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# 2021 Inspection SW Audit

(Headquartered in Melbourne, Commonwealth  
of Australia)

November 7, 2022

THIS IS A PUBLIC VERSION OF A PCAOB INSPECTION REPORT

PORTIONS OF THE COMPLETE REPORT ARE OMITTED FROM THIS  
DOCUMENT IN ORDER TO COMPLY WITH SECTIONS 104(g)(2) AND  
105(b)(5)(A) OF THE SARBANES-OXLEY ACT OF 2002

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## 2021 INSPECTION

In the 2021 inspection of SW Audit (formerly ShineWing Australia), 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 Australian Securities and Investments Commission.

We selected for review one audit of an issuer. For the issuer audit selected, we reviewed a portion of the audit. We also evaluated elements of the firm's system of quality control.

### 2021 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 nor 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 2021 INSPECTION AND HISTORICAL DATA BY INSPECTION YEAR

The following information provides an overview of our 2021 inspection as well as data from the previous inspection. 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

	2021	2019
<b>Firm data</b>		
<b>Total issuer audit clients for which the firm was the principal auditor at the outset of the inspection procedures</b>	5	4
<b>Total issuer audits in which the firm was not the principal auditor</b>	0	0
<b>Total engagement partners on issuer audit work<sup>1</sup></b>	1	1
<b>Audits reviewed</b>		
<b>Total audits reviewed<sup>2</sup></b>	1	2
<b>Audits in which the firm was the principal auditor</b>	1	2
<b>Integrated audits of financial statements and internal control over financial reporting (ICFR)</b>	0	0
<b>Audits with Part I.A deficiencies</b>	1	2

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 was identified. Depending on the circumstances, remedial actions may include performing additional

<sup>1</sup> 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.

<sup>2</sup> The population of issuer audits from which audits are selected for review may differ from the issuer audits at the outset of the inspection procedures due to variations such as new issuer audit clients for which the firm has not yet issued an audit report or issuer audit clients lost prior to the outset of the inspection.

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 2021 inspection and the previous 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.

2021		2019	
Audit area	Audits reviewed	Audit area	Audits reviewed
Revenue and related accounts	1	Revenue and related accounts	2
Related party transactions	1	Cash and cash equivalents	2
		Long-lived assets	1
		Debt	1
		Derivatives	1

# PART I: INSPECTION OBSERVATIONS

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

Part I.B discusses deficiencies, if any, that do not relate directly to the sufficiency or appropriateness of evidence the firm obtained to support its opinion(s) but nevertheless relate to instances of non-compliance with PCAOB standards or rules.

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 on the issuer's financial statements.

We identify each issuer by a letter (e.g., Issuer A). Each deficiency could relate to several auditing standards, but we reference the PCAOB standard(s) 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

#### Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement audit related to **Revenue, Related Party Transactions, Journal Entries, Uncorrected Misstatements, and Subsequent Events**.

#### Description of the deficiencies identified

With respect to **Revenue**:

The firm's substantive procedures to test revenue consisted of (1) testing a sample of revenue transactions and (2) performing substantive analytical procedures. The following deficiencies were identified:

- For certain selected transactions the firm did not perform sufficient procedures because it limited its testing to comparing transactions to issuer-prepared information. (AS 2301.08)

- The firm did not perform any procedures to address an identified fraud risk related to revenue cut-off. (AS 2301.13)
- The firm's analytical procedures consisted of developing an expectation of revenue. The firm did not (1) test, or in the alternative, identify and test any controls over, the accuracy and completeness of certain data it used to develop its expectations, (2) develop expectations at a level of precision that provided the desired level of assurance that differences that could be potential material misstatements, individually or in the aggregate, would be identified for investigation, and (3) establish a threshold for investigation of differences from expectations. (AS 2305.16, .17, and .20)

In addition, the firm did not identify, and evaluate the significance to the financial statements of, a GAAP departure related to the omission of required disclosures under FASB ASC Subtopic 606-10-50, *Revenue from Contracts with Customers— Overall – Disclosure* and ASC Subtopic 235-10-50, *Notes to Financial Statements – Overall – Disclosure*, including an accounting policy disclosure. (AS 2810.30 and .31)

With respect to **Related Party Transactions**:

The firm did not test certain related party transactions. Specifically, the procedures performed to evaluate the completeness and accuracy of the financial statement disclosures about interest and accrued wages payable to a related party, as well as obtaining a confirmation from the related party were performed after the issuance of the auditor's report. (AS 2301.08)

In addition, the issuer had certain loans that were due to a related party. The following deficiencies were identified:

- The firm did not perform any procedures to evaluate the nature and terms of these loans. In addition, the firm did not perform certain auditing procedures, including procedures to evaluate the completeness and accuracy of the financial statement disclosures and obtaining signed copies of the loan agreements, until after the issuance of the auditor's report. (AS 2301.08; AS 2410.12)
- The firm did not evaluate whether a significant transaction associated with these loans was accounted for in conformity with GAAP. (AS 2410.17; AS 2810.30)
- The firm did not perform any procedures to test the activity and year-end amounts of certain accounts associated with these loans. (AS 2301.08)

With respect to **Journal Entries**:

The firm did not perform any procedures to identify and select journal entries and other adjustments for testing. (AS 2401.58)

With respect to **Uncorrected Misstatements**:

The firm identified uncorrected statements in the current and prior year audits. The firm did not evaluate whether the uncorrected misstatements were material, individually or in combination with other misstatements, including (1) the effects of the uncorrected misstatements on the specific



accounts and disclosures involved, (2) the effects of the misstatements identified in the prior year on the current year financial statements, and (3) the effects of misstatements detected in the current year that relate to prior years. (AS 2810.17 and .18)

With respect to **Subsequent Events**:

The firm did not test certain subsequent event transactions disclosed in the financial statements prior to the issuance of the auditor's report. Specifically, the procedures performed to test the subsequent event transactions to third party supporting documentation were performed after the issuance of the auditor's report. (AS 2301.08)

## Audits with a Single Deficiency

None

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

This section of our report discusses any deficiencies we identified that do not relate directly to the sufficiency or appropriateness of evidence the firm obtained to support its opinion but nevertheless relate to instances of non-compliance with PCAOB standards or rules.

When we review an audit, we do not review every aspect of the 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 the audit reviewed, the firm did not make certain required communications to the issuer's audit committee equivalent related to (1) the issuer's critical accounting policies and practices; (2) the firm's evaluation of the quality of the issuer's financial reporting; and (3) the firm's responsibility, any related procedures performed, and the results of such procedures with respect to other information in documents containing audited financial statements. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In the audit reviewed, the firm did not provide to the audit committee equivalent the required communications in writing of all material weaknesses identified during the audit. In this instance, the firm was non-compliant with AS 1305, *Communications About Control Deficiencies in an Audit of Financial Statements*.

## 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.

19 August 2022

Mr George Botic  
Director  
Division of Registrations and Inspections  
Public Company Accounting Oversight Board  
1666 K Street  
Washington, DC 20006  
United States of America

Dear Mr Botic,

**Response to the Draft PCAOB Inspection Report SW Audit (formerly ShineWing Australia), Firm ID 1212 – 21 July 2022**

We are pleased to submit our response to the SW Audit 2021 draft inspection report issued on 21 July 2022 (the Report) by the Public Company Accounting Oversight Board (PCAOB).

We continue to be committed to the highest of professional standards of audit quality and welcome the PCAOB's inspection process and its role in providing confidence in financial markets for the public interest. We strive to improve our processes and procedures and consider the inspection processes critical to that improvement.

We have carefully considered each of the matters included in the draft inspection report and undertake to appropriately remediate the matters in accordance with the PCAOB standards and our policies. Our remediation will include appropriate training, development of templates and new systems of quality control.

We thank the PCAOB and their inspection team for their professionalism at all times.

Yours sincerely



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