CHAPTER – 10

HR RECORDS, AUDIT AND HUMAN RESEARCH

10.1 Human Resource Records

The importance of Human Resource Records (HRR) needs no emphasis. It is pertinent to have information with a view to take timely decisions on various issues pertaining to Human Resource Management. It also preserves evidence/record for future reference or use. The various HRR are required on the following issues:-

(a) Personal data; viz. name, DOB, DOA, qualification, experience etc.
(b) Employment pattern/record of inter-section transfers, employability for various appointments like production, administration, supervision, maintenance, finance, computer etc.
(c) Job analysis, recruitment and selection.
(d) Training and details of various courses attended.
(e) Promotions, transfers and performance appraisal records.
(f) Wage and salary administration including date of increments.
(g) Records of employees medical, health and safety.
(h) Leave travel concessions (LTCs) and Issue of travel warrants.
(i) Labour relations including details of trade unions, collective bargaining meetings, meetings of Works committees and Joint Consultative Machinery (JCMs), strikes and lock-outs etc.

Human Resource Accounting (HRA) helps the management in decision making, particularly in the under mentioned domains:-

(a) In the decision making process for employment, allocation and proper utilisation of resources based on improved information systems.
(b) Developing new measures of effective manpower utilisation.
(c) Better Human Resource planning, enabling long-term opportunity for planning and budgeting.
(d) In taking decisions regarding promotion, transfer, training, retirement and retrenchment of such resources.

(e) For tasking right person for the right job.

(f) In evaluating the expenditure for imparting further training and to evaluate the returns on such investment in human resources.

(g) To motivate individuals in the organisation to increase his/her worth by training.

(h) To attract good, competent and efficient personnel to work for the organisation.

(i) To know whether the organisation has excessive human resources in terms of money’s worth and to help the organisation to take suitable action.

(j) In planning physical resources vis-à-vis human resources by giving valuable information.

For the Army in general and for the Corps of EME in particular, the following are the three-tier custodians of human resource records:

(a) The unit or Establishment and Accounts Sections, where individuals are presently posted. Here individual service records, pay details, leave entitled/availed and health cards are maintained on day to day basis. These are mostly done through publication of DO Part II Orders, whose copies are maintained in individual dossiers.

(b) Records Offices (viz. EME Records for EME personnel), where complete details of all JCOs/OR are maintained including ACRs, promotions and postings. EME Records located at Secunderabad maintains record of approximately 2.5 lacs ex-servicemen and one lac JCOs/OR, employed in the Corps of EME. Maintenance of individual service records is required for the purpose of pension, service pension, disability pension, handling of court cases etc.

For this purpose, in EME Records an exclusive library is maintained. Records are mentioned for three different periods for various categories of the JCOs/OR:
Ser No  | Category                                                                 | Records Retention |
---------|--------------------------------------------------------------------------|-------------------|
(i)      | For the distinguished JCOs/OR (viz. outstanding sportsman, gallantry award winners etc) | For ever          |
(ii)     | For superannuated or for those who died during service                    | For 50 years      |
(iii)    | For those who leave service early                                        | For 25 years      |

(c) Army HQ level, where Adjutant Branch (AG), Military Secretary (MS), Directorate General of Resettlement (DGR) and respective line Directorates (viz. EME, AOC etc) maintain various HR details on all India basis. These are necessitated for all arms and services course detailment, inter-service postings and UN mission contingents. Besides, it also generates data for study leaves, post-retirement courses and resettlement etc. Under AG Branch, there is an Army Statistical Organisation (ASO), which keeps record of all army personnel through its Manpower Tracking Management System (MTMS) on all India basis. Under Military Secretary, there is MS-16, which maintains the record of approximately 4000 technical officers of the Corps of EME including their Annual Confidential Records (ACRs), Course details, grading obtained, promotions, transfers etc.

10.2 Purpose of HR Records

A good Human Resource Record should be specific, reliable and complete. In the absence of reliable records and reports, the management would not be able to function properly. In fact, it would be paralysed as it would not be able to know about the organisation weaknesses and what precautions need to be taken to set the matters right. The various purposes of maintaining HRR are as under:-

(a) To supply the correct information required by government agencies on the rate of accidents, large scale absenteeism, turn over or wage rates occurring or prevailing in an organisation.

(b) To conduct research in the field of industrial relations.
(c) To enable personnel managers prepare training and development programs for the present and future requirements.
(d) To review and revise pay scales including various fringe benefits.
(e) To keep and maintain up-to-date data on leave, transfers, promotions, dismissals, strikes/lock outs, man days lost, expenditure incurred on employees' benefits/services, cases of indiscipline etc.

10.3 **Human Resource Audit**

Audit is one of the important management control devices. It is used to check, review and evaluate manpower management programme for certain past period in the organisation to facilitate control for the future. **Human Resource Audit**\(^\text{134}\) (HRA) refers to the examination and evaluation of policies, practices, procedures to determine the effectiveness and efficiency of HRM and to verify whether the set mission, objectives, policies, procedures, programs have been followed in toto and expected results achieved. HR Audit involves a formal, systematic and in-depth analysis, investigation and comparison. The audit also makes suggestions for the future improvement as a result of the measurement of past activities. Personnel Audit provides the required feedback. It is also essential in a diversified and decentralised organisation like Army in general and the Corps of EME in particular. The main **objectives of HRA** are the following:

(a) To review the performance of HR department and its activities to determine whether it has been able to achieve the expected results.
(b) To verify whether the mission, objectives and goals of the organisation have been achieved.
(c) To review the HR system in comparison with other organisations in the country and abroad so that it can be modified to meet the aspirations and challenges of human resources in the future.
(d) To evaluate the effectiveness of various HR policies, programs and practices in the organisation.

\(^{134}\) Retrieved from [http://www.wilkinskennedy.com/services/human-resources/hr-audit-1/what-is-an-hr-audit](http://www.wilkinskennedy.com/services/human-resources/hr-audit-1/what-is-an-hr-audit)
(e) To check the quality of leadership, motivation, communication, supervision and constant development of the employees and the management.

(f) To locate the gaps, lapses, shortcomings in the implementation of the policies of Personnel department.

(g) To take corrective steps for the future to rectify the mistakes, if any.

(h) To seek answers to such questions as ‘what happened’, ‘Why it happened’ and ‘What can be done’ to constantly improve it.

In other words, HRA involves “measuring the costs incurred by an organisation to recruit, select, hire, train and develop human assets and also includes the economic value of the people in an organization”. The various methods used for evaluation of human resources are the following:-

(a) Historical Cost Method

(b) Replacement Cost Method

(c) Opportunity Cost Method

(d) Standard Cost Method

(e) Current Purchase Power Method

(f) Economic Value Method.

(a) **Historical Cost Method.** This approach was developed by William C. Pyle\(^{135}\) (and assisted by R. Lee Brummet & Eric G. Flamholtz) and R.G. Barry corporation, a leisure footwear manufacturer based on Columbus, Ohio (USA) in 1967. In this approach, actual costs incurred on recruiting, selecting, hiring, training and developing the human resources of an organisation are capitalised and amortised over the expected useful life of the human resources says that original cost of human resources refers to the sacrifice that was actually incurred to acquire and develop people. Thus, a proper record of expenditure made on hiring, selecting, training and developing the employees is kept and a part of it is written off to the income of the next few years during which human resources will provide services. It the human assets are liquidated prematurely, the whole of the amount not written off is charged to the income of the year in which such liquidation takes place.

place. If the useful life is recognised to be longer than originally expected, revisions are effected in the amortization schedule. The historical cost of human resources is very much similar to the book value of the other physical assets. When an employee is recruited by a firm, he is employed with the obvious expectation that the returns from him will far exceed the costs involved in selecting, training and developing him.

The value of human resources can be increased substantially by making investments in training in the same manner as the value of fixed assets is increased by making additions in them. Such additional costs incurred in training and development are also capitalized and amortised over the remaining life. The unexpired value is shown in Balance Sheet as investment in human resources. The method is simple. It meets the test of traditional principles of accounting. It is only an extension of the concept of proper matching of cost and revenue. However, implementation of all this approach poses the following problems:-

(i) It only takes into account the acquisition cost of employees, ignoring altogether the aggregate value of their potential services.

(ii) It is difficult to estimate the number of years over which the capitalized expenditure is to be amortised.

(iii) What should be the rate of amortization? Should it be increasing constant or a decreasing rate?

(iv) The economic value of human resources increases over time as the people gain experience. However, in this approach, the capital cost decreases through amortization, which is difficult to reconcile.

(b) **Replacement Cost Method.** This method of valuation of human resources has been developed by Professor Eric G Flamholtz on the basis of concepts first suggested by Mr Likert. *Replacement cost is a measure of the cost to replace a firm’s existing human resources.* Hekimian and Jones have also

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advocated the use of replacement cost method when they say that, “In essence, we would value a human being at the estimated cost to use of replacing him with another person of equivalent talents and experience”. This approach incorporates the current value of an organisation’s human resources in its financial statements prepared at year-end. But at the same time, it is at variance with the conventional accounting practice of valuing other assets. Though current replacement costs method of valuing human assets is an improvement over the historical cost approach discussed earlier, yet it suffers from following drawbacks :

(i) There may be no similar replacement for a certain existing asset. Actually it is difficult to find identical replacement of existing human resources.

(ii) The determination of a replacement value is affected by the incomplete information about human resources.

(iii) Further, the valuation based on replacement cost lacks verifiability.

(c) **Opportunity Cost Method.** This method of measuring value of human resources of an organisation is based on the economist’s concept of opportunity cost. For capital equipments and assets, Joel Dean\(^ {138}\) has defined opportunity cost as “the most profitable alternative use… that is foregone by putting it to the present use”. Hekimian and Jones\(^ {139}\) suggest an opportunity cost approach to value the employees when they state that “opportunity cost is the value of an asset when there is an alternative use of it”. They have suggested a competitive bidding process for the scarce employee in an organisation. The employee is to be termed as scarce only when the employment of an individual is by one division who denies this type of talent to other divisions. They have specifically excluded those employees which can be hired readily from outside.

However, this approach has narrowed down the concept of Opportunity cost by restricting it to the ‘next best’ use of the employees within the


\(^{139}\) Aquinas, P.G.; Human Resource Management, 1E, Vikas Publishing House Pvt Ltd.
same organisation. Moreover, it has specifically excluded from its purview the employees which are not scarce and are not being ‘bid’ by other departments. It emphasised that this system of ‘competitive bidding’ is likely to result is lowering the morale and productivity of the employees which are not so covered under this process. Further, a person may be an expert for one department and not so for the other department. He may be valuable for the department in which he is working and hence, may have a lower price in the bid by the other departments. Thus, the total valuation of human resources based on the competitive bid price may be inaccurate and misleading.

(d) **Standard Cost Method.** In this method standard costs of recruiting, hiring, training and developing per grade employee are developed and established and made up to date every year. The standard cost so arrived at, for all persons are treated as the value of human resources for accounting purposes. This is an easy method for implementation and the variances produced should be analysed and would form a useful basis for control.

(e) **Current Purchase Power Method.** Under this method the historical cost of investment in human resource is converted into current purchasing power with the help of Index numbers. The standard cost method on the current purchase power method also suffers from all the drawbacks of the replacement cost method except that they are simplest in calculation.

(f) **Economic Value Method.** The present value of a portion of the firm’s future earnings attributable to human resources will be the value of human resources. The important and widely used model for valuation is Lev and Schwartz compensation model. The model of measurement of human capital suggested by Brauch Lev and Aba Schwartz\(^\text{140}\) is based on the economic concept of human capital. Capital is defined as a source of income over a period of time and its worth is the present value of future incomes discounted by a certain rate. Irving Fisher\(^\text{141}\), one of the originators of human capital theory, states that “the value of capital must be computed from the value of its estimated future

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“net income not vice-versa”. However, a close look at the definition of capital and its valuation shows that Fisher does not talk of human or non-human capital separately. However, the valuation of human capital is an important as that of non-human capital because human beings have the productive capacity.

It is generally advisable to get HRA by an independent outside person or agency, who can objectively evaluate the performance of the HR department. Under the audit, various activities of the HRM, viz. personnel policy, HR planning, recruitment, selection and placement, training and development, performance evaluation and career progression, employees relations, communication, suggestion schemes and areas of participation, compensation and rewards etc are assessed by framing suitably structured questions. HRA also reviews certain other things like rate of absenteeism, rate of turnover, man days lost due to various reasons, grievances/disputes handling, punishment, safety and accidents etc. In nutshell, HRA identifies the contribution of Personnel department to the organisation and improves its professional image.

In the Army in general and the Corps of EME in particular, the following HR Audits are prevalent:

(a) Administrative Inspections of units, where senior officers from the higher formations, inspect the units under their command once a year. During this inspection, they usually make checks on the following important aspects:

(i) Manpower surplus/ deficiency
(ii) Dues in / dues-out state
(iii) Physical fitness through
    (aa) Physical Proficiency Tests (PPT)
    (ab) Battle Proficiency Efficiency Tests (BPET)
    (ac) Range Classification (Firing),
(iv) Discipline cases
    (aa) Deserters
    (ab) Overstay on leave(OSL))
    (ac) Misconduct
(v) Funds utilisation
(vi) Performance in sports
(vii) Awards received
(viii) Training conducted
(ix) Accidents of
   (aa) Personnel
   (ab) Vehicles
   (ac) Fire
(x) Local purchase etc.

(b) Technical or Departmental Inspection, where the under mentioned aspects of technical proficiency are checked:
   (i) Equipment availability state
   (ii) Equipment out-of-action (EOA)/Vehicle off road (VOR) state
   (iii) Ideas and innovations
   (iv) Technical seminars conducted
   (v) Equipment utilisation
   (vi) Workshop modernisation
   (vii) Technical training
   (viii) Maintenance advice given to the users units.

(c) Army Standing Establishment Committee (ASEC) Reviews, which vet the Peace Establishments (PEs) and War Establishments (WEs) every five years and four years respectively to monitor the adequacy of the following aspects:
   (i) Manpower
   (ii) Equipment/vehicles,
   (iii) Arms and ammunition authorised to them.

(d) Equipment Table Review Committee (ETRC), which reviews War Equipment tables (WET)/Peace Equipment tables (PET).

(e) Audit Checks like Local Audit Offices (LAOs), Test Audits, Comptroller & Auditor General audits and Central Vigilance Commissioner
audits on various aspects related to financial transactions, purchase of plants, machineries, spares, major works and capital procurements to ensure that government policies/guidelines are not violated.

(f) In all Army training institutions (like MCEME, EME School, 1 and 3 EME Centres for the Corps of EME); HQ Army Training Command carries out annual training audits of MCEME and EME School. During these audits, the following aspects are closely monitored:-

(i) Courses run for the officers and JCOs/OR during the previous training year (01 Jul – 30 Jun)
(ii) Performance achieved
(iii) Feedback received from the students and actions taken by the organisation to address them
(iv) Visits conducted to other organisations / institutes
(v) Guest lectures conducted and feedback received on them.
(vi) Technical Projects carried out by the students.
(vii) Adequacy of training aids like
     (aa) Instructors – regular and hired
     (ab) Class rooms
     (ac) Precis / handouts
     (ad) Computer based training (CBT)
     (ae) Laboratories
     (af) Text and reference books
     (ag) Journals and periodicals
(viii) Accommodation and other facilities. In addition to the above, EME Training Advisory Committees (ETAC) Training Evaluations are done annually for Category B training establishments (viz. 1 & 3 EME Centres) and bi-annually for Category A training establishments (viz. MCEME and EME School).

(g) For Army Base Workshops, which are considered captive overhaul/repair facilities, Annual Performance Audits (APAs) are carried out once a year by Commander HQ Base Workshop and his team of officers. This exhaustive audit encompasses all facets of various workshop activities as mentioned below:-
(i) Percentage capacity utilisation
(ii) Meeting of annual AHQ repair targets
(iii) Quality of equipment repaired and spares manufactured
(iv) State of plants, machinery and specialist equipment (PMSE) and their percentage utilisation
(v) Ideas and innovations
(vi) Status of jigs, fixtures and dies manufactured
(vii) Industrial accidents
(viii) Industrial relations
(ix) Funds utilisation
(x) Local purchase done
(xi) Functioning of Suggestion scheme
(xii) Training courses conducted both inside and outside the workshop
(xiii) Awards and incentives
(xiv) User satisfaction
(xv) Support to field Army and in-situ repairs etc.

10.4 Need and Areas of Human Resources Research

The Human Resources Research (HRR) is the task of searching for and analysing the facts to understand how personnel problems may be solved or principles governing their solutions derived. HRR implies searching investigations, re-examinations, re-assessments and re-evaluations. It is purposive, objective, systematic, planned and designed investigation analysis and a fact finding mission to search for the new methods, practices to keep pace with the changing needs for the long term growth and development of the organisation besides improving the existing procedures and practices.

Some of the possible areas of HR Research are the following:-

(a) To study the effectiveness of HRM on the strategic management decisions to achieve the overall objectives and goals of the organisation.
(b) To undertake a study to find the effect of training and development on the performance of HR and its contribution to success and growth of the organisation.

(c) To study the effect of compensation including incentives, rewards and other monetary benefits on the performance and contribution by HR towards achieving of the organisational vision and mission objectives.

(d) To study various motivational techniques used by the organisation and its effect on the performance of HR and understand what contribution is made and the role played by HR towards the success of the organisation.

(e) To study the effects of styles of leadership on the management of the enterprise and find out the effect of different styles of leadership on the stability and growth of an organisation.

(f) To study the efficacy of the present trade structure and skill levels to meet the HR demands of the future.

For Army in general and for the Corps of EME in particular, various studies and researches are periodically carried out to examine the efficacy of the present system, identify the gaps and suggest remedial measures. These belong to variety of the disciplines, some of which are listed below :-

(a) Corps re-structuring
(b) Rationalisation of the existing trades, both for combatant and civilian
(c) Study of training needs
(d) Modernisation of field and Advance/Army Base workshops
(e) Automation and networking
(f) Enterprise Resource Planning (ERP)
(g) Indigenisation of spares by the Corps of EME
(h) Working out of the logistics support
(i) Repair of aviation rotables
(j) Outsourcing
(k) Unit Repair Concept (URC)
(l) Entry and employment of women officers in EME
(m) Introduction of Technical Entry Scheme, their training and employment.
(n) Revision of Defence Service Regulations (DSR)
(o) Establishment of dedicated advance base workshops for Commands other than Northern and Eastern commands.
(p) e-learning etc.

In order to improve the efficiency of Army Base Workshops, three studies have been carried out till date. They are :-

(a) Mr KC Jain Committee conducted in 1965
(b) Mr Vinay Vyas Committee carried out in 1979
(c) Lt Gen PR Puri (Retd) Committee conducted in 1983.

Moreover few other studies have been recently carried out to assess the futuristic requirements of the Army till 2022 AD and plans to prepare for it. The important among them are: -

(a) Indian Army Doctrine
(b) Army HRD Perspectives 2022
(c) Army Space Mission 2020.