

Cynthia M. Fornelli, Executive Director

March 30, 2007

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JEC Grant
Financial Reporting Council
5th Floor Aldwych House
71-91 Aldwych
London WC2B 4HN
United Kingdom

Dear Mr. Grant:

I am writing on behalf of the Center for Audit Quality, which was formed earlier this year by the public company auditing profession in the United States. The Center's mission is to serve investors, public company auditors and the markets by helping to foster confidence in the audit process and aid investors and the capital markets by advancing constructive suggestions for change rooted in the profession's core values of integrity, objectivity, honesty and trust. To accomplish its mission, the Center intends to work to make public company audits in the United States even more reliable and relevant for investors in a time of growing financial complexity and market globalization. The Center will also undertake research, offer recommendations to enhance investor confidence and the vitality of the capital markets, issue technical support for public company auditing professionals, and help facilitate the public discussion about modernizing business reporting.

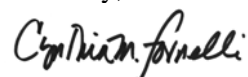
As such, many of the goals of the Center are aligned with those of the FRC related to public company audits. We therefore commend the FRC for issuing the November 2006 *Discussion Paper: Promoting Audit Quality*, which very effectively outlines many of the issues that auditors are facing throughout the world today. We particularly agree with the FRC's objective of "promoting and maintaining confidence in the audit process and the resulting audit report as a key component of the corporate reporting and governance regime and the effective operation of the capital markets." We also believe that the Discussion Paper identified key issues to consider to ensure high quality audits, not just in the United Kingdom and the Republic of Ireland, but around the world: the culture within an audit firm; the skills and personal qualities of audit partners and staff; the effectiveness of the audit process; the reliability and usefulness of audit reporting; and factors outside the control of auditors affecting audit quality.

Reliable financial information is the bedrock of investor confidence in the capital markets. The importance of the public company audit in this context cannot be denied. Even as the public becomes even more deeply dependent upon the vibrancy of the capital markets, the markets themselves are becoming increasingly complex and global. This dynamic, coupled with corporate financial scandals and changes in the regulatory environment, has generated considerable public dialogue around the globe. Dialogues such as that the FRC has begun with the Discussion Paper, therefore, are vital. The Center was formed to lead such dialogue for public company auditors in the United States, with an emphasis on making public company audits more transparent, easier to understand and more reliable—in short, to ever improve their quality. Hence the organization’s name: the Center for Audit Quality.

The Center is focusing on a number of initiatives to improve audit quality in the United States. These include enhancing audit quality through research and communications of current developments and their implications with the goal of promoting continual improvements to the process of public company auditing and building public confidence and trust in the public company audit by fostering a greater understanding of the value of the independent public company audit and the firms that perform this service. While our mission focuses on audit quality in the United States, the increasingly global nature of financial markets requires that efforts to improve audit quality be considered from an international viewpoint. We therefore look forward to the continuing dialogue surrounding the FRC’s Discussion Paper. In fact, research here in America shows investors would like to see greater harmony between auditing standards in the U.S. and abroad.

We also would be happy to further discuss and serve as a resource for information about public company audits in the United States. With that in mind I would welcome the chance to speak with you in person. Please feel free to call me at 202.609.8060.

Sincerely,



Cynthia M. Fornelli
Executive Director