

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 audits if such an issue was identified 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.

Given the severity and repeating nature of these issues we have decided that we need to ensure we have a deep understanding of the controls you have put in place to mitigate these risks.

Schedule 11 of the Companies Act 2006 details the requirements for recognised professional qualifications. In particular, Paragraph 11 states that:

- (1) The body offering the qualification must have:
 - (a) rules and arrangements adequate to ensure compliance with the requirements of paragraphs 6 to 10, and
 - (b) adequate arrangements for the effective monitoring of its continued compliance with those requirements.

- (2) The arrangements must include arrangements for monitoring:
 - (a) the standard of the body's examinations.

I am asking you to formally set out the preventative and detective controls in place at your organisation 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 to ensure the integrity of examinations and testing of students and members.

In your response, please provide details in respect of assessments where students are allowed to sit examinations in an exam room environment and are invigilated by a physical person(s) in the room, for example a representative of their employer if sitting their examination in the workplace. We would ask for you to confirm the specific controls that are in place in these circumstances to ensure the integrity of the examinations as part of obtaining the chartered accountant qualification.

Your response should be provided to Nicola Campbell ([REDACTED]) on or before 22 July 2022.

Yours sincerely

[REDACTED]

Sarah Rapson
Executive Director of Supervision
Email: [REDACTED]