

**Report of the Major Public
Company Audit Firms to the
Department of the Treasury
Advisory Committee on the
Auditing Profession**

January 23, 2008



CENTER FOR AUDIT QUALITY

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To achieve its goal of “provid[ing] informed advice and recommendations to the Department on the sustainability of a strong and vibrant public company auditing profession,” the Advisory Committee on the Auditing Profession is seeking better understanding of “1) the auditing profession’s ability to attract and retain the human capital necessary to meet developments in the business and financial reporting environment; 2) audit market competition and concentration; and 3) the financial resources of the auditing profession, including the effect of existing limitations on auditing firms’ structure.”

The six audit firms that each audit more than 300 U.S. public companies¹ have jointly prepared – under the leadership of the Center for Audit Quality (“CAQ”) – and are voluntarily submitting this report containing more detailed information than ever before disclosed publicly about the structure and governance, financial circumstances, litigation exposure, and human resources of the audit firms. Because of the competitive significance and litigation sensitivity of much of this information,² data from each of the individual firms have been aggregated with the assistance of CRA International, a leading economic consulting firm, to produce the information contained in this report.

The report provides the Committee with an unprecedented look at the characteristics of the largest firms in the profession; the firms hope the information will assist the Committee in its deliberations. The firms welcome the Committee’s questions regarding the information submitted today, and look forward to a continuing dialogue with the Committee. For further information, please contact Cindy Fornelli, Executive Director of the Center for Audit Quality, at 202-609-8120.³

¹ These firms are BDO Seidman LLP, Deloitte & Touche USA LLP, Ernst & Young LLP, Grant Thornton LLP, KPMG LLP, and PricewaterhouseCoopers LLP. All references in this report to “firms” means these six firms, collectively.

² Also, because these firms are partnerships, firm-specific information implicates directly the privacy and confidentiality interests of a large number of people.

³ The CAQ and the six audit firms confirm that they are voluntarily submitting the views and data in this document to the Advisory Committee on the Auditing Profession to help the Advisory Committee achieve its objectives. They understand and acknowledge that the enclosed views and data are being submitted in connection with public meetings of the Advisory Committee on the Auditing Profession and will be made available for public inspection and copying.