

Mandatory Audit Trail in Accounting Software

The Companies (Accounts) Rules, 2014 & Companies (Audit and Auditors) Rules 2014 had been amended in in 2021 to provide that all Companies shall **mandatorily with effect from 1st April 2023** ensure that the accounting software used for maintenance of Books of Accounts shall have the following features:

- 1) Recording audit trail of each and every transaction.
- 2) Creation of edit log of each change made in Books of Accounts along with date on which change was made.
- 3) Ensure that Audit Trail cannot be disabled.
- 4) Books of Accounts should remain accessible in India at all times.
- 5) Backup of Books of Accounts, other books and papers of the Company maintained in electronic made, including at a place outside India, shall be kept in servers physically located in India on a daily basis.

The Statutory Audit has also been mandated to report in his Auditors' Report that the Accounting Software used by the Company has the following features:

- 1) Facility to record audit trail.
- 2) The Audit Trail was operational throughout the year for all transactions recorded in software.
- 3) The Audit Trail feature has not been tampered with
- 4) The Audit Trail has been preserved by the Company as per statutory record retention provisions under Companies Act, 2013.

You are hence requested to immediately be in touch with your Software Provider to ensure that your accounting software is compliant with the above provisions.