
ORDER INSTITUTING DISCIPLINARY
PROCEEDINGS, MAKING FINDINGS, AND
IMPOSING SANCTIONS

*In the Matter of Deloitte Touche Tohmatsu
Audiores Independentes,*

Respondent.

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) PCAOB Release No. 105-2016-031
)
) December 5, 2016
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By this Order, the Public Company Accounting Oversight Board ("Board" or "PCAOB") is: (1) censuring Deloitte Touche Tohmatsu Audiores Independentes ("Deloitte Brazil," "Firm," or "Respondent"); (2) limiting the activities, functions, and operations of Deloitte Brazil, including by prohibiting the Firm from accepting new engagements to prepare or issue audit reports for new clients who are issuers, brokers, or dealers, as those terms are defined by U.S. securities laws and PCAOB rules, until the Firm completes certain quality control remediation measures; (3) requiring Deloitte Brazil to engage an independent monitor for the period specified in this Order; (4) requiring Deloitte Brazil to adopt and implement certain policies and procedures related to the Firm's system of quality control; (5) requiring Deloitte Brazil to provide additional professional education and training to its associated persons; and (6) imposing a civil money penalty in the amount of \$8,000,000 on Deloitte Brazil.

The Board is imposing these sanctions on the basis of its findings that Deloitte Brazil: (a) violated securities laws and PCAOB rules and standards in issuing unqualified audit reports concerning the 2010 financial statements and internal control of an issuer client; (b) improperly altered the work papers for its audits of two issuer clients in connection with a Board inspection in 2012; and (c) obstructed and otherwise failed to cooperate with a Board investigation concerning those two audits.

I.

The Board deems it necessary and appropriate, for the protection of investors and to further the public interest in the preparation of informative, accurate, and independent audit reports, that disciplinary proceedings be, and hereby are, instituted pursuant to Section 105(c) of the Sarbanes-Oxley Act of 2002, as amended (the "Act"), and PCAOB Rule 5200(a)(1) and (3) against Respondent.

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II.

In anticipation of the institution of these proceedings, and pursuant to PCAOB Rule 5205, Respondent has submitted an Offer of Settlement ("Offer") that the Board has determined to accept. Solely for purposes of these proceedings and any other proceedings brought by or on behalf of the Board, or to which the Board is a party, and without admitting or denying the findings herein, except as to the Board's jurisdiction over Respondent and the subject matter of these proceedings (which are admitted) and the facts, findings, and violations set forth in paragraphs 63-65, 69-70, 72, 74, 76-78, 81-82, 85-86, and 90 (which are admitted), Respondent consents to entry of this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions ("Order").¹

III.

On the basis of Respondent's Offer, the Board finds² as follows:

A. Introduction

1. This matter concerns the failure by Deloitte Brazil to fulfill its public watchdog role as an independent and ethical auditor. Specifically, the Firm violated Section 10(b) of the Securities Exchange Act of 1934, as amended ("Exchange Act"), and PCAOB rules and standards in 2011 when it knowingly issued false audit reports concerning the 2010 financial statements and internal control of an issuer client. In violation of PCAOB rules and standards, the Firm then attempted to cover up its violations by improperly altering documents in connection with a 2012 PCAOB inspection and by obstructing a subsequent PCAOB investigation. Deloitte Brazil committed these violations through several personnel who were at the time some of its most senior partners, and who were entrusted with leadership and governance roles in the Firm during various stages of the misconduct, as well as through other partners and staff on two audit engagement teams. The leaders who supervised and directed this misconduct not only set a tone of disregard for compliance with PCAOB rules and standards and PCAOB oversight, but also actively thwarted that oversight, to the detriment of investors.

¹ The findings herein are made pursuant to Respondent's Offer and are not binding on any other person or entity in this or any other proceeding.

² The Board finds that Respondent's conduct described in this Order meets the condition set out in Section 105(c)(5)(A), which provides that certain sanctions may be imposed in the event of intentional or knowing conduct, including reckless conduct, that results in violation of the applicable statutory, regulatory, or professional standard.



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B. Respondent

2. Deloitte Touche Tohmatsu Auditores Independentes is a partnership organized under the laws of Brazil, and is headquartered in São Paulo, Brazil. The Firm registered with the Board on June 2, 2004, pursuant to Section 102 of the Act and PCAOB rules. The Firm currently performs audits of approximately seven issuers as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii). Additionally, as to approximately 60 other issuers, the Firm participates in audits led by other accounting firms, including by other member firms of the Deloitte Touche Tohmatsu Limited global network ("Deloitte Global"). Those other accounting firms request the Firm to perform audit work that those other firms use or rely on in issuing their audit reports ("referred work"), including certain audits in which the Firm plays a substantial role.³ In conjunction with five other Deloitte entities in Brazil ("Deloitte Brazil Entities"), the Firm has approximately 170 partners and 5,000 employees, and is governed by a board known as the Policy Committee, which is responsible for overseeing the Firm's operations.⁴

C. Issuers

3. Gol Linhas Aéreas Inteligentes S.A., also known as Gol Intelligent Airlines Inc. ("Gol" or "Company"), is a Brazil corporation headquartered in São Paulo, Brazil. Its common stock is listed on the BM&F Bovespa exchange in Brazil and its American Depositary Shares are listed on the New York Stock Exchange under the symbol "GOL." At all relevant times, Gol was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii). Deloitte Brazil served as the external auditor for Gol for the fiscal years ended December 31, 2009 through December 31, 2013, after which the Firm rotated off the Gol engagement pursuant to Brazilian audit firm rotation requirements.

4. "Issuer 2" is an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii). Deloitte Brazil served as the external auditor for Issuer 2 for fiscal year 2010, among other years.

³ See PCAOB Rule 1001(p)(ii) (containing definition of "play a substantial role in the preparation or furnishing of an audit report").

⁴ On June 1, 2016, Deloitte Brazil installed new leadership, which has taken the steps described in paragraph 23.

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D. Other Relevant Persons and Entities

5. The "Gol Engagement Partner"⁵ is a former partner of Deloitte Brazil. The Gol Engagement Partner was the engagement partner for the Firm's audits of Gol's financial statements and internal control over financial reporting ("ICFR") for the years ended December 31, 2009 through December 31, 2011. The Gol Engagement Partner held a leadership position in the Firm's Audit function from February 23, 2011 through August 7, 2014, and served on the Firm's Policy Committee from February 23, 2010 through March 24, 2011. The Gol Engagement Partner also served as the engagement quality reviewer for Deloitte Brazil's audit of Issuer 2's fiscal year 2010 financial statements. The Firm placed the Gol Engagement Partner on administrative leave in October 2015, and he separated from the Firm in March 2016.

6. The "Gol Senior Manager"⁶ is a former partner of Deloitte Brazil. The Gol Senior Manager was a senior manager for the Firm's audit of Gol's financial statements and ICFR for the year ended December 31, 2010. The Firm placed the Gol Senior Manager on administrative leave in November 2015, and he separated from the Firm in November 2016.

7. "Senior Partner 2"⁷ is a former partner of Deloitte Brazil. At all relevant times, Senior Partner 2 held a leadership position in the Firm's Audit function. The Firm placed Senior Partner 2 on administrative leave in July 2016, and he separated from the Firm in November 2016.

8. "Senior Partner 3"⁸ is a former partner of Deloitte Brazil. At all relevant times, Senior Partner 3 held senior leadership positions at the Firm, including at certain relevant times a position on the Policy Committee. By virtue of his specific leadership positions, Senior Partner 3 was one of the Firm partners most responsible for ensuring the compliance by Firm personnel with ethical and regulatory requirements. The Firm placed Senior Partner 3 on administrative leave in July 2016, and he separated from the Firm in November 2016.

⁵ See *José Domingos do Prado*, PCAOB Rel. No. 105-2016-032 (Dec. 5, 2016).

⁶ See *André Ricardo Aguiilar Paulon*, PCAOB Rel. No. 105-2016-035 (Dec. 5, 2016).

⁷ See *Wanderley Olivetti*, PCAOB Rel. No. 105-2016-034 (Dec. 5, 2016).

⁸ See *Maurício Pires de Andrade Resende*, PCAOB Rel. No. 105-2016-033 (Dec. 5, 2016).



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9. The "Two Senior Managers"⁹ are former partners of Deloitte Brazil. At all times relevant to this Order, the two senior managers worked in the Global IFRS and Offering Services ("GIOS") group within the Deloitte Brazil Entities. The Two Senior Managers became partners in the Firm in 2013. The Firm placed the Two Senior Managers on administrative leave in December 2015 and January 2016, respectively, and they separated from the Firm in November 2016.

10. The Enterprise Risk Services ("ERS") group is a business unit within the Deloitte Brazil Entities. Personnel from the ERS group provide services to audit teams and external clients concerning, among other things, information technology ("IT") systems, including by testing the design, implementation, and operating effectiveness of controls contained in client IT system environments in connection with audits by Firm engagement teams.

11. The "ERS Partner"¹⁰ is a retired partner of one of the Deloitte Brazil Entities and was the partner in charge of ERS procedures for the 2010 Gol audit engagement. The Firm placed the ERS Partner on administrative leave in July 2016, and he retired from the Firm in November 2016.

12. The "ERS Manager"¹¹ is a former employee of one of the Deloitte Brazil Entities. She performed work in connection with Deloitte Brazil audits and was the manager for ERS procedures for the 2010 Gol audit engagement. The Firm terminated the ERS Manager in July 2016.

13. The "Issuer 2 Partner"¹² is a former partner of Deloitte Brazil, and was a second partner on the Firm's audit of Issuer 2's financial statements and ICFR for fiscal year 2010 ("Issuer 2 Audit"). The Issuer 2 Partner was promoted to a leadership position in the Firm's Rio de Janeiro office in July 2015. The Firm placed the Issuer 2 Partner on administrative leave in March 2016, and he separated from the Firm in November 2016.

⁹ See *Joao Rafael Belo de Araujo Filho*, PCAOB Rel. No. 105-2016-037 (Dec. 5, 2016); *Leonardo Fonseca de Freitas Maia*, PCAOB Rel. No. 105-2016-038 (Dec. 5, 2016).

¹⁰ See *José Fernando Alves*, PCAOB Rel. No. 105-2016-039 (Dec. 5, 2016).

¹¹ See *Renata Coelho de Sousa Castelli*, PCAOB Rel. No. 105-2016-040 (Dec. 5, 2016).

¹² See *Marco Aurelio Paulino Neves*, PCAOB Rel. No. 105-2016-041 (Dec. 5, 2016).

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14. The "Issuer 2 Senior Manager"¹³ is a former employee of Deloitte Brazil and was a senior manager on the Issuer 2 Audit. The Firm terminated the Issuer 2 Senior Manager in July 2016.

15. The "Issuer 2 Manager"¹⁴ is a former employee of Deloitte Brazil and was a manager on the Issuer 2 Audit. The Issuer 2 Manager left the Firm in June 2013.

E. Summary

16. Deloitte Brazil serves as the external auditor for certain issuer clients who file Forms 20-F with the U.S. Securities and Exchange Commission ("Commission" or "SEC"). For 2010, one of these issuer clients was Gol.¹⁵

17. Deloitte Brazil's audit of Gol's 2010 financial statements and ICFR ("2010 Gol Audit") violated PCAOB rules and standards in a number of ways. For example: (a) the Firm's engagement team failed to obtain sufficient competent evidence that Gol was accurately accounting for its "maintenance deposit" assets, and in fact senior members of the Firm's engagement team understood that Gol lacked the necessary support for a potentially material amount of the maintenance deposits it was reporting; (b) the Firm's engagement team failed to obtain sufficient competent evidence that Gol's reported revenue and deferred revenue were materially accurate, and in fact senior members of the Firm's engagement team understood that a potentially material misstatement affecting both accounts was still being analyzed when it released its audit reports; and (c) the Firm's engagement team failed to address red flags indicating that Gol's ICFR was not operating effectively at year-end 2010.

18. The Gol Engagement Partner (who was responsible for authorizing the issuance of the Firm's audit reports on Gol and who was named to a leadership position in the Audit function during the audit) knew, and therefore the Firm knew, that significant violations of PCAOB rules and standards had occurred during the audit, and therefore that the statements in the Firm's audit reports that the 2010 Gol Audit had been performed in accordance with PCAOB standards were materially false. Nevertheless, the Firm, with the Gol Engagement Partner's authorization, issued unqualified audit

¹³ See *Simone Pacheco Lemos do Amaral*, PCAOB Rel. No. 105-2016-042 (Dec. 5, 2016).

¹⁴ See *Walter Vinicius Barreto Brito Silva*, PCAOB Rel. No. 105-2016-043 (Dec. 5, 2016).

¹⁵ All references to a financial statement year or audit engagement year are to the fiscal year of the issuer in question.



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reports concerning Gol's 2010 financial statements and ICFR, in violation of Section 10(b) of the Exchange Act and Exchange Act Rule 10b-5.

19. In 2012, the Board conducted an inspection of Deloitte Brazil, including an inspection of the 2010 Gol Audit. In anticipation of that inspection, the Gol Engagement Partner directed the Gol Senior Manager, who had participated in the 2010 Gol Audit, and the Two Senior Managers to improperly alter the work papers for the audit. The Firm provided the improperly altered work papers, as well as other misleading documents and information, to the Board in connection with the inspection. Additionally, the Gol Engagement Partner, who served as the engagement quality reviewer for the Issuer 2 Audit, authorized the Issuer 2 Partner, who had served on the Issuer 2 Audit team, to improperly alter the archived documentation for the Issuer 2 Audit, another audit that the Board inspected in 2012. The Issuer 2 Partner carried out those improper alterations with the assistance of the Issuer 2 Senior Manager and Issuer 2 Manager, and the Firm provided those improperly altered work papers to Board inspectors.

20. In October 2013, the PCAOB Division of Enforcement and Investigations ("Division") opened an informal inquiry into the 2010 Gol Audit. Deloitte Brazil obstructed that inquiry by, among other things, producing the improperly altered versions of the 2010 Gol Audit work papers and withholding the original versions. The Firm also provided false information to the Division and withheld other documents to cover up the Firm's wrongdoing. By the end of February 2014, certain members of the Firm's senior leadership at the time—including Senior Partner 2 and Senior Partner 3, who held a senior compliance position at the Firm—became aware of the misconduct during the 2012 inspection and either joined or failed to prevent the effort to conceal both the violations in connection with the 2010 Gol Audit and the improper alteration of work papers for that audit.

21. The efforts of certain senior Firm leaders to conceal the misconduct continued, and continued to expand, after the Board issued an Order of Formal Investigation in June 2014. During the Board's formal investigation, those leaders: (a) caused the Firm to continue to represent that the improperly altered 2010 Gol work papers previously produced to the Division were the original work papers, and to continue to withhold the actual original work papers from the audit; and (b) caused the Firm to make numerous false statements to the Division that were consistent with the improperly altered, but not with the original, Gol work papers. Additionally, certain Firm personnel, including some of those senior leaders, provided false testimony under oath, including by falsely representing that the improperly altered work papers they were shown were the original work papers for the 2010 Gol Audit.

22. In October 2015, the Division presented evidence to Deloitte Brazil that the Gol Audit Committee presentations for the third quarter of 2010 and year-end 2010



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had been improperly altered and raised concerns that other work papers had also been improperly altered. In response, the Firm commenced an internal investigation and reported to the Division in October and November 2015 that 56 work papers from the 2010 Gol Audit and fourteen work papers from the Gol quarterly reviews had been improperly altered. The Firm also placed the Gol Engagement Partner and Gol Senior Manager on leave. Other members of leadership, however, continued the effort to prevent the PCAOB from learning the full extent of the wrongdoing. To that end, they caused the Firm to deny that work papers had been improperly altered for the Issuer 2 Audit, and to make other false representations to the Division. After the Division identified specific evidence of the improper alteration of certain Issuer 2 Audit work papers in February 2016, however, the Firm expanded its investigation and reported to the Division concerning other Issuer 2 Audit work papers that had also been improperly altered. Nevertheless, the culpable members of Firm leadership continued to conceal the true extent of their involvement in the provision of false documents, information, and testimony to the Division.

23. In January 2016, the Gol Senior Manager provided the Division with evidence that certain senior Deloitte Brazil personnel had participated in a joint effort to obstruct the Division's investigation. The Division presented some of that evidence to the Firm in July 2016. The new leadership of the Firm, which had taken office on June 1, 2016, subsequently removed Senior Partner 2 and Senior Partner 3 from their positions. Deloitte Brazil has terminated or separated all partners and employees identified as having participated in the wrongdoing described herein (or they have otherwise left the Firm). The Firm also implemented remedial measures to improve its work paper archiving process, audit quality, ethical culture, and regulatory compliance.

24. As evidenced by the failures during the 2010 Gol Audit, the non-cooperation with the 2012 Board inspection, and the obstruction of the Division's investigation, Deloitte Brazil failed to maintain an effective system of quality control providing reasonable assurance that its personnel would act with integrity and in compliance with professional standards.

F. Deloitte Brazil Violated Federal Securities Laws and PCAOB Rules and Standards in Issuing Unqualified 2010 Gol Audit Reports

Applicable Securities Laws and PCAOB Rules and Standards

25. Section 10(b) of the Exchange Act prohibits the use of "any manipulative or deceptive device or contrivance in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the

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protection of investors."¹⁶ In implementing that section, the Commission has prohibited the making of "any untrue statement of a material fact" or the omission of "a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading."¹⁷

26. To violate Exchange Act Section 10(b) or Exchange Act Rule 10b-5, a respondent must act with scienter,¹⁸ which the Supreme Court has defined as "a mental state embracing intent to deceive, manipulate, or defraud."¹⁹ Scienter encompasses knowing or intentional conduct, or recklessness.²⁰ An auditor violates Section 10(b) and Rule 10b-5 thereunder by issuing an audit report stating that the audit has been performed in accordance with PCAOB standards when he or she knows, or is reckless in not knowing, that the statement is false.²¹

27. In connection with the preparation or issuance of an audit report, PCAOB rules require that registered public accounting firms and their associated persons comply with applicable auditing and related professional practice standards.²² Among other things, those standards require that an auditor express an opinion concerning an issuer's financial statements only when the auditor has performed the audit in compliance with PCAOB standards.²³

¹⁶ Exchange Act § 10(b), 78 U.S.C. § 78j(b). All references to laws, regulations, and PCAOB rules and standards are to the versions of those laws, regulations, and PCAOB rules and standards in effect at the time of the relevant conduct.

¹⁷ Exchange Act Rule 10b-5(b), 17 C.F.R. § 240.10b-5(b).

¹⁸ See *Aaron v. SEC*, 446 U.S. 680, 695, 701-02 (1980).

¹⁹ *Ernst & Ernst v. Hochfelder*, 425 U.S. 185, 193 n.12 (1976).

²⁰ See, e.g., *IIT v. Cornfeld*, 619 F.2d 909, 923 (2d Cir. 1980).

²¹ See *Eugene M. Egeberg III, CPA*, Exchange Act Rel. No. 71348, at *7-9 (Jan. 17, 2014); *Hood & Associates CPAs, P.C.*, PCAOB Rel. No. 105-2013-012, at *16-17 (Nov. 21, 2013); *Harris F Rattray CPA, PL*, PCAOB Rel. No. 105-2013-009, at *4-5 (Nov. 21, 2013); *Richard P. Scalzo, CPA*, Exchange Act Rel. No. 48328, 2003 WL 21938985, at *14 (Aug. 13, 2003).

²² See PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3200T, *Interim Auditing Standards*.

²³ See AU § 508.07, *Reports on Audited Financial Statements*.

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28. PCAOB standards also require that auditors exercise due professional care and professional skepticism, and plan and perform audit procedures to obtain sufficient competent evidential matter to provide a reasonable basis for the audit report.²⁴ While that evidential matter can include management representations, such representations "are not a substitute for the application of those auditing procedures necessary to afford a reasonable basis for an opinion regarding the financial statements under audit."²⁵

29. PCAOB standards also establish requirements for auditors who audit, and express an opinion regarding, an issuer's ICFR.²⁶ Among other things, "the auditor must plan and perform the audit to obtain competent evidence that is sufficient to obtain reasonable assurance about whether material weaknesses exist" in the issuer's internal control as of the date specified in management's internal control assessment.²⁷ PCAOB standards provide that "a company's internal control cannot be considered effective if one or more material weaknesses exist."²⁸ In order to obtain reasonable assurance about whether a material weakness exists, the auditor must evaluate the severity of each control deficiency that is identified during the audit "to determine whether the deficiencies, individually or in combination, are material weaknesses."²⁹

30. PCAOB standards state that an auditor needs to consider audit risk, including control risk, to assist in determining the scope of auditing procedures.³⁰ Assessment of control risk at below the maximum level may support the auditor's decision to reduce the scope of substantive audit procedures.³¹ If a control deficiency is

²⁴ See AU § 150.02, *Generally Accepted Auditing Standards*; AU §§ 230.01, .07 - .08, *Due Professional Care in the Performance of Work*; AU § 326.01, *Evidential Matter*.

²⁵ AU § 333.02, *Management Representations*.

²⁶ See PCAOB Auditing Standard No. 5, *An Audit of Internal Control Over Financial Reporting That Is Integrated with an Audit of Financial Statements* ("AS5").

²⁷ AS5 ¶ 3 (footnote omitted).

²⁸ *Id.*

²⁹ *Id.* ¶ 62.

³⁰ See AU §§ 312.26 - .27, *Audit Risk and Materiality in Conducting an Audit*.

³¹ See AU §§ 319.05, .86 - .89, .106 - .107, *Consideration of Internal Control in a Financial Statement Audit*.

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identified, however, an auditor "should determine the effect of the deficiency, if any, on the nature, timing, and extent of substantive procedures to be performed."³²

31. PCAOB standards provide that "[t]he auditor has a responsibility to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud."³³ The possibility of a material misstatement due to fraud requires the auditor to exercise professional skepticism when gathering and evaluating audit evidence, and to engage in "an ongoing questioning of whether the information and evidence obtained suggests that a material misstatement due to fraud has occurred."³⁴

32. PCAOB standards direct that identified fraud risks be taken into account when conducting an audit, including (a) in the auditor's consideration of management's selection and application of significant accounting principles, and (b) in assessing the nature, timing, and extent of the procedures to be performed, including whether controls over revenue recognition are required to be tested.³⁵ Those standards also state that, when planning the audit, an auditor "should ordinarily presume that there is a risk of material misstatement due to fraud relating to revenue recognition."³⁶

33. PCAOB standards also state that an auditor's "assessment of the risks of material misstatement due to fraud should be ongoing throughout the audit."³⁷ Among the indications of potential fraud that may arise during an audit are "[t]ransactions that are not recorded in a complete or timely manner or are improperly recorded as to amount, accounting period, classification, or entity policy"; "unsupported or unauthorized balances or transactions"; and "significant unexplained items on reconciliations."³⁸

34. Additionally, under PCAOB standards, if an auditor identifies misstatements in the financial statements, the auditor should consider whether those misstatements are indicative of fraud; if fraud may be present, the auditor should

³² AS5 ¶ B6; see also AU § 312.33.

³³ AU § 316.01, *Consideration of Fraud in a Financial Statement Audit*.

³⁴ Id. § 316.13.

³⁵ See id. §§ 316.48, .50 - .54.

³⁶ Id. § 316.41.

³⁷ Id. § 316.68.

³⁸ Id.

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perform certain additional procedures, even if the misstatements do not appear to be material to the financial statements.³⁹

Overview of the 2010 Gol Audit

35. During the relevant time period, Gol operated an airline that offered service primarily in Brazil but also to certain other countries in the Americas. Deloitte Brazil became the external auditor for Gol during the second quarter of 2009. The Firm issued audit reports expressing unqualified opinions on Gol's financial statements and ICFR for both 2009 and 2010, and Gol included those audit reports in Forms 20-F that it filed with the Commission for each of those years.

36. The 2010 Gol Audit was conducted as an integrated audit of Gol's financial statements and its ICFR. Deloitte Brazil set planning materiality for the 2010 Gol Audit at 54.6 million Brazilian reais ("R\$") (US\$32.8 million).⁴⁰

Certain Deloitte Brazil Personnel Improperly Acquiesced in Gol's Accounting for its Maintenance Deposit Assets

37. During the 2010 Gol Audit, Deloitte Brazil violated PCAOB standards in connection with its audit work on Gol's maintenance deposit assets. Among other violations, the Firm failed to exercise due professional care and professional skepticism and failed to obtain sufficient competent audit evidence to support Gol's accounting for its maintenance deposits. The Firm issued unqualified opinions concerning Gol's 2010 financial statements and ICFR while the Gol Engagement Partner knew, and therefore the Firm knew, that these material failures had occurred.

38. As part of its operations, Gol leased aircraft and engines. In connection with these leases, Gol deposited monies with the lessor to be used in future aircraft and engine maintenance work. Gol reported these monies as maintenance deposit assets. For the years ended December 31, 2009 and 2010, Gol reported maintenance deposits of R\$522.7 million and R\$456.7 million, respectively, which amounted to 6 percent and 5 percent of Gol's total reported assets for those respective years.⁴¹

³⁹ See id. §§ 316.75 - .78.

⁴⁰ Amounts provided in U.S. dollars relating to the 2010 Gol Audit are based on the exchange rate at December 31, 2010 of approximately R\$1 = US\$0.60. As of November 30, 2016, the exchange rate was approximately R\$1 = US\$0.30.

⁴¹ Certain amounts in this Order are rounded, which may affect the outcome of described calculations.



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39. During the 2009 audit of Gol, the Deloitte Brazil engagement team concluded that Gol had failed to appropriately track its use of maintenance deposits on a contract-by-contract basis, thereby preventing the team from obtaining sufficient competent evidence to support the large majority of Gol's reported 2009 maintenance deposits. The Firm's engagement team was also on notice that Gol's reported maintenance deposit assets may have been overstated and that its ICFR may not have been operating effectively at year-end 2009. Based on Gol's representation that it intended to hire a consultant to analyze its maintenance deposit records during 2010, however, the Gol Engagement Partner acquiesced in the Company's accounting and caused the Firm to issue audit reports expressing unqualified opinions on Gol's financial statements and ICFR for 2009.

40. During the reviews of Gol's quarterly financial statements during 2010, the Firm's engagement team monitored Gol's progress in both quantifying the amount of maintenance deposits that were unsupported and writing down those deposits. The Gol Engagement Partner understood, however, that Gol was treating those write-downs as current period expenses despite the fact that most of the unsupported deposits related to prior periods.

41. During the 2010 Gol Audit, the Gol Engagement Partner understood that Gol still planned to report R\$52.6 million (US\$31.6 million) of unsupported maintenance deposits as assets on its 2010 balance sheet. The Gol Engagement Partner further understood that Gol planned to improperly spread its write-off of that remaining R\$52.6 million of unsupported maintenance deposits over its quarterly financial statements in 2011.

42. During the 2010 Gol Audit, the Firm's engagement team failed to obtain sufficient competent audit evidence concerning either the R\$52.6 of remaining unsupported maintenance deposits (which represented 14 percent of reported pre-tax income) or the amounts written off during 2010 as current year expenses (which totaled R\$116.5 million, or 30 percent of reported pre-tax income). The engagement team also: (a) failed to consider whether the misstatements in Gol's accounting for its maintenance deposits were indicative of fraud; (b) failed to assess the materiality to Gol's 2010 financial statements of either the R\$52.6 million in unsupported deposits or the amounts written off in 2010 that the team understood to represent prior-year expenses; and (c) failed to evaluate controls over Gol's accounting for its maintenance deposits, including whether there was a deficiency in its ICFR, and whether that deficiency, individually or in combination with other deficiencies, represented a material weakness. Instead, as discussed below, the Gol Engagement Partner knowingly acquiesced in Gol's unsupported reporting of both expenses and a potentially material amount of assets, and the Firm issued audit reports concerning Gol's 2010 financial statements and ICFR that falsely stated that its audit work had conformed to PCAOB standards.

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Deloitte Brazil Failed to Obtain Sufficient Evidence Concerning Gol's Reported Advance Ticket Sales and Passenger Revenue

43. During the 2010 Gol Audit, Deloitte Brazil also violated PCAOB standards in connection with its engagement team's audit work on Gol's reported passenger revenue and its advance ticket sales liability. Among other violations, the Firm's engagement team failed to exercise due professional care and professional skepticism and failed to obtain sufficient competent evidence concerning Gol's accounting for and controls over passenger revenue and advance ticket sales.

44. Gol's financial statements included two related accounts, passenger revenue and advance ticket sales. Advance ticket sales was a deferred revenue liability account that represented passenger tickets sold for future travel dates. Gol reduced the advance ticket sales liability and recorded passenger revenue either when transportation was provided or when an unused ticket expired. In its 2010 Form 20-F, Gol reported passenger revenue of R\$6.3 billion (US\$3.8 billion) and an advance ticket sales liability of R\$517 million (US\$310 million).

45. In planning its audit procedures for passenger revenue and advance ticket sales for the 2010 Gol Audit, the Firm's engagement team identified both accounts as significant accounts, and concluded that a control reliance approach was appropriate as to each account, meaning that the team would reduce its level of substantive testing based on a belief that the controls over those accounts were operating effectively. Additionally, the team identified significant risks of material misstatement relating to those accounts, including: (a) for passenger revenue, the risk that revenue would not effectively correspond to embarkations made; and (b) for advance ticket sales, the risk that the estimates used by management would be incorrect. The team planned that each risk would be addressed by both control procedures and substantive procedures.

46. Despite the instruction in PCAOB standards that an "auditor should ordinarily presume that there is a risk of material misstatement due to fraud relating to revenue recognition,"⁴² the Firm's engagement team failed during its planning for the 2010 Gol Audit to identify improper revenue recognition as presenting a risk of material misstatement due to fraud. The team also did not document any basis for overcoming the presumption that improper revenue recognition presented a risk of material misstatement due to fraud.

47. During the 2010 Gol Audit, one of the engagement team's procedures to audit the advance ticket sales liability balance was to review a reconciliation between

⁴² AU § 316.41.

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the advance ticket sales balance reported in Gol's accounting system and the balance reported by its separate reservation system. The team failed, however, to obtain sufficient competent evidence to support the nature or appropriateness of material adjustments and reconciling items included in that reconciliation.

48. For example, the reconciliation included an adjustment that reduced the liability balance by R\$74.8 million, or 15 percent, based only on Gol management's representation that a certain subset of advance ticket sales—"interline" tickets booked by partner airlines rather than customers—were being properly excluded from the reported advance ticket sales liability. The Firm's engagement team failed to obtain evidence to corroborate either: (a) how the adjustment was reflected in Gol's accounting system; or (b) whether management's accounting treatment was appropriate, especially given that Gol had not made a similar adjustment for interline tickets in the prior year.

49. Even after the adjustments and reconciling items, including the "interline" adjustment described above, the reconciliation still identified a significant difference between the reservation and accounting system balances of R\$38.3 million (US\$23.0 million). That difference represented ten percent of Gol's reported pre-tax income, seven percent of its reported advance ticket sales liability, and 70 percent of planning materiality, which the engagement team had calculated as a percentage of Gol's revenue. In its work papers, the Firm's engagement team described this difference, which indicated that passenger revenue was overstated and advance ticket sales understated, as an unexplained misstatement ("Potential Misstatement"). The team, including the Gol Engagement Partner, was aware that the R\$38.3 million Potential Misstatement amount was still only a preliminary figure, however; at the time it filed its Form 20-F, Gol had not completed its analysis of the Potential Misstatement.

50. The Firm's engagement team proposed to Gol management that it reduce its reported 2010 revenue by the preliminary R\$38.3 million figure, and increase the advance ticket sales liability by the same amount, to reflect the Potential Misstatement. Management declined, however, stating, according to Deloitte Brazil's work papers, that it preferred to complete the analysis of the Potential Misstatement before making any adjustment. Although the engagement team included that R\$38.3 million amount as a known misstatement in its Summary of Uncorrected Misstatements (the work paper in which the team listed and evaluated the materiality of uncorrected misstatements), it did not otherwise address its inability to obtain sufficient competent evidence concerning Gol's passenger revenue and advance ticket sales liability while Gol's analysis was pending.

51. The Gol Engagement Partner (who was appointed to a leadership position in the Audit function during the audit) was aware that he was causing the Firm to issue unqualified audit reports concerning Gol's 2010 financial statements and ICFR while he

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knew, and therefore the Firm knew, that the analysis of the Potential Misstatement was still pending. In fact, even using the preliminary amount of R\$38.3 million, the engagement team's analysis of the identified misstatements indicated that it should consider performing additional procedures before issuing the audit reports. The Gol Engagement Partner determined, however, that the team should not perform any additional procedures.

52. During the 2010 Gol Audit, the audit work that the Firm's engagement team performed concerning Gol's reported passenger revenue was deficient in other ways as well. For example, in addition to failing to identify improper revenue recognition as presenting a fraud risk (as it should have), the team abandoned procedures it planned to perform that might have addressed, at least in part, that risk. For example, the team planned to test, but did not test, the electronic interface by which the reservation system reported to the accounting system what tickets had been used and what revenue should be recognized. The team also relied to an inappropriate extent on analytical procedures to test passenger revenue, for example by relying solely on substantive analytical procedures to test revenue from credit card sales, which represented a significant portion of its passenger revenue. Moreover, even the substantive analytical procedures that it did perform indicated a potential overstatement of passenger revenue by as much as R\$76.4 million. The team failed to take steps to respond to the results of that procedure, including evaluating whether the nature, timing, and extent of its procedures needed to be modified.

53. The results of the Gol engagement team's substantive procedures, including the identification of the Potential Misstatement, made the team aware that a significant deficiency existed in Gol's controls over passenger revenue and advance ticket sales. Additionally, an ERS team, which was engaged by the audit team to test the IT general controls and automated business process controls applicable to Gol's accounting system and reservation system, identified other deficiencies. The Firm's engagement team failed, however, to appropriately evaluate the severity of the identified deficiencies, both individually and in the aggregate. Further, the team failed to consider whether the results of its audit procedures, and the deficiencies that those procedures had identified, called into question the appropriateness of its control reliance approach to the passenger revenue and advance ticket sales accounts.

Deloitte Brazil Improperly Issued Unqualified Reports on Gol's 2010 Financial Statements and ICFR, in Violation of Securities Laws and PCAOB Standards

54. On April 8, 2011, Deloitte Brazil issued audit reports containing unqualified opinions on Gol's 2010 financial statements and ICFR, and Gol included those reports in a Form 20-F that it filed with the Commission the same day. The audit reports stated that the 2010 Gol Audit had been conducted in accordance with PCAOB standards. The



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Gol Engagement Partner knew, and therefore the Firm knew, that those statements were materially false, given the audit deficiencies described above concerning maintenance deposits, advance ticket sales, passenger revenue, and ICFR. Specifically: (a) the Firm, through the Gol Engagement Partner, knew that the engagement team had not obtained sufficient competent evidence concerning Gol's reported maintenance deposits; (b) the Firm, through the Gol Engagement Partner, knew that the team had not obtained sufficient competent evidence concerning Gol's passenger revenue and advance ticket sales; and (c) the Firm, through the Gol Engagement Partner, knew that the team had not adequately evaluated the severity of all identified control deficiencies, and had not re-evaluated its reliance on controls, or the nature and scope of its audit procedures, in light of those identified deficiencies.⁴³

55. Deloitte Brazil's issuance of two unqualified audit reports concerning Gol's 2010 financial statements and ICFR in the face of this knowledge violated Exchange Act Section 10(b) and Exchange Act Rule 10b-5. During the 2010 Gol Audit, the Firm also violated numerous PCAOB standards, specifically by: (a) failing to act with due professional care, including professional skepticism, and failing to obtain sufficient competent evidential matter in its procedures concerning Gol's maintenance deposits, passenger revenue, advance ticket sales, and ICFR;⁴⁴ (b) failing to plan and perform the audit to obtain reasonable assurance about whether one or more material weaknesses existed in Gol's ICFR;⁴⁵ (c) failing to adequately evaluate the severity of identified control deficiencies and to adequately determine the effect of those deficiencies on the nature, timing, and extent of its procedures;⁴⁶ and (d) failing to perform adequate procedures relating to fraud risks, including by failing to respond adequately to indications of fraud and failing to treat Gol's revenue recognition as presenting a risk of material misstatement due to fraud.⁴⁷

⁴³ This Order's description of audit deficiencies and other violations by Deloitte Brazil in connection with the 2010 Gol Audit should not be understood as an indication that either the Board or the Commission has considered or made any determination concerning Gol's compliance with applicable accounting requirements and securities laws.

⁴⁴ See AU § 150.02; AU §§ 230.01, 07; AU § 326.01.

⁴⁵ See AS5 ¶ 3.

⁴⁶ See *id.* ¶¶ 62, B6; AU § 312.33.

⁴⁷ See AU §§ 316.13, .41, .46 - .68, .74 - .78.

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G. After the 2010 Gol Audit, Certain Deloitte Brazil Personnel Identified a New Accounting Treatment for the Potential Misstatement

56. Months after issuing its unqualified audit reports concerning Gol's 2010 financial statements and ICFR, certain Deloitte Brazil personnel belatedly identified a provision in the accounting literature that they believed would have applied to the Potential Misstatement. As discussed below, some of those personnel later participated in the improper alteration of work papers from the 2010 Gol Audit to create the appearance that the accounting provision had in fact been considered at the time of the audit.

57. During the first quarter of 2011, Gol completed its analysis of the Potential Misstatement. Its quantification of that misstatement rose from R\$38.3 million to R\$56.8 million. On May 10, 2011, Gol announced that it would reduce its reported first-quarter 2011 revenue by R\$56.8 million to account for the misstatement.

58. On December 2, 2011, the Commission's Division of Corporation Finance ("Corporation Finance") issued a comment letter to Gol concerning certain aspects of its 2010 Form 20-F and 2011 quarterly filings. Among the issues raised by the comment letter was the R\$56.8 million write-down of revenue for the first quarter of 2011. The comment letter requested an explanation concerning how International Accounting Standard 8, *Accounting Policies, Changes in Accounting Estimates and Errors* ("IAS 8"), under International Financial Reporting Standards ("IFRS") applied to the write-down.

59. During December 2011 and early 2012, Deloitte Brazil personnel met to discuss how to provide assistance to Gol in responding to the comment letter and follow-up correspondence. Those personnel noted that a particular provision of IAS 8, Paragraph 44, might have applied to the Potential Misstatement. IAS 8 Paragraph 44 directs that, if it is "impracticable" for an entity "to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the entity shall restate" the opening balance sheet "for the earliest period for which retrospective restatement is practicable (which may be the current period)."⁴⁸ Although the Firm's engagement team had not considered IAS 8 Paragraph 44 at the time of the 2010 Gol Audit and the Firm did not document any analysis of that provision at the time of the SEC comment letter process, certain Firm personnel, including the Gol Engagement Partner, adopted the view that IAS 8 Paragraph 44 would have been the correct way to account for the Potential Misstatement at year-end 2010. Specifically, those Firm personnel concluded that IAS 8 Paragraph 44 would have directed Gol to book the Potential Misstatement as a reduction to shareholders' equity in the

⁴⁸ IAS 8 ¶ 44.

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Company's opening 2011 balance sheet, rather than as a reduction in revenue and increase in advance ticket sales in 2010. Gol subsequently cited IAS 8 Paragraph 44 to Corporation Finance in arguing that its 2010 accounting had been materially correct.

60. As explained below, in connection with the 2012 PCAOB inspection, Deloitte Brazil provided misleading documents and information to PCAOB inspectors. Among other things, the misleading documents and information falsely indicated that, during the 2010 Gol Audit, the Firm's engagement team had considered IAS 8 Paragraph 44 and had concluded that the Potential Misstatement was a multi-period error whose allocation was impracticable, thereby purportedly necessitating its treatment under IAS 8 Paragraph 44 exclusively as a balance-sheet error (with no income statement impact).

H. Deloitte Brazil Improperly Altered Work Papers in Connection with the Board's 2012 Inspection

Applicable PCAOB Rules and Standards

61. Auditing Standard No. 3, *Audit Documentation* ("AS3"), requires that the complete and final set of documentation for an audit be assembled for retention by the "documentation completion date," a date no later than 45 days from the date on which the auditor grants permission to use its report.⁴⁹ After the documentation completion date, audit documentation must not be deleted or discarded from the audit file, but it may be added as long as the auditor documents the date of the addition, the person who prepared the additional documentation, and the reason for adding the documentation.⁵⁰

62. PCAOB Rule 4006, *Duty to Cooperate with Inspectors*, requires registered firms and their associated persons to cooperate with inspections conducted by the Board. The cooperation requirement of Rule 4006 includes an obligation "not to provide misleading documents or information in connection with the Board's inspection processes."⁵¹

⁴⁹ AS3 ¶¶ 14, 15.

⁵⁰ See *id.* ¶ 16.

⁵¹ *Nathan M. Suddeth, CPA, PCAOB Rel. No. 105-2013-007* (Sept. 10, 2013).

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Certain Deloitte Brazil Personnel Concealed the Firm's Audit Violations from Board Inspectors

63. The Board conducted an inspection of Deloitte Brazil in 2012. On or about March 8, 2012, the Board's Division of Registration and Inspections ("Inspections") informed the Firm that the 2010 Gol Audit and the Issuer 2 Audit for 2010 would be two of the audits inspected, and that the focus areas for Gol would be revenue, deferred revenue, accounts receivable, and property, plant, and equipment. Primary field work procedures for the inspection commenced on March 26, 2012.

64. In response to Inspections' March 8, 2012 notification, the Gol Engagement Partner initiated an effort to thwart the Board's oversight of Deloitte Brazil's audit work by improperly altering the work papers for the 2010 Gol Audit. He instructed the Gol Senior Manager (who had become a Firm partner in June 2011) to carry out the improper alterations along with the Two Senior Managers.

65. After making numerous alterations to the 2010 Gol Audit work papers in conjunction with the Two Senior Managers, the Gol Senior Manager sent the improperly altered work papers to the Gol Engagement Partner, who made additional improper alterations on his own. In total, 56 work papers from the 2010 Gol Audit were improperly altered, as were fourteen work papers from the 2010 quarterly reviews. The altered documents included work papers relating to the Firm's auditing of Gol's maintenance deposits, passenger revenue, advance ticket sales, accounts receivable, and ICFR, as well as its Summary of Uncorrected Misstatements and its presentation to the Gol Audit Committee.

66. Among the improper alterations made were: (1) changes to multiple work papers that concealed the acquiescence in what Firm personnel, including the Gol Engagement Partner, understood to be Gol's plan to improperly manage the write-off of unsupported maintenance deposits over time; and (2) changes to other work papers that created the appearance that the Firm's engagement team had considered IAS 8 Paragraph 44 to apply to the Potential Misstatement at the time of the 2010 Gol Audit, when in fact that accounting provision had not been identified until months later.

67. After the improper alterations were complete, the Firm made the improperly altered work papers available to Inspections for use in the inspection.⁵² The

⁵² In advance of the primary procedures for the inspection, Deloitte Brazil represented to Inspections as to the 2010 Gol Audit and Issuer 2 Audit that no changes had been made to the documentation for those audits after the documentation completion date. The alterations of the 2010 Gol Audit documentation and the Issuer 2

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Firm also provided other misleading documents and information during the inspection. For example, when Inspections asked for additional support for the Firm engagement team's treatment of the Potential Misstatement during the audit, the Gol Engagement Partner improperly altered a presentation that he had used with Senior Partner 2 during their consultation ("Technical Presentation") so that it cited IAS 8, thereby providing further false support for the claim that the Firm's engagement team had considered that provision at the time of the 2010 Gol Audit. The Firm then provided the improperly altered Technical Presentation to Inspections.

68. Additionally, after Inspections requested a meeting with the ERS Partner and ERS Manager for the 2010 Gol Audit concerning the IT procedures they had performed during the audit, certain Gol engagement team members informed the ERS Partner and ERS Manager that the ERS work papers had been improperly altered to change the findings that certain IT-based controls were ineffective. The ERS Partner and ERS Manager subsequently met with Inspections to discuss the IT procedures performed during the audit. The ERS Partner, ERS Manager, and one of the Two Senior Managers (who also attended the meeting) provided misleading information to Inspections by participating in those discussions without informing Inspections that the discussions were based on ERS work papers that had been improperly altered.

69. The Issuer 2 Partner and two managers under his direction—the Issuer 2 Senior Manager and the Issuer 2 Manager—also improperly altered the work papers for the Issuer 2 Audit in connection with the 2012 Board inspection. After Inspections informed Deloitte Brazil that it would inspect the Issuer 2 Audit, the Issuer 2 Partner (who had been a second partner on that audit) informed the Gol Engagement Partner (who had been the engagement quality reviewer on that audit) that certain work papers from the audit contained on CDs were missing. The Issuer 2 Partner proposed to alter non-final versions of multiple Issuer 2 Audit work papers, burn those altered work papers onto new CDs, and present those new CDs to PCAOB inspectors as documentation that had been prepared timely and in accordance with PCAOB standards. The Gol Engagement Partner approved the plan, which the Issuer 2 Partner then carried out. In furtherance of that plan, the Issuer 2 Partner instructed the Issuer 2 Manager, who had worked on the audit, to back-date his computer clock to create the appearance that the new CDs had been burned at the time of the Issuer 2 Audit. The Issuer 2 Partner also instructed the Issuer 2 Senior Manager to create and back-date certain other work papers, which the Issuer 2 Partner then added to the manual work paper binders after those binders had been provided to Inspections.

Audit documentation (described below) rendered those representations false and misleading.

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70. Based on the conduct described above, Deloitte Brazil failed to cooperate with the Board's 2012 inspection of the Firm, in violation of PCAOB Rule 4006.⁵³

I. Deloitte Brazil Failed to Cooperate with the Board's Investigation

Applicable Statutory Provision and PCAOB Rule

71. Section 105(b)(3)(A) of the Act authorizes the Board to sanction a registered public accounting firm for "refus[ing] to...cooperate with the Board in connection with an investigation."⁵⁴ Board rules include procedures for implementing that authority.⁵⁵ Noncooperation with a Board investigation includes: (a) "fail[ing] to comply with an accounting board demand"; (b) "knowingly mak[ing] any false material declaration or mak[ing] or us[ing] any other information, including any book, paper, document, record, recording, or other material, knowing the same to contain any false material declaration"; (c) "abus[ing] the Board's processes for the purpose of obstructing an investigation"; and (d) "otherwise [failing] to cooperate in connection with an investigation."⁵⁶

Certain Senior Deloitte Brazil Personnel Obstructed the PCAOB's Informal Inquiry and Formal Investigation

72. On October 15, 2013, the Division issued a request to Deloitte Brazil ("2013 Request") for, among other things, "the complete and final set of audit documentation assembled for retention" concerning the 2010 Gol Audit. The 2013 Request also asked the Firm to preserve all documents relating to the 2010 Gol Audit.

73. After receiving the 2013 Request, the Gol Engagement Partner continued the effort to thwart the PCAOB's oversight, which expanded to concealing both the Gol audit violations and the improper alteration of documents in connection with the 2012 PCAOB inspection. In furtherance of this effort, the Gol Engagement Partner caused the Firm to produce the improperly altered 2010 Gol Audit work papers to the Division, and to withhold the original versions, along with inculpatory emails.

⁵³ The improper alteration of the Gol and Issuer 2 work papers was also inconsistent with Firm policy.

⁵⁴ 15 U.S.C. § 7215(b)(3)(A).

⁵⁵ See PCAOB Rules 5110, 5200(a)(3).

⁵⁶ PCAOB Rule 5110(a).

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74. By no later than February 2014, Senior Partner 2 and Senior Partner 3 learned of the alteration of 2010 Gol Audit work papers. Those partners subsequently either joined or failed to prevent the Gol Engagement Partner's efforts to conceal the wrongdoing. Other Firm partners were also aware of or participated in the concealment, including the Gol Senior Manager. Certain Firm partners discussed the concealment of documents and information from the Division in various meetings and conversations during the inquiry, and those partners crafted a false story of the 2010 Gol Audit to present to the Board to reflect the improperly altered work papers that had been produced.

75. For example, on March 10, 2014, Senior Partner 3, who was one of the Deloitte Brazil leaders most responsible for ensuring regulatory compliance at the Firm, discussed with the Gol Senior Manager that several senior Firm partners had determined to minimize the risk to the Firm by withholding the fact of the improper alteration of the 2010 Gol Audit work papers from both Deloitte Global and the Firm's external counsel. Unbeknownst to Senior Partner 3, however, the Gol Senior Manager was recording the conversation on his mobile phone. In that conversation, Senior Partner 3 also instructed the Gol Senior Manager to remove inculpatory documents from his computer and office to prevent their being produced to the PCAOB:⁵⁷

Senior Partner 3: Any evidence that you have of this, remove it from your machine. Keep it in a—if you have that, keep it somewhere else, but not in your machine, not in the office. Okay?

Gol Senior Manager: No. Okay.

Senior Partner 3: Okay? Another thing, considering that he [the Gol Engagement Partner] will take the responsibility for all this, everything you told me, everything we discussed, never happened.⁵⁸

Gol Senior Manager: Okay.

⁵⁷ The conversation, which was held in Portuguese, has been translated into English.

⁵⁸ Certain senior Deloitte Brazil partners who were aware of the improper alteration of the Gol work papers had previously discussed that, if the alterations were ever discovered, the Gol Engagement Partner would assume all responsibility and would protect the other culpable members of Firm leadership.

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Senior Partner 3: Never! Whatever happens—I, if somebody says, "No, [Gol Senior Manager] said to you—," I will say, "No, there must be a mistake!" I will never admit that it was said.

76. In June 2014, the Board issued an Order of Formal Investigation, and the Division issued a document demand covering the 2010 Gol Audit work papers. In response, the Firm continued to withhold the original versions of those work papers and made false material statements to the Division. Among the false material statements were representations contained in a July 2014 presentation that Deloitte Brazil made to the Division, which cited and relied on the improperly altered Gol work papers. The Gol Engagement Partner, Senior Partner 2, and Senior Partner 3 reviewed the presentation in advance and knew it to contain statements consistent with the improperly altered work papers.

77. On September 29, 2014, Senior Partner 3 signed a written certification, which was provided to the Division and stated that, "to the best of [the Firm's] knowledge, information, and belief formed after a reasonable search," the Firm had produced all documents responsive to the Division's demands. This certification, which the Firm provided to the Division on October 3, 2014, was false and misleading, because Senior Partner 3 was aware that the Firm had withheld the original, unaltered 2010 Gol Audit work papers as well as other inculpatory documents.

78. In April 2015, the Division informed Deloitte Brazil that it believed a presentation may have been used by the Gol Engagement Partner to consult with Senior Partner 2 about the Potential Misstatement during the 2010 Gol Audit. Despite knowing that the Firm possessed the Technical Presentation and that it had produced it to Inspections (in altered form) in 2012, certain senior partners caused the Firm to deny that the presentation existed. In July 2015, during testimony by Senior Partner 2, the Division introduced a copy of the Technical Presentation that Inspections had retained in its files, the same version that the Gol Engagement Partner had improperly altered during the Inspection to add a reference to IAS 8. In September 2015, the Firm produced the same altered version to the Division. The Firm falsely stated, when it made that production, that it had just located the Technical Presentation and that it believed all responsive documents had been produced, when in fact the Gol Engagement Partner and certain other Firm partners knew that the original 2010 Gol Audit work papers were still being withheld.

79. From May 2015 through October 2015, certain Deloitte Brazil personnel provided testimony to the PCAOB under oath and on the record. These included several Firm partners who were aware of the improper alteration of work papers, including the Gol Senior Manager and the Gol Engagement Partner. Those witnesses provided

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testimony that was consistent with the false story that the Gol engagement team had identified IAS 8 Paragraph 44 as an applicable accounting standard at the time of the 2010 Gol Audit. The Gol Engagement Partner also concealed the nature of the Firm's conduct relating to Gol's accounting for its unsupported maintenance deposits. Additionally, the Division presented several improperly altered work papers from the 2010 Gol Audit and quarterly reviews to the Gol Engagement Partner and Gol Senior Manager without being aware of their altered nature. The Gol Engagement Partner and Gol Senior Manager falsely affirmed that those altered work papers were the original work papers from the 2010 Gol Audit.

Certain Deloitte Brazil Personnel Attempted to Conceal the Scope of the Misconduct After the Improper Alterations Were Exposed

80. On October 8 and 9, 2015, the Division confronted the Gol Engagement Partner during his testimony with evidence that the Gol Audit Committee presentations for the third quarter of 2010 and year-end 2010 had been improperly altered. The Gol Engagement Partner falsely denied that any alteration had occurred. Deloitte Brazil, however, commenced an internal investigation, in which it retained forensic personnel employed by a Deloitte entity in the United States and assigned an independent Firm team to analyze the differences between the original 2010 Gol Audit work papers and the work papers that the Firm had made available to Inspections and had produced to the Division. Based on that work, in October and November 2015 the Firm reported to the Division that 56 work papers from the 2010 Gol Audit and fourteen work papers from the 2010 quarterly reviews had in fact been altered after the relevant documentation completion dates, and provided the Division with redlines showing the changes. The original work papers showed that the Gol Engagement Partner had acquiesced in Gol's accounting for its unsupported maintenance deposits and that the engagement team had not considered IAS 8 Paragraph 44 at the time of the audit. The Firm also placed the Gol Engagement Partner, the Gol Senior Manager, and the Two Senior Managers who had altered Gol work papers on leave, and took steps to improve its quality controls relating to the archiving of audit work papers.

81. Other Deloitte Brazil partners continued their efforts, however, to conceal the scope of the wrongdoing. Additionally, they caused the Firm to represent to the Division that the Gol-related alterations were an isolated incident and that the work papers for the other audits inspected in 2012, including the Issuer 2 Audit, did not appear to have been improperly altered.

82. In January 2016, Deloitte Brazil produced a set of Issuer 2 Audit work papers to the PCAOB. On February 3, 2016, the Division notified the Firm that certain of the Issuer 2 work papers had electronic metadata showing last-modified dates well after the documentation completion date for the Issuer 2 Audit. In response, the Firm

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expanded its internal investigation, and subsequently disclosed that a large number of the work papers for the Issuer 2 Audit had not been properly archived in the electronic archive, and that certain of those work papers had been improperly added to or modified in the Issuer 2 Audit file in advance of the 2012 inspection. The Firm also placed the Issuer 2 Partner on leave and took steps to adopt additional remedial measures concerning audit documentation.

83. Certain Firm personnel, however, continued in 2016 to fail to cooperate with the Division's investigation. These included Senior Partner 3, who during his testimony falsely denied having any knowledge of obstruction or work paper alteration. Additionally, the ERS Manager, who was still associated with the Firm, refused to appear for additional testimony.

84. In January 2016, the Gol Senior Manager alerted the Division to the efforts by certain senior personnel to obstruct its investigation and to the fact that he had recorded conversations with some of those personnel concerning the obstruction. Certain Deloitte Brazil personnel subsequently took steps to dissuade the Gol Senior Manager from cooperating with the Division or asked the Gol Senior Manager not to reveal their participation in the obstruction.

85. In July 2016, the Division confronted Senior Partner 3 in his testimony with evidence of his obstruction obtained from the Gol Senior Manager. After that testimony, Deloitte Brazil's new leadership, which had taken office on June 1, 2016, removed Senior Partner 2 and Senior Partner 3 from their leadership positions, and terminated or placed on administrative leave personnel who had been identified as participating in the wrongdoing. Additionally, the Firm implemented remedial measures to improve the Firm's audit quality and regulatory compliance.

* * * * *

86. Through the conduct described above, Deloitte Brazil failed to cooperate with a Board investigation, warranting the imposition of sanctions against the Firm pursuant to Section 105(b)(3) of the Act and PCAOB Rule 5300(b).

J. Deloitte Brazil Violated PCAOB Quality Control Standards

87. PCAOB rules require that a registered public accounting firm comply with the Board's quality control standards.⁵⁹ PCAOB quality control standards, in turn, require

⁵⁹ PCAOB Rule 3100; PCAOB Rule 3400T, *Interim Quality Control Standards*.

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that a registered firm "shall have a system of quality control for its accounting and auditing practice."⁶⁰

88. Pursuant to PCAOB quality control standards, firms should establish policies and procedures to provide reasonable assurance that: (a) "personnel ... perform all professional responsibilities with integrity, and maintain objectivity in discharging professional responsibilities";⁶¹ (b) "the work performed by engagement personnel meets applicable professional standards, regulatory requirements, and the firm's standards of quality,"⁶² including with respect to "performing, supervising, reviewing, documenting, and communicating the results of each engagement";⁶³ and (c) the firm's quality control policies and procedures "are suitably designed and are being effectively applied."⁶⁴

89. In light of the knowing issuance of false audit reports concerning Gol's 2010 financial statements and ICFR and the acquiescence in accounting that was understood to be improper, Deloitte Brazil failed to maintain a system of quality control during the period of wrongdoing that provided reasonable assurance that its personnel would meet applicable professional standards and regulatory requirements concerning the performance, supervision, review, and documentation of audit engagements.

90. Additionally, in light of the improper alteration of work papers for two audits and the provision of misleading documents and information to the Board, which involved several members of the Firm's senior leadership, Deloitte Brazil failed to maintain a system of quality control during the period of wrongdoing that provided reasonable assurance that its personnel would act with integrity.

IV.

In view of the foregoing, and to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports, the Board determines it appropriate to impose the sanctions agreed to in Respondent's Offer. Accordingly, it is hereby ORDERED that:

⁶⁰ QC § 20.01, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice*; see also QC §§ 20.17 - .20.

⁶¹ QC § 20.09.

⁶² QC § 20.17.

⁶³ QC § 20.18.

⁶⁴ QC § 20.20; see also QC § 30.03, *Monitoring a CPA Firm's Accounting and Auditing Practice*.

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- A. Pursuant to Sections 105(b)(3)(A) and 105(c)(4)(E) of the Act and PCAOB Rules 5300(a)(5) and 5300(b)(1), Deloitte Brazil is censured;
- B. Pursuant to Sections 105(b)(3)(A) and 105(c)(4)(D) of the Act and PCAOB Rules 5300(a)(4) and 5300(b)(1), a civil money penalty in the amount of \$8,000,000 is imposed upon Deloitte Brazil. All funds collected by the Board as a result of the assessment of this civil money penalty will be used in accordance with Section 109(c)(2) of the Act. Deloitte Brazil shall pay \$4,000,000 of this civil money penalty within 10 days of the issuance of this Order by (1) wire transfer in accordance with instructions furnished by Board staff; or (2) United States Postal Service money order, bank money order, certified check, or bank cashier's check (a) made payable to the Public Company Accounting Oversight Board, (b) delivered to the Controller, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C. 20006, and (c) submitted under a cover letter, which identifies the Firm as a respondent in these proceedings, sets forth the title and PCAOB release number of these proceedings, and states that payment is made pursuant to this Order, a copy of which cover letter and money order or check shall be sent to Office of the Secretary, Attention: Phoebe W. Brown, Secretary, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C. 20006. Deloitte Brazil shall pay an additional \$2,000,000 of the penalty by March 31, 2017, pursuant to the same procedures; and shall pay the remaining \$2,000,000 of the penalty prior to its issuance of the Interim Certificate of Compliance (discussed below), pursuant to the same procedures.
- C. Pursuant to Sections 105(c)(4)(C), (F), and (G) of the Act and PCAOB Rules 5300(a)(3), (6), (7), and (9), the Board orders that:
- Definitions: The following definitions shall apply to the provisions of this section:
 - Immediate Practice Limitations*: The limitations imposed on Deloitte Brazil's audit practice until the Interim Compliance Date pursuant to subsection C.2.
 - Interim Certificate of Compliance*: A certificate submitted by Deloitte Brazil to the PCAOB, after review and approval by the Independent Monitor, certifying that certain requirements of this Order have been fulfilled pursuant to subsection C.6.

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- (c) *Interim Compliance Date*: The date on which Deloitte Brazil submits the Interim Certificate of Compliance.
- (d) *Pre-Issuance Reviews*: Reviews of audits performed by Deloitte Brazil pursuant to subsection C.2(b).
- (e) *Final Certificate of Compliance*: A certificate submitted by Deloitte Brazil to the PCAOB, after review and approval by the Independent Monitor, certifying that all requirements of this Order have been fulfilled pursuant to subsection C.7.
- (f) *Final Compliance Date*: The date on which Deloitte Brazil submits the Final Certificate of Compliance.
- (g) *Independent Monitor*: An independent monitor retained by Deloitte Brazil to monitor, evaluate, and report on the Firm's compliance with the requirements of this Order pursuant to subsection C.4.
- (h) *Monitor Period*: The period of the Independent Monitor's required retention by Deloitte Brazil, ending on the Final Compliance Date.
- (i) *Undertakings*: Actions required by subsection C.3.
- (j) *Enhanced Reporting Procedures*: Procedures for the reporting of suspected wrongdoing required by subsection C.3(c).
2. Immediate Practice Limitations: From the date of this Order until the Interim Compliance Date, Deloitte Brazil shall be subject to the following Immediate Practice Limitations:
- (a) *Prohibition on New Engagements to Prepare or Issue Audit Reports for Certain New Clients*. The Firm shall be prohibited from accepting new engagements to prepare or issue audit reports for new clients who are issuers, as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii), as well as for new clients who are brokers or dealers, as those terms are defined by PCAOB Rules 1001(b)(iii) and 1001(d)(iii); provided, however, that this prohibition does not preclude the Firm from accepting new engagements with respect to proposals it had submitted prior to October 1, 2016 to three issuers, which the Firm has identified to the Board.
- (b) *Pre-Issuance Reviews*. As to any existing clients who are issuers, brokers, or dealers (as defined in subsection C.2(a)) for which the Firm prepares or issues an audit report or plays a substantial role in the preparation or

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furnishing of an audit report,⁶⁵ the Firm must retain or arrange for one or more auditors from Deloitte Global member or affiliate firms, experienced in the conduct of audits pursuant to PCAOB standards, to conduct a Pre-Issuance Review of the Firm's work on the engagement. The purpose of each Pre-Issuance Review shall be to support the Firm in identifying deficiencies, if any, in the application of PCAOB rules or standards, and remediating those deficiencies prior to the issuance of the audit report; and propose to the Firm actions it could take to prevent or timely detect such deficiencies in the future.

3. Undertakings: Deloitte Brazil shall carry out the following Undertakings:

(a) *Initial Certification*. Within 45 days of the date of this Order, Deloitte Brazil shall provide a certification, signed by its Managing Partner, stating that: (i) the Firm has adopted systems reasonably designed to ensure that electronically and manually stored work papers for audits conducted pursuant to PCAOB rules and standards are preserved and are modified only in compliance with those standards; and (ii) personnel in the Firm's PCAOB Engagements Group⁶⁶ have received 24 hours of additional training concerning work paper preparation and archiving, ethics, and professional skepticism.

(b) *Policies and Procedures*. Deloitte Brazil shall conduct a review of its quality control policies and procedures and determine whether modifications should be made or additional policies and procedures should be adopted concerning: (i) ethics and integrity; (ii) due professional care and professional skepticism; (iii) audit procedures relating to planning, materiality, risk assessment, fraud, analytical procedures, illegal acts by clients, and ICFR; (iv) sufficient appropriate audit evidence; (v) management representations; (vi) consultations with the Firm's Technical Area; (vii) engagement quality reviews; and (viii) participation in reviews conducted pursuant to SEC Practice Section § 1000.45, Appendix K, *SECPS Member Firms With Foreign*

⁶⁵ See PCAOB Rule 1001(p)(ii).

⁶⁶ Deloitte Brazil has informed the PCAOB that the only Firm audit partners or audit managers who are authorized to work on audits and reviews governed by PCAOB rules and standards are those who are members of its PCAOB Engagements Group. Any partner or employee of any of the Deloitte Brazil Entities who does not belong to the PCAOB Engagements Group but who spends more than 50 hours in any year performing or supervising procedures on audits and reviews governed by PCAOB rules and standards is also covered by the requirements contained in subsections C.3(d) and (e) herein pertaining to the PCAOB Engagements Group for that year.

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Associated Firms That Audit SEC Registrants. No later than 90 days from the date of this Order, the Firm shall submit a written report to the PCAOB staff and Independent Monitor ("QC Report") summarizing its review, attaching any new or modified policies and procedures in the areas enumerated above, and, with respect to any of the areas enumerated above in which modifications will not be made and additional policies and procedures will not be adopted, providing an explanation concerning why new or modified policies and procedures are not required.

(c) *Enhanced Reporting Procedures.* No later than 90 days after the date of this Order, Deloitte Brazil shall adopt Enhanced Reporting Procedures for the reporting and investigation of suspected wrongdoing by Firm personnel. The Enhanced Reporting Procedures shall include processes for Firm personnel to report misconduct anonymously, and to report misconduct via telephone, email, website, or mail. The Enhanced Reporting Procedures shall include a prohibition on retaliation against Firm personnel making good faith reports of suspected wrongdoing, to the same extent as the protections established by Section 806(a), (d), and (e) of the Act, as amended. During the Monitor Period, the Firm shall promptly notify the Independent Monitor of all reports received and shall allow the Monitor to oversee and assess all actions taken in response to reports received. After the expiration of the Monitor Period, the Enhanced Reporting Procedures shall provide that every report received shall be directed to at least two persons at the Firm, including one member of the Policy Committee.

(d) *Training.* In addition to the training required in paragraph C.3(a), within one year after the date of this Order, Deloitte Brazil shall provide 40 hours of training to personnel in its PCAOB Engagements Group concerning: (i) ethics and integrity; (ii) PCAOB rules and standards, including those related to work paper preparation and archiving, due professional care and professional skepticism, planning, materiality, risk assessment, fraud, analytical procedures, illegal acts by clients, ICFR, sufficient appropriate audit evidence, and management representations; (iii) consultations with the Firm's Technical Area; (iv) engagement quality reviews; and (v) participation in reviews conducted pursuant to SEC Practice Section § 1000.45, Appendix K, *SECPS Member Firms With Foreign Associated Firms That Audit SEC Registrants*. During each year thereafter until the end of the Monitor Period, the Firm shall provide at least 25 hours of training to personnel in its PCAOB Engagements Group concerning the above topics.

(e) *Certifications.* No less than annually until the Final Compliance Date, Deloitte Brazil shall obtain from every member of its PCAOB Engagements

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Group a signed certification stating that the member, during the prior year, (i) has complied with all applicable Firm policies and procedures; (ii) has cooperated with the Independent Monitor and all internal and external reviews and inspections of audit work governed by PCAOB standards; and (iii) is not aware of, or has reported to Firm management, all violations of PCAOB rules and standards of which the member has become aware.

4. Independent Monitor: (a) *Retention and Term*. Deloitte Brazil shall retain and pay the fees and reasonable expenses for a third-party Independent Monitor, not unacceptable to the PCAOB staff, who has experience with public company reporting in the United States and is knowledgeable concerning PCAOB rules and standards. Within 60 days of the date of this Order, the Firm shall submit the name, qualifications, and proposed terms of engagement of the Independent Monitor to the PCAOB staff. The Firm may not retain as Independent Monitor any person who has been employed by or had a professional relationship with the Firm, any other Deloitte Global member or affiliate firm, or any audit client of the Firm in the previous two years; and the Firm shall require the Independent Monitor to agree not to enter into any employment or other professional relationship with the Firm, any other Deloitte Global member or affiliate firm, or any audit client of the Firm for two years following the expiration of the monitorship. The Monitor Period shall end as of the Final Compliance Date, or before the Final Compliance Date with the written pre-approval of the PCAOB staff.

(b) *Monitor QC Report*. The Independent Monitor shall review the QC Report and determine whether, as supplemented and modified, Deloitte Brazil's policies and procedures appear reasonably designed to ensure compliance with PCAOB rules and standards. No later than 60 days after receiving the QC Report, the Independent Monitor shall provide a report ("Monitor QC Report") to the Firm and the PCAOB staff setting out the Independent Monitor's recommendations concerning any additional policies or procedures or modifications to policies or procedures that should be made to reasonably assure compliance with PCAOB rules and standards. The Firm shall adopt the Independent Monitor's recommendations as soon as practicable, except that the Firm may notify the Independent Monitor within 30 days of receiving the Monitor QC Report of any recommendations contained therein that the Firm believes to be unnecessary, impractical, unduly burdensome, or outside the scope of this Order, and the bases of the Firm's objection(s). In connection with that notification, the Firm may propose alternative policies and procedures that it believes will achieve the objectives of the recommendations contained in the Monitor QC Report. The Firm and the Independent Monitor shall engage in good-faith negotiations concerning any

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objection raised by the Firm, but if the Firm and the Independent Monitor are unable to come to agreement within 45 days, the Firm shall be required to adopt the Independent Monitor's recommendations to which it objects.

(c) *Additional Responsibilities.* The Independent Monitor shall have, and the engagement agreement between Deloitte Brazil and the Independent Monitor shall provide for the Independent Monitor to have, the following additional powers and responsibilities: (i) to review and assess the Firm's quality control system, including but not limited to its policies, procedures, and practices relating to audit documentation (including archiving) and ethics and integrity; (ii) to monitor the Firm's compliance with the Immediate Practice Limitations; (iii) to monitor the performance and results of the Pre-Issuance Reviews that are performed pursuant to subsection C.2(b); (iv) to review and assess the Firm's process for training its PCAOB Engagements Group, including the training materials used and the conduct of the training sessions; (v) to monitor the Firm's implementation of the other Undertakings described above, including the Firm's processes for investigating and addressing reports made pursuant to the Enhanced Reporting Procedures; (vi) to review and assess the results of any review or inspection that occurs during the Monitor Period of audit or review work governed by PCAOB standards that Firm personnel have performed (including reviewing and assessing any inspection comments and responses to comments); and (vii) to make recommendations to the Firm concerning improvements to its policies, procedures, or practices in light of any of the Independent Monitor's activities.

(d) *Cooperation with Independent Monitor.* Deloitte Brazil shall cooperate fully with the Independent Monitor and shall provide reasonable access to any Firm personnel, information, and records that the Independent Monitor may reasonably request to fulfill his or her responsibilities, subject to the Firm's right to withhold or redact any information based on attorney-client privilege or other applicable privileges. During the Monitor Period, the Firm shall preserve all communications, electronic or otherwise, concerning its quality control system and its audit work under PCAOB standards.

5. Documentation and Reporting:

(a) *Documentation Requirements.* During the Monitor Period, Deloitte Brazil shall maintain documentation sufficient to describe in reasonable detail all steps that it has taken to comply with Section C of this Order. Deloitte Brazil shall make such documentation available at any time to the Independent Monitor or the PCAOB staff, upon reasonable request, and shall retain such documentation for two years after the Final Compliance Date.

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(b) *Reporting Requirements.* No later than six months from the date of this Order, Deloitte Brazil shall submit to the Independent Monitor and the PCAOB staff a report: (i) detailing its progress in implementing and complying with the Undertakings and other requirements of this Order; (ii) identifying any recommendations that the Independent Monitor has made to the Firm and the Firm's response to those recommendations; and (iii) identifying any non-compliance by the Firm with this Order or any material non-compliance by the Firm with PCAOB rules and standards it has identified in its audit and review work. The Independent Monitor shall review and evaluate the report and, within 60 days of the receipt of the report, provide a separate report to the PCAOB staff, with a copy to the Firm: (i) describing the Independent Monitor's work during the previous six months; and (ii) concurring with the Firm's report or listing the points of non-concurrence. Deloitte Brazil shall make subsequent reports of an identical nature no later than one year from the date of this Order and every six months thereafter until the end of the Monitor Period, all of which shall be subject to the Independent Monitor's review, evaluation, and report as described above.

(c) *PCAOB Staff Access.* Throughout the Monitor Period, the PCAOB staff shall have reasonable access to the Independent Monitor and to the content and results of the Independent Monitor's work. The Independent Monitor shall be required to provide prompt responses to all PCAOB staff requests for documents and information concerning the content and results of the Independent Monitor's work, and neither the Independent Monitor nor the Firm shall assert any basis on which to fail to comply with such requests. The engagement agreement between Deloitte Brazil and the Independent Monitor shall require the Independent Monitor to comply with the terms of this subsection.

6. Interim Certificate of Compliance: After the Firm has issued all audit reports for which Pre-Issuance Reviews are required by subsection C.2(b), Deloitte Brazil may submit to the Independent Monitor (with a copy to the PCAOB staff) a report ("Interim Firm Report") stating its intention to submit an Interim Certificate of Compliance to the PCAOB staff, and containing a summary of its compliance with this Order and any other supporting material the Firm believes appropriate. Within 45 days of receiving the Interim Firm Report, the Independent Monitor shall submit a report ("Interim Monitor Report") to the Firm and the PCAOB staff setting out the Independent Monitor's conclusion concerning whether: (a) the Firm has complied with the Immediate Practice Limitations; (b) the Firm has made substantial progress in implementing the recommendations in the Monitor QC Report; (c) the Firm has taken appropriate steps to ensure compliance by Firm personnel with its policies

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and procedures, as supplemented and modified; (d) the Firm has made substantial progress in addressing the Independent Monitor's other recommendations; (e) the Firm has made substantial progress in implementing and complying with the Undertakings, including by conducting all required training sessions and implementing the Enhanced Reporting Procedures and responding appropriately to reports made pursuant to those procedures; (f) the Firm has made substantial progress implementing policies, procedures, and practices to establish and maintain a quality control system that provides reasonable assurance that Firm personnel will comply with PCAOB standards, including with regard to audit documentation (including archiving) and ethics and integrity; and (g) the performance and results of the Pre-Issuance Reviews required by subsection C.2(b) indicate that the Firm is conducting its audit work for issuers substantially in compliance with PCAOB standards. The PCAOB staff shall have the right to request documentation and other evidence supporting any original or supplementary Interim Firm Report or Interim Monitor Report, and the Firm and/or the Independent Monitor shall promptly comply with any such requests. Additionally, the Independent Monitor shall inform the PCAOB staff with fourteen days' advance notice of the Independent Monitor's intention to issue the Interim Monitor Report and shall provide the Division with a summary of the Independent Monitor's intended findings, the basis for those findings, and any draft of the intended report. If the Interim Monitor Report concludes that each of the above conditions has been met, the Firm may submit an Interim Certificate of Compliance to the PCAOB staff. If the Interim Monitor Report does not conclude that each of the above conditions has been met, the Firm shall have an opportunity to remediate any deficiencies and submit supplementary Interim Firm Reports every 30 days thereafter, as necessary. The Independent Monitor shall consider any supplementary Interim Firm Reports promptly, and shall issue a new Interim Monitor Report when he or she has concluded that each of the above conditions has been met, at which time the procedures above relating to an Interim Certificate of Compliance shall apply. The date on which the Firm submits the Interim Certificate of Compliance to the PCAOB staff shall be the Interim Compliance Date.

7. Final Certificate of Compliance: No less than one year from the Interim Compliance Date, Deloitte Brazil may submit to the Independent Monitor (with a copy to the PCAOB staff) a report ("Final Firm Report") stating its intention to submit a Final Certificate of Compliance to the PCAOB staff, and containing a summary of its compliance with this Order since the Interim Compliance Date and any other supporting material the Firm believes appropriate. Within 60 days of receiving the Final Firm Report, the

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Independent Monitor shall submit a report ("Final Monitor Report") to the Firm and the PCAOB staff setting out the Independent Monitor's conclusion concerning whether: (a) the Firm has adequately implemented the recommendations in the Monitor QC Report; (b) the Firm has taken appropriate steps to ensure compliance by Firm personnel with its policies and procedures, as supplemented and modified; (c) the Firm has adequately addressed the Independent Monitor's other recommendations; (d) the Firm has implemented and complied with the Undertakings, including by conducting all required training sessions and implementing the Enhanced Reporting Procedures and responding appropriately to reports made pursuant to those procedures; and (e) the Firm has made adequate progress implementing policies, procedures, and practices to establish and maintain a quality control system that provides reasonable assurance that Firm personnel will comply with PCAOB standards, including with regard to audit documentation (including archiving) and ethics and integrity. The PCAOB staff shall have the right to request documentation and other evidence supporting any original or supplementary Final Firm Report or Final Monitor Report, and the Firm and/or the Independent Monitor shall promptly comply with any such requests. Additionally, the Independent Monitor shall inform the PCAOB staff with fourteen days' advance notice of the Independent Monitor's intention to issue the Final Monitor Report and shall provide the Division with a summary of the Independent Monitor's intended findings, the basis for those findings, and any draft of the intended report. If the Final Monitor Report concludes that each of the above conditions has been met, the Firm may submit a Final Certificate of Compliance to the PCAOB staff. If the Final Monitor Report does not conclude that each of the above conditions has been met, the Firm shall have an opportunity to remediate any deficiencies and submit supplementary Final Firm Reports every 30 days thereafter, as necessary. The Independent Monitor shall consider any supplementary Final Firm Reports promptly, and shall issue a new Final Monitor Report when he or she has concluded that each of the above conditions has been met, at which time the procedures above relating to a Final Certificate of Compliance shall apply. The date on which the Firm submits the Final Certificate of Compliance to the PCAOB staff shall be the Final Compliance Date.

8. Provision of Order: No later than 30 days after the date of this Order, Deloitte Brazil shall provide a copy of this Order to all of its associated persons who are employees or partners of the Firm.
9. Extension of Deadlines: For good cause shown, the PCAOB staff may provide Deloitte Brazil or the Independent Monitor with a reasonable

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extension of any of the deadlines contained in this Order. Both the request for an extension and the provision of an extension must occur in writing.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

December 5, 2016