

SECTION I. EXECUTIVE SUMMARY

1. Introduction

- 1.1. The Deputy Governor requested that an independent review be conducted on the 2017 appointment process undertaken by the Cayman Islands Stock Exchange for the position of Chief Executive Officer. This request followed a series of questions posed during the November 2017 sitting of Finance Committee, regarding compliance with the Public Authorities Law (2017) (PAL).
- 1.2. The Internal Audit Service (IAS) has completed this review in relation to the following agreed objective:
 - To determine whether the appointment of the Cayman Islands Stock Exchange Chief Executive Officer was in compliance with the requirements of the PAL.

2. Audit Scope

- 2.1. The scope was limited to the recruitment process initiated in June 2017, which resulted in the hiring of the Chief Executive Officer in October 2017. The review focused specifically on Sections 24-29 inclusive of the PAL.

3. Audit Limitation

- 3.1. The Internal Audit Service extended an invitation to meet and discuss the appointment process to all Cayman Island Stock Exchange Board members. Only three of the six Board members offered to assist and only one was able to meet within our required timeframe. Although we have sufficient evidence to support our conclusion, the availability of all Board members may have provided some additional insight.

4. Audit Methodology

- 4.1. The Internal Audit Service utilized a standard compliance audit approach based on sections 24-29 inclusive of the PAL. The following steps were taken during the review:
 - Invitations to interview were extended to all key stakeholders and resulted in successful meetings with the Operations Manager of the Cayman Islands Stock Exchange and one Board member, the Chief Officer for the Ministry of Financial Services & Home

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Affairs (FSHA). The Chairman of the Board was unavailable to meet within the timeframe of the review but instead provided comprehensive written commentary.

- Reviewed applicable Law.
- Reviewed pertinent documentation including e-mails related to the evaluation of the candidates, negotiations with the successful candidate and notification of appointment.
- Reviewed published advertisements for the position and documents in support of the candidate's applications.


5. Our Audit Conclusion

- 5.1. The IAS concludes, based on the work undertaken and the evidence reviewed, that:

Whilst it may not have affected the ultimate outcome, the appointment process of the Cayman Islands Stock Exchange Chief Executive Officer was not compliant with Public Authorities Law (2017).

Specifically there was failure to comply in whole with the requirements of section 26 and in part with sections 24, 25, 27 & 28 of the PAL. Full compliance was observed with section 29.

- 5.2. The evidence discussed throughout this report supports the view that the non-compliance arose primarily from a misunderstanding of the meaning, intent and required application of the Public Authorities Law.
- 5.3. The recommendations contained in the report are designed to minimize the reoccurrence of such failures in the future not only by the Cayman Islands Stock Exchange but by all entities for which the PAL applies.
- 5.4. The references contained in this report, including findings and recommendations, are in no way a reflection or intended to be a comment on the ability of the current Chief Executive Officer to competently fulfill the duties of the position.


Andy Bonner
Director, Internal Audit Service