

ORDER

III.

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

A. Respondent

1. André Ricardo Aguillar Paulon, 40, is a former partner of the registered public accounting firm Deloitte Touche Tohmatsu Auditores Independentes ("Deloitte Brazil" or "Firm"). For fiscal years 2009 and 2010, Paulon served as a senior manager on Deloitte Brazil's audits and reviews of Gol Linhas Aéreas Inteligentes S.A., also known as Gol Intelligent Airlines Inc. ("Gol"). In 2011, Paulon was promoted to Associate Partner. In 2013, Paulon was promoted to Equity Partner. On or about November 10, 2015, Deloitte Brazil placed Paulon on administrative leave. At all relevant times, Paulon was an associated person of a registered public accounting firm as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i). Paulon separated from the Firm in November 2016.

B. Respondent Violated Applicable PCAOB Rules and Standards in Connection with a Board Inspection and Board Investigation

Applicable PCAOB Rules and Standards

2. In connection with the preparation or issuance of an audit report, PCAOB rules require that associated persons of registered public accounting firms comply with applicable auditing and related professional practice standards.³ 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.⁴ After the documentation completion date, audit

² The Board finds that Respondent's conduct described in this Order meets the condition set out in Section 105(c)(5)(A) of the Act, 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.

³ See PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3200T, *Interim Auditing Standards*. All references to PCAOB rules and standards are to the versions of those rules and standards in effect at the time of the relevant conduct.

⁴ AS3 ¶¶ 14, 15.

ORDER

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.⁵

3. 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."⁶

4. Section 105(b)(3)(A) of the Act authorizes the Board to sanction an associated person of a registered public accounting firm for "refus[ing] to...cooperate with the Board in connection with an investigation."⁷ Board rules include procedures for implementing that authority.⁸ Noncooperation includes "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."⁹

Background

5. During the relevant time period, Gol was one of Deloitte Brazil's issuer audit clients. As stated above, Paulon acted as a senior manager on Deloitte Brazil's audit of Gol's 2010 financial statements and internal control over financial reporting ("2010 Gol Audit").

6. During the 2010 Gol Audit, Paulon became aware that the engagement partner for the audit ("Gol Engagement Partner")¹⁰ intended to acquiesce in what Paulon understood to be Gol's improper reporting of a potentially material amount of unsupported "maintenance deposit" assets. Paulon also became aware of a potential misstatement of Gol's passenger revenue and advance ticket sales liability, initially estimated at 38.3 million Brazilian reais ("Potential Misstatement"). Based on this

⁵ See id. ¶ 16.

⁶ *Nathan M. Suddeth, CPA*, PCAOB Rel. No. 105-2013-007, ¶ 4 (Sept. 10, 2013).

⁷ 15 U.S.C. § 7215(b)(3)(A).

⁸ See PCAOB Rules 5110, 5200(a)(3).

⁹ PCAOB Rule 5110(a)(2).

¹⁰ See José Domingos do Prado, PCAOB Rel. No. 105-2016-032 (Dec. 5, 2016).

ORDER

understanding, Paulon believed that it might be inappropriate for Deloitte Brazil to issue unqualified audit reports concerning Gol's 2010 financial statements and internal control over financial reporting ("ICFR"). Paulon understood, however, that the Gol Engagement Partner nevertheless authorized the Firm's issuance of the unqualified reports. Gol included those reports in a Form 20-F filed with the U.S. Securities and Exchange Commission on April 8, 2011.

Respondent Violated PCAOB Rules and Standards in Connection with the 2012 Board Inspection

7. 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 would be one of the audits inspected, and that the focus areas for the inspection would be revenue, deferred revenue, accounts receivable, and property, plant, and equipment. Primary field work procedures for the inspection commenced on March 26, 2012.

8. After being informed that the 2010 Gol Audit would be inspected, the Gol Engagement Partner instructed Paulon that the 2010 Gol Audit work papers must be improperly altered. The Gol Engagement Partner informed Paulon that the two principal objectives of the alterations would be: (a) to conceal Deloitte Brazil's acquiescence in what it understood to be Gol's incorrect accounting for its maintenance deposits; and (b) changes to work papers relating to passenger revenue and advance ticket sales to alter the Firm's documented conclusions concerning the Potential Misstatement. Specifically, the Gol Engagement Partner directed Paulon to create the appearance that the Firm engagement team had considered a particular paragraph in the International Financial Reporting Standards ("IFRS") literature, International Accounting Standard 8 ("IAS 8") Paragraph 44, to apply to the Potential Misstatement at the time of the 2010 Gol Audit. In fact, Deloitte Brazil had not identified IAS 8 Paragraph 44 as potentially applicable to the Potential Misstatement until well after the completion of the 2010 Gol Audit.

9. At the Gol Engagement Partner's direction, Paulon, along with two Firm senior managers,¹¹ made improper alterations to the 2010 Gol Audit work papers in compliance with the Gol Engagement Partner's instructions described above, including alterations concerning the Firm's procedures relating to Gol's ICFR and to certain of the areas identified by Inspections as focus areas for the inspection. Paulon made certain of

¹¹ 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).



ORDER

the alterations himself, and in doing so failed to document the date on which the alterations were being made, the person making them, or the reason for the alterations.

10. Paulon then sent the improperly altered work papers to the Gol Engagement Partner, who made even more improper alterations on his own. After the Gol Engagement Partner sent the additional alterations to Paulon, Paulon added all of the improperly altered work papers to the audit file, which was made available to Inspections for use in the Gol inspection.

11. Paulon's actions violated PCAOB audit documentation standards and his duty to cooperate with Inspections.¹²

Respondent Violated PCAOB Rules in Connection with the 2014-16 Board Investigation

12. On October 15, 2013, the PCAOB Division of Enforcement and Investigations ("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.

13. Paulon became aware that, after the Firm received the 2013 Request, the Firm produced the improperly altered versions of the 2010 Gol Audit work papers (the same versions that had been produced to Inspections) to the Division, and withheld the original, unaltered versions. Additionally, Paulon was instructed to withhold inculpatory documents in his possession. For example, on March 10, 2014, a senior partner of the Firm who held an important compliance position ("Senior Partner")¹³ instructed Paulon to remove from his computer and office any documents that would reveal the improper alteration of the 2010 Gol Audit work papers, to prevent their being produced to the Division. Paulon recorded the conversation:¹⁴

Senior Partner:	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?
-----------------	---

¹² See AS3 ¶ 16; PCAOB Rule 4006.

¹³ See *Maurício Pires de Andrade Resende*, PCAOB Rel. No. 105-2016-033 (Dec. 5, 2016).

¹⁴ The conversation, which was held in Portuguese, has been translated into English.

ORDER

Paulon: No. Okay.

Senior Partner: 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.¹⁵

Paulon: Okay.

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

14. In response to the Senior Partner's instruction, Paulon deleted relevant documents from his computer. Paulon participated in other meetings and consultations at which he became aware of the Firm's efforts to provide false information to the Division.

15. After the Board issued an Order of Formal Investigation in June 2014, Paulon provided testimony under oath to the Division from September 14 through 19, 2015. During that testimony, Paulon made false declarations, including by (a) falsely representing that improperly altered versions of 2010 Gol Audit work papers were the actual work papers from the audit; and (b) falsely testifying that the Gol engagement team had considered IAS 8 Paragraph 44 to apply to the Potential Misstatement during the audit, when in fact he knew that the team had not considered IAS 8 Paragraph 44 during the audit.

16. Through his actions, Paulon failed to cooperate with a Board investigation.¹⁶

* * * * *

¹⁵ The Gol Engagement Partner had previously informed Paulon that, if the improper alteration of Gol work papers were ever discovered, the Gol Engagement Partner would assume all responsibility for the work paper alterations and would protect other Firm personnel from being implicated in the misconduct.

¹⁶ See PCAOB Rule 5110(a).

ORDER

17. After the PCAOB discovered in October 2015 that the 2010 Gol Audit work papers had been improperly altered, Deloitte Brazil placed Paulon on administrative leave. In January 2016, Paulon reported the Firm's obstruction of the investigation to the Division, and Paulon subsequently provided substantial assistance to the investigation by, among other things: (a) making himself available for extensive interviews and other consultations, during which he provided detailed information concerning events relating to the 2010 Gol Audit, the 2012 inspection, and the Firm's obstruction of the Division's inquiry and investigation; and (b) providing the Division with multiple audio recordings that he had made of conversations with senior Firm partners concerning the obstruction of the investigation, including the conversation set out above, and assisting the Division in understanding the context and import of the recordings.¹⁷ The Board took that reporting and substantial assistance into account in ordering the sanctions under Section IV of this Order.

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:

- A. Pursuant to Section 105(b)(3)(A)(iii) and 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5) and (b)(1), André Ricardo Aguillar Paulon is censured; and
- B. Pursuant to Sections 105(b)(3)(A)(iii) and 105(c)(4)(C) of the Act and PCAOB Rule 5300(a)(3) and (b)(1), for a period of one year from the date of this Order, André Ricardo Aguillar Paulon's role in any "audit," as that term is defined in Section 110(1) of the Act and PCAOB Rule 1001(a)(v), shall be restricted as follows: Paulon shall not (1) serve, or supervise the work of another person serving, as an "engagement partner," as that term is used in the Board's Auditing Standard No. 10 or AS 1201, *Supervision of the Audit Engagement*; (2) serve, or supervise the work of another person serving, as an "engagement quality reviewer," as that term is used in the Board's Auditing Standard No. 7 or AS 1220, *Engagement Quality Review*; (3) serve, or supervise the work of another person serving, in any role that is equivalent to, but differently denominated from, engagement partner (such as "lead partner" or "practitioner-in-charge") or engagement

¹⁷ See "Policy Statement Regarding Credit for Extraordinary Cooperation in Connection with Board Investigations," Apr. 24, 2013.

ORDER

quality reviewer (such as "concurring partner"); (4) exercise authority, or supervise the work of another person exercising authority, either to sign a registered public accounting firm's name to an audit report, or to consent to the use of a previously issued audit report, for any issuer, broker, or dealer; or (5) serve, or supervise the work of another person serving, as the "other auditor," or "another auditor," as those terms are used in the Board's Interim Auditing Standard AU Section 543 or AS 1205, *Part of the Audit Performed by Other Independent Auditors*.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

December 5, 2016