

Financial Reporting Council

Aldwych House, 71-91 Aldwych, London WC2B 4HN

Telephone: 020 7492 2300 Fax: 020 7492 2301

www.frc.org.uk

Chairman: Sir Christopher Hogg

Chief Executive: Paul Boyle

Company Secretary: Anne McArthur

Advisory Committee on the Auditing Profession
Department of the Treasury
Main Treasury Building, Room 1418, 1500
Pennsylvania Avenue, NW.
Washington, DC 20220
USA

5th November 2007

Dear Advisory Committee,

Discussion Outline of the Advisory Committee on the Auditing Profession

The Financial Reporting Council (FRC) is the UK's independent regulator for corporate reporting and governance. We aim to strengthen confidence in corporate reporting and confidence by promoting high-quality corporate reporting, auditing, actuarial practice and corporate governance, and by promoting the integrity, competence and transparency of the accountancy and actuarial professions.

To help achieve our aim, we seek to contribute to a market outcome whereby audits are undertaken by an experienced, motivated and sceptical team within an effective firm-wide environment in audit firms and an efficient market for audit services.

As part of this work, over the last eighteen months we have facilitated a public debate in the UK over the auditing profession. The debate has considered:

- Nature of any risks arising from the characteristics of the audit market
- Potential implications if any risks are realised
- Types of opportunities for mitigating such risks
- Potential effectiveness and proportionality of opportunities for mitigating such risks.

This work has recently culminated in the publication of the report of a Group comprised of individuals from companies, investors and audit firms, the Market Participants Group (MPG). The MPG made fifteen recommendations for actions which could, when taken together, enhance the efficiency of the audit market and in so doing mitigate the risks arising from the market's current characteristics.

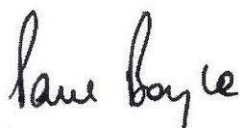
Work to implement the MPG's recommendations has started and details are included in an FRC Update published recently.

Copies of each of these reports are attached. These documents together with others issued over the course of the debate in the UK are also available on the FRC's website at <http://www.frc.org.uk/about/auditchoice.cfm>

When we started to facilitate this debate in the UK we recognised that the characteristics of the UK audit market are shared with other markets worldwide, reflecting the global nature of many large companies, the capital markets and the audit firm networks. This was confirmed to me when reading your Discussion Outline. We hoped that agreement over the measures needed in the UK would make a useful contribution to a wider international debate and on this basis I am pleased to submit these two reports in response to the Discussion Outline.

I would be happy to answer any questions which you have on these reports or on any other aspect of our work.

Yours sincerely,



Paul V Boyle
Chief Executive Officer
DDI: 020 7492 2390
Email: p.boyle@frc.org.uk

Enclosures via link and post:

- 1) Choice in the UK Audit Market – Final Report of the Market Participants Group
October 2007
<http://www.frc.org.uk/documents/pagemanager/frc/FRCMPG%20Final%20Report%20for%20web.pdf>
- 2) Choice in the UK Audit Market – FRC Update October 2007
<http://www.frc.org.uk/documents/pagemanager/frc/FRC%20update%20Choice%20October%202007.pdf>