



Plains All American Pipeline, L.P.  
333 Clay Street, Suite 1600  
Houston, TX 77002  
(713) 646 4100  
www.paalp.com

September 28, 2011

Office of the Secretary  
Public Company Accounting Oversight Board  
1666 K Street, N.W.  
Washington, DC 20006

Re: Rulemaking Docket Matter No. 34

We write to comment on the concept release on Possible Revisions to PCAOB Standards Related to Reports on Audited Financial Statements, dated June 21, 2011. Our comments come from the perspective of management and the audit committee of the board of directors of a public registrant and are based on our experience, information included in the concept release and viewpoints expressed in the discussion to date. We have not previously participated in the rulemaking process of the PCAOB, but believe the concepts set forth in this concept release warrant broad participation and feedback.

#### **Background and Principles Underlying our Response**

We understand that the objective of the concepts set forth in the concept release is to increase transparency and relevance to financial statement users, while not compromising audit quality. We further understand that the alternatives presented are primarily intended to focus on enhancing communication to investors through improving the content of the auditor's report rather than on changing the fundamental role of the auditor. There are several points that we believe are important and should be maintained in all of the alternatives considered. These are:

- Management is responsible for reporting information about the company and that should not change.
- There are currently requirements to disclose a significant amount of information about the company and accounting related matters. To the extent additional information is needed, the applicable rules and regulations should be amended to require companies to provide that information rather than shifting that disclosure to the auditor's report.
- The responsibility for review and analysis of financial statements lies with financial statement users, not with auditors.
- To the extent that the auditor's reports are expanded the focus should be on communicating information about audit risk, procedures and results.

We are proponents of full and fair financial disclosure in financial statements and related communications by SEC registrants. While it is understandable that the PCAOB would like to enhance the utility of the financial statements and audit reports, we fear that there could be significant negative unintended consequences from the alternatives proposed. For example, expanding the amount of information that the auditor discloses through the inclusion of an AD&A, Emphasis Paragraphs or Auditor Reports on information outside the financial statements could realistically cause financial

statement users to be less diligent in reviewing information by substituting an Audit Report for review and analysis.

Our comments on the following topics are focused on the points above and our understanding of the objectives of the concept release.

### **Auditor's Discussion and Analysis**

We are not totally opposed to the concept of adding an Auditor's Discussion and Analysis ("AD&A"). However, we do believe that several respondents have raised compelling points regarding the sophistication of the investing community and the wealth of information publicly available regarding auditing standards that cast doubt on the real benefit that will be gained in adding a significant amount of new disclosure to already lengthy 10-Ks. We also believe that the suggested alternatives will result in lengthy audit reports that may discourage some investors from reading the reports, will be challenging for readers to get through and difficult to compare between registrants, further calling into question the value that will be achieved. In addition, we believe there is a strong likelihood that the alternatives presented could result in significant increased costs.

Although we do not have an outright opposition to the concept of an AD&A, we do feel strongly that if an AD&A were adopted, the focus should be on audit risk, procedures and results and not on adding additional disclosure about the financial statements of the company. One alternative included in the concept release is for the AD&A to include the auditors discussion of the company's financial statements, such as management's judgments and estimates, accounting policies and practices, and difficult or contentious issues. It also suggests that the auditors highlight where management could have applied different accounting or disclosures. We have several significant concerns with this primarily associated with the impact on the roles of the audit committee and of the auditors.

Audit committees, as representatives of the shareholders, currently have responsibility to provide oversight of the financial reporting process. The current process includes required communications and dynamic interaction between the audit committee and auditors. Expanded disclosures of matters that are included in this dialogue would be a less effective method for providing the oversight that already exists. In addition, we believe that these alternatives create a fundamental shift in the responsibilities of the auditor away from performing an audit to provide reasonable assurance that the financial statements are free of material misstatement to a responsibility for disclosing information about the company that they are auditing. We are concerned about the potential impact that a change in the role of the auditor may have on communication. We believe that open communication between management, the auditor and the audit committee is vitally important to the audit process. We believe that this type of AD&A may reduce or hamper that important open communication.

We also don't believe that the auditors are the best source of information about the company. The managements of public companies are responsible for the completeness and accuracy of the financial statements, footnotes and related disclosures. The company employs significant resources to ensure that the appropriate systems, policies, procedures and resources are in place to ensure that business activities are appropriately captured and reported in accordance with the applicable accounting

standards. Included in these activities can be significant time and resources dedicated to researching and concluding on the appropriate accounting for a number of matters. While we agree that the auditors expend a significant amount of time in the process of performing their audits and do gain insight and knowledge about the company that they are auditing, management remains the best and most appropriate source for information about the company and related accounting matters.

Further, a focus by the auditors on creating content and disclosure would require significant high-level input from the audit team which could distract the partner and manager from focusing on the audit itself, which could prove to be detrimental to the quality of the audit.

In addition, the illustration included in the concept release is difficult to assess for usefulness as it does not include any of the challenging concepts that are proposed in the concept release. The discussion of these matters would most likely extend to multiple pages and even at that length, be subject to confusion and potential undue concern without elaborate, detailed explanations. Also, there would be a significant challenge to the audit firms to determine the appropriate subjective wording that is appropriate for a specific company and yet still be consistent and comparable with similar fact patterns at other companies. There would be even more significant challenges for investors in attempting to compare and contrast disclosures made by different audit firms when attempting to appropriately consider the information provided in making their investment decisions. This alternative would seem to be moving away from what some have described as a clear, concise and consistent audit report that provides investors reasonable assurance that the financial statements are materially free of misstatement to a lengthy, subjective, inconsistent report that potentially creates confusion.

#### **Required and Expanded Use of Emphasis Paragraphs**

Similar to our view on adding an AD&A, we are not totally opposed to this alternative, but we do believe that certain principles should be maintained. Foremost, the required and expanded use of emphasis paragraphs should focus on audit risks, procedures and results and should not extend to disclosing additional information about the company or the company's financial statements. The disclosure of information about the company and the financial statements should remain management's responsibility. Current reporting standards require comprehensive disclosures covering a broad range of topics in an attempt to provide relevant information to financial statement users. To the extent more information is needed on certain topics, the relevant reporting standards should be amended to incorporate those requirements.

One practical downside to requiring auditors to disclose or summarize significant matters or risks considered in an emphasis paragraph is the potential increased exposure it would present to the auditor. We believe that a practical reaction would be for the auditor to provide laundry lists of lesser significant matters to mitigate that risk.

#### **Auditor reporting on information outside the financial statements**

The concept release includes alternatives for expanding auditor reporting to a wide range of areas ranging from MD&A to press releases. We do not agree that the benefits of expanding the auditors

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reporting outweigh the costs associated with such changes. As noted in the concept release, the auditor's currently have responsibility to read and consider whether information outside the financial statements or the manner it is presented is materially inconsistent with the financial statements or represents a material misstatement of fact. To the extent there is real demand for additional assurance, a current PCAOB standard exists for the auditors to provide such assurance. We have not experienced demand for this level of assurance and we do not believe that creating additional required reporting would be cost beneficial.

Regarding press releases, we understand timely access to financial information to be a key priority of the investment community. Any efforts to require an auditor report on press releases would necessitate a delay in the timing of disseminating that information to the public and would run contrary to the priority of timely access to that financial information.

**Clarification of language in the auditor's report**

We do not have any objections to the suggested alternatives to clarify the language in the auditor's report.

Thank you for the opportunity to comment on this concept release.

Sincerely,

/s/ Everardo Goyanes

Everardo Goyanes  
Chairman of the Audit Committee

/s/ J. Taft Symonds

J. Taft Symonds  
Member of Audit Committee

/s/ Christopher M. Temple

Christopher M. Temple  
Member of Audit Committee

/s/ Al Swanson

Al Swanson  
Executive Vice President and Chief Financial Officer

/s/Chris Herbold

Chris Herbold  
Vice President - Accounting and Chief Accounting Officer