



**CHARTERED INSTITUTE OF PERSONNEL MANAGEMENT SRI LANKA (Inc.)**

Chartered Qualification in Human Resource Management

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**Audit report for ABC Bank**

# **Acknowledgment**

My sincere thanks go to the management of ABC Bank for allowing for the background that made this assignment possible. Special thanks to the Chartered Institute of Personnel Management Sri Lanka that supervised this study. They also provided the framework for the HR Audit. My sincere thanks go to the management of ABC Bank for allowing for the background that made this assignment possible. Special thanks to the Chartered Institute of Personnel Management Sri Lanka that supervised this study. They also provided the framework for the HR Audit.

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# **Executive summary**

The Human Resource (HR) Audit was conducted at ABC Bank, a prominent private sector bank based in Kuala Lumpur, Malaysia, with over 672 branches and around 4,398 employees. The prime intention of this audit was to assess the HR practices of ABC Bank and how well they do or do not align with the business strategy. This was an attempt to identify gaps with a view to suggesting changes on the basis of which the bank can remain competitive, especially now with the foreign banks becoming operational.

The audit covered five key areas of HR: Compensation and Benefits, Recruitment and Selection, Training and Development, Performance Management System, and the HR Structure. Information was gathered by means of structured interviews, reviewing policies, and a number of observations based on assumptions made from the present scenario and bank challenges.

Based on the findings, while the ABC Bank is well grounded in HR practices, there are some major areas that require urgent attention. Compensation and Benefits have the bank maintaining a salary regime that is competitive enough and in tandem with legislations and industry standards. But it falls short in terms of non-monetary incentives and motivation such as employee recognition programs, pathways for career advancement, and flexible benefits that promote employee engagement and retention.

Recruitment and Selection would be strong if under pressure caused by the planned headcount increase of 40% within a few years. Without scalable processes, talent pipelines, or integration with technology solutions such as applicant tracking systems, the HR team may suffer delays and quality gaps in hiring.

Training and Development are currently operational without an identified Training Needs Analysis (TNA) or structured programs of learning. Training is generally reactive and mostly not aligned with organizational goals, thus a missed opportunity for developing employees and enhancing performance.

There are currently no formal training needs analyses (TNAs) or structured educational initiatives in place for the development and training function. Missed chances for employee growth and performance improvement result from reactive training that is frequently out of step with organizational objectives.

The system for performance management places little focus on precise, quantifiable goals and mainly depends on subjective evaluations. This erodes the validity of performance reviews and the connection between incentives and performance, which may have an effect on output and motivation.

Last but not least, the HR structure is rather thin across zones, with 5–6 HR employees per zone overseeing a sizable and expanding workforce. This hinders the HR team's capacity to successfully carry out operational and strategic HR initiatives.

In conclusion, even though ABC Bank has the proper framework in place, the HR department needs to change from an administrative position to one that is more strategically aligned with the company. ABC Bank will be able to boost employee engagement, enhance operational performance, and create a resilient workforce that can support its expansion goals by filling in the gaps in performance management, recruitment, training, rewards, and HR capacity. (Louisville, 2025)

# **Introduction**

## **Concerning ABC bank**

Founded in 1990, ABC Bank is a prominent private sector bank in Malaysia, with its main office situated in Kuala Lumpur. The bank has developed into a well-known financial organization with a significant national presence over the last thirty years. With the help of 4,398 workers, it runs 672 branches throughout the nation. Savings and current accounts, fixed deposits, loans, credit cards, retirement planning, and online banking are just a few of the many financial services and products the bank provides. Both individual and corporate clients trust ABC Bank because of its reputation for dependability, innovation, and customer-focused service.

## **The HR audit requirement**

The Malaysian banking sector has undergone unprecedented transformation in the last few years, with increased digitalization, shifting customer requirements, regulatory changes, and increased competition, particularly from foreign banks entering the country. For ABC Bank to maintain its competitive edge, it must ensure that its human capital is best suited to its business strategy. An HR audit is a serious diagnostic instrument to gauge the effectiveness, efficiency, and compliance of HR policies, procedures, and practices. It is employed to uncover gaps, identify risks, and suggest improvements in an attempt to drive organizational performance and employee engagement.

## **Scope of the audit**

ABC Bank HR audit covers five key areas: Compensation and Benefits, Recruitment and Selection, Training and Development, Performance Management System, and HR Structure. These areas have been selected as they have a direct and significant impact on talent attraction, retention, development, and overall workforce productivity. The audit aims to assess the effectiveness of the design and implementation of ABC Bank's HR practices, and how they enable the bank's strategic goals, particularly as it pursues a 40% expansion of its employees over the next few years.

## **Objectives of the audit**

The ABC Bank Human Resource (HR) Audit was carried out with the prime intention of measuring the effectiveness, efficiency, and strategic alignment of the HR policies, practices, and systems of the bank. Since ABC Bank is preparing to achieve significant growth and is facing increased competition in the financial services sector, it is essential that its HR function is adequately geared to propel organizational goals. The audit objectives were well defined in order to address both the operations and strategy elements of human resource management.

Evaluating how well ABC Bank's HR policies and procedures match its overarching business plan was one of the audit's main goals. The HR department must go beyond administrative duties to play an important part in recruiting, recruitment and retention, and organizational change as the bank strategies a 40% increase in headcount and looks to improve its market position. The purpose of the audit was to determine whether the HR procedures in place now sufficiently support these strategic objectives.

## **Relevance to the institution**

In spite of the challenge of rapid expansion and intense competition in the market, spending on building and improving its HR capability cannot be overstressed. A healthy HR framework will ensure that the bank attracts, develops, and retains top talent to drive sustainable growth, improve customer satisfaction, and achieve long-term business prosperity. (Solutions, 2022)

# **Methodology**

The ABC Bank HR audit used a systematic and rational approach to ensure an effective evaluation of the bank's human resource systems, policies, and practices. Both qualitative and quantitative approaches were applied to collect information and to achieve a proper appreciation of the current state of the HR function.

## **Audit planning and scope definition**

The first thing was to determine the scope and objective of the audit through stakeholder consultations, including the HR leadership team and the senior management. Five core HR areas were also determined for review: Compensation and Benefits, Recruitment and Selection, Training and Development, Performance Management System, and HR Structure. The audit plan included the resources, timelines, data collection methods, and key performance indicators that would guide the whole process.

## **Data collection methods**

* Document Review: To evaluate adherence to internal and external standards, existing HR policies, handbooks for staff members, job descriptions, performance evaluation forms, instructional materials, and salary structures were examined.
* Interviews: To obtain firsthand information on the efficiency and difficulties of HR procedures, structured interviews were performed with HR managers, heads of business units, and a selection of employees from various zones.
* Observations: In order to evaluate the company culture, interactions between staff members, and daily HR operations, as well as to comprehend the practical application of HR policies, workplace observations were conducted.

## **Benchmarking and best practice comparison**

The audit involved a benchmarking exercise to benchmark ABC Bank's HR practices against industry best practices and standards. This allowed for the identification of performance gaps and areas of deficiency where the bank lags behind the competition, particularly in the context of Malaysia's rapidly changing banking industry.

## **Analysis and evaluation**

The data collected were rigorously analyzed using qualitative and quantitative methods. Important performance indicators such as employees' turnover rates, training hours per worker, time-to-fill positions, and performance rating distributions were quantified. Qualitative data from interviews and observations were analyzed to derive patterns, issues, and areas for improvement.

## **Reporting and recommendations**

The final step was to compile the findings into a comprehensive audit report, which outlined strengths, weaknesses, risks, and improvement areas. Detailed, actionable recommendations were developed to allow ABC Bank to enhance its HR effectiveness and strategic alignment. The report was presented to senior management to support fact-based decision-making and HR initiative prioritization. (Smarter, 2025)

# **Analysis of information gathered**

The HR audit at ABC bank involved the collection and analysis of information from different sources for the purpose of assessing the effectiveness of the bank's human resource policies, processes, and systems. The review was aimed at ascertaining some of the key strengths, weaknesses, and loopholes in five key HR areas. Compensation and benefits, recruitment and selection, training and development, performance management system, and HR structure.

## **Compensation and benefits**

The document review and benchmarking analysis revealed that ABC Bank offers competitive compensation packages aligned with industry practices. However, while monetary compensation in the form of bonuses and allowances is comprehensively structured, the analysis reflected gaps in the non-monetary benefits such as flexible work practices, wellness programs, and recognition schemes. Employees reported moderate satisfaction levels with compensation but suggested that a lack of career development opportunities and employee reward schemes were areas that needed to be addressed.

## **Recruitment and selection**

Recruitment statistics and interview remarks analysis identified that ABC Bank has a strong recruitment process with strong focus on hiring quality candidates. However, longer than industry average time-to-fill positions was found to be present, primarily due to the existence of more than one approval layer and minimal use of electronic recruitment tools. Additionally, the absence of formal onboarding programs was identified as a factor affecting new employee engagement and retention.

## **Training and development**

The audit revealed that while ABC Bank invests in training, the level of participation varies significantly between departments. It was discovered in the review of training records that frontline staff consistently received product and compliance training but that managerial and leadership development programs were lacking. Employees and managers reported a shortage of ongoing learning opportunities, soft skills training, and career planning.

## **Performance management system**

The feedback from the employee and the appraisal review reaffirmed that the existing performance management system is highly compliance-driven with a minimal developmental inclination. The appraisal was found to be disparate from department to department and some workers perceiving the process as prejudiced and the constructive feedback falling short. It also revealed the need for further timely and greater performance discussions.

## **HR capability and structure**

The HR function was found to be well-experienced and sufficiently manned but that the majority of its operations remain administrative in nature. Little has been applied by way of HR analytics, use of technology, and data-driven decision-making. The audit highlighted the need for the bank to build HR capabilities in areas of strategic workforce planning, employee engagement, and digital HR solutions in order to realize the bank's growth ambitions more effectively. (Kenton, 2021)

# **Findings**

The ABC Bank HR audit provided us with valuable insights into the current status of human resource management and identified some of the key areas of strength and improvement. The findings are summarized below under the main HR focus areas.

## **Compensation and benefits**

According to the audit, ABC Bank's pay plan is generally on par and in line with industry norms, especially when it comes to base pay and performance bonuses. Non-cash benefits like employee appreciation programs, health and wellness campaigns, and flexible work schedules are, nevertheless, underdeveloped. Workers voiced a desire for more comprehensive reward programs that offer chances for work-life balance, personal development, and meaningful recognition in addition to monetary incentives.

## **Recruitment and selection**

Procedural delays impede the recruitment process, despite ABC Bank's strong company reputation and ability to draw in qualified candidates. Due primarily to several levels of approval and a dearth of digital resources to expedite the hiring process, the average time to hire surpasses industry standards. Additionally, unstructured onboarding procedures cause new hires to integrate more slowly, which can have a detrimental effect on productivity and early engagement.

## **Training and development**

Although technical and legal instruction is routinely offered, the audit found a deficiency in training for soft skills and leadership development. Numerous managers and staff members expressed dissatisfaction with the current training programs' lack of alignment with the demands of career advancement. Motivation and retention of staff members’ risks have also decreased as a result of the absence of mentorship opportunities and a formal professional growth framework.

## **Performance management system**

With an emphasis on yearly evaluations that frequently lack developmental feedback, ABC Bank's management of performance system is primarily process-driven. Employees perceived the appraisal process as subjective and occasionally ambiguous in connecting personal objectives to organizational goals, and it was discovered to be erratic across departments. Employee engagement has decreased as a result, and performance data is being used less frequently for talent development and succession planning.

## **HR Structure and strategic capability**

Although the staff in human resources is skilled and knowledgeable, its primary function is administrative. Data analytics, evidence-based decision-making, and HR technology are not used to their full potential. In particular in areas like workforce preparation, staff engagement, and change management—all of which are essential to sustaining ABC Bank's anticipated growth—the department's capacity to operate as an important business partner is limited. (Trivet, 2025)

# **Recommendations**

Several important suggestions are put forth to improve ABC Bank's HR procedures and better match them with the bank's strategic objectives in light of the HR audit's results. Enhancing pay and benefits, hiring, training, management of performance, and HR capacity are the main goals of these suggestions.

## **Enhance compensation and benefits**

Non-monetary as well as monetary incentives should be a part of ABC Bank's expanded reward strategy. Employee retention and satisfaction will increase with the implementation of wellness initiatives, flexible work schedules, and employee appreciation programs. To make sure that the incentive program stays competitive and sensitive to employee needs, it is also advised to regularly benchmark compensation and survey employee satisfaction.

## **Streamline recruitment and onboarding**

The bank should invest in digital recruiting instruments like tracking systems for applicants and online assessment sites and streamline the recruitment approval procedure to cut down on time-to-hire. New hires will integrate and become productive quicker if a structured onboarding program is implemented, which should include mentorship, orientation sessions, and structured check-ins over the initial three to six months of employment.

## **Strengthen training and development programs**

Programs for career planning, soft skills, and leadership development should be added to ABC Bank's training offerings. Employees can better align their development with the needs of the company with the support of individual development plans and a formal educational and growth framework. Creating coaching or mentoring programs will also improve succession planning and talent development.

## **Improve performance management system**

The bank ought to revamp its system for managing performance with an emphasis on ongoing employee development, goal alignment, and feedback. Fairness and transparency will be enhanced by implementing more objective performance metrics, 360-degree feedback, and quarterly check-ins. To increase the efficacy of appraisals, managers should be trained in providing constructive criticism and creating SMART goals.

## **Build HR strategic capability and technology use**

The HR division of ABC Bank ought to evolve from an administrative position to a partner in strategy role. This entails developing workforce planning skills, deploying digital HR solutions to increase operational efficiency, and embracing HR analytics to facilitate data-driven decision-making. The department's capacity to assist organizational growth will be enhanced by funding HR staff training on key human resources subjects like managing change and employee engagement. (Canada, 2025)

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