

# ACCOUNTING SOFTWARE MUST PROVIDE AN AUDIT TRAIL FEATURE



## INTRODUCTION

By April 1, 2023, It is mandated that accounting software must provide an audit trail feature

## THE GOVERNMENT'S NOTIFICATION ON THE AUDIT TRAIL

Companies have been granted a year to adopt the Ministry of Corporate Affairs' most recent accounting software upgrade, which allows them to use the audit trail (edit log) feature. According to a decision taken this year, private limited companies will be required to have an audit trail starting April 1, 2022.

The deadline for utilizing accounting software with an audit trail feature has been extended, according to Notification MCA, in a letter dated March 31, 2022.

The audit trail applicability date has been extended till April 1, 2023. This is great news for companies that haven't yet implemented an audit trail system.

## WHAT IS THE PURPOSE OF THE AUDIT TRAIL?

When you run a business, you have to deal with a lot of transaction data. Multiple modifications to these data must be made, and keeping track of them could be tough.

Your task gets a lot easier if you have a system in place that streamlines your transaction process and records every modification made to a transaction. The same thing can be accomplished by using an audit trail. It maintains track of all system transactions and modifications.

You may say that the goal of this legislation is to move towards a more transparent economy.

Any business that uses accounting software should see if it has an audit trail feature. To ensure that every transaction completed with the software is validated and accurate, it must be logged in an audit trail.

## **WHAT IS AN AUDIT TRAIL, AND WHY IS IT IMPORTANT FOR BUSINESSES TO HAVE ONE?**

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An audit trail is a system that tracks the complex transactions associated with each item in a financial record. It keeps track of any changes made to your transactions and records their history from the time they began to the most recent update.

This method will allow you to pinpoint the source of an issue in your business transactions. You'll be able to recognize abnormalities, avoid internal fraud, and find out who made any transaction adjustments.

Furthermore, accurate financials can help boost your company's position by increasing investor trust and making it easier to obtain financing.

### **THE BENEFITS OF AN AUDIT TRAIL**

- Boost your tax compliance
- Tax evasion should be prevented.
- Reduce mismanagement of funds.
- It is critical to maintain transparency.
- Fraud detection is a process that involves identifying a person who has committed fraud.
- Boost the accuracy of your company.
- Provides a reliable record of your business activities.
- Boost the efficiency and security of your business.

## THE MOST IMPORTANT EFFECTS OF THE AUDIT TRAIL (EDIT LOG) NOTIFICATION

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To promote transparency and decrease data anomalies, this new policy (audit trail) was adopted. Accounting software users must have the audit trail (edit log) function. The following are some of the key points highlighted in the notification:

The company's accounting software should be able to track any changes in transactions.

It should be able to keep track of any modifications' dates and timings.

It also needs to ensure that the audit trail (edit log) can't be turned off.

The edit log function must be utilized during the year and cannot be disabled.

Record retention rules must keep the audit trail (edit log).

CAs are also needed to certify that accounting software meets the rule's requirements.

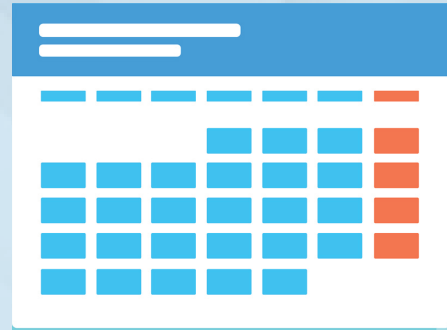
## FEATURES OF ACCOUNTING SOFTWARE TO LOOK AT IN THE AUDIT TRAIL (EDIT LOG)

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To use the audit trail (edit log) feature, you must first understand what features to search for in your accounting software. Let's look at the qualities that accounting software must have in detail: It is not appropriate to disable the ability to edit the log. If the company has to maintain the accounting records, the audit log should be kept until they are no longer valid.

The accounting software has a timeline stamp. The audit trail (edit log) should keep track of all activities conducted in the software on a date-by-date basis. The software should keep track of all transactional changes. All modifications to the transaction should be tracked and monitored by the accounting software, which should subsequently be recorded in the audit log. (from the time the transaction is created until the time it is modified and deleted)

# COMPLIANCE CALENDER APRIL 2022



<b>GST</b>	
GSTR 3B MAR 2022(Turnover in the previous financial year more than Five Crores)	20-04-2022
GSTR 3B MAR 2022 (Others)	22-04-2022
GSTR 1 MAR (Turnover more than Rs. 1.5 Crores)	11-04-2022
<b>INCOME TAX</b>	
Deposit of TDS	30-04-2022
<b>ESI</b>	
Payment for the month of MAR 2022	15-04-2022
<b>PF</b>	
Payment for the month of MAR 2022	15-04-2022
Return Filing for the month of MAR 2022	25-04-2022