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## INTERNATIONAL LABOUR ORGANIZATION

### Request for Proposal for Auditing of the ILO's Payroll and HR ORACLE modules

#### 1. Name and address of recipient

This letter serves as a Request for Proposal (RFP) for an audit of the Payroll and HR Oracle module in the International Labour Organization's (ILO) Integrated Resource Information System (IRIS) which is based on the Oracle Corporation's e-Business Suite.

#### 2. Background

The International Labour Organization is the tripartite United Nations agency that brings together governments, employers and workers of its member states in common action to promote decent work throughout the world. The ILO is devoted to advancing opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity. Its main aims are to promote rights at work, encourage decent employment opportunities, enhance social protection and strengthen dialogue in handling work-related issues. Currently ILO employs some 2,500 officials.

The Office of Internal Audit and Oversight (IAO) provides an independent appraisal of key financial and operational controls and shares best practices across the Organization to promote operational efficiencies and cost-saving opportunities. The IAO is seeking to retain the services of a professional auditing firm to undertake a review of the payroll and HR modules. The terms of reference for the review are detailed in the following sections of this document.

ILO's ERP system, Integrated Resource Information System (IRIS), is a combination of software and technologies based on the Oracle e-Business Suite that facilitates decision making, supports financial stewardship and enables the application of results based management at the ILO. IRIS supports business processes including payroll processing, general ledger accounting, procurement, human resources management, accounts payable, cash management and travel expense management. IRIS is fully operational at the Organization's Headquarters in Geneva as well as regional offices located in Budapest, Beirut, Abidjan, Bangkok, Lima, and in the Europe Region field offices, and in the Latin America and Caribbean field offices. It is currently being rolled out in other ILO field offices world-wide, although the IRIS payroll functionality (HR and FIN) has been fully rolled-out since October 2015.

The ILO updated its payroll processes in December 2014 to process payments centrally for all ILO staff worldwide and decommissioned its legacy system, the Local Payroll System. The notifications to effect changes in an official's status, Notice of Personal Action (NPA), that impacts on salary calculations and payments are raised at the level of the responsible manager, and entered into IRIS at HQ, Regional Offices, and Country Offices, depending on where the official requiring a change in status is was recruited and was stationed. The ILO's TRES-OPS Unit processes the payroll electronically, primarily through the Mamut, e-banking application.

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### 3. Terms of reference for the review services

This RFP lays out the terms of reference for the audit of the payroll and HR ORACLE modules. The selected independent party will review the application controls and management procedures over the ORACLE modules and physical security of payroll documentation.

#### Overall Objective

The aim is to assess whether adequate controls are in place and functioning at the operational level as part of mitigation of strategic risks 7 and 8 (ILO's 2016-17 Programme and Budget, Table 4 Risk Register for 2016-17 refers), namely:

- **Risk 7:** A conflict of interest or an act of fraud results in significant financial loss to the ILO and damage to the ILO's reputation; and
- **Risk 8:** Damage to the ILO Data Centre or to other IT infrastructure, or power failure, results in a loss of critical information and access to essential applications.

The key operational risks associated with payroll are:

- Incorrect processing/payment of payroll by mistake or with intention;
- Incorrect input by mistake, or with intention, of payroll information;
- Incorrect accounting of payroll transaction by mistake or with intention
- Sensitive payroll information is not properly protected;
- Appropriate management exception reports are generated, and
- Pay roll related documents are not maintained in accordance with established ILO policy.

#### Scope of Audit

The consulting firm under the auspices of IAO shall:

1. Review the application control to ensure that only those with approved authority have access to the payroll and HR modules, and redundant user accounts are cleaned on a regular basis;
2. Asses if there is sufficient division of duties within the payroll and HR modules;
3. Review inputting controls in both the payroll module and HR module to assess that there is adequate review and management controls over changes to employee status that are submitted and processed;
4. Review application controls to assess if the payroll has been correctly calculated;
  - Review the controls for ensuring that the correct base information is used to calculate base salary, benefits, and post adjustments
5. Review the controls in place to ensure that only ILO employees are paid for work undertaken and that there are no fictitious employees on the payroll

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6. Review the integrity of the payroll and HR modules to assess if there is adequate security over electronic payroll and personnel data;
7. Review the physical security of hard copy payroll and HR personnel information;
8. Check that payroll transactions are charged to the correct GL accounts (deductions as well as expenditure);
9. Review controls over reconciliation between the payroll and respective general ledger accounts, assessing if exception reports are in place and regularly reviewed with appropriate action taken when necessary; and
10. Review reconciliation controls between payroll payment instructions and payments effected by TRES/OPS.

#### **4. Deliverables**

##### **4.1. Audit Reports**

The selected independent party will submit a final report on the audit to the Chief Internal Auditor by 20 January 2018. The report will include the following sections:

1. Executive summary with an overall comment as to whether control and management (both financial and technical) over the areas under review are operating effectively, outlining any significant control issues, risks and other audit findings.
2. Scope section, listing the areas reviewed and excluded.
3. Approach for conducting the audit. This section must explain that the audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing as appropriate.
4. Audit findings and recommendations.
5. Appendices as necessary.

The report should be in English. The format of the report can be decided once the successful candidate is selected.

##### **4.2. Audit Findings: The audit findings should include the following:**

1. Explanation of any control deficiencies and inefficiencies, both compliance and technical;
2. Explanation of the possible impact on the ILO any control deficiencies and inefficiencies identified;
3. Detail any mitigating control in place to address these weaknesses;

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4. Relevant context and explanation to indicate how these weaknesses materialized;
5. Quantification as to whether the weakness has led to an error, omission or financial loss.

### 4.3. Audit Working Papers

If available, the selected independent party should use the ILO TeamMate repository to prepare and submit detailed working papers to support all audit work undertaken. Working papers should have the following structure and should be supported with appropriate audit evidence and data as necessary:

1. Work step objective
2. Work done to achieve work step objective
3. Audit test results
  - An explanation of the audit results – i.e. what was found.
  - Documentation showing evidence and quantification of the results
4. Conclusions
  - The conclusions will form an opinion as to the extent to which the work step objective was achieved and whether or not the controls are found to be operating effectively.

### 5. Response to Request for Proposal

The response to this RFP should identify the membership and credentials of the review team, the primary contact's information, and should include a preliminary work plan as well as the service fee for both phases of the audit. The independent party shall prepare a written report as outlined under section 4 (Deliverables) of this document.

### 6. Fee Assumptions

Based on the Long Term Agreement signed with the ILO, your fee should incorporate the following assumptions:

- The review will commence in middle of November 2017,
- Fees should include any estimated out-of-pocket expenses, for any review staff located outside of the Geneva region.
- ILO's assessment of providers' fees will include out-of-pocket expenses
- Total of combined auditors' efforts to complete the assignment estimated at six to seven work weeks. The basis of which is five days a work week, comprising eight hours a day.

### 7. Submission and Selection

Proposals should be submitted by 31 October 2017. Service provider selection is tentatively set for 06 November 2017.

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### 8. Other Matters

Please provide the profiles of each member of your proposed review team and please contact ILO's procurement department if you require further information.

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Office of Internal Audit and Oversight