



Audit Trail under Companies Act **w.e.f 01.04.2023**

Audit trail under Companies Act

The Ministry of Corporate Affairs (MCA), in its continuing drive to improve transparency of financial reporting, has amended the Accounts Rules requiring **companies** to ensure that the accounting software used to maintain books of accounts has the following features and attributes:

- ❖ Records an audit trail of each and every transaction;
- ❖ Creates an edit log of each change made in the books of account along with the date when such changes were made;
- ❖ Ensuring that the audit trail is not disabled.

These rules are applicable to all the companies registered under the Companies Act, 2013 w.e.f 01.04.2023 i. e. from FY 2023-24 onwards.



Management Responsibilities

- ❖ Identify, test and implement the software having audit trail features;
- ❖ Ensure that the audit trail captures changes to each and every transaction recorded in the books of account such as when changes are made, who made the changes and at what time;
- ❖ Audit trail feature is always enabled (not disabled);
- ❖ Audit trail is appropriately protected from any modification;
- ❖ Ensure that the audit trail is retained for statutory period of 8 years;
- ❖ Ensure that controls over maintenance and monitoring of the audit trail are operating effectively throughout the period of reporting;



Auditors Responsibilities

The Companies (Audit and Auditor) Rules, 2014 (Audit Rules) have been correspondingly amended wherein auditors are now required to report, as to whether,

- ❖ Whether the accounting software used by the company being audited has the feature of recording audit trail;
- ❖ Whether the audit trail feature was operational throughout the financial year and had not been tampered with;
- ❖ Whether audit trails have been retained for the period as statutorily prescribed;
- ❖ Whether all transactions are recorded in the software covered in the audit trail feature;



THANK YOU



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