Tax Reporting Audit and Consolidation System for Mechel
Established in 2003, Mechel is a global mining and metals exporter with over 70,000 employees. Mechel Group comprises producers of coal, iron ore, steel, rolled stock, ferrous alloys, and heat and electric power. The group’s enterprises cover the entire production chain, from raw materials to high value-added products.

mechel.com

BACKGROUND

Mechel tax reporting experts faced a number of problems concerning collection, processing, and preparation of reports. The absence of a unified tax reporting data warehouse complicated the processes of data consolidation, processing, and analysis. All the information was collected manually. The company had no software tools to check data validity and consistency in different
reporting forms, and the traditional desktop applications used to process reports did not enable users to send status update notifications automatically. All communication and status notification was performed by telephone and email. In addition, company experts found it increasingly cumbersome and difficult to manage access to consolidated reporting, while simultaneous collaboration among multiple users across enterprises on the same report was not technologically or logistically feasible.

**SOLUTION**

For the auditing and consolation of tax reporting, Prognoz developed and implemented the Tax Reporting Audit and Consolidation System. This software provides powerful tools for efficient financial and operational management, including real-time generation of regular and analytical reports by Mechel tax indicators. The solution is also designed to reduce the effort needed to prepare the company’s tax and production analytical reports for senior management via flexible reporting capabilities. The system’s capabilities provide automation for the following processes of tax reporting preparation:
The Tax Reporting Audit and Consolidation System includes the following functional modules:

- **Data Collection.** This module provides consolidation of Mechel’s tax indicator data.
- **Reporting.** This module provides functionality to display standard reports based on the derivative analytical indicators based on tax indicators, and prepare analytical reports
- **Prepare regular reporting forms to audit and consolidate the tax and accounting reporting for Mechel Group**
- **Analyze the tax and accounting reporting of Mechel Group, calculate data from the operational data store.**
- **Provide senior managers with access to tax, accounting, and derivative analytical indicators in the form of interactive dashboards**

**PROJECT DESCRIPTION**

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The solution also comprises the following technological modules:

- **Data Storage.** This module is designed to store Mechel’s tax indicator data.
- **Master Data Management.** This module provides master data maintenance.
- **Data Preparation for Visualization and Analysis.** This module enables users to customize dashboards that display the values of the company’s tax reporting indicators with the use of business graphics tools.
- **Security Management and Administration.** The module delimits and logs access to information resources and the system functionality.

Project documentation, software development, integration testing, user and administrator training, and field trials were carried out from January 2011 through October 2011.
KEY FEATURES

The Tax Reporting Audit and Consolidation System provides Mechel tax reporting experts with a whole range of powerful capabilities, including the following:

- The ability of responsible parties to enter source data into the unified data warehouse
- The ability to create tables with analytical indicators consolidated by Mechel Group enterprises
- The ability to collect information concerning designated reporting with real-time access to the historical data
- The ability to build various analytical tables and detailed free-structured registers by arbitrary parameters
- The ability of responsible parties to monitor the status of report submission across enterprises
The solution has created a unified tax reporting data warehouse. The solution enables the company to reduce the effort needed to prepare analytical reporting and check data validity and consistency in different reporting forms.

- Users are now automatically informed about the opening and closing of the reporting period. The same module enables users to collect data, reveal unfavorable tax positions, and analyze risks and assets according to ASC 740/450.
- The solution enables users to charge identified risk penalty fees by resident enterprises.
- Auditors can keep track of reporting status independently.

The software was implemented in Mechel’s headquarters, and it is used by nearly 300 individuals across 130 company enterprises via the Internet. The Prognoz solution has helped Mechel Group to achieve the following specific outcomes:

- The solution has created a unified tax reporting data warehouse.
- The solution enables the company to reduce the effort needed to prepare analytical reporting and check data validity and consistency