



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

Corporate Laws & Corporate Governance Committee The Institute of Chartered Accountants of India 5th April, 2021

ANNOUNCEMENT

Sub: **MCA has made amendments in the provision related to Audit Trail and made them effective for FY commencing on or after 01st April, 2022, on request made by the Institute of Chartered Accountants of India**

In view of applicability of the amendments made vide notification dated 24th March, 2021 related to the accounting software having feature of audit trail and its reporting in audit report being made effective from the FY 2020-21, the Institute of Chartered Accountants of India had requested the Ministry of Corporate Affairs to issue a clarification on the same as it was creating confusion in the minds of auditor regarding applicability of the said provision.

In this regard, we are happy to inform you that the Government has considered the request of ICAI and issued a clarification stating that the provisions related to Audit trail as provided in Companies (Audit and Auditors) Amendment Rules, 2021 and Companies (Accounts) Amendment Rules, 2021 have been made effective in respect of financial years commencing on or after the 01st April, 2022.

Accordingly, analysis of following amendments has been made:

S No.	Rule	Pre-Amendment	Post Amendment
1	Rule 3(1) of Companies (Accounts) Rules, 2014: Manner of books accounts to be kept in electronic mode	<p>The books of account and other relevant books and papers maintained in electronic mode shall remain accessible in India so as to be usable for subsequent reference</p> <p>Provided that for the financial year commencing on or after the 1st day of April, 2021, every company which uses accounting software for maintaining its books of account, shall use only such accounting software which has a feature of recording audit trail of each and every transaction, creating an edit log of each change made in books of account along with the date when such changes</p>	<p>The books of account and other relevant books and papers maintained in electronic mode shall remain accessible in India so as to be usable for subsequent reference</p> <p>Provided that for the financial year commencing on or after the 1st day of April, 2022, every company which uses accounting software for maintaining its books of account, shall use only such accounting software which has a feature of recording audit trail of each and every transaction, creating an edit log of each change made in books of account along with the date when such changes were made and ensuring that the audit trail cannot be disabled.</p>

		were made and ensuring that the audit trail cannot be disabled.	
2	Rule 11 of Companies (Audit and Auditors) Rules, 2014:	<p>The auditor's report shall also include their views and comments on the following matters, namely:-</p> <p>g) 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.</p>	<p>The auditor's report shall also include their views and comments on the following matters, namely:-</p> <p>g) Whether the company, in respect of financial years commencing on or after the 1st April, 2022 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.</p>

Notifications are available at the link-

http://www.mca.gov.in/Ministry/pdf/AuditAuditorsAmendmentRules_01042021.pdf and
http://www.mca.gov.in/Ministry/pdf/AccountsAmendmentRules_01042021.pdf

Members may take note of the above.

Sincerely Yours,

Chairman and Vice Chairman
Corporate Laws & Corporate Governance Committee
The Institute of Chartered Accountants of India