

**GOVERNMENT OF ANDHRA PRADESH**  
**ABSTRACT**

Finance Department – Formation of Andhra Pradesh Centre for Public Finance Systems and Services - Orders – Issued.

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FINANCE (IT) DEPARTMENT

G.O.MS.No. 192

Dated: 07-10-2016

Read the following:

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**ORDER:**

Government of Andhra Pradesh is working towards promoting the state of Andhra Pradesh as a leader in ease of doing business through effective and sustainable economic management and public services delivery while simultaneously achieving sustainable growth and development across all sectors. Comprehensive and integrated public financial management systems and services are essential for accelerating this objective in a manner that is efficient, accountable and transparent. These services and systems are indispensable in ensuring that there are processes, systems, and measurements and controls adopted and implemented to achieve the goals on a continual basis. Such initiatives are effective when they are underpinned by good institutions and governance mechanisms combined with strong IT infrastructure and service back bone which enables capture, processing, reporting and exchange of information amongst key stakeholders.

2. With the various government schemes, initiatives, projects and the expected transformation; there is a significant emphasis in the way public finances will be managed. While the strategic and reporting aspects of this public finance management rests solely with the Finance Department, there is a large expectation on the line departments to be responsible for the accurate and transparent operations and utilization of the same. The relevance of and the need to have robust IT systems and associated services to enable this strategic, operational and reporting aspects is very evident and with the growing demand for accurate, real-time and usable information for decision-making there is an urgency to this need as well.

3. In order to channel the efforts in a focused and transparent manner, key parameters such as independence of management; strategic control of Government; flexibility in organization; agility in decision making and ability to hire and retain competent and competitive human resources; were considered. Therefore, after careful consideration and due deliberations, Government of Andhra Pradesh has decided to setup the “Andhra Pradesh Centre for Public Finance Systems and Services (APCPFSS)” on the similar lines of Goods and Services Tax Network (GSTN) or National Securities Depository Limited (NSDL). Strategic control of the Government of Andhra Pradesh over APCPFSS would be ensured through measures such as composition of the Board, mechanisms of special

resolutions and shareholders agreements, induction of Government resources on deputation and agreements between the Government of Andhra Pradesh and APCPFSS.

4. The Andhra Pradesh Centre for Public Finance Systems and Services (APCPFSS) will be incorporated as a non-Government, not-for-profit, private limited company under Section 8 of the Companies Act, 2013. The Centre will be having a dedicated management structure that will be operating independently, while the overall strategic control of the government is maintained offering a vantage point for the Government of Andhra Pradesh to lay a strong foundation for implementing robust public finance systems and enabling related services to realize the objectives being pursued. On behalf of the Finance Department, the Centre will collaborate with various agencies, institutions, enterprises, departments to help in establishing practices, processes, systems and procedures that are sustainable, efficient and effective.

5. Therefore, the following orders are issued:

- i. The Andhra Pradesh Centre for Public Finance Systems and Services (APCPFSS) will be incorporated as a not for profit, private limited company under Section 8 of the Companies Act, 2013
- ii. Objectives:
  - a. Act as a nodal agency for the management of the implementation of financial management systems and related services for the Finance Department and related line departments/organizations of the Government
  - b. As a nodal agency take ownership of selection of suitable and qualified service providers, managing the service providers and ensure that the highest standards are being adopted for the implementation and the service providers are adequately staffed and facilitated in achieving the goals
  - c. While the implementation of an integrated financial management system in a time-bound manner is the main goal, in the interim APCPFSS will support the current systems and work for the smooth transition to a newer system
- iii. Services: Services offered by APCPFSS will range from research, surveys, professional consulting, change management, public finance processes/services, process harmonization and standardization, systems review, health checks, systems implementations to ongoing maintenance and upkeep services along with the management of related hardware, software and data centers. This will not be limited to delivering services to just the Finance Department based applications, but will span across all Finance Heads of Departments and other processes and systems that have a public finance management impact so as to enable a comprehensive service delivery. APCPFSS will charge service fees, user fees or a percentage of the contract

value as administrative/service charge for the services to be delivered and the revenue generated in this manner is expected to allow APCPFSS to be self-sustaining.

- iv. CFMS Project: On an immediate basis, APCPFSS will work with the Finance Department on various pending projects; streamlining and stabilizing the existing projects like budget 2017-2018, core dashboards, department portal, reporting and more importantly take up the re-launch and implementation of CFMS project on behalf of the Finance Department through a memorandum of understanding. APCPFSS will charge the Finance Department a service fee, to be mutually determined by the board of the Centre and Finance Department, for the delivery and management of this project.
- v. The APCPFSS shall be concerned with the designing, developing and delivering of all IT-enabled Financial Management Services to and the process harmonization, simplification and standardization of the processes and procedures of, the Government of Andhra Pradesh. When the delivery of a service is entrusted to APCPFSS by any Government department, the relevant rules of hiring a third party service provider are deemed to be relaxed in view of the strategic control that the Government of Andhra Pradesh shall have on APCPFSS
- vi. Equity Structure:
  - a. Authorized Share Capital (Proposed): Rs. 10 crores.
  - b. Equity Structure: Government of Andhra Pradesh 49% + Private 51%.
  - c. Private shareholders would be chosen such that they do not have commercial conflict with the proposed functions of the Centre. The board will scout for suitable and willing non-government institutions to partner.
  - d. No private shareholder shall have a stake more than 10%.
- vii. Composition of the Board: 11 Directors (Chairman; 4 Directors from Government of Andhra Pradesh; 2 from Private Shareholders; 2 Independent Directors and 2 professionals from the management structure). Government of Andhra Pradesh will have controlling interest and the right to appoint Chairman of the Board of Directors and the main management structure. These powers will be derived by Government of Andhra Pradesh through an appropriate shareholders agreement.
- viii. The Government of Andhra Pradesh will follow the following norms to nominate the members to the Board of Directors of the company:
  - a. Chairman of the Board - Special Chief Secretary/Principal Secretary, Finance Department
  - b. 4 Directors - Senior Officers from the key stake holder departments like Finance, Revenue, IT, Health, Education, Irrigation, Panchayat Raj, Home and Welfare on rotation basis.

- c. CEO will be the head of the IT division/unit of the Finance Department. In the event if the CEO is hired through open market, he/she will be deemed to be the head of the IT division/unit of the Finance Department.
- ix. Funding: While the corporation is proposed to become self-sustaining in a period of two-three years, to ensure the smooth functioning and attainment of its goals, an initial fund of Rupees thirty six crores (Rs. 36 crores) will be provided by the Government of Andhra Pradesh, through an interest-free loan, which will be repaid after 3 years through adjustment with the amounts payable towards the services rendered by APCPFSS to the Government of Andhra Pradesh. In addition, the Government of Andhra Pradesh will initially procure all the required hardware for the team and also for the delivery of various services and will assign to the Centre for maintenance and up-keep, which can be transferred to the Centre during the operationalization phase on a charge basis. APCPFSS is expected to have a self-sustaining revenue model, through various services it shall deliver to the Government of Andhra Pradesh; its departments, agencies, institutions, societies and corporations.
- x. Staffing: In addition to the Board, the following will be the initial staffing for APCPFSS and the same will be reviewed and appropriate measures taken by the board from time to time:
  - a. Management Team – Nominees of the Finance Department
  - b. Process Owners/Subject Matter Experts – A team of 25 resources to be identified from the Finance Department, Heads of Departments under the administrative control of Finance Department and other line departments/organizations and deputed on a full time basis to APCPFSS to exercise strategic control and also for bringing in necessary domain expertise. Where needed relaxation of the relevant deputation rules will be granted appropriately to ensure the service, seniority and promotional avenues of the deputed resources is not impacted.
  - c. Delivery Team – A team of 36 resources will be hired by APCPFSS from across the pool of resources supporting the current systems or through open market. For specific project mode service delivery, the resources will be engaged as part of the managed services, implementation services or service provider agreements with suitable partners
  - d. Management and Operational Team – A team of about 8-10 resources at different levels will be hired or drafted on deputation basis or on outsourcing basis

- xi. The following are appointed to be the first officers of the Andhra Pradesh Centre for Public Finance Systems and Services (APCPFSS) and will also be the first subscribers to the Memorandum of Association:
- a. Sri. Ajeya Kallam, Special Chief Secretary, Finance, as a Director of the Company and the acting Chairman of the Board of Directors (to be ratified at the first sitting of the Board of Directors)
  - b. Sri. Ravi Chandra Muddada, Secretary (R&E), Finance Department as a Director of the Company (to be ratified at the first sitting of the Board of Directors)
  - c. Ms. Hema Munivenkatappa, Special Secretary, Finance Department as a Director of the Company (to be ratified at the first sitting of the Board of Directors)
  - d. Sri. Krishna Devarayalu Vasireddy, Chief Technology Officer, Finance Department as a Director of the Company and as the acting Chief Executive Officer of the Company (to be ratified at the first sitting of the Board of Directors)
- xii. The Chief Executive Officer, A.P. Centre for Public Finance Systems and Services, shall take further necessary action in the matter including taking necessary steps for incorporation of the company as per the Section 8 of the Companies Act, 2013 and also convene the first meeting of the Board in addition to performing tasks and duties assigned as per the Articles and Memorandum of Association.
- xiii. Finer operational details like Mission, Vision, staffing structure/pattern, remuneration/ benefits of the officers/staff, constitution of organizational committees and the other aspects will be worked out by the Board of APCPFSS.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

AJEYA KALLAM  
SPECIAL CHIEF SECRETARY TO GOVERNMENT.

To

All the concerned Officers named in the order above.

Copy to:

The P.S. to Special Chief Secretary to Chief Minister.

The P.S. to Chief Secretary.

The P.S. to Minister of Finance.

The P.S. to Special Chief Secretary, Finance Department.

All Secretariat Departments

All Heads of Department/Institutions/Organizations/Societies.

SF/SC.