dr Magdalena M. Stuss

PERSONAL AUDIT AS A MODERN HUMAN RESOURCES MANAGEMENT TOOL

Introduction

Needs for the process of personal audit process is targeted directed primarily to the position of strategic human resources management. Interested in audit are mainly CEO, managers and board of directors. Audit is concerned as personnel function, which participate in the implementation of personnel policy in organizations. The result of the audit is not only information about the tasks carried out in the area of human resources management but also areas that require system solutions; diagnoses also people’s knowledge in personnel policy area. It is recommended to conduct a personal audit in the organizations, which do not have sections responsible for the human resources - personnel function is implemented as a distributed one or in organizations that there is a need of reorganization.

1. The definition of a personal audit

There are many different views on the best way to human resources management promulgated by practitioners and theorists. In spite of the differences, but they agree on the need to control HRM. Even well established personal strategy, precise planning, efficient sourcing of competent employees and their continuous development and a strong motivation to do a better job has little chance of success, if you run out of effective control. Control in organization is a regulatory mechanism, which combines the results of implementation activities, i.e. personal
function, activities related to personnel selection, development and motivating your affiliate, leaving employees with human resources planning. Is therefore an important factor in the whole system of human resources management

In the literature there are a few terms used in the area of human resources management auditing. We use the concept of a personal audit, audit functions, human resources audit, personnel or HR audit practice. It does not distinguish between these companies understand carrying out audits to choose the definition corresponding to their offer. Detailed distinction both theoretical and practical concepts are in Table 1.

Table 1. Analysis of the concepts

<table>
<thead>
<tr>
<th>definition according to the scientific literature</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Resource Management Glossary</td>
</tr>
<tr>
<td>J. Marciniak</td>
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</tbody>
</table>

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functions, based on the utility and operational character.

<table>
<thead>
<tr>
<th>Name</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Pocztowski</td>
<td>Personal audit is an independent compliance examination of the methodical and human resources state and human resource management system with relevant, previously adopted standards. It is aimed at improving the strategies, processes and methods of human resources management.</td>
</tr>
<tr>
<td>A.B. Adeyemo, O. Oriola</td>
<td>Personnel audit is the systematic, independent review and appraisal of all departmental (personnel) operations, to determine the efficiency, effectiveness and economy of the departmental (personnel) management practices and controls. Personnel Audit entails verification and validation of the compliance of appointment, promotion, payment, background and job performance records.</td>
</tr>
<tr>
<td>J. Brown</td>
<td>Auditing involves the regular and systematic examination of organizational practices and accomplishments opposite organizational objectives, company policies, legal requirements, and/or professional standards. The purpose of HR Audit is to conduct a more in depth analysis of HR function to identify areas of strength and weakness and where improvements may be needed.</td>
</tr>
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</table>

**definitions according to companies performing personal audits**

<table>
<thead>
<tr>
<th>Company</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Halibut. Training group</td>
<td>Human resources audit is the revision of the Organization held the potential of human capital. Human resources audit is the verification the form depends on the purpose and the complexity of the information. Determine the objectives of the group are also subjected to the study (these may be individual employees, individual sections or even the entire organization).</td>
</tr>
<tr>
<td>HR Standard.pl</td>
<td>Personnel audit, therefore, is a diagnostic tool used to analyze the status of the personnel in the company. In the centre of its activities are the employees – or human resources in your organization and how to manage them by employers. The main purpose of a personal audit is to prepare the data regarding the need, scope and scale of the changes in employment. In addition, the regular carrying out of the audit in a quite significant manner improves the way one can work in HR Department in the company.</td>
</tr>
<tr>
<td>In Persona</td>
<td>Audit of the human resources which we have as the goal to check in terms how effective personnel policy is carried out in the company and the personal tools (descriptions, bonus system, reviews, listings, etc.)and the effectiveness with which they are used. Always audit carried out in relation to the strategic objectives and the needs of the Organization at any given time.</td>
</tr>
<tr>
<td>KPMG</td>
<td>HR Audit is the verification process of the policies, procedures, documentation, systems and practices with respect to the organization’s HR functions. The purpose of the HR audit is to show strengths and weakness in the HR</td>
</tr>
</tbody>
</table>
HR audit works the best if is focused on analyzing and improving HR function in the organization.

Laurdan Associates, Inc.

HR auditing process is or should be an independent, objective, and systematic evaluation that provides assurance that: 1) compliance and management requirements are met; 2) business and talent management objectives are achieved; 3) human resource management risks are fully identified, assessed, and managed; and 4) human capital adds value to the organization.


2. Models of human resources audit

In theory and in practice you can highlight multiple models of the audit personnel in the human resources management. The choice of appropriate solutions should be determined by the characteristics of the organization and its environment in which such a procedure is to be implemented. J. Brown proposes audit consisting of three phases (Figure 1). The first one is a general audit that features the personal background of the whole organization in the human aspect. This category of inquiry is designed to help identify gaps in the effectiveness of the human resources function as an organizational unit of the entire enterprise. The dimensions and elements in this category are general and can be applied to other functional areas (e.g., marketing, finance, service, manufacturing, etc.). The other concerns the functional efficiency. This category of inquiry aims to identify gaps in the effectiveness of the human resources function as a specialized staff resource. The dimensions and elements are more
specific. The third one is the service quality audit. This category of inquiry aims to identify gaps between customer demands and the human resources function's response to these demands.\(^2\) It is a comprehensive approach for personnel audit to use its results within the entire organization.

**Figure 1. Personnel audit**

![Diagram of Personnel Audit](image)

Source: own development on the basis J. Brown, *Conducting...* op.cit., p.12-47.

The second model is the HR Audit Model\(^{TM}\) (Figure 2) which indicates the main areas of the audit - the shot is contextual\(^3\) and can be

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\(^2\) J. Brown, *Conducting...* op cit., p.12-47.

\(^3\) S.Rajendran, M. Chandrasekaran, *THE EVOLUTION...* op. cit, p. 4-5
created individually in each case. Its versatility allows to apply model both in the area of business and in the public sector. The authors have developed a model based more on training audits than real solved.

**Figure 2. HR Audit Model™**

![HR Audit Model Diagram](image)

- **ACTIVITIES**: Stasks and actions that create or implement employment policies, practices, procedures, and programs.
- **OUTCOMES**: Qualitative and quantitative results of the HR management and employment practices.
- **BEHAVIORS**: Actions that demonstrate commitment to and implementation of policies and procedures.
- **RISKS**: Current or future events that have the potential to cause a loss or peril.
- **INTERNAL CONTROLS**: Processes, tests, and assessments to ensure compliance.


Another model presents J. Marciniak (Figure 3), dividing the whole action into two major phases:

- audit of the human resources administration,
- audit staffing procedures.

This approach indicates a need for a dual perspective of audit model in HR function and by inquiring the entire organization in the field of HRM.

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Figure 3. Polish model of personnel function audit

Audit of the human resources administration
- Procedures and regulations
- Personnel documentation
- Relations with legal institutions
- Legal compliance
- Health and safety at work
- Ergonomics and working conditions
- Working time
- Collective legal relations

Audit of staffing procedures
- Planning for personnel and recruitment
- Analysis of personnel status
- Recruitment and acquisition of personnel
- Adaptation of the development and training
- Assessment of the work
- Compensation
- Non-financial motivation
- The mobility of personnel
- Personnel restrictions
- Social fund share


The value of the model is that it helps organizations:
- assess current HR management and employment practices;
- identify and diagnosis systemic problems;
- evaluate and predict the impact of corrective measures;
- develop a plan of action;
- determine the ROI of such actions.

3. Areas for personnel audit

Personnel audit in practice mainly depends on the testing subject area. Some tests are conducted normally, for example, regulations or HR documentation, other depend on the decision whether the personnel audit is expected to be in terms of procedures and standards, or in the field of

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motivation, competence, career paths - “the soft aspects” of HRM. The table 3 contains the main content of selected audits carried out by various audit firms. Each audit plan was commented in terms of use and benchmark.

Table 3. Personnel audit area.

<table>
<thead>
<tr>
<th>Auditor</th>
<th>Audit area</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Employers’ Choice Inc.</td>
<td>Workplace Productivity and Climate - Policies and Procedures - Workforce Planning - Recruitment and Selection - Employee Orientation - Training and Development - Compensation and Benefits - Performance Management - Health and Safety - Termination Practices - Union Practices - Human Resources Information Systems - Privacy</td>
<td>the audit was covered both formal aspects of management, strategic and operational area-related to HRM</td>
</tr>
<tr>
<td>CompetiveEdgeHR</td>
<td>Personnel Files - Performance Evaluations - Independent Contractors - Other Records (Employee Benefit Plans, I-9’s⁶, Payroll or other records, IRS info) - Occupational Safety and Health - Employee Polygraph Protection</td>
<td>the audit was carried out mainly in the field of compliance, procedures and other regulations concerning employees in your organization</td>
</tr>
<tr>
<td>KPMG</td>
<td>Manpower Planning - Recruitment and Selection - Documentation Maintenance and - Legal Compliance - Severance and Termination - Compensation and Benefits related function - Performance Management - Training and Development - Communication and Coordination</td>
<td>the audit was conducted mainly on the basis of the HRM functions, supplemented by audit staff and documentation</td>
</tr>
</tbody>
</table>

⁶ I-9 is verification employee’s procedure and legal authorization employment in the USA
<table>
<thead>
<tr>
<th><strong>Work Environment – Safety &amp; Health</strong></th>
<th><strong>Disciplinary Procedure</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HR Audit: 101</strong></td>
<td><strong>Compliance &amp; Recordkeeping</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Hiring &amp; Onboarding Practices</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Policies &amp; Procedures</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Performance Management &amp; Termination</strong></td>
</tr>
<tr>
<td><strong>selected areas of general audits were individually built for the needs of a specific company</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Sensible Human Resources Consulting LLC**

- Roles, head count, and HR information systems (HRIS)
- Recruitment
- Documentation
- Training, development, and career management
- Compensation and benefits
- Performance measurement and evaluation
- Termination and transition
- Legal issues and personnel policies

**general audit in terms of both management topics as well as formal in HRM**

Source: own development on the basis CompetitiveEdgeHR; The Employers’ Choice 2009; KPMG; HR Audit: 101,2010; Sensible Human Resources Consulting LLC

Making a selection within the audit subject can be directed to the answer to the question-what may be the results of the audit. This type suggests J. Marciniak. The result of the personnel audit might be as the following:

- reduce costs related to the human resources management,
- better HR department organization,
- raising the level of line managers professionalism and HR cooperation management enterprise,
- develop new or enhance existing employee management regulations (organizational rules, labour and remuneration),
- the introduction of the latest IT solutions and designs for the administration and human resources management,
- to improve the quality of the personal employees’ files and other employment-related documents,

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adaptation of existing designs to suit staffing documents company
analysis of working time systems and their settlement,
streamlining efforts to increase work discipline,
improvement in company policies and procedures (for example, hiring and recruitment, adaptation and training of staff, circulation of documents)
practical use personal strategy assumptions.

Conclusion
Personal audit is a tool for the development of companies in the human resources management area. The exact diagnosis, personal view on the weak and strong companies’ units imply to develop and implement specific changes. Among the general effects of the personnel audit, you can specify:

- reducing risk, complying with the law,
- auditing for HR best practices,
- benchmarking the organization (benchmarking of the quality and efficiency of HR processes),
- as compared with industry best practices using HR Key performance indicators
- information:
  - to carry out the activities was launched by our personnel policy area,
  - to make decisions regarding the management of personnel management area in a long-term perspective.
- identification of HRM strengths and weaknesses including a proposal for improvement measures,
• the introduction of new or upgrading existing staffing procedures,
• review, based on the client’s requirements, compliance with the legal regulations relating to employer – employee relations,
• the modernisation of human resources administration,
• improving cooperation within the framework of the HR Department,
• improving the conduct of formal documentation for the personnel functions (personal files, contracts, formal prints),
• raising employee satisfaction with working,
• evaluation change management tools.

Bibliography
Summary

Personal audit is a tool for the development of companies in the human resources management area. The exact diagnosis, personal view on the weak and strong companies’ units imply to develop and implement specific changes.