



Deferment of mandatory use of accounting software which can record audit trail and its related disclosures, to FY commencing from April 1, 2022

INSIGHTS

April 2, 2021

Vide the Companies (Accounts) Amendment Rules, 2021, dated March 24, 2021 ([available here](#)), for the financial year commencing on or after the April 1, 2021, every company which uses accounting software for maintaining its books of account, was mandated to 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.

Further, vide the Companies (Audit and Auditors) Amendment Rules, 2021, dated March 24, 2021 ([available here](#)), the auditor's report was to disclose 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.

Afore-mentioned amendments have been deferred and now will be applicable for the financial year commencing on or after April 1, 2022. This will give relief to various companies who did not have such software in place.

The deferment has been notified vide the Companies (Accounts) Second Amendment Rules, 2021, dated April 1, 2021 ([available here](#)), and Companies (Audit and Auditors) Second Amendment Rules, 2021, dated April 1, 2021 ([available here](#)).

We trust you will find this an interesting read. For any queries or comments on this update, please feel free to contact us at insights@elp-in.com

Disclaimer: The information provided in this update is intended for informational purposes only and does not constitute legal opinion or advice. Readers are requested to seek formal legal advice prior to acting upon any of the information provided herein. This update is not intended to address the circumstances of any particular individual or corporate body. There can be no assurance that the judicial/quasi-judicial authorities may not take a position contrary to the views mentioned herein.



ECONOMIC
LAWS
PRACTICE
ADVOCATES & SOLICITORS

MUMBAI | NEW DELHI | BENGALURU | AHMEDABAD | PUNE | CHENNAI

Email: Insights@elp-in.com