

# Human Resource Audit in the Public Service: Theory, Practice and the Emerging Experience of Mongolia

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## Abstract

This article examines the theoretical foundations, global evolution and emerging practice of human resource auditing, with particular attention to its relevance for Mongolia's public sector reforms. Drawing on classical and contemporary human resource management theories—including behavioural science, human capital theory, strategic HRM, the resource-based view, institutional theory and systems theory—the study conceptualises the human resource audit as an evidence-based evaluative mechanism that supports organisational learning, strengthens accountability, and aligns human resource systems with strategic objectives. The analysis demonstrates how twenty-first century developments such as digitalisation, HR analytics, New Public Governance and international performance audit standards have expanded the scope and methodological sophistication of HR auditing in both private and public sectors. The Mongolian case is situated within this broader theoretical landscape. As a post-socialist state engaged in democratisation and market transition, Mongolia continues to grapple with fragmented institutional capacity, politicised appointments, uneven performance management and limited professional development systems. The Civil Service Law (2017), together with subsequent audit procedures and manuals, has introduced a formal basis for human resource auditing, signalling a shift from traditional personnel administration toward rules-based, meritocratic and evidence-driven public sector management. Early pilot audits conducted by ministries and local administrations illustrate both the opportunities and challenges of institutionalising HR auditing, revealing the need for improved documentation systems, stronger HR analytics, enhanced auditor capacity and more consistent organisational compliance. The study argues that human resource auditing holds significant potential to advance Mongolia's state capability by reinforcing meritocracy, enhancing transparency, reducing patronage, and supporting the strategic goals outlined in *Vision 2050*. As Mongolia deepens its public administration reforms, HR auditing can serve as an important governance tool for fostering an ethical, professional and performance-oriented civil service. The article contributes to the emerging comparative literature on HR auditing in transitional and developing contexts and highlights the need for further empirical research to refine methodologies and sustain long-term institutionalisation.

**Key words:** human resource audit; public administration reform; civil service; state capability; meritocracy; strategic human resource management; Mongolia.

## Introduction

The reform of human resource management has become a central concern in contemporary public administration, particularly in states seeking to enhance administrative capacity, strengthen meritocracy, and improve public sector performance. In theoretical terms, human resource management is widely recognised as a core component of state capability, influencing not only organisational efficiency but also the legitimacy and responsiveness of government institutions (Bratton & Gold 2001; Boxall & Purcell 2000). Scholars of public administration argue that modern bureaucracies increasingly rely on strategic approaches to human resources, where personnel systems are aligned with organisational goals, performance expectations, and broader governance reforms (Armstrong, 2014; Nankervis et al., 2005). Within this evolving landscape, the human resource audit (HRA) has emerged as a significant evaluative mechanism designed to assess the coherence, effectiveness, and integrity of HR systems. As Edwards, Scott, and Nambury (2007) note, HR auditing provides a structured process for evaluating HRM programs to “optimise performance” (p. 4).

For Mongolia, these theoretical considerations hold particular relevance. As a post-socialist state navigating democratic consolidation and market transition, Mongolia continues to reform its public administration structures while addressing longstanding challenges such as fragmented institutional capacity, politicised appointments, uneven performance management, and limited professional development pathways for civil servants. The country’s long-term development framework, *Vision 2050*, explicitly identifies the creation of a “competent, transparent, and effective” civil service as essential for national development (Government of Mongolia 2020). This emphasis mirrors the broader theoretical literature that links merit-based, professional bureaucracies to sustainable development and state capability (Shim 2001).

Despite these strategic aspirations, Mongolia’s human resource management practices retain characteristics of earlier administrative models. Although the Civil Service Law (2017) institutionalised the principles of merit, professional independence, and ethical conduct, the practical mechanisms for monitoring compliance and ensuring consistent implementation remain underdeveloped. It is within this context that the human resource audit becomes theoretically and practically significant. HR auditing provides an evidence-based framework for evaluating personnel practices, identifying systemic weaknesses, and aligning institutional behaviour with legal and strategic objectives. Theoretically, it encapsulates the principles of organisational diagnosis, accountability, and continuous improvement, all central concepts in modern public administration scholarship (Miguel & Angel 2002; Osama Shaban 2012).

The importance of HR auditing extends beyond technical assessment; it intersects with broader governance concerns. In systems

transitioning from politically embedded personnel practices to meritocratic structures, audit instruments contribute to institutional transparency, reduce opportunities for patronage, and strengthen public trust (Mock 2004). Moreover, as countries increasingly adopt performance-based governance models, HR audits offer a mechanism for assessing the capacity of the civil service to meet policy objectives, manage public resources, and deliver services effectively. In this sense, HR auditing can be understood not merely as an administrative tool but as an institutional reform strategy that reinforces the foundational norms of good governance.

Although HR auditing is well established in corporate and private-sector management, its application within public administration, particularly in developing and transitional contexts remains limited. Mongolia's experience therefore contributes to an emerging body of scholarship examining how HR audits can be adapted to the public sector, how they influence administrative culture, and how they support broader state capacity reforms. Early efforts by Mongolian ministries and government agencies to introduce HR auditing provide a unique opportunity to examine the dynamics of institutional learning, adaptation, and compliance within the country's civil service system.

Considering these theoretical considerations, this article examines the human resource audit as both a conceptual framework and an evolving institutional practice in Mongolia. It explores the intellectual origins of the HR audit, analyses its role within contemporary human resource management theory, and assesses its potential contribution to strengthening public administration in Mongolia. By connecting theoretical insights with Mongolian policy frameworks and emerging empirical experience, the study aims to demonstrate how HR auditing can support the development of a capable, ethical, and professional civil service aligned with the strategic objectives of *Vision 2050*.

## **Conceptual and Theoretical Foundations of the Human Resource Audit**

The idea of evaluating human resource activities through a structured, systematic process is deeply rooted in the intellectual evolution of human resource management (HRM). Early personnel management of the 1920s emphasised employee welfare, but the mid-twentieth century brought bureaucratic managerialism and administrative control (Werther & Davis 1996). By the mid-twentieth century, the focus shifted toward *labour management*, job classification, and administrative control, reflecting the rise of bureaucratic managerialism. HRM emerged as a distinct field in the 1980s, influenced by behavioural science, human capital theory, and systems theory (Beer et al., 1984; Armstrong 2014).

From the 1980s onward, scholars such as Beer, Spector, Walton and others at Harvard emphasised the "strategic" nature of HRM, which sought to align human resources with organisational performance. Concurrently,

the Michigan model framed HRM as a cycle of selection, appraisal, rewards and development, designed to ensure organisational fit. With this conceptual maturation, the need for systematic and evidence-based assessment mechanisms became more widely recognised. This intellectual shift laid the groundwork for the contemporary human resource audit.

The term “human resource audit” gained traction in the 1970s, associated with A. D. Little’s notion of a “competency audit,” which aimed to determine whether an organisation’s human resources were adequate to achieve strategic goals. Little’s competency audit, intended to determine whether human resources aligned with strategic objectives (Dolenko 1990). Since then, the concept has expanded considerably. Karapetrovic and Willborn (2000) advanced the idea of the HR audit as a hybrid framework integrating principles from audit methodology and performance evaluation (p. 111). Negi and Chaubey (2015) emphasised its multidimensional nature as a process involving information gathering, analysis and verification of HR practices. Miguel and Angel (2002) saw the HR audit as a mechanism for systematically assessing HR development patterns, while Srinivas and Siriseti underscored its importance in enhancing strategic alignment within public organisations.

More recent literature has incorporated newer paradigms. The *resource-based view (RBV)* positions employees as key strategic assets whose knowledge and skills create sustained competitive advantage (Boxall & Purcell, 2000). HR audits, from this perspective, help organisations evaluate the strategic value of their human capital.

*Institutional theory* suggests that HR audits reinforce organisational legitimacy by ensuring compliance with rules, norms and expectations; in public administration, this contributes to public trust and administrative integrity (Karapetrovic & Willborn 2000). In public administration, this legitimacy supports citizen trust.

*Systems theory* conceives organisations as interrelated components, underscoring the need for audits to assess coherence and alignment between HR systems, leadership practices, organisational culture and external demands (Mathis & Jackson 2008).

Twenty-first century developments have expanded HR auditing further. The increasing use of *HR analytics* and *data-driven HRM* means that organisations increasingly rely on quantitative metrics to diagnose HR effectiveness. Digitalisation and e-governance reforms have introduced new audit dimensions, including the evaluation of digital HR systems, algorithmic recruitment tools, data protection practices, and the integration of human and technological capacities (Edwards et al., 2007). The OECD’s (Shim 2001) “public employment and management” framework, widely adopted in reform-oriented states, emphasises integrity, capability, inclusivity and performance areas that HR audits now commonly assess. The growing influence of *New Public Governance* has shifted attention to inter-organisational cooperation, citizen-orientation, and participatory HR

practices, all of which require new audit lenses focusing on accountability, transparency and stakeholder engagement.

Despite these theoretical expansions, core definitions still converge on understanding the HR audit as an evidence-based evaluative mechanism that identifies misalignments, risks and opportunities for improvement within HR systems. Its purpose extends beyond compliance to encompass organisational learning, capacity development and strategic alignment. This evaluative perspective resonates strongly with public administration scholarship, particularly with ideas on *performance management*, *bureaucratic professionalism*, and *state capability*. HR auditing is fundamentally a form of organisational diagnosis, grounded in principles of continuous improvement and aimed at enhancing the synergistic relationship between people, processes and public value (Dessler 2013 as cited in Mathis & Jackson 2008).

The scope of HR auditing reflects this broad theoretical grounding. Traditionally, HR audits assessed recruitment, staffing, job analysis, training, performance appraisal, remuneration and employee relations. Contemporary frameworks further incorporate competency profiling, leadership development, ethics and integrity systems, workplace safety, diversity and inclusion, employee well-being, digital HR systems, organisational culture and knowledge management. Increasingly, HR audits also evaluate alignment with wider governance priorities such as anti-corruption measures, compliance with labour regulations, and citizen-oriented public service delivery. Such expansion mirrors global public sector reforms that seek to integrate human resources more explicitly with national development goals and state capacity.

The methodological steps of HR auditing data collection, diagnosis, analysis, evaluation and reporting have also evolved, particularly with the introduction of benchmarking, scorecard approaches, digital HR dashboards and advanced statistical tools. These innovations strengthen the ability of HR audits to provide nuanced insights into organisational performance. As Dessler notes, the fundamental purpose of HR auditing continues to be the identification of strengths, weaknesses and areas requiring improvement within the HR function; however, in modern HR theory, its significance lies equally in fostering organisational learning, strengthening accountability, and aligning HR systems with long-term strategic objectives.

In summary, the foundations of HR auditing are far more expansive today than when the concept first emerged. They integrate classical HRM theory with contemporary insights from strategic management, institutional theory, public governance, digital transformation and state-capacity building. For countries like Mongolia where public administration remains in an ongoing process of transformation these theoretical developments provide a valuable lens through which HR audits can be designed, institutionalised and applied as instruments for strengthening public service capability.

### **Human Resource Audit within the Mongolian Public Sector**

The emergence of human resource auditing in Mongolia must be understood within the broader trajectory of administrative reform that has unfolded since the country's transition from a centrally planned political-administrative system to a democratic governance model in the 1990s. Like many post-socialist states, Mongolia inherited a personnel administration system characterised by strong hierarchical control, uniformity in employment terms and centralised decision-making (Black & Upchurch 1999). Comparative literature emphasises that capable bureaucracies are essential for effective governance and development (Shim, 2001). *Vision 2050* frames civil service reform as central to strengthening state capability. These features reflected the logic of socialist governance, where the public sector operated primarily as an administrative extension of the state rather than as a professionalised and performance-oriented service provider. With the introduction of multiparty democracy, decentralisation reforms and economic liberalisation, Mongolia began reshaping its civil service to support the demands of a modern democratic state, necessitating a shift toward merit-based recruitment, professional competence, ethical conduct and transparency in public sector management.

This reform trajectory coincides with global scholarly discussions on state capability, bureaucratic professionalism and good governance. Comparative public administration research increasingly recognises that a capable bureaucracy is foundational to effective policy implementation and national development. For Mongolia, such concerns are reflected in the country's long-term policy document, *Vision 2050*, which frames state capacity as a prerequisite for economic competitiveness, social development and political stability. Within this strategic framework, reforms to strengthen the civil service are not solely administrative adjustments but part of a holistic effort to enhance the legitimacy, responsiveness and professionalism of the Mongolian state. Human resource auditing, as an evaluative mechanism, fits squarely within this reform logic.

The institutional foundations for HR auditing in Mongolia were established through the Civil Service Law (2017), which codified the principles of merit, competence, political neutrality and equal opportunity. This law entrusted the Civil Service Council with the responsibility to monitor compliance across public organisations. The adoption of the *Procedures for Human Resource Auditing* (2021) and the *Human Resource Audit Manual* further operationalised the legal framework by defining the scope of audits, methodological stages and reporting requirements. These documents introduced a structured approach consistent with international standards, including the guidelines of the International Organisation of Supreme Audit Institutions (INTOSAI) and performance audit methodologies used in OECD countries.

From a theoretical standpoint, the institutionalisation of HR auditing in Mongolia aligns with institutional theory's argument that

modern public administrations adopt formalised procedures to enhance legitimacy and demonstrate adherence to professional norms (Karapetrovic & Willborn 2000). HR auditing signals a shift from discretionary, personality-driven personnel practices to a system governed by procedural rationality and evidence-based evaluation. It also reflects the influence of *New Public Management* and, more recently, *New Public Governance*, both of which emphasise accountability, transparency, citizen orientation and performance measurement.

The practical implementation of HR auditing in Mongolia, however, remains at an early stage. The Ministry of Road and Transport Development conducted the first pilot audit in 2021, applying the merit principle and using INTOSAI's ISSAI 3000 performance audit standard. This represented a significant methodological innovation within Mongolia's public administration, introducing systematic assessment, documentation review, compliance checks and stakeholder interviews to analyse HR practices. Subsequent audits undertaken by the Ministry of Energy, the General State Registration Office and provincial administrations further expanded the evidence base. These early experiences revealed strengths such as increased awareness of HR standards and weaknesses, including inconsistent documentation, limited HR data systems, and capacity constraints among HR officers and auditors.

These challenges reflect broader administrative realities in Mongolia. Public organisations often rely on paper-based HR systems; HR functions remain largely administrative rather than strategic; and performance appraisal systems are still evolving toward objectivity and transparency. Institutional fragmentation and political turnover can also affect the consistency of HR practices. Thus, the development of HR auditing intersects with Mongolia's ongoing efforts to strengthen institutional memory, reduce political influence in appointments and professionalise the civil service cadre (Pratiwi et al., 2022; Kihei Muia 2010). The relevance of global experiences in particular, from countries with established civil service systems such as Canada, Australia and South Korea becomes increasingly important as Mongolia refines its audit tools and institutional culture.

Furthermore, HR auditing in Mongolia contributes to broader governance priorities, including anti-corruption efforts. Mongolia's national policies consistently emphasise the need to strengthen integrity within the civil service. HR audits by examining appointment practices, training systems, disciplinary procedures and compliance with ethical standards offer a mechanism for identifying potential vulnerabilities and reinforcing integrity systems. This aligns with international findings that HR audits can reduce patronage, strengthen adherence to rules and support the development of transparent, rules-based public organisations. HR auditing also strengthens anti-corruption frameworks by analysing appointment practices, ethics compliance, and disciplinary systems. This aligns with international scholarship emphasising HR audits as tools for reducing

patronage and reinforcing transparent governance (Mock 2004; Osama Shaban 2012).

In this sense, the Mongolian experience represents a unique case where HR auditing functions not only as a technical exercise but as a governance reform tool with implications for institutional culture, accountability and state legitimacy. As HR auditing becomes more embedded, its role in shaping professionalism, promoting ethical conduct and enhancing citizen trust in government is likely to become increasingly significant.

## **Conclusion**

The human resource audit has evolved from a primarily administrative mechanism into a multifaceted instrument grounded in theories of organisational learning, institutional legitimacy, strategic HRM and state capability (Edwards et al., 2007). Its conceptual significance lies in its ability to provide systematic, evidence-based assessment of human resource policies, practices and their alignment with organisational and national objectives. In public administration theory, HR auditing contributes to strengthening bureaucratic professionalism, improving performance management and reinforcing principles of good governance. It also supports transparency and accountability, particularly in environments where political influence and inconsistent HR practices may undermine institutional integrity (Nankervis et al., 2005).

In Mongolia, the institutionalisation of HR auditing marks an important step in the country's broader efforts to modernise its public sector and align it with international standards. The Civil Service Law, the development of procedural guidelines and the establishment of a dedicated HR audit department demonstrate a growing recognition that HR systems require continual monitoring and improvement. These institutional developments are consistent with global governance frameworks that emphasise meritocracy, ethical conduct, equal opportunity and professional competence as foundations of an effective civil service.

However, Mongolia's experience also illustrates the challenges of operationalising HR auditing within a transitional administrative context. Limited HR analytics systems, uneven capacity among HR personnel, fragmented documentation and the persistence of traditional administrative practices all constrain the effectiveness of early audit initiatives. Addressing these limitations requires continued investment in capacity building, the digitalisation of HR information systems, inter-organisational coordination and the integration of HR auditing into broader public sector reforms. As international research suggests, HR auditing becomes most effective when embedded within a culture of continuous improvement and when supported by leadership committed to professionalism and meritocracy.

Looking forward, HR auditing has the potential to significantly enhance Mongolia's state capability. By providing evidence-based insights

into organisational strengths and weaknesses, audits can support strategic workforce planning, improve performance management, modernise training and development, and strengthen compliance with legal and ethical standards. Over time, the systematic application of HR auditing may help reduce political patronage, promote consistent employment practices across government, and strengthen public trust in civil service institutions. These outcomes are closely aligned with *Vision 2050*, which positions the civil service as a key pillar of national development.

Ultimately, Mongolia's experience contributes to an emerging field of scholarship on HR auditing in transitional and developing public sectors. The lessons drawn from Mongolia can inform other countries seeking to institutionalise HR auditing as part of broader public administration reforms. Continued empirical research combined with methodological innovation and institutional learning will be essential to advancing HR auditing as both a theoretical concept and a practical governance tool. As Mongolia deepens its reform agenda, HR auditing is poised to become an integral mechanism for fostering an ethical, professional, and performance-oriented civil service capable of supporting the country's long-term developmental aspirations.

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