

Iain Macdonald

Group Vice President & Group Controller

BP p.l.c.
1 St James's Square
London
SW1Y 4PD
United Kingdom

28 August 2006

Securities and Exchange Commission
Nancy M. Morris, Secretary
100 F Street, NE
Washington, DC 20549-1090

RE: File Number S7-11-06

Dear Sir or Madam,

Direct 020 7496 5311
Main 020 7496 4000
Fax 020 7496 4135
Mobile 07768 555128
madoni@bp.com
www.bp.com

BP plc appreciates the opportunity to comment on SEC Release No. 34-54122, "Concept Release Concerning Management's Reports on Internal Control over Financial Reporting". We support the intent of the Sarbanes Oxley Act (the "Act") and PCAOB Standard No. 2 (the "Standard"), and believe that providing users of the financial statements with both management's assessment of the effectiveness of internal control and an independent auditor's evaluation of that assessment has increased financial information quality and raised investor confidence. We would, however, like to offer several comments on additional guidance that BP believes could lessen the impact of the Act and the Standard on public companies without reducing its effectiveness.

First, with regard to Question No. 1, the current guidance available allows public companies to apply judgment when evaluating the design and operating effectiveness of internal controls over financial reporting, which is ideal considering that this evaluation process is highly subjective. Internal control structure and control environment vary significantly from company to company, which is why it is preferable for the guidance to be principles based. Requiring a more prescriptive model would reduce the value provided to investors by the Management Assertion.

In response to Question No. 2, no guidance specific to foreign filers is currently considered necessary.

In response to Question No. 3, additional guidance should be limited to articulation of broad principles, which provides companies with flexibility in evaluating controls and also limits possible exceptions.

In response to Question No. 4, additional guidance regarding the recommended retention period for evidence would be beneficial.

In response to Question No. 5, interpretive guidance is currently preferred as this type of guidance tends to be more principles based.

28 August 2006

Securities and Exchange Commission

In response to Question No. 6, heavy reliance on self assessment procedures supplemented with internal audit work on internal controls has been an effective means for managing compliance with Section 404 as those closest to the controls are able to efficiently document and assess the operating effectiveness of the controls.

In response to Question No. 7, as previously stated, we believe additional guidance, other than in key certain areas, would limit Management's ability to assess internal controls in a way most appropriate to a Company's particular structure, environment and circumstance.

In response to Question No. 8, as a filer that selected Turnbull for a framework, it is understandable why most companies selected COSO instead of the other available Frameworks. Principles based frameworks serve as a strong foundation for SOX compliance work; however, the detail provided by COSO and COBIT were necessary supplements to Turnbull to allow for a more standardized approach to control assessment throughout the company.

In response to Question No. 9, the guidance should incorporate the May 16, 2005 "Staff Statement on Management's Report on Internal Control over Financial Reporting", so that users will not need to sift through multiple sources of guidance when researching internal control related issues.

In response to Question No. 10, the benefit obtained by investors from the outside auditor work performed on management's process of assessing controls and the issuance of an opinion on this process is limited at best. The most important area with respect to internal controls from an investor perspective is the overall design and operating effectiveness of control activities and the control environment. Eliminating the auditor procedures and opinion on the management assessment process would allow auditors to shift the focus to effectiveness of the actual controls rather than the administrative elements related to the management assessment process.

In response to Question No. 11, implementing a top-down, risk based approach begins with management's identification of processes that are considered complex or otherwise subject to higher risk with respect to financial reporting and then adjusting the scope of self assessment procedures, enterprise level control work, deficiency evaluation procedures and internal audit work accordingly. This process will vary significantly across companies. Due to the level of subjectivity involved, additional guidance is not considered necessary.

28 August 2006

Securities and Exchange Commission

In response to Question No. 12, the term "key control" is not defined or used in COSO or in the PCAOB's Auditing Standard No. 2. Guidance from the SEC regarding "key controls" would be appreciated as this concept is critical to the identification of controls that address the risks of material misstatement.

Question Nos. 13 and 14 are not considered applicable for large public companies.

In response to Question No. 15, from a large company standpoint, additional guidance on the role of entity-level controls is not considered necessary. Entity-level controls cannot eliminate the need for process level control activities; however, BP has been able to increase the level of assurance with respect to internal controls while at the same time reducing the level of reliance placed on process level controls by performing additional procedures to ensure the effectiveness of entity-level controls that operate across the company and at the Segment-level.

In response to Question No. 16, detailed guidance regarding the appropriateness and extent to which quantitative and qualitative factors used when assessing risks and identifying controls is not considered necessary; however, clarification regarding the importance of qualitative factors in this process would be considered beneficial as it appears that auditors are currently placing heavy reliance on quantitative factors with only limited reliance on qualitative factors. For example, while a purchase to pay process may be considered material, when the transactions are all considered routine, the level of attention given to this process (assuming a strong control environment and strong entity-level controls are in place) should decrease accordingly, which provides the company with additional time and resources to focus on more complex and higher risk transactions.

In response to Question No. 17, pre-existing guidance, such as "Management Antifraud Programs and Controls" as well as the guidance related to fraud included in the PCAOB's Auditing Standard No. 2, is considered sufficient guidance regarding fraud controls.

In response to Question No. 18, no additional guidance regarding multiple locations or business units is currently considered necessary as the use of a top-down risk-based approach serves as a sufficient guide for setting the scope for management assessment of internal control over financial reporting.

In response to Question No. 19, presently the mix of entity level, process level controls and testing is driven by management judgment and influenced

28 August 2006

Securities and Exchange Commission

by the auditors. It would be useful to see guidance in the form of specific examples of entity level controls that, if confirmed to be operating effectively, would result in corresponding process level controls that would not require testing.

Clarification of the type of 'testing of design and operating effectiveness' that may be performed on controls at the entity level would be useful, including examples of how the entity level controls can be leveraged to reduce the need to perform transaction level testing, or the extent of testing, particularly in cases of routine processes. For example, should there be a need to test each new key control implemented at the process level if the entity level controls to implement the change are determined to be designed and operating effectively?

In response to Question No. 20, BP application of monitoring is at the entity level and at the process control level. Present monitoring guidance is largely based on entity level controls. Interpretive guidance would be useful to clarify the implementation of monitoring activities at the process/transaction control level and how this approach can drive efficiencies.

Question No. 21 is not considered applicable for large public companies.

In response to Question No. 22, additional guidance may be beneficial as a guide to the nature, timing and extent of testing of the process level controls. At present, companies must rely on PCAOB guidance, which focuses on 'audit' style testing techniques and does not explain how to effectively leverage entity level controls or monitoring activities.

In response to Question No. 23, guidance on the timing of entity level and process level testing and application of the 'as of' approach to assessment would be beneficial. Presently the 'as of' approach is strictly applied to process level testing and has a significant impact if changes are planned around the 31 December period.

For example; the 'as of' requirement has a significant impact on the plans for implementing new systems or controls, in particular in Q4. In this case companies may hold back new system implementation during Q4 if these systems cannot be implemented, documented and tested by 31 December. Could entity level controls be relied on rather than performing testing at the process level during the change/implementation phase?

General guidance may be useful to clarify that retesting is not necessarily required if there is no reason to believe the control is no longer operating

28 August 2006

Securities and Exchange Commission

effectively (and entity controls have indicated this). In addition, guidance indicating that management may rely on entity level controls over change management procedures rather than re-perform testing in the current year if the controls were tested in the prior year would be beneficial.

In response to Question No. 24, deficiencies with an indirect impact to financial statement accounts may be difficult to quantify (for example, if an entity level control was not operating effectively, which resulted in a deficiency). The guidance currently applied was issued by the accounting firms on assessing an exception and determining if it is a deficiency.

In response to Question No. 25, additional guidance regarding the terms "material weakness" and "significant deficiency" would be beneficial. In particular where judgment is used to quantify the deficiency and likelihood of occurrence additional guidance would be useful as well as further guidance or examples regarding aggregation.

In response to Question Nos. 26 and 27, additional guidance is not considered necessary.

In response to Question No. 28, simple data storage technologies were used for business processes, otherwise documentation and testing was performed using Microsoft Word/Excel documents. Technologies were not used at the implementation stage however may be used as the control processes are embedded in the business dependent on cost, benefit and the ability to communicate and train staff to use the technology.

In response to Question No. 29, the IT general controls and IT application controls tested correlate to the COBIT framework components relevant to reliable financial reporting. The impact of the IT general controls are taken into consideration based on evaluation of the risk and impact of any issues noted. Additionally, mapping of the applications to supporting infrastructure was performed to better understand impact and risk.

Additional guidance on assessing IT general control impact and broad principles of evaluation would be valued. Specific guidance on the financial reporting impacts associated with risks in the IT environment, including further guidance on the nature and extent of IT testing required by management, would be helpful for large companies with complex IT environments. Further consideration and definition or risk-based testing in the IT environment would be useful to assist companies and external auditors to focus on higher impact risks.

28 August 2006

Securities and Exchange Commission

In response to Question No. 30, the COBIT framework was adopted for delivering the IT framework. The COBIT framework is a commonly used IT standard and is not proprietary to BP. There are several sections of the COBIT framework (such as Disaster Recovery) that extend beyond the requirements for reliable financial reporting. All of the sections of COBIT have been considered, and BP has selected those components that are most applicable to reliable financial reporting.

In response to Question No. 31, documentation performed by management was beyond requirements as a result of a bottom-up approach, which identified too many processes and did not focus on higher level risks.

Guidance should direct companies in the first instance to a top-down approach and mapping of the significant financial statement accounts and notes to the processes. Thereafter once the risks and materiality are determined management will focus on higher level risks, processes and key controls.

In response to Question Nos. 32 through 35, additional guidance is not considered necessary.

We appreciate your consideration of our comments.

Sincerely,

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

Iain Macdonald
Group Vice President &
Group Controller