
2023 Inspection Deloitte Touche Tohmatsu Certified Public Accountants LLP

(Headquartered in Shanghai, People's Republic of
China)

May 23, 2024

THIS IS A PUBLIC VERSION OF A PCAOB INSPECTION REPORT

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105(b)(5)(A) OF THE SARBANES-OXLEY ACT OF 2002



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2023 INSPECTION

In the 2023 inspection of Deloitte Touche Tohmatsu Certified Public Accountants LLP, the Public Company Accounting Oversight Board (PCAOB) assessed the firm's compliance with laws, rules, and professional standards applicable to the audits of public companies. Our inspection was conducted in cooperation with the China Securities Regulatory Commission and the Ministry of Finance of the People's Republic of China.

We selected for review four audits of issuers with fiscal years generally ending in 2022. For each issuer audit selected, we reviewed a portion of the audit. We also evaluated elements of the firm's system of quality control.

2023 Inspection Approach

In selecting issuer audits for review, we use a risk-based method of selection. We make selections based on (1) our internal evaluation of audits we believe have a heightened risk of material misstatement, including those with challenging audit areas, and (2) other risk-based characteristics, including issuer and firm considerations. In certain situations, we may select all of the firm's issuer audits for review.

When we review an audit, we do not review every aspect of the audit. Rather, we generally focus our attention on audit areas we believe to be of greater complexity, areas of greater significance or with a heightened risk of material misstatement to the issuer's financial statements, and areas of recurring deficiencies. We may also select some audit areas for review in a manner designed to incorporate unpredictability.

Our selection of audits for review does not necessarily constitute a representative sample of the firm's total population of issuer audits. Additionally, our inspection findings are specific to the particular portions of the issuer audits reviewed. They are not an assessment of all of the firm's audit work or of all of the audit procedures performed for the audits reviewed.

View the details on the [scope of our inspections and our inspections procedures](#).

OVERVIEW OF THE 2023 INSPECTION

The following information provides an overview of our 2023 inspection, which was our first inspection of this firm. We use a risk-based method to select audits for review and to identify areas on which we focus our review. Because our inspection process evolves over time, it can, and often does, focus on a different mix of audits and audit areas from inspection to inspection and firm to firm. Further, a firm's business, the applicable auditing standards, or other factors can change from the time of one inspection to the next. As a result of these variations, we caution that our inspection results are not necessarily comparable over time or among firms.

Firm Data and Audits Selected for Review

	2023
Firm data	
Total issuer audit clients in which the firm was the principal auditor	28
Total issuer audits in which the firm was not the principal auditor	71
Total engagement partners on issuer audit work ¹	48
Audits reviewed	
Total audits reviewed ²	4
Audits in which the firm was the principal auditor	3
Audits in which the firm was not the principal auditor	1
Integrated audits of financial statements and internal control over financial reporting (ICFR)	4
Audits with Part I.A deficiencies	3
Percentage of audits with Part I.A deficiencies	75%

If we include a deficiency in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In many cases, the firm has performed remedial actions after the deficiency

¹ The number of engagement partners on issuer audit work represents the total number of firm personnel (not necessarily limited to personnel with an ownership interest) who had primary responsibility for an issuer audit (as defined in AS 1201, *Supervision of the Audit Engagement*) or for the firm's role in an issuer audit during the twelve-month period preceding the outset of the inspection.

² The population from which audits are selected for review includes both audits for which the firm was the principal auditor and those where the firm was not the principal auditor but played a role in the audit.

was identified. Depending on the circumstances, remedial actions may include performing additional audit procedures, informing management of the issuer of the need for changes to the financial statements or reporting on ICFR, or taking steps to prevent reliance on prior audit reports.

Our inspection may include a review, on a sample basis, of the adequacy of a firm’s remedial actions, either with respect to previously identified deficiencies or deficiencies identified during the current inspection. If a firm does not take appropriate actions to address deficiencies, we may criticize its system of quality control or pursue a disciplinary action.

If we include a deficiency in our report — other than those deficiencies for audits with incorrect opinions on the financial statements and/or ICFR — it does not necessarily mean that the issuer’s financial statements are materially misstated or that undisclosed material weaknesses in ICFR exist. It is often not possible for us to reach a conclusion on those points based on our inspection procedures and related findings because, for example, we have only the information that the auditor retained and the issuer’s public disclosures. We do not have direct access to the issuer’s management, underlying books and records, and other information.

Audit Areas Most Frequently Reviewed

This table reflects the audit areas we have selected most frequently for review in the 2023 inspection. For the issuer audits selected for review, we selected these areas because they were generally significant to the issuer’s financial statements, may have included complex issues for auditors, and/or involved complex judgments in (1) estimating and auditing the reported value of related accounts and disclosures and (2) implementing and auditing the related controls.

2023	
Audit area	Audits reviewed
Revenue and related accounts	4
Cash and cash equivalents	4
Inventory	2
Other investments	2
Related party transactions	2

PART I: INSPECTION OBSERVATIONS

Part I.A of our report discusses deficiencies, if any, that were of such significance that we believe the firm, (1) at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion(s) on the issuer's financial statements and/or ICFR or (2) in audit(s) in which it was not the principal auditor, had not obtained sufficient appropriate audit evidence to fulfill the objectives of its role in the audit.

Part I.B discusses certain deficiencies, if any, that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(s) or fulfill the objectives of its role in the audit(s). This section does not discuss instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence.

Part I.C discusses instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules, if any, related to maintaining independence.

Consistent with the Sarbanes-Oxley Act ("Act"), it is the Board's assessment that nothing in Part I of this report deals with a criticism of, or potential defect in, the firm's quality control system. We discuss any such criticisms or potential defects in Part II. Further, you should not infer from any Part I deficiency, or combination of deficiencies, that we identified a quality control finding in Part II. Section 104(g)(2) of the Act restricts us from publicly disclosing Part II deficiencies unless the firm does not address the criticisms or potential defects to the Board's satisfaction no later than 12 months after the issuance of this report.

Classification of Audits with Part I.A Deficiencies

Within Part I.A of this report, we classify each issuer audit in one of the categories discussed below based on the Part I.A deficiency or deficiencies identified in our review.

The purpose of this classification system is to group and present issuer audits by the number of Part I.A deficiencies we identified within the audit as well as to highlight audits with an incorrect opinion on the financial statements and/or ICFR.

Audits with an Incorrect Opinion on the Financial Statements and/or ICFR

This classification includes instances where a deficiency was identified in connection with our inspection and, as a result, an issuer's financial statements were determined to be materially misstated, and the issuer restated its financial statements. It also includes instances where a deficiency was identified in connection with our inspection and, as a result, an issuer's ICFR was determined to be ineffective, or there were additional material weaknesses that the firm did not identify, and the firm withdrew its opinion, or revised its report, on ICFR.

This classification does not include instances where, unrelated to our review, an issuer restated its financial statements and/or an issuer's ICFR was determined to be ineffective. We include any deficiencies identified in connection with our reviews of these audits in the audits with multiple deficiencies or audits with a single deficiency classification below.

Audits with Multiple Deficiencies

This classification includes instances where multiple deficiencies were identified that related to a combination of one or more financial statement accounts, disclosures, and/or important controls in an ICFR audit.

Audits with a Single Deficiency

This classification includes instances where a single deficiency was identified that related to a financial statement account or disclosure or to an important control in an ICFR audit.

PART I.A: AUDITS WITH UNSUPPORTED OPINIONS

This section of our report discusses the deficiencies identified, by specific issuer audit reviewed, in the audit work supporting the firm's opinion(s) on the issuer's financial statements and/or ICFR.

We identify each issuer by a letter (e.g., Issuer A) and industry sector. Each deficiency could relate to several auditing standards, but we reference the PCAOB standard that most directly relates to the requirement with which the firm did not comply.

We present issuer audits below within their respective deficiency classifications (as discussed previously). Within the classifications, we generally present the audits based on our assessment as to the relative significance of the identified deficiencies, taking into account the significance of the financial statement accounts and/or disclosures affected, and/or the nature or extent of the deficiencies.

Audits with an Incorrect Opinion on the Financial Statements and/or ICFR

None

Audits with Multiple Deficiencies

Issuer A – Consumer Discretionary

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Revenue and Related Accounts**, **Variable Interest Entities (VIEs)**, and **Short-term Investments**.

Description of the deficiencies identified

With respect to **Revenue**, for which the firm identified a fraud risk, and **Related Accounts**:

The issuer used multiple information technology (IT) systems to initiate, process, and record transactions related to revenue and related accounts, and recognized revenue as the respective performance obligations were satisfied. The following deficiencies were identified:

- The firm did not identify and test any controls over the satisfaction of a performance obligation, which determined the point in time in which the related revenue should be recognized. (AS 2201.39)
- The firm selected for testing a control that consisted of the issuer’s review and approval of certain revenue-related transactions. The firm did not identify and test any controls over the accuracy and completeness of certain system-generated data used in the operation of the control. (AS 2201.39) In addition, the firm did not evaluate the review procedures that the control owner performed, including the procedures to identify items for follow-up and the procedures to determine whether those items were appropriately resolved. (AS 2201.42 and .44)
- The firm selected for testing controls over certain revenue and related accounts that consisted of the configuration of certain IT systems to automatically (1) update the order status, (2) calculate and allocate revenue, and (3) update order payment information. The firm used a “test of one” approach to test these controls but did not perform procedures, beyond inquiry, to evaluate whether the tested configurations were applied consistently across each processing alternative to support the use of such an approach. (AS 2201.46)
- The firm selected for testing a control that consisted of the issuer’s review of the revenue recognition system logic. The firm did not evaluate the review procedures that the control owner performed, including the procedures to identify items for follow-up and the procedures to determine whether those items were appropriately resolved. (AS 2201.42 and .44)
- The firm selected for testing a control that consisted of the issuer’s review and approval of a revenue-related calculation. As a result of the deficiencies in the firm’s testing of certain controls discussed above, the firm did not perform sufficient procedures to test the accuracy and completeness of certain information used in the operation of this control. (AS 2201.42 and .44)
- The firm did not perform procedures to test, or test any controls over, the completeness and/or accuracy of certain system-generated data used in its substantive testing of revenue and related accounts. (AS 1105.10)
- The sample sizes the firm used in certain of its substantive procedures to test revenue were too small to provide sufficient appropriate audit evidence because these procedures were designed based on a level of control reliance that was not supported due to the deficiencies in the firm’s control testing discussed above. (AS 2301.16, .18, and .37; AS 2315.19, .23, and .23A)

With respect to **VIEs**:

The issuer derives revenue through a consolidated variable interest entity and its subsidiaries (“VIE”) and relies on contractual arrangements with the VIE and its shareholders to control the business

operations of the consolidated VIE. The issuer engaged an external specialist to provide a legal opinion regarding the issuer's consolidated VIE, including the validity and enforceability of contractual arrangements with the VIE and its shareholders, and the firm used the work of the company's specialist as audit evidence. The following deficiencies were identified:

- The firm did not identify and test any controls over the issuer's review of the legal opinion prepared by the company's specialist, which described uncertainties regarding the interpretation and application of current laws and regulations related to the structure of the VIE, and evaluation of the effect of such uncertainties on its ability to consolidate the VIE. (AS 2201.39)
- The firm did not sufficiently evaluate the relevance and reliability of the work performed by the company's specialist and whether the specialist's findings support or contradict the issuer's rights and obligations related to the consolidation of the VIE because it did not (1) evaluate the nature of the uncertainties described in the legal opinion prepared by the company's specialist, (2) evaluate the effect of a restriction included in the legal opinion prepared by the company's specialist on the use of the opinion, and (3) perform additional procedures to address the risks associated with those uncertainties and the effect of the restriction. (AS 1105.A9 and .A10)

With respect to **Short-term Investments**:

The firm selected for testing a control over short-term investments that consisted of the issuer's review of the fair value calculation of the investments, including the expected rate of return. The firm did not evaluate the review procedures that the control owner performed, including the procedures to identify items for follow-up and the procedures to determine whether those items were appropriately resolved. (AS 2201.42 and .44)

Issuer B – Consumer Discretionary

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Revenue and Related Accounts, Inventory, and VIEs**.

Description of the deficiencies identified

With respect to **Revenue and Related Accounts and Inventory**:

The issuer used multiple IT systems to initiate, process, and report transactions related to certain revenue and related accounts and inventory. In its testing of controls over these accounts, the firm tested various automated and IT-dependent manual controls that used data and reports generated or maintained by certain of these IT systems. As a result of the following deficiencies in the firm's testing of IT general controls (ITGCs), the firm's testing of these automated and IT-dependent manual controls was not sufficient. (AS 2201.46)

With respect to change management:

- The firm selected for testing change management controls that consisted of management's review and approval of requests for access, including privileged-level access, to application data files and databases. The firm did not, however, identify and test any controls over the appropriateness of changes made directly to the financial data within such application data files and databases. (AS 2201.39)
- The firm selected for testing another change management control that consisted of the testing and approval of changes made to the structure of databases and relationships between data prior to their migration into the production environment. The firm did not perform procedures to test, or test any controls over, the completeness of the population of changes from which it made its selections to test this control. (AS 1105.10)

As a result of the firm's ITGC testing deficiencies discussed above, the firm did not perform sufficient substantive procedures, as follows:

- The sample sizes the firm used in certain of its substantive procedures to test revenue and related accounts were too small to provide sufficient appropriate audit evidence because these procedures were designed based on a level of control reliance that was not supported due to the deficiencies in the firm's control testing discussed above. (AS 2301.16, .18, and .37; AS 2315.19, .23, and .23A)
- The firm used certain system-generated data to substantively test revenue and related accounts and inventory but did not test, or (as discussed above) sufficiently test controls over, the accuracy and completeness of this data. (AS 1105.10)
- The firm performed substantive analytical procedures as part of its testing of certain revenue. The firm used certain system-generated data to develop its expectations but did not test, or (as discussed above) sufficiently test controls over, the accuracy and completeness of this data. (AS 2305.16)

With respect to **Inventory**, which was affected by the audit deficiencies discussed above related to change management:

The issuer used an IT system to initiate, process, and record certain inventory and inventory-related transactions, and deployed a separate instance of the system at a majority of its warehouses. Changes to this system were first deployed to some warehouses for purposes of pilot testing, after which the changes were deployed to the remaining warehouses. The following deficiencies were identified:

- The firm selected for testing controls over inventory that consisted of the configuration of the IT system to automatically (1) calculate daily inventory cycle count tasks and (2) verify inventory receipts and shipments. The firm did not test the design and operating effectiveness of these controls in instances of the legacy (or unmodified) version of the IT system or perform procedures, beyond inquiry, to evaluate whether the tested configurations were consistently designed and applied in all instances across the system. (AS 2201.42 and .44)

- The firm selected for testing an IT-dependent manual control over inventory that consisted of the performance of periodic cycle counts, which used information generated by one of the automated controls discussed above. The accuracy and completeness of this information depended on the effective operation of this automated control. As a result of the deficiency in the firm's testing of this automated control, as discussed above, the firm's testing of this IT-dependent manual control was not sufficient. (AS 2201.46)
- The firm did not obtain sufficient appropriate audit evidence with regard to the issuer's inventory cycle-count procedures over certain inventory. Specifically, as a result of the deficiencies in the firm's testing of the automated and IT-dependent manual controls, as discussed above, the firm did not obtain sufficient appropriate audit evidence that the cycle-count procedures the issuer used for this inventory were sufficiently reliable to produce results substantially the same as those that would have been obtained by a count of all items during the year. (AS 2510.11)

With respect to **VIEs**:

The issuer derives revenue through consolidated VIEs, including their subsidiaries, and relies on contractual arrangements with the VIEs and their shareholders to control the business operations of the consolidated VIEs. The issuer engaged an external specialist to provide a legal opinion regarding the issuer's consolidated VIEs, including the validity and enforceability of contractual arrangements with the VIEs and their shareholders, and the firm used the work of the company's specialist as audit evidence. The following deficiencies were identified:

- The firm did not identify and test any controls over the issuer's review of the legal opinion prepared by the company's specialist, which described uncertainties regarding the interpretation and application of current laws and regulations related to the structure of the VIEs, and evaluation of the effect of such uncertainties on its ability to consolidate the VIEs. (AS 2201.39)
- The firm did not sufficiently evaluate the relevance and reliability of the work performed by the company's specialist and whether the specialist's findings support or contradict the issuer's rights and obligations related to the consolidation of the VIEs because it did not evaluate the nature of the uncertainties described in the legal opinion prepared by the company's specialist and perform additional procedures to address the risks associated with those uncertainties. (AS 1105.A9 and .A10)

Audits with a Single Deficiency

Issuer C – Information Technology

Type of audit and related area affected

In our review, we identified a deficiency in the ICFR audit related to **Revenue**, for which the firm identified a fraud risk.

Description of the deficiency identified

The firm selected for testing a control over certain revenue that consisted of the issuer's review of an accounting analysis to ensure that revenue was appropriately recognized. The firm did not evaluate the review procedures that the control owner performed, including the procedures to identify items for follow-up and the procedures to determine whether those items were appropriately resolved. (AS 2201.42 and .44)

PART I.B: OTHER INSTANCES OF NON-COMPLIANCE WITH PCAOB STANDARDS OR RULES

This section of our report discusses certain deficiencies that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(s) or fulfill the objectives of its role in the audit(s). This section does not discuss instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence.

When we review an audit, we do not review every aspect of the audit. As a result, the areas below were not necessarily reviewed on every audit. In some cases, we assess the firm's compliance with specific PCAOB standards or rules on other audits that were not reviewed and include any instances of non-compliance below.

The deficiencies below are presented in numerical order based on the PCAOB standard or rule with which the firm did not comply. We identified the following deficiencies:

- In two of three audits reviewed, the firm did not make certain required communications to the audit committee related to the name, location, and planned responsibilities of other persons not employed by the firm that performed audit procedures in the audit. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In one of four audits reviewed, the firm did not evaluate certain factors when determining that there were no risks of material misstatement related to a relevant assertion for a significant account and disclosure. In this instance, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.
- In two of three audits reviewed, the firm communicated in writing to the audit committee that there were no significant deficiencies identified during the audit, even though an ICFR audit does not provide assurance that all deficiencies less severe than a material weakness have been identified. In these instances, the firm was non-compliant with AS 2201, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*.
- In one of three audits reviewed, the firm did not inform the audit committee that it had communicated to management, in writing, all control deficiencies identified during the audit. In this instance, the firm was non-compliant with AS 2201, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*.

- In three of three audits reviewed, the engagement team performed procedures to determine whether or not matters were critical audit matters but, in performing those procedures, did not include certain matters that were communicated, or required to be communicated, to the audit committee and that related to accounts or disclosures that were material to the financial statements. In these instances, the firm was non-compliant with AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*. These instances of non-compliance do not necessarily mean that other critical audit matters should have been communicated in the auditor's report.

PART I.C: INDEPENDENCE

This section of our report discusses instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence. An instance of potential non-compliance with SEC rules or an instance of non-compliance with PCAOB rules does not necessarily mean that the Board has concluded the firm was not objective and impartial throughout the audit and professional engagement period. Although this section includes instances of potential non-compliance that the firm brought to our attention, there may be other instances of non-compliance with SEC or PCAOB rules related to independence that were not identified through our procedures or the firm's monitoring activities.

PCAOB-Identified

We did not identify any instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence.

Firm-Identified

During the inspection, the firm brought to our attention that it had identified, through its independence monitoring activities, two instances across two issuers,³ in which the firm or its personnel appeared to have impaired the firm's independence because it may not have complied with Rule 2-01(c) of Regulation S-X related to maintaining independence.

While we have not evaluated the underlying reasons for the instances of potential non-compliance, the number, large or small, of firm-identified instances of potential non-compliance may be reflective of the size of the firm, including any associated firms; the design and effectiveness of the firm's independence monitoring activities; and the size and/or complexity of the issuers it audits, including the number of affiliates of those issuers. Therefore, we caution against making any comparison of these firm-identified instances of potential non-compliance across firms.

The instances of potential non-compliance related to financial relationships and business relationships:

- The firm reported one instance of potential non-compliance with Rule 2-01(c)(1) of Regulation S-X regarding financial relationships, which occurred at the firm or involved its personnel. This

³ The firm-identified instances of potential non-compliance do not necessarily relate to the issuer audits that we selected for review.

instance related to an investment in an affiliate of an audit client by a member of an engagement team.

- The firm reported one instance of potential non-compliance with Rule 2-01(c)(3) of Regulation S-X regarding a business relationship with an entity under common control with an issuer of the firm.

The firm has reported to us that it has evaluated the instance of potential non-compliance for the issuer audit client in which the firm was the principal auditor and determined that its objectivity and impartiality were not impaired. The firm also reported to us that it has communicated this instance to the issuer's audit committee in accordance with PCAOB Rule 3526. In addition, the firm reported to us that it has communicated the remaining instance of potential non-compliance to the principal auditor and that the principal auditor determined that its objectivity and impartiality were not impaired.

PART II: OBSERVATIONS RELATED TO QUALITY CONTROL

Part II of our report discusses criticisms of, and potential defects in, the firm's system of quality control.

We include deficiencies in Part II if an analysis of the inspection results, including the results of the reviews of individual audits, indicates that the firm's system of quality control does not provide reasonable assurance that firm personnel will comply with applicable professional standards and requirements. Generally, the report's description of quality control criticisms is based on observations from our inspection procedures.

This report does not reflect changes or improvements to the firm's system of quality control that the firm may have made subsequent to the period covered by our inspection. The Board does consider such changes or improvements in assessing whether the firm has satisfactorily addressed the quality control criticisms or defects no later than 12 months after the issuance of this report.

When we issue our reports, we do not make public criticisms of, and potential defects in, the firm's system of quality control, to the extent any are identified. If a firm does not address to the Board's satisfaction any criticism of, or potential defect in, the firm's system of quality control within 12 months after the issuance of our report, we will make public any such deficiency.

APPENDIX A: FIRM'S RESPONSE TO THE DRAFT INSPECTION REPORT

Pursuant to Section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(a), the firm provided a written response to a draft of this report. Pursuant to Section 104(f) of the Act and PCAOB Rule 4007(b), the firm's response, excluding any portion granted confidential treatment, is attached hereto and made part of this final inspection report.

The Board does not make public any of a firm's comments that address a nonpublic portion of the report unless a firm specifically requests otherwise. In some cases, the result may be that none of a firm's response is made publicly available.

In addition, pursuant to Section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(b), if a firm requests, and the Board grants, confidential treatment for any of the firm's comments on a draft report, the Board does not include those comments in the final report. The Board routinely grants confidential treatment, if requested, for any portion of a firm's response that addresses any point in the draft that the Board omits from, or any inaccurate statement in the draft that the Board corrects in, the final report.



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April 29, 2024

Ms. Christine Gunia
Acting Director
Division of Registration and Inspections
Public Company Accounting Oversight Board
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Washington, DC 20006

Re: Deloitte Touche Tohmatsu Certified Public Accountants LLP – Response to Part I of
Draft Report on 2023 Inspection (PUBLIC)

Dear Ms. Gunia:

Deloitte Touche Tohmatsu Certified Public Accountants LLP (“Deloitte” or the “Firm”) is pleased to submit this response to Part I of the Public Company Accounting Oversight Board’s (the PCAOB) draft report on the 2023 Inspection of the Firm (the Draft Report). We believe that the PCAOB’s inspection process serves an important role in improving audit quality and serving investors and the public interest. We are committed to our shared objective to protect investors and further the public interest in the preparation of informative, accurate, and independent audit reports.

We have evaluated the matters identified by the PCAOB’s inspection team for each issuer audit described in Part I.A of the Draft Report and have taken actions as appropriate in accordance with PCAOB standards to comply with our professional responsibilities under AS 2901, *Consideration of Omitted Procedures After the Report Date*, and AS 2905, *Subsequent Discovery of Facts Existing at the Date of the Auditor’s Report*.

We have evaluated the matters identified by the PCAOB’s inspection team for the issuer audits described in Part I.B of the Draft Report and have taken actions, where appropriate, in accordance with PCAOB standards and our policies.

We acknowledge the independence matters described in Part I.C of the Draft Report and note that these matters were disclosed by the Firm during the inspection and were identified as part of our robust system of quality control. In each instance, the matter was evaluated and appropriate actions, including communication with and obtaining the concurrence of the audit committee, were taken in concluding that there was no impact to integrity, objectivity, impartiality and professional skepticism. Independence is a cornerstone of the audit profession, and we are committed to maintaining compliance with relevant rules and requirements.

April 29, 2024
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Our ability to protect investors and enable the capital markets is based in large measure on our steadfast commitment to integrity and ethical behavior. Our pursuit of audit quality is at the center of our culture of continuous improvement. In order to drive continuous improvements, we are digitizing the audit, transforming the way we work, and fostering the development of our people, to fulfill our role of providing high-quality audit and assurance services to the capital markets. Our quality is underpinned by a strong system of quality control that has been even further enhanced by the implementation of International Standard on Quality Management (ISQM) 1. We are confident that our ongoing transformation, inclusive of the investments we are making in our audit and assurance processes, our people, and our technology, is resulting in significant, sustainable enhancements to our audit quality.

* * *

We also would like to recognize the efforts and cooperation of the China Securities Regulatory Commission and the Ministry of Finance of the People's Republic of China during the inspection process.

Sincerely,



Jeffrey Fu
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Deloitte Touche Tohmatsu Certified Public Accountants LLP



Rossana Ley
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