

Implementing Double Entry Accrual based accounting system and Tally ERP software

Strengthening Financial Transparency and Control

The Tamil Nadu Urban Habitat Development Board (TNUHDB), formerly known as Tamil Nadu Slum Clearance Board, is a parastatal body focused on improving the living conditions of slum families in the state of Tamil Nadu (India). TNUHDB was responsible for implementing housing schemes to the tune of INR 19,000 crores as on Mar-2025. Back in 2023, TNUHDB followed cash-based accounting and maintained its accounts books in physical registers or as spreadsheets. The low level of digitization caused delays in accounting and financial reporting. The existing financial statements prepared by TNUHDB did not effectively support users in monitoring and decision-making. Additionally, there was significant duplication of effort and manual intervention, with no established checks and balances. Recognising the need for modernization, TNUHDB undertook the initiative to introduce double entry accrual-based accounting system (DEAS), and software for financial accounting (Tally ERP) with support from the World Bank.

The Brief

TNUHDB engaged MaGC (Lead Consultant) and Tandem Consulting Pvt Ltd (Tandem) to support in the transition. The major scope of work involved conducting a comprehensive study of the existing financial procedures to develop & design re-engineered processes after incorporating DEAS. It also included the development of an accounting manual, implementation of Tally ERP software, and training of TNUHDB staff on DEAS. In addition, the assignment required the preparation of an opening balance sheet as on 1 April 2023 and the creation of a complete database of employees.

The Challenges

TNUHDB functions through its Headquarters and 21 divisions. Traditionally, each office maintained only the basic transaction records and books of accounts, with financial statements being prepared in physical ledgers.

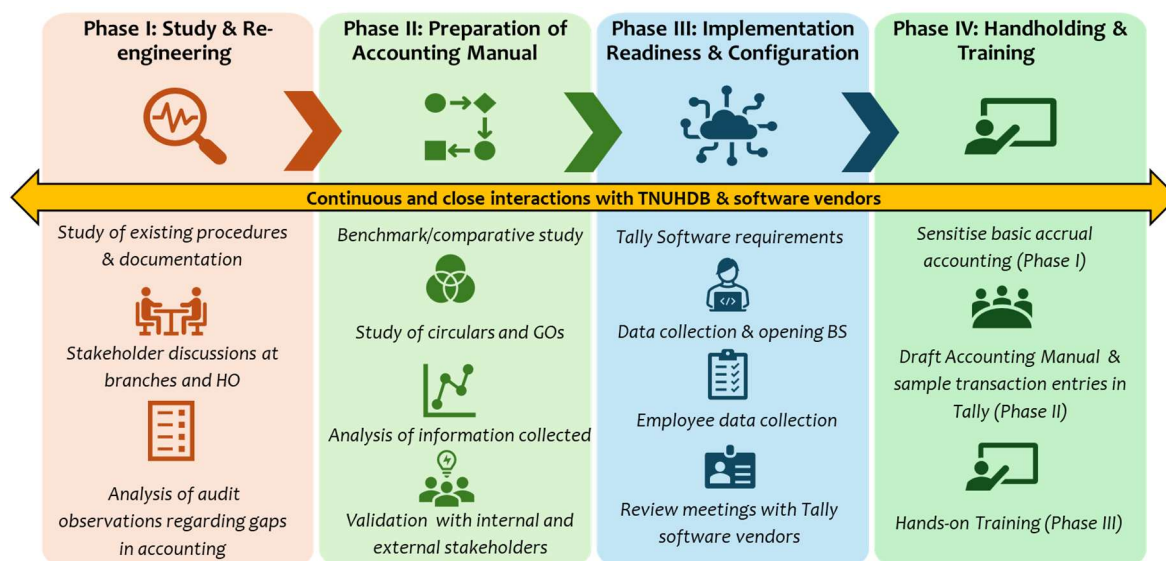
The consultants encountered many challenges during the transition to DEAS. Most of the staff managing the accounts did not come from formal accounting backgrounds, which limited their ability to adapt quickly to new practices. Moreover, existing legislation for governments did not mandate accrual-based accounting. Senior management drawn from the government were more attuned to using reports from cash basis system with limited information for their decision making. Difficulties in compiling data from manual records and consolidating was cumbersome for the OBS exercise. Together, these factors made the transition towards DEAS complex, requiring careful capacity building and strong change management.

MaGC's Approach

MaGC planned the assignment encompassing four phases. In the **first phase**, a detailed study of existing business and accounting process was undertaken to understand the operations of TNUHDB. This was done by stakeholder discussions, review of existing procedures and formats (documents, registers & annual accounts), and analysis of audit observations. Inputs from the study were used to re-engineer accounting processes for transition to DEAS, estimate resources

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required to support Tally software implementation, and recommend changes to governing legislation to facilitate DEAS transition. A comparative study of accounting practices of peer organisations was also undertaken.



In the **second phase**, the accounting manual was prepared for DEAS use in Tally environment - incorporating re-engineered processes and insights from the comparative study. The manual was validated and finalised through discussions with key internal and external stakeholders. The **third phase** involved configuring Tally software with the Chart of Accounts and Cost Centers, and preparation of the Opening Balance Sheet (OBS). The OBS was prepared to identify the assets and liabilities balances on a cutoff transition date (31st March 2023) from the current cash accounting system to the DEAS. An Employee Database was also developed for digitalisation of the payroll function.

The **final phase** involved handholding TNUHDB personnel on accounting entries creation and on-the-job training on DEAS and Tally. Training was conducted in three stages: sensitisation on accrual accounting, training on draft Accounting Manual & sample transaction entries in Tally, and hands-on training on using the Accounting Manual & Tally.

Key Outputs

MaGC produced an inception report, a hardware sizing report and a Business Process Re-engineering Report (BPR) early in the assignment. While the inception report helped set clear expectations, the hardware sizing report helped TNUHDB initiate the process for procuring the hardware and the BPR provided insights for improving existing processes.

This was followed by the recommendations on amendments to the Act and Rules which were directed at providing legitimacy to the DEAS. Along with this, the Accounting Manual was developed which was refined through multiple iterations incorporating feedback of stakeholders. The manual served/will serve as a practical guide for users, helping them understand processes in a structured and effective manner, supported by documents, reports, and clearly defined individual responsibilities.

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the opening balance sheet and employee database provided the base moving the accounting system to DEAS. This was followed by the rollout of Tally ERP, which included software configuration and close handholding support to ensure smooth recording of one year's accounting entries.

To support the implementation of DEAS, a structured hands-on training program was implemented, complete with templates, guides, and video-based resources to build the capacity of TNUHDB staff and enable them to embrace & effectively apply DEAS going forward.

Results

By implementing DEAS in Tally, TNUHDB transformed its financial management into a modern, transparent, and efficient system. This helped to achieve the objectives of the project as envisaged by the Government and relevant authorities. The accounting system now supports a complete, consolidated and integrated view of finances enabled by consistent accounting practices across all offices. Single software streamlines operations, reduces errors, saves time, strengthens internal controls, and eliminates duplication through clear maker/checker responsibilities. The system also enables seamless consolidation of accounts, improves accessibility to financial data, and supports accurate and timely reporting. Overall, the initiative helped the TNUHDB Management plan more effectively, track performance, and embrace data-driven decision-making, thereby opening access to funding opportunities and establishing a robust foundation for long-term growth and accountability.