

Original Article

Roadmap for HR Audit in Pakistani Banks: A Grounded Theory

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ABSTRACT

The strategic significance of Human Resource (HR) audits has not been investigated in the Pakistani banking industry. The auditing is still perceived by many banks as a compliance activity instead of a method of planning long-term employee workforce, worker engagement, ethical governance, and digital progress. This research paper attempts to address that gap by creating a framework which is responsive to the dynamics of an emerging market. Qualitative data were collected via the 15 external auditors who have experience working in the banking sector under the constructivist grounded theory. Interpretation of interview transcripts. Open, axial and selective coding were conducted using NVivo software. The analysis has shown that there were common issues such as poor recordkeeping systems, a lack of digital infrastructure, insufficient management support, and resistance to change by employees. In reply, the study shows a five-stage HR audit roadmap: Initial Engagement, Comprehensive Audit Planning, Data Handling, Reporting and Feedback, Insightful Analysis and Continuous Improvement. The proposed model contributes to the literature of HRM through contextualizing the HR audit practices to growing economies and facilitating modernization, data-driven processes, and strategic alignment of the HR functions and organizational goals.

Keywords: *Banking sector in Pakistan, HR audit, Resourced-based view, Strategic alignment*

INTRODUCTION

The banking industry in Pakistan is changing fast, and this process has been motivated by digital transformation, tightening regulatory requirements, and rising competition in the market. Human capital is one of the main strategic assets in this environment. Nevertheless, the old-fashioned HR systems and manual procedures are still used by many banks, which might lower the work efficiency, risk of compliance, and have a negative effect on employee experience (Plater et al., 2023; Khan et al., 2023). Such gaps expose non-performance in organizations. Although the contemporary international research suggests the strategic potential of HR audits, the Pakistani context is characterized by several challenges including cultural resistance, digital gaps, and a lack of compliance efforts (Adllaleh et al., 2024). It was also found that there is a weak connection between the HR systems and strategic goals in Pakistan lowering the quality of audits (Gautam, 2023).

The Gary Audit Model (Florkowski & Schuler, 1994), the Six-Box Model of Weisbord (Cannings & Hills, 2012), and the Strategic HR Audit by Ulrich (Ulrich & Grochowski, 2018) are typical traditional audit frameworks of HR practices that are centred on compliance or operational efficiency. Though they incorporate digital technology and strategic approaches such as the Resource-Based View (RBV), they fail to consider other issues of culture and institutional problems characteristic of an emerging economy. According to scholars, HR audits must not only be checklists but also strategic planning, ethics and engagement with employees (Shiri, 2012; Muhammad & Naz, 2023). This paper fills this gap by creating an HR audit road map specific to the banking industry of Pakistan. Based on the RBV, the framework defines HR audits as important strategic instruments to

leverage human capital and sustain the organizational competitiveness in the long-term perspective.

LITERATURE REVIEW

Understanding of HR Audit

HR Audit is needed to perform excellently among employees. They assess the performance and determine how to improve it, which consequently leads to an increase in productivity and engagement (Khan et al., 2023; Ramesh & Sinnu, 2024; Duvvuri, 2021). They assist the organizations to determine costs/benefits of the HRM programs and lead to the sustained improvement (Plater et al., 2023; Muhammad & Naz, 2023). It is a thorough inspection of the HR needs and constraints of an organization and its staff to improve their performance. Rao (2024) explains that HR audits are conducted by diagnosing problems, analysing the information, and strategizing on associated actions to be undertaken by the HR management in future. HR audits are used to monitor and evaluate internal controls within the organization and the internal controls are monitored by HR audits. Audits allow businesses to improve the performance of its employees and evaluate the effectiveness with which HR performs its duties (Bieliaieva, 2019). In general, an HR audit is a comprehensive examination of both internal and external policies that contributes to the development of efficient resources of managing and employee managing policies.

Model of HR Audit

Early HR audit frameworks, such as Gary's HR Audit Model, focused on linking organizational objectives with outcomes to improve HR effectiveness (Florkowski & Schuler, 1994). The Comprehensive HR Audit Model highlighted how HR systems support broader

organizational goals and help meet expected outcomes. Weisbord's Six-Box Model examines six dimensions purpose, structure, relationships, rewards, leadership, and support mechanisms to pinpoint areas where HR can be strengthened (Cannings & Hills, 2012). Ulrich's Strategic HR Audit emphasizes aligning HR practices with organizational strategy across recruitment, development, and performance management (Ulrich & Grochowski, 2018). More recent frameworks expand the focus further, incorporating organizational culture, leadership, and employee engagement (Kotamena et al., 2022), suggesting that HR audits should integrate policy review, compliance, systems, and cultural assessment.

Modern HR audits often cover several areas at the same time. Policy and compliance reviews ensure HR practices follow legal and ethical standards. Evaluating core HR functions like recruitment, training, and performance management helps measure their contribution to strategic objectives (Gautam, 2023; Parajuli et al., 2023). Organizational culture and engagement are examined to determine whether the work environment motivates employees and supports goal achievement. The use of HR metrics and analytics provides organizations with actionable insights for informed decision-making (Madhani, 2023). Continuous alignment with strategy, ongoing improvements, and collaboration across functions help keep HR practices relevant and effective (Gautam, 2023). These findings show that HR audits today function not only as compliance exercises but also as strategic tools, supporting both operational efficiency and long-term organizational objectives.

Theoretical Background

The RBV provides a groundwork for perceiving the HR audit practices in banking sector of Pakistan (Barney & Wright, 1998; Wright et al., 1994). To be strategic assets, these resources must be valuable, rare, inimitable, non-substitutable (VRIN), especially in complex and competitive industries like banking. From RBV perspective, HR audits become strategic tools for developing VRIN-based human capital. With this approach, banks can shift from administrative HR management to strategic auditing, transforming human resources into performance drivers (Bieliaieva, 2019). RBV based strategic HR audits also encourage deployment of predictive analytics, AI based insights and management metrics which enable organizations to prepare for challenges and strategically match employee's skills and development to an organizational objective (Eze & Francis, 2024; Gautam, 2023; Madhani,

2023; Plater et al., 2023).

This study is applying the principles of RBV to the audit process, shifting from traditional compliance focused to a forward-looking risk based which tightly aligned with strategic objectives (Muhammad & Naz, 2023; Parajuli et al., 2023). HR practices proactively improve the workforce and ensure ongoing compliance with laws and regulations. HR audits proactively support and drive the organization's overarching business strategy and competitive advantage (Gautam, 2023; Eze & Francis, 2024).

Challenges for HR Audit

HR function is a strategic tool used to identify process improvements, workforce optimization and alignment with strategic objectives (Smith, 2019; Kotamena et al., 2022). To overcome typical challenges, including limited resources, legal complexity, and the need for employee participation. Conducting regular audits with genuine employee participation enhance job satisfaction and commitment (Smith, 2019). HR audit also ensure compliance with laws governing hiring, benefits, confidentiality, and termination (Bieliaieva, 2019). Structured HR audits function as a diagnostic tool, providing data-driven insights into the efficiency and impact of HR functions (Muhammad & Naz, 2023).

METHODOLOGY

The qualitative methodology of this research was the constructivist grounded theory of Charmaz (2017), with the idea of examining the practices of the HR audit within the banking industry in Pakistan. The strategy was to represent the multifaceted nature of HR audits and outline their sensitivity to the contexts of the organization and the experiences of the participants. The data gave insights and patterns, which were formed gradually in an iterative process, and this is where theory could be based on the evidence seen.

Data Collection Method

The purposive sampling tool was used to select fifteen external auditors, who represented some of the top private audit firms. These experts were selected due to their hands-on experience and comprehensive understanding of the HR audit practices, and this makes it ideal to find out the challenges and the best practices. The experience of the participants was between 5 and 20 years, and the individuals represented different organizations. The sample was quite small, but it was quite diverse and qualified enough to guarantee the conclusions made to be valid and significant. Saturation of data was achieved as there were common

themes that were recurring within interviews. Table 1 below presents the demographics of participants in both public and private banks. Taking place was semi-structured interviews and analysed by NVivo software. To be rigorous, there were several validation strategies applied. To offer a detailed perspective, triangulation used interviews, HR policies of the organization

and other documentation. Anonymous participants were obtained, and they were provided with major interpretations, which they could confirm to make sure that findings reflected their experience. These actions enhanced credibility, reduced researcher bias as well as improved the overall reliability of the research.

Table 1

Demographics and Organizational Affiliations of Study Participants

Participants	Company	Experience	Gender	Job Function
Auditor 1	BDO	8 years	Male	External Auditor
Auditor 2	A.F. Ferguson & Co	11 years	Male	External Auditor
Auditor 3	KPMG	6 years	Female	External Auditor
Auditor 4	Ernst & Young	15 years	Male	External Auditor
Auditor 5	Deloitte	9 years	Male	External Auditor
Auditor 6	PwC Pakistan	13 years	Female	External Auditor
Auditor 7	Crowe Horwath Chartered Accountants	7 years	Female	External Auditor
Auditor 8	Grant Thornton	8 years	Male	External Auditor
Auditor 9	BDO	20 years	Male	External Auditor
Auditor 10	Push Digits Chartered Accountants	15 years	Male	External Auditor
Auditor 11	RSM	9 years	Male	External Auditor
Auditor 12	KPMG	5 years	Male	External Auditor
Auditor 13	BDO	7 years	Male	External Auditor
Auditor 14	Deloitte	6 years	Female	External Auditor
Auditor 15	E&Y	8 years	Male	External Auditor

Data Analysis

Several major themes were identified based on the analysis. No new themes were identified, and data collection was continued up to the point of saturation. This enabled a comprehensive insight of the practice of HR audit within banking sector of Pakistan. The study is a systematic and contextual investigation of HR audit processes that is grounded on a constructivist grounded theory and NVivo as a qualitative analysis tool. The research on the contextual dynamics fosters the creation of a sustainable HR audit model of the banking sector, associated with HR audit practices. The strategic alignment and integration of organizations have become very crucial and HR audits became not only efficient in administration but also active to develop long-term business strategies. Loopholes

were found in ensuring the alignment of HR policies with organizational goals, and some of the areas where it was found wanting were compliance with labour laws, risk management and assurance in areas like payroll, recruitment and performance appraisal. There were also noted operational inefficiencies such as recruitment, payroll and performance management, which was mostly caused by old systems and low digitalization. Another important issue that was raised was the workplace culture, particularly in addressing employee problems, promoting diversity, and enforcing ethical behaviour. Five interrelated key themes were developed. These themes collectively form a “Comprehensive Grounded Roadmap” outlining how HR audits are initiated, planned, executed, analysed and reported in Pakistani banks (Figure 1).

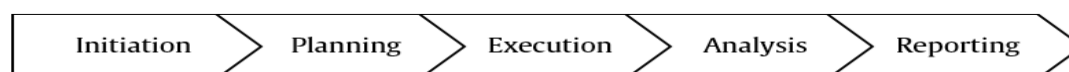


Fig. 1. Comprehensive Grounded Roadmap

RESULTS & FINDINGS

HR Audit Process

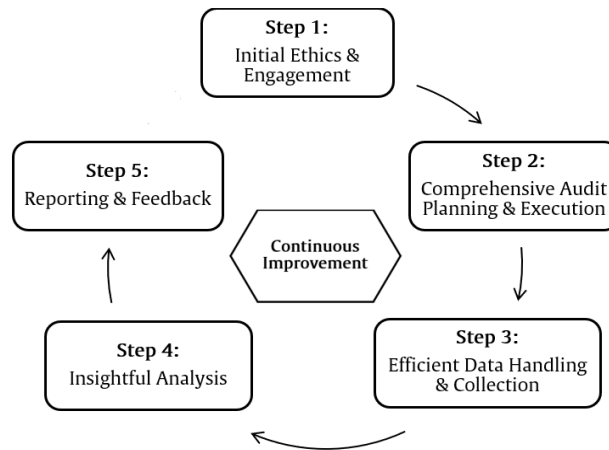


Fig. 2. Roadmap of HR Audit Process

Step 1: Initial Ethics and Engagement

The first stage of the HR audit process is the Initial Ethics and Engagement stage that presents the basis of an open, professional, and cooperative relationship between auditors and the organization. The stage stipulates and explains the purpose of the audit and gives an understanding that all the stakeholders are talking at the same level regarding the scope and objectives of the audit. According to one, it indicated that the partners are engaged through discussion, where early communication is built to establish trust and mutual understanding. One of the major aspects of this stage is the introduction of accountability that would ensure that everything is performed and delivered in a responsible manner. Client acceptance entails getting the formal approval of the organization to continue with the audit process with interest of all parties having a clear sense of commitment towards the goal of becoming of the audit.

“Engaging with partners by discussion” (Auditor 1).

These preliminary contacts will enable the auditors to tell the priorities of the organization and some of the areas that should be addressed. In this step, auditors provide descriptions of how the audit may be beneficial (it may lead to effective work of HR), how much it may comply with the policies, and how much it may strengthen organizational culture. This understanding is formalized by an official engagement letter which is a binding agreement between the audit team and the organization. The letter provides the areas of audit, output, procedures, confidentiality, and schedules in which both parties act in good faith and accountability. It can state, as an example, that the audit will determine whether the labour laws, diversity programs, and employee engagement programs are adhered to. As

soon as the engagement is confirmed, attention is paid to the joint preparation. The audit staff are convened with experts in fields like compliance, workforce analytics, and HR systems whereas internal members are updated on their responsibilities as providers of data, interviewees, or experts. The kick-off meetings are utilized to harmonize expectations, clarify the timelines and to create a general understanding of the purpose of the audit.

“Conduct interviews with senior management, HR leaders, and key stakeholders to understand their expectations, concerns, and strategic priorities for the upcoming audit” (Auditor 8).

This initial interaction is an optimistic start, and it reinforces the working relationship between the auditors and the client. It is necessary to maintain ethical compliance during all the stages of this phase to build trust, risk management, and accountability. By abiding by them, the organization would be able to conduct its activities in an ethically responsible manner, treat its employees fairly, avoid lawsuits and other litigations, maintain its credibility among its stakeholders.

Step 2: Comprehensive Audit Planning and Execution

The HR audit process is supported by the comprehensive Audit Planning and Execution that will help organizations detect any gaps of compliance, enhance efficiency, and coordinate the HR functions and strategy goals.

“Decide how detailed the audit will be” (Auditor 7).

This stage is aimed at thematizing the objectives identified during the engagement introduction into a game plan, and a systematic action that delivers results

to be acted upon. The scope of the audit is established at this stage, and it includes co-operation with organizational leaders to identify where there are most interested areas depending on the strategic priorities,

“Talk to the right people, make a plan, and then share your findings and suggestions for improvement” (Auditor 3).

In this process, the auditors identify the HR functions and procedures that will be reviewed including recruitment, employee relations, compensation, training and performance management. When scoped properly, an audit will be able to stick to the objectives. In case of an example, an organization dealing with ineffective compliance can focus on legal requirements at first dealings with employment contracts, employment hiring, and firing. Conversely, a company with high turnover may be interested in retention strategies, exit interview statistics and employee satisfaction measures. Another way through which auditors can enhance communication within the teams is communicating the purpose of the audit and expected results of the audit. This common ground assists in bringing each other to the same goals. The audit schedule is well designed and balanced as far as depth and efficiency are concerned, and the schedule has precise dates of data collection, analysis, feedback and reporting. A timetable will keep the pace, responsibility, and advancement of the process.

Another important aspect at this phase is control testing. It entails reviewing the reliability and efficiency of levies of HR policies, controls and processes so that they will be within the law and be in tandem with the organizational standards. Such testing can be used to show the organization vulnerability to risks like violation of regulations, inefficiencies, or poor motivation of employees. The experiences that are acquired will help in enhancing HR governance and reduce the exposure to risks. As not every HR activity is equally important, the areas of coverage by auditors will be ranked according to the organization objectives, challenges and risk profile. As an example, the due diligence of the talent acquisition practices can reveal the necessity of conducting recruitment in a more fair and efficient manner. In the same way, the analysis of compensation systems could reveal compensation inequality that influences the trust and satisfaction of employees. Observation of the engagement programs and turnover rates may show that there are cultural or management-level issues, and consideration of the HRIS may demonstrate that they have old technology which inhibits the accuracy of the data and reporting functions. These areas help auditors to come up with

viable recommendations regarding problems at organizational levels.

After the end of the planning phase, the execution starts. This is the implementation of the audit plan by using data collection, interviewing, observation of the processes and testing. All the targeted areas of HR undergo proper examination to make sure that it has been reviewed completely. Auditors would liaise well with HR members and the rest of the stakeholders to collect accurate information, and their findings would be documented in real time. It is the base of the final analysis and reporting stage as the records are used to make evidence-based and actionable conclusions.

Step 3: Efficient Data Handling and Collection

Proper management of data is vital in making the HR audit quite successful as information will be collected, verified, and analysed accurately.

Reviewing processes for fairness, efficiency, and consistency (Auditor 5).

The first step will be involving extensive data gathering in which all pertinent HR papers including employment contracts, payroll records, benefit records, training certifications, compliance policies, among others, will be collected. These documents serve as a basis for assessing HR efficiency and legal adherence. However, the collection of data is not enough. The next step will be field and observation of whether the HR procedures are not just written but practiced. This involves fairness, efficiency and consistency in processes review, visiting the workplace, interviewing the HR personnel and working personnel, and reporting on daily HR personnel activities in comparison with predetermined policies. Upon compilation of data, second stage is validation and completeness testing. In this case, auditors ensure that all the records are real, entirely and within the law.

Review previous HR audit reports, internal reviews, or employee feedback to identify recurring issues or improvement areas (Auditor10).

The gaps or missing items, including the lack of signature to contracts or expired certifications, are detected and eliminated. In the same manner, discrepancies of payroll books and employment contracts are also checked to identify whether there are any mistakes or non-conformance. Restructuring the findings of past HR audits and employee complaints also assist in pinpointing some of the weaknesses or areas that could be improved. This comprehensive strategy will deal with the reliability of information on

which analysis is made, error reduction, and enhance the overall validity of the audit process.

Step 4: Insightful Analysis

The audit is next followed by analysing the HR data which you have gathered and justified. It seems to be observant in the sense that it should point out new gaps, inefficiencies and compliance problems.

The management may, based on the report, take necessary actions including hiring, firing, and training staff members (Auditor 14).

At this stage, the auditors find gaps between legal and industry requirements and the existing HR policies in gap identification. Depending on the report, undertake the requisite actions such as hiring, firing and training of the staff members. This is often done to reveal employee benefits, recruiting practices and compliance with regulations differences. As an illustration, the auditors would discover that certain policies in the HR handbook have not been applied uniformly, and employees would end up having different treatment based on the department they are in. Besides identifying the gaps, the measurement of HR metrics is the procedure of quantifying such KPIs as turnover ratio, time-to-hire, absenteeism rate and workforce engagement. These metrics are quite a useful analysis of the total value of HR operations. Employee disgruntlement, such as a high turnover rate, could be indicated, and a long hiring process could indicate a lack of efficiency in the employee recruitment techniques. And inspection of personnel files: the inspection of whether every employee file is finished and that the contents of them are legal are other forms of shrewd analyses. This process will make sure that all employees hold up to date records (authentic work permits, signed agreements, records of performance review, etc.). Through this precise analysis, the HR auditors will have a better view of the strengths and weaknesses of their operational practices, which will result in sound recommendations to make HR more productive and regulatory compliant.

Step 5: Reporting and Feedback

After the analysis stage is done, the results are summarized into detailed reports that would allow the HR department and the top management to see a clear picture of the performance of their management systems.

Preliminary findings are shared with management to address key issues before finalizing audit report (Auditor 11).

These reports are an indication of gaps where things are not good enough and advise on how to fix or improve them. The steps are usually started with refining the first report in which the outcomes of the audit are organized with care exhibiting the most crucial findings, possible risks, and inefficient spheres. The outcomes are prioritized based on their level of seriousness since minor issues can be handled instantly but the serious ones ought to be handled as soon as possible and to the point. Once the structure of the report is established, the focus is shifted on the useful recommendations. These are ideas and initiatives that will address the issues that have been noted like updating HR practices, establishing employee engagement or compliance training. One example is that in event the audit indicates that there is no proper record keeping of promotions or payment increment, one of the suggestions that could be made is to develop a standardized method of conducting a performance appraisal and pay increment. And, of course, the last and, arguably, the most beneficial part of the process is actionable insights, where HR is presented with the knowledgeable and data-driven suggestions on what to pay attention to and how to induce the needed changes. Finally, the areas of weakness are not mentioned in the audit report only, but a detailed plan of how the HR operations can be optimized to become more effective and goal-oriented are provided.

Continuous Improvement

HR audit is a structured process that is designed to help organizations conduct and solidify their mode of managing the work force. It begins with a careful gathering of data where all the records of employees and other documents are gathered and verified as they are correct. This procedure preconditions further research into the issues which examine HR indicators, employee background and potential instances of violation of the rules. Once the main findings are identified, the process will transform into the reporting and feedback one. It is here that the formal reports on the HR teams have already been received and the positive recommendations provided to eradicate inefficiencies and strengthen compliance practices. The final phase is premised on the concept of improvement that requires the organizations to update and make their HR policies more precise as the business goals and legal regulations change. This practice, which has remained in effect, has helped not only in compliance, but also in crafting a managerial culture founded on transparency and accountability in the workplace. Effective HR audit is not a review but a long-term strategy of eliminating the risk level of the organization and a measure of a

business having long term sustainable growth.

Challenges to Conduct HR Audit

Resistance to Audits

Banks usually face an oft recurring issue - they tend to give pause when it comes to being audited, especially by outsiders or sometimes by an unfamiliar party. Many institutions approach audits with apprehension because they see the audit itself as a threat to the institution though it could be an opportunity for growth instead. To overcome this mindset, it is essential to create a culture that values transparency and accountability. Audits should be accepted as constructive mechanisms for improving operations and not be means for blaming or punishing people. Sensitive employee information should always be handled securely in a way that allows the information to be protected using strict confidentiality measures. Using effective internal communication tools such as Slack or Microsoft Teams as well as virtual meeting tools like Zoom can help to keep the process coordinated and open. Conducting pre-audit orientation sessions or workshops is another useful strategy - they help clarify the objectives, mitigate anxiety and prepare the employees and management for active participation. When these measures are used, employee resistance to audits can be reduced by almost half, the general trust in the audit process can increase by around 40% and participation rates among staff as well as management can improve by up to 20%.

Poor Documentation and Inaccurate Data

One of the biggest challenges in conducting effective audits in the banking sector is not just associated with old regulations, but the deficiency and deterioration of important records. When documentation is missing or outdated, it's become very hard to be able to validate processes and assure that the operational activities are being performed in the way that it's designed to be. To overcome these challenges, banks need to consider developing centralized HR documentation infrastructure such as BambooHR or SAP SuccessFactors to keep documentation organized and accessible. This way around 95% data accuracy/completeness can be achieved across HR files. In addition to this, regular internal audits also help in identifying and updating the missing or expired information in timely manner. By using document control software, however, institutions can greatly reduce incomplete or inconsistent record-keeping, if not by nearly 80%.

Resource and Capacity Constraints

Audit process in banking sector sometimes have limited resources problems. However, carrying out all these expenditures is challenging because of low timings and resources, and such activities are given priority as low down the list of tasks as account operations. In addition, if management does not show support for audit work, it might be difficult for the function to receive the much-deserved attention as it might have been taken for granted by management which is more concerned with other operational tasks that generate revenue. Organizations require plans with dedicated resources, foresight in planning audits and management buy-in to overcome these limitations

Lack of Knowledge and Training

The deficiency of HR audit knowledge and training establishes the necessity of the systematic and vigorous training system. The enhancement focuses on the development of skills, technical competence, and the knowledge of enhancing HR audit operations. HR analytics, compliance management and data-driven audit-related specialization. Adopt feedback-based practice to perfect training contents on a continuous basis. Work on training material focused on the use of the emerging technologies that become actual in HR audits; Training on the use of predictive analytics in workforce planning and the detection of compliance risks.

Discussion

This paper aimed at answering one of the core questions in the banking sector of Pakistan, namely that the current model of HR audit is not locally applicable and thus fails to bring together ethical engagements, strategic alignment, and digital adaptation. The available models like the Strategic HR Audit (Ulrich & Grochowski, 2018), the Gary Audit Model (Florkowski & Schuler, 1994), and the Comprehensive HR Audit Model (Kulchitskaya et al., 2016) offer valuable theoretical underpinnings, but are all either compliance based or too broad to be applicable in an environment full of institutional rigidity and cultural complexity (the banking industry in Pakistan). The research employed a grounded theory approach, which utilized a constructivist approach to address this problem through a data-driven approach.

The results support the reviewed literature in terms of confirming the sustainability of problems, including inadequate recordkeeping, insufficient strategic integration, and employee resistance (Khan et al., 2023; Adllaleh et al., 2024), as well as providing

new theoretical and operational relationships. This study presents evidence in the field, unlike Gautam (2023), who addresses the issue of HR and business strategy misalignment as a general concept. It shows how such feasible measures as engagement letters, kick-off meetings, and early stakeholder engagement can reduce resistance and facilitate the creation of alignment at the initial phase of the audit process but not considering it as an end-of-life stage. The research expands ethical aspect of HR audit as well. Relying on the example of Muhammad and Naz (2023), who explain the importance of ethics in HRM but do not proceed it in the design of audit, this study reveals that unambiguous agreements, informed consent, and that the confidentiality would help the HR departments work much harder and trust more.

These types of practices ensure there is transparency, lessening of fear and participation during an audit. Regarding the technology, although the impact of HR analytics on the improvement of audit performance, the research provides a more practical direction to integrate it. It demonstrates how banks can start with simple metrics like time-to-hire and employee engagement and progressively roll out predictive analytics with an increase in capacity. This development is in line with their strategic requirements and realities of developing economies technologically. The study also formalizes the RBV by establishing the role of HR audits in the strategies of organisations instead of diagnostic functions. Unlike most RBV procedures that undertake the analysis of HR functions separately (Wright et al., 1994), this research paper illustrates how audits could be used to determine whether human capital is valuable, rare, inimitable, and non-substitutable (VRIN criteria).

CONCLUSION

This study investigated HR audit practices in Pakistan's banking sector, using a constructivist grounded theory approach, and suggested a five-phase roadmap tailored to local needs. Instead of sticking to the usual compliance-driven methods, the framework brings in ethical responsibility, strategic thinking, digital tools, and ongoing feedback. This shift turns HR audits from routine checks into practical tools that help develop employee skills and encourage organizational learning. The research also addresses a gap in the existing literature by providing a model that links HR audits with strategic human resource management, using ideas from the RBV. The roadmap doesn't just highlight weaknesses in current audit practices; it offers practical steps for turning audits into mechanisms that

foster continuous learning, adaptability, and closer alignment with an organization's strategic goals.

Theoretical Implications

This study adds to existing theory by broadening the scope of the RBV to include HR audit practices in the banking sector of a developing economy. The findings suggest that HR audits should not be seen merely as compliance checks or performance reviews. Instead, they can serve as structured tools to examine how human capital contributes to strategic advantage in line with RBV's VRIN dimensions—valuable, rare, inimitable, and non-substitutable. Through this perspective, HR audits help identify where workforce capabilities fall short and provide a foundation for aligning human resources more closely with organizational strategy.

A key insight emerging from the study is the positioning of continuous improvement as a built-in phase of the audit process rather than an afterthought. Evidence from the auditors shows that, in resource-constrained environments like Pakistan, a one-time audit produces limited long-term benefit unless it is supported by ongoing review and follow-up. When organizations introduce regular feedback loops, progress checks, and stakeholder engagement, the audit transforms into a continuous learning process rather than a static exercise. This approach is consistent with contemporary thinking in strategic HRM and organizational development, which emphasize adaptability, learning, and long-term sustainability. By framing continuous improvement as an integral phase, the study redefines HR audits as evolving systems that reinforce strategic alignment, strengthen human capital, and promote institutional growth.

Managerial Implications

The proposed roadmap study is beneficial in practical terms to HR professionals, external auditors, and bank managers who intend to modernize the practices of audits. The incremental framework enables the organization to increase its auditing work on scope depending on the available capacity of resources and beginning with ethical work with the next escalation of digital integration and predictive analysis. The examples are low-cost solutions such as excel dashboards and surveys used at the early stages to attain audit readiness without excessive investments. Second, the research demonstrates the necessity to encourage open processes, particularly to hierarchical working environments, where auditing may be interpreted as a sanction. The resistance can be pulled down, and the cooperation can be boosted with the use

of pre-audit workshops, onboarding that is organized, and stakeholder's consultations which are made of the primary data. This observation can be useful to internal groups, and this may inform regulatory institutions such as State bank of Pakistan to harmonize the quality of HR in its country. Finally, the framework involves the HR analytics that help link the audit outcomes with real improvement, that is, follow the simple metrics such as turnover rates, time to hire and complete training almost in the audit process. Managers can establish data-based backgrounds behind the improvement of workforce output and guarantee that the HR approaches meet the wider business goals. The final strategy enhances evidence-based decision making within the organizational and regulatory settings.

Future Research

Although this research is a step in the right direction in establishing a context-driven framework for HR audit, a few directions are still present to be explored. To start with, future studies may use quantitative research to assess the impact of the proposed roadmap on the factors like compliance, employee engagement, and organizational performance between the various types of banks e.g. Islamic and conventional, public and private banks. Future research can also apply this model to other industries such as healthcare, telecommunication and even education where institutional challenges and regulation requirements exist. The inter-industrial comparative analysis would be useful in identifying the general applicability of the framework and to uncover the performance of the framework in different organizational contexts in the emerging markets. The other useful research question is carrying out longitudinal research studies that monitor the impact of adopting the roadmap in the long run. This would assist in the explanation of how continuous enhancement of the audit procedures will lead to long-term strategic alignment and enhancing the capacity of workforce. The review of the perspectives regarding the institutional theory or the stakeholder theory might help add to the existing knowledge even more, as it would investigate the influence of regulatory forces, organizational culture, and inner processes on the overall performance of HR audit practice.

Limitation of the Study

Although this study can make significant contributions to comprehending the practice of HR audit, it has some limitations that should be addressed. Taking into consideration that the study only examined banking sector in Pakistan, it is possible that the

framework might not necessarily be applicable in other spheres or even other cultural settings with a different regulatory background. Second, the research adopted the qualitative, constructivist grounded theory approach but with a relatively small sample of external auditors. Although this was deeper and more contextual, the results might not be representative of the complete range of views by internal HR practitioners as well as policy regulators. Third, the reliance on self-reported interview data also gives potential restrictions in the terms of self-bias despite the strict practices used to preserve research integrity and credibility.

Competing Interest

The authors had no competing interests.

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