

5th July 2022

Dear CEO

Exams cheating

Over the past few months, a number of firms around the world have been sanctioned by regulators regarding cheating in exams. This includes the following public announcements:

- EY LLP (US firm) <https://www.sec.gov/news/press-release/2022-114>
- PwC LLP (Canadian firm) https://cpab-ccrc.ca/docs/default-source/enforcement/2022-enforcement-pwc-en.pdf?sfvrsn=a19512fa_6
- KPMG LLP (Australian firm) https://pcaob-assets.azureedge.net/pcaob-dev/docs/default-source/enforcement/decisions/documents/105-2021-008-kpmg-australia.pdf?sfvrsn=81a97edf_6

The most recent example involved cheating in external professional exams in addition to cheating on internal assessments.

The FRC is deeply concerned about these events and the potential impact on UK audit firms of similar issues in the UK. There are clear implications for compliance with the Integrity and Objectivity overarching principle of the Ethical Standard and the objective of ISQC (UK) 1:

A1. The firm, its partners and all staff shall behave with integrity and objectivity in all professional and business activities and relationships.

11) The objective of the firm is to establish and maintain a system of quality control to provide it with reasonable assurance that: (a) The firm and its personnel comply with professional standards and applicable legal and regulatory requirements.

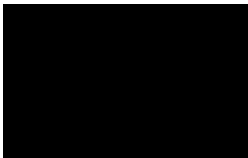
In recent months, as these cases started to emerge, your firm's Supervisor has already had some conversations with your firm to understand the controls your firm has in place to mitigate such a risk. Given the importance of this issue, we have decided that we need to formalise, deepen and accelerate these discussions.

I am asking you to formally set out the preventative and detective controls in place at your firm to ensure that such incidents do not happen in the UK and how you obtain assurance as to the controls' effectiveness. Please provide details of controls in place in respect of both individuals in the audit practice and the wider firm.

In your response, please provide details in respect of both internal assessments undertaken throughout an individual's career with the firm and those invigilated by the firm on behalf of a Recognised Qualifying Body as part of obtaining the chartered accountant qualification.

Your response should be provided to your firm's Supervisor on or before 22 July 2022.

Yours sincerely



Sarah Rapson
Executive Director, Supervision
Supervision
DDI: [REDACTED]
Email: [REDACTED]