**Human Resource Audit - Meaning, Phases and its Advantages**

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|  | **Human Resource Audit is a comprehensive method of objective and systematic verification of current practices, documentation, policies and procedures prevalent in the HR system of the organization**. An effective HR audit helps in identifying the need for improvement and enhancement of the HR function. It also guides the organization in maintaining compliance with ever-changing rules and regulations. HR audit, thus, helps in analyzing the gap between ‘what is the current HR function’ and ‘what should be/could be the best possible HR function’ in the organization.  Though HR auditing is not mandatory like financial auditing, yet, organizations these days are opting for regular HR audits in order to examine the existing HR system in line with the organizations policies, strategies and objectives, and legal requirements. HR auditor can be internal or external to the organization. Generally, HR consulting firms render the service of external HR auditors. |

It is necessary for the top management to establish the terms and scope of the audit clearly before the external firm to make the audit successful. This includes defining the exact purpose of audit, viz. examining compliance with legal requirements and organization’s policies, identifying problem areas to avoid crisis situation with appropriate planning, analyzing ways to better serve the needs of relevant parties – employees, partners or society, measuring the work processes, seeking HR related opportunities available within the organization, dealing with situation of merger and acquisitions, etc.

Primary components of the HR system which are generally audited include – documentation, job descriptions, personnel policies, legal policies, recruitment and selection, training and development, compensation and employee benefit system, career management, employee relations, performance measurement and evaluation process, termination, key performance indicators, and HR Information Systems (HRIS).

**The entire process of HR auditing is broadly segmented in following phases ֫ pre-audit information, on-site review, records review, and audit report**.

The first three phases involve extensive collection of quantitative as well as qualitative information. The method for collection of information depends upon the size of the target audience, availability of time and type of data to be collected. The pre-audit information phase includes a review of the organization’s policies, HR manuals, employee handbooks, reports, etc. which form the basis of working in the organization. The next phase of on-site review, involves questionnaires, interviews, observation, informal discussions, surveys, or a combination of such methods to get the necessary inputs from the members of the organization. The records review phase requires detailed scanning of current HR records, employees’ files, employee absenteeism and turnover statistics, notices, compensation claims, performance assessments, etc.

Utilizing the data so collected, the HR checklist is completed which is the widely used method for carrying out HR audit. In the checklist method, a list of all the system particulars under audit, viz. the policies, procedures, or practices, is created in a sequential manner. Against each particular item, the actual practice as followed by the organization is mentioned. The defined practice and the actual practice are then compared to determine compliance between the two as well as analyzing the deviation from compliance. On the basis of this analysis, the final audit report is complied with appropriate conclusions and recommendations highlighting the strengths and weaknesses of the HR function along with the necessary improvements as required.

HR audit, thus, contributes towards the best possible use of internal resources and maximizing the effectiveness of human capital in the organization. At the same time, it is useful in streamlining the HR processes and practices with the industry best practices and standards.