When Management Says "As Per Management"

The phrase that ends inquiry when it should begin it.

The Moment That Tests Audit Quality

There is a moment in almost every audit engagement when the auditor and management arrive at a disagreement.

Not a dramatic disagreement. Not an accusation. Just a gap — between what the evidence suggests and what management asserts. Between what the auditor's analysis indicates and what management's explanation provides. Between the question the auditor is asking and the answer management is prepared to give.

How that moment is handled — and how it is documented — is one of the most revealing indicators of audit quality in the entire file.

In too many files, the documentation of that moment reads the same way: "As per management...", "Management has explained that...", "According to management's assessment..." — and then a conclusion that accepts the position.

These phrases are not inherently wrong. Management's explanation is a legitimate input to audit judgement. What it is not — and what these phrases too frequently signal — is the end of professional inquiry.

> ***"The auditor who documents management's position and concludes accordingly has recorded what management said. They have not demonstrated what the auditor independently established."***

What Professional Scepticism Actually Requires

SA 200 defines professional scepticism as an attitude that includes a questioning mind, being alert to conditions that may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence.

The critical word is critical. Not hostile. Not adversarial. Critical — meaning evaluated against alternatives, tested against independent evidence, and accepted only when the evidence supports acceptance rather than merely when management asserts it.

Professional scepticism does not require the auditor to assume management is dishonest. It requires the auditor to recognise that management has incentives, perspectives, and pressures that the auditor does not share — and that those differences make independent verification necessary regardless of management's sincerity.

> ***"An auditor who accepts management's explanation because it sounds reasonable has not applied professional scepticism. They have applied professional courtesy. The two feel similar in the moment. Under inspection, they are distinguishable immediately."***

The Three Forms of Pushback

The Three Forms of Management Pushback

Management's assertions arrive in three distinct forms, each requiring a different evidential response.

Factual Assertion

Management states that a receivable is recoverable, that an inventory item has been subsequently sold, that a contingent liability is unlikely to crystallise. These assertions can be corroborated — through post-balance sheet events, correspondence, or independent market evidence. The auditor's obligation is to obtain that corroboration, not to accept the assertion and note its existence.

Judgement Assertion

Management states that an impairment model's assumptions are reasonable, or a provisioning estimate is adequate. These assertions cannot be directly corroborated — they involve judgement by definition. But they can be challenged: through sensitivity analysis, industry benchmarks, or independent expert input.

Explanation Assertion

Management explains an anomaly — a variance, an unusual transaction, a policy change. The auditor's obligation is not to evaluate whether the explanation sounds plausible. It is to evaluate whether it is consistent with all available evidence — including evidence management has not volunteered.

These distinctions are not merely conceptual. They carry direct implications for audit planning. A well-designed audit programme does not treat all management assertions uniformly — it specifies, in advance, what type of evidential response each significant assertion requires. For factual assertions, it identifies the corroborating sources. For judgement assertions, it specifies the challenge methodology. For explanation assertions, it maps the independent evidence against which consistency will be assessed.

Where the audit programme makes no such distinctions — where the planned response to all three types is effectively "obtain management's explanation and evaluate its reasonableness" — that is itself a planning failure. It means the team enters the engagement without a framework for escalating their response when management's assertion is the only input available. The absence of differentiation in planning is what creates the conditions for uniform acceptance in execution.

> *"Each form of assertion requires independent evidential response. None is resolved by documentation of the assertion itself."*

The Pushback Moment

The moment that tests audit quality most directly is not when management provides an explanation. It is when the auditor challenges that explanation and management pushes back. This is the pressure point where professional scepticism is most frequently and most quietly abandoned.

The pattern is recognisable. The auditor raises a concern. Management responds with confidence — additional context, a more detailed explanation, an assertion of industry practice, a reference to prior year treatment. The explanation is plausible. The partner is under time pressure. The relationship is long-standing. So the concern is resolved. The file records management's explanation. The conclusion reflects management's position.

What the file does not record is what additional evidence was obtained after the pushback. What alternative scenarios were considered and rejected. What the auditor independently established — as distinct from what management asserted.

The pushback moment is categorically different from the initial inquiry in one respect that the file rarely captures: it introduces social and relationship pressure that the initial question did not carry. When an auditor first raises a concern, the exchange is neutral. When management has already provided an explanation and the auditor persists, the dynamic changes. Persistence is now felt as scepticism of management's good faith. The relationship is implicitly at stake. The path of least resistance is acceptance.

This is precisely why the partner's response at this moment carries consequences far beyond the immediate issue. Engagement teams are acutely observant of how the partner handles pushback. If the pattern they observe is that a confident management response, delivered with seniority and relationship context, reliably concludes the inquiry — they calibrate accordingly. They bring fewer concerns to that threshold. They resolve more questions before escalation. The partner's behaviour in a single pushback moment shapes the team's scepticism across the entire engagement, and across engagements that follow.

> ***"The file documents the resolution. It does not document the reasoning that justified it."***

The Quality Standard

What the File Should Show at the Pushback Point

When management pushes back on an audit finding or challenge, the file should demonstrate three things.

> ### Understand the Pushback:
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> The distinction is between a file that says "management explained that the provision is adequate because..." and a file that says "management's explanation was evaluated against the following independent evidence, which supported / did not fully support / contradicted the position as follows."

> ### Obtain Additional Evidence:
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> A conclusion that rests solely on management's restatement of their original position, with greater emphasis, is not a conclusion supported by additional evidence. It is a conclusion supported by management's persistence.

> ### Make Acceptance Conditional:
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> "The auditor accepted management's recovery assessment on the basis of the following post-balance sheet receipts and correspondence" is evidenced acceptance. "The auditor accepted management's recovery assessment, which was considered reasonable in the circumstances" is documented deference.

A reviewing partner — or an inspection team — should be able to open the file at any pushback point and identify, within minutes, which of these three requirements was met and which was not. If the file records management's explanation but shows no independent evidence gathered in response, the first requirement has been satisfied and the second has not. If the file shows evidence obtained but draws no conditional link between that evidence and the conclusion reached, the second requirement has been satisfied and the third has not. The three requirements are sequential and cumulative: satisfying one does not substitute for the others.

> ***"Evidenced acceptance and documented deference can look identical in a file. Only one of them survives inspection."***

The Cultural Dimension

The pattern of accepting management's explanations under pushback is rarely an individual failure. It is usually a cultural one.

Firms where partners routinely accept management explanations under pressure produce teams that learn, quickly, that pushback resolves challenges. Firms where partners respond to pushback by obtaining additional evidence — and document that response explicitly — produce teams with a different understanding of where audit quality resides.

The difference is not in the training materials. It is in what happens in the room when management says the equivalent of "we have explained this" and expects the matter to be closed.

That cultural pattern is reinforced or corrected, more than anywhere else, through what gets flagged — and what does not get flagged — in file reviews and quality inspections. When a hot review notes that management's explanation has been recorded but no independent corroboration is visible, the team learns something. When the same file passes without comment, the team learns something else entirely. Quality inspection findings do not merely identify deficiencies after the fact; they shape, over time, the standard that teams internalise as sufficient. Firms that consistently flag undocumented pushback resolution create a culture in which that gap is visible and addressable. Firms that do not create a culture in which it is invisible and therefore unremedied.

The Diagnostic Question

For any engagement partner reviewing a file, the question at every point where management's explanation resolves an audit concern is specific: Is there evidence in this file — independent of management — that supports the conclusion reached?

Not evidence that management's explanation exists. Evidence that the conclusion is warranted independently of management's assertion of it. If the file cannot answer that question at every significant resolution point, it has not demonstrated professional scepticism. It has demonstrated professional documentation of management's position. This is precisely the gap that inspection findings — across jurisdictions and firm sizes — repeatedly identify: not that auditors failed to document management's position, but that they documented nothing beyond it.

> ***"The phrase 'as per management' is not the problem. The problem is when it is also the answer."***

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