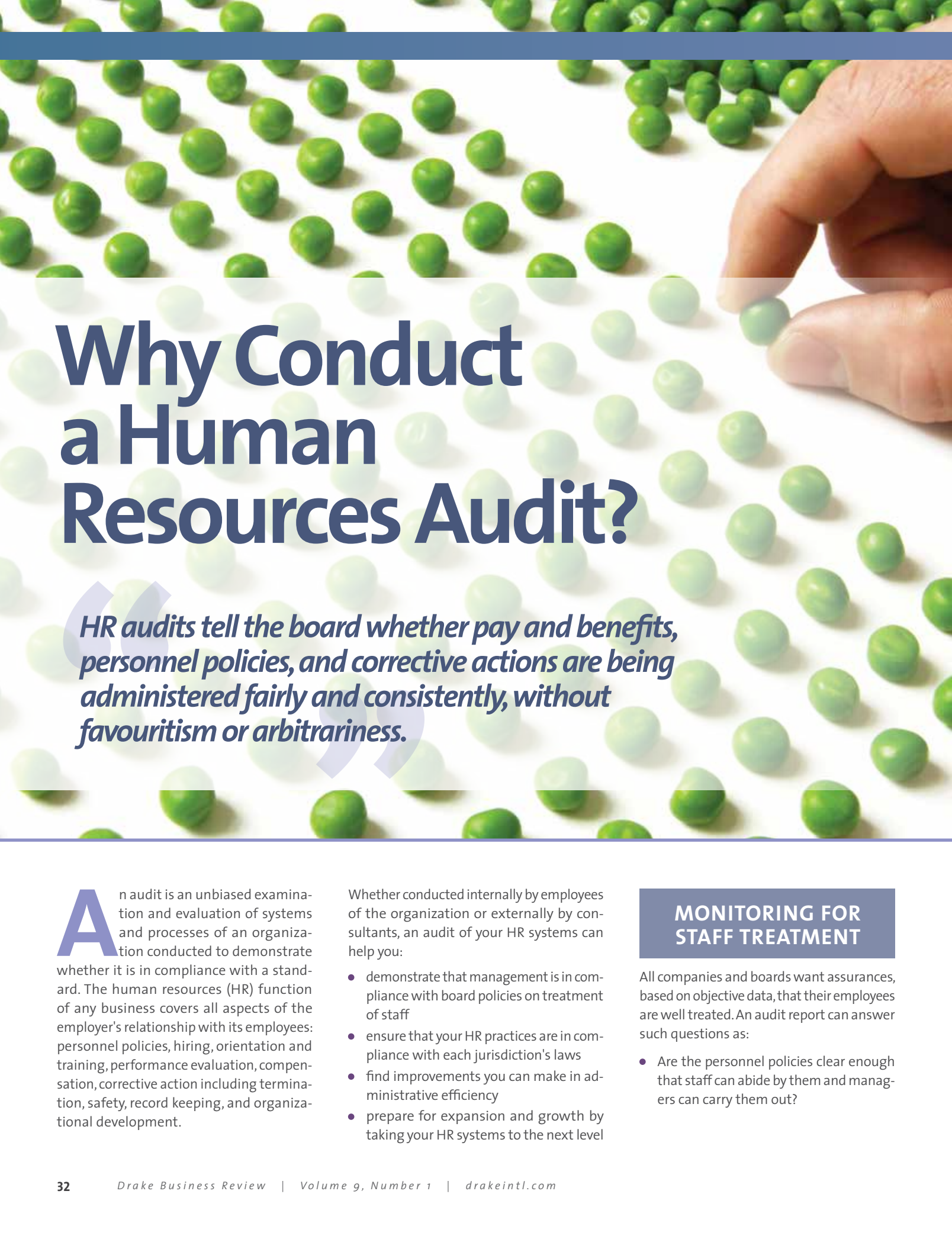




Why Conduct a Human Resources Audit?

HR audits tell the board whether pay and benefits, personnel policies, and corrective actions are being administered fairly and consistently, without favouritism or arbitrariness.

An audit is an unbiased examination and evaluation of systems and processes of an organization conducted to demonstrate whether it is in compliance with a standard. The human resources (HR) function of any business covers all aspects of the employer's relationship with its employees: personnel policies, hiring, orientation and training, performance evaluation, compensation, corrective action including termination, safety, record keeping, and organizational development.

Whether conducted internally by employees of the organization or externally by consultants, an audit of your HR systems can help you:

- demonstrate that management is in compliance with board policies on treatment of staff
- ensure that your HR practices are in compliance with each jurisdiction's laws
- find improvements you can make in administrative efficiency
- prepare for expansion and growth by taking your HR systems to the next level

MONITORING FOR STAFF TREATMENT

All companies and boards want assurances, based on objective data, that their employees are well treated. An audit report can answer such questions as:

- Are the personnel policies clear enough that staff can abide by them and managers can carry them out?

- Are people being paid outside the pay range for their job on the pay scale? Are there outliers within pay ranges that can't be explained clearly by reference to hire date or past evaluations?
- Is the grievance procedure robust enough to handle all types of staff complaints so that they won't end up in the board's lap?
- Are documentation, security, and retention of personnel records adequate to comply with employment laws, prevent identity theft, and provide information for personnel decisions?

In monitoring staff treatment, HR audits complement employee surveys. Surveys can tell the board how satisfied employees are with their pay and benefits, how the personnel policies are applied, and how corrective action is handled. HR audits tell the board whether pay and benefits, personnel policies, and corrective actions are being administered fairly and consistently, without favouritism or arbitrariness.

Employees are not necessarily in a position to know whether certain HR practices are being followed consistently for everyone. Surveys reflect their point of view, which is vitally important for board and management to know and to address because perceptions drive behaviour. But those perceptions aren't the same as an unbiased evaluation of actual HR practices.

COMPLYING WITH EMPLOYMENT LAWS

An audit can show whether your documentation of personnel actions is robust enough to stand up to outside inquiry, such as an administrative hearing for unemployment benefits claims, an equal employment opportunity complaint, or a wrongful termination lawsuit. By reviewing randomly selected personnel files of current and recent employees, an auditor looks for answers to such questions as:

- Are the personnel policies themselves legally compliant?
- Does documentation for corrective action dovetail with the company's policies?

- Are performance problems documented with a similar degree of detailed evidence from one employee to another?
- Do evaluations reference corrective actions that occurred during the period covered by the evaluation?
- If the basis for termination was violation of a policy, is there evidence that the employee knew about the policy?
- Are employees eligible for benefits receiving them? If not, do signed waivers show that they declined the offered benefit?
- Are accidents and injuries properly recorded?

Small companies without experienced full-time HR managers benefit from HR audits because they need help putting in place basic structures — filing systems that ensure appropriate content, personnel policies that cover all the bases, hiring procedures that attract and select the best workers, and performance evaluation procedures that provide clear goals and help employees achieve them. An audit can help ensure that management is not inadvertently breaking laws.

But larger companies too can be out of compliance with, for example, legally required posters missing from the breakroom or not paying required overtime.

IMPROVING EFFICIENCY

Over time, especially after a period of rapid growth, HR systems that once worked well can no longer be relied upon. Layers of policies and forms can build up that contain internal contradictions or inconsistencies. If HR staff labours under a mountain of paperwork, trying to keep track of dozens of different forms for each employee, there may be too many policies or contradictory policies.

A proliferation of policies and procedures can also make it difficult for all the managers to be on the same page when it comes to hiring, pay raises, and corrective action. Policies can fall behind the times and fail to reflect changes in employment laws and technology. Pay scales can become obsolete

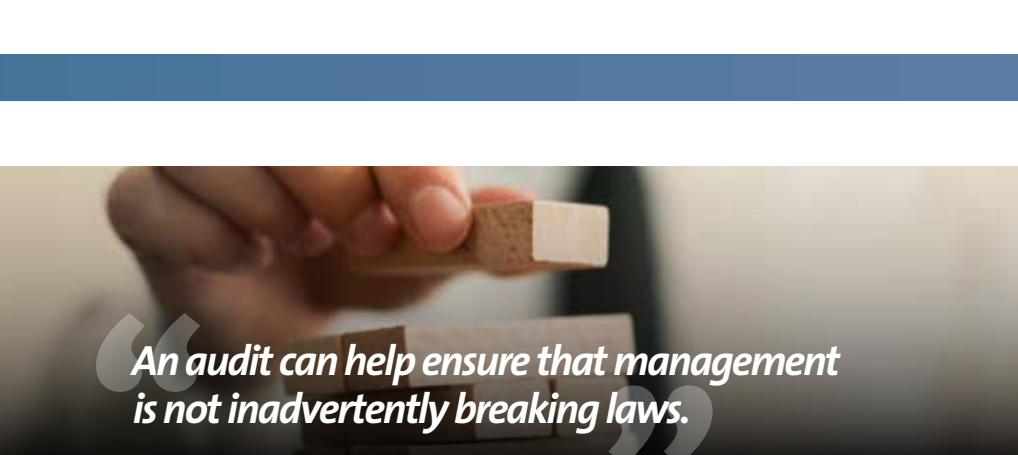
if new workers get hired at pay rates well above the base of their pay range, and long-time workers get raises that take them beyond the top. In response to out-of-date or unworkable HR policies and systems, different department managers may go different ways, creating workarounds or "guerrilla HR systems" in the process. As a result, the HR department's workload increases in the effort to administer multiple systems.

Inefficiencies in HR systems can also occur when management attempts to manage by policy instead of addressing individual abuses.

An HR audit can ask these questions to find areas for efficiency improvements:

- Are the personnel policies all in one easily accessible place, with individual policies found through a table of contents or index or search engine?
- Is there written guidance for supervisors on how to implement the policies? Is that guidance succinct and easy to follow?
- Do forms for personnel record keeping cover several bases instead of requiring a multitude of separate forms?
- Is a uniform template used for all types of job descriptions? Is the template overloaded with boilerplate or does it allow the unique job duties to be easily grasped?
- Are evaluations timely? If not, is the process unduly cumbersome?
- Is benefits enrollment high? If not, is information on benefits provided? Is it easy for staff to access and written in straightforward, comprehensible language, rather than "insurance-speak"?

Furthermore, if a company is planning to expand the workforce, HR systems must be considered in planning along with all the other operational systems. Planning for expansion requires building capacity in HR. With more employees comes more risk of interpersonal conflicts, policy abuses and legal violations, even if inadvertent, and accidents and injuries. If there is a lack of accountability in supervision now, the problems will be compounded with a larger staff. An audit can show management where HR staff efforts need to be focused to ensure sound systems are in place prior to expansion.



An audit can help ensure that management is not inadvertently breaking laws.

TAKING IT TO THE NEXT LEVEL

HR work can be transactional or transformational. Transactional HR works within existing systems and concentrates on record keeping, documentation, and legal compliance. A transformational approach to HR focuses on identifying and analyzing problems and creating solutions. Major changes such as expansion, new competition, or threats of disasters call for transformational HR.

An HR audit can help identify opportunities for transformation. Many transformation initiatives start with determining the data needed, collecting and analyzing the data, and looking for patterns. These are some areas that can benefit from transformational HR:

STAFF TURNOVER: Analyze where in the company and when in the employee lifecycle turnover tends to occur. Conduct face-to-face exit interviews with open-ended questions, if the staff size and turnover rate permit. For larger companies, interview perhaps one in every three departing employees and ask the others to fill out a questionnaire online. Ask about on-the-job training, pay and benefits, evaluations, and supervisor relations. Mine employee survey data also. Then identify opportunities for increasing retention, such as more supervisor development or more paths to promotion. If high turnover in certain departments and labour markets is unavoidable, create super-efficient training programs and other practices that support shorter-term workers on the front-end.

SAFETY: Analyze the circumstances in which accidents occur — departments, types of

injuries, time of day, etc. Interview injured employees and witnesses. Identify underlying causes, such as lack of thorough training, overcrowding, faulty equipment, and understaffing, and work with managers to develop solutions that address these causes.

BENEFITS: Instead of just accepting what an insurance broker hands you, research creative benefits solutions.

HIRING: Identify recruiting sources that bring you the best candidates, and focus your attention there. Instead of just posting job announcements on your website, sell the company as a great workplace, and start communicating your expectations with a dynamic jobs page. Pre-screen job applicants to leverage the hiring manager's time. Identify the competencies needed for success in each job, and design interview questions to reveal how well the candidate meets them.

ORIENTATION: Think strategically about the company's objectives and how workers contribute to them. Design programs that involve other staff besides HR. Use this early opportunity to clearly establish the expectations of employees and their roles.

COMMUNICATION CHANNELS: Study the flow of information, top-down, bottom-up, and interdepartmentally, to locate bottlenecks and breakdowns. Employee survey data can be useful here, too. Partner with IT staff and other managers to develop more effective systems.

These are only some examples of ideas that can come out of an HR audit. To devote time to transformational work, HR staff must find ways to streamline its transactional workload. An audit can suggest ways to move

some transactional tasks away from HR staff as well as point to opportunities to invest saved time in projects that will transform the organization.

In sum, the careful, objective evaluation provided by an audit can yield information critical to the successful development of the HR department. With more effective people management, companies can create the momentum necessary for success and sustainability in the marketplace. A human resources audit can help your company become the employer of choice in your community.

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