

Integrated Accounting System Project For Tamil Nadu Civil Supplies Corporation



ICAI Accounting Research Foundation (ICAI ARF) has been proactively taking up projects of State as well as national importance with the objective of improving upon the accounting systems and benchmark the same with the best. Among a series of related achievements, the ICAI ARF recently completed an Integrated Accounting System Project for Tamil Nadu Civil Supplies Corporation (TNCSC). The main objective of the TNCSC project was to develop a set of recommendations for TNCSC to restructure their existing accounting system. Placed below is a brief report on the same. Read on...

About TNCSC

The prime objective of Tamil Nadu Civil Supplies Corporation ("TNCSC") is procurement, storage and distribution of rice, sugar, wheat, dal, palmolein oil and kerosene for supply to the family card holders under public distribution system / special public distribution system. TNCSC implements the welfare schemes announced by the State Government from time to time.

ICAI Accounting Research Foundation recently completed an Integrated Accounting System Project for TNCSC.

TNCSC has 33 regions, one in each revenue district

and two in Chennai city, headed by Senior Regional Managers / Regional Managers in the cadre of District Revenue Officer / Deputy Collector / Manager rank officers.

TNCSC has Direct purchase centres as per requirements, 21 modern rice mills, 284 Godown with storage capacity of 12.28 Lakh MT, 1455 fair price shops (full-time shops – 1178 and part-time shops – 277), 72 Amma Amudham Departmental Stores in 30 Districts, 22 Amudham Departmental Stores in Chennai and Cuddalore, 3 Petrol / Diesel Bunks, 36 Kerosene bunks, 5 LPG distribution points, 14 farm fresh vegetable shops.

About The Project

The objective of the integrated accounting system

Contributed by ICAI-ARF. Comments can be sent to arf@icai.in or eboard@icai.in

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project for TNCSC was to develop a set of recommendations for TNCSC to restructure the existing accounting system:

- (a) To produce the financial statements meeting all the commercial accounting requirements.
- (b) Generate data to assess the profitability of different businesses and operations of TNCSC (consolidated and at regional level).
- (c) To support existing TNCSC management reporting requirements.

Project Approach

ICAI ARF adopted the below approach to execute the scope of work:

- (a) Perform a current state assessment to understand and map all the existing processes of TNCSC by interacting with all the stakeholders and undertaking site visits.
- (b) Identify key gaps and propose a process with effective operation and financial controls. Present to management a process design document to enable TNCSC to select a suitable ERP to develop a comprehensive IT managed business process.

Activities Performed

The following section presents the key activities undertaken during the project viz identify and meet the key stakeholders, visit and study at select TNCSC locations, accounting process assessment, identification of gaps and recommending mitigations and preparation of process design document.

A. Meeting with Stakeholders

ICAI ARF conducted meetings with all the Heads of the Departments at the TNCSC Head office, Regional offices (wherever visits were undertaken) to understand the current processes being followed and the practical constraints if any faced by the officials in performing their day-to-day operations. The meetings also enabled ICAI ARF to identify and factor the MIS reporting requirements of the various departments.

B. Site Visits

ICAI ARF conducted multiple site visits before the submission of the draft report. During the current state assessment stage, ICAI ARF conducted extensive site visits to Head Office, Regional Offices, Direct Purchase Centres, Godowns, Modern Rice Mills, Hulling agents, CRS shops, ADS, AADS, Petrol Bunks, LPG agency, Kerosene Bunks, Farm Fresh Vegetable Shop and Spares Stores.

C. Accounting Process Assessment

TNCSC's annual accounts are prepared by Regions and are consolidated at the Head office. Each Region prepares the annual statements in 3 Parts viz Balance Sheet, Profit and Loss statements, Schedules and annexures containing various quantitative information and reconciliation statements. TNCSC's financial statements are not prepared in accordance to generally accepted accounting practices. This can be substantiated by the qualifications in the Auditor's reports.

D. Identify Gaps

A snapshot of the current state of the accounting systems and processes prevalent in TNCSC :

- Separated accounting and inventory records
- Fragmented programs and manual registers
- No system driven consolidation paths
- No cost centres, job / process cost ledgers or batch production accounting systems
- Overhead absorption rates are based on historical costs rather than standards
- No production or Material Resource Planning ('MRP') systems
- No contract costing or accounts
- Asset valuation process and integrity unclear. Asset valuation tenets unknown

E. Process Design

The integrated accounting architecture being proposed to TNCSC would lead to a more independent and focused approach, eliminating systemic and operational inefficiencies. The design architecture will facilitate integrated accounting through introduction of business operating segment within TNCSC without disturbing the present regional structure. ICAI ARF has identified cost and profit centres within TNCSC for accountability of business operating segments to facilitate and enhance the data available for management decision making.

The integrated accounting architecture being proposed to TNCSC would lead to a more independent and focused approach, eliminating systemic and operational inefficiencies. The design architecture will facilitate integrated accounting through introduction of business operating segment within TNCSC without disturbing the present regional structure.

The proposed architecture will facilitate preparation of profitability statements for each region and each identified business operating segment thereby equipping management to take critical decisions on the strategic direction of TNCSC based on Holistic Management Information System.

The proposed integrated accounting system will enable TNCSC to:

- Execute transactions in a common process
- Perform the basic accounting functions of debits and credits
- Manage non-financial data (e.g. Purchase / Work orders, assets, invoices)
- Produce monthly and annual accounts on an accrual basis
- Compare actual and Year to date results to a proper budget
- Assist in the management of the financial affairs of the organisation

- Measure performance and present standard and tailored financial reports

The proposed integrated accounting system will enable TNCSC to execute transactions in a common process, perform the basic accounting functions of debits and credits, and manage non-financial data (e.g. Purchase / Work orders, assets, invoices), among other benefits

- Generate exceptions report package to monitor and control process exceptions
- Generate results in varying dimensions (regions, business segments) and timeframes
- Generate charts and illustrate Key Performance Indicators
- Present financial information in formats that meet the expectations of government and their agencies, management and the auditors. ■



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