

**St. MARY'S UNVIERSITY COLLEGE**  
**FACULTY OF BUSINESS**  
**DEPARTEMENT OF MANGEMENT**

**AN ASSESSMENT ON HUMAN RESOURCE AUDIT IN**  
**MINISTRY OF FEDERAL AFFAIR**

**BY**  
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**JUNE, 2011**  
**SMUC**  
**ADDIS ABABA**

**AN ASSESSMENT ON HUMAN RESOURCE AUDIT IN  
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**A SENIOR ESSAY SUBMITTED TO THE  
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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background of the study**

The Ministry of Federal Affairs of the Federal Democratic Republic of Ethiopia is an executive organ of the Federal Government which is established under the proclamation No. 471/2005. The Ministry is headed by a Minister and a state Minister. Recently, the ministry has embarked on an organizational reform, a business process reengineering, and organized its structures into ten business processes (four core and six support processes). There are also three federal executing bodies accountable to the minister, namely, the Federal Police, Federal Prisons Administration and Ethiopian Mine Action Office.

The major core process areas of the ministry are: Accelerated Development directorate, Conflict Prevention and Resolution Directorate, Intergovernmental Relations Directorate and Religion and Faith Affairs Directorate. The support processes of the Ministry include Plan and finance Directorate, Management support Office and Public Relations Office. The Ministry is mandated with the powers and responsibilities to act as coordinating facilitator of the supports of other federal organs to the development requirements of the emerging regions (Afar, Somali, Beneshangul Gumz, and Gambella) Currently the Ministry of Federal Affairs has 360 employees of which 147 workers are women and the rest 173 are men. The annual budget of the ministry in 2009/2010 is 23,506,500.00/ twenty three million five hundred six thousand and five hundred birr/retain document)

Human resource audit is a tool for evaluating the personnel activities of an organization. The audit may include one division or an entire company. It



gives feed back about the human resource function to operating managers and human resource specialists. It also provides feedback about how well a manager is meeting their human resource duties. In short, the audits an overall quality control checks on human resource activities in a division or company and an evaluation of how these; activities support the organization's strategy.

There are different functions at human research management. These are job analysis and design, recruitment and selection, orientation and placement, training and development, performance appraisal and job evaluation, employee and executive remuneration, motivation, participative management, communication, water, safety and health, industrial relations, trade union and disputes and their solution. These activities are performed in further of certain social functional and personal objectives, but this study is focused to assess and identify the problem of audit at the human resource climate.(Robert L.Mathis, 2002,63)

## **1.2 Statement of the Problem**

Human resource audit is to audit the whole work force in the organization. It is also very important to know the audit strength and weakness of each individual and the organization.

In organization human resource audits, most of them are not effective because in human resource management practice, the office lacks to respond to individual employee needs and aspiration, the remuneration programmed designed, to motivate employee, job analysis exist, for all positions in the organization forecasting the demand of employee and lack of professionals manager.

### **1.3 Research Questions**

- What are the major human resource audit problems?
- What are the major causes of the problems in the organization?
- How the human resource management practice respond to individual employee needs and aspirations?

### **1.4 Objective of the Study**

As general objective, this research attempted to look in to the current function of the human resource audit of the organization, namely human resource audit in Minister of federal affair, review its role, identify problems, suggest passable solutions and make recommendation

#### **1.4.1 General Objective**

The general objective of this study is to investigate the major organization problems of human resource audit in Minister of Federal Affair.

#### **1.4.2 Specific Objective**

- To identify organization problem at human resource audit.
- To identify the major causes for the observed problems.
- To assess how initial system.

### **1.5 Significance of the Study**

The study were used for the following significances

- Helps to identify problems and cause immediate attention
- Helps to design policy to mitigate the identified
- It will serve as a reference for other interested researchers in the area.

### **1.6 Delimitation of the Study**

Even though this problem can exist in other organization, This study had been delimited to only in office of Minister of Federal Affair because of time and financial constraints.

## **1.7 Research Design and methodology**

### **1.7.1. Research Design**

To assess and describe the Human Resource Audit, descriptive method was used. This method allowed addressing the research questions and objectives of the research under investigation.

### **1.7.2 Population and Sampling Technique**

Sample (n) from the total population (N) of 360 employees that is all amount for 70 (19%) employees. Sampling Technique having a good sample were determine the appropriate data gathering, having appropriate information were lead to effective decisions. Therefore, in order to get a good representative, the proper application at sampling technique plays a significant role. In order to do so the researcher used non-probably sampling technique or purposive sampling technique. This sampling technique helps the researcher to select the appropriate respondents that seem to give their answers, appropriately and to give equal chance with out bias to the gender factors. The researcher believes that after the compilation at this research it clearly show the importance of selecting these techniques. The researcher assumes that selecting this sampling technique increase the return ability at the questionnaire.

### **1.7.3 Type of data Collected**

In this research, the researcher has used two types of data which include primary and secondary data. Primary data have been collected from the respondents through the distribution at open and classed questionnaire and interview to key manager and employee. On the other hand, secondary data have been collected from documentary sources. The reason for using primary and secondary data is from primary data we can get updated information and first hand information from direct respondent and from secondary measures and other important document can provide the necessary information easily.

#### **1.7.4. Methods of Data to be Collection**

In order to obtain the required data questionnaire, and interview guide list was used. Questionnaire was used to collect data from employees because, it was help in saving money and time for both the researcher and the workers, and it also helps to gather vast information with in limited period of time. On the other hand, interview was made with the HRP bodies that are responsible to over see the topic under study.

#### **1.7.5 Method of Data Analysis**

To conduct the study, qualitative and quantitative research method was used. Qualitative method was used to describe qualitative data. Data to be obtain through interview and observation. Quantitative method was used to describe quantitative data to be obtained through logical manner.

#### **1.8. Limitation of the Study**

In order to make a good research requires availability of sufficient time, money and other resources. In this study the main constraints were fiancé and time. In addition, carelessness of employee in filing out the questionnaire were another limitation of the study.

#### **1.9. Organization of the Study**

The study encompasses four chapters. The first chapter present the introduction part which consists at the background information, Statement of the Problem, Objectives of he Study, Significance of the Study, Delimitation of the Study, Research Design and Methodology; Research Design, Population and Sampling techniques, Types of data collection, Data collection method data analysis and method. Chapter two includes the literature review. Chapter three was including data analysis and interpretation and finally chapter Four were used conclusion and recommendation and finally, references and appendixes were attached.

## **CHAPTER TWO**

### **RELATED LITERATURE REVIEW**

#### **2.1. Definition**

Human Resource audit means the systematic verification of job analysis and design, recruitment and selection or orientation and placement, training and development, performance appraisal and job evaluation employee and executive remuneration, motivation and morale, participative management, communication, welfare and social security, safety and health industrial relations, trade unionism, and disputes and their resolution. HR audit is very much as achieve the organizational goal and also is a vital tool which helps to assess the effectiveness of functions of an organization.

#### **Scope of audit:**

Generally, no one can measure the attitude of human being and also their problems are not concern of the HR department alone. So it is very much broad in nature. It covers the following HR areas:

- Audit of all the HR function
- Audit of managerial compliance of personnel policies, procedures and legal provisions. (<http://www.Indianmba.com>. 1)

#### **2.2. Overview of HR Audits**

The HR auditing process is or should be an independent, Objective, and systematic evaluation that provides assurance that: 1) compliance and governance requirements are being met; 2) business and talent management objectives are being achieved 3) human resource management risks are fully identified, assessed, and managed; and 4) the organization's human capital adds value. Under this definition, HR audits are more than an audit activity that solely collects and presents evidence of compliance. HR audits are increasingly expected to look behind and beyond the

organization's assertions of sound and proper HR management practices and to assess the assumptions being made, to benchmark the organization's processes and practices, and to provide the necessary consultative services that help the organization achieve its business goals and objectives.

### **2.3. External and Internal forces**

Numerous external forces and factors have had an impact on the demand for and scope of HR audits. First, in the global economy, human capital is becoming the single most important determinant of competitiveness, productivity, sustainability, and profitability. Increasingly, the organization's human capital is begin recognized as the source of innovation and a drive of business success. Thus to be effective in the global economy, HR audits must be diagnostic, predictive, and action oriented.

Second, a influence of economic, political, and social factors, including corporate scandals, the failure of the financial industry to adequately assess risks, and increasing stockholder initiatives, have resulted in increased statutory and regulatory requirements, a call for greater transparency, and increased internal and external audit activity. Consider:

- Sarbanes-Oxley requires effective internal controls. While Sarbanes-Oxley specifically requires effective internal financial controls, the financial and organizational costs of employment related claims and litigation can have a material effect on an organization's bottom line; can have negative impact on earnings per share and the Organization's valuation; and because employment litigation can negatively affects the organization's employment brand, can impact the organization's long-term sustainability.

- Securities and Exchange Commission Guide lines require management to “... exercise reasonable management oversight.” If human capital is one of the organization’s most important assets- it is certainly one of he organization’s largest expenses – is it not reasonable to expect that management applies the same level of oversight and due diligence to the management of organization’s human capitalist does to the management of the organization’s other assets.
- The U.S. Federal Sentencing Guidelines require that management demonstrate that it took reasonable steps to engender an organizational culture of compliance and to “monitor and audit” compliance activities, behaviors and results. Ethical conduct and legal compliance, including non discriminatory employment practices, are achieved by management setting” the tone at the top.” Audits – including HR audits –provide the C-suite and boards of directors with important feedback about how effectively they are communicating the message.
- Governmental agencies are attacking systemic noncompliance. The EEOC strongly encourages employers to conduct comprehensive HR audits as a tool to ensure that systemic discrimination does not exist. The OFCCP considers self-assessments a ”best practice’ and in June 2006issued its –audits as a valuable tool in ensuring compliance, and the Department of homeland security (DHS) and immigration attorneys encourage employers to self-audit their hiring processes and practices to ensure compliance with U.S immigration laws.
- Venture capitalists, investors, and stockholders are scrutinizing organization’s human resource management practices, processes, and outcomes and using HR audits to help them properly valueate an organization’s human capital asset, expose liabilities, and perform due diligence.
- Recognizing the importance of the organization’s human capital asset and the risks associated with misaligned, mismanaged, and unlawful employment practices, internal auditors and risk management are

assuming a leadership role in developing Hr auditing standards and in designing and conducting HR audits (William. B. Werther: HRA .3)

## **2.4 Designing and Conducting HR Audits**

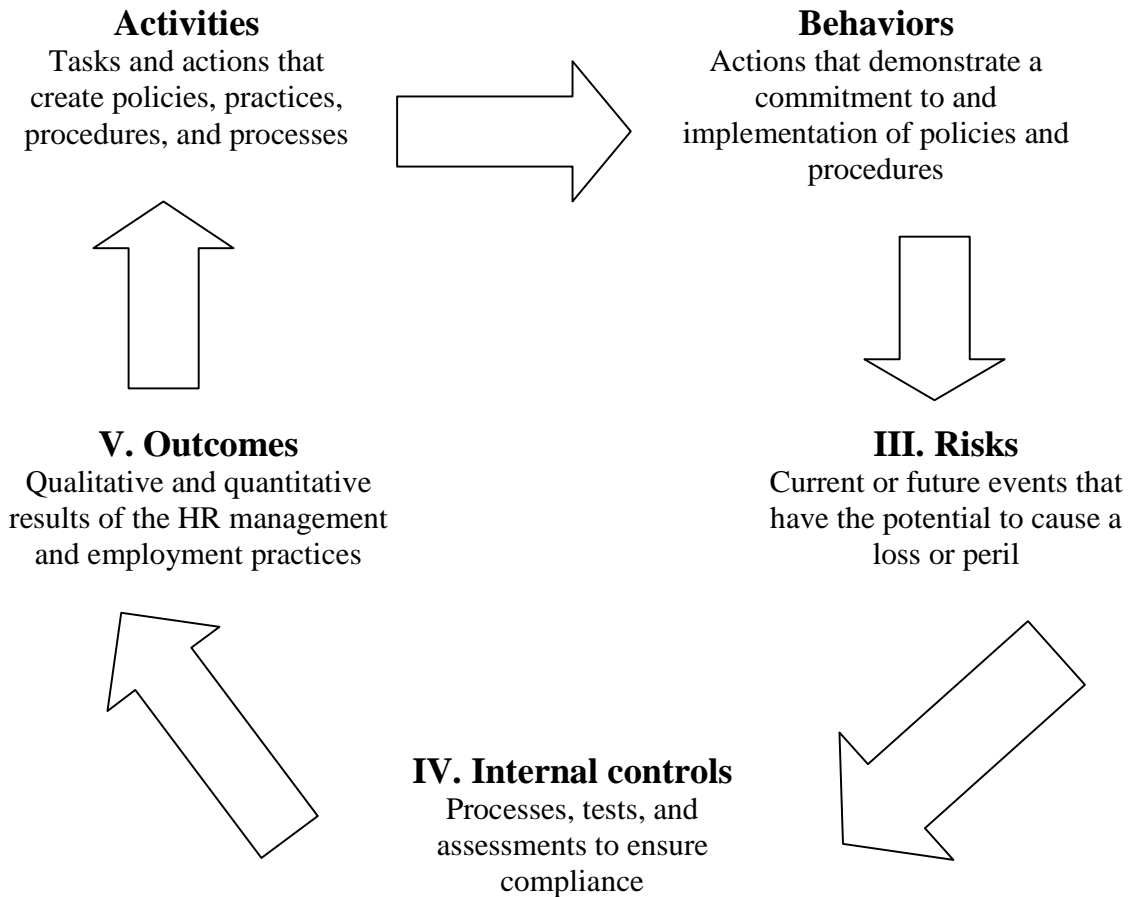
While an organization's size, industry, financial health, commitment to becoming a "best place to work", and business objectives and imperative affect the scope and urgency of the HR audit process, we have noted some common features, attributes, and objectives in HR audits recently conducted.

- HR audits are becoming increasingly complex and multi-dimensional. While ensuring compliance is still a basic goal of HR audit, other objectives include:
  - A. Ensuring alignment of HR management and employment practices with the organization's business objectives.
  - B. Assessing the outcomes of the organization's employment processes, policies, practices, and outcomes.
  - C. Developing the right human capital measurements and HR metrics to allow the organization to calculate and measure the value added by human resources, to determine the ROI and the return on the human capital asset, to benchmark best practices.
  - D. Ensuring due diligence, including: uncovering hidden liabilities and assets, identifying vulnerabilities to be corrected, and identifying opportunities to be attacked.
    - Developing HR auditing procedures that become an ongoing and sustainable element of the organization's internal controls.
    - Assessing and managing employment related fraud.
    - Developing HR auditing procedures that become an ongoing and sustainable element of the organization's risk management program.



- HR audit reports are increasingly being used to report audit findings to wider audience. The distribution of the report on auditing findings is no longer limited to senior management. As noted above, an increasing number of third parties are expressing interest in the organization's human resources management. This list of external stakeholders includes not only investors, make or stockholders, and venture capitalists, but also governmental agencies, NGOs, civil rights groups, and plaintiff attorneys. Since HR audits findings include proprietary and confidential information and in many cases produce discoverable information, the implications of non-management stakeholders reviewing HR audit finding are significant and create a potentially serious problem for organizations. As a result, organizations are spending more time considering the format, content, and the impressions created by their HR audit reports.

## 2.5 The five Critical components of the HR audit process



Recognizing as setting the standard in HR auditing the new edition of the ELLA, the employment –labor Law audit, the leading HR auditing tool, incorporates the five critical components of an HR audit into HR audit process. These five critical components, which should be addressed in every HR audit, are shown and discussed below in the HR audit Model.

**1) Activities:** The starting point of the HR auditing process is a review of his organization’s activities, that is, the tasks and actions that create or implement employment policies, practices, procedures, and programs. Activities include such actions as the promulgation of an EEO policy statement and other employment policies, and the positing of required

employment posters. The activities component of HR audits is typically evaluated by using a “checklist approach,” that is, the item checked off when it is completed.

**2) Behaviors:** Behaviors in this context are actions and conduct that affect –either positively or negatively- the implementation or effectiveness of the organization’s policies, practices, procedures, and programs, and demonstrate the organization’s commitment to stated goals and objectives. Examples of Behaviors include: the creation of a corporate culture that values and promotes equal employment opportunities, diversity, and compliance; the visible and unequivocal support by senior management for the organization’s diversity efforts; and the budgeting of sufficient resources to achieve EEO compliance and diversity goals. Behaviors are frequently assessed using qualitative measures, such as culture scan and employee satisfaction surveys.

**3) Risk Assessment:** Risk Assessment is the identification of current and/or future events that have the potential to cause loss, peril, or vulnerabilities, and management’s willingness to accept those risks. Risk assessment is also the identification of events or conditions that create new opportunities for the organization to achieve its business objectives. Risk assessment provides management with the information to make decision about the allocation of the organization’s human, physical, and financial capital and about effective ways to eliminate, mitigate, control, or transfer those risks. Human resource management and employment practices liability related risks include. Employment law and regulation compliance failures; lost business opportunities due to the failure to attract, hire and retain top talent; intangible asset losses due to turnover and the loss of top talent and key employees; ineffective staff development and succession planning; and lower profitability due to the inability to control labour costs. HR auditing activities include assessments of the external and internal factors that impact human resource management and employment practices-including: 1) the

economy 2) legal, regulatory, and litigation trends; and 3) demographic and structural changes in the workplace and work force

**4) Internal; controls:** internal controls are processes, tests and assessments that help ensure compliance, manage risks, identify fraud, and help ensure the achievement of organizational goals. HR auditing activities include: 1) assessments of the effectiveness and efficiency of HR management processes, policies, practices, and procedures; 2) the reliability and accuracy of HR management reporting; and 3) the level of compliance with: laws and regulations; industry and professional standards; codes of conduct and ethics; organizational policies; and budgets.

**5) Outcomes:** Outcomes are quantitative and qualitative measurements and metrics that measure and help assess the achievement of organizational goals and objectives. Hr auditing activity includes the identification of metrics used by the organization to measure organizational and individual performance; the assessment of results by comparing actual results against projected results, budgets, and internal and external standards; and a description of the activities, behaviors and internal controls that are needed to maintain or improve future results.

The value of the HR audit Model is that it helps organizations: 1) assess current HR management and employment practices; 2) identify and diagnosis systemic problems; 3) evaluate and predict the impact of corrective measure; 4) develop a plan of action; and 5) determine the ROI of such actions. Using the ELLA, organizations enhance the value of their human capital, reduce their exposure to employment related liabilities, and improve their ability to achieve business objectives.

(Mr. Ronald Adler: HRA 2000. 301)

## **2.6. Human Resource Audit method**

Auditory may adopt any of the five approaches for the purpose of evaluation.

- i. Comparative approach
- ii. Outside authority approach
- iii. Statistical approach
- iv. Compliance approach
- v. Management by objectives (MBO) approach

In the competitive approach the auditors identify another company as the model. The results at their organization are compared with those of the model company.

Often, the auditors use standards set by an outside consultant as benchmark for comparison. This approach is called the outside authority approach. The third approach is the statistical approach. Here, statistical measures of performance are developed based on the company's existing information. Examples at such measures are absenteeism and turnover rates. These data help auditors assess the performance. In the compliance approach, auditors review past action to determine if those activities comply with legal requirements and company policies and procedures. A final approach is for specialists and operating managers to set objectives in their areas of responsibility. The MBO approach creates specific goals against which performance can be measured. Then the audit team researches actual performance and compares it with the objectives.

(Robert L. mathis and Tohn H.Jackson:98).

## **2.7. Objectives of Human Resource Audit**

Audits are performed to verify, by examination and evaluation, whether certain applicable elements of engineering/quality have been effectively implemented in accordance with specific requirements.

An audit is a systematic prevention/appraisal activity that examines the policies, practices, records and the general activities to determine their

adequacy in relation to a pre-determined goal. Audits are performed to detect problem/ deficiencies before the existing conditions deteriorate.

Thus audits help to:

1. Measure quality through observation
2. Detect errors and trends
3. Keep a process under control
4. Identify areas where special attention is required
5. Judge the adequacy of the plan

Quality audits are comparable to accounting audits that verify a company's assets by issuing reports to pinpoint the problem areas:

## **2.8. Audit Programme Problems**

- (1) Failure to heed the previous audit reports.
- (2) Insufficient skill knowledge and wisdom of auditors.
- (3) Inadequate training of auditors.
- (4) Non-verifications of findings.
- (5) Non value-added perspective.
- (6) Lack of technical details in reporting.
- (7) Too many disciplinary discrepancies.
- (8) Abrasive relationship between auditors and line managers.
- (9) Lack of correlation between audit results and process yields.
- (10) Improper attitude and inappropriate perception.

With systematic audit planning, effective feedback, tracking and training programmes, these problems can be eliminated.

## **2.9 Elements of an Audit System**

Audits are carried out usually to fulfill planned goals and is conducted under specific rules. Managers take appropriate action on the basis of audit reports. Audits are entrenched with many rules of conduct to ensure objectivity and validity. Due considerations should be given to planning since planning is a prerequisite for directing and controlling audit activities.

### **2.9.1 Audit Activities**

- (1) Strategic points where audits can be performed.
- (2) Audit frequencies.
- (3) Audit procedures/approach: Sample size and tools to be used.
- (4) Training requirements.
- (5) Audit classification findings.
- (6) Verification of factual findings.
- (7) Audit result analysis and reporting.
- (8) Subsequent follow-up on plans for corrective action.
- (9) Escalation procedure.
- (10) Database and historical evaluation.

The main purpose of planning is to measure conformance to comply with engineering and quality requirements. Audits are subject to control and must meet the principles of efficiency and economy. Once plans and schedules have been established, procedures written and approved and essential training provided, the take of implementation become easier. Key points to be considered are feedback for corrective action and comparison with team audit results.(meena Pandey:2000:36)

### **2.10.Types of Audits**

- (1) **Routine Audits:** Routine audits are sometimes called periodic/scheduled audits and are performed on a daily/weekly scheduled basis by quality control personnel who are part of an organization.
- (2) **Team Audits:** Audits can be periodic but random and unscheduled. Team audits performed in conjunction with manufacturing and other engineering personnel can alleviate many problems. Representatives from manufacturing, quality engineering, test engineering, purchasing, or other disciplines may join as the team members. A quality engineering representative acts as team chairman. Team audits should be performed at least

once a year. An audit team is formed for one particular audit assignment or project, but the quality control department is a permanent organizational unit designed to manage and administer audits (Meena Pandey, TQM: 37)

### **Sub-System of Audit Programme**

**(1) Process Audits:** Process audits consist of verifying the process flow of a product, ensuring that the process is capable of producing a product as intended. That is, individual process steps as well as the aggregate of steps, manufacture the product as required.

**(2) Equipment/Tester/Tool Audits:** audits for equipment, testers and tools are performed to verify the settings, calibration procedures/intervals/status, associated software, performance, adequacy of preventive maintenance and the capability of producing a desired product. When specification limits are checked and assurance is obtained, that intended purpose is served, that is, defective products are not accepted and good products are not discarded.

**(3) Operator Audits:** operator audits make sure that operators follow the procedures and understand the basic process/product flow. These audits are not intended to provide data on individual worker performance.

**(4) Documentation/Records Audits:** Documented changes are normally made through process changes, notices or bulletins. Process change notices are generated as a result of reactions to problems or improvements made to enhance yield, quality or reliability of the product.

The documents should be checked for the following criteria:

- a. Existence of adequate job instructions
- b. Availability of documents for line personnel
- c. Standardized documents



d. Clarity and accuracy content

Types of document to be audited:

1. Process operating documents
2. maintenance manuals
3. Calibration / monitoring documents and validity thereof
4. Process control charts
5. Environmental recording charts
6. Experimental work procedures
7. Rework procedures
8. Data recording/ Long books

Data records are objective evidence of performance and conformance. Records of product measurements; schedule, visual observations, work-in-process, etc are maintained. The objective of this audit is to verify that there is proper control over documents, the system is adequate to provide information on quality to all concerned and written procedures are adequate and are being followed. However, it must be ensure that the matter generated is only the relevant data and information.

**5. Calibration /Standards Audits:** Standard audits indicate the type of available standards on the manufacturing floor and traceability requirements of the standards. Standards are used to verify tester/equipment settings and monitor their performances against known value. Calibration audit is an independent and unbiased audit to verify that equipment/ tester used to produce a product that has been calibrated and is not overdue for calibration.

Audits are performed to verify the existence of calibration procedures and degrees wherein calibration intervals are met.

**6. Product Audits:** product audits are performed to make sure that components meet the intended specifications.

**7. Process control status audit:** Process control status is verified through control charts. Control charts are observed for any noticeable trends and are then checked for accuracy to make sure that these charts are current.

**8. Environmental Audits:** Environmental audits are performed to verify acceptable levels of temperature, humidity, cleanliness, vibration and noise are maintained and they in addition, that work areas are kept free of static charges through proper grounding procedures.

**9. Chemicals/ materials Audits:** Chemicals/ materials audits are performed to ensure that the right types of chemicals/ materials are used and that the shelf life of the chemical has not expired. In addition, the audits make sure that adequate care is being used to prevent chemical hazards.

**10. Vendor Purchased parts/ Components Audit:** These types of audits are performed to assure that acceptable quality level parts/ components are used and that they can be traced to the original source in case of a problem.

**11. Software system Audits:** These audits are performed to assure that adequate software change control is existing along with adequate flow charts and documents. System backup software is available in case of a disaster. Software system includes tester/ equipment control, software and data collection software. Recently many organizations had to Endeavour to set right the Y2K problem.

**12. MRB (Material Review Board) Audits:** The purpose of Material Review Board audit is to ensure that parts have been properly identified and segregated. Reasons for rejecting parts and the subsequent disposition of these parts must be accurately recorded. It also encircles review of slow moving, non-moving and fast moving item compartmentalize scrap and non-moving items and take appropriate action. (Meena Pandey, TQM: 37)

## **2.11. Model for HRD Audit**

There are number of techniques and model organizations employ to evaluate the efficacy/ utility/ effectiveness of HR function. The model developed by Advisory Board of HR professionals of American Management Association is not only comprehensive but also contemporary. HR head/chief of organization himself/herself can conduct this audit with inputs from self and other related departments. The audit enables HR chief to collect factual information about HR department, evaluate and analyze the information and evolve action plans. The audit model consist of four parts as briefly presented here.

1. Information gathering: Sixteen HR sub-functions such as i) HR department mission, ii) HR department organization, iii) Quality of HR team iv) Labour relations, v) Recruitment and selection vi) Education, training and development, vii)Employee relations, viii) Benefits, ix) Compensation, x) HR planning, xi) organization development xiv) Security xv) Equipment and facilities and xvi) Documentation and information systems are covered under the audit. There are number of items for each sub-function to which HR chief (user) must assign a number ranging from 0 to 1000 in order of priority. Some of the items that are not applicable to some departments can be crossed x) with no value. The aggregate score to all the items should not exceed 1000.
2. Evaluation: The numerical ratings of the user are to be compared with key weight ages (Advisory Board weight ages) provided in the instrument. Here, detailed explanation (justification) is given, about why a particular numerical value is assigned to each item n. However, user can disagree with that explanation of an item. Such disagreed statement values are to be noted down separately.

3. Analysis: Here, users are to total the numerical value thus assigned to such sub function. Then the user is asked to examine other factors that will assist him/her in understanding how well the activity denoted by each item is being performed. Finally, the user will have one more opportunity to repeat the assigning numerical value to each item in the light of both the user's earlier values and key values. At the end of this process, user will gain understanding of his/her department's strengths and weaknesses.
4. Action Planning: Based on the assessed strengths and weaknesses, user will be guided to prepare action plans for improvements. It is advised that user on identification of areas for strengthening must select a maximum three areas for action at a time.

John H. McConnell, President of the consulting firm McConnell-Simmons authored a remarkable book presenting this audit model. The title of the book is Auditing your HR Department, published in 2000.

#### Managerial implication

The model helps HR managers not only to assess the strengths and weaknesses of their respective departments but also enables them to gain a large perspective of a business oriented HR function. The simplicity of the model and its user-friendly approach is an added advantage. HRD audit is the first step in the direction of professionalizing HR function in organizations

(Srinivas R. Kandvia HRM: 328)

## **2.12. Model for culture Audit**

The importance of understanding and managing organizational culture has grown in the recent past. However, culture means different things to different people. The methods employed to study culture also differed across the organizations. This difference in methodologies has led them to draw different inferences and conclusions of culture. For example,

quantitative studies often study the overt cultural dimensions such as how people talk, preformed behave whereas qualitative methods like case study formats focused on covert behavior such as underlying assumptions shared beliefs and customs. However, it is well acknowledged that studies focused on covert dimensions of culture were largely accurate in their assessment of culture.

Alan Wilens in his insightful paper titled “The culture audit: A tool for understanding organizations’ published in *Organizational Dynamics* in 1983 proposed a twin factor criteria to understand that people assign the culture: i. shared assumptions and ii. Taken for granted /shared meanings that people assign to their social surroundings. This criteria is useful because i. we can identify what kind of assumptions (culture) are productive/relevant to organizations and ii. We can understand how to influence these assumptions. But it is difficult to audit the assumptions because of two reasons such as i. people don’t speak of assumptions directly and ii. Some assumptions contradict overtly stated norms, so people are reluctant to admit them.

Therefore, we must adopt an informal; audit method to assess the culture, i.e. the shared assumptions and meanings. This can be done through:

- 1. Observation:** A combination of consistent and random observation of people’s behavior at work helps to know how they act and react in a given situation. This data should be seen with past data if available or and crosscheck with people who worked earlier in the organization. All these individual observations can be accounted for a dominant group characteristic to take broad enough samples to determine how representative their findings are because people have natural tendency to cover up some assumptions.
- 2. Stories:** There will always be some stories in circulation in the organization that employees share. All these must be collected,

documented and analyzed to understand the patterns. This leads to know the assumptions behind such stories.

**3. Language:** The way people speak in different occasions, slang, words, expressions etc. indicate something like a group shares. Sometimes there will be unique expressions in an organization to express a particular thing. This uncovers the shared assumptions.

**4. Customs:** The manner in which decisions are taken and methods used to solve the problems by the employees must be documented. The study of such documents reveals the similarities and shared modus operandi.

**Patterns:** How a particular event or incident is viewed or valued by employees may differ from organization to organization. For example, a reward or punishment that is well-received in one organization may not invoke same response other organization. These patterns help us to understand the assumptions of behavior. (John H. McConnell, HRM: 326)

### **Managerial Implication**

Audit of culture and its management is crucial for organizations to influence motivated and productive work behavior. Organizations no longer can take it for granted that people just respond to their overt overtures or regulations or written contracts or norms. More important for them is to know what people share at shop floor and assumptions behind them because these are more powerful than management imposed customs in motivating or demotivating employees. HR managers must take lead in understanding, assessing and managing culture for shaping world class work organizations.

### **2.13. Audit Techniques for Organizational Communication**

Communication process and its effectiveness are vital to functioning of any organization. We employ various methods and channels for communication flow in the organization like upward, downward, horizontal etc. The systematic study of these methods, channels, tools of communication in the form of audit provide us with very useful data. This data so obtained from

communication audit can be used to improve the communication through i. using right channels/tools suiting to the situation/occasion, ii. Minimizing the cost on communications iii. Removing the barriers and iv. Creating a communication policy and strategy. The techniques in communication audit are:

1. Structured and unstructured interview: Data can be obtained on effectiveness of various communication channels and their comments/suggestions to improve the communication.
2. Questionnaire; both open ended and forced choice questionnaire can be developed with a clear objective to collect the data either from all the employees or identified group.
3. Analysis to telephone bills: The cost incurred on telephone bills, frequency, purpose and subject of issue can provide important data.
4. Network analysis: Use of this technique can yield information on patterns of organizational communication, senders, receivers, blockages etc.
5. Communication logs: In this technique, employees will be requested to maintain a diary of communication for specified reasonable period. This provides us with data that can be useful to understand communication needs and habits of each employee.
6. In-tray and out-tray analysis: How an employee or group of employees clear their letters, memos, correspondences, circular etc. and the type they receive in a normal course will be analyzed.
7. Critical; incident technique: In this method, employees will be asked to narrate the important events/experience where communication helped or thwarted any activity.
8. Use of media: Degree of use of different methods and purpose like telephone, e-mails, postal mails, written communication, oral communication, formal and informal interaction

**Managerial implication**

Communication has occupied the centre stage in today's organizations. Studies prove that communication pit falls are responsible for a number of problems in organizations. There is also a view that communication creates more problems than it solves because of bad management of communication. Therefore, HR managers must take up the challenge and make a start. First step in this direction is taking stock of the situation through a systematic audit of communication. Based on this, proper communication channels can be put in to use and a communication policy can be developed. (Srinivas R. Kandvia HRM: 328)



## CHAPTER THREE

### DATA PRBSENTATION, ANALYSIS AND INTERPRETATIN

This chapter deals with presentation analysis and interpretation of data obtained from respondents trough administration of questionnaire and interview.

#### 3.1 General Characteristics of Respondents

Table 1 below show the general characteristics of respondents, which include their age distribution, sex distribution, education level and year of service in the organization.

**Table 1:- Background of Respondents**

S.N	Item	Response	
		No	%
1	Sex	41	59
	Male	25	41
	Female		
	<b>Total</b>	<b>70</b>	<b>100</b>
2	Age		
	Below 20	-	-
	21-30	26	37
	31-40	21	30
	41-50	18	26
	Above 50	5	7
	<b>Total</b>	<b>70</b>	<b>100</b>
3	Education		
	12 complete	-	-
	Certificate	-	-
	Diploma	28	40
	BA degree	35	50
	MA and above	7	10
	<b>Total</b>	<b>70</b>	<b>100</b>

As can be observed in table 1, majority of the respondents i.e. 41(59) are male. While the rest 29 (41) of them are female. This indicates that, the study can address opinion of both genders concerning the topic under study.

Regarding item 2 of the some table, majority of the respondents i.e. 26(37) were between the age of 21-30,21(30) were between the age at 31-40, 18(26) were between the age at 41-50 and the rest 5(7 ) of them were above 50.

Item 3 of the same table indicated that majority of the respondents were BA degree holders i.e. 35(50) while the remaining 28(40) of them were diploma holders and the rest 7(10) of them were MA and above. This shows that, respondents are good enough to express their view concerning the topic

### 3.2. ANALYSIS OF THE FINDING

**Table 2. Reliability and Integrity of HR and operation Information**

S.N	Item	Response	
		No	%
1	Do you review the adequacy and reasonableness of reports generated by the HR information system?		
	Yes	66	94
	No	4	6
	<b>Total</b>	<b>70</b>	<b>100</b>
2	Do you check the accuracy and complete ness of reports submitted to the HRD?		
	Yes	66	94
	No	4	6
	<b>Total</b>	<b>70</b>	<b>100</b>

As can be seen item 1 of table 2 above majority of the respondents i.e. 66 (94) of them replied that, they have reviewed the adequacy and reasonableness of reports generated by the Human resource information system. While the rest 4(6) of them said no they are not review the adequacy and reasonableness of reports generated by the human resource information system of the organization.

Item 2 of the some table above, majority of the respondents i.e, 66 (94) of them yes, have accuracy and completeness of reports submitted to the HRD, while the rest 4 (6) of them said no they are not accurate and complete ness of reports submitted to the HRD of the organization. This implies that majority of the respondent have good repose to the organization.

**Table 3, Reliability and Timeliness of Regulatory Reporting**

S.N	Item	Response	
		No	%
1	Do you check the accuracy and completeness of reports submitted to the manager?		
	Yes	67	95
	No	3	5
	<b>Total</b>	<b>70</b>	<b>100</b>
2	Do you satisfied the reliability and timeliness of regulatory reporting		
	Yes	67	95
	No	3	5
	<b>Total</b>	<b>70</b>	<b>100</b>

As it depicted in table three above, majority of the respondents i.e. 67(95) said accuracy and completeness of reports submitted to the manager. While

the remaining 3 (5) of them said they are not complete reports. This implies the report submitted to the manager is good.

Regarding item 2 of the same table, majority of the respondents i.e. 67 (95 ) are satisfied the reliability and time lines of regulator reporting. While the repainting 3 (5) of them are not satisfied. This snows that, the report are more of satisfied for the organization.

**Table 4 Compliance with Policies, Plans procedures and Regulation.**

S.N	Item	Response	
		No	%
1	Do you check for compliance with other relevant laws and regulation issued by the organization and other regulatory badges?		
	Yes	68	97
	No	2	3
	<b>Total</b>	<b>70</b>	<b>100</b>
2	Do you test compliance with training compensation and other procedures operating instructions and internal controls?		
	Yes	68	97
	No	2	3
	<b>Total</b>	<b>70</b>	<b>100</b>

As can be observe from item 1 of the above table 68 (97) of the respondents have yes. While the rest 2 (3) are not satisfied. This indicates that more of the employees are satisfied with the operation at the organization

Item 2 of the same table, also indicated that majority of the respondents i.e. 68 (97) good operating instruction and internal controls. While the rest 2 (3) are not good. This indicated that much of the respondent are the operation of compliance with training compensation and other are good to operating institutions and internal control.

**Table 5:- Economy and efficiency at operations**

S.N	Item	Response	
		No	%
1	Do you make a require review of procedures and manuals to ascertain that they do not impede the efficiency of operations?		
	Yes	65	93
	No	5	7
	<b>Total</b>	<b>70</b>	<b>100</b>
2	Do you find the activities of the HRA vital in promoting economy and efficiency of operation?		
	Yes	68	97
	No	2	3
	<b>Total</b>	<b>70</b>	<b>100</b>

As can be seen in the above table, majority of the respondents i.e. 65 (93 ) are good for regular review of procedures and manuals. While the rest 5(7) of them said the never regular review at procedures and manuals are impede the efficiency of operation of the organization. This implies that the operation of Human Resource Audit in the organization is good.

On the other hand, in item to of the same table, majority of the respondents i.e., 68 (97) replied that find the organization vital for promotion economy and efficiency of operation. The rest 2 (3) of them find the activities of the Human Resource Audit in promoting economy and efficiency of operation is bad. From this data, the organization is effective in promoting economy and efficiency of the operation.

**Table 6:- Review of adequacy and Effectiveness of Internal control System**

S.N	Item	Response	
		No	%
1	Do you review the internal control system established to see if change are required?		
	Yes	64	91
	No	6	9
	<b>Total</b>	<b>70</b>	<b>100</b>
2	Do you as certain the existence of proper segregation of duties execution, and record keeping?		
	Yes	64	91
	No	6	9
	<b>Total</b>	<b>70</b>	<b>100</b>
3	Do you ascertain the existence of proper segregation of duties authorization and execution?		
	Yes	61	87
	No	9	13
	<b>Total</b>	<b>70</b>	<b>100</b>
4	Do you make sure that there is regular rotation of duties among the operation staff?		
	Yes	61	87
	No	9	13
	<b>Total</b>	<b>70</b>	<b>100</b>

As shown in table 6 item 1 above, 64 (91) of the respondents i.e. majority said they are yes. While the remaining 6 (9) said not satisfied to the internal

central system established to see if changes. So the organization internal control system are effective in the organization.

Item 2 of the same table indicated that, majority of the respondents i.e. 64 (91) replied that, yes as certain the existence of proper segregation of duties authorization and execution while the remaining 6 (9%) of them said not as certain the existence at proper segregation of duties authorization and execution so the organization duties of Authorization and execution of existence are good or effective.

Item 3 of the same table indicated that, majority of the respondents i.e. 61(87) replied that, yes while the remaining 9(13%) of them said not the existence of proper segregation of duties authorization and execution so the organization are effective in proper segregation of duties authorization and execution.

Item 4 of the same table indicated that, majority of the respondents i.e. 67(87%) replied that, Yes while the remaining 9(13%) of them said not regular rotation of duties among the operation staff. So the organization regular rotation of duties among the operation staff are gaud.

**Table 7. Accuracy and Completeness of Records**

S.N	Item	Response	
		No	%
1	Do you staff examine the proper maintains of records on all human resource activities?		
	Yes	44	63
	No	26	37
	<b>Total</b>	<b>70</b>	<b>100</b>

As it is depicted in table 7 item above 52(74%) of the respondents i.e. majority of respondents are satisfied with the proper maintains of records on activities, while the rest 18(26%) are not satisfied with the organization

activities of record. So, more of the respondents are satisfied with the organization accuracy and completeness of record.

Finally data obtained from open ended questions indicated that, the organization has some how good in human resource audit activities. However, it is not as per the requirement of the current organization service (activities) demand and much at the policies and strategies design remain only in paper. In addition to this, the response obtained from the respondents show that, in fact there is some human resource audit improvement programs were designed and applied particularly that can support the effectiveness at service quality in the organization.



## **CHAPTER FOUR**

### **SUMMARYS, CONCLUSIONS AND RECOMMENDATIONS**

All the data gathered formerly presented, analyzed and interpreted in the previous chapter. On the base at the analysis of finding the study were summarized, necessary conclusions were drawn and possible recommendations were provided to the respective body of the organization.

#### **4.1. Summary of the Major Findings**

- According to the study, 66(94%) of the respondents replied that stratified due to adequacy and reasonableness of reports generated by Human resource information system in the organization.
- The study indicated that, majority of the respondents have yes weekly check the accuracy and completeness of reports submitted to the HRD.
- As indicated by the study, 67(95%) of the respondents are daily check the accuracy and completeness of reports submitted to the manager.
- According to the study, the weaknesses and deficiencies of the HRA are lack of proper handling of information and reporting system.
- The study indicated that, majority of the respondents have weekly check for compliance with other relevant laws and regulation used by the organization and other regulatory bodies.
- According to the study, 68(97%) of the respondents replied that yearly test compliance with training compensation and other procedures.
- The study indicated that, the weakness and deficiencies of policies, plans, and procedures is updating one self with current policies, plan and law and regulations.
- According to the study, majority at respondent are rarely review of procedures and manuals to ascertain the efficiency of operations.
- The study indicated that, majority at respondents are the activities at HRA vital in promoting economy and efficiency of operation.

- According to the study, 64(11%) at respondents are yearly review the internal control system.
- The study indicated that, 64(91%) of respondents are the organization as creation the existence of proper segregation of duties, execution, and record keeping.
- The study indicated that, due to the organizational setting of the human resource Audit function lacks independence.
- According to the study, majority of respondents are most of the human resource audit function is proactive and the dynamism and motivation.
- Majority of the respondents i.e. 61(81%) at confirmed the existence of proper segregation of duties authorization and execution.
- The study reveals that, the organization is make sure that there is regular rotation of duties among the operation staff.
- According to the study, 44963%) at the respondents are all staff examine the proper maintains of records on all human resource activities.

## **4.2 Conclusions**

- Human resource information system is the main important factor in collecting accurate information of employee performance or activities in the organization.
- The organization is weekly check the accuracy and completeness at reports submitted to the human resource department; this is important to the managerial human resource department decision.
- The organization reports are daily check the accuracy and completeness at reports, submitted to the manager; this is important to the human resource audit function.
- The weakness and deficiencies of the human resource audit are lack of proper handling of information and reporting system that affecting the organization human resource audit, which is negatively affecting the organization objectives and goals.
- Weekly check for compliance with other relevant laws and regulation issued by the organization and the regulatory body, this is important factor in choosing other relevant laws and regulation.
- Yearly test compliance with training compensation and other procedures, this is important for future decision in training compensation and other procedures effectiveness.
- The weakness and deficiencies of policies, plans, procedures is updating oneself with current policies, plan and manuals are affect the operation of human resource audit of the organization, which is affect the overall of the organization objective and goals.
- The organization are yearly review of procedures and manuals to as certain the efficiency at operation, This is important to increase the overall operation of the organization effectiveness.
- The activities of human resource audit vital in promoting economy and efficiency of operation, this can be say that HRA is the key success factor the objective of the organization.

- Yearly review the internal control system, this is important to the organization effective and efficiency at internal control system.
- The organization as certain the existence of proper segregation at duties, execution and record keeping, this is important to the activities of the organization objective.
- Due to the organizational setting of the human resource audit function lacks independence this affects the effectiveness of the human resource audit, which is negatively affecting the organization objectives and goals.
- The organization human resource audit function is proactive and the dynamism and motivation, this is important to the overall operation at the organization.
- The organization confirmed the existence of proper segregation of duties authorization and execution, this is important for the operation of organization.
- The organization is make sure that there is regular rotation of duties among the operations staff, this is important for increasing the experience.
- All staff examine the proper maintains of records on all human resource activities is the main important factor inhuman resource audit, this can be key success factor of the over all operation of the organization.

### **4.3 Recommendations**

In this selection, which is the last section at the research work, the student researchers present our recommendation as to how to improve the performance at the human resource audit function.

- The organization set up should be revised so that the human resource audit function can have greater independence.

The international standards for the professional practice of human resource auditing holds that the human resource audit activity should be independent and human resource auditors should be objective in performing their work. The organization status must be such that the human resource audit department reports to the directors, to ensure that the department or group it is auditing is not the one to which it reports. In a situation where the controller reports to the directors at the organization, the human resource audit never attains such independence.

- The organization human resource audit is strongly advised to maintain its human resource information system, in order to keep their accurate information of all activities.
- The organization human resource audit is strongly advised to maintain its policies plans, procedures is updating one self with current policies, plan and law and regulation by changing continues, in order to ensure its future success of the organization objectives.
- The human resource audit function shall ascertain the existence of paper segregation and rotation of duties.

Ascertaining proper segregation and rotation of duties is one of the major types of performance central. The human resource audit staff should see that all the steps in the activities are completed by the

concerned staff. Besides, the audit staff should also check that rotation of duties are existent.

- On the other hand, the human resource audit function must ascertain that there is a regular rotation of duties among the operation staff in order to prevent the possibility that fraud, errors and irregularities go undetected.
- Further, the human resource audit function must ascertain that a properly designed job description is given to each and every staff, in order that every one knows his/her duties and responsibilities.

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## Appendix - A

### St. Mary's University College

#### Department of Management

This questionnaire is prepared by the student researchers at St. Mary's University college doing a research paper in partial fulfillment of the requirements of a B.A Degree in management. With this questionnaire the student –researchers intend, to asses evaluation of HRA in Minster of Federal affairs.

Please answer the questions by marking (✓) either yes or no, and write your answers for the open end questions, briefly, in for words.

Thanking you for the anticipated cooperation,

N.B you are not expected to write your name

For the Branch Department

#### Part I. General characteristic of the respondents

Instruction: Indicate your choice by putting a "✓" Marks in the space

I. Sex                      a. Male                                            b. Female                     

II. Age                      a. Below 20                                            c. 31-40                     

                                    b.21-30                                            d. 41-50                     

                                    e. Above 50                     

III. Educational Qualification

a. 12<sup>th</sup> complete                     

b. Certificate                     

c. Diploma                     

d. BA Degree                     

e. MA                     

f. If others, please specify \_\_\_\_\_



IV. Length of service with the organization

- a. Less than year
- b. 1-3 years
- c. 4-6 years
- d. 7-9 years
- e. >9 years

V. Your position \_\_\_\_\_

**Part Two:**

**Instruction indicated your choice by putting a '✓' mark**

1. Reliability and integrity at HR and operating information

1.1 Do you review the adequacy and reasonableness of reports and statements generated by the HR information system?

Yes  No

➤ If your answer is yes; how often do you review?

Daily  Weekly  Monthly  Yearly

➤ If your answer is No, state the reason

\_\_\_\_\_  
\_\_\_\_\_

1.2 Do you check the accuracy and completeness of reports submitted to the HRD?

Yes  No

➤ If your answer yes how often do you check

Daily  Weekly   Monthly

Yearly

➤ If your answer is no, state the reason

\_\_\_\_\_

2. Reliability and timeliness of regulatory reporting

2.1 Do you check the accuracy and completeness of reports submitted to the Manager?

Yes  No

➤ If your answer is yes, how often do you check?

Daily  Weekly  Monthly  Yearly

➤ If your answer is No, state the reason

---

2.2 What weaknesses and deficiencies of the HRA have you observed with regards to as certain unreliability and timeliness of regulatory reporting?

---

3. Compliance with policies, plans, procedures, laws and regulation

3.1 Do you check for compliance with other relevant laws and regulation issued by the organization and other regulatory bodies?

➤ If your answer is yes, how often do you check?

Daily  Weekly  Monthly  Yearly

➤ If your answer is No, state the reason

---

3.2 Do you test compliance with training compensation and other procedures, operating instructions, and internal controls?

Yes  No

➤ If your answer is yes, how often do you test?

Daily  Weekly  Monthly  Yearly

➤ If your answer No, state the reason

---

3.3 What weaknesses and deficiencies of the HRA have you observed with regards to ascertaining compliance with policies, plans, procedures, laws and regulations?

4. Economy and efficiency at operations

4.1 Do you make a regular review of procedures and manuals to ascertain that they do not impede the efficiency of operations?

Yes  No

➤ If your answer is yes how often do you review?

Daily  Weekly  Monthly  Yearly

➤ If your answer is No, state the reason

---

4.2 Do you come up with new and improved ways of doing the job that increase economy and efficiency?

Yes  No

➤ If your answer is yes how often?

Daily  Weekly  Monthly  Yearly

➤ If your answer is no, state the reason

---

4.3 In general, do you find the activities of the internal audit vital in promoting economy and efficiency of operations?

Yes  No

4.4 If your answer is No, what weaknesses and deficiencies of the internal audit have you observed with regards to reviewing economy and efficiency of operations?

---

5. Review of adequacy and effectiveness of internal control system

Do you review the internal control system established to see if changes are required?

Yes  No

➤ If your answer is yes, how often do you review?

Daily  Weekly  Monthly  Yearly

➤ If your answer is No, state the reason

---

Do you ascertain the existence of proper segregation of duties authorization and execution?

Yes  No

➤ If your answer is yes, how often do you check?

Daily  Weekly  Monthly  Yearly

➤ If your answer No state the reason

---

Do you ascertain the existence of proper segregation of duties execution and record keeping?

Yes  No

➤ If your answer is yes how often do you check?

Daily  Weekly  Monthly  Yearly

➤ If your answer is No, state the reason

---

Do you ascertain the existence of proper segregation of duties record keeping and custody of assets like cash?

Yes  No

➤ If your answer is yes how often do you check?

Daily  Weekly  Monthly  Yearly

➤ If your answer is No, state the reason

---

Do you make a regular review of procedures to ascertain the effectiveness at the internal control system?

Yes  No

➤ If your answer is yes how often do you check?

Daily  Weekly  Monthly  Yearly

➤ If your answer is No, state the reason

---

Do you make sure that there is regular rotation of duties among the operation staff?

Yes  No

➤ If your answer is yes how often do you check?

Daily  Weekly  Monthly  Yearly

➤ If your answer is No, state the reason

---

What weakness and deficiencies of the HR audit have you observed with regards to review of the adequacy and effectiveness of internal control system?

---

---

6. Accuracy and competences of records?

Do you staff examine the proper maintains of records on all human resource activities?

Yes  No

➤ If your answer is yes how often do you check?

Daily  Weekly  Monthly  Yearly

➤ If your answer is No, state the reason

---

6.2 What weaknesses and deficiencies of the human resource audit have you observed with regards to ascertaining accuracy and completeness of records?

---

---

**Appendix –B**  
**Interview Questions**  
**For Human Resource Auditor**

1. How do you assess the independence of the human resource audit function of the organization?
2. How do you evaluate the performance of the human resource audit staff in ascertaining reliability and integrity of financial, operating and regulatory reporting?
3. How do you evaluate the performance of the human resource audit function with regards to safeguarding at assets?
4. How do you assess the adequacy and effectiveness of the internal control system of the organization?
5. What do you think are the major setback's encountered by the internal audit staff while discharging their duties?
6. What weaknesses and deficiencies of the human resource audit have you observed during these years?

## **DECLARATION**

I Undersigned, Declare that this senior essay/project is my original work, prepared under the guidance of Ato Abera Yelema. All source of materials used for the manuscript have been dully acknowledged.

NAME \_\_\_\_\_

SIGNATURE \_\_\_\_\_

PLACE OF SULBMMISSION \_\_\_\_\_

DATE OF SUBMISSION \_\_\_\_\_

## **SUBMISSION APPROVAL SHEET**

This paper has been submitted for examination with my approval as an advisor.

NAME: \_\_\_\_\_

SIGNATURE: \_\_\_\_\_

DATE: \_\_\_\_\_