



FEDERAL MINISTRY
OF FINANCE

CHALLENGES

Analyzing enormous quantities of data from a wide variety of computer platforms

Difficult to prove fraud

SOLUTION

Data Analysis

INDUSTRY

Government

REGION

EMEA

KEY BENEFITS

Help auditors quickly extract information from a multitude of companies' databases faster

Recover €85 million in missed tax revenues

More comprehensive, accurate, and reliable audit coverage

AUSTRIAN MINISTRY OF FINANCE

EFFECTIVE TAX AUDITS WITH ACL SOLUTIONS

The Austrian Ministry of Finance has an annual budget of over €110 billion per year and is responsible for the coordination of taxation and customs programs throughout Austria. The Ministry auditors must analyze enormous quantities of data from a wide variety of computer platforms, while operating under acute time pressures. In Austria, all companies and individuals must submit their tax data electronically, but are allowed to do so in many formats. ACL's flexible data analysis software has been key to the Ministry's ability to improve the scope and effectiveness of its tax audits. In one major initiative, over a four-year period, the Electronic Data Processing (EDP) audit team used ACL's powerful data analytics to identify, and then recover €85 million in missed tax revenues – and was able to stop a fraud scheme that had been exploited by the hospitality sector for years.

Customer Profile

Headquartered in Vienna, the Austrian Ministry of Finance employs over 2,000 auditors in both state and local offices across the country. Working in teams of E-auditors and EDP-auditors, the department is responsible for reviewing millions of records each month, and conducting comprehensive business audits every two to three years.

Application

Ministry auditors use ACL software for comprehensive data analysis and for the ability to efficiently compare data from a wide range of disparate systems.

Challenges

Senior Ministry of Finance audit officials like Bernhard Kurz, the head of the EDP Audit division, suspected that some pubs and restaurants were ordering supplies from brewery distribution companies 'off the record', to resell alcohol to the public without having to pay the proper taxes. "Because these suspected sales were happening off the books, it was very hard to find records that would support our theory," says Kurz. "Both the brewery companies' and restaurants' books would have to be cross-referenced, which was going to be a huge task." With so much ground to cover, the audit department needed an efficient way to analyze full data populations without relying on ad-hoc sampling methods.

"In each regional office the audit teams faced the challenge of getting data from many different computer platforms, in many different formats, and performing analyses under severe time pressures," explains Kurz. The teams started by collecting tax data and financial records from each of Austria's largest brewing companies and then verifying this information against past records using ACL technology. This turned up some anomalies, but to uncover the whole problem, the next step required accessing the records of the thousands of restaurants and pubs based on examination of the breweries' customer lists.



"UNCOVERING AND STOPPING THIS FRAUD, IN ADDITION TO RECOVERING MILLIONS IN LOST TAX REVENUE ON BEHALF OF THE MINISTRY, WAS MADE POSSIBLE BY USING ACL SOLUTIONS. IN ADDITION, BECAUSE OF THE NEW AUDIT STANDARDS FOR ALL EU MEMBER COUNTRIES, THE AUSTRIAN MINISTRY OF FINANCE IS USING ACL ANALYTICS FOR ONGOING AUDITING INITIATIVES."

- BERNHARD KURZ,
SENIOR EDP AUDITOR

Solutions

Following up on the EDP audit teams' suspicions, each regional government audit office was sent the tax and delivery records of major brewing companies. Auditors compared this data to a variety of records from local pubs and restaurants and determined that all the deliveries could not have been properly accounted for. Using ACL data analytics, forensic audit techniques were used to follow transactions through the entire process from order through delivery and payment to pinpoint discrepancies.

Drilling down into the transactional data, the Ministry auditors discovered that their suspicions had been correct, and widespread 'off the books' fraud was occurring. Restaurants and bars were recording only a portion of their shipments and, in many cases, up to 40 percent of deliveries were unaccounted for, with the alcohol being sold but not taxed. As a consequence, the restaurants and pubs were vastly underreporting annual tax revenues due to the government.

Once the audit department had access to the data and was able to effectively compare records for each business, they stopped the fraud from continuing. But the Ministry auditors' challenges didn't end there. They had to prove their calculations were correct to recover the lost revenue. Relying on the audit trail captured by ACL technology during their investigations, the Ministry reached an agreement with the businesses in question to repay more than €85 million to the Austrian government.

Results

The Austrian Ministry of Finance relies on ACL data analysis software to:

- Help auditors extract information from a multitude of companies' databases faster, then analyze audit risks and conduct transactional data testing with greater accuracy and efficiency.
- Recover tax revenues lost due to businesses underreporting sales, including €85 million from the restaurant and pubs examined in one tax reporting fraud investigation.
- Improve audit processes within the government's regional offices, allowing auditors to review 100 percent of the data for businesses within their territory for more comprehensive, accurate, and reliable audit coverage.

Learn more about what
your organization can
accomplish with ACL

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