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**DEVELOPMENT OF THE HUMAN RESOURCE  
AUDIT SYSTEM ELEMENTS BASED ON  
INTERNATIONAL EXPERIENCE**

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**Introduction.** Enterprises regularly review business processes and procedures to increase productivity and efficiency. Similar to a financial or tax audit, an HR audit gives businesses the opportunity to identify any potential human resources compliance issues and establish HR best practices. The results of the economic activity of the enterprise depend on the efficiency of the use of living labor – the most crucial factor of production, because the enterprise was created by the person himself to meet his needs.

**Aim and tasks.** The purpose of the research is to develop the human resource audit system elements based on international experience.

**Results.** The problem of controlling the formal aspects of staffing and documentation arises because of the rapid tendency for human resources to be prioritized by any structure that carries out socio-economic activities. Such control is the prerogative of the state and is punitive and administrative in nature. Lack of staff documentation, violation of labor law leads to financial losses due to fines and also loss of reputation of the business structures. At the same time, building a human resources management system for businesses is an individual right and aims to maximize their employees potential. There exist some steps for conducting HR audit: determine the scope; create a plan; gather and analyze the data; utilize benchmarks and best practices; make a report; present it to senior leadership; create an action plan; evaluate the progress. Elements of a personnel audit system are proposed: monitor employee record keeping processes; review organization's recruitment and selection processes; examine workplace safety measures and risk management practices; evaluate training and employee development opportunities; review employee relations processes; compile compensation and benefits information.

**Conclusions.** An HR audit is a tool to help a company determine that the HR department is functioning the way it is supposed to and covering everything it is chartered to cover. It is a specific look at the current state of HR and whether its specific practices are protecting the company and providing for the best use of their 'human' resources.

**Keywords:** HR audit, personnel audit, international experience, personnel functions

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## РОЗРОБКА ЕЛЕМЕНТІВ СИСТЕМИ ПРОВАДЖЕННЯ КАДРОВОГО АУДИТУ НА ЗАСАДАХ ВИКОРИСТАННЯ МІЖНАРОДНОГО ДОСВІДУ

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**Вступ.** Підприємства для підвищення продуктивності та ефективності регулярно переглядають бізнес-процеси та процедури. Аналогічно до фінансового чи податкового аудиту, аудит з питань людських ресурсів дає підприємствам можливість виявити будь-які потенційні проблеми у сфері управління персоналом на підприємстві встановити найкращі практики щодо управління персоналом.

**Мета і завдання.** Метою роботи є розробка елементів системи провадження кадрового аудиту на засадах використання міжнародного досвіду.

**Результати.** Проблема контролю за формальними аспектами управління персоналом та документацією виникає через швидку тенденцію до того, що людським ресурсам надається пріоритет будь-якій структурі, яка здійснює соціально-економічну діяльність. Такий контроль є прерогативою держави і носить карально-адміністративний характер. Відсутність документації про персонал, порушення законодавства про працю призводить до фінансових втрат через штрафи та втрату репутації бізнес-структури. У той же час побудова системи управління людськими ресурсами для бізнесу є індивідуальним правом і спрямована на максимізацію потенціалу своїх працівників. Для проведення кадрового аудиту є кілька кроків: визначення сфери; розроблення плану; збирання та аналізування даних; використовування орієнтирів та кращі практики; складання звіту; презентувати керівництву; створення плану дій; оцінювання прогресу. Запропоновані елементи системи провадження кадрового аудиту: моніторинг процесів ведення обліку працівників; перегляд процесів набору та відбору організації; вивчення заходів безпеки на робочому місці та практики управління ризиками; оцінка можливості навчання та розвитку співробітників; перегляд процесів відносин з працівниками; складання інформації про компенсації та пільги.

**Висновки.** Аудит з питань персоналу - це інструмент, який допомагає компанії визначити, що відділ кадрів працює так, як належить, і охоплює все, за що він має відповідати. Це специфічний погляд на сучасний стан персоналу та на те, чи захищають його конкретні практики компанії та забезпечують найкраще використання їхніх "людських" ресурсів.

**Ключові слова:** кадровий аудит, аудит персоналу, міжнародний досвід, кадрові функції.

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**Introduction.** Businesses want to know that they're operating effectively and efficiently. So, they regularly review processes and procedures to ensure that they are. Similar to a financial or tax audit, an HR audit gives businesses the opportunity to identify any potential human resources compliance issues and establish HR best practices.

One of the reason, why it is very important for an employer to conduct regularly an HR analysis of their policies and practices, is the multitude of laws affecting each stage, step of the employment process. HR audit can help to identify normative compliance issues if they exist and also to avoid potentially costly fines and/or lawsuits, if otherwise ignored.

The problem of controlling the formal aspects of staffing and documentation arises because of the rapid tendency for human resources to be prioritized by any structure that carries out socio-economic activities. Such control is the prerogative of the state and is punitive and administrative in nature. Lack of staff documentation, violation of labor law leads to financial losses due to fines and loss of reputation of business structures. At the same time, building a human resources management system for businesses is an individual right and aims to maximize the potential of their employees.

**Analysis recent research and publications.** In terms of HR, personnel audit, there is not much new research, as a rule they copy each other. But, anyway, we should talk about such scholars as, for example: P.Kumah, Yaokumah and Okai (2019) – investigation of the conceptual model and empirical assessment of HR security risk management [1], Klychova, Zakirova and Kamilova (2016) – investigation of the methodological instruments of social audit [2], Bargerstock (2000) – investigation of the HRM effectiveness audit: A tool for managing accountability in HRM [3], G.Batra (1996) – investigation of the human resource auditing as a tool of human resource valuation: Interface and emerging practices [4].

In this context, it is worth focusing not only on theoretical research, but also on practical areas of personnel auditing by domestic companies.

**Aim and tasks.** The purpose of the research is to develop the human resource audit system elements based on international experience.

**Results.** A HR audit is a means of reviewing current policies, procedures, documentation and systems of the organization, and highlighting areas for improvement or updating to remain compliant with the most recent laws, regulations and rules.

An effective human resources (HR) audit looks into every discipline of the human resources function. HR disciplines include recruitment and selection, workplace safety and risk management, training and development, employee relations, and compensation and benefits.

In order to perform an in-house audit, company must have the following [5, p. 5]:

- expertise in the area to be audited;
- time to thoroughly explore problems;
- willingness to not only dig into current practices, but also make changes;
- influence to implement those changes company-wide.

Without those four things, an HR process audit is doomed to cause headaches and waste time. Fortunately, an in-house audit is not the only option available to you. Company can also employ an outside consultant or consulting agency who can conduct the audit instead.

But before company begin conducting some kind of review, it is better to determine which aim it is needed to achieve. For example, some objectives could be like:

- find out the reason why there is deplorable reviews on employee feedback sites;
- discover the reason of the low level of your retention rate;
- review if the hiring processes are primitive, outmoded nowadays.

There exist some steps for conducting HR audit (table 1).

**Table 1. HR audit checklist**

<i>Step</i>	<i>Content</i>
1. Determine scope	First move of conducting an HR audit is to determine a scope of the audit. Scope – how much an organization wants to evaluate or investigate effectiveness, competence in the current operations and practices? If an HR audit has never been provided, a comprehensive review of whole procedures and policies is required. After that, businesses can choose if it is necessary to provide audits focused on specific HR functions (record keeping, payroll. etc)
2. Create a plan	Next move is to create an exactly plan of audit conducting. Identify the goals, form an audit team and create a timeline for audit completing. This step includes creating an in-depth questionnaire to provide consistency in the data gathering process.
3. Gather and analyze the data	Once the audit begins, the audit team should gather all the applicable documents and forms under the scope of the audit. The audit team should also review current and potential legal actions.
4. Create an action plan	When audit is complete, firm executives meets with an audit team to discuss any findings and create a plan to eliminate each problem or area of concern identified in the report. Action items can include some novelties, changes to procedures, policy, training practices. Organizations may also consider their available resources while setting a deadline to correct noncompliance issues, provide any corrective actions are realistic, achievable. In addition, organizations should also provide effective steps to ensure the audit information is confidential and in safety from unintentional disclosure.
5. Evaluate the progress	After the time corrective measures have been implemented, it is better for organization to continuously monitor and periodically review the modern processes or procedures to be sure that organization still compliant.

Source: formed by the author on the basis of [6-8]

Usually, for example, an HR compliance audit will consist of the two main elements [9]:

1. Evaluation of the organization’s operational HR policies, practices and processes and their effectiveness in achieving strategic organizational goals related to activities such as employee relations, retention, performance management, hiring, training, etc.

2. Assessment of actual HR metrics for reasonableness and results. Such metrics might include indicators such as time to fill a new position, turnover, employee satisfaction, etc.

Before starting the assessment, you can create a checklist to stay organized and efficient throughout the auditing process [10; 17]. This list contains detailed questions which apply to the different areas of HR and is typically a couple of pages long. Audit can also be break down into a smaller assessments by dividing the questions, which will make it easier to complete. Additionally, the format of the checklist can also be decided.

Auditor have a right to choose to answer “yes” or “no” to questions or allow a more detailed answer. Breaking the HR audit process into steps makes it easier to ensure you’re fulfilling certain criteria [11; 18-19]:

– Compliance: whether your documentation is up to date with current employment law.

– Best practice: whether your procedures are following best practice as outlined by the HSE.

– Strategy: have a strategic plan for your company, how well do your processes and procedures align with it?

– Functions: You can break this category down into further criteria, but essentially it reviews how each area of HR performs within your business. Areas such as recruitment, training, employee relations, performance management, and so on.

To understand if your HR audit processes meet all the requirements checklist, you need to do some steps (table 2).

**Table 2. Elements of HR audit checklist**

<i>Element</i>	<i>Content</i>	<i>Some key metrics</i>
1. Monitor employee record keeping processes for compliance with current state regulations concerning what constitutes a personnel file of the employee.	Investigate state regulations about employees' personnel files access and ensure that organization workplace policies are congruent with current state law. There are no federal laws that mandate employee access to personnel files; anyway, the U.S. Equal Employment Commission and the U.S. Department of Labor promulgate rules on record retention for employee files.	Hiring (Job descriptions, forms, medical information, job postings, data protection, background checks, employment contracts, etc.)
2. Review organization's recruitment and selection processes to ensure that they are nondiscriminatory and that they comply with equal employment opportunity policies.	Title VII of the Civil Rights Act of 1964 prohibits employers from engaging in discriminatory practices related to recruiting, hiring and all other employment actions. Be sure that your employment advertisements, structured interview questions and pre-employment tests are straightforward and unbiased.	Communication of policies/procedures, employee handbooks, induction/training, discrimination and harassment.
3. Examine workplace safety measures and risk management practices.	The U.S. Occupational Safety and Health Administration enforces safety laws for most employers. The agency also provides technical guidance for companies whose employees handle complex machinery and equipment and dangerous chemicals and substances. Ensure your workplace safety logs and reporting processes are in compliance with both federal and state regulations.	Formal pay structure, pay reviews, working time, paid time off, sick leave/absence, flexible working.
4. Evaluate training and employee development opportunities to reveal any disparities in training methods or accessibility by employees.	At a minimum, employees should be required to complete new hire orientation and mandatory training on workplace policies pertaining to fair employment practices, sexual harassment and reporting employee complaints.	Compliance training (effectiveness & cost).
5. Review employee relations processes to determine if your workplace investigations are conducted in a manner that assures employees their concerns will be handled by a human resources staff member specially trained to handle sensitive matters	Employee relations matters can sometimes lead to costly litigation. Therefore, managing your organization's investigation and resolution processes is important for minimizing your liability for claims related to unfair employment practices.	Performance evaluation, staff policies, complaints policy, disciplinary policy, whistleblower policy. Discrimination and harassment training, equality training, supervisor/manager training.
6. Compile compensation and benefits information.	Ensure your organization's privacy officer is qualified to handle confidential records containing employees' medical information and that the officer understands how to apply standards under the Health Insurance Portability and Accountability Act (HIPAA) and the Family and Medical Leave Act (FMLA). Review your salary practices for compliance under applicable minimum wage laws and employee classification for nonexempt and exempt status.	Employee perks, membership schemes, performance related pay, who administers benefits?

*Source: formed on the basis of [11-13]*

Other key metrics that are useful to collect data on, can be [13]: overtime expenses, productivity, employee happiness, retention rate. Collecting data for an audit begins with an audit questionnaire. The questionnaire is a list of everything you would like to investigate or check on. It's a starting point that will guide you in the direction for actual data collection. For example, if you are auditing your hiring and staffing processes, your questionnaire might include items like [5]:

– Does your recruitment process include defining the job with the hiring manager before advertising openings?

– Are your job advertisements compliant with non-discrimination, equal employment and disability regulations?

– Do you use a structured interview process with legally-compliant interview questions?

A well-done performed audit will reveal problem, weak areas and provide recommendations and suggestions for such problems elimination. It can be defined some main reasons of conducting such type of audit, including [11]:

– ensuring the effective utilization of the organization's human resources;

– reviewing compliance in relation to administration of the organization;

– instilling a sense of confidence in management and the HR function;

– maintaining or enhancing the organization and the department's reputation in the community;

– performing “due diligence” review for shareholders or potential investors/owners;

– establishing a baseline for future improvement for the function.

Once the consultant has presented the audit findings to the HR professionals and senior management, the next step is to aid the team in developing a roadmap of actions to be taken to close the identified gaps [14].

Audit results should also be shared with the members of the HR team, and employees in general, so they are aware of what came out of the audit – what's working, and areas identified for improvement.

Moving forward with the audit findings and recommendations, the senior management team will want to ensure that the HR metrics continue to be relevant to organizational strategies and goals. Collecting data on Health Care Cost per Employee is a meaningless activity unless someone is using that information for analyzing employee benefit costs.

Be careful that your organization doesn't fall into the trap of continuing to measure a factor that is no longer considered relevant by the management team. Be strategic with the metrics and align them with the key objectives they relate to [9].

The time and cost of the audit will depend on the scope and size of the organization. However, you can be assured that the audit will cost less than defending the organization in court with a team of attorneys.

**Conclusions.** An HR audit is a tool to help a company determine that an HR department is functioning the way it is supposed to and covering everything it is chartered to cover. It is a specific look at the current state of HR and whether its specific practices are protecting the organization and providing for the best use of their ‘human’ resources.

Conducting a meticulous review of the “current, actual state” of HR practices and results will give the opportunity to the HR consultant to evaluate the effectiveness of the operations as well as the alignment of specific practices with strategic organizational goals, and legal compliance.

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