PCAOB
Public Company Accounting Oversight Board

1666 K Street, N.W.
Washington, DC 20006
Telephone: (202) 207-9100
Facsimile: (202) 862-0757
www.pcaobus.org

ORDER INSTITUTING DISCIPLINARY PROCEEDINGS, MAKING FINDINGS, AND IMPOSING SANCTIONS

In the Matter of James Roderick Talbot Oram,

Respondent.

PCAOB Release No. 105-2016-036

December 5, 2016

By this Order, the Public Company Accounting Oversight Board ("Board" or "PCAOB") is: (1) censuring James Roderick Talbot Oram ("Oram" or "Respondent"); and (2) suspending Oram from being an associated person of a registered public accounting firm for a period of one year from the date of this Order. The Board is imposing these sanctions on the basis of its findings that Oram violated PCAOB rules and standards in connection with the audit of an issuer.

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) against Respondent.

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 him and the subject matter of these proceedings, which are admitted, Respondent consents to entry of this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions ("Order") as set forth below.[1]

[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.

ORDER

III.

On the basis of Respondent's Offer, the Board finds[2] that:

A. Respondent

1. James Roderick Talbot Oram, 64, is a retired partner of the PCAOB registered firm Deloitte Touche Tohmatsu Auditores Independentes ("Deloitte Brazil" or "Firm"). From 2009 through 2013, Oram acted as the engagement quality reviewer for Deloitte Brazil's audits and reviews of the financial statements and internal control over financial reporting ("ICFR") of Gol Linhas Aéreas Inteligentes S.A., also known as Gol Intelligent Airlines Inc. ("Gol" or "Company"), including as engagement quality reviewer for the Firm's audit of Gol for the year ended December 31, 2010 ("2010 Gol Audit"). At all relevant times, Oram was an associated person of a registered public accounting firm, as that term is defined by Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i).

B. Respondent Violated Applicable PCAOB Rules and Standards

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] During Mr. Oram's service as engagement quality reviewer for the 2010 Gol Audit, those standards included PCAOB Auditing Standard No. 7, *Engagement Quality Review* ("AS7").[4]

---

[2] The Board finds that Respondent's conduct described in this Order meets the conditions set out in Section 105(c)(5), which provides that certain sanctions may be imposed in the event of: (A) intentional or knowing conduct, including reckless conduct, that results in violation of the applicable statutory, regulatory, or professional standard; or (B) repeated instances of negligent conduct, each resulting in a 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] As the Board stated in its release adopting AS7, "A well-performed engagement quality review ('EQR') can serve as an important safeguard against erroneous or insufficiently supported audit opinions and, accordingly, can contribute to audit quality." PCAOB Release No. 2009-004, at 1 (July 28, 2009).

Public Company Accounting Oversight Board

ORDER

Among other things, AS7 states that an engagement quality reviewer should perform the following procedures:

- "[E]valuate the significant judgments made by the engagement team and the related conclusions reached in forming the overall conclusion on the engagement and in preparing the engagement report," including, "to the extent necessary," by "hold[ing] discussions with the engagement partner and other members of the engagement team," and "review[ing] documentation";[5]

- "Evaluate the significant judgments made about (1) the materiality and disposition of corrected and uncorrected identified misstatements and (2) the severity and disposition of identified control deficiencies";[6]

- "Review the engagement completion document and confirm with the engagement partner that there are no significant unresolved matters";[7]

- "Based on the procedures required by this standard, evaluate whether appropriate consultations have taken place on difficult or contentious matters" and "[r]eview the documentation, including conclusions, of such consultations";[8] and

- Evaluate whether the engagement documentation that he or she reviewed "[s]upports the conclusions reached by the engagement team with respect to the matters reviewed."[9]

---

5 AS7 ¶ 9.

6 *Id.* ¶ 10(c).

7 *Id.* ¶ 10(e).

8 *Id.* ¶ 10(h).

9 *Id.* ¶ 11(b).

PCAOB
Public Company Accounting Oversight Board

ORDER

3. PCAOB standards state that "the engagement quality reviewer may provide concurring approval of issuance [for an audit report] only if, after performing with due professional care the review required" by AS 7 (including the procedures described above), "he or she is not aware of a significant engagement deficiency."[10]

Respondent Violated PCAOB Rules and Standards in Connection with the 2010 Gol Audit

4. During the 2010 Gol Audit, Oram became aware through his review of the Gol audit team's engagement completion documentation that the team had identified a potential misstatement in Gol's accounting for revenue and deferred revenue ("Potential Misstatement"). The documentation that Oram reviewed indicated the size of the Potential Misstatement to be 38.3 million Brazilian reais ("R$") (US$23.0 million).[11] Additionally, the documentation stated that, in light of the Potential Misstatement, a significant deficiency existed in Gol's ICFR.

5. The documentation Oram reviewed stated that the Potential Misstatement was caused by a reconciliation failure in Gol's systems, but did not otherwise explain how the difference had been calculated. Oram did not request, and the documentation he reviewed did not contain, any further explanation concerning the Potential Misstatement. Oram assumed that the R$38.3 million figure represented the engagement team's best estimate of the Potential Misstatement amount. He was unaware that the R$38.3 million amount was a preliminary calculation and that, according to other work papers prepared by the engagement team, the Company was still analyzing the Potential Misstatement at the time it issued its financial statements.

6. The documentation Oram reviewed stated that the Gol engagement team did not consider the misstatements identified during the 2010 Gol Audit, individually or in the aggregate, to be material, but did not provide any further explanation of the team's analysis. Oram did not request any additional analysis from the engagement team. Instead, Oram made an independent materiality assessment, from which he concluded that the Potential Misstatement, even when combined with the other

---

[10] Id. ¶ 12 (citing AU § 230, *Due Professional Care in the Performance of Work*). A "significant engagement deficiency" includes, among other things, (a) the engagement team's failure to obtain sufficient appropriate evidence in accordance with PCAOB standards; and (b) the engagement team's reaching an inappropriate overall conclusion concerning the engagement. See id. Note.

[11] The amount provided in U.S. dollars is based on the exchange rate at December 31, 2010 of approximately R$1 = US$0.60.

identified misstatements, was not material to Gol's 2010 financial statements. As a result, Oram was unaware that the engagement team's own analysis, documented elsewhere, indicated that it should consider expanding the scope of its procedures before issuing an unqualified opinion on Gol's financial statements.

7. Oram also failed to take any steps to evaluate the engagement team's judgment concerning the effect of the identified misstatements, including the Potential Misstatement, on Gol's ICFR. Instead, he simply concluded that, because the misstatements did not appear to be material in the aggregate, they could not represent a material weakness in Gol's ICFR.[12]

8. Oram communicated with the engagement partner on the 2010 Gol Audit during the planning procedures for the audit, but did not directly communicate with him during the remainder of the audit. Accordingly, Oram was unaware of: (a) the results of a consultation that the engagement partner had held with a senior Firm partner concerning the implications of the Potential Misstatement for the audit; and (b) whether there were any other significant unresolved matters at the close of the audit.

9. In performing his EQR in the manner described above, Oram violated AS7 in several respects, including by: (a) failing to adequately evaluate the engagement team's significant judgments and related conclusions;[13] (b) failing to adequately evaluate the engagement team's significant judgments with regard to the materiality and disposition of the Potential Misstatement, the materiality and disposition of the identified misstatements in the aggregate, and the severity and disposition of identified control deficiencies;[14] (c) failing to confirm with the engagement partner that there were no

---

[12] Oram's analysis concerning Gol's ICFR was inconsistent with PCAOB auditing standards. PCAOB Auditing Standard No. 5, *An Audit of Internal Control Over Financial Reporting That Is Integrated with an Audit of Financial Statements* ("AS5"), defines a material weakness as a deficiency or combination of deficiencies in ICFR that create "a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis." AS5 ¶ A7. AS5 also states that "[t]he severity of a deficiency does not depend on whether a misstatement actually has occurred but rather on whether there is a reasonable possibility that the company's controls will fail to prevent or detect a misstatement." Id. ¶ 64.

[13] See AS7 ¶ 9.

[14] See id. ¶ 10(c).

significant unresolved matters;[15] (d) failing to adequately evaluate whether appropriate consultations had taken place on a difficult or contentious matter, and to review the documentation and conclusions of the engagement partner's consultation;[16] and (e) failing to adequately review the engagement team's documentation concerning the Potential Misstatement and to adequately evaluate whether that documentation supported the team's conclusions.[17]

10. Oram provided concurring approval of issuance of the Firm's unqualified audit reports concerning Gol's 2010 financial statements and ICFR without having performed an EQR with due professional care and as required by PCAOB standards. When he provided that concurring approval, Oram was not in a position to know whether there was a significant engagement deficiency with respect to the 2010 Gol Audit.[18]

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(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), James Roderick Talbot Oram is censured; and

---

[15] See id. ¶ 10(e).

[16] See id. ¶ 10(h).

[17] See id. ¶ 11(b).

[18] See AS7 ¶ 12.

ORDER

B. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), James Roderick Talbot Oram is suspended from being 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), for a period of one (1) year from the date of this Order.[19]

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

December 5, 2016

---

[19] As a consequence of the suspension, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Oram. Section 105(c)(7)(B) provides: "It shall be unlawful for any person that is suspended or barred from being associated with a registered public accounting firm under this subsection willfully to become or remain associated with any issuer, broker, or dealer in an accountancy or a financial management capacity, and for any issuer, broker, or dealer that knew, or in the exercise of reasonable care should have known, of such suspension or bar, to permit such an association, without the consent of the Board or the Commission."