

Defining HR Audit, It's Purpose, Types, & Checklist

The first step of corporate growth understands your pitfalls. You must know your weak points to advance further ahead. So, it is essential to conduct a performance review to learn about the weak links in an organization.

In this regard, audits are an efficient way of doing so. They are an in-depth study of the business processes to understand its positives and negatives. It gives a fair idea of what needs to change. One such important audit in a company, among many others, is the HR Audit.

What is an HR Audit?

The HR (Human Resource) Audit is the process to evaluate a human resource department's performance. It examines various aspects of the HR tasks in a company. These can be policies, processes, procedures, documentation, and systems. In ascertaining these, an HR Audit looks into the various fronts of human resource personnel's work. Some of these are:

- Hiring Procedure
- Employee Onboarding
- Compensation Plan
- Benefits Package
- Performance Review
- Termination of Tenure
- Exit Interview, etc.

These sections form a crucial part of the HR functions in a company. Therefore, a study into these fronts gives a fair idea of the HR performance in the company. Besides reviewing the HR professional's work, an HR audit also serves many other purposes. Here is a quick look at a few of these purposes.

Purpose of HR Audit

- Ensuring compliance of the company's working with the governing laws
- Helping the HR Department understand how to improve itself
- Reviewing and the proper resource allocation for human resources
- Being an act of "due diligence" for potential investors and stakeholders of a company
- A basis for improvements in the future

These were some of the purposes for conducting an HR Audit. Based on the different purposes it serves, there are also different HR Audit types to consider. Some of these are as follows.

Types of HR Audit

For every operation audited, know the mission ... the purpose... the reason for being.

1. I-9 Form Audit

These audits take place to make sure that there exists an I-9 form for all employees in the company. I-9 form is a legal requirement for companies to verify that all its workers have valid employment authorization. This step is a must for employment. An I-9 Audit checks for any mistakes in the filling procedure of this form. It also looks into the need for further documentation in the future.

2. Policies

An audit on policies reviews the company's current and upcoming policies to ensure consistency. Policy audits are also necessary to ensure that each of them has full compliance with the governing legal norms.

3. Legal Compliance Audit

Compliance Audits ensure that the company's practices are one with all employment laws. These audits look into the leave structure, disability structure, health and safety, hr policies, payroll, etc.

4. Departmental

This kind of audit specifies all its efforts in one department. It can be payroll, benefits, performance, etc. Departmental audit keeps on changing departments to review different divisions of a company.

5. Salary & Working Hours

This audit looks into uncovering mistakes in the company's salary structure and working hours for its workers. It reviews the legal working hours for everyone, salary computations, overtime compensation calculations, etc.

6. Safety

A safety audit looks into the steps necessary to ensure employee health. While working onsite or even at the office, a worker may be vulnerable to many aspects challenging its health. This audit makes sure that a company does everything possible to limit risk in the workplace.

7. Hiring

As the name suggests, a hiring audit reviews the hiring process of a company. It ensures that the hiring strategies are consistent, effective, efficient, and fair.

8. Employee Training

This audit checks up on the employee training and development programs in a company. It identifies where new training programs are necessary and how to improve on the old ones.

9. Benefits & Compensation Package

A benefits & compensation package audit checks up on the salary and benefits package. This audit looks upon minimum wage, compensation as per the company's objectives, appropriate employee benefits, etc.

These were a few types of HR Audits that a company must undertake to review its legal standpoint and performance. While performing these checks, there are also a few other things you must check.

HR Audit Checklist

An HR checklist is a list of things you must keep an eye on while performing HR Audits on different divisions. These checklists are generally very long, but here are some critical points for various departments to keep it short today.

1. Employee Records

- The first thing is to check the working of your Human Resource Information System (HRIS). You must have a proper HRIS to track and search the information efficiently.
- Ensure that you have the I-9 forms in order and all other personnel files.
- Keep the sensitive information of the employees separate. One example here can be the health information of the workers.

2. Employee Handbook

- Have a legal counsel take a look at the national, state, and local laws for employment that may have a say in your office policies.
- Conducting an annual checkup on the handbook to ensure no mistakes take place
- Making the workforce aware of any new changes in the handbook and getting their acknowledgment for the same.

3. Hiring & Onboarding Process

- Reviewing that your Applicant Tracking System (ATS) is working at par and as per your requirements.
- Ensuring and checking up on the viability of the recruitment tools the company uses
- Appraise the idea of implementing a buddy or mentor system for new hires

If you pay peanuts, you get monkeys.

- Check up on the pay scale to offer a competitive salary package and locate any pay disparity based on race, disability, gender, caste, etc.
- Build up a system to establish how you determine a hike in salary.
- Review the governing salary law to check up on issues like average salary, minimum wages, etc.

5. Performance Evaluations

- Have a look at the performance appraisal tool you're using currently and see if it is meeting your requirements
- Decide on an appropriate period to judge the performance of the workforce. Also, decide on a system to determine employee promotion and employee demotion.
- Check up on any favoritism in the workplace harming the performance appraisal process.

6. Benefits

- Check up and update the current employee benefits package to offer a more competitive package to workers.
- Effectively communicate the benefits package to the work staff. Most workers don't understand what advantages they have in the first place. An example of this is the ESIC benefit that most individuals don't know how to use.
- Get to know what benefits your employees require the most. You may turn to pulse surveys to understand different employee persona and which benefits would suit them best, etc.

7. Training

- Decide on the training programs for new hires of every department
- Consider having a mentorship program within a company to train juniors by seniors.
- Conducting yearly corporate Equal Employment Opportunity (EEO) training.

To conduct a fruitful HR Audit, always assess the situation from the workforce's point of view. Evaluating the performance from a work staff's point of view will give you a new perspective and show you more areas for improvement.

These were some of the points you must review for HR Audits on different divisions of the company.

Conclusion

Audit findings are easy to come up with, successful change from a finding is true internal audit value.

Conducting and determining a proper action plan from an HR Audit is as important as having one in the first place. Improper audits can give misleading results, which can lead to wrong management decisions. So, you must have a clear understanding of these audits. The information above should give you a fair idea of what, why, and how regarding a HR audit.