

Audit trail record must from April 1

Move to bring transparency, prevent tampering of accounting entries



ILLUSTRATION: AJAY MOHANTY

RUCHIKA CHITRAVANSHI

New Delhi, 15 March

Companies will have to maintain an audit trail for all their transactions beginning April 1, 2023, the government has said. The move will improve transparency in the financial reporting and prevent tampering of accounting entries.

The notification, which was first issued two years ago, is finally coming into effect after getting pushed forward twice. The Ministry of Corporate Affairs (MCA) has also made it mandatory for companies to maintain the edit log of changes made in the books of accounts.

A senior chartered accountant (CA) explained that companies would not be able to delete an entry, only rectify it. "Account keeping will change. Given all these bank failures and a push to digitisation, the government would like to push this now having deferred it already," the CA said.

"Considering the date of implementation of such software is approaching, com-

panies will have to immediately gear up their accounting software in order to ensure compliance with the said requirement," said Harish Kumar, partner, Luthra and Luthra Law Offices India.

Companies would be required to record an edit log of each change made in books of account along with the date when such changes were made. "This is to ensure that the audit trail cannot be disabled," said Ankit Singhi, partner corporate professionals.

Industry experts said that the accounting software has features to maintain an audit trail but companies usually disable it. For instance, if companies want to enter a back-dated transaction then the date of any such change will be recorded and could be questioned as well.

"Usually these transactions are to hide something from users, bump up sales and revenues. It is an irregularity. Now in search and seizure operation, companies can just be asked to show the edit log," said Rajat Mohan, senior partner, AMRG & Associates said.