



The auditor's involvement in insolvency procedures

In the last decade, the effects of crises on the Italian economy and production have been extremely strong. In particular, the number of business bankruptcies in Italy has reached unprecedented records in the economic history of our country.

In the context just described, particularly in the context of bankruptcy and composition with creditors, it is increasingly common to seek the help of an expert in order to better understand the management, accounting and corporate dynamics that have taken place in the years preceding the bankruptcy to try to reconstruct, where missing, the company accounts and secondly to verify that they do not hide illegal acts. The reconstruction process carried out by the expert is, in many respects, similar to the procedures carried out by the auditor in the financial statement audit phase.

One of the characteristics necessary to be called upon as a consultant is undoubtedly the possession of special skills in one's own field, which generally translates, in the case of consulting on bankruptcy matters, into membership of the Order of Chartered Accountants or the Order of Auditors. Therefore, it is clear that audit procedures are and will be increasingly used also in the insolvency context.

In particular, the tasks that we auditors will have to carry out, will not only concern the ascertainment or collection of material data, which is limited to simple practical observations (audits, circulation of debits/credits, accounting and bank reconciliations, inventory analysis, etc.) but will also include their study and relative critical processing, necessarily *super partes*. It should be noted that the complexity of the situations analysed will often require the individual auditor to deploy qualified professional resources typical of an audit firm structured and prepared to deal with such critical issues.

In particular, the investigative nature of the company's past is reminiscent of the reconstruction and verification process that the auditor has to carry out every time he or she is about to express his or her professional opinion on the reliability of a financial statement.

Therefore, it is clear that the techniques widely developed by the doctrine of business on the subject of auditing and, more generally, of corporate auditing, are and will be increasingly fruitfully used also for the performance of the task of advisor to the Courts in bankruptcy matters, a sector in which, however, there is a historical lack of technical reference points.

Some examples of auditing standards applied to situations and peculiarities specific to bankruptcy proceedings are the following:

- Acquisition and analysis of corporate documents and books;
- Assessment of the Internal Control System;
- Sampling;
- Analytical review;

I consider of particular importance the role that an auditor can play in a context of Preventive Arrangement, whether it be Liquidation or Continuity. In fact, such a procedure is no longer subject to an assessment of merit by the competent bodies and to minimum quantitative limits of satisfaction of creditors. The proposal made by the entrepreneur in crisis can be made in any form, requiring only the acceptance of the majority of creditors. In conclusion, it is clear that the application of auditing standards, which are also applied in the insolvency context, contribute to maintaining a high level of quality in the procedures and to shortening their duration. Moreover, it should not be overlooked that the adoption of generally accepted accounting and auditing standards protects practitioners from professional liability if they have scrupulously followed the required procedures.

Aldo Ponzi