

# Human Resource (HR) Audit: Meaning, Features, Objectives and Approaches

## **Meaning:**

HR audit is an important management control device. It is a tool to judge organisations performance and effectiveness of HR management. According to Dale Yoder, "Personnel audit refers to an examination and evaluation of policies, procedures and practices to determine the effectiveness of personnel management."

It is an analytical, investigative and comparative process. It gives feedback about HR functions to operating managers and HR specialists. It enables to know about the effectiveness of personnel programmes. It further provides feedback about how well managers are meeting their HR duties. It provides quality control check on HR activities. It refers to determine the effectiveness and efficiency of HRM.

## **The essential features of HR audit are:**

- (1) The measurement and effectiveness HR management's mission, goals, strategies, policies, programmes and activities, and
- (2) To determine the action plan for future in response to the results from such measurement.

According to R.D. Gray, "the primary purpose of audit is to know how the various units are functioning and how they have been able to meet the policies and guidelines which were agreed upon; and to assist the rest of the organization by identifying the gap between objectives and results for the end product of an evaluation should be to formulate plans for corrections or adjustments."

## **Objectives:**

### **Objectives of HR Audit:**

- (1) To review every aspect of management of HR to determine the effectiveness of each programmes in an organisation.
- (2) To seek explanation and information in respect of failure and success of HR.
- (3) To evaluate implementation of policies.

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- (4) To evaluate the performance of personnel staff and employees.
- (5) To seek priorities, values and goals of management philosophy.

### **Need for Human Resource Audit:**

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.

### **It is done to fulfill the following needs:**

- (1) The managements of organisations have realized the need for HR audit because of powerful influence on motivation of employees at work due to participation of employees in decision making.
- (2) Growth of organisation needs HR audit. Large organisation requires continuous feedback for improvement in performance of its employees.
- (3) Mounting pressures from trade unions of employees and their participation in formulating employment policy and questioning of managerial competence have raised the need for HR audit.
- (4) An effective two way communication system has also facilitated the need for HR audit.
- (5) Many plants are located at large distances. This also made the HR audit compulsory.
- (6) The HR audit becomes essential because of delegation of authority and decentralization of power.

### **Approaches to HR Audit:**

According to William Werther and Keith Davis, there are five approaches for the purpose of evaluation.

#### **These are briefly outlined as under:**

##### **(1) Comparative Approach:**

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

##### **(2) 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.

##### **(3) Statistical Approach:**

Under statistical approach the statistical information maintained by the company in respect of absenteeism, employee turnover etc. is used as the measures for evaluating performance.

##### **(4) 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.

##### **(5) MBO Approach:**

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 goals set.

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By

Piyush Ranjan Sahay

Research Scholar

Department of Applied economics and commerce, Patna University

Email Id: [Piyushrsahay@gmail.com](mailto:Piyushrsahay@gmail.com)

M: - +91 8102920840