Exploring Human Resource Auditing Components for Performance Evaluation

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Abstract

The internal auditing profession in Iran is currently going through a genuine maturation phase, marked by the pivotal release of the internal control guidelines published by the Securities and Exchange Organization. A significant portion of the cultural groundwork is still in its initial stages, and the understanding of internal auditing, along with the expectations of managers regarding internal audits, has been effectively clarified and explained. In this context, the present study delves into the components of human resource auditing in relation to performance evaluation. The research utilizes an exploratory mixed-methods design. In the first phase, qualitative methods were employed to uncover constructs and causal mechanisms between them, while in the subsequent phase, quantitative methods were applied to a larger sample to confirm the relationships between the constructs and achieve an acceptable level of generalizability. After categorizing the extracted codes, the researcher used open coding to summarize the homogeneous data, and the codes were classified into concepts and categories based on conceptual similarity, frequency, and significance, focusing on the objectives and levels of human resource auditing. The results revealed that the process and activity level of the human resources unit includes the evaluation of all defined processes within the human resources unit, such as developmental processes and administrative matters. This level, as identified in various studies, has been labeled under different codes like internal aspects of processes, functional level, internal environment of the unit, developmental processes level, lower level, and technical level, with all these descriptions pointing to a common underlying concept. Overall, in comparison to the general framework, three entirely new levels were identified: the human resources unit's results level, the level of custodians and specialists in the human resources unit, and the process and activity level of the human resources unit. These were recognized as subcategories for auditing at the operational level, which is one of the levels of the general framework, and were identified for human resource auditing.

Keywords: human resource auditing, performance, meta-synthesis

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1. Introduction

Human Resource (HR) auditing has gained considerable attention as organizations increasingly recognize the critical role that human capital plays in achieving long-term sustainability and operational efficiency. HR auditing encompasses the systematic examination of policies, practices, and procedures related to human resources, serving as a key driver for evaluating the efficiency and effectiveness of HR functions and their alignment with organizational goals (Shaban, 2012). In an ever-evolving global market, the necessity for HR audits extends beyond mere compliance, providing a valuable tool for performance improvement, risk management, and fostering a sustainable human resource management strategy [1].

The significance of HR auditing is underscored by the growing emphasis on internal auditing within organizations. Internal audits help assess the alignment of HR processes with strategic goals, ensuring compliance with regulations and enhancing operational efficiency [2]. Particularly in developing countries like Iran, where the internal audit profession is maturing, HR auditing plays a crucial role in shaping organizational culture and ensuring that managerial expectations of internal audits are met [3]. This study delves into the key elements of HR auditing and their contribution to performance evaluation, focusing on the importance of identifying critical HR functions and assessing their effectiveness through both qualitative and quantitative approaches.

HR auditing is not a recent phenomenon. Historically, organizations have conducted personnel audits to ensure that their workforce strategies align with broader organizational goals [4]. However, with the advent of more sophisticated human resource management (HRM) practices, the scope of HR audits has expanded, becoming an integral part of strategic planning, risk management, and operational efficiency. Contemporary HR audits encompass a wide range of functions, including recruitment, training and development, compensation, employee relations, and compliance with employment laws [5].

In today's dynamic business environment, HR auditing has become a critical tool for assessing not only the operational efficiency of HR departments but also the impact of HR strategies on overall organizational performance [6]. For example, in the healthcare sector, HR audits are used to evaluate the sustainability of HR practices, particularly in resource-constrained environments [7]. Similarly, in the manufacturing industry, integrated audit management systems have proven effective in enhancing business sustainability by ensuring that HR functions align with long-term strategic goals [8].

Performance evaluation is one of the core functions of HR auditing. Effective HR audits help organizations assess the performance of their workforce by identifying gaps in skills, knowledge, and competencies [9]. The importance of evaluating employee performance through HR audits is particularly evident in sectors such as education and healthcare, where employee performance directly impacts service delivery [10]. In such sectors, HR audits can help organizations develop targeted interventions to improve employee performance, enhance productivity, and ensure that HR practices are aligned with organizational goals.

Research has shown that HR audits are particularly effective in identifying areas of inefficiency within HR departments. For instance, in the public sector, HR audits have been used to assess the effectiveness of recruitment, training, and performance evaluation processes, helping to improve the overall performance of HR departments [11]. Similarly, in private sector organizations, HR audits have proven effective in identifying risks related to employee compensation and benefits, leading to improvements in employee satisfaction and retention [12].

In addition to evaluating performance, HR audits also play a crucial role in ensuring compliance with regulations and industry standards. For instance, in the banking sector, HR audits have been used to assess compliance with Shariah auditing standards, ensuring that HR practices align with Islamic principles [2, 13]. Such audits help organizations mitigate risks associated with non-compliance, improve transparency, and enhance organizational credibility [14].

Sustainability has become a key concern for organizations across industries. As organizations strive to achieve long-term sustainability, HR auditing has emerged as a critical tool for evaluating the sustainability of HR practices [15]. HR audits help organizations assess whether their HR strategies are aligned with sustainability goals, including the development of human capital, employee well-being, and corporate social responsibility [16, 17]. By identifying areas where HR practices can be improved, HR audits contribute to the development of a sustainable organizational culture that promotes employee engagement, innovation, and productivity.

One of the key areas where HR auditing contributes to sustainability is in the evaluation of human capital. Human capital refers to the skills, knowledge, and experience possessed by employees, which contribute to organizational

performance [18]. HR audits help organizations assess the effectiveness of their human capital development strategies, ensuring that employees are equipped with the skills and competencies required to meet future challenges [19]. This is particularly important in industries such as healthcare, where the sustainability of HR practices directly impacts the quality of patient care [20].

Despite the numerous benefits of HR auditing, organizations often face challenges in implementing effective HR audits. One of the key challenges is the lack of standardized auditing practices, which can lead to inconsistencies in the evaluation of HR functions [21]. Additionally, organizations may face resistance from employees and managers who perceive HR audits as intrusive or punitive [22]. To overcome these challenges, organizations must develop clear communication strategies that emphasize the value of HR audits in improving organizational performance and employee satisfaction [23].

Another challenge is the integration of HR auditing with other organizational processes, such as financial auditing and risk management [24]. In many organizations, HR audits are conducted in isolation from other auditing processes, leading to gaps in the evaluation of organizational performance. To address this issue, organizations must adopt an integrated approach to auditing that combines HR auditing with financial and operational audits [25]. Such an approach helps organizations gain a comprehensive understanding of their performance, identify risks, and develop targeted interventions to improve efficiency and sustainability [26].

In conclusion, HR auditing has become an essential tool for evaluating the effectiveness of HR functions and their impact on organizational performance. Therefore, this study aims to explore the components of HR auditing in relation to performance evaluation, providing a comprehensive understanding of its influence on organizational outcomes.

2.   Methodology

This study employed an exploratory mixed-methods design. In the first phase, qualitative methods were used to identify constructs and the causal mechanisms between them. Subsequently, in the second phase, quantitative methods were applied to a larger sample to confirm the relationships between the constructs and achieve an acceptable level of generalizability.

In such designs, the emphasis is placed on qualitative data, and the design is referred to as sequential exploratory.

Exploratory designs are typically of two types: the tool development model and the classification model. In the tool development model, qualitative research is used solely to develop research instruments (checklists or questionnaires). In the classification model, qualitative research is used to identify key constructs, relationships, and causal mechanisms between them, creating a coherent system of factors that constitute the theoretical framework. Following this, the research instrument is developed from these categories to test and further examine these constructs. The present study adopts the second type of exploratory mixed-methods design, i.e., the classification model, where the qualitative component was used to develop the research tool, which was then tested and localized for a generalizable sample (Ahmadpour, 2009).

In this research, to achieve the stated objectives, the first phase of the research design, namely the exploratory design using the classification model, employed thematic analysis. For testing the model and explaining the relationships between variables, structural equation modeling was used.

During the qualitative phase, in-depth interviews were conducted with a group of experts, specialists, and individuals familiar with the fields of auditing and human resources who were also connected with members of the organization. These interviews aimed to identify the most critical factors in creating a comprehensive framework for human resource auditing. The interviews were semi-structured and continued until theoretical saturation (i.e., the point at which no new concepts emerged from the interviews) was reached. In the quantitative section, to gain insights from experts and to better understand their perspectives in a manner closer to reality, surveys were conducted using questionnaires. Given that the study population in this research was the Ministry of Education in Tehran, which continuously uses the services of this organization across various departments, and considering the large size of this population, a sample of 300 individuals was selected for the study. In the qualitative section, based on the theoretical saturation of the interviews, saturation was reached after the 14th interview, totaling 14 interviews with expert participants as described below.

The primary strategy for data analysis was thematic analysis, and for coding and analysis, MAXQDA 2018 software was used. Thematic analysis is a method used in qualitative research focused on identifying, analyzing, and interpreting patterns of meaning (themes) within qualitative data. A theme is the key unit of analysis in this method. Themes are the most valuable units that should be

considered in content analysis. A theme refers to a specific meaning derived from a word, sentence, or paragraph. Thematic analysis is a method for identifying, analyzing, and reporting patterns (themes) within qualitative data. It is a process of analyzing textual data that transforms scattered and diverse data into rich and detailed data. Thematic analysis is not a distinct qualitative method but rather a process that can be applied across most qualitative methods. In general, thematic analysis is a method for understanding the text, interpreting and making sense of seemingly unrelated qualitative information, systematically observing individual behavior, group interaction, situations, organizations, and cultures, and converting qualitative data into quantitative data.

3. Findings

In accordance with the first step of the seven-step meta-synthesis process proposed by Sandelowski and Barroso (2007), the research question was formulated initially. The goal of employing the meta-synthesis method was to answer the first and second sub-questions, which were derived from the main research question, as follows:

Main Research Question:

What are the main elements of the human resource auditing framework?

To answer the main research question, the following sub-questions were posed:

- What are the various levels of human resource auditing?
- What are the main objectives of human resource auditing?
- What is the relationship between objectives, execution, and principles in the COSO human resource framework?
- What is the relationship between focal points, approaches, and processes in human resource management?
- What are the tools for measuring the implementation of approaches?
- How is the logic of the RADAR evaluation method applied to assess and score each component?

By answering these questions, the objectives and levels of human resource auditing, which are the two main dimensions of the comprehensive human resource auditing framework, were identified.

At this stage, to prevent selecting irrelevant sources in the next phase, after determining the initial goal but before starting the second step of meta-synthesis—searching the literature—it was essential to clarify the search parameters, including the subject matter (what), the population (who), the timeframe (when), and the methodology (how). This provided a clear overview of the criteria for accepting or rejecting articles and sources identified in the initial search results. After establishing the research questions and search criteria, it was necessary to address where to find these sources to answer the research questions. Searching in electronic databases required precise keywords derived from the research questions. Initially, the researcher intended to examine a 20-year timeframe, but after commencing the search for articles published in this area, the researcher discovered that the number of published articles on human resource auditing was relatively limited compared to other areas of human resource management. Therefore, to ensure the comprehensiveness of the study, the timeframe restriction was removed, and all published articles in this area were retrieved regardless of the year of publication.

Following a thorough search across all, 227 sources were obtained. After an initial review and assessment of the criteria, 130 articles that did not meet the inclusion criteria were discarded. The detailed review and selection of appropriate articles for analysis began with the remaining 97 articles. The highest number of articles were published in 2015 and 2012. Additionally, most articles were sourced from the *Journal of Managerial Auditing*.

After reviewing the abstracts, those articles that did not align with the research questions were excluded. As a result, 25 articles were removed. In the next phase, the remaining 72 articles were examined in detail, and those that did not focus on the levels and types of human resource auditing were also excluded. After applying this filter, 32 more articles were excluded. Given that the study aimed to identify the objectives and levels of human resource auditing, many articles that did not address these topics were eliminated, resulting in a smaller number of final articles.

Ultimately, after excluding articles that did not meet the initial inclusion criteria and ensuring that the abstracts and content aligned with the research objectives and questions, 40 articles remained. These were then subjected to further quality assessment to enhance the validity of the research findings. To ensure that only high-quality articles were used, the researcher employed the Critical Appraisal Skills Program (CASP) to evaluate the methodological quality of the articles. Following the exclusion of 10 articles that scored below "good" in the quality assessment, 30 final articles were selected as the basis for this research.

After identifying and selecting suitable sources, it was necessary to carefully review each one and extract the points relevant to the research topic. The researcher conducted multiple, detailed reviews of the content of the selected articles to extract pertinent points. To enhance the precision of the extraction process, the MAXQDA software for qualitative data analysis was utilized at this stage. The basis for extracting points and coding was thematic rather than based on paragraphs or individual words. For instance, several paragraphs may refer to the theme of operational auditing, but collectively, only one code is assigned to these paragraphs.

At this step of the meta-synthesis process, the researcher first summarized the codes extracted in the previous stage to analyze and synthesize the qualitative findings. As a result of this stage, some codes were merged and consolidated. Table 1 provides a list of the codes, the reference numbers of the articles corresponding to each code, and the frequency of references.

Table 1. List of Extracted Codes

No.	Code	Reference Article Numbers	Frequency
1	Level of Procedures, Processes, and Activities in the Unit	HRA01, HRA02, HRA05, HRA07, HRA08, HRA11, HRA15, HRA16, HRA18, HRA20, HRA21, HRA26, HRA27, HRA28, HRA30	15
2	Level of Unit Activity Costs	HRA01	1
3	Level of Satisfaction with Services Provided by the Unit	HRA01, HRA02, HRA15	3
4	Level of Human Resource Planning	HRA02	1
5	Level of Achievement of Unit Goals and Programs	HRA02	1
6	Level of Specialists and Custodians of the Human Resources Unit	HRA05, HRA30	9
7	Human Resources Unit Level	HRA05, HRA21, HRA23, HRA29, HRA30	5
8	Internal Aspects of Processes	HRA06	1
9	External Aspects of Processes	HRA06	1
10	Stakeholder Level	HRA07, HRA21	2
11	Organizational Level	HRA07, HRA15, HRA19, HRA29	4
12	Performance of Human Resources Staff	HRA18, HRA19, HRA21, HRA23, HRA27	5
13	Human Capital Competency	HRA08, HRA27	2
14	Technical Level	HRA24	1
15	Macro Level	HRA24	1
16	Strategic Unit Program Level	HRA11, HRA13	2
17	Mid-Level (Competency Assessment of Custodians)	HRA13, HRA14	2
18	Human Resources Unit Structure Level	HRA16, HRA23, HRA26	3
19	Knowledge, Skills, and Competencies of Human Resources Custodians	HRA26, HRA11, HRA08	3
20	Functional Level	HRA13	1
21	High-Level	HRA14	1
22	Low-Level (Process Evaluation)	HRA14	1
23	Output and Results Level	HRA16, HRA18, HRA20, HRA21	4
24	Internal Environment (Unit Activities and Staff Capabilities)	HRA17	1
25	External Environment (Impact of Processes on Stakeholders and Organizational Goal Achievement)	HRA17	1
26	Human Resources Unit Culture and Values Level	HRA19, HRA26	2
27	Performance Indicators Level	HRA20, HRA28	2
28	Employee Attitude Level	HRA21	1
29	Administrative Level	HRA22	1
30	Development Activities Level	HRA22	1
31	Operational	HRA01, HRA06, HRA07, HRA08, HRA09, HRA10, HRA12, HRA17, HRA18, HRA19, HRA20, HRA22, HRA24, HRA25, HRA27, HRA28	16
32	Reporting	HRA09, HRA14, HRA17, HRA20, HRA25, HRA28	6
33	Systematic	HRA07	1
34	Value-Adding	HRA07	1
35	Compliance	HRA03, HRA09, HRA10, HRA12, HRA17, HRA18, HRA19, HRA20, HRA25, HRA27, HRA29	11
36	Process-Oriented	HRA29	1
37	Services	HRA17, HRA19, HRA25	3
38	Alignment	HRA08	1

39	Best Practice	HRA29, HRA27	2
40	Legal	HRA04, HRA07, HRA08, HRA22	4
41	Cost Auditing	HRA01, HRA03, HRA04	1
42	Strategic	HRA07, HRA08, HRA10, HRA12, HRA17, HRA18, HRA19, HRA24, HRA25, HRA27, HRA28	11

After categorizing the extracted codes, the researcher utilized the open coding method to summarize homogeneous data. The codes were classified into concepts and categories based on conceptual similarity, frequency of occurrence, and importance, which resulted in the identification of key objectives and levels of human resource auditing. The details of the final results for the codes related to each concept and category are presented in Table 2:

Table 2. Code Categorization Based on Concepts and Categories

Category	Concept	Code	Frequency
Levels of Human Resource Auditing	Process Level and Unit Activities (Process Level)	Procedures, Activities, HR Costs, Internal Aspects, Functional Level, Internal Environment, Performance Indicators, Admin, Development, Planning	26
	Custodians and Experts (Individual Level)	Expert Level, Mid-Level, Knowledge, Skills, Competencies, Employee Performance, Structure, Culture, Values	17
	Unit Results (Macro Level)	Goals and Programs, External Aspects, HR Unit Level, Stakeholder, Organizational Level, Strategic Programs, Results, External Environment, Macro	25
Objectives of Human Resource Auditing	Operational	Operational, Services, Systemic, Process-Oriented, Value-Adding, Cost-Oriented, Best Practice	25
	Compliance	Legal, Compliance	15
	Reporting	Human Resources Reports	5
	Strategic	Strategic, Alignment	12

The researcher aimed to control quality by following an iterative process and constant comparison. Additionally, to ensure more comprehensive control over the quality of coding, the method of inter-coder agreement was used. For this purpose, the textual data was provided to a second coder, who then analyzed and coded the data. The Kappa agreement coefficient for the categories provided by the two coders was calculated using SPSS software. Since the significance level of 0.02 was less than 0.05 and the Kappa coefficient was 0.796, which is greater than 0.6, the level of agreement was accepted as valid.

Overall, besides the aforementioned measures, the researcher made efforts throughout the research process to adhere to validity improvement procedures as outlined by Sandelowski and Barroso, aiming to achieve the four types of validity: descriptive, interpretive, theoretical, and practical validity.

At the end of the meta-synthesis process, based on the collection of extracted codes, concepts, and final categories, two levels of the human resource auditing framework were presented.

Figure 1. Final Conceptual Model
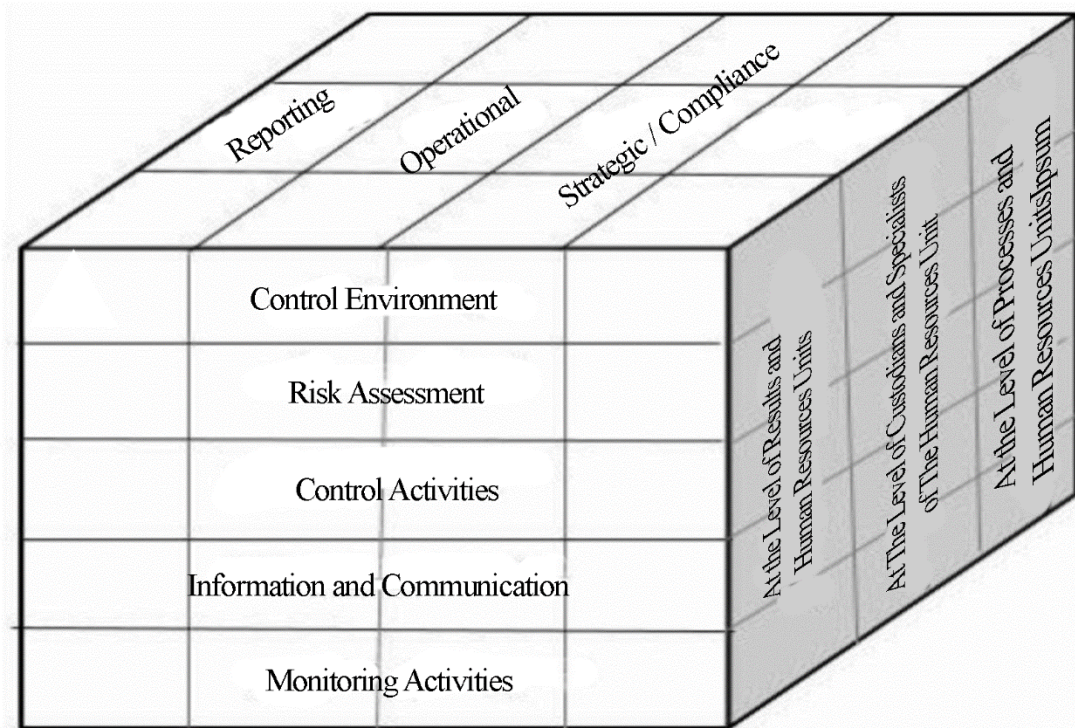
4. Discussion and Conclusion

The results of this study identified significant components of human resource auditing (HRA), organized into three main levels: process level, individual level, and macro level. These levels were further divided into specific subcategories such as procedures, activities, cost levels, expert competencies, and organizational outcomes. The study also identified key objectives of HRA, which include operational, compliance, reporting, and strategic objectives. The systematic coding and categorization of data have allowed us to examine the various facets of HRA, providing a comprehensive framework for evaluating human resource functions in organizations.

At the process level, the results indicate that the primary focus of HRA involves evaluating procedures, activities, and internal processes of the human resources unit. This finding aligns with the work of Ali, Shafii, and Shahimi (2020), who highlighted the critical role of structured HR procedures in improving organizational efficiency. Similarly, Shaban (2012) emphasized that thorough auditing of HR procedures is crucial for assessing the alignment of HR functions with overall business strategies [27]. The high frequency of the "process-oriented" code in this study corroborates previous findings suggesting that well-defined procedures and systematic HR operations are vital for ensuring compliance and improving efficiency [8]. Additionally, operational audits were found to significantly contribute to cost management and process optimization, a conclusion supported by the findings of Rachdiansyah and Tesmanto (2021), who demonstrated the importance of cost evaluations in HR audits [14].

At the individual level, the study highlighted the importance of assessing the competencies and skills of HR custodians and experts. This result is consistent with the findings of Berber et al. (2012), who argued that assessing the knowledge and competencies of HR professionals is essential for maintaining organizational competitiveness [12]. Human capital competency was identified as a recurring theme, supporting the conclusions of Roscoe et al. (2019), who linked human resource competencies to enhanced environmental performance and organizational sustainability [15]. The individual level of HR auditing focuses on ensuring that HR professionals possess the required knowledge and skills to perform their duties effectively, a concept that has been reinforced in other studies such as that of Mardiana (2022), which underscored

the role of individual competencies in achieving HR audit objectives [19].

At the macro level, the study emphasized the evaluation of organizational outcomes such as goal achievement, strategic alignment, and stakeholder satisfaction. This finding aligns with the work of Hassan, Zailani, and Rahman (2021), who highlighted the role of HR auditing in improving business sustainability by ensuring that HR functions align with long-term strategic goals [8]. The study's findings also echo those of Cohen and Sayag (2010), who found that auditing HR results and organizational outcomes is critical for measuring HR effectiveness [6]. Additionally, the alignment between HR activities and overall organizational strategy was frequently mentioned, supporting the conclusion that HR audits play a strategic role in ensuring that human resources contribute to the organization's long-term success [27].

The objectives of HRA were another crucial aspect of the study. The operational objective, which appeared most frequently in the study, suggests that HR auditing primarily serves to improve the operational efficiency of HR departments. This finding is consistent with research by Dobrescu et al. (2021), who demonstrated that HR audits are key to achieving operational sustainability in healthcare settings [7]. The strategic objective, which appeared less frequently, supports the idea that HR auditing also plays a role in aligning HR functions with the broader organizational strategy [2]. Similarly, the compliance objective reinforces the findings of Rizqiani and Yulianto (2020), who discussed the importance of HR audits in ensuring adherence to legal and regulatory requirements [13].

Furthermore, the study identified the importance of reporting in HR audits. Effective reporting of HR audit results was found to be a critical factor in ensuring transparency and accountability, a finding that is supported by the work of Zheng (2023), who emphasized the role of reporting in improving audit quality and organizational performance [26]. Reporting also helps bridge the gap between HR activities and organizational goals, ensuring that stakeholders have a clear understanding of the impact of HR functions on overall business outcomes [27].

The study also applied thematic analysis to consolidate the various components of HRA into a comprehensive framework. This process allowed for the identification of key codes and themes, which were then categorized into different levels and objectives of HR auditing. The use of open coding and thematic analysis provided a robust method for systematically organizing and analyzing qualitative data,

ensuring that the findings were both valid and reliable. This methodological approach aligns with the work of McGlacken-Byrne (2024), who used a similar framework to evaluate the implementation of HR audits in healthcare organizations [28]. The results of this study offer valuable insights into the structure and effectiveness of HR auditing, contributing to the broader understanding of how HR audits can be used to improve organizational performance.

Despite its contributions, this study has several limitations. First, the research relied heavily on qualitative data, which may limit the generalizability of the findings to other contexts or industries. While qualitative methods allow for in-depth exploration of specific issues, they do not provide the same level of generalization as quantitative studies. Second, the study was conducted within a specific geographic and organizational context, focusing on the Ministry of Education in Tehran. This may limit the applicability of the findings to other settings or organizations with different structures and cultures. Third, the study focused primarily on the theoretical aspects of HR auditing, with limited attention given to practical applications or case studies. As a result, the study may not fully capture the complexities of implementing HR audits in real-world settings.

Future research should consider addressing these limitations by conducting more quantitative studies on HR auditing across different industries and geographic locations. Comparative studies that examine the effectiveness of HR audits in various sectors could provide valuable insights into the broader applicability of the findings. Additionally, future research could explore the impact of HR audits on employee performance and organizational outcomes in more detail, using longitudinal studies to assess the long-term effects of auditing practices. There is also a need for more research on the practical applications of HR audits, including case studies that examine the challenges and successes of implementing HR audits in different organizational contexts. Furthermore, future research should investigate the role of emerging technologies, such as artificial intelligence and data analytics, in enhancing the effectiveness and efficiency of HR auditing processes.

Organizations should consider incorporating the findings of this study into their HR auditing practices by adopting a comprehensive framework that includes process, individual, and macro-level assessments. HR audits should focus on evaluating both operational and strategic aspects of human resources to ensure that HR functions align with organizational goals. Additionally, organizations should

prioritize the development of their HR professionals by providing training and development opportunities to enhance their knowledge, skills, and competencies. Effective reporting mechanisms should also be established to ensure transparency and accountability in HR auditing processes. Finally, organizations should consider using HR audits as a tool for continuous improvement, regularly reviewing and updating their auditing practices to reflect changes in the organizational environment and ensure ongoing compliance with legal and regulatory requirements.

Authors' Contributions

Acknowledgments

Declaration of Interest

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Ethical Considerations

All procedures performed in this study were under the ethical standards.

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