and working remotely.

4.4. In line with our expectations, the NAO is undertaking a thorough review of the impact and effectiveness of the revised ways of working, including holding focus groups across staff. The exercise will be supplemented by outcome data, including, not limited to, delivery and appraisal data. The exercise should consider the analysis across grades, particularly that of new starters and graduate intakes.

4.5. The recent employee surveys undertaken have highlighted a decrease in response to the question 'National Audit Office really cares about my mental wellbeing'. There is a need for the organisation to consider whether the existing models to support staff, that proved effective during the pandemic, sufficiently support staff in managing the 'new normal.'

[29] As agreed at the meeting of the Audit and Risk Assurance Committee (26 May 2022).

Working arrangements in response to the pandemic

4.6. The development of the approach to ways of working at the NAO was undertaken alongside the engagement with the organisation in a consultation that closed in March 2021. The consultation provided insight that the majority of staff saw an approach that balanced both remote / office working, with only a small number indicating that they could undertake their role wholly remotely.

4.7. Extensive guidance and support is available for staff on the intranet pages, including not only 'Frequently Asked Questions' but also learning and development resources that cover topics such as 'Building inclusive teams,' 'MS Teams Toolkit' and 'Confident Conversations.' In terms of the practical application, a number of blog posts from individuals across the organisation provide insight into the adoption of the principles, alongside the benefit that the 'hybrid' approach to working provides to individuals.

4.8. The approach to ways of working in the post-pandemic environment at the NAO is guided by the following seven principles:

- To achieve quality
- To be effective
- To support others
- To ensure security
- To deliver client service
- To contribute to a better society
- To get the best out of yourself

4.9. The NAO's approach is based on the themes of outcomes, trust and accountability, as detailed in chart 4.1 below. These are the basis for the development of the future working approach.

Chart 4.1: Basis for the future working approach

By **outcomes**, we mean that our future approach is designed to achieve our strategic objectives, deliver consistently high quality and impact, demonstrate our efficiency, and attract and retain high quality, diverse and motivated staff. You should work where you can be most effective.
By **trust**, we mean treating each other as professionals motivated to do our jobs well. No-one needs to micromanage your time for you or watch you working. If you need to pick the children up from school or do some other essential task, we know that you will still complete your work and deliver your contracted hours.
By **accountability**, we mean each of us being accountable for living the NAO values and for what we achieve in our role; supported by effective performance coaching and personal development.

4.10. The principles are utilised as a guide for individuals and teams to make decisions about how best to work, with a focus on the delivery of the best outcomes. There is not a mandatory approach adopted by the organisation detailing specific day attendance or the balance of home / office working. Instead the onus is on individuals and teams to define an approach that drives the best outcomes.

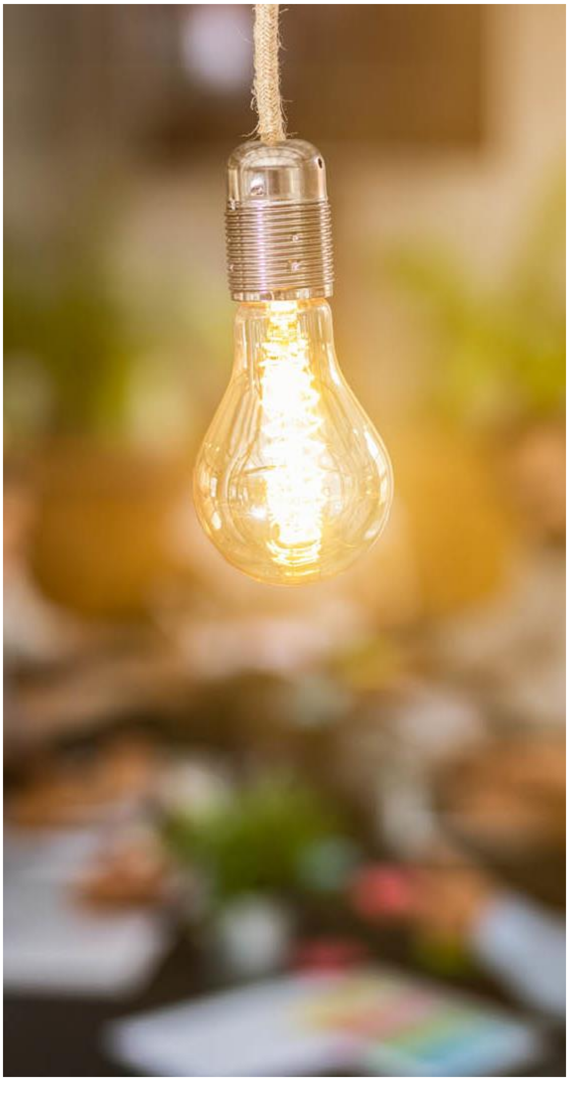
Adoption of the ways of working

4.11. The Future Working Principles were introduced in October 2021. Given the impact of the Omicron variant in the latter part of 2021 and early 2022 which resulted in a return to home working, it would be premature to provide an overall assessment of their uptake and impact on NAO's strategy. This reflects that the revised ways of working have not yet been embedded for a year. As such the following assessment is representative of an emerging view of their existing adoption (as at May 2022).

4.12. The introduction of the Future Working Principles had been positively received by the workforce. Increased autonomy in decision making as to where individuals undertake their work and their learning was mentioned across interviews, resulting in increased levels of engagement. The absence of mandatory expectations i.e. set days in the office on a weekly basis was seen as positive and not something that should be varied in any future approach.

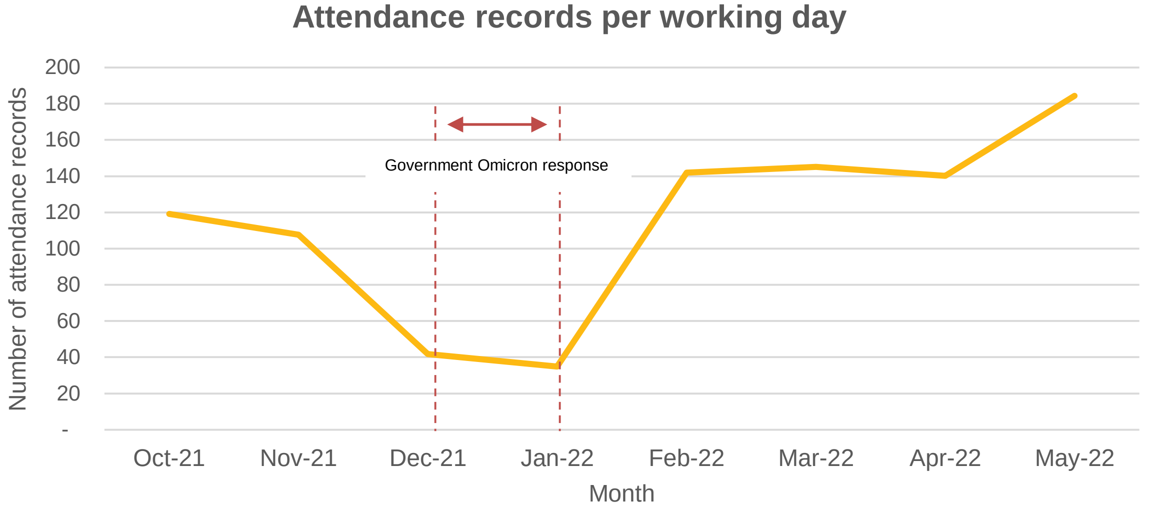
4.13. The following chart 4.2, illustrates the average individual records of attendance across both London and Newcastle offices for the period October 2021 through to May 2022[30]. The information has been extracted from the desk booking system at the NAO. A data completeness review is currently underway at the NAO to evaluate the reliability and completeness of the information within the desk booking system when compared to the information collected as part of the entry card data. The review is in its initial stages and has not concluded on data completeness. The information from the desk booking system is assumed to be understated, however this has been used as a proxy indicator of office attendance in our analysis below.

4.14. The chart illustrates lowest attendance in the months of December 2021 and January 2022, with increases in both February and March. Highest attendance was recorded in May 2022, possibly an indicator of an increasing trend. **This trend should be an area of continued review by the Executive Team. Data is not available to analyse attendance records across groups or grades at the NAO.**



[30] From the 13 December, the government advised the public that where possible individuals should work from home (Source: https://commonslibrary.parliament.uk/research-briefings/cbp-9400/#:~:text=In%20response%20to%20concerns%20about,required%20to%20self%2Disolate%20for)

Chart 4.2: Attendance recorded per working day across both the Newcastle and London offices



4.15. The balance of the remote / office working is largely reliant on the individual managers / directors across the groups, and as such there is variability in the balance of home / office working. The resulting impact is that across the NAO individual experiences will vary from team to team within the groups themselves. The variability in application of the hybrid working model, is particularly important when we consider the various roles within the groups.

4.16. **It is important that the NAO consider the impact on adoption of the principles across the various grades within the organisation so that it provides for consistency in the development of staff across each grade**. The most significant in terms of development relates to the trainees. Whilst a number of individuals consulted highlighted that the hybrid working model enables an increased opportunity for engagement and exposure to senior members of staff at the NAO, the model, by its nature, provides less of an opportunity for face-to-face on-the-job training and therefore a reduced opportunity to learn / develop from others. This however is dependent upon the approach taken by the groups.

4.17. This is not only important from a development perspective, but additionally from a retention perspective. Turnover rates for trainee grades have a target figure of 7% and peaked in 2019-20 at 13%. This is viewed principally as a result of the challenges that trainees faced during the pandemic which included extensive periods of remote working and remote delivery of their professional training. Since then trainee turnover has reduced although it has remained above the target of 7%, at 10.6% in 2021-22[31] (2020-21: 4.5%).

Measurement and effectiveness of the ways of working

4.18. The NAO is currently in the process of undertaking an extensive engagement exercise across the organisation relating to the both the adoption and impact of the ways of working on its staff. The review consists of surveys, focus groups, interviews with leadership across the organisation and includes analysis of attendance data. The NAO is including a review of external literature on this area and is looking to engage with other supreme audit institutions and professional service firms. The review is currently underway and is due to be reported to the Directors at a conference in early October.

[31] Source: National Audit Office 'Staff turnover' - ARA 2021-22 > Accountability report > Remuneration and staff report

4.19. In the evaluation of the impact and effectiveness of the new model, the NAO is looking to include analysis of outcome data relating not only to delivery data, but also appraisal data and engagement.

Formal flexible working arrangements

4.20. Whilst flexible working arrangements have been introduced in response to the pandemic, there were formal flexible working arrangements for employees that were in place before the pandemic.

4.21. Flexible working, defined as a type of working arrangement which gives a degree of flexibility on how long, where, when and at what times employees work [32], has long been seen as a key benefit of the NAO in the attraction and retention of its workforce. There are both formal and informal flexible working arrangements. Informal arrangements are on agreement by the manager and the individual employee and arranged on an ad-hoc basis. The NAO has a long-standing flexible working policy, which has been augmented by its approach to ways of working, which supports staff to help them balance their working life with other priorities. This applies to all staff and covers working times, locations and flexibility around specific work days. Contractual working options: part-time working (hours and/or days); term-time working; job share and home working.

4.22. The following chart illustrates the formal flexible working arrangements across staff at the NAO by grade. The promotion of flexible working arrangements is seen as a key retention strategy for the NAO, as noted within ‘Section 2: Recruitment and retention strategies.’

Chart 4.3: The percentage of individuals across each grade which have adopted formal (contractual) flexible working arrangements

Grade	**2018-2019**	**2019-2020**	**2020-21**	**2021-22**	**Aug 2022**
Audit Manager	21%	21%	19%	19%	20%
ED/Director	16%	20%	14%	16%	19%
AP/Senior Analyst	18%	20%	17%	19%	19%
Band 1	0%	0%	5%	5%	16%
Band 3	14%	17%	16%	17%	11%
Band 2	6%	12%	7%	7%	8%
Trainee/Analyst	0%	0%	0%	0%	2%
All grades	**12%**	**14%**	**12%**	**13%**	**14%**

[32] Flexible working practices April 2021, Chartered institute of Personnel and Development

Wellbeing

4.23. The NAO's strategic enabler, "We will attract, retain and develop high quality people" is underpinned by the goal of not only having a diverse and inclusive workplace, but one that is 'healthy'. The Health and Safety at Work Act 1974, alongside wider legislation, sets obligations for employers to provide a safe working environment for its employees.

4.24. The NAO seek to maintain the health and wellbeing of its staff, through the availability of Occupational Health, that covers areas including, but not limited to, health screening, advice on reasonable adjustments and broader specialist advice. The delivery of health services is currently the focus of a tender exercise and as such is not considered specifically as part of this review. However, specific to wellbeing and support for staff, the service provides access to the Employee Assistance Programme (EAP).

4.25. As well as the above, the NAO has a range of initiatives to support its staff, which include both the EAP and Mental Health First Aiders (MHFAs). Both are available to access through the Merlin SharePoint pages. The EAP for the period January 2021 – December 2021 recorded a utilisation rate of 4.11% [33] based on headcount for the organisation. 85.7% of services provided by the EAP related to "Emotional Support". More broadly, the utilisation rate of the MHFAs for the financial year 2021-22 was 5.82% [34].

4.26. During 2020-21, the Learning and Development team developed training focussing on resilience, mental health and wellbeing in response to the pandemic. Attendance records are not accessible due to changes to the NAO's previous learning management system (LMS [35]). Whilst the focus of the training was in response to the pandemic, included within the mandatory training modules 'Working Safely' and 'Managing Health and Safety' are elements relating to stress and wellbeing, including support to managers to identify the signs of stress and / or poor wellbeing.

4.27. The employee survey includes a question: 'National Audit Office really cares about by mental wellbeing'. This question scored highly during the pandemic (7.3 (March 2021)). However since then there has been a fall both in March 2022 and June 2022 with scores of 6.7 and 6.5 respectively. Survey responses were corroborated with the interviews undertaken with individuals citing that the MHFAs as being an important initiative.

4.28. There are other support networks at the organisation, such as the Performance Coaches. These are perhaps more informal methods of engagement and whilst information may be fed to the People Development Directors, the magnitude or the occurrence of issues is not something that will be formally logged at an organisational level.

4.29. **There is a need for the organisation to consider whether the existing models of supporting staff which proved effective during the pandemic are still effective.** The impact of the Covid-19 pandemic has and will continue to have an impact on society, particularly as we continue to explore the post-pandemic environment and what it means for individuals and organisations. The mental health and wellbeing challenges will change over time, and it is important that the NAO evaluates the existing mechanisms of support for their relevance in a post-pandemic world.

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[33] Employee Assistance Programme Summary – Jan to Dec 2021 (healthmanagement.co.uk)
[34] As at March 2022, 52 recorded instances of the use of the MHFA's was captured in the log book (Percentage reported reflects the number of entries as a percentage of the FTE of the workforce.
[35] The NAO transitioned from Learning Pool to Thrive at the beginning of the financial year 2022-2023.

Appendix 1: Recommendation Schedule and Management Response

The following table summarises the recommendations raised as part of this review.

Recommendation	Agreed / partially / rejected	Management response	Due Date
1. Future staffing requirements As new and more specialist roles emerge, the NAO should ensure its HR team have sufficient understanding of these new roles and skills to enable them to effectively support the recruitment of suitable candidates.	Agreed	The NAO has been successful in its recent campaigns for more specialist roles, particularly those related to our hub specialisms of financial and risk management, analysis, digital and commercial. As these and other markets evolve the HR team will continue to work with hiring managers to ensure the most effective routes to market are employed and appropriate assessment processes are in place.	March 2023
2. Involvement of service line staff in non-trainee recruitment As the level of recruitment to non-trainee roles continues to rise the recruitment team should continue to work closely with the relevant service lines to ensure that the balance of responsibilities between central recruitment and the service line is appropriate and that the full cost of recruitment continues to be monitored.	Agreed	Direct engagement between the HR team and the service lines has increased in the delivery of ‘mainstream’ campaigns such as the recruitment of Analysts and qualified accountants. We will continue to engage with the service lines and agree with them an appropriate balance of responsibilities for managing and delivering campaigns. Service line, and other non-HR staff involvement in our recruitment campaigns is already recorded through our time management system and included in the calculation of the full costs of recruitment. We will maintain this approach going forward.	January 2023

Recommendation	Agreed / partially / rejected	Management response	Due Date
3. Employee Value Proposition (EVP) We recommend that the NAO focusses on its key differentiators, including development of an employee value proposition (EVP) which summarises the key people benefits and points of focus in recruitment and retention.	Agreed	We are actively considering the development of our EVP as part of our review of our pay and reward framework which is due to be introduced in April 2023. We are also currently reviewing how we differentiate our employment offer from competitors in the graduate market to address growing competition in this sector.	March 2023
4. Career Management Paths Given the current issues in recruitment and retention we recommend that once attrition levels return to a point of stability, that the longer-term viability of the retention strategies are reviewed. If the market maintains its current volatility then this may require a more fundamental shift in retention strategies.	Agreed	We agree that the external market remains volatile, making it difficult to predict when attrition rates might return to more stable levels. We will, however, continue to explore career development/management opportunities, including secondments, and implement these as appropriate, taking into account individual and business needs at the time. We will be in a position to scale these opportunities up or down depending on how the market develops.	Ongoing
5. Performance Measures for the Learning and Development team Performance measures and / or indicators that build on existing methodologies for monitoring and evaluating the effectiveness of the learning interventions should look to consider how improvements in workforce performance can be measured as a result of these interventions. This will help the L&D team to measure its impact and effectiveness across the NAO.	Agreed	We have a dedicated project starting October 2022 to address the need for better performance measures for L&D activity in the NAO. We will be working with the Head of Reporting on introducing robust measures to the corporate Balanced Scorecard. We will continue to evaluate impact at a project-level for all major L&D initiatives.	31 March 2023

Recommendation	Agreed / partially / rejected	Management response	Due Date
6. Distribution of the Learning and Development team's activities The NAO should consider whether existing records that support the allocation of time across members of its staff provide sufficient granularity of the nature of the tasks being undertaken. Additional granularity would provide greater opportunities for analysis which can support and evidence value for money of certain activities and / or provide insight into the nature of the tasks being undertaken.	Agreed	As of September 2022, we have updated our CPD record-keeping system to improve our understanding of how people learn and make it easier for people to record in more detail the types of activity undertaken and the learning outcomes. The CPD record is discussed at annual appraisals and new actions agreed to be taken forward over the next period and beyond. Operational planning provides an annual opportunity to review time codes for work undertaken. We will review the codes used for learning activity for introduction in 2023/24.	31 March 2023
7. Performance coaches The NAO should review the distribution of time allocated across performance coaches to provide assurance that staff are able to give sufficient time to the initiative and to provide a consistency of experience across all staff at the NAO.	Agreed	We have recently created a new role in the HR team to focus on organisational development in the NAO, with an initial focus on developing the Performance Coach (PC) model to maturity. This will include reviewing the distribution of time that PCs allocate to their role. Whilst local decision making is needed to take account of variation in the number of coachees, their different needs, and the experience level of the performance coach, we will work with groups and services lines to define more clearly how portfolios of work are created, including how they allow sufficient time for the PC role to be delivered effectively.	31 March 2023

Recommendation	Agreed / partially / rejected	Management response	Due Date
8. Measures of performance coaches The NAO should consider options for the collection of qualitative feedback on performance coaches, that include the perspectives from the individuals they coach. Measures should seek to provide the NAO with assurance that individuals across the NAO are having a consistent experience. A set of performance measures should be considered to measure the effectiveness of the initiative.	Agreed	Our new organisational development role will review how we use the feedback from our regular employee survey (Peakon) and will explore options for supplementing this to better understand the consistency of experience across the NAO. We will also be more explicit about our success criteria and how we will measure and monitor the effectiveness of the initiative.	31 March 2023
9. Mental health and well-being support mechanisms The NAO should review existing models and training available to staff to support mental health and wellbeing in the post pandemic period. The outcomes from the current engagement exercise relating to ways of working should also be considered in the assessment of existing resources. Effectiveness measures can include: • Extension of the people survey questions to incorporate perspectives on existing support mechanisms and / or reflect feedback on those that individuals have utilised. • Monitoring of the utilisation rates across different support mechanisms. • Evaluation of mechanisms through the utilisation of outcomes measures following interventions (if applicable).	Agreed	We will take forward the following actions: • Explore whether there are appropriate additional questions which can be included in future people surveys to evaluate employee perspectives on existing resources. • If no suitable questions are identified, we will explore the feasibility of other mechanisms to gain employee feedback on the support mechanisms we have in place. • Continue to monitor utilisation rates of existing support mechanisms and report these in bi-annual H&S reports to the H&S committee. • Research best practice across other employers to inform our own approach to support employees in the post pandemic environment. • If applicable, we will define target success measures and outcome measures for any interventions which are implemented.	31 March 2023

Appendix 2: Our approach

The objective of the NAO	To ensure value for money is achieved through the operation and delivery of the Human Resources function (including Learning and Development).
How this will be achieved	Through the development and on-going review of HR operations (including those of the L&D team) to ensure that the strategic goals of the organisation are met and achieve lasting impact through carefully considered BAU activities alongside those associated with the ODP.
Our review	Our review examines whether the NAO's Human Resources function is being operated in line with VFM principles. This also considers the following in relation to their effectiveness in supporting staff, ultimately to meet the NAO's strategic objectives: • Recruitment and Retention • Learning and Development • Post pandemic ways of working (including wellbeing)
Our evaluative criteria	The review has sought to address the following key questions: • Value: Does investment and ongoing expenditure committed in the Human Resources department provide value for money and support the NAO in the achievement of its strategic objectives? • Programme Set-up: Programme Set-up: Is the Human Resources department set up in accordance with good practice and are risks being well managed? • Delivery and Variation Management: Are efficient and effective mechanisms in place to deliver the intended outcomes of the Human Resources department and respond to change?

Our evidence	We assessed the Human Resources Function of the NAO through the following mechanisms. Where applicable in the case of interviews, a sample of individuals was selected.
	• Interviews with the Executive Team
	• Interviews with Service Line Directors
	• Interviews with People Development Directors
	• Interviews with a sample of Hub Directors
	• Interviews with the Internal Audit Manager
	• Interview with the Director of Human Resources
	• Meetings with members of the Learning and Development team
	• Review of supporting documentation on a range of topics, including, but not limited to the following:
	    • Area Plans
	    • Performance Metrics and Evaluations
	    • Organisational Development Plan

Our value for money conclusions	We consider that the on-going investment in the NAO's Human Resources department (including Learning and Development), represents value for money for the organisation. Our assessment relates to the activities undertaken by each of the teams and their contribution to the overall strategy of the organisation. The NAO has skilled individuals in both the Human Resources and Learning and Development teams and as such there are no issues that would require immediate attention. A number of our findings are reflective of areas or initiatives that the NAO are aware of and are addressing through the Organisational Development Plan (ODP). However, our recommendations seek to provide that the impact of certain initiatives and those sought to address challenges, are reviewed and the investment focussed on areas of particular need.

Appendix 3: Evidence gathering

Approach

1. We reached our conclusion on value for money after analysing evidence we collected between **February 2022 and July 2022.**

2. We reviewed the NAO's approach to achieving value for money within the operation of its Human Resources function and related areas in the utilisation of the following:

- We prepared interview question sets based on the aforementioned information reviewed;

- We held interviews with the following, though a wider stakeholder groups were consulted as a part of on-going documentation review and queries. These individuals have not been listed below.

   i. **Members of the Executive Team (Five interviews held);**
   ii. **People Development Directors (Six interviews held);**
   iii. **Hub Directors (Two interviews held);**
   iv. **Director FAPQ;**
   v. **Head of Service – VFM;**
   vi. **Head of Service – Financial Audit;**
   vii. **Director of Human Resource;**
   viii. **Head of Learning, Development and Talent, and**
   ix. **Internal Audit Manager.**

3. We obtained and reviewed supporting documentation, including but not limited to, HR and L&D Area Plans, performance metrics (HR & L&D, ODP reporting and various supporting internal documentation

Start the conversation

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About us

Crowe UK is a leading audit, tax, advisory and risk firm with a national presence to complement our international reach. We are an independent member of Crowe Global, one of the top 10 accounting networks in the world. With exceptional knowledge of the business environment, our professionals share one commitment, to deliver excellence.

We are trusted by thousands of clients for our specialist advice, our ability to make smart decisions and our readiness to provide lasting value. Our broad technical expertise and deep market knowledge means we are well placed to offer insight and pragmatic advice to businesses of all sizes, professional practices, non profit organisations, pension funds and private clients.

We work with our clients to build something valuable, substantial and enduring. Our aim is to become trusted advisors to all the organisations and individuals with whom we work. Close working relationships are at the heart of our effective service delivery.

Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein.

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