

Iain Macdonald

Group Vice President & Group Controller

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25 February 2007

Public Company Accounting Oversight Board
Office of the Secretary
1666 K Street, N.W.
Washington, D.C. 20006-2803

RE: Rulemaking Docket Matter No. 021

Dear Sir or Madam,

BP plc appreciates the opportunity to comment on PCAOB Release No. 2006-007 "An Audit of Internal Control over Financial Reporting that is Integrated with an Audit of Financial Statements."

We believe that the issuance of the proposed guidance will improve communication between public companies and their auditors and increase the efficiency of integrated audits. Comments on specific sections of the proposed guidance are provided below.

We encourage the use of walkthroughs to evaluate the design and operating effectiveness of lower risk controls, particularly controls around routine, recurring transactions that do not involve the application of complex accounting policies.

The standard should allow an auditor to conclude that no deficiency exists when one of the strong indicators is present as long as there is reasonable support behind the conclusion as this approach will allow auditors to exercise judgement and base their conclusion on the specific facts and circumstances of the client.

The proposed removal of the requirement for an auditor evaluation of management's process will provide additional clarity without compromising the integrity of the audit, since this opinion is not considered to add value to the process. The removal of this language will not result in a drastic reduction of unnecessary audit work; however, it will reduce the likelihood of misinterpretation of the guidance. This change will also focus the auditor's attention on the design and operating effectiveness of internal control over financial reporting, which is the most critical control related element of an integrated audit.

Under Accounting Standard No. 2, auditors were placed at a disadvantage as the standard required each year's audit to "stand on its own"; therefore, auditors could not properly utilize the experience gained from past work,

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which could dissuade auditors from employing a risk-based approach. The removal of this language as proposed by the new standard is viewed as a key change that will increase the audit efficiency.

The proposed revisions to the guidance related to the auditor's use of the work of others are considered to be positive changes. The principal evidence provision contained in Auditing Standard No. 2 implies that the work performed by non-auditors is not reliable, and that guidance could actually deter auditors from relying on high-quality work in certain situations. The proposed update will allow auditors to use judgement to determine when it is appropriate to rely on the work of others.

Since the proposed standard is considered to be an improvement to the audit guidance, we would encourage the PCAOB to issue the new standard as soon as practical. The release of this guidance is not expected to negatively impact the current year audit.

We appreciate your consideration of our comments on the proposed PCAOB Auditing Standard.

Sincerely,

A handwritten signature in black ink, appearing to read "Iain Macdonald". The signature is written in a cursive, flowing style.

Iain Macdonald
Group Vice President &
Group Controller