



The Institute of Chartered  
Accountants of India  
(Setup by an Act of Parliament)

Date	Time	User	Action	Window Name	Transaction ID	Transaction Referen	Amount
10/6/05	11:21 A	Not	Change	Maintain Company I	tescomin	WebSite Builder Co	
10/6/05	11:22 A	jimv	Add	Maintain Users	jimvogt		
10/6/05	11:23 A	jimv	Add	Write Check		1001	500.00
10/6/05	11:23 A	jimv	Change	Write Check		1001	500.00
10/6/05	11:24 A	jimv	Add	Maintain Vendors	homedepot		
10/6/05	11:25 A	jimv	Change	Write Check	homedepot	1001	500.00
10/6/05	11:25 A	jimv	Change	Change Vendor ID	HOMEDEPOT	Vendor ID changed fr	
10/6/05	11:25 A	jimv	Change	Maintain Vendors	HOMEDEPOT		

# Discussion on Audit Trail

21<sup>st</sup> March 2023

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# MCA Notification Dated 24, March 2021 – Extract on Audit Trail

(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.”.

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# MCA Notification our Understanding



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<b>Requirement</b>	<b>Applicability to Companies (Accounts) Rules, 2014</b>
<b>Applicable to every company [covered under The Companies Act, 2013 (the Act)]</b>	<b>Yes</b>
<b>To include accounting software used for maintaining books of account</b>	<b>Yes</b>
<b>Usage of software to have feature of recording audit trail</b>	<b>Yes</b>
<b>For each and every or all transaction</b>	<b>Yes</b>
<b>Audit Trail or Edit Log to include details of change along with the date of change made</b>	<b>Yes</b>
<b>Audit trail cannot be disabled</b>	<b>Yes</b>
<b>Audit trail has been operated throughout the year</b>	<b>Auditor should confirm</b>
<b>Audit Trail cannot be tampered</b>	<b>Auditor should confirm</b>
<b>Preservation of Audit Trail as per the statutory requirements for record retention</b>	<b>As per Record Retention</b>

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# Audit Trail



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**Audit Trail** (or edit log) is a visible trail of evidence enabling one to trace information contained in statements or reports back to the original input source.

Audit trails are a chronological record of the changes that have been made to the data. Any change to data including creating new data, updating or deleting data, and in some cases exporting data, must be recorded.

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# Audit Trail



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Records maintained as Audit Trail should typically include the following information:

- **when** changes were made i.e., date and time (timestamp)
- **who** made the change i.e., User Id
- **what** data was changed i.e., data/transaction reference; old and new values; success/failure
- **how** data was changed i.e, data added, modified or deleted or the command(s) used to make the change
- **source** of the changes i.e., media access control (mac) address or Terminal Identification Number (TID) or Internet Protocol Address (IP Address) or any other relevant information

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# Audit Trail



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Audit trails may be enabled at the accounting software depending on the features available in such software in use or may be captured directly in the database underlying such accounting software.

Terms used in the MCA circular like Audit Trail, Edit Log or Audit Log may be used interchangeably and to carry the same meaning for the purposes of this regulation and its compliance.

The Objective of this amendment is to help ensure the accuracy and integrity of financial data and can be used to support internal and external audits

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# Audit Trail



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U.S. Food and Drug Administration's (FDA) 21 CFR Part 11 rules, says to record retention throughout the product's life cycle — from cradle to grave. An audit trail should be in place to ensure the ongoing completeness, accuracy, integrity, and security of data and records. It's also necessary to provide transparency of the actions people take with the data. This all needs to be available to auditors during an inspection.

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# Understanding the Other Terms



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- Books of Account
- Accounting Software
- Service Provider
- Off-the-Shelf Software
- In-House Software
- Customised Software
- Cloud based Software
- Software as a Service
- Transaction
- Data
- Record

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# Points for Discussion



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- How to identify Accounting software employed by the company
- Understand the Company's review, maintenance and Tampering of Audit Trail
- How to access the standing data of Audit trail
- What if Management fails to demonstrate identifying and enabling recording of the Audit Trail for specific type of transactions
- What if there were GAPS in Audit trail? How to identify the same
- Fraud

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# Points for Discussion



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- How Confidentiality of information of transaction in the accounting application is ensured? ie., Restricted Access
- How track in an application or system Management do not adopt controls to properly track and log users' actions, thus permitting malicious manipulation or forging the identification of new actions?
- How integrity of Audit logs are ensured?
- How to ensure Backup and retention relating to transactions in the accounting application and audit trail?

# Points for Discussion



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- What should be our Audit Opinion wording?
- Can the Written Representation from management helps?
- What and how to documents the results of our review on Audit trails?
- Are Spread Sheets come under the definition of Books of Account?
- How many years this audit trail should be retained?
- What about audit trail of inventory records which is kept by stores department in a different software but not part of accounting software?

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# Points for Discussion



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- What about payroll software which is maintained by HR department?
- If the Servers are located outside India how to verify audit trail?
- Is audit trail verification on Replicated copy sufficient?
- Do Auditors have Competence to carry out the review to identify and understand the Audit trail?

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# Re-CAP



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The auditor of the company is required to comment whether the such accounting software used for maintaining the books of account has a feature of recording audit trail whether-

- the feature operated throughout the year for all transactions recorded in the software
- 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

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THANK YOU

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