



**izola Bank**

**INVITATION TO TENDER**

**Provision of independent  
internal audit services**

**20<sup>TH</sup> OCTOBER 2020**

**Izola Bank p.l.c.**  
53-58 East Street, Valletta VLT 1251 – Malta

[www.izolabank.com](http://www.izolabank.com)

## **Tender for the provision of independent internal audit services**

### **Introduction**

Izola Bank p.l.c. (hereinafter referred to as 'the Bank') is seeking a professional service provider to undertake the provision of internal audit services.

If the Bank is satisfied that its requirements can be met in terms of quality and at a reasonable cost, a contract will be awarded for three years, at which point the service will be reviewed.

### **Information about the Bank**

#### **Historical background**

The Bank is a public limited liability company domiciled and incorporated in Malta. The Bank is wholly owned by the Van Marcke Group, a family owned company which is fast approaching its centennial of operations. Though the bulk of its business is concentrated in Belgium, the Group operate over 140 stores in Belgium, France, the USA, Switzerland, and Luxembourg.

The Van Marcke Group is the largest plumbing and heating wholesaler in Belgium and a manufacturer and retailer of sanitary ware, laboratory furniture and related products. It is also involved in packaging and transportation. Van Marcke is a brand dedicated to providing a better quality of life through environmentally friendly and sustainable products. The Group's new €75 million distribution centre and head office in Kortrijk, Belgium is completely carbon neutral.

When the Van Marcke Group established a banking arm to initially serve its own commercial needs, it chose Malta as its location. The Bank was incorporated on 8 June 1994 as Izola Bank Limited for an indefinite duration under the Commercial Partnerships Ordinance, 1962 (Cap. 168 of the Laws of Malta). On 13th June 1994 the Bank was granted a licence by the Ministry of Finance to carry on the business of banking as a credit institution operating initially with non-residents subject to such conditions as may from time to time be imposed under Section 4(6) (c) of the Banking Act, 1970. Following the enactment of the Banking Act, Cap. 371 of the Laws of Malta, the Central Bank of Malta became the competent authority responsible for the regulation and supervision of credit institutions. On 15th November 1994, the Central Bank of Malta issued a new licence in terms of the Banking Act.

In September 2005, the terms of the licence were changed, and the Bank was authorised to conduct full banking activities in all currencies, except the Maltese Lira, with both residents and non-residents. With the entry of Malta into the Eurozone in 2008 and the adoption of the Euro as its currency, the Maltese lira ceased to be legal tender.

On 15 February 2010, the shareholders of the Bank resolved to change the status from a private limited liability company to that of a public limited liability company. On 10th June 2010, the Listing Authority authorised the admissibility to listing of a debt issuance programme amounting to €27,000,000. In terms of the programme, the Bank issued the first and only tranche on 30th June 2010 of €9,000,000 5.35% Secured Notes 2015. The matured Notes were replaced with a new issuance of €12,000,000 4.5% Unsecured Bonds 2025 listed on the Malta Stock Exchange on 20th June 2015.

The Bank has been heavily involved in Van Marcke Group's treasury operations, particularly in the areas of cash and liquidity management, as well as lending and factoring. As a natural evolution, the Bank also started to offer the Group's clients niche products with exclusive benefits.

Izola Bank also provides tailor-made financing solutions for SMEs and large companies in Malta and Belgium which are specifically looking for growth or to finance a project.

With over 25 years of successful operation, Izola Bank continuously invests in new technology to support the Bank's evolving product lines and offer best in practice customer care. The Bank also adopts the necessary measures to ensure strong corporate governance and compliance with the latest EU legislation.

Izola Bank p.l.c. is a subsidiary of IBL T Limited (99.999%), a Maltese registered company in turn owned by Van Marcke Trading Group S.A. The Bank's ultimate parent is VMKG PLLC, bearing company number 0447.152.677. The financial results and assets and liabilities of the Bank are included in the consolidated financial statements of VMKG PLLC, the registered office of which is Paapsemiaan 28/30 1070 Anderlecht, Belgium.

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#### Principal Activities

The Bank is licensed by the MFSA under the Banking Act (Cap. 371 of the Laws of Malta), as a credit institution and is authorised to carry out the business of banking. The principal activities of the Bank comprise the following:

- » The provision of advances to business customers
- » Factoring services
- » The receipt and acceptance of customers' money on deposit in current, savings and term accounts which may be denominated in Euro and other major currencies
- » Internet banking services
- » Cash and treasury management services
- » Money transmission services via SWIFT/SEPA

The Van Marcke Group is the Bank's principal customer. The Bank provides it with cash management services, including balance reporting, zero balancing, sweep accounts and SWIFT and SEPA transfers. These services are delivered through highly computer automated straight through processing operations.

#### Principal Markets

The Bank is authorised to provide banking services predominantly to residents of Malta and Belgium. Services provided to residents of Belgium include current, savings and term deposit accounts, short- and medium-term loans, money transmission services, factoring services, internet banking and cash management services. Commercial lending, factoring, current, savings and term deposit accounts, as well as a limited offering of money transmission services are also offered to residents of Malta.

#### Future developments

The Bank is committed to continue seeking further growth in its factoring operations, together with growth in loans and advances to customers through niche lending.

The recent outbreak of coronavirus, which is a rapidly evolving situation, has adversely impacted global commercial activities. The rapid development and fluidity of this situation precludes any prediction as to its ultimate impact, which may have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown. Nonetheless, the Directors believe that the Bank is resilient enough to withstand the economic challenges and project a slight level of growth for 2020 and beyond.

#### Information on the outsourced internal audit in the Bank

The internal audit function plays a crucial role in the ongoing maintenance and assessment of the bank's internal control, risk management and governance systems and processes – areas in which supervisory authorities have a keen interest. To ensure a strong third line of defence and in compliance with various regulatory and listing requirements, the Bank maintains an internal audit function.

The directors, through oversight of management, are responsible to ensure that the Bank establishes and maintains internal controls to provide reasonable assurance regarding reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The Audit & Risk Committee's Terms of Reference allows it to monitor the financial reporting process, the effectiveness of the Bank's internal control and the internal audit function.

The Audit and Risk Committee protects the interests of the Bank's shareholders and stakeholders and assists the directors in conducting their role effectively so that the Bank's decision-making capability and the accuracy of its reporting and implementation of internal controls is maintained at a high level at all times. It ensures that the Bank maintains robust finance and risk functions responsible for accounting, financial and risk data and retains a stable operational capacity at all times. This Committee has non-executive responsibility for oversight of, and advice to, the Board on matters relating to financial reporting.

The Committee approves the internal audit work plan, which will include assessment of controls relating to financial reporting and other risks as appropriate. Reports are to be presented to the Committee by the internal audit service provider.

The Bank may also make use of external consultants to support organisational development. The internal audit function may identify areas for external consultancy to advise on, and support implementation of new systems following recommendations from external consultants.

## Information on the internal audit services required

The Bank has an outsourced internal audit function and therefore the service provider will be required to ensure that there is an effective internal audit function in place. This should be done in conjunction with the Audit & Risk Committee and relevant members of the Bank's Senior Management team.

The below are considered as minimum requirements and tender responses should set out in more detail proposals for meeting the internal audit service requirements.

### Audit planning

The internal audit service is to be managed using two main planning documents: a three-year rolling strategic audit plan and an annual audit plan.

### Strategic audit plan

The service provider is required to prepare a three-year rolling strategic audit plan each year. This should be provided to the Bank for consideration at the Audit and Risk Committee meeting in the last quarter of each year. At the start of the contract, a risk assessment exercise should be completed together with the Senior Management team in order to allow for a thorough familiarisation by the selected provider of the Bank's operations and key risks before the first strategic audit plan is compiled and presented to the Audit and Risk Committee in early 2021.

The strategic audit plan should include elements such as

- » Systems to be audited
- » Strategy for delivering the audit, addressing risk, and providing assurance
- » Priority and frequency of each audit area in the plan
- » Allocation of resources to deliver the plan, including the audit manager for delivery of the entire annual plan

This plan must cover all major functions of the Bank, including but not limited to financial risks, IT and cyber risks, credit risk and risks specific to the business of banking, risks around the prevention of money laundering and financing of terrorism, risks emanating from the compliance and regulatory spheres and operational and business continuity risk.

### Annual audit plan

The service provider is also required to prepare an annual audit plan. This is to accompany the strategic audit plan and is to be prepared to the same deadlines as the strategic audit plan – annually and in year one. The annual audit plan is to take year one of the strategic audit plan and set in more detail the areas to be audited in the year.

The annual audit plan is to include elements such as

- » Risk assessment leading to areas to be audited
- » Areas to be audited in the year – teams, processes, systems
- » Days required to complete each audit
- » Outline timetable for completion of audit plan
- » Outline staff to be used in delivering the audit plan
- » Identify audits that external audit will be placing reliance on

## Service delivery

As part of managing the delivery of the internal audit service the contractor is required to prepare terms of reference for each audit and a report to management on the conclusions from the audit.

### Terms of reference

Terms of reference are to be prepared for each audit to be undertaken as part of the annual audit plan. The terms of reference are to include

- » The background and objectives for the audit
- » The scope of the audit, including systems and processes to be tested
- » The audit manager and auditors to undertake the audit
- » The audit timetable, date of fieldwork, draft reports, responses from management, and final reports

### Audit reports

The service provider is required to prepare a report at the end of each audit. The report should include

- » Scope and objectives of the audit and confirmation that these have been addressed
- » Summary of work completed and findings from the audit
- » Level of assurance provided and recommendations
- » Management response to recommendations
- » Action plan, with lead officers and deadlines
- » Timetable – report dates achieved against those agreed in the terms of reference

The reports from the audits are to be provided in draft and final versions to officers named in the terms of reference. After final sign off the reports will be presented to the Audit and Risk Committee.

## Instructions to Tender

Interested parties are asked to submit “Acknowledgement of receipt of Tender” form as indicated in Appendix III via email to [finance@izolabank.com](mailto:finance@izolabank.com) by 23<sup>rd</sup> November 2020.

### Tender Reply

The tender reply should be in English language and include the following:

#### 1. Company Profile and contact

A brief profile indicating the scope of the audit firm’s practices, the range of activities performed such as internal/external auditing, accounting, or risk management services. The profile should also include:

- a. Size of the firm;
- b. The location of the office from which the work on this engagement will be performed;
- c. Contact person;
- d. Addresses;
- e. Telephone numbers; and
- f. Contact details of any local office that will manage or assist in managing this audit.

#### 2. List of high-profile clients

A list of current and past internal audit clients indicating the number of years the proponent has been the auditor of each client.

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#### 3. Audit Team Members

Name and brief résumé of the partner(s), manager(s) and other key staff who would be assigned, indicating their experience with similar engagements.

Substitutions of listed individuals after an agreement has been signed will be allowed only when the substitutes have substantially the same qualifications, or better, than the person they replace. No substitutions will be accepted unless prior approval in writing is received from the Bank

Engagement partners, managers, other supervisory staff, and specialists may be changed if those personnel leave the audit firm, are promoted or are assigned to another office. In these instances, the Bank retains the right to approve or reject replacements.

#### 4. Quality Control Review

The proponent is required to submit a copy of the report on its most recent external quality review, with a statement whether the quality control review included a review of specific organisations like Izola Bank p.l.c. The proponent shall also provide information on the results of any desk or field reviews by the Quality Assurance Unit of its audits during the past five years. In addition, the proponent shall provide information on the circumstances and status of any disciplinary action taken or pending against the proponent during the past five years with regulatory bodies or professional organisations.

The proposal should identify and describe any pending or previous litigation the firm was involved in over the past five years which dealt with the quality of audit work or of pricing of audit services rendered.

#### 5. Internal Audit implementation

Proposers must clearly show their understanding of the work to be performed, audit approach and commitment to perform the work within the period specified in the annual audit plan. This should include the approach to be used to gain an understanding of the Bank's structure and systems as well as a proposed schedule and any specific techniques or processes to be used for the annual audit.

#### 6. Fees

- » The Bank is seeking a price for the provision of internal audit services.
- » The service provider is required to state the numbers of days expected to be necessary to provide an effective internal audit.
- » The service provider is required to state the cost of providing the service per engagement.
- » All fees and rates should be quoted in EURO

## Evaluation Criteria

The weighting during selection will be given as follows:

Technical	-	50%
Fees	-	50%

Prospective tenderers with a track record in the financial services industry, particularly the banking sector, will be considered favourably on the technical aspect.

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## Communications

Any questions or clarifications in relation to the above-mentioned tender should be addressed as follows:

Contact Person: Mr Calvin Bartolo / Mr Kurt Grima  
Head of Finance & Treasury / Senior Finance & Treasury Manager

Address: Izola Bank p.l.c.  
53–58, East Street,  
Valletta,  
VLT1251,  
Malta.

Email : finance@izolabank.com

Telephone: (+356) 2124 1258

All queries or clarifications need to be submitted by Friday, 6<sup>th</sup> November 2020.

## Deadline for submission

The tenders must be submitted via email entitled “Proposal for the provision of Internal Audit Services for Izola Bank p.l.c. to finance@izolabank.com by not later than Friday, 20th November 2020.

Short listed candidates may be asked to prepare a presentation of their tender response to the Selection Committee.



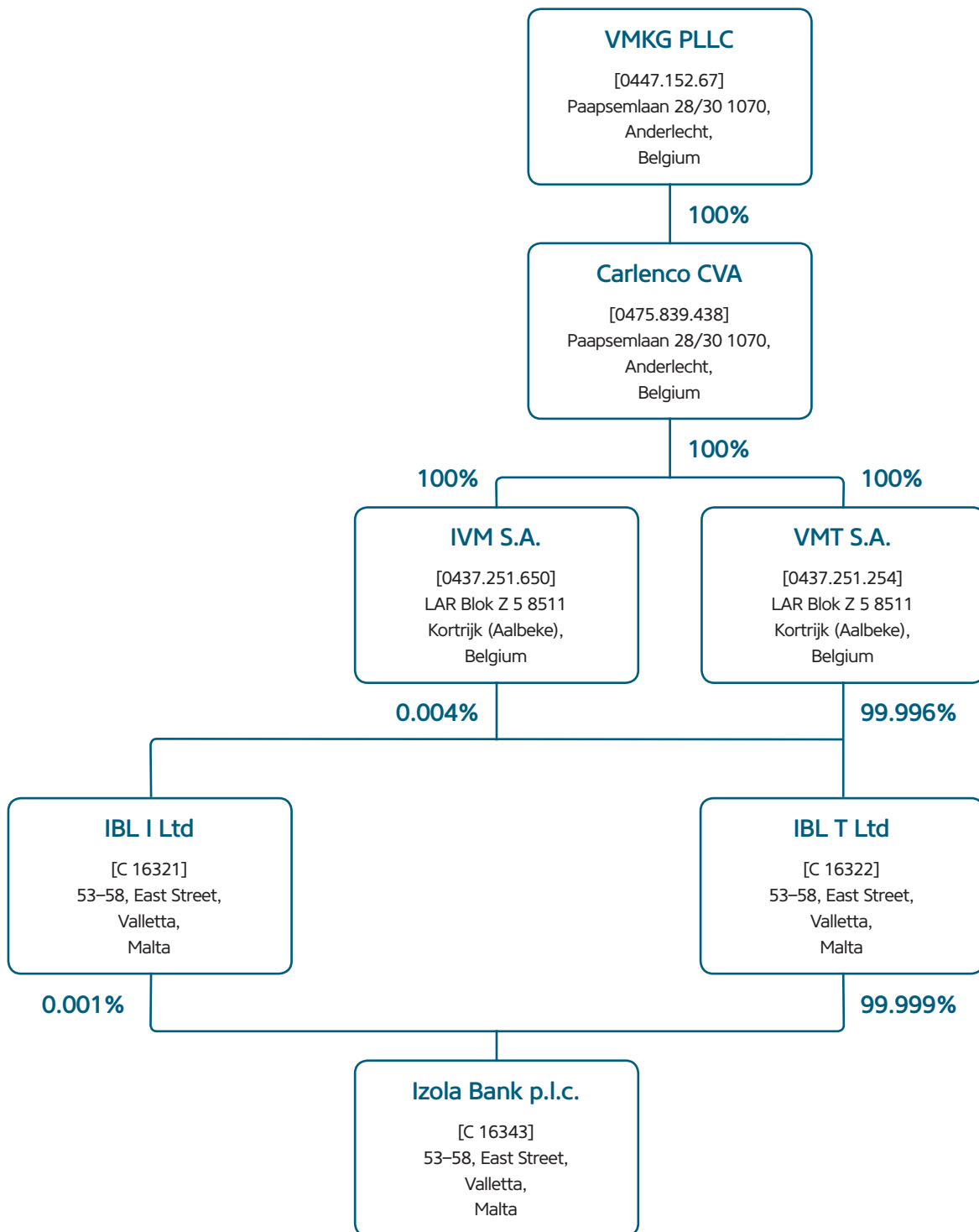
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# **Appendices**



## Appendix I – Organisational Chart

Izola Bank p.l.c. Ownership Structure – 26 June 2020



## Appendix II – Details of the Bank

Company	Registration Number	Year of Registration	Address	Directors
Izola Bank p.l.c.	C 16343	8 June 1994	53 - 58, East Street, Valletta, Malta	Ms. Magdalena De Roeck Ms. Caroline Van Marcke Mr. Simon Azzopardi Mr. Joseph C. Caruana Mr. Francis Gouder Mr. Andrew Mifsud Mr. Guido Mizzi Mr. Patrick H. Van Leynseele

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## Appendix III – Acknowledgement of receipt of Request for Proposal

Date: .....

We, .....,  
confirm receipt of request to participate in a tender for the provision of internal audit services for Izola Bank p.l.c..

1. Reception on ..... / ..... / ..... of a copy of your Tender Documents.

2. We hereby certify that we will submit a Tender in strict accordance with your instructions.

Yours Sincerely,

.....

Name: .....

Service Provider: .....