

Tamil Nadu Housing and Habitat Development Project

Terms of Reference for engaging Consultancy Services for Implementing Double Entry Accrual based accounting system and Tally ERP software in Tamil Nadu Urban Habitat Development Board (TNUHDB)

Background

1. The Tamil Nadu Urban Habitat Development Board (TNUHDB) has been created under The Tamil Nadu Slum Areas Improvement and Clearance Act 1971. TNUHDB has been constituted as Board. The Act prescribes the accounting to be done in broader terms. Sec 41 of the Act provides that the provisions of the Tamil Nadu Housing Board Act 1961 relating to finance, accounts and audit shall apply to certain extent. TNUHDB has issued accounting rules namely Tamil Nadu Urban Habitat Development Board (Manner of Operation of Accounts) Rules, 1976, which covers very few areas of accounts.
2. Tamil Nadu Housing Board (TNHB) initially was following single entry accounting system and they amended their Act in 1986 and after that prepared the accounts on accrual-based system and have been submitting yearly accounts to the legislature.
3. TNUHDB has been following single entry cash-based accounting system over the years. The accounts up to 2016-17 has been completed and submitted to the legislature. The main statements prepared as the cash balance statement and the receipts and expenditure statements. Nearly 24 statements are prepared as part of the report and submitted to the legislature.
4. TNUHDB is having 21 divisions in the City and Districts and the accounts are compiled using single entry system. The accounts are then consolidated at the HO. Hence double entry system needs to be implemented at all locations. TNUHDB follows Head office and Branch office model of accounting. An opening balance sheet needs to be prepared for the entire entity.
5. The Financial management systems and HR operations in TNUHDB are manual. The issues identified are that there is no defined efficient system for collation and aggregation of financial information in TNUHDB and consequently position of resources (financial, human, assets & consumables) are not readily available thus delaying effective decision making. There is no electronic database for payroll management for the (number of staff) workforce in TNUHDB. Similarly, accounting processes are manual at the units and head office and financial information is available with a time lag inhibiting faster decisions. Information such as aggregate funds available with TNUHDB needs to be compiled manually. These procedures are therefore not conducive in the current environment which requires near real-time information for decision-making.

6. The Board and the Government has decided to adopt double entry accrual-based accounting system for TNUHDB with immediate effect. TNUHDB is also interested in this reform and would like to computerize the accounting system across the entity. TNUHDB is looking to modernize its financial and payroll management system and is hiring a consultant for this purpose. TNUHDB has received a loan to finance the TNHHDP and intends to apply a part of the loan proceeds for this assignment.

Objective

7. The objective of the assignment is to design and implement double entry accrual-based accounting system in TNUHDB as well as implement computerized financial management system including a payroll system in TNUHDB.

Detailed Scope of Work

8. The key activities are:
 - a. ***Study the existing business and financial procedures of TNUHDB, develop business process reengineering in required areas and document them:*** The consultant is required to go through all the business procedures which has impact on the accounting of TNUHDB, document them and prepare a BPR as required. **Output: BPR report.**
 - b. ***Study the Act and Rules governing the accounting of TNUHDB:*** The consultant is required to go through the Act and Rules of TNUHDB and TNHB which governs the accounting and auditing requirements of TNUHDB and provide the draft changes to be made to the Act and also well as draft the accounting rules which can be used by TNUHDB for amendments as required. **Output: Changes to Act and draft accounting rules.**
 - c. ***Develop the accounting manual covering all transactions of TNUHDB:*** TNUHDB does not have an accounting manual. The consultant is required to prepare a new manual for TNUHDB incorporating the requirements of double entry accrual-based system, preparation of financial statements as per the Accounting Standards, and other General Accounting Principles and Practices as specified by the ICAI in the Indian context. The manual should cover all relevant transactions of TNUHDB. The consultant should refer to good accounting practices provided in the Indian Companies Act 2013 to the extent it can be adopted by the Board. The manual should have the following: Chart of Accounts, Accounting Policies, accounting procedures, reporting formats and requirements, accounting entries chapter wise covering all major transactions etc. Detailed Table of Contents will be worked out as part of the Inception report. The manual should be lucid and easy to understand for staff of

TNUHDB. The accounts manual should also cover the budgeting requirements of TNUHDB. As part of the accounts manual the consultant is required to develop the concept of Strategic Business Units (SBU), assigning revenue and costs to the units. This will help in working out SBU wise profits and their contribution to the overall functioning of TNUHDB. The costing system should be an integral part of the accounting system and should be implanted as part of the Tally implementation.

Output: Draft Accounts Manual including budget and costing systems and SBU wise accounts.

Manual will be finalized after pilots and training at the end of the assignment.

- d. ***Implement Tally ERP Software across all locations for accounting, budgeting, costing, and financial reporting needs of TNUHDB:*** TNUHDB has a Head office and 21 accounting divisions. The consultant is required to implement Tally across locations and make it operational. All configurations in Tally will required to be done by the consultant. Any customization required needs to be identified by the consultant which will be done through Tally vendors by TNUHDB. The cost of software and any required hardware would be borne by TNUHDB. The consultant is required to provide the hardware sizing for computerization of accounts. The consultant after inception report will collect the details of the existing hardware in accounts department and based on the availability will work out the hardware requirements. **Outputs: Hardware requirement report and Configure Tally software for pilots and rollout.**
- e. ***User Acceptance Testing (UAT), Pilot and Roll out:*** UAT shall be done centrally. The system developed/customized by consultants shall be reviewed and verified by the TNUHDB and select internal department users against the Functional Requirements. Any gaps, identified as a severe or critical in nature, shall be addressed by consultants immediately prior to pilot of the system. Tally needs to be piloted at Head Office and few locations as required by TNUHDB. Pilot will be done for one month entering all transactions and checking the results from the system. Any further changes in the manual or the software could be identified during pilots which will be done before full roll out. The consultant is expected to roll out the software to all locations of TNUHDB. The roll out will cover the Financial Year from April 21 to March 22 and the financial statements for the Financial Year 2022-23 is expected to be generated from the system. The consultant will provide handholding to all locations either in person or through phone/email during the period of the contract. **Output: Pilot, Roll out and handholding.**
- f. ***Provide training and build capacity of TNUHDB staff:*** The consultant is expected to provide training on the use and application of accounting manual and modules of the Tally software. The training is expected to be imparted to all accountants and other staff who are intrinsically part of the

accounting process. The training will be done in batches. Training will be an ongoing activity and refresher training will also be provided by the consultant. Total staff to be trained would be approximately 92 No. of staff are to be trained. **Output: Training materials and training to be provided.**

g. **Prepare Opening Balance sheet as on 1-April-2022:** Consultant is required to work with TNUHDB and prepare the opening balance sheet for all the accounting locations and the Head Office and prepare a Consolidated Balance Sheet as on 01.04.2022 which can be entered in the accounting system. The consultant is required to work on this aspect in the first six months of the assignment. The consultant is required to prepare formats for data collection, with all required fields. The consultant will be required to prepare the Opening Balance Sheet and ensure the following are done:

- i. Fixed assets: Consider the values assigned to the fixed assets following the guidelines on the valuation of fixed assets as per ICAI as well look at the original cost of asset and the related depreciation. In case original cost is not available work out strategies for assessment of value.
- ii. Assessment of Capital Work in Progress and Contingent Liabilities;
- iii. Assist in the reconciliation of amounts receivables/recoverable and amounts payable to supplier, contractors, employees (excluding actuarial valuation of terminal liabilities) etc. and obtaining confirmation of balances;
- iv. Assist in reconciling the investments and obtain balance confirmation from institutions holding deposits.
- v. Listing of long-term liabilities, and loans taken by the TNUHDB
- vi. Identify pre-paid expenses, outstanding expenses, outstanding income and any income which is received in advance;
- vii. Identification of any grant/deposits received for specific projects, and the work done till date; pending balance if any.
- viii. Review and, where required, assist in reconciliation of bank accounts as on 31st March 2021
- ix. Help and assist in updating the Balance Sheet and supporting schedules;
- x. Providing support and advice to staff to pass opening entries as on 1st April to bring the balances into Books of Accounts;
- xi. Provide a management analysis report on the methodology followed in updating the opening balance sheet with comments, observation, and limitations, if any;

- xii. Any other work related to the updating of the Opening Balance Sheet. The data for OBS to the maximum will be provided by the TNUHDB.

Output: Opening Balance Sheet for all divisions and HO and consolidated Balance Sheet

- h. **Develop a complete database of Employees and implement a COTS payroll software which is the best fit for TNUHDB:** TNUHDB currently has list of all employees in an excel sheet and are preparing payroll based on excel sheets. The consultant is required to create the database of employees with certain minimum attributes of service like DOJ, education, DOB, Date of retirement, Family particulars etc., which could be used in future for employee service details. The consultant is required to study the payroll process and the data required to be a maintained for service records and suggest suitable COTS payroll software which can be implemented by TNUHDB. The software will be purchased by TNUHDB. This database would be implemented at Head Office and payroll would be prepared centrally. The consultant is required to implement the software as well ensure that the staff data is updated in the software and payroll and other reports are generated from the software. Based on the functional requirements this aspect could be covered in Tally or in any other software which is easy to operate for TNUHDB. **Output: Preparation of Employee database and implementation of the COTS HR software.**

Deliverables and Timelines

9. The Consultant will prepare and submit the following reports/manuals to the Client as per the following schedule. The consultant would provide 3 hard copies of the report and one soft copy of the report to the client.

| Deliverables | Timeline (from start of the assignment) | Payment Terms |
|---|--|----------------------|
| Kick-off Meeting | T_0 | -- |
| 1. Inception Report | $T_1 = T_0 + 2 \text{ weeks}$ | 5% |
| 2. Hardware sizing report | $T_2 = T_0 + \text{Two Months}$ | 5% |
| 3. BPR report and | $T_3 = T_0 + \text{Three Months}$ | 5% |
| 4. Changes to Act and Draft Rules | $T_4 = T_0 + \text{Four Months}$ | 5% |
| 5. Draft Accounting Manual including budgeting and costing system | $T_5 = T_0 + \text{Four Months}$ | 5% |
| 6. Opening Balance Sheet | $T_6 = T_0 + \text{Four Months}$ | 10% |

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|---|---------------------------------------|-----|
| 7. Staff database update and Roll out HR software | $T_7 = T_0 + \text{Six Months}$ | 10% |
| 8. Revised Accounting Manual | $T_8 = T_0 + \text{Six Months}$ | 10% |
| 9. Training plan and Training material | $T_9 = T_0 + \text{Six Months}$ | NA |
| 10. Configure TALLY software | $T_{10} = T_0 + \text{Six Months}$ | 10% |
| 11. Training of Finance & Accounts Personnel | $T_{11} = T_0 + 7-12 \text{ Months}$ | 10% |
| 12. Roll out completed to all offices | $T_{12} = T_0 + 7-12 \text{ Months}$ | 20% |
| 13. Final Accounting Manual | $T_{13} = T_0 + \text{Twelve Months}$ | 5% |

Minimum required Qualification Criteria

| S. No. | Basic Requirement | Specific Requirements | Supporting Documents Required |
|--------|----------------------|---|--|
| 1) | Entity | Must be a legally constituted entity with ten years of existence | Copy of the Certificate of Incorporation and constitutional documents |
| 2) | Turnover | Should have an Annual Turnover of at least Rs. one crore every year during the last three financial years (2017-18, 2018-19, and 2019-20). | Certified copy of the audited financial statements OR certificate from the statutory auditor. |
| 3) | Technical Capability | Should have proven track record of having successfully carried out minimum : a) Two assignments of developing accounting manual for PSUs/government companies/ government boards completed; b) One assignment of implementing Tally computerized system across the PSUs/government companies/ government boards, completed; (Implementation of Tally will get extra marks while implementation of other ERP or accounting software's will be considered) | Copy of work orders for completed assignments (OR) Work completion certificates from client (OR) In case of ongoing consultancy, letter from client stating the status of delivery along with work order to be submitted. Otherwise it will not be accepted. |

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|----|----------------|--|---|
| | | c) One assignment of preparing opening balance sheet for the PSUs/government companies/government boards | |
| 5) | Staff | Should have at least 5CA's on permanent rolls. | Self-certification of list of such staff with qualification and experience as per format provided. |
| 6) | Local Presence | Additional marks would be given to firms, if they have an office in the State. Knowledge of Tamil language is mandatory. | Provide office address if any within Tamil Nadu. Consultants are encouraged to tie up with local firms as required. |

Key Staff required

10. The key staff required for the consultancy is given below. The key staff will be supported by adequate number and qualified staff experienced in their specific key areas including but not limited to HR, corporate accounting, and training. Ability to speak and read Tamil would be essential. The expected man months for the key staff are around 40-man months and required to be supported by staff as required.

| S. No. | Position | Qualifications | Experience |
|--------|------------------------------------|--|---|
| 1. | Project Team Leader – One position | <ul style="list-style-type: none"> A member of the ICAI with ten years of experience Additional qualification in Certified Information Systems Auditor or similar qualification would be an added advantage Good knowledge of Tally software Good knowledge of Tamil and English | <ul style="list-style-type: none"> Minimum 10 years of demonstrated experience in corporate financial management including BPR; assessing, designing and implementation of Tally accounting and HR systems; Demonstrate knowledge of Accounting Standards as well as Companies Act. Demonstrate Experience in providing training to staff Demonstrate Experience in preparing accounting manuals Demonstrate Experience in preparing training materials Has worked in at least one similar assignment during the last 5 years as a Team Leader. Experience of working in similar boards Companies will be an advantage |
| 2 | Accounts Experts– Two positions | <ul style="list-style-type: none"> A member of the ICAI with five years of experience Good knowledge of Tally software Good knowledge of Tamil and English | <ul style="list-style-type: none"> Minimum 5 years of experience Experience in implementation of Tally; Good knowledge of accounting standards. Experience in preparing accounting manuals |

| S. No. | Position | Qualifications | Experience |
|--------|--|---|--|
| | | <ul style="list-style-type: none"> Additional qualification in Certified Information Systems Auditor or similar qualification would be an added advantage | <ul style="list-style-type: none"> Experience of working in similar boards Companies will be an advantage Has worked in Similar assignments Has prepared Opening Balance Sheets Has provided training to staff Knowledge of Companies act will be helpful |
| 3 | Finance Training Expert – One position | <ul style="list-style-type: none"> A member of CA/ICWAI/MBA with five years of experience Good knowledge of Tally software Good knowledge of Tamil and English | <ul style="list-style-type: none"> Minimum 5 years of experience in working and preparing accounting manuals Experience in implementation of Tally; Good knowledge of accounting Experience in providing training Experience in preparing training materials Has worked in Similar assignments Experience of working in Relevant sector boards/Companies will be an advantage |

Support staff as required to conduct the training and implementation at the divisions.

Technical Review Committee (TRC)

11. A TRC headed by the Managing Director and comprising of other senior accounting and HR officers of TNUHDB will carry out the review reports provided by the consultants. The TRC will endeavor to review and provide the comments at the earliest, but not later than 3 weeks of submission of the reports and will inform the consultant in case of any delays.

Services & Support to be provided by Client

12. The MD, TNUHDB or any other officer assigned by MD, TNUHDB will coordinate with all the sections for the workshops/training and to designate staff for training and facilitate meetings with the stakeholders. For training, TNUHDB will provide the venue and cost of trainee travel including TA/DA, but all other requirements will be arranged by the Consultant.

13. The cost of software and required hardware for implementation will be provided by the TNUHDB through the project. The consultant is required to identify the software and hardware requirements which will be purchased by TNUHDB through the project.