HUMAN RESOURCE AUDIT: A METHOD TO EVALUATE THE EFFECTIVENESS AND EFFICIENCY OF HUMAN RESOURCES AND QUALITY CHECK ON HR ACTIVITIES

M. Siva Krishna Raju*; Dr. P. Raghunadha Reddy**

*Assistant Professor, Department of MBA, Shri Vishnu Engineering College for Women, Vishnupur, Bhimavaram, India.
**Professor, Department of Management Studies, SVUCCM & CS, SV University, Tirupati, India.

ABSTRACT

A human resource audit aims at ascertaining the effectiveness of the HR department and its functions. The basic goal of an HR audit is to find out the HR interventions that will increase the firm’s competitive advantage. It also ensures the compliance of the HR department with the goals, plan and policies of the organization. It helps in assessing the role and contribution of HR functions in the overall strategic planning of the organization. It assists the organization in the effective formulation of HR strategies which will align well with the overall corporate strategy.

The Management has to recognize the important role of Human Resource Department in order to successfully steer organizations towards profitability. It is necessary for the management to invest considerable time and amount, to learn the changing scenario of the HR department in the 21st century. In order to survive the competition and be in the race, HR department should consciously update itself with the transformation in HR and be aware of the HR issues cropping up. Since all the activities in an organization are accomplished by the people, for the people and with the people, the aspect of human resource management gains significance. Successful human resource management practices must meet company-specific requirements and targets. Also, they should be efficient, economical and lean, Against this
background, different aspects of human resource audit framework have been discussed in this paper.

**KEYWORDS:** Human resources Audit, Human resources.

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**INTRODUCTION**

A human resource audit aims at ascertaining the effectiveness of the HR department and its functions. The basic goal of an HR audit is to find out the HR interventions that will increase the firm’s competitive advantage. It also ensures the compliance of the HR department with the goals, plan and policies of the organization. It ascertain the HR policies followed uniformly across the entire organization, it helps in determining not only the efficiency of the HR policies and practices but also their cost to the organization. It helps in assessing the role and contribution of the HR functions in the overall strategic planning of the organization. It assists the organization in the effective formulation of HR strategies which will align well with the overall corporate strategy.

It is similar to traditional auditing expect that the latter focuses on financial functions while the former focuses on the HR functions of the organization. The information in an HR audit relates to the people, structures and HR philosophy of an organization. It covers HR functions like employee staffing, training and development, compensation, maintenance, including motivation, communication and leadership, safety and health, and industrial relations. It also focuses on the HR information system, HR research and record keeping, returns on HR investment and policies, procedures, and regularity compliance.

**DEFINITIONS**

“**A human resource audit is defined as an investigative, analytical and comparative process that attempts to reflect the effectiveness of the human resource functions**”.

-Jack J Phillips

“The human resource audit is defined as an investigation into size, skill, structure, and all other issues surrounding those currently employed by the organization and its future human resource needs.”

-David Campbell

**COVERAGE AREAS OF HR AUDIT**

An HR Audit can be conducted in every aspect of management of the human resources. Generally, no one can measurement the attitude of human being and also their problems are not confined to HR department alone. So it is very much broad in nature. It covers the following HR areas:

- Audit of all the HR function
Audit of managerial compliance of personnel policies procedures and legal provisions.

Audit of corporate strategy regarding HR planning, staffing, IRs, remuneration and other HR activities

Audit of the HR climate on employee motivation, morale and job satisfaction.

In fact, the audit should start with the objectives prescribe for manpower management. It should evaluate policies with regard to wages, promotions, training and development to determine whether the changes are desirable. It should also evaluate programmes evolved for implementing policies such as the selection programme, training programmes and job evaluation.

PURPOSE OF HUMAN RESOURCE AUDIT

- To Examine the strengths and weaknesses related to HR areas and competencies to enable an organization to achieve its long-term and short-term goals.

- To increase the effectiveness of the design and implementation of HR policies and procedures.

FINDINGS AND HYPOTHESIS TESTING

RESEARCH HYPOTHESIS

A hypothesis is something that is yet to be proven true. It is usually a statement about population parameter.

Null Hypothesis (Ho) is an assertion about the value of a population parameter. We assert that it is true unless we have sufficient statistical evidence to conclude otherwise.

Alternate Hypothesis (Ha) is the counter claim or statement made against the value or range of the population parameter.

The study is in descriptive nature. A total of 280 employees are made to participate in this survey. The survey made, keeping in mind all department employees such as Production, Marketing, Finance, and HR.

HYPOTHESIS 1: Majority of the employees satisfied with the performance of HR Audit in the measurement of effectiveness of HR function.

NULL HYPOTHESIS HO: There is no significance difference between satisfied employees & dissatisfied employees on the performance of HR audit in the measurement of effectiveness of HR function i.e Ho= P=0.5)

ALTERNATE HYPOTHESIS HA: There is a significance difference between satisfied employees & dissatisfied employees on the performance of HR audit in the measurement of effectiveness of HR function (i.e Ha=P ≠0.5)
By using Hypothesis testing for single population proportion, Table 3 shows that We found that (tabulated Z value 1.96) which is less than calculated Z value is 3.5. According to our decision rule: Accept Ho if calculated Z value less than tabulated Z value & Reject Ho if calculated Z value greater than tabulated Z value.

So we will reject Ho & accept Ha. So that there is a difference between satisfaction level and dissatisfaction level of employees about the performance of HR audit process in measurement of effectiveness of HR function. Finally nearly 60% employees satisfied about the performance of HR audit process in measurement of effectiveness of HR function.

HYPOTHESIS 2: Majority of the employees have the Positive perception about HR Audit process implemented in the organization.

NULL HYPOTHESIS HO: There is no significance difference between the No of employees who perceived Negatively & Positively about HR Audit process implemented in the organization function(i.e Ho= P=0.5)

ALTERNATE HYPOTHESIS HA: There is a significance difference between the No of employees who perceived Negatively & Positively about HR Audit process implemented in the organization function(i.e Ha= P≠0.5)

By using Hypothesis testing for single population proportion, Table 3 shows that We found that (tabulated Z value 1.96) which is greater than calculated Z value is 1. According to our decision rule: Accept Ho if calculated Z value less than tabulated Z value & Reject Ho if calculated Z value greater than tabulated Z value.

So we will Accept Ho & Reject Ha. There is no significance difference between the No of employees who perceived Negatively & Positively about HR Audit process implemented in the organization i.e., Half of the employees(49% of all employees) have positive perception & the remaining has the Negative Perception about HR Audit process implemented in the Organization.

TABLE 1

<table>
<thead>
<tr>
<th>On performance of HR Audit</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfied</td>
<td>160</td>
<td>57.14</td>
</tr>
<tr>
<td>Dissatisfied</td>
<td>120</td>
<td>42.86</td>
</tr>
<tr>
<td>Total</td>
<td>280</td>
<td>100</td>
</tr>
</tbody>
</table>
### TABLE 2

<table>
<thead>
<tr>
<th>On performance of HR Audit</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfied</td>
<td>135</td>
<td>48.21</td>
</tr>
<tr>
<td>Dissatisfied</td>
<td>145</td>
<td>51.79</td>
</tr>
<tr>
<td>Total</td>
<td>280</td>
<td>100.00</td>
</tr>
</tbody>
</table>

### TABLE 3

<table>
<thead>
<tr>
<th>Particular</th>
<th>Null Hypothesis</th>
<th>Alternate Hypothesis</th>
<th>Table value of Z at 5% level of significance</th>
<th>Test Statistic</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>On performance of HR Audit</td>
<td>There is no significance difference between satisfied employees &amp; dissatisfied employees on the performance of HR audit</td>
<td>There is a significance difference between satisfied employees &amp; dissatisfied employees on the performance of HR audit</td>
<td>1.96</td>
<td>3.5</td>
<td>Reject Ho</td>
</tr>
<tr>
<td>Employees perception towards the process of HR Audit</td>
<td>There is no significance difference between the No of employees who</td>
<td>There is a significance difference between the No of employees who</td>
<td>Here Total No of employees n = 280</td>
<td>Total No of employees n = 280</td>
<td>Here Total No of employees n = 280</td>
</tr>
<tr>
<td>perceived Negatively &amp; Positively about HR Audit process implemented in the organization</td>
<td>perceived Negatively &amp; Positively about HR Audit process implemented in the organization</td>
<td>1.96</td>
<td>satisfied employees 145 (table 2) proportion value $p=0.48$</td>
<td>$P=0.5$ &amp; $Q=0.5$</td>
<td>1</td>
</tr>
</tbody>
</table>

### CONCLUSION

A Human Resource Audit can be used as a measure to evaluate the personnel activities of an organization. It gives feedback about the HR functions and HR specialists. It also provides feedback that how well managers are meeting their HR duties. The Audit is an overall check on HR activities in a department or a company and an evaluation of how these activities support the organization’s strategy. It also gives information on HR compliance and with the legal provisions and company’ policies and procedures. HR Audit Proved that HR climate has an impact on employee motivation, morale and Job satisfaction.

### REFERENCES


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