



HR AUDIT


Dr. Bijaya Kumar Sundaray
Dept. of PM & IR
Utkal University

HR AUDIT

The Human Resources (HR) Audit is a process of examining policies, procedures, documentation, systems, and practices with respect to an organization's HR functions.

The purpose of the audit is to reveal the strengths and weaknesses in the organization's human resources system and any issues needing resolution.

The audit works best when the focus is on analyzing and improving the HR function in the organization.



PURPOSES OF HR AUDIT

- Ensuring legal compliance
- Keeping HR practices aligned with employer needs/strategy
- Identifying opportunities for improvement
- Improving operational efficiency and productivity
- Identify root problem areas and cost reduction opportunities (Economical)
- Improve employee morale
- Implementing and staying current with world-class practices
- Increasing commitment to continuous improvement



OBJECTIVES

- ❖ Effectiveness of performance of HR Department
- ❖ Implementation of HR policies, procedures;
- ❖ To find out the reasons for low productivity and improve HRD Strategies;
- ❖ Evaluation of the HR staffs & employee;
- ❖ Modify and Review HR system & challenges
- ❖ Questioning: To seek answers to : What happened ? Why did it happen? Why did it not happen?




BENEFITS OF HR AUDIT

- Identification of contributions of HR department
- Helps identify the gaps between the current state and the standard, thereby streamlining HR work processes
- Encouragement of greater responsibility and professionalism among HR members
- Clarification of HR duties and responsibilities
- Stimulation of uniformity of HR policies and practices
- Ensuring timely compliance with legal requirements
- Reduction of HR costs through more effective personnel procedures
- A thorough review of HR information systems.



WHEN TO AUDIT?

- When a business reaches various milestones
 - When the business grows to the point where line managers can no longer make their own hiring, discipline, promotion and other decisions without HR assistance
 - The employer creates or modifies an employee handbook
 - A new head of HRM arrives
 - Employee morale, turnover, attendance or excessive discipline problems seem to signal need for evaluation
- 

Frequency of HR audit

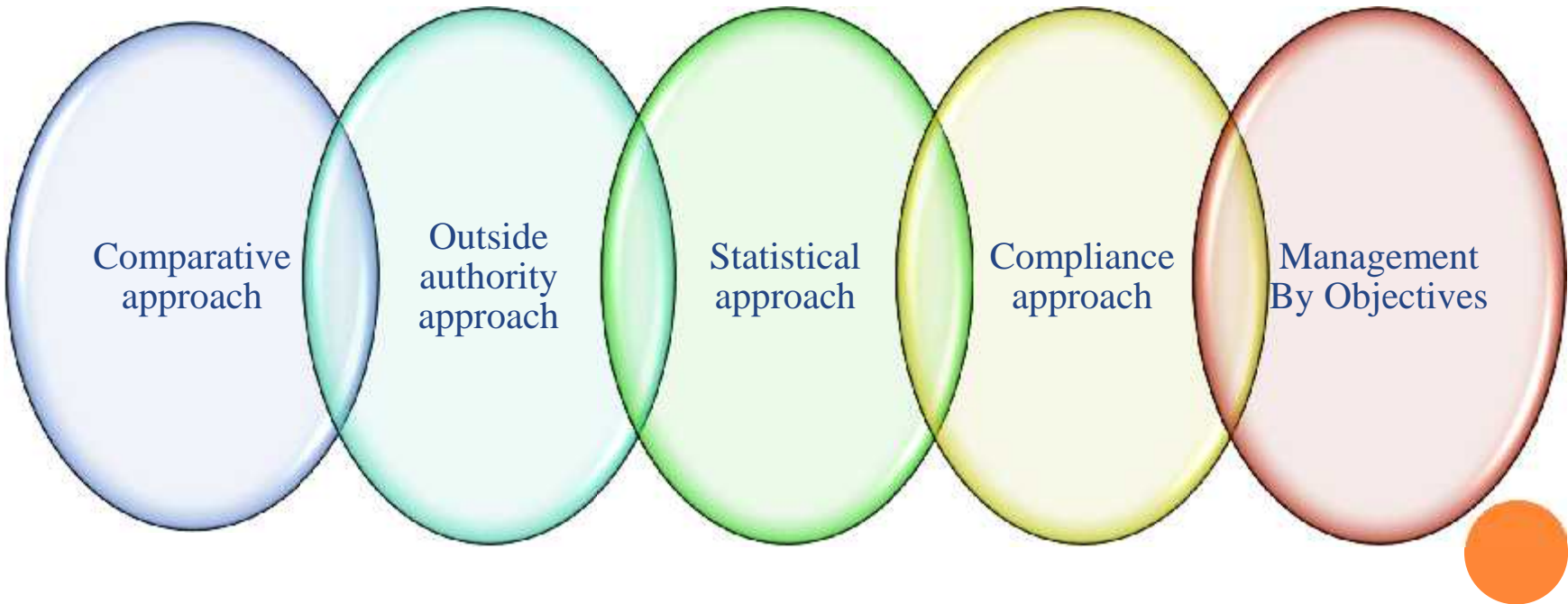
It is best to have a HR audit once in a year.

The HR audit, if conducted continuously and regularly, then it becomes a fairly managed process. The chances of drastic corrections become lower if it is conducted regularly.

Usually, the frequency of the audit being conducted depends on the company. An ideal audit can be conducted for every 18 months but the management must see to it that a well efficient audit is done on yearly basis.



**APPROACHES TO
HR AUDIT**



TYPES OF AUDITS

- **Compliance audits-** Focuses on how well the company is complying with current laws and regulations
- **Best practices-** Helps the organization maintain or improve a competitive advantage by comparing its practices with those of companies identified as having exceptional HR practices.
- **Strategic** -Focuses on strengths and weaknesses of systems and processes to determine whether they align with the HR department's and/or the company's strategic plan.
- **Function specific-** Focuses on a specific area in the HR function

HR AUDIT PROCESS

- Determine the scope and type of audit
- Select research design and data collection method
- Collect the data
- Benchmark the findings
- Provide feedback about the results
- Create action plans
- Foster a climate of continuous improvement



WHO SHOULD CONDUCT HR AUDIT?

- The audit can be conducted by internal managers of the organization, as external HR/Management expert or by a Labor Law expert.
- Whoever is In-charge of audit must have excellent knowledge about HR policies and should be able to maintain a check list to check the existing policies with its present requirements.
- An audit conducted by outside HR expert adds extra value to the whole process apart from giving an insight into the whole issue.



TASKS OF AUDITORS

- Identify who is responsible for each activity.
- Determine the objectives sought by each activity.
- Review the policies and procedures used to achieve these activities.
- Prepare a report commending proper objectives, policies, and procedures.
- Develop an action plan to correct errors in each activity.
- Follow up the action plan to see if it solved the problems found through the audit.



METHODS OF HR AUDIT

- Individual interview method
- Group interview method
- Workshop method
- Questionnaire method
- Observation
- Analysis of secondary data
- Analysis of reports, records, manuals and other published literature



SCOPE OF HUMAN RESOURCE AUDITS

- **Audit of Corporate Strategy**

The organization is going to gain competitive advantage.

- **Audit of the Human Resource Function**

Human Resource Information System, Staffing and Development, and Organization Control and Evaluation.

- **Audit of Managerial Compliance**

Human resource policies and procedures.

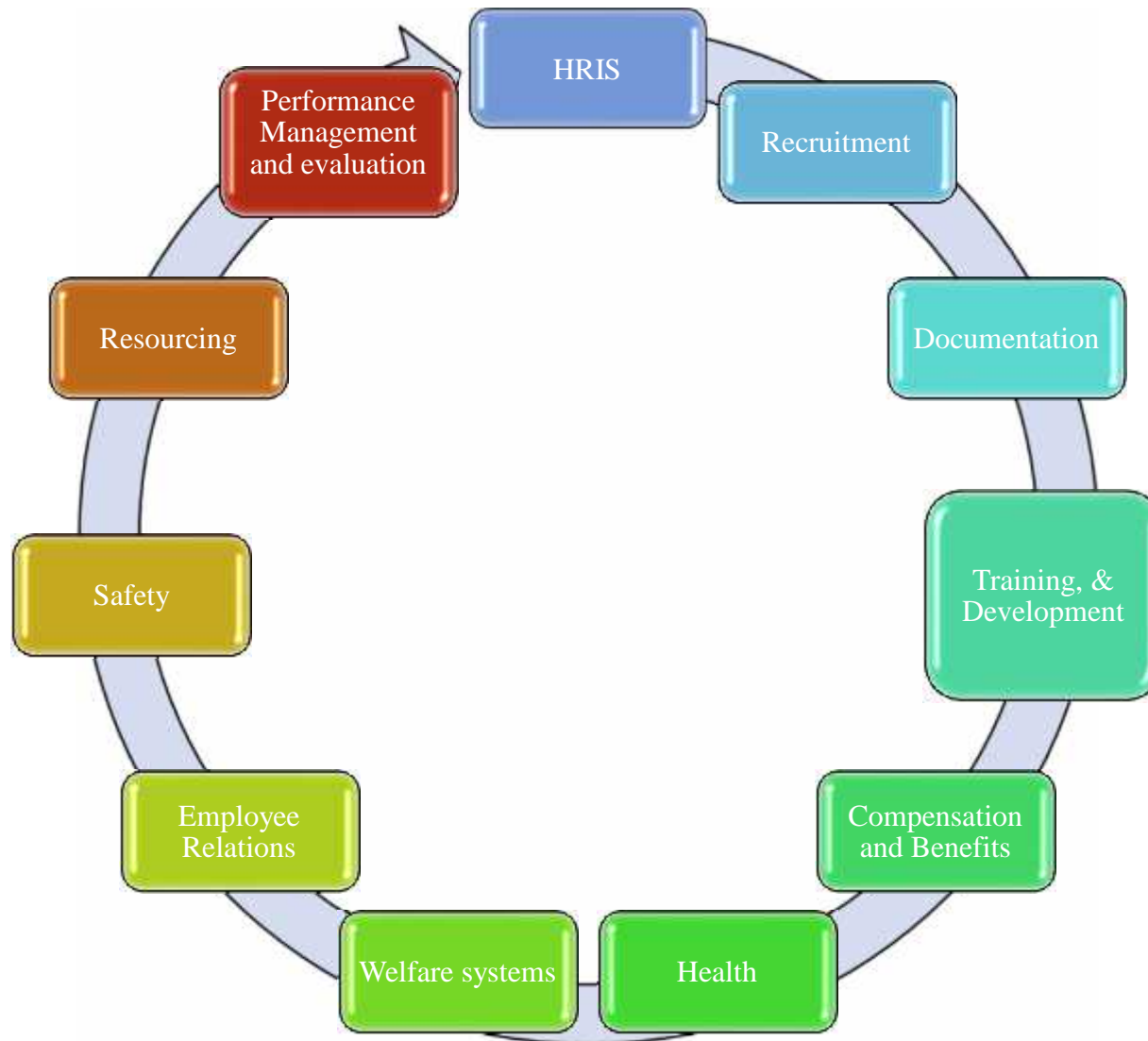
- **Audit of Employee Satisfaction**

To learn how well employee needs are met.





HR AUDIT-SECTION WISE



RECRUITMENT

- How are candidates sourced?
- How are candidates selected?
- Are legal requirements met?
- Are the same processes used for all jobs, all locations?
- Are processes followed consistently?



COMPENSATION AND BENEFITS

- What are the different policy groups (e.g. management, clerical, union)?
- How is base pay policy set?
- What grading/job evaluation systems are used?
- Are there up-to-date job descriptions?
- What variable pay practices are in place?
- How are pay increments decided?
- What is the benefits plan?
- Are the same processes used for all jobs, all locations?
- Are processes followed consistently?



TRAINING AND DEVELOPMENT

- How much training is given?
- How is the training program managed?
- Are there any staff development programs?
- Are the same processes used for all jobs, all locations?
- Are processes followed consistently?



LEGAL

- Are processes in place to manage compliance issues for all relevant jurisdictions?
- Is there any outstanding litigation?
- Are the same processes used for all jobs, all locations?
- Are processes followed consistently?



WORKFORCE REVIEW

- Are there any critical skills shortages?
- Are there any critical succession issues?
- Is there anything unusual in the distribution of worker age, gender etc.?
- What workforce planning processes are used?
- What succession planning processes are used?
- Are the same processes used for all jobs, all locations?
- Are processes followed consistently?

