



August 4, 2023

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

Re Amendments to PCAOB Auditing Standards related to a Company's Noncompliance with Laws and Regulations and Other Related Amendments; PCAOB Rulemaking Docket Matter No. 051

Dear Office of the Secretary:

This letter represents the views of Plains All American Pipeline, L.P. (NASDAQ: PAA) and Plains GP Holdings, L.P. (NASDAQ: PAGP) regarding the Public Company Accounting Oversight Board's proposal, *Amendments to PCAOB Auditing Standards related to a Company's Noncompliance with Laws and Regulations and Other Related Amendments* (the "**Proposal**").

We support the PCAOB's mission to protect investors by modernizing auditing standards that support the performance of continued high-quality audits in today's complex business environment. However, we are concerned that the proposed amendments do not advance that mission. They risk reducing audit quality and lessening investor protections while unnecessarily increasing the cost and complexity of audits.

We, share the concerns raised by PCAOB Board Members Duane DesParte and Christina Ho in the PCAOB's June 7, 2023, open meeting.¹ We also expressly support the comments made by the Energy Infrastructure Council.

Specifically, we are concerned that:

The proposed scope is too broad.

- The proposal does not sufficiently take into account a company's existing compliance function and the shared oversight responsibility of the board of directors, the audit committee and the general counsel.
- Auditors are not lawyers and the proposed amendments would expand the auditor's role to include knowledge and expertise outside their core competencies.
- The proposal will substantially increase the cost of audits without a commensurate benefit.

We believe that:

1. Any change should keep the auditor focused on non-compliance with laws and other regulations that could materially impact the financial statements, such as material penalties or loss contingencies.

¹ See public statements from Board Members [Duane DesParte](#) and [Christina Ho](#).

2. Any requirement of the auditor should be risk-based and consider the role the company's compliance program plays in detecting noncompliance with laws and regulations that could be material to the audited financial statements.

To expand upon our position, we offer the following rationale:

The proposed scope is too broad.

The proposed requirement that auditors identify “laws and regulations with which noncompliance could reasonably have a material effect on financial statements”² is duplicative and unnecessary. Given that public companies are subject to a vast number of laws and regulations, and the largest companies in highly regulated industries can be subject to hundreds of new laws and regulations in a single quarter, we already have extensive compliance processes to perform this exact function. The results of those processes are regularly reported to the audit committee, as well as to the external auditors for their input regarding the process and evaluation of any significant matters.

The proposal does not sufficiently take into account a company's existing compliance function and the shared oversight responsibility of the board of directors, the audit committee and the general counsel.

We believe that it takes company management, audit committees, auditors, and regulators working in concert to foster a system that supports both high-quality financial statements and audits, all for the protection of investors. Oversight of a company's compliance with laws and regulations is primarily the shared responsibility of the board of directors, the audit committee, the company's legal department and the company's compliance function. We suggest a better approach could be one that is risk-based, and where the auditor considers the role the company's compliance program plays in detecting non-compliance with laws and regulations that could be material to the audited financial statements.

Auditors are not lawyers.

In addition to being unnecessary and burdensome, the proposed amendments would expand the auditor's role to include skills, knowledge, and expertise outside the auditor's core competencies and expertise. The auditor's responsibility is to examine and report on the financial statements and notes prepared by management as well as to evaluate internal control over financial reporting, not to replace the board of directors, company legal counsel (internal and external) and management in overseeing and establishing appropriate compliance procedures and policies that can effectively detect noncompliance. We note that the board and management's responsibilities in these matters are governed by their fiduciary duties, and state law mechanisms exist for holding boards and management accountable in accordance with their duties. Additionally, the Proposal does not recognize that the increased sharing of information from the audit client to the auditor would present significant increased risk to the audit client's legal privileges and would similarly require any lawyers acting on behalf of the auditors to understand and comply with all applicable auditor independence and ethical requirements.

² See proposed AS 2405.06.

The proposal will substantially increase the cost of the audit without a commensurate benefit.

The PCAOB acknowledges in its Proposal that auditors may need to retain a range of legal experts to comply with the proposed standards but offers no projected cost beyond “[t]hese costs could be substantial.” The Proposal does not seem to recognize the extent of industry-specific regulation and the need for unique types of expertise in those areas to assess overall legal compliance. Furthermore, the Proposal does not sufficiently appreciate that many of the audit requirements contained therein will require significant company engagement and effort to enable the auditors to plan and perform the necessary procedures, assess and respond to risks, track down and address instances of noncompliance that have or may have occurred (which will include a number of false positives), and communicate these actions and findings. Additional effort should be made to study the costs and benefits of the proposal.

We appreciate the opportunity to share our views.

Sincerely,

PLAINS ALL AMERICAN PIPELINE, L.P.

By: PAA GP LLC, its general partner
By: Plains AAP, L.P., its sole member
By: Plains All American GP LLC, its general partner

By: 
Name: Chris Herbold
Title: Senior Vice President, Finance & Chief
Accounting Officer

PLAINS GP HOLDINGS, L.P.

By: PAA GP Holdings LLC, its general partner

By: 
Name: Chris Herbold
Title: Senior Vice President, Finance & Chief
Accounting Officer