Internal Personnel Audit

Martin Andrejčák

**Abstract:** Even in the 20th Century a big shift did not occur in the concept of the personnel audit. The Society for Human Resource Management states the following: “The personnel audit is the process of evaluating programs and services for human resources for determining the efficacy or effectiveness.” The usage of the word “assessment” is not qualified and can mislead the manager of human resources to the fact that the audit is only considered as a kind of assessment. Here arises a problem of the misleading definition that does not provide an accurate context for auditing and also does not recognize the different types of audits. The following scientific article tries to outline the internal personnel audit, the different types of internal personnel audit as well as the aims of the internal personnel audit. The presented paper was created within the project VEGA 1/0662/15.

**Key Words:** Personnel Audit; Internal Personnel Audit; Types of Internal Personnel Audit; Aims of Internal Personnel Audit.

**Introduction**

Even in the 20th Century a big shift did not occur in the concept of the personnel audit. The Society for Human Resource Management states the following: “The personnel audit is the process of evaluating programs and services for human resources for determining the efficacy or effectiveness.” The usage of the word “assessment” is not qualified and can mislead the manager of human resources to the fact that the audit is only considered as a kind of assessment. Here arises a problem of the misleading definition that does not provide an accurate context for auditing and also does not recognize the different types of audits.

Holbeche states: “What the CEO needs to be able to turn the business needs to the business language and be able to help managers to deal with
human resources that further contributes to the achievement of business objectives.”

Personnel audit has become one of the important functions of personnel marketing and personnel management which has been implemented and carried out by undertakings in order to determine the quality of human potential and quality of processes to manage human potential in the company. Personnel audit takes place inside the company as an in-house process. In terms of its implementation it can take many forms and penetrations.

**Types of internal personnel audits**

There are different types of audits used to provide different kinds of results and they have different goals. Clardy described these types: financial audits to ensure compliance with laws and operational audits and this categorization is supported by professional auditing literature. Operational audits cover a wide area, including audit of performance, value added tax, and risk systems and controls. Individual award audit may include elements of several audits so that, for example, personnel audit to examine compliance, risk, and performance. The focus of each audit is fixed in the assigned audit plan. In addition to these three basic types of audits, specific audits are conducted for specific purposes. Specific audit purposes include “agreed upon procedures” evaluation in auditing standards.

In the literature we meet with the lack of agreement on the types of audits, particularly in relation to personnel audits. Nutley takes into account six “pure” types of audits (system audit, compliance, performance audit, audit of user’s satisfaction, audit of added value, and strategic audit of value added). Nutley points out the fact that many personnel audits are likely to be “hybrid” with incorporated elements of more than one type, depending on the objectives of the audit, and from that to what came across during the phase of practical implementation of the audit.

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Olalla and Castillo describe three “approaches” to the personnel audit: legal access, focused on a specific function, and strategic approach. Dolenko describes audit compliance with the law and a comprehensive audit. Mock distinguishes following types of personnel audit: audit to ensure compliance with regulations, best practices, strategic audit, and audits focused on specific functions.

Brady classified personnel audit by objectives that the company wants to use it to achieve:
- ensuring compliance with laws,
- maintaining or improving business competitiveness issues such as compensation, benefits, recruitment, and selection of staff,
- establishing an effective oversight of corporate documentation and archiving it,
- identifying strengths and weaknesses in individual personnel activities.

“The focus of the personnel audit is either on employees regardless of their position in the organizational structure of the company which the company chooses to include in the audit to obtain relevant information about them that is to find out what kind of people work in the company and that they are appropriately deployed on individual jobs due to their assumptions, abilities, and skills, to assess their strengths and weaknesses based on the criteria that are important for the performance of their current or future job, or employees who perform management functions in a company – managers.”

In this case, we talk about the managerial audit. “Managerial audit is defined in the literature as a specific type of audit of human resources which implies an independent assessment of

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management and leadership skills, competences, and experience as well as professional and personal abilities and potential of active managers undertaking in respect of current and future needs of the business.”\textsuperscript{12}

Andrews classified the personnel audit under the category of traditional audits:\textsuperscript{13}

- personnel financial audit which is a traditional financial audit applied to the area of personnel to accounting, auditing, and organizational norms and standards,
- personnel audit focused on compliance which is initiated by a public authority or other legal and regulatory requirements, regulations, or rules,
- personnel operational audit involves strategic audit which specifically focuses on corporate compliance objectives and human resources that are critical for business success, further performance audit, which seeks to evaluate the performance of human resources and to translate it to the value in monetary units, also audit risk, audit cost, and other audits concerning the operational sphere of business, and
- additional personnel audits that are performed because of mergers, acquisitions, and other.

**Aims of the internal personnel audit**

According to the authors Cannings and Hills it is not an objective of the personnel audit to focus on doing things the right way but the implementation of the right things that promote stability and allow the company to achieve its objectives.\textsuperscript{14}

The main objective of the audit of human resources is to get qualified and independent view of the composition of the staff undertaking the optimum use of human resources and effective personnel management with


respect to corporate strategy.\textsuperscript{15} The long-term aim is that for the company is available at every stage of its development the optimal number of people with the appropriate profiles, characteristics, professional knowledge, experience, and management capacity. Due to business needs personnel audit can identify human resources and talent to design their future position. This enterprise pursues its interest in keeping quality employees which offers the prospect of further development and professional growth.

The audit of human resource management which is part of a personnel audit is primarily to assess the effectiveness of personnel management, to conduct analysis of individual processes, and to suggest changes for greater efficiency in the management of human resources – in the process of cost. Other objectives of the audit of human resource management can be intra company assessment of the level of communication, work climate, and employee satisfaction which are viewed as effects of the application of management style and leadership staff managers. Personnel audit of human resource management can help to improve the quality of functioning of work teams and also to evaluate their potential. The audit will assess the characteristics, knowledge, experience, and skills of enterprise managers and propose steps for optimization with respect to the business objectives and strategy. Auditing company KPMG SR indicates that optimization processes of human resource management in the form of personnel audit aim to eliminate common problems such as high turnover, low employee motivation, too many levels of reporting, uneven workload workers, duplicate tasks, lack of understanding of the responsibilities of employees, etc. Ultimate benefit of the enterprise may be, for example, the increase in employee motivation, clearer division of tasks between them, and their higher level of understanding of the direction of the company and its strategy.\textsuperscript{16}

The meaning of the personnel audit of human resource management is important in linking the (fused) businesses or mergers.\textsuperscript{17} Compatible


management teams are very important and can determine the success of the transaction. At this moment points the multinational audit firm Deloitte CR\(^8\) which defines the following benefits connected with personnel audit of human resource management at the stage of connecting businesses:

- obtaining the feedback on the level of established Human Resource (HR) processes by comparing them with “industry best practice”,
- verification that procedures are following the human resource management system,
- verification tools to support the implementation of changes in the company and also to promote the innovation and creativity of its employees,
- verification of tax optimization of performance provided by employees for income tax, social contribution, and health insurance, and
- identification of strengths and weaknesses of human resource management, including measures to improve it.

Objectives of the personnel audit of human resources as well as personnel audit of human resource management can set each company in accordance with the needs that need to be addressed.

**Conclusion**

As mentioned above, in the current literature there are several classifications of personnel audit taking into account the different criteria. To understand the aims of the internal personnel audit it is important to distinguish between two types of personnel audit: personnel audit of human resources which is aimed at identifying and independent assessing the strengths and weaknesses of the business and human resource management audit which is aimed at identifying the independent assessment of management and leadership skills, and competences related to enterprise managers who manage human resources in the enterprise.

**References**


Ing. Martin Andrejčák
Faculty of Business Management
University of Economics in Bratislava
Dolnozemská cesta 1
852 35 Bratislava
Slovak Republic
mandrejcak@gmail.com