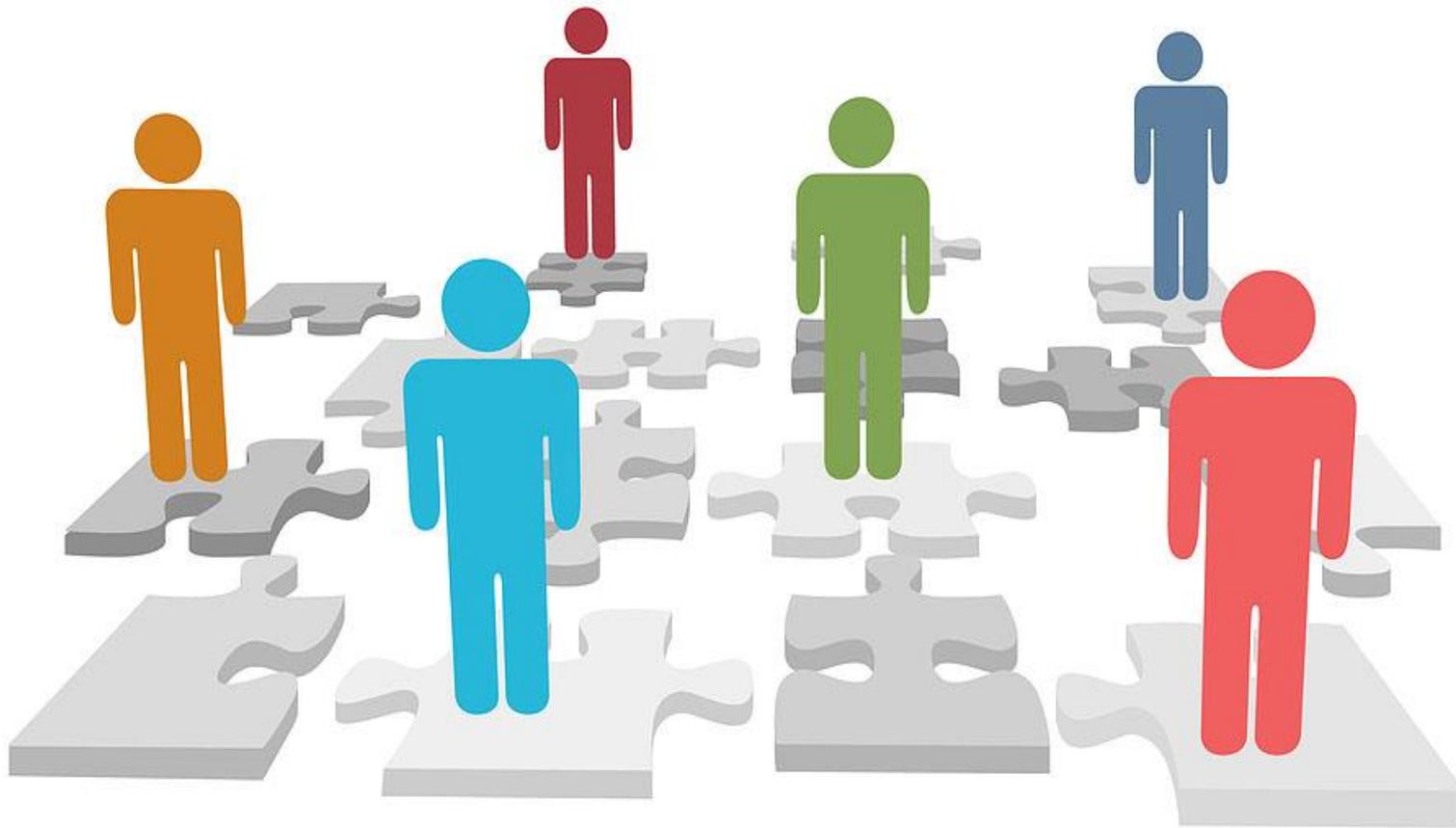


Essentials of Human Resource Management



COURSE INTRODUCTION

- ▶ Human resource can be defined as people who are employed in an organisation and are responsible for carrying out operations.
- ▶ Human Resource Management (HRM) is a comprehensive process of acquiring, developing, motivating, and maintaining a pool of efficient employees. The main aim of HRM is to ensure the right people with the right skills for the right job position in an organisation.
- ▶ The key functions of HRM include recruiting people, training them, appraising their performance, motivating them, ensuring their health and safety, managing workplace communication, and so on.
- ▶ Effective HRM encourages employees to work efficiently towards accomplishment of organisational goals and objectives.

Chapter 12: HR Audit and Accounting

Chapter Index

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LEARNING OBJECTIVES

- ▶ Explain the concept of HR audit
- ▶ Discuss the process of HR audit
- ▶ Explain the concept of HR accounting
- ▶ Discuss the methods of HR accounting
- ▶ Explain the concept of HRIS
- ▶ List the components of HRIS



HR AUDIT

- ▶ The term audit can be defined as an unbiased examination and verification of an organisation's financial statements, employee records, etc. to determine their accuracy and outline any issues that need to be addressed.
- ▶ HR audit is a systematic process of examining the policies, procedures, practices, structure, strategies, employee documents, etc. with respect to an organisation's HRM function.
- ▶ It aims to evaluate the strengths, weaknesses, and developmental needs of employees with a view to enhance organisational performance.
- ▶ HR audit plays a crucial role in an organisation as it helps managers to take decisions on current HR problems so that overall productivity is not affected.



HR AUDIT

NEED FOR HR AUDIT

- ▶ HR audit is performed to determine whether HR objectives are aligned with organisational objectives and employees are committed towards achieving the organisational goals and objectives.
- ▶ HR audit is needed to determine whether employees follow organisational standards, maintain discipline, and work as per the organisation's policies.
- ▶ HR audit is needed to review the effectiveness of various HR programs, such as selection and recruitment, training and development, and performance appraisal, and improve them.
- ▶ HR audit helps to determine whether the HRM function is in compliance with the national and state HR laws.
- ▶ HR audit aims to check all possible documentation with regards to performance appraisal reports, data related to the functions of the HR department, manager feedback reports on employees' performance, etc.



HR AUDIT

PROCESS OF HR AUDIT



HR AUDIT

LIMITATIONS OF HR AUDIT

- ▶ HR audit can lack uniformity as auditors tend to follow different auditing standards and guidelines. This is because there is no set standard or principles for HR audit.
- ▶ Sometimes HR personnel fail to provide relevant information, which leads to inaccurate and ineffective audit process.
- ▶ HR audit can turn to subjective in nature when there is a lack of statistical data.
- ▶ HR auditors may lack the required skills and knowledge, which may lead to a failure of the audit process.
- ▶ HR auditors sometimes fail to recognise valuable inputs from senior HR personnel which might be useful for the audit process.



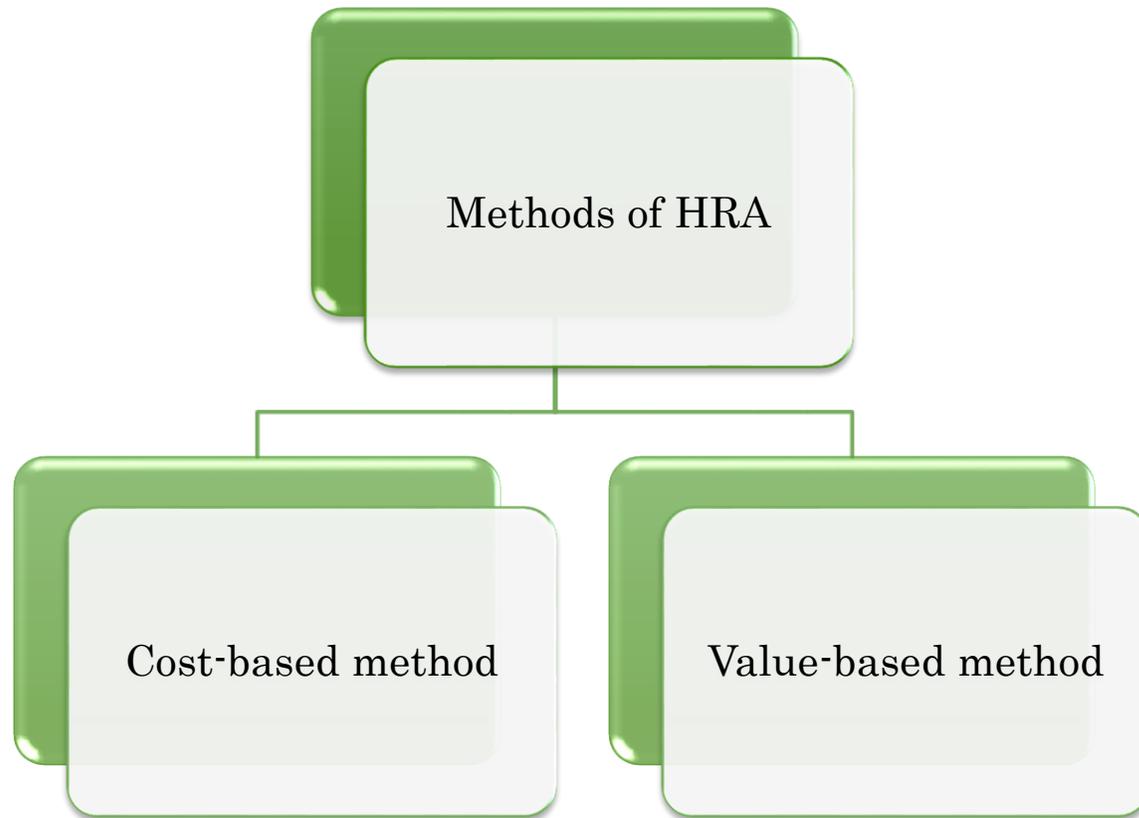
HR ACCOUNTING

- ▶ Human Resource Accounting (HRA) is defined as a system of identifying, collecting and reporting data on investments in human assets.
- ▶ In other words, HRA is a future approach that reflects the potential of human resource in monetary terms.
- ▶ HRA acts as an important tool to human asset control and provides information to an organisation whether the asset is appreciated, depleted, or conserved.



HR ACCOUNTING

METHODS OF HRA



HR ACCOUNTING

LIMITATIONS OF HRA

- ▶ HRA doesn't have any set accounting standards for measuring human resource value. Thus, organisations follow their own HRA standards to measure the values of human assets. This difference in approaches in organisations leads to non-comparison of values of human assets.
- ▶ The human asset valuation is dependent on the assumption that employees stay in organisations for a certain period of time. However, over the years, human resource mobility has increased; thus, this assumption might not work in some organisations.
- ▶ Organisations may lose valuable human resource if the valuation is incorrectly carried out. This situation can also arise if the results of the valuation of human resource are not utilised effectively.
- ▶ There are no specific guidelines to determine the cost and value of an organisation's human resources as the current methods of HRA have their own limitations.



HR INFORMATION SYSTEMS

- ▶ Human Resource Information System (HRIS) is a system designed to provide necessary information for effective management of human resource.
- ▶ In other words, HRIS is an online database system that helps in managing information related to all employees of an organisation at one place. This information can be related to employees' salary structure, appraisal, and leaves, and so on.
- ▶ HRIS collects, stores, processes, generates, and disseminates human resource information for effective business decision making.
- ▶ It provides information on various HR policies formulated by the organisation to HR personnel as well as employees.



HR INFORMATION SYSTEMS

COMPONENTS OF HRIS

Input

- This component enters employee data into HRIS. The processes and procedures needed for data collection are initially established. Once the data is collected, it is entered into the system in a coded form.

Data maintenance

- This component of HRIS updates the data which is stored in the storage device.

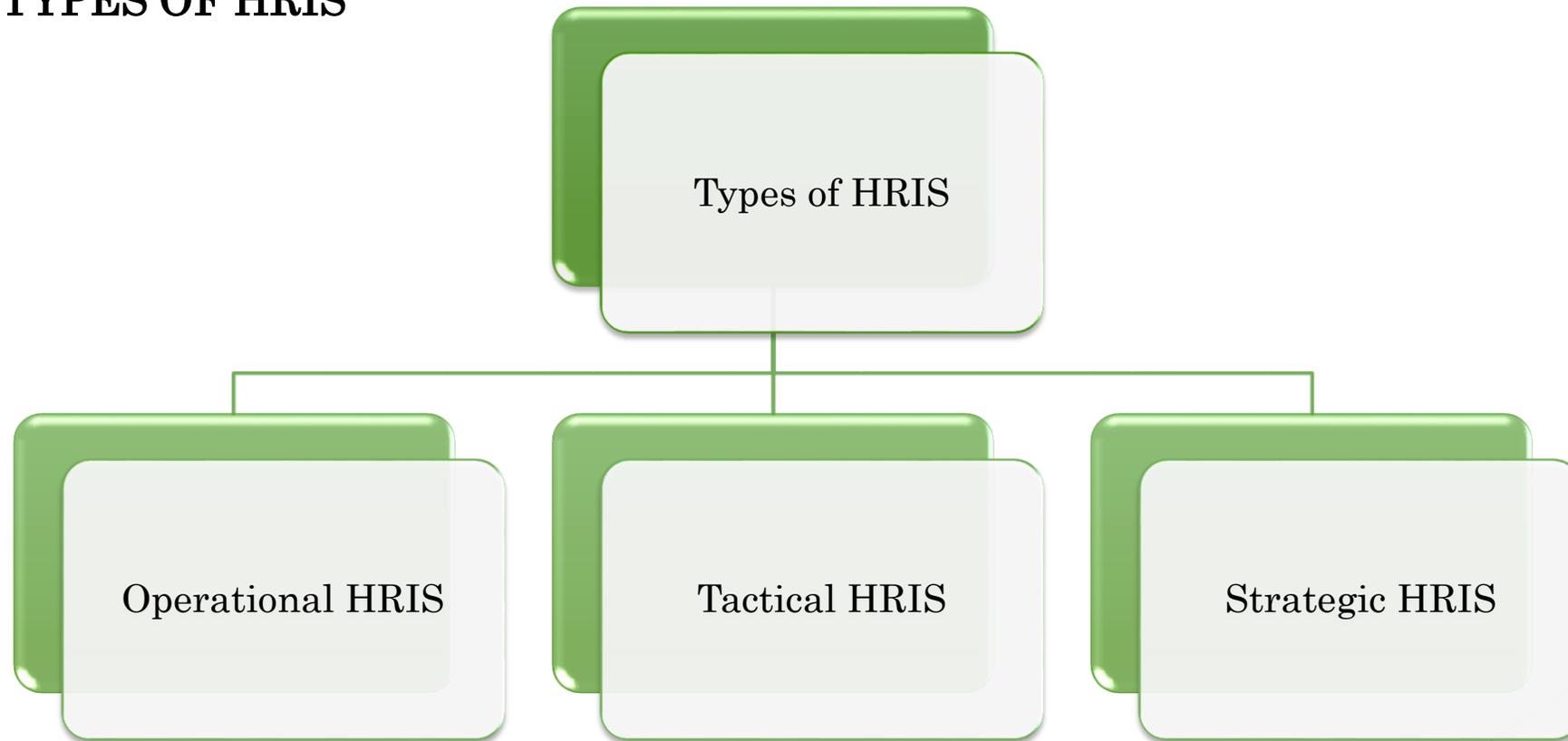
Output

- HR managers tend to be more interested output of HRIS as essential information and reports of human resources are generated. This helps managers to evaluate, perform calculations, plan and forecast future human resource needs and development in the organisation.



HR INFORMATION SYSTEMS

TYPES OF HRIS



HR INFORMATION SYSTEMS

LIMITATIONS OF HRIS

Costs associated with HRIS implementation

- Transaction costs associated with acquiring the latest equipment and technology for HRIS may be too high, especially for small and medium-sized organisations.

Resistance to change

- Employees might feel comfortable in the old paper system of recording HR data. They might find it difficult to adapt to this change.

Security

- Highly confidential employee information can be misused due to the negligence of the concerned system operator or the failure to monitor and maintain the system.

Data entry errors

- Human errors commonly occur while entering data into the system. If data is wrongly entered, updated or changed, this might lead to a loss of data and the organisation can face high costs to rectify the system along with legal complications.



LET'S SUM UP

- ▶ HR audit is a systematic process of examining the policies, procedures, practices, structure, strategies, employee documents, etc. with respect to an organisation's HRM function.
- ▶ Human Resource Accounting (HRA) is defined as a system of identifying, collecting and reporting data on investments in human assets.
- ▶ HRA acts as an important tool to human asset control and provides information to an organisation whether the asset is appreciated, depleted, or conserved.
- ▶ Human Resource Information System (HRIS) is a system designed to provide necessary information for effective management of human resource.

