

AUDIT TRAIL

MANDATORY FOR FINANCIAL YEAR 2023-24

MCA NOTIFICATION DATED 14TH MARCH 2021

Title

The MCA vide its notification dated 24th March, 2021 had introduced the concept of audit trails by inserting proviso to rule 3(1) of the Companies (Accounts) Rules, 2014. It mentioned that “for the F.Y. commencing on or after 1st 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 were made and ensuring that the audit trail cannot be disabled.”



However, the applicability was deferred by 1 year by amending the same vide Companies (Accounts) Second Amendment Rules, 2021. The new date of applicability was 1st April, 2022. Yet again, the MCA has amended the proviso vide Companies (Accounts) Second Amendment Rules, 2022 and has deferred the applicability by 1 more year. And therefore, with effect from April 1, 2023, all accounting software's used by Indian Companies must have an audit trail feature.

What is an Audit Trail?

An Audit Trail is a detailed, chronological record where accounting, project details, and other financial data are tracked and traced. It is advisable to have an audit trail as it would verify and track all kinds of transactions, work processes, accounting details, trades in brokerage accounts and likes, especially now that the MCA has made it mandatory.