
ICAI issues the Implementation Guide on Reporting under Rule 11(g) of the Companies (Audit and Auditors) Rule, 2014

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1. Introduction

The Auditing and Assurance Standards Board (AASB) of ICAI developed an Implementation Guide to provide appropriate guidance to the members on new reporting requirement under Rule 11(g) so that the members can discharge their responsibilities in an effective manner.

The Auditor is required to report on '*Whether the company, in respect of financial years commencing on or after the 1st April, 2022, 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*'.

2. Responsibility of Management:

The responsibility of selecting the appropriate accounting software and ensuring compliance with relevant laws and regulations, including retention of audit logs, primarily lies with the management.

3. Responsibility of Auditor:

As per Rule 11(g), the auditor is required to report on the audit trail under the section 'Report on Other Legal and Regulatory Requirements'. The auditor to fulfil his duty shall verify:

- (a) whether the audit trail feature is configurable (i.e., if it can be disabled or tampered with)?
- (b) whether all transactions recorded in the software are covered in the audit trail feature?
- (c) whether the audit trail has been preserved as per statutory requirements for record retention?
- (d) whether the audit trail feature was enabled/operated throughout the year?

4. Applicability:

Audit reporting will be required from the financial year 2022-23 and the auditor is not required to assess the appropriateness of the audit trail of previous years and the assessment will be only for prospective financial years.

5. Audit Approach:

The primary responsibility of maintaining books of account which has a feature of recording audit trail (edit log) facility throughout the year for all transactions is with management. Most of the commonly used accounting software, including Enterprise Resource Planning (ERP) software, have an audit trail feature that can be enabled or disabled at the discretion of the company. The management of the company may have put in place certain controls such as restricting access to the administrators and monitoring changes to configurations that may impact the audit trail

6. Illustrative Wordings for Reporting:

The Implementation Guide provides illustrative wordings for reporting in case of Standalone Financial Statements, Consolidated Financial Statements - Unmodified reporting, modified reporting, examples of such circumstances where exceptions would need to be reported & Special Consideration in case of Fraud Scenarios.

7. Audit Documentation

The auditor may document the work performed on audit trail such that it provides a sufficient and appropriate record of the basis for the auditor's reporting under Rule 11(g).

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[Implementation Guide on Reporting under Rule 11\(g\) of the Companies \(Audit and Auditors\) Rules, 2014](#)

