

# Is it Time for a Human Resources Health Check?



It's may not always be obvious that your business needs a Human Resources (HR) audit, and ideal timing may not be clear, but there will often be tell-tale signs that show it's time to review your human resource functions. There may be trends such as high absenteeism and turnover, low engagement, increased employee complaints and overall low morale which point towards deeper critical areas that your business should address sooner rather than later. An external HR Consultant can provide an unbiased assessment of your organizations key HR strengths and weaknesses and provide recommendations for improvement.

## **Why is the HR function important?**

Many small businesses try to manage the HR function with a long tenured and dependable employee picking up this extra responsibility as owners are engaged with tactical management and day-to-day operations. More often than not, HR has battled to have a seat at the table or been overlooked as an afterthought. The daily focus is typically on sales growth and customers. Staff appointed to perform HR activities and deal with people issues are often not experienced enough to effectively handle complex employee relations, compliance issues and process improvement.

An HR Professional is much more than just an administrator. These key leaders help develop and execute the company's strategy, improve employee engagement and retention, and help with both employee and organizational growth. They need to understand the various employment and labour laws and help the organization stay compliant. The HR team should possess the knowledge and aptitude needed to shape an organization's culture and enrich its value to employees.

## **What Is an HR Audit?**

An HR audit is a report-card style evaluation and written assessment of how well your HR department is functioning, compared against industry standards and best practices. It is a thorough examination of your human resource policies, procedures, systems, processes, and documentation. Essentially, the HR audit is a health check giving you the opportunity to identify areas that need improvement and what areas you are performing well in, as well as recognizing any areas of non-compliance and risk. If you are wondering if the effort required is worth your time, the answer is definitively "yes". Putting into place all the items of non-compliance will reduce risk for the business in relation to fines and legal penalties. Taking action to

address identified shortcomings will help strengthen productivity, employee morale, best practices, and will help align HR goals with overall organizational objectives.

## **Some questions to ask yourself to determine if you are due for an HR audit:**

1. How is your organization performing with respect to employee retention and engagement and are there positive or negative trends requiring action?
2. Do all your employees have a signed employee contract and have they been reviewed over the last 12 months?
3. Do you have the required provincial postings in place?
4. Have you provided mandatory training for all your employees and if so, do you have documentation in place?
5. Are you confident when managing employee relations such as formal investigations and disciplinary action?
6. Do you have company policies in place and are employees aware of these and compliant?
7. Do you have a Health & Safety Committee in place, and do you conduct monthly inspections displaying minutes of meetings and relevant H&S postings?
8. Are you able to promote internally or do your employees lack the skills and knowledge required for more senior roles?
9. Are you receiving more HR complaints about nothing in particular but everything in general?
10. Do you comply with minimum *ESA* rules?
11. Are your employee files stored in a secure location?
12. Do you have any potential liability concerns?

If you don't know or answer "no" to any of these questions, then chances are you may also have other opportunity areas that need to be addressed. Don't wait until problems become systemic or negatively impact your business before conducting an HR audit and taking action. You may want to determine the best time of year to conduct an audit based on how busy the organization gets and if you are conducting periodic audits then it may make sense to run one during a slower period. It may have been some time since you last conducted an audit. There have been many challenges and changes recently forced upon businesses and understanding how these are affecting your organization is important. Now may be a good time to put in the effort and thoroughly assess your HR function.

## **I've conducted the HR audit, so now what?**

The first step is gathering the assessment data. That is often in the form of checklists, questionnaires, interviews, documents, policies, and procedures.

Determine your key areas that should be prioritized as they could lead to increased risks. If an internal employee is conducting the audit, they might not be objective enough nor have the overall skills and knowledge required to identify the areas of concern. You could consult with your organization's legal department or hire an external consultant to help guide you with all the relevant requirements.

By carrying out an HR audit you can get an accurate picture of the effectiveness of your HR processes and practices and how these are driving or undermining your business objectives. Once you have the results you can then focus on the problematic areas and determine an action plan. Completing at least one HR audit every year will help ensure your HR department is functioning well and supporting your overall goals to build a better organization.