

REGULATORY UPDATE

**Mandatory Accounting
Software with Recording of
Audit Trail of Transactions
& Auditors Responsibility**



Mandatory Accounting Software with Recording Audit Trail of Transactions and Auditors Responsibility (W.E.F 01.04.2021)

The MCA vide **Notification No. G.S.R. 205(E), dated March 24, 2021** has issued Companies (Accounts) Amendment Rules, 2021 making mandatory for every company w.e.f 01.04.2021 to record audit trail of each and every financial transaction done on their accounting software.

Every company that uses an accounting software for maintaining its books of accounts will have to mandatorily ensure creating an edit log of each change made along with the date when such changes were made. They will also have to ensure that the audit trail cannot be disabled.

The impact of making audit trail mandatory is enormous and ensures transparency in the system.

For details, please refer Notification dated 24th March 2021:

<http://egazette.nic.in/WriteReadData/2021/226081.pdf>

Further, the MCA vide **Notification No. G.S.R. 206(E), dated March 24, 2021** has issued Companies (Audit and Auditors) Amendment Rules, 2021 making auditor's obligation to express his views and comments in Auditor's Report on:

“whether the company has used such accounting software for maintaining its books of account which has a feature of recording audit trail (edit log) facility and the same has been operated throughout the year for all transactions recorded in the software and the audit trail feature has not been tampered with and the audit trail has been preserved by the company as per the statutory requirements for record retention.”

Companies whose accounting software is not having functionality of keeping an audit trail needs to update and build audit trail functionality in their accounting software to comply with the new changes and it also increases auditor's responsibility to express his views/comments on compliance of these statutory changes.

For details. please refer Notification dated 24th March 2021:

<http://egazette.nic.in/WriteReadData/2021/226082.pdf>

DISCLAIMER:

The information contained herein is in summary form based on interpretation of Notification No. G.S.R. 205(E) & G.S.R. 206(E) dated March 24, 2021 issued by MCA. While the information is believed to be accurate to the best of our knowledge, we do not make any representations or warranties, express or implied, as to the accuracy or completeness of this information. Reader should conduct and rely upon their own examination and analysis and are advised to seek their own professional advice. This document is not an offer, invitation, advice or solicitation of any kind. We accept no responsibility for any errors it may contain, whether caused by negligence or otherwise or for any loss, howsoever caused or sustained, by the person who relies upon it.