

# HR Audit

HR audits are undertaken to allow organisations the chance to evaluate their policies, practices, procedures, strategies, methods and programs.

Companies need to take an objective look at these to understand their strengths and best practices as well as identify key areas for improvement.

Common HR functions to audit include:

- Legal compliance
- Record keepings
- Compensation / pay equity
- Employee relations
- Performance Appraisal systems
- Policies and procedures / employees handbook
- Terminations
- Health & safety / security

Audits can be done to ensure that those practices being performed are serving its intended purpose as well as measuring how effective and efficient current HR functions are. It is also a way for organisation to monitor their legal and ethical obligations.

The findings obtained through effective audits provide recommendations and suggestions on where improvements can be made and ultimately identify gaps between what is currently being done, what should be done and what could be done.

Why audit your processes?

Traditionally, HR audits were used primarily to test whether an organisation's HR function/s and associated policies and practices comply with legislation. Where it was found that an area of HR did not meet legal requirements, a decision to rectify could be made (e.g. updating of written documentation, or implementing a new working practice).

While ensuring compliance against external legislation still has an important place in the HR audit, today HR audits are – or should be – used to assist with many decisions. For example: what areas of HR or indeed the organisation need to be updated to comply or better align with legislation, wider organisational goals (including internal governance) or best practice.



Primarily, a HR audit can be used to make decisions around four key areas:

- HR policy / Procedures: whether HR policies, procedures and other written documents need to be updated or whether for example further communication with stakeholders is recommended to ensure expectations of such written documents are known and understood by all effected
- HR Practices: whether HR tasks or processes can be changed or improved to better meet legislated obligations, and the wider needs of the organisation (e.g. streamlining of HR processes)
- HR Team: whether current HR team structure, responsibilities and roles are effective and whether current HR team has the skills/knowledge/expertise to effectively perform/manage HR functions (e.g. may assist with decisions around restructure, redesign or outsourcing)
- Wider Organisational Practices: whether wider management or staff practices are helping or hindering the role and outcomes of HR functions and practices (e.g. ineffective reporting lines).

What types of questions should be asked during the audit?

#### Overarching

- Do policies, procedures and other written documentation meet legal requirements (e.g. Fair Work Act 2009, EEO law)?
- Are job descriptions up-to-date? Are they clear and concise, with duties/responsibilities outlined?
- Do background checks comply with the law and organisational policy?
- Are employees being given all information required to successfully perform role?

#### Recruitment & Selection

- Are employees being recruited or promoted based on merit (e.g. clear selection criteria)
- Is a consistent approach applied / advice provided (recruitment, access to opportunities etc) across the organisation?

#### Employee Data

- Is employee information kept secure and confidential?
- Who has access to employee information (e.g. personnel files, HRIS)?

#### Payroll & Compensation

- Do compensation /benefits align with industry average?
- Is a consistent approach applied / advice provided (regarding pay, leave etc) across the organisation?

#### Performance Management

- Is a consistent approach to related policies (e.g. underperformance) applied across the organisation
- Do employees know their rights and responsibilities (e.g. grievance processes)?

#### Workforce Planning

- Is turnover an issue?
- Are succession plans in place?
- Are employees completing exit interviews?
- Does exit interview information highlight any key concerns / trends?



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