Canada Post Corporation

Practical Business Intelligence for a Decentralized
Audit Environment

Canada Post's collection and delivery operations are distributed across the country in 450 installations, which represent a prime opportunity for cost containment, recovery, and efficiency gains. The internal audit department implemented ACL analytics in late 2005 to quickly access data from the corporate SAP™ system and pinpoint control weaknesses and potential exceptions. In just one month, the audit team identified CDN $10,000 in bonus overpayments and almost CDN $4 million in excessive overtime. ACL technology has enabled Canada Post auditors to target their annual audit planning, benchmark internal operations to develop best practices, and use repeatable analytics for vital controls testing.

Customer Profile

Canada Post Corporation has 70,000 full and part-time employees who process and deliver over 10 billion letters and packages annually to 31 million Canadians and more than one million businesses and public institutions. Headquartered in Ottawa, Canada Post is the country's seventh largest employer and ranks 40th among Canadian businesses in terms of consolidated revenue. In 2004, the corporation posted CDN $6.7 billion in consolidated revenues, CDN $6.4 billion in operating costs and CDN $2.8 billion in salary expenses. Canada Post processes mail through 26 major plants and 450 delivery installations to reach 14 million Canadian addresses.

Applications

Canada Post internal auditors use ACL Audit Analytics solutions improve the efficiency, continuity, and value of their audit work.

Challenges

Canada Post faced three key challenges. First, collection and delivery operations cost approximately CDN $1.7 billion annually, with 20,000 letter carriers that deliver mail from 450 delivery installations nationwide. These installations signify an important opportunity for cost containment, yet best practices in operational efficiency were rarely shared due to the company's decentralized structure. Management could not pinpoint poorly performing installations or identify top performers to use as company-wide models.

Next, Canada Post needed a cost-effective, centralized tool that could generate exception-based reports to identify control weaknesses, non-compliance, process variations, fraud, and mismanagement in delivery installations. The organization's size and distribution made it difficult to coordinate and standardize processes, legal compliance, regulations, and to ensure that collective bargaining agreements were consistently applied. The audit team was also looking for a way to investigate high-risk areas with strong financial returns on their time and labor investments.

CHALLENGES

» Costly collection and delivery operations

» The organization's size and distribution made it difficult to coordinate and standardize processes

» Data file accessibility

SOLUTIONS

» **Applied Analytics**
Direct Link™ for SAP® ERP

KEY BENEFITS

» Quickly highlight control weaknesses using repeatable analytics

» Allocate audit resources based on sound business intelligence and create operational benchmarks and best practices

» Identify major cost recovery opportunities

» Perform thorough, targeted, and well-planned audit activities

INDUSTRY

» Crown Corporation

REGION

» North America

“ACL has improved the image and reputation of Internal Audit and introduced a powerful analytical tool to Canada Post. The return on our initial investment has been substantial. *ACL* has allowed us to perform both engagement-level and enterprise-level risk-based audit planning.„

Jean-Claude Larochelle, Auditor

Finally, Canada Post's major business systems are supported by SAP R/3, but the internal audit department could not easily access corporate data files and therefore, were unable to effectively audit operational delivery transactions in Human Resource and Financial Accounting SAP modules. Data extractions were time-consuming, unreliable, and inefficient, so the team had to rely on random sampling to perform audits that informed critical business decisions. As a related challenge, the internal audit team was unable to test the control environment in a continuous and automated manner – one of the department's most clearly mandated roles.

Solutions

Canada Post chose *ACL* analytics to perform investigations of delivery installation labor costs including staffing, attendance, overtime, injury, and letter carrier bonus levels.

With *ACL*, the audit team can identify high rates of casual or patterned absenteeism, providing tactical information for the annual audit planning process and operational data that drives company-wide best practices. The application processes an entire year of transaction data in eight hours and integrates seamlessly with existing corporate databases.

Canada Post launched its ACL analytics in December 2005 and realized significant benefits in just one month. The team found approximately CDN $10,000 in bonus overpayments (due to data entry errors), CDN $3.9 million in excessive letter carrier overtime across 10 delivery installations, and high levels of patterned absenteeism with substantial opportunities for cost recovery.

The team now relies on ACL data analytics to quickly identify exceptions and potential control weaknesses, facilitating sound resource allocation for successive audits. The application has also enabled the audit department to benchmark internal operations by identifying top-performing installations and applying best practices to under-performing outlets. The team tests controls using repeatable analytics and has developed a legacy audit program that can be executed with minimal technical knowledge or data familiarity.

Results

In just one month, Canada Post realized extensive benefits by implementing *ACL* and *Direct Link* solutions to:

- Quickly highlight control weaknesses and test internal controls using repeatable analytics

- Allocate audit resources based on sound business intelligence and create operational benchmarks and best practices

- Identify major cost recovery opportunities, including CDN $10,000 in bonus overpayments, CDN $3.9 million in excessive overtime, and substantial patterned absenteeism levels across delivery installations

- Perform thorough, targeted, and well-planned audit activities without the inherent risks of random sampling and time-consuming data extractions.

■ **acl.com**
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