

ABSTRACT:-

(“The things that get measured and managed”)

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INTRODUCTION:

Human Resource Audit is the process of identifying, examining, measuring, documentation, systems and practices with respect to an organisation's HR functions and communicating data about human resources. It aims at ascertaining the effectiveness of the HR department and its functions.

PURPOSE:

The purpose of the HR Audit is to reveal the strength and weaknesses in the organisation. The basic goal of HR Audit is to find out the HR interventions that will increase the firm's competitive advantage by the basic information about human resources like 1) Number of Employees, 2) Categories, 3) Grades, 4) Total value of human resources, 5) Value per employee.

Human Resource Audit refers to a periodic review of employment files, reports, documents and records. HR audit finds out the reasons for low productivity and improve HRD strategies by evaluating of the HR staff

and employees. It modify and review HR systems and challenges. Helps in identifying the gaps between the current state and standard, there by streamlining HR work processes. It clarifies the duties and responsibilities and encourages the professionalism.

HRA shows how the organisation makes investment in its people and how the value of the people changes over time and value of the employees increases by training and experience over a time period. such information on human resources facilitates effectiveness of performance of HR department by effective implementation of policies and procedures with effective management. Ensuring timely compliance with legal requirements. It reduces HR costs through more effective personnel procedures in order to achieve the objective of the organisation.

KEY WORD's: Human resource audit, implementation of HR policies and procedures, employees, evaluation, effectiveness, productivity, HR cost reduction.

AIM OF HR AUDIT:

“**HR AUDIT** is very much useful to achieve the organizational goal and also is a vital tool which helps to assess the

effectiveness of HR functions of an organization”.

HUMAN RESOURCE AUDIT:

“The things that get measured and managed”

INTRODUCTION:

A Resource is defined as an entity which can provide expected future services. Hence, objects which do not have expected future service potential, cannot be resources. people being capable of rendering future services comprise a form of capital.

“Auditing for people as an organizational resource. It involves measuring the costs incurred by business firms and other organizations to recruit, select, hire, train and develop human assets. It also involves measuring the economic value of people to the organisation”.

HRA shows how the organisation makes investment in its people and how the value of the people changes overtime.

PURPOSE OF HR AUDIT:

The purpose of HR audit is to expose the strengths and weaknesses in the human resource system, and any issues needing

Value of the employees can be increased by training and experience over a time period.

DEFINITION OF HR AUDIT:

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

MEANING OF HR AUDIT:

HR Audit means the systematic confirmation of job analysis and design, recruitment and selection, orientation and placement, training and development, performance appraisal and job assessment, employee and executive remuneration, motivation and morale, participative management, communication, welfare and social security, safety and health, industrial relations, trade unionism, and disputes and their resolution.

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

It is a Diagnostic tool, not a prescriptive instrument it will help you recognize what you are missing or need to improve, It is most useful when an organisation is ready to act on the findings, and to evolve its HR function to a level where its full potential to support the organization's mission and objectives can be realized.

OBJECTIVES OF HR AUDIT:

SCOPE OF HR AUDIT:

The scope defines the breadth of the HR Audit .This step determines the individual areas for review and provides guideline for the group or business conducting the audit. This may include requiring a review of HR compliance

- To review every aspect of HRM to determine the effectiveness of each programme in an organisation.
- To seek explanation and information in respect of failure and success of HRM.
- To evaluate implementation of policies.
- To evaluate the performance of employees.
- To seek priorities, values and goals of management philosophy.

with federal and state loss, the Human Resource Information Systems (HRIS) the department service and management roles as well as any strategic HR programs in place for company personnel



POSSIBILITY

BENEFITS OF HR AUDIT:

- *It helps to find out the proper contribution of the HR department towards the organization.
- *Development of professional image of the HR department of the organization.
- *Systematic job analysis.

- *Reduces the HR cost.
- *Motivation of the HR personnel.
- *Find out the problems and solve them smoothly.
- *Sound performance appraisal systems.

*Smooth adoption of the
changing mindset.

NEED FOR HUMAN RESOURCE

AUDIT:

1. Though there is no legal obligation to have HR Audit as in case of financial accounts but the managements have realized its need and usefulness. Therefore they have taken up HR Audit voluntarily.
2. The managements of organisations have realized the need of HR Audit because of powerful influence on motivation of employees at work due to participation of employees in decision making.
3. Large organisation requires continuous feedback for improvement in performance of its employees.
4. Mounting pressures from trade unions of employees and their participation in formulating employment policy and questioning of managerial competence have raised the need of HR audit.
5. An effective way to communication has provided the need for HR Audit.
6. The HR Audit becomes essential because of delegation of authority and decentralization of power.
12. Resourcing
Thus the Team works to collect information to answer the HR audit questions in each of these categories.

WHO SHOULD CONDUCT THE AUDIT :

The team that is responsible for the audit to represent a cross-section of the organisation's staff, including line staff, middle and upper management, and those responsible for HR capital functions.

HOW IT SHOULD BE CONDUCTED:

The audit process consist of a series of questions covering the eight primary components of HR function:

1. Roles, head count and HR Information systems (HRIS)
2. Recruitment
3. Documentation
4. Training , development, and career management
5. Compensation and benefits
6. Performance measurement and evaluation
7. Termination and Transition
8. Legal issues and personnel policies
9. Health/Welfare systems
10. Employee relations
11. Safety

The focus is on how these activities and tasks are actually performed in the organization. The first step is to collect all the pertinent information. The

process of getting information ,in and of itself, can be quite informative.

METHODS OF HR AUDIT:

Interview method

- Individual
- Group Interview method
- Workshop Method
- Questionnaire method

- Observation
- Analysis of secondary data
- Analysis of reports, records, manuals, and other published literature.

AUDIT OF EMPLOYEE SATISFACTION:

It refers to an employee's general attitude toward his or her job. When employee needs are unmet, turnover, absenteeism,

and union activity are more likely to learn how well employee needs are met.

The team collects information about wages, benefits supervisory practices, career planning assistance and other dimensions of jobs.



APPROACHES TO HR AUDIT:

According to Keith Davis, there

are five approaches for the purpose of evaluation as follows below:

- Comparative Approach
- Outside Authority Approach
- Statistical Approach
- Compliance Approach
- MBO Approach

These are briefly outlined as under:

Under this approach auditors identify one model company and the results obtained of the organisation under audit are compared with it.

COMPARITIVE APPROACH :

Under this approach auditors identify one model company and the results obtained of the organisation under audit are compared with it.

OUTSIDE AUTHORITY APPROACH:

In outside authority approach a benchmark is set to compare own results. A standard for audit set by outside consultant is used as benchmark.

STATISTICAL APPROACH:

Under statistical approach the statistical information maintained by the company in relation to employee absenteeism,

- ✓ Provide feedback about the results.
- ✓ Create action plans.
- ✓ Foster a climate of continuous improvement.

employee turnover are used as the measures for evaluating performance.

COMPLIANCE APPROACH:

Under Compliance Approach the auditors make a review of past actions to determine to see whether those activities are in compliance with the legal provisions and in accordance with the policies and procedures of the company.

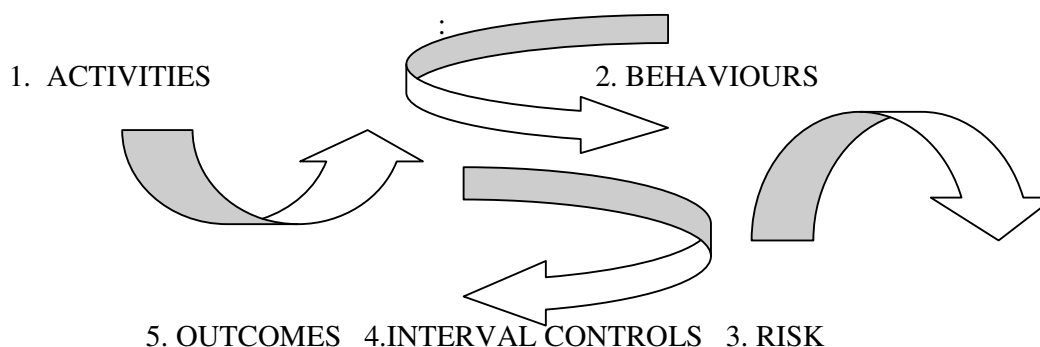
MBO APPROACH: (Management by Objectives)

Under MBO Approach specific targets are fixed. The performance is measured against these targets. The auditors conduct the survey of actual performance and compare with the goal set.

HR Audit Model: The general process of conducting an audit includes 7 key steps each of which is follows below:

- ✓ Determine the scope and type of audit.
- ✓ Develop the audit questionnaire.
- ✓ Collect the data.
- ✓ Benchmark the findings

FIVE CRITICAL COMPONENTS OF THE HR AUDIT PROCESS:



1. ACTIVITIES:

The starting point of the HR auditing process is a review of the organisation's activities, that is, the tasks and actions that create or implement employment policies, practices procedures and programs. The activities component of HR audit is typically evaluated by using a "Checklist approach", that is the item is checked off when it is completed.

2. BEHAVIOURS:

Behaviours in this context are actions and conduct that affect – either positively or negatively-the implementation or effectiveness of the organisations policies, practices, procedures and programs, and demonstrate that the organisations commitment to stated goals and objectives.

3. RISK ASSESSMENT:

Risk Assessment is the identification of current and or future events that have the

potential use, loss, peril or vulnerabilities, and management's willingness to accept those risk. Risk assessment is also the identification of events or conditions that create new opportunities for the organisation to achieve its business objectives. Risk assessment provides management with the information to make informed decision about the allocation of the organisation's human, physical, and financial capital and effective ways to eliminate, mitigate, control, or transfer those risks. Human resource management and employment practices liability related risks include.HR Auditing activities include assessments of the external and internal factors that impact human resource management and employment practices- includes.

1. The economy.

2. Legal, regulatory, and litigation trends.
3. Demographic and structural changes in the work place and work force.

4. INTERNAL CONTROLS:

Internal controls are processes, tests and assessments that help ensures compliance, manage risks, identify frauds, and help ensure the achievement of organisational goals HR auditing activities includes :

1. Assessment of the effectiveness and efficiency of HR management processes, policies, practices and procedures.
2. The reliability and accuracy of HR management reporting.
- 3 .The level of compliance with laws and regulations of industry and professional standards, codes of conduct and ethics, organisational policies and budgets.

5. OUTCOMES:

Outcomes are quantitative and qualitative measurements and metrics that measures and help assess the achievement of organisational goals and objectives. HR auditing activity includes the identification or metrics used by the organisation to measure organisational and individual performance the assessment of results by comparing actual results against projected results, budgets, internal and external standards and a description of the activities, behaviours, and internal controls that are needed to maintain or improve future results.

GROUP DYNAMICS:

Group Dynamics is an important theory that can enable managers to adopt the right approach to interacting with others. people work in groups quite frequently and in many different areas of their of e.g, at work , school/college, sport, hobbies.

TEAM BUILDING:

Team building or (“Teambuilding”) refers to the process of establishing and developing a greater sense of collaboration and trust between team members. Interactive exercises, team assessments, and group discussions enable groups to cultivate this greater sense of team work.

TEAM EFFECTIVENESS:

When evaluating how well team members are working together the following statements can be used as a guide:

- Team Goals are developed through a group process of team interaction and agreement in which each team member is willing to word achieving these goals.
- Participation is actively shown by all team members and roles are shared to facilitate and the accomplishment of tasks and feelings of group togetherness.
- Leadership is distributed and shared among team members and individuals willingly contribute their resources as needed.

• Problem Solving discussing team issues, effectiveness are encouraged by all team members.

OBSERVATION:

* The auditors should physically visit the workplace.

*To access the extent to which a congenial and supportive human welfare oriented climate exists in the company.

*This is essential because employees are not likely to give their best if they don't live in good surroundings.

* The observations can be conducted using a check list of questions.



SURVEILLANCE

REPORT FOR HR MANAGER:

❖ It contains all the information given to both operating managers and staffs specialists. In addition, HR managers gets feedback about

❖ Attitude operating managers and employees about services given by HRD

❖ Recommendations for needed changes and priorities for their implementation.

❖ A review of HRD plans

The report also identifies people problems violations of policies and employee relations law are highlighted.

❖ Human resource problems and their implication.

REPORT FOR LINE MANAGERS:

How line managers handle their duties such as:

- Intervening applicants
- Training employees.
- Evaluating performance.
- Motivating workers
- Satisfying employee needs

REPORT FOR HR SPECIALIST:

The specialists who handle employment development training, compensation, and other activities also needed feedback.

Such feedbacks are:

- Unqualified workers that need for training.

- Qualified workers that need for development
- What others company are doing.
- Attitude operating managers towards personnel policies.
- Workers pay dissatisfaction.



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DAPTABLE

AUDIT PROCESS:

- ✓ The audit process consists of a series of questions covering the eight primary components of the HR function
- ✓ Roles, headcount, and HR function (HRIS)
- ✓ Recruitment

- ✓ Documentation
- ✓ Training , development and career management
- ✓ Compensation and benefits
- ✓ Performance measurement and evaluation
- ✓ Termination and transaction
- ✓ Legal issues and personnel policies.

PROCESS



HUMAN RESOURCE AUDIT (HRIS):

HRIS is the systems to acquire, store, manipulate, analyze, interpret and disseminate relevant information on human resources. It is not mere computer hardware or some customized or standard HR software. It broadly includes people, policies, procedures, both exogenous and endogenous and data. It need not limit its focus on automation of manual HR jobs like, record keeping or payroll preparation. It is a service in the form of information. The nature of information depends on user's may not be limited to the HR department it may be even an MD of the organisation .To illustrate, Finance manager, to prepare his Annual Budget

may like to have data on aggregate compensation cost to the organisation. Mere extrapolating on headcounts may give an inaccurate figure. But simulating this with other factors like,

- Attrition Rate.
- DA increase/decrease.
- Absenteeism.
- Mandays lost due to IR related problems.
- Increments.
- Incentives.
- Promotion.
- Redundancy.

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Will certainly ensure a better projection. Similarly at the corporate level, for competency mapping of manpower to

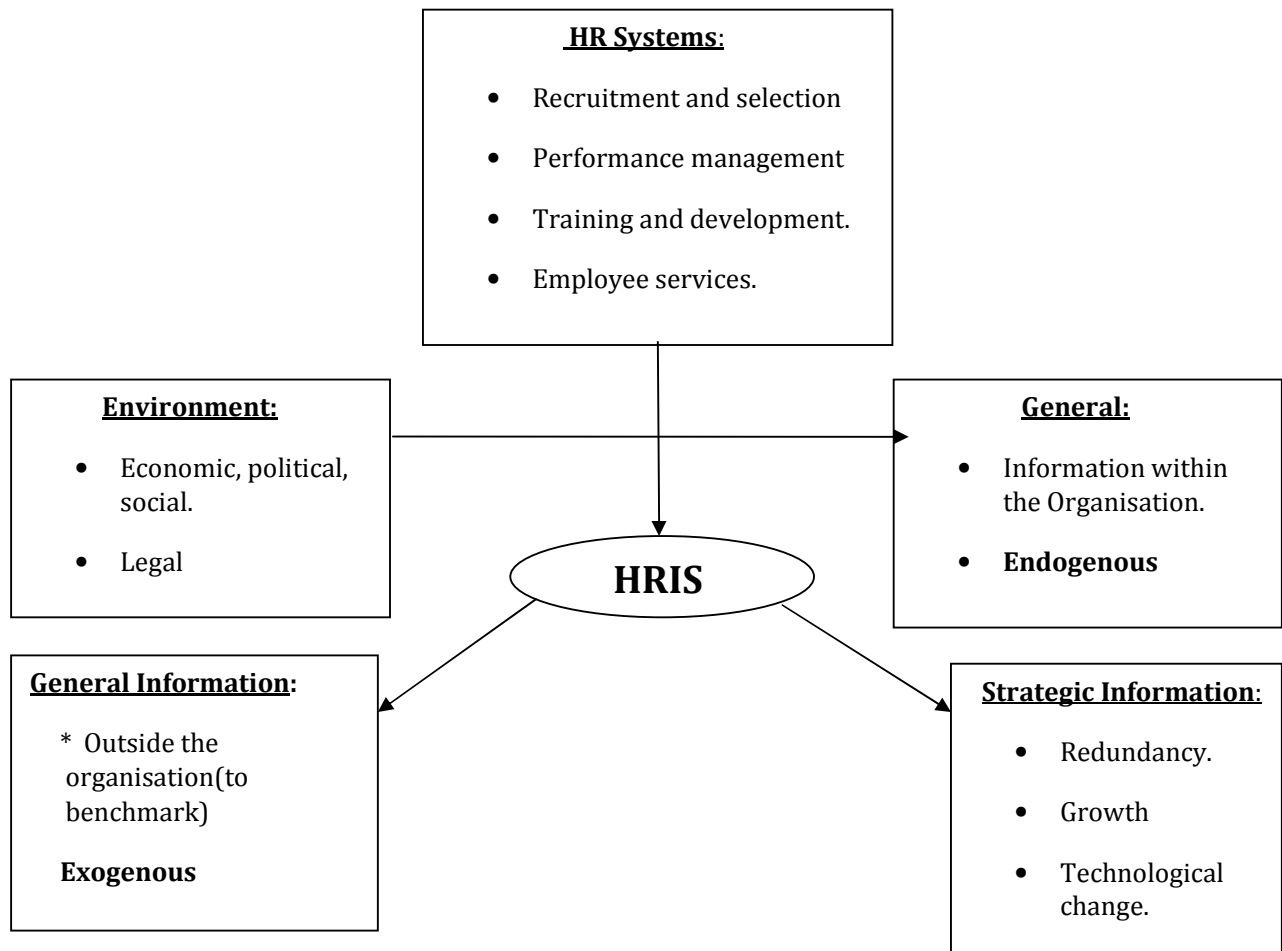
decide about technological change, the nature of information may be data on biographical details (which To evaluate the impact of some HR related policies, it may concentrate on data of Grievances, work stoppages, rate, attrition rate, etc Earlier we have examined the nature of information, required for HRP. Thus depending on the nature and level (strategic or

we commonly call manpower) skill sets, training and development programmes.

litigation, strikes and lockouts, man days loss, productivity

corporate, tactical or business, operational), information requirement varies.

HRIS MODEL



OBJECTIVES:

- Effective planning and policy Formulation: HRIS provides support for

future planning and also for policy formulations, both at macro and micro levels. At enterprise or micro level,

HRIS forms the basis for HRM and more particularly HRP.

- Monitoring and Evaluation: HRIS facilitates monitoring of human
- Providing Inputs to Strategic Decisions: HRIS provides required inputs to enterprise-wide strategic decisions, like redundancy, rightsizing, competency, profiling, change of technology, etc Other routine objectives of HRIS are to automate employee related information, cost minimization, faster response to employee related services, faster HR related decisions (like, promotion, transfer, payroll administration, compensation planning, manpower planning, etc.)

resources demand and supply imbalances and evaluation of the policy on development and utilization of human resource.

The organization's human capital adds value. Under this definition, HR audits are more than an audit activity that solely collects and presence evidence of compliance. HR audits are increasingly expected to look behind and beyond the organization's assertions of sound and proper HR management practices and to access the assumptions being made, to benchmark the organisations processes and practices, and to provide the necessary consultative services that help the organizations achieve its business goals and objectives.

OVERVIEW OF HR AUDIT:

The HR auditing process is-or should be-an independent objective, and systematic evaluation that provides assurance that:

- Compliance and governance requirements are being met.
- Business and Talent management objectives are being achieved.
- Human resource management risks are fully identified, assessed and managed; and.

CONCLUSION:

Thus planning evolves in Human resource planning becomes more integrated with business planning the convenience of the planning process will increase. Reporting on performance will serve to ¹⁷⁴ future plans and highlight areas need attention. Periodic reporting will allow course corrections on timely basis where justified. Human resource planning should be a function at all levels of the organisation, and those individual unit

plans and regional plans should all be harmonizing with the overall corporate plan. Every employee in organisation should be able to see how their contribution impacts the overall and how they contribute to the success to the department the key to incorporated human

resource planning in the department going forward is to keep the process uncomplicated, and in so doing, increasing its usefulness and assess risks and the management framework in place.