

<b>College:</b> J D Women's College	<b>Subject:</b> HRM
<b>Dept:</b> MBA	<b>Unit/Topic:</b> V/HR Audit
<b>Semester:</b> 1 <sup>st</sup>	<b>Faculty Member:</b> Kundan Kumar Gautam

## **Notes on Lecture - 4**

### **HR Audit**

#### **HR Audit Process**

##### **1. Determining the Scope and Type of Audit:**

The first step is to determine the scope, areas and type of audit since HR is a very wide field. The organization may either choose to conduct a comprehensive review of all HR functions or it may decide to review a few specific areas as it deems necessary. For example, a company may choose to review only the policies and procedures related to recruitment, selection and orientation policies.

##### **2. Determining the Audit Method:**

HR audits are usually conducted by using a questionnaire that elicits information about the relevant HR areas. The audit may also be conducted by interviewing managers and employees of the HR department to analyze how well they have understood the company's policies and how efficiently these policies are being implemented. When using a questionnaire, care should be taken to design it in such a way that it elicits all necessary information regarding the areas to be audited.

### **3. Data Collection:**

This step includes the actual process of collecting data about the organization and its HR practices. Information is collected by using the questionnaire and by interviewing relevant HR personnel about the HR procedures and policies being used in the company.

### **4. Setting the Standards:**

To assess the efficiency of HR functions, the information collected has to be compared with some pre-determined standards. These standards have to be pre-set and any acceptable level of discrepancies should be specified clearly. Comparing the actual results with the standards will give an idea about the efficiency with which the HR functions are being performed.

### **5. Feedback about the Results:**

After collecting information and comparing the results, the audit team summarises the findings and provides feedback to the company's HR personnel and senior management in the form of an audit report.

The results of the audit should be discussed with the employees of the HR department so that they are made aware of the present condition of the HR functions in the company. Discussion with employees will also throw up new ideas for improving the policies and procedures in future.

### **6. Develop Action Plans:**

Once the results of the audit are out, this information should be used for improving the working of the HR department. The findings of the audit should be categorised according to the order of importance: high, medium and low. The organization should examine the areas of weaknesses as revealed by the audit and find ways to overcome them. Conducting HR audit would serve no practical purpose if no actions are taken.

## **Approaches to HR Audit**

There are mainly five approaches in the study of Human Resource Audit.

They are:

- The comparative approach,
- The outside consultant approach,
- The statistical approach,
- The compliance approach, and
- The management by objectives-MBO approach

- **Comparative Approach:**

In this approach, the auditors can collect and analyze data of their own company and then compare these data with the data of different firms or companies. After comparing the data of different companies, the auditors choose the data and company which looks better in terms of the result. The same HR practices are then recommended for the other organisations. Thus, comparative approach helps the auditors to get best data.

- **Consultant Approach:**

As per this approach, the organisational performance can improve only by an outside consultant. Consultant approach gives different types of ideas to the auditors which is very essential for comparative purposes in the organisation.

- **Statistical Approach:**

In the statistical approach, certain statistical measures of performance are developed based on the company's existing data. For examples - absenteeism and accident rates. These data help the auditors in assessing the positive and negative aspects of company's performance.

- **Compliance Approach:**

In the compliance approach, auditors review the past results and actions/compliances of the company's policies and procedures. The check work of the auditors goes with the legal norms of the company's policies and procedures.

- **Management by Objectives (MBO) Approach:**

The management by objectives approach deals with the specifications of goals against which performance is assessed. In this approach, managers set objective in their specific areas of responsibility and after a period of time the actual result is compared with the objectives to know how far the HR functions have met the objectives.