



# E - NEWS LETTER



Tuticorin Branch of Southern India Regional Council of The Institute of Chartered Accountants of India  
(Set up by an Act of Parliament)

*September 2009*

## Thoughts of Chairman



Dear Colleagues,

Greetings,

Nine of our Members attended the 41st Regional Conference of SIRC of ICAI which was held on 29/08/2009 and 30/08/2009 at Hyderabad. We had the opportunity to hear the Inaugural address of Dr.Y.S.Rajasekara Reddy, the Chief Minister of Andhra Pradesh on 29/08/2009. All the 3700 Chartered Accountants were spellbound by his speech. He urged the professionals to effectively monitor the programs of the Government especially in the fields of Irrigation, Agriculture and Empowerment of Women. He also called ICAI as “the Partner in development of the Nation”. The 2nd of September 2009 was a gloomy day in the history of our Nation, the most eminent CM of Andhra Pradesh, Dr.Y.S.Rajasekara Reddy breathed his last due to a chopper crash. Let the great soul “Rest in Peace”.

Personal values are personal frameworks we create for ourselves and we resolve to live our life within that framework. It is a way of telling ourselves, “This is how I am going to live my life. I will not give myself another alternative. I will not compromise for a lesser choice”. When a person defines a set of values and makes it the core of his being, all the roles he plays become beautiful. Values make life valuable. With values we reach greater heights. Personal values make a framework for creating a beautiful, successful and legendary life. We can live our life anyway or we can live our life one way – the way of the values. Let us live a value based life and not manipulating values based on life.

With warm regards

**CA B.Francis Amal George**



**DR.Y.S.RAJASEKARA REDDY**

# Selecting an audit software package for classroom use.

## **I. INTRODUCTION**

External, internal, and government auditors are increasingly utilizing audit software to improve the efficiency and effectiveness of audits. As enterprise-wide systems eliminate the traditional paper-based audit trails and environments become heavily automated, auditors are increasingly using audit software (Gelinias et al. 2001; McCollum and Salierno 2003). By incorporating technology, including computer audit software, into the curriculum, instructors help prepare students to apply new technologies in innovative ways. Technology heightens the learning experience by providing an opportunity for active student participation in understanding and interpreting the environment (Thompson et al. 1992).

Using an educator's perspective, this paper compares two computer audit software packages available on the market--Audit Command Language (ACL) and Interactive Data Extraction and Analysis (IDEA). In Section II, we discuss several reasons why an educator might adopt audit software in an accounting course. Section III presents an overview and a comparison of the two packages' basic training materials and features. In Section IV, we describe how the authors and instructors at other universities incorporate the packages into their curriculum. This section also provides student feedback, pedagogical suggestions, and a link to an accompanying web page offering student-ready materials, answer keys, and other resources. The paper concludes with an overall evaluation of ACL and IDEA.

## **II. WHY USE AUDIT SOFTWARE?**

Given that the accounting curriculum seems to expand endlessly, why would an instructor consider adding an audit software package to his or her course? Teaching students the "tools of the trade" makes them more aware of current practice and therefore more marketable. Accounting students typically get exposure to other technological tools of the trade such as spreadsheets, accounting packages, database software, and online research resources (Bain et al. 2002). Incorporating audit software into the curriculum helps complete this toolkit and prepares students for the content of the computer-based Uniform CPA exam. Moreover, using audit software can help students develop high-order cognitive skills because it encourages them to actively participate in applying theory to real-life situations. Audit software activities become more relevant, allowing students to gain a better understanding of the software and studied environment (Hakeem 2001; Thompson et al. 1992). The following section expands on these points.

### **Use of Audit Software in the Accounting Profession**

Professional organizations have developed professional standards and guidance to help auditors evaluate electronic evidence and advance toward continuous auditing. In 1998, the Information Systems Audit and Control Association (ISACA) established an audit guideline specifically addressing the use of Computer Assisted Audit Techniques or CAATs (ISACA 1998). In 1999, the AICPA and the Canadian Institute of Chartered Accountants (CICA) published a joint research report identifying six preconditions necessary for continuous auditing, including auditor proficiency in information technology (IT) and the system (CICA 1999). In 2001, the AICPA issued SAS No. 94 to warn auditors that a substantive-only audit approach may not be feasible in complex IT environments (AICPA 2001).

The AICPA recognizes the role that IT plays in educating future accountants, stating, "All professional accountants, irrespective of their primary work domain or role, must acquire both

relevant theoretical knowledge and practical IT skills" (AICPA 1996, para. 12). Incorporating technology such as generalized audit software (GAS) into the classroom exposes students to current audit practices (Nieschwietz et al. 2002) that can be used for any audit requiring data extraction and analysis. Accounting firms and internal auditing functions are increasingly utilizing GAS because of its user-friendly interfaces and its ability to quickly examine 100 percent of a population (Lanza 1998; Sayana 2003). GAS efficiently performs many manual procedures, allowing auditors to focus on understanding clients' businesses and creating more value for the client (Lanza 1998).

Larger firms initially used internally developed GAS programs that required specialized programming knowledge. As the storage and processing capabilities of PCs have increased, firms have generally abandoned the proprietary GAS programs in favor of commercial GAS programs, which do not require any programming knowledge (Warner 1998). GAS is used by hundreds of organizations across the world, including all Big 4 accounting firms, hundreds of governmental agencies, and almost all of the Fortune 100 firms (ACL Services Ltd 2004). Moreover, almost 50 percent of internal auditors report using GAS in their operations (McCollum and Salierno 2003). This increased popularity of GAS in practice, together with its user-friendly interface, makes it a serious candidate for inclusion in courses such as accounting information systems, auditing, and information systems auditing.

### **Audit Software as a Learning Mechanism**

Horsfield (1995) suggests that auditing students should understand the following three areas: audit theory, the relationship between audit theory and audit practice, and current audit techniques. Unfortunately, traditional audit classes do not provide students with concrete experience (Siegel et al. 1997). Incorporating audit software into the audit curriculum can reinforce students' understanding of audit concepts (Nieschwietz et al. 2002). In terms of Bloom's (1956) taxonomy, instructors can use audit software as a learning mechanism to move students from knowledge and comprehension of audit concepts to application of those concepts, and with well-designed instructional cases, perhaps to analysis, synthesis, and evaluation of audit problems. Specifically, using audit software in conjunction with comprehensive audit cases can develop strategic and critical thinking skills (Gelinas et al. 2001), defined as the accountant's ability to "link data, knowledge, and insight to provide quality advice for strategic decision making" (AICPA 1999, 17).

Bryant and Hunton (2000) note that research addressing educational technology in the accounting discipline is not as well developed as in the pure educational research realm. The most recent accounting research into education technology is descriptive rather than empirical and focuses on distance learning and hypermedia (Bryant and Hunton 2000). Thus, research has not empirically shown the value of incorporating audit software into the accounting curriculum. In the last two years, accounting education journals have included a small number of instructional cases using audit software (e.g., Gelinas et al. 2001; Nieschwietz et al. 2002). Gelinas et al. (2001) report that their students agree or strongly agree that using the audit software supplemented their understanding of risk and audit procedures (72 percent) and helped them understand the use of technology in auditing (91 percent). As we discuss later in this paper, our students also view audit software as an effective learning tool.

### **III. OVERVIEW AND COMPARISON OF ACL AND IDEA**

ACL and IDEA are the most common commercial GAS packages (McCollum and Salierno 2003). Both external and internal auditors use these packages for data extraction, data analysis, and fraud detection/prevention. This section presents comparisons of functional and pedagogical features of ACL and IDEA.

## **Training Manuals**

Both products offer self-guided training manuals: ACL for Windows 7.0 Workbook (ACL Services, Ltd. 2002; hereafter ACL Workbook) and IDEA 2002 Workbook (Audimation Services, Inc. 2002; hereafter IDEA Workbook). The training manuals include data sets, click-by-click instructions, and screen shots of command results. However, the training manuals are not educational textbooks; thus they do not include certain pedagogical features such as discussion questions, additional exercises/problems, or conceptual material. The ACL Workbook is over 400 pages long and is organized by audit task. Users proceed through a series of lessons organized into nine modules. Each lesson covers a type of task that an auditor might perform using ACL (e.g., sort, sample, age). The first five modules cover the basic functionality of ACL, while the last four modules cover more advanced functions (see Table 1). The IDEA Workbook is over 250 pages long and is organized by audit area. Users proceed through five sections, with the middle three sections devoted to accounts receivable, accounts payable, and inventory, respectively (see Table 2).

## **Functionality**

Both ACL and IDEA provide a broad spectrum of data analysis and extraction functions. Users can easily sort, summarize, stratify, age, and calculate data statistics. Users can extract records by setting data filters. Both software packages also permit the selection and evaluation of samples using a number of methods. Users can examine files for duplicates, gaps, and proper sequences. The packages allow the comparison of multiple files, creation of new files, customization of reports, and documentation of audit tasks in several different ways. Users can also save commands in batches for repeated use. Table 3 compares ACL and IDEA software functionality. In sum, both packages are powerful and extensive in their functionality.

## **Fraud Detection**

McCollum and Salierno (2003) report that 51 percent of internal auditors surveyed use software, including ACL and IDEA, to detect fraud. (1) The IDEA Workbook devotes an entire chapter to using IDEA to detect fraud, making it easy to incorporate fraud into the curriculum. Section 3 of the IDEA Workbook has students complete an audit and fraud investigation for accounts payable. The IDEA Workbook explains how fraud is committed in accounts payable, outlines needed audit tests, and then requires students to complete a series of exercises designed to uncover fraud. Though the ACL Workbook provides only limited reference to using ACL for fraud detection, ACL and IDEA both provide similar fraud detection capabilities. Examples of tasks that can be applied in a fraud detection context include stratifications, extractions, duplicate key detections, joining of databases, and application of Benford's Law.

## **Pedagogical Logistics**

Instructors obtain the ACL Workbook by joining the ACL Education Partners Program. (2) A demo version of ACL 7.0 accompanies the Workbook and can be used on individual lab and student machines. (3) Students purchase the ACL Workbook and software either directly from ACL (list \$50) or via the bookstore (volume discounts may be available).

Students must purchase the IDEA Workbook either from the instructor or via the bookstore (\$25 student price before bookstore markup; retail \$200). Beginning in 2003, the IDEA Workbook includes the training version of the software. Audimation provides the software to instructors through the Education Donation Program, which allows free installation of software and data files on campus lab stations. (4,5) Table 4 presents a comparison of the two packages' logistics for educational purposes.

## Activity Report of September 2009

<u>Date</u>	<u>Venue</u>	<u>Subject</u>
01/09/2009 to 16/09/2009	ICAI BHAWAN	IPCC Coaching Class
05/09/2009 & 06/09/2009	ICAI BHAWAN	CPT Coaching Class
12/09/2009 & 13/09/2009	ICAI BHAWAN	CPT Coaching Class
15/09/2009	HWP. Tuticorin	Orientation Course for the benefit of retiring employees of Heavy Water Plant,Tuticorin by CA.G.Xavier Fernando & CA.G.Manoj Rodrigo
17/09/2009	St.Mary's College, Tuticorin	Making & Implementation of Union Budget 2009 & CA Awareness Programme to College Students Led by CA.B.Francis Amal George, CA.G.Xavier Fernando & CA.G.Manoj Rodrigo
19/09/2009 & 20/09/2009	ICAI BHAWAN	CPT Coaching Class
22/09/2009	Tuticorin Collectorate	Award received from Tuticorin Collector for Blood Donation Camp for the year 2007 & 2008
26/09/2009 & 27/09/2009	ICAI BHAWAN	CPT Coaching Class
28/09/2009	PALMS Self Development Centre,Tuticorin	Meeting with officials of Thoothukudi District Blood Donors Association on behalf of Tuticorin Branch of SIRC of ICAI
29/09/2009 & 30/09/2009	ICAI BHAWAN	IPCC Coaching Class

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