

# **The attestation of corporate turnaround plans in Italy: operating problems and possible solutions**

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## **Abstract**

The manifold recent reform acts of bankruptcy law in Italy are more clearly oriented towards preserving the going concern of firms, besides granting the *par condicio* among creditors. Companies have broader opportunities to plan the restructuring, with the constraint of making it advantageous for creditors. In this context, the role of the independent attester is of prime and increasing importance to assure that the restructuring plan pursues creditors' and stakeholders' interests.

This paper presents insights from both the authors' practical experiences and the review of the literature. It is addressed to managers, practitioners and scholars, interested in understanding turnarounds in the Italian context. The specificities of the attester's activity in analysing the data truthfulness and the feasibility of the recovery plan are deeply analysed. The article has a qualitative value and is based on a normative methodological approach, which links bankruptcy law with crisis management and auditing. The result is a systematic model of the attestation process.

Keywords: crisis management, audit, attestation, bankruptcy, Italy, restructuring, turnaround.

## **1. Introduction**

The effects of the economic crisis still globally persist and companies are struggling for survival. This struggle, in times of crisis, places greater importance on turnaround processes.

Italy, one of the G8 Countries, has a history of institutional and structural problems in the business sector deriving from a chronic undercapitalisation of companies (Majocchi and Zucchella 2003, Hall, Hutchinson et al. 2004, Psillaki and Daskalakis 2009, Caputo and Tron, 2015). In such a situation, when a crisis hits a company, the necessary resources for turnaround processes are more limited than in other countries (Di Quirico 2010). In most cases, the struggling company needs new capital, principally in the form of debt, in order to restructure both operations and finances. This leads to a scepticism and reluctance from the financial sector in supporting such companies at a time when even financial institutions are suffering (James and Smith 2000).

In 2012 the Italian Government made a new rule, the so-called Development Decree (D.L. 22.06.2012, n.83, converted into Law 07.08.2012, n.134), to intervene again in the Bankruptcy Act to strengthen the legal instruments for promoting business continuity. In doing so, the Development

Decree confirmed the pre-existing preference for negotiated solutions to a crisis and reiterated the "residual" role of bankruptcy proceedings in court (Ambrosini 2013).

The Bankruptcy Act provides three main recovery plan options to tackle a company's crisis. These are: the recovery plan pursuant to art. 67 B.A.; the debt restructuring agreements pursuant to art. 182-bis of B.A.; and the composition with creditors pursuant to Art. 160 B.A. In all of the aforementioned cases, the plan must be certified by a registered auditing professional with reference to data truthfulness and business plan feasibility, so-called "attestation". In this way, the various stakeholders (e.g. minority shareholders, financial institutions, funds, governmental agencies) are provided with a certification of the quality of the plan in setting the directions towards a solution to the crisis (Gray, Dey et al. 1997, Fargher and Gramling 2003, Mohd-Saleh and Ahmed 2007). By assuring stakeholders on the truthfulness of data and the feasibility of the recovery strategy, this practice has the aim to increase the likelihood of reaching a negotiated agreement and, consequently, avoid a bankruptcy trial.

However, this legislation does not specifically indicate the structure and the content of the attestation. In fact, neither what the minimum content should be, nor which are the formal requirements for attesting reports of the plans for the settlement of corporate crises, or the principles of conduct that have to guide the professional in the preparation of these reports have so far been ruled (Incollingo and Potito 2013, Quagli 2013).

The present work deals with the activities carried out by the attester, with particular references to the verification of business data and to the necessary controls to certify, with reasonable certainty, the feasibility of the recovery plan. Therefore, this highlights the role that attestation must take in governing and managing the process of recovery from a crisis. Business principles and tools, in fact, cannot be overlooked, not only from a technical point of view - for the execution of the professional assignment of attestation - but also for the correct interpretation of the role and responsibilities of attestation within the recovery process of companies in crisis.

The present study has been undertaken by combining the authors' practical experiences in the field of crisis management with a critical review of the literature on the topic. It represents a synthesis of both practical and theoretical insights.

This paper is intended to give academic dignity in the international dialogue to the case study of Italy. In particular, the paper is dedicated to scholars, managers and practitioners interested in understanding turnarounds in the Italian context. The main insights are intended to identify the technical tools deemed most suitable for verifying the business data and the effectiveness of interventions on the structure of companies in crisis. This article is aimed at enabling the reader to recreate all the necessary conditions for reaching a new financial, economic and equity balance, putting the company on a new path of growth and development, a so-called "fresh start", using both the resources already available and those that will be obtained thanks to recovery interventions.

## **2. The attestation of the accuracy of corporate data: critical issues and reference standards.**

With the changes recently introduced by the Legislator, which are aimed at systematising the regulation of the several instruments of corporate reorganisation, attesters must express their opinions with regard to both the truthfulness of corporate data, and the feasibility of the plan. The judgment of the attester includes verification, evaluation and forecasting content, but forecast is certainly at its core.

On the basis of this consideration, it must be assumed that the truthfulness of corporate data does not constitute the subject of an independent evaluation. This is meant as a starting point that is strictly instrumental to the judgment on the plan feasibility, which represents the main objective of the attestation (Simunic 1984, Nasution and Östermark 2013, Quagli 2013).

At the outset, it should be noted that the term "accuracy" concerning the business data, used in the Bankruptcy Act, should not be understood in the sense of objective truth of the financial statements (which is unattainable with regard to the estimated values) but as the equivalent of a true and fair view of the equity, economic and financial situations. Data must be truthful and not real, i.e. conform to the correct detection procedures and be posted according to quantitative methodologies that are respectful of the legislative criteria and of established accounting principles (Simunic 1984, Merritt and Bailey 1998, Duska, Duska et al. 2011).

In this sense, the term "truthfulness" is therefore an implicit reference to the principles and assumptions in the preparation of the budget, which is relevant to the extent that they are functional for the preparation of a balance sheet that constitutes a reliable basic information for the formulation of the economic, financial and equity outlook, contained in the recovery business plan (Bayou, Reinstein et al. 2011, Gill and Abbott 2011, Valensise 2012).

On this matter, the new regulation incorporates the consolidated guidelines both in interpretation and in case law regarding the need for the attesters to verify the truthfulness of corporate data. In fact, it was correctly believed that there could not be any rational prediction of outcomes, in case of failure, to verify the past balance sheets and statements of incomes. It is worth noting that the principle that future cash flows emanate from the company's assets as of today; therefore, only after verifying these elements, you can express an informed judgment on the recovery plan.

The reference procedures to be adopted in the verification of the accuracy of company data are those typical of the auditing activity, paying particular attention to using auditing standards that are deemed most appropriate for the type of controls adopted by the professional in order to accomplish the fulfilment of his duties (Hylas and Ashton 1982, Fellingham and Newman 1985, Anderson, Francis et al. 1994, Bruynseels and Willekens 2012).

The auditing standards are, in fact, an important benchmark that should inform the activities of the professional auditors in each of the phases of their work (Kinney Jr 1986, Dye 1993). The selection of the verification procedures must also be based on a risk assessment of the presence of significant errors and possible fraud in the starting accounts of the plan (defined hereafter as "basic accounting data").

With regard to these operating procedures, the attesters should take into account three critical aspects: *i)* perimeter, purpose and scope of the audit; *ii)* value attributions of assets; *iii)* and use of other auditors' work.

Regarding the first one, planning and conducting the verification of data is conducted by taking into account the risk of material misstatements that might affect data, as they form the basis of prognostic estimates. It follows that the verification of the basic accounting data is articulated in a different way depending on the company size, its administrative and accounting structure and its control background (Simunic 1984, Reynolds and Francis 2000).

It is worth pointing out that the basic accounting data do not necessarily include all corporate data at the starting date of the plan, but may be limited to the data that can potentially affect the subsequent financial dynamics of the plan. If the starting date of the plan coincides with the closing of the fiscal year, that is being subject to verification by the professional, only the enterprise data

reported in the plan remain, and not those contained in the financial statements at that date; although the latter usually coincides, it is possible that certain evaluation criteria differ because of the different nature, purpose and drafting principles of the two documents.

Of this determined basic accounting data, the attester will have to verify the existence, as far as possible, through direct access to the assets, and the amount of the company's assets (properties, real estates, loans, contracts, etc.), together with the size of the outstanding debt and the classification of creditors (Simunic 1984, Dye 1993). Throughout this activity, particular attention needs to be given to the elements of greatest importance in quantitative terms (e.g. significant credits), to the components of working capital that will produce prospective cash flows (e.g. inventories, receivables, debts, advances), to the elements with high risk profiles with respect to the attestation (e.g. goodwill of assets to be divested, provisions for risks and charges) and, finally, to the suspicious elements about the reliability of management operations (e.g. transactions with related parties).

Among the audit procedures to be carried out by a professional, a relevant place is taken by the samplings for the documentary selections to be considered (according to Standard on Auditing principles ISA 530), by the demand of external confirmations that are made on the basis of the indications of ISA 505, as well as by the execution of audits on inventory stocktaking, and related appreciation, according to the criteria provided in ISA 500-501.

In relation to the second critical aspect, the analytical procedures of attestation must meet the control objectives that assume a different relevance depending on how assets and liabilities are reflected in the plan, and on their mode of termination, sale or exercise (Incollingo and Potito 2013).

The attester should therefore verify the adopted policies according to their consistency with the recovery plan; in particular, in the event of disposal of certain assets or of liquidation. Assets and liabilities must be valued respectively at the presumable direct values and at the alleged extinction values. If, conversely, the recovery plan provides business continuity, the attester will adopt mainly operational criteria to evaluate the plan.

In this last case, the attester must verify that the value of recorded intangible assets and goodwill are not less than the book value - carrying the typical activity of impairment testing - especially in cases where these items have a considerable numerical relevance (Chiaruttini 2012). Similarly, the attester will have to test the property values too, through the examination of the most up to date appraisals supplied by the company, or by independent trusted experts (Nasution and Östermark 2013). The attester should also reconcile items related to financial liabilities to third parties through internal audits and external sources, controlling the system of guarantees as well (Hylas and Ashton 1982, Pincus 1989).

Specific attention should be also paid to the provisions for risks and charges, which may be underestimated in times of crisis. The attester should carefully investigate on-going legal issues through a legal recognition of the company as useful probative evidence, the evaluation of the strategic shareholdings which are often not depreciated even in the presence of losses, as well as all those accounting elements that may originate from fraudulent behaviour of the board of directors, such as distractions of corporate resources (through over-invoicing from suppliers) or recording of revenues from non-existent transactions (Hylas and Ashton 1982, Pincus 1989, Anderson, Francis et al. 1994, Arnedo, Lizarraga et al. 2009, Duska, Duska et al. 2011, Bruynseels and Willekens 2012).

As stated above, in carrying out this analysis, the purpose is to attest the data truthfulness as used for the preparation of the recovery plan; in this perspective, the checks on the correct capitalisation of certain costs or on allocated amortisation and depreciation, have less interest than the correct and complete representation of debts; the first ones, in fact, will not affect future cash flows, while the latter will (Laitinen and Laitinen 2009, Bayou, Reinstein et al. 2011, Quagli 2013).

With respect to the third critical aspect, some schools of thought consider that the rules of using audit work done by others apply to the activities of the attester as well, in the sense that synthesis already screened by accounting auditors should allow the professional to avoid or reduce doing inspections personally (Quagli 2011, Quagli 2013). In this case, the professional has to assess the activity and the presence of such problems (red flags) that would lead him to investigate in order to express an opinion on truthfulness of corporate data (Pincus 1989). It must not be overlooked that in any case, the liability of judging the truthfulness of the basic accounting data falls on the attester, because the relationship between the attester and the company is designed to replace the preparatory work of the Court and to ensure that creditors are adequately and correctly informed (Riva 2009, Incollingo and Potito 2013).

### **3. The attestation of the feasibility of the recovery plan and viability of the debt restructuring agreement: general outlines.**

The next step of the analysis carried out by the attester is related to the feasibility of the recovery plan (in the cases of a composition with creditors and for the attested plan, art. 160 and art. 67 B.A.) or to the viability of the agreement with particular reference to its suitability to ensure full payment to creditors not involved in the agreement (in the case of the debt restructuring agreement, art. 182-bis B.A.). If, therefore, through the verification activities of corporate data the attester makes an analysis of the past accounting evolution - which translates into an examination of the existing accounting situation - the judgment on feasibility or viability involves the use of assurance activities on prospective financial information (Elliott 2002, Schelluch and Gay 2006). With “plan feasibility”, we mean its achievability, i.e. its suitability to lead to a solution of the crisis, in accordance with the assumptions contained in the plan, which must therefore be considered realisable (Mintzberg 1994). In that case, the goal of the analysis is the identification of appropriate references and useful information to reduce the risk of attestation (Wright and Davidson 2000). To this end, it is appropriate that the attester carries out an analysis of the recovery plan consistency in relation to both internal and external variables, in order to understand how the business works and to make an appropriate comparison between historical data and forecasts.

The attestation on the plan feasibility should first point out the verifications carried out in relation to the truthfulness of corporate data. Secondly, it should highlight the causes and circumstances of insolvency. Then, it should evaluate the possible recovery hypotheses in a comparative way, taking into close consideration the objectives and resources which enable the company to recover to an equilibrium that best satisfies creditors (Saleh and Ahmed 2005, Brunner and Krahn 2008). In doing so, the attester will critically consider the duration of the time period covered by the financial forecast. In cases where the negotiated settlement of the crisis provides the rescheduling (in addition to any partial cut) of medium to long-term debt, the recovery plan should cover the entire length of the new debt (Sudarsanam and Lai 2001, Saleh and Ahmed 2005, Brunner and Krahn 2008).

To understand the importance - for the attester - of the time frame in the recovery plan to be attested, we must recall the content of ISAE 3400 (International Standards on Assurance Engagements - The Examination of Prospective Financial Information) issued by the IFAC (International Federation of Accountants), a document that sets the standard of reference for the auditors on the work of verification of data and forecasts. This document, providing the definition of forecasted data, distinguishes between "forecast" and "projection". While forecasts are forward-looking information in the short term, drafted on the basis of best-estimate assumptions, the projection data are based on hypothetical assumptions, i.e. hypothetical assumptions that are not supported by historical data and are related to management actions that may or may not occur. From this it follows that the prospective financial information may take the form of a forecast, prepared using the best estimate assumption, or the form of a projection, where it is based on hypothetical assumption, or may be a combination of both (Cameron 1986, Schelluch and Gay 2006, Riva 2009).

Another issue to be covered is the one related to the time lapse of the attestation. In fact, in situation of crises and distress, timing is of fundamental importance for the success of the negotiated solution to avoid bankruptcy (Pearson and Clair 1998, Mohd-Saleh and Ahmed 2007, Ambrosini 2013). Reducing the length of the attestation time lapse to minimise prejudice to creditors, limits the degree of uncertainty and, consequently, strengthens the belief of the feasibility of the reorganisation plan. The risk of creditors prejudice, therefore, must cause the attester to identify the minimum time frame of reference of the attestation. The greater the use of hypothetical assumptions in the preparation of forecasted data by the company, the higher the degree of attention the attester should place.

With this background, it seems desirable to have a timeframe not permeated by any degree of uncertainty, which could reduce the reliability of the forecasted data. For short-term programs, it is reasonable and appropriate that the time frame of the plan is about twelve months; however in the case of medium to long-term programs, it is advisable not to diverge from the established timeframes of three to five years.

### **3.1 The feasibility of the company turnaround project: forecast and analysis of the phases of deployment and monitoring of recovery plans and stress tests.**

The verification of the "numeric" part of the plan, with the effects of the strategy represented in a financial perspective, requires an assessment of the reasonableness of the assumptions about the evolution of economic and financial variables (Mitroff and Emshoff 1979, Barton and Gordon 1987).

The development of a recovery plan should explain a broader turnaround strategy undertaken by the company through redefining the business plan, an activity that should be integrated in the strategic process (Preble 1997). As a strategic activity, the enterprise - after processing the recovery plan - will determine which organisational structure will be able to make it happen as efficiently and effectively as possible while capturing at the same time the long-term sustainable competitive advantage that will allow it to overcome the crisis (Mintzberg 1994).

The topic has been widely discussed in the literature. These studies noticed how people act with greater or lesser motivation in relation to the organisational structure in which they operate, to the system of powers and responsibilities, and to the system of decisions, which explains the strong

links between strategy and structure (e.g. Child 1972, Sherman and Smith 1984, Chandler 1992, Sheppard and Chowdhury 2005).

In designing and implementing a new organisational structure in relation to the strategies defined in the recovery plan, three key questions should be asked so that the attester may be able to evaluate the so-called "operational feasibility" of the same plan: who, and with what skills and capabilities, will implement the recovery plan? Which activities will be involved in carrying out the plan? What activities are crucial to the success of the recovery?

The theme of the operational feasibility and the implementation and internalisation by the company of the reorganisation plan is of great significance (Paton and McCalman 2008, Anderson and Anderson 2010). Simply considering the number of recovery plans that - in the implementation phase - do not keep their promises. This is even true in cases in which the drafters of the plan, whether they are professionals, consultants, or the same corporate management team, have used their professional skills and their knowledge of the company and the market/segment of reference to compile a coherent and structured plan (Sheppard and Chowdhury 2005). As a matter of truth, this can happen even if the plan was sufficiently detailed and comprehensive to be judged as "correct" and well done from a traditional industrial and business management point of view (Pearce II and Robbins 1993).

In order to minimise the risk of the plan's actual implementation, which is the goal of the attester, it is therefore important that this provides for a specific phase of deployment and monitoring, together with the development of specific contingency plans, in order to mitigate a less satisfactory performance than expected, which, in some cases, could affect the success of the reorganisation.

In fact, the probability that the proper implementation of the plan will determine the expected positive performance, capable of supporting the company's recovery, is closely related to organisational design (Paton and McCalman 2008, Anderson and Anderson 2010). This should be consistent not only with a renewed strategic architecture, but also, and especially, with all the single elements that make the specific organisational structure, the so-called "organisation design elements" (Child 2005, Burton, Obel et al. 2011), namely: the skills (people & skills); the work (tasks & job description); the organisational structure (organisation chart); decision-making and delegation of authority (decision-making); the information and reporting system (information); the system of remuneration based on the results (rewarding system).

The recovery plan should describe well, with a suitable level of detail, all areas of specific assumptions of responsibility (i.e. accountability) of the actions necessary to govern and manage the enterprise toward the renewed equilibrium. In doing so, identifying and analysing any gaps regarding the structure that led to the crisis, and relating to the situation in the future, according to the plan, between capacity and operational skills, is of fundamental importance, (Reina 2003, Lenahan 2011).

Similarly, the plan should include how to cover these gaps (technical training, management training, trips and / or consolidations of functions, redefining the lines of responsibility and control, etc.), providing a schedule, in according to priorities and preparatory aspects, so that the new organisation (skills, processes, etc.) is able to ensure the effective and efficient implementation of actions in support of the plan (Lewis 2006, Butera 2009).

Similar to the gap analysis of economic, financial and equity dimensions, which is typically articulated through appropriate Key Performance Indicators (KPIs) indicated in the plan, an

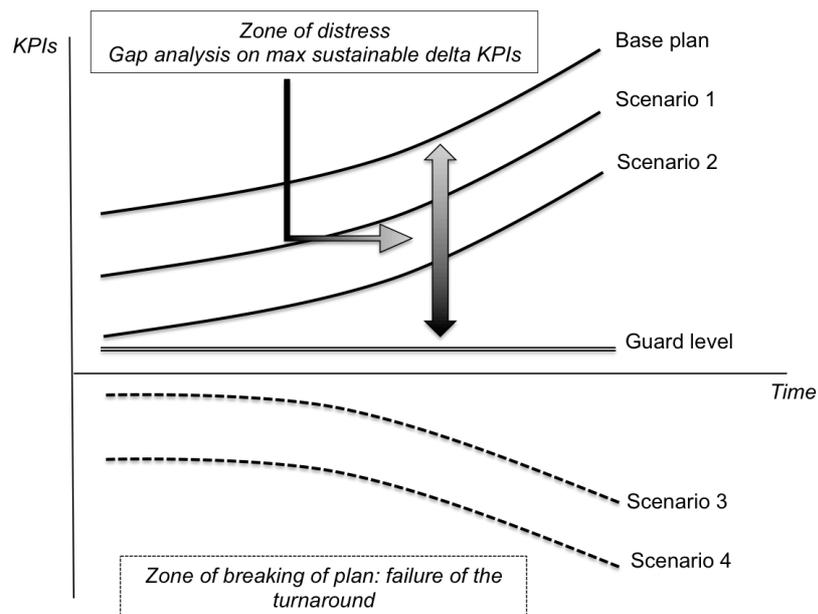
organisational gap analysis needs to be structured. In short, this is the action plan that expresses the ways in which the company will reach an improved level of performance, i.e. a system of representation of “Delta KPI”. A scheme of Delta-Performance of operational value, well-structured and segmented at the highest level of detail possible, can be used as an effective tool for the allocation of resources, thus ensuring the right focus and the skills and competencies required for the complexity of the business plan challenge.

In this context, the sensitivity analysis of the base recovery plan will allow, in addition to imagining scenarios of breaking the plan, scenarios of "delta-performance" that will be subject to verification of deployment (Akao 2004, Hino 2006) and closely monitored by the company management in order to ensure the attainment of the objectives contained in the recovery plan.

In this way, a scenario planning in crisis management is integrated in a long term strategic planning process, which will guide the recovered company in the deployment of the plan (Preble 1997, Pollard and Hotho 2006).

A graphical representation of this scenario analysis of Delta-Performance is represented as follows:

**FIGURE 1 - GAP ANALYSIS**



Once the recovery plan, in its basic assumptions and simulations of sensitivity analysis - a variation of financial and organisational KPIs - has delivered all the goals that the company should pursue for the attainment of the objectives underlying the economic, financial and equity performance, it is necessary to initiate the deployment and monitoring phase.

Deployment consists of three critical moments: sharing the contents of the plan with the entire company and its principal stakeholders; assigning responsibilities of action plans; starting the production of critical KPI scorecards (Kaplan and Norton 1998, Kaplan and Norton 2001).

The allocation of responsibility should be launched to coincide with the launch of the needed operational changes (training, report production, organisational restructuring, etc.) to adequately support the take-over of divisional plans by those responsible for them.

The critical KPI scorecards must be well designed and described in the plan, to ensure great visibility and measurability of the current and expected performance. This therefore allows the professional attester to take note of the presence of a control panel, so that management will have a way of being able to periodically check the proper fulfilment of the measures pictured in the plan, in order to achieve the goals (Kaplan and Norton 2001, Cerica 2010).

The attester should also carry out stress tests according to the scenario analysis. The stress tests should simulate alternative scenarios that are believed to be most likely, and also estimate the sensitivity of the recovery plan with respect to variables that are not stressed by the plan. These stress tests will evaluate the effects of changes, for example the average time of collection, payment, etc. as well as changes in economic variables, with its influence in the cash flows that will need to be sufficient to self-finance the working capital, the renewal investment and, in the event, to reimburse the new finance obtained to implement the turnaround.

Regarding the monitoring activity, it will be required for the plan to draw up a calendar - a business review plan - where the KPIs can be measured with a frequency related both to the natural frequency of occurrence (e.g. number of orders, billing, delayed receipts, payments, etc.) and also to the reaction time for the organisational set up of a contingency plan.

In sum, the presence of a planned monitoring of the level of implementation and achievement, along with the verification of corporate performance, are distinctive elements in the quality of a recovery plan. The verification by the attester of a plan in which, since the beginning, there are critical elements to be kept under control with different frequencies in order to achieve the objective of recovering to the economic and financial equilibrium of the company in crisis, will allow a better appreciation on behalf of those involved in the reorganisation / restructuring of the company in crisis.

#### **4. Concluding remarks on the attesting activity: reference standards, critical points and possible solutions.**

The path to reform Italian bankruptcy law, which began in 2005, ultimately led to the Law of 7 August 2012, n. 134, with the aim of providing companies with more flexible tools for solving crisis. This was an important step when you consider how many businesses are suffering and risking bankruptcy, which is destroying value and jobs.

The search for the recovery of a company crisis usually involves a discontinuity in its management (Pearce II and Robbins 1993, Pearson and Clair 1998, Lewis 2006). Numerous actions aimed at cost control, financial restructuring, and searching for new sources of revenue, must necessarily be based on a recovery plan, an indispensable rational prerequisite for the "new" management which must be audited by an independent professional: the attester (Pearce II and Robbins 1993, Pearson and Clair 1998, Lewis 2006, Quagli 2013).

The Italian legislative body - well aware of the important role taken on by the attester in recent years as part of the negotiation procedures of companies in crisis - has tried to delineate clearer legal terms. The legislator has therefore proceeded to further define the professional requirements, the criteria for selection, the content of an attester's job and, most recently, has introduced criminal liability against them (Ambrosini, Andreani et al. 2013).

The attesting report aims to demonstrate the rationality in solving the crisis, as well as the worthy purpose of the acts planned and put in place before the attempted recovery. Nevertheless, we must

observe that there is no technical reference nor reference standard prepared by the professional practice regarding the correct and complete preparation of both the attesting reports and the plans of reorganisation / restructuring.

The lack of explicit reference to technical standards and the lack of any express reference to auditing standards leads to two considerations: firstly, there is the necessity that, at the very least, some guiding principles are dictated by professional and academic institutions which can serve as a valuable point of reference for audits in progress; and, secondly, there is the need to try to identify some correct business management references that can guide professionals for audits in progress.

However it is necessary to clarify that, with the application of audit procedures to certify the accuracy of corporate data, the attester does not carry out in any way an audit or a limited review. Therefore, the conclusion of attester's activity will not be a judgment on the balance sheet emerging from the company accounts at the base of the plan. All audit procedures that the professional needs to perform in relation to the initial financial position of the plan and of previous economic data are designed to express an opinion on the truthfulness and feasibility of the plan as a whole.

For this reason it is considered appropriate that the professional attesting corporate data truthfulness drafts a detailed report (in terms of methodology) that allows for a reconstruction of the reasoning laid at the basis of the assessments made by giving an account of the findings and the documentation examined, as well as of the methodology and techniques used in the implemented controls.

The professional's attestation is the result of the verification of the meaning of the recovery plan and its ability to lead the company to an exit from the crisis. It therefore consists of making an informed judgement on the assumptions of the plan, organisational methods, and the logic and reasonableness of the forecast analysis, which the attester may carry out only after completing all the activities deemed necessary for data verification and business forecasting.

The debate on the main problems of attesting activities, as well as the technical tools deemed most appropriate and identified on the basis of best practices - for instance, national and international standards of auditing and assurance - have been discussed in this paper in order to allow the attester to prepare a thorough and reasoned report regarding both the truthfulness of corporate data and the realistic feasibility of the recovery plan.

The attested plan constitutes the demonstration of an analytical process based on technical and verifiable data, through which an assessment of a prognosis about managerial attitudes towards certain acts will be possible. Included in this setting, individual acts acquire a conclusion which deserves a higher protection than that provided to the general group of creditors, in case of the plan failing.

This activity, and related report, must necessarily take as its starting point the analysis of the main causes of the crisis, the discontinuity that the plan means with respect to the past and from the previous management, and subsequently illustrate the strategic profiles of the turnaround project underlying the reorganisation of the company.

A pivotal element to test the goodness of the plan is the sensitivity analysis or stress test carried out by the attester on the plan. This should be done taking into account the critical examination of the stages of deployment and monitoring of the plan. Stress tests will have to be carried out to validate the recovery plan. For the purposes of conducting adequate endurance tests on the recovery plan, it is appropriate for the income statement in the plan to be presented in marginal form, with

distinct evidence of fixed and variable costs, to be able to simulate the profitability impacts of alternative levels of production volumes.

Because of the central role that the attester must fulfil, providing an objective representation of the actual feasibility of the solution to a company's crisis, it is necessary that the judgment of feasibility or viability is based on the positive evaluation of actions and interventions proposed by the company and that the assumptions underlying the latter are feasible. The attester must prepare a report that is comprehensive, consistent, motivated and capable of accounting for the prognostic and concluding estimates on the basis of a detailed explication of best practices used in their activities, as identified in this contribution. It is quite clear that this path will be much more analytical, the higher the complexity of the plan or of the arrangements, and there are many variables connecting those.

By bridging practical experience with theoretical insights, this paper has attempted to focus on „ the main issues of interpretation - the truthfulness of the data and the feasibility of the recovery plans. Some company tools and methods are highlighted, such as the assessment of the deployment, monitoring, and sensitivity, which may help identify the most effective solution to solving the crisis of the company. The present work showed that the feasibility of the plan, being based on subjective forward-looking estimates and not always supported by deterministic elaborations, places the attester in front of professional assessments subject to physiological uncertainties and vagaries and, as such, must be used and, where appropriate, assessed in their complexity.

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