



CENITEX
ANNUAL REPORT
2017-18

cenitex

18 September 2018
The Hon Robin Scott MLA
Minister for Finance
Department of Treasury and Finance
1 Macarthur Street
East Melbourne VIC 3002

Dear Minister

CENITEX ANNUAL REPORT

I am pleased to submit the 2017-18 Annual Report of CenITex, including the Financial Statements for the year ended 30 June 2018, for presentation to Parliament, pursuant to Part 7 of the *Financial Management Act 1994*. CenITex is a State body under the *State Owned Enterprises Act 1992* ("Cenitex").

Yours sincerely



Randall Straw
Chair

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ABOUT CENITEX

Cenitex provides reliable, robust and contemporary shared ICT services and technology so the departments, agencies and over 35,000 employees we work with, can deliver for the Victorian public.

Created as a state owned enterprise on 16 July 2008, Cenitex delivers essential ICT services to the Victorian Government, such as identity and network management, security, user workspace and cloud services efficiently and cost-effectively at a level that individual departments working independently could not achieve.

We work closely with our customers to understand their business needs and adopt more agile and collaborative methods of working. Alongside a maturing customer engagement model, Cenitex has developed services and technology roadmaps that are pivotal to refreshing critical assets and meeting customer needs. Our technology roadmap in particular, takes advantage of the next generation of technologies offered by industry and will deliver the increased resilience and reliability our customers expect.

Our vision is to support a modern, agile and productive public sector and is driven by the government's commitment to a digital Victoria and better outcomes for our community. We play a key role in setting government direction for major corporate systems and cyber security, and for a government-wide IT capability uplift.

The Minister for Finance is the Victorian Government Minister responsible for Cenitex. Cenitex reports to the Department of Treasury and Finance for its corporate planning requirements.

Cenitex supports six Victorian Government Departments, Court Services Victoria and a large number of portfolio agencies, including the Environment Protection Authority, Public Transport Victoria, Commercial Passenger Vehicles Victoria, VicForests, Victorian Ombudsman, VicRoads and Service Victoria.

OUR CUSTOMERS



HIGHLIGHTS



\$173.2 million
in revenue



525
employees

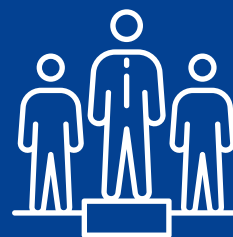


20
Victorian Government
customer departments
and portfolio agencies

All staff in the Premier's Private Office, 21 Ministerial offices and 24,000 Victorian public servants across three departments and six agencies have either completed, or begun, the migration to Windows 10 and Government Office (GO) Office 365.



\$6 million
three-year investment in
heightened cybersecurity
measures



35,000
public servants
supported

1. FROM THE CHAIR

The past 12 months have seen Cenitex continue our mission to deliver customer focused, contemporary ICT services while continuing to drive down costs. We have helped most of our customers to begin the migration to the latest productivity, collaboration and communication tools, necessary for a modern, agile and productive Victorian public sector. We also began our own technology transformation that will further improve the resilience, reliability and cost-effectiveness of our services to customers.

Cenitex ended the 2017-18 financial year with a surplus of \$1.02 million, in line with our budget forecast. The surplus is smaller than in previous years due to across the board service price reductions for customers over the past two years.

Richard Bolt resigned from the Cenitex Board in September 2017 and I would like to sincerely thank Richard for his valued service as a Board member. In June 2018, we welcomed Carolyn de Gois as our new Board member. A new Board standing committee was established, the People Strategy and Remuneration Committee, to oversee the development of people and culture strategies as well as providing recommendations for executive remuneration and remuneration compliance.

This year saw the completion of a three-year \$6 million Security Uplift Program, which has seen the establishment of a 24/7 Security Operations Centre and enhanced intrusion protection systems. The Board approved a further \$2.6 million for a new two-year program that will further mitigate the top 37 security risks as defined by the Australian Signals Directorate.

Cenitex has embarked on a multi-million-dollar IT transformation program to significantly improve the resilience, responsiveness and cost of our customer services. The transformation of our core ICT systems under the Program Fortify banner is the most ambitious technology refresh since Cenitex was formed in 2008. Program Fortify will be funded from cash reserves, which will see Cenitex run budget deficits for the next two financial years before returning to surplus in 2020-21.

Program Fortify will deliver a technology and systems platform that will increase the reliability of our core services, enhance security and disaster recovery capability, improve our operational responsiveness and the speed with which we and our customers can take advantage of new technology and deliver new services.

Cenitex has worked hard to return cost saving to customers and to negotiate the best contract pricing as a true shared service provider. We are now entering a period of transformation that will see our technology, people, processes and culture make a step change in service reliability and responsiveness for our customers.



Randall Straw
Chair

2. FROM THE CHIEF EXECUTIVE

It has been a year of achievements and challenges for Cenitex, and one that has seen our organisation emerge stronger and more resilient, primed to embark on a transformation of our core technology that will enable us to meet our customers' needs into the future.

One of the year's early success was readying our customers to adopt Windows 10 and Office 365. The year ended with 10,000 Victorian public servants using Windows 10, and many thousands more undergoing the migration to Office 365.

We were delighted to welcome a new customer in Service Victoria and began the migration of Court Services Victoria's core ICT infrastructure onto the Cenitex Government Shared Platform (GSP).

In response to our customers' requests for a clearer, more streamlined cost and consumption model, our Service Catalogue was completely overhauled to unbundle and simplify services and pricing. The result is greater transparency and easier market comparisons with more choice and flexibility in selecting services.

Our new customer service portal *Requestit*, rolled out in 2017, means our customers can now lodge faults and service requests and track their progress online. Requestit is an integral part of our focus to automate service provisioning. An automation pilot program has already reduced provisioning time for our Traveler email and calendar service onto a mobile device from two working days to just 75 minutes.

Part of our transformation involves designing new work practices and working arrangements to provide the best environment for our people, customers and technology, and on the signing of a lease for Cenitex to move into the new South Tower at 80 Collins Street in early 2020, the 'SouthBound' journey began.

We know that employee engagement is critical not just to deliver a great customer experience, but to create the kind of culture our organisation needs to thrive. We saw a small increase in employee alignment and engagement from 2016-17 and findings from our annual employee survey will inform the design principles for our new accommodation and business process transformation initiatives. A tailor made online learning and performance management system, My

Pathway, has been implemented to complement our transformation initiatives and offer leadership training to uplift capability and better support our people.

We have seen a continued gradual decline in the number of serious service incidents and improved our underlying service performance through thorough root cause analysis and the remediation of systemic issues. Taking a similar approach, we are improving the customer IT experience in regional customer offices. New hardware and software, together with an uplift in network and internet capacity and rigorous monitoring will significantly improve IT performance in regional Victoria.

A small number of serious service outages during the year highlighted resilience issues and single points of failure in our existing IT systems. In response, we have brought forward to 2018 the transformation of our core ICT infrastructure through the establishment of Program Fortify, a revolutionising initiative that will significantly improve the reliability of our services, further reduce costs and enable greater responsiveness to customer needs.

Program Fortify will also make it easier for new customers to consume our services. Our intention is to keep growing our Victorian Government customer base and increase the scale of our shared services so we can continue to reduce prices for all customers.

Cenitex ended the year with a fourth successive financial surplus, this time of \$1.02 million. Total revenue was \$173.23 million, an increase of \$5.20 million compared to the previous year, largely due to greater uptake of catalogue services by customers.

I would like to acknowledge and thank the Cenitex Board for their continued guidance and support. And I congratulate our people on their tremendous resolve, continued resilience and the passion they bring to what they do, every single day.

Together, we look forward to the coming year with confidence and renewed energy.



Michael Vanderheide
Chief Executive

3. CENITEX BOARD

Randall Straw, Chair

Kathryn Anderson

Johanna Barker

Shaun Condrón

Carolyn De Gois

Julie Fahey

Conrad Harvey

Dr Richard Tait

4. CENITEX EXECUTIVE LEADERSHIP TEAM

Michael Vanderheide,
Chief Executive

Nigel Cadywould
Director Customer Engagement

Sharon Copeland-Smith
Director Strategy and Governance

Tim Duck
Director Service Delivery

Catherine Ho
Director Finance and Business Systems

Catherine Proud
Director Human Resources

FAMILY SAFETY HUBS

Cenitex worked with Family Safety Victoria (FSV) to set up the first of a series of Family Safety Hubs across Victoria.

The hubs will house staff from the Department of Health and Human Services (DHHS), FSV and other regional agencies in a single location to provide comprehensive support and case management services for people suffering from the trauma of family violence.

Working with vendors, agencies and other third parties, Cenitex Network and Facilities teams installed and configured the complex network connections to enable staff to perform their important work.

The completed hubs in Barwon and Mallee will act as a model for other hubs in regional Victoria.



5

YEAR IN REVIEW

5. YEAR IN REVIEW

Our Goal

To deliver customer focussed ICT services that support a modern, agile and productive public sector.

Our Values

Accountability, Courage, Initiative, Collaboration and Respect

Our customer promise

We provide reliable, easy to use, contemporary technology to enable our customers to deliver for the Victorian community 24/7.

Our strategic objectives

The Victorian Government's ICT strategy articulates a digital-first, citizen-centric delivery of government services and transactions. Cenitex supports this strategy through a customer-centric approach and the provision of ICT services that directly support new service delivery models. We have committed to the following four strategic objectives:

- Improve service quality and drive down costs
- Drive a focus on customer service and grow our customer base
- Build a high performing and engaged organisation by investing in our people
- Embrace innovation and rapidly introduce new ICT services.

Great service that meets your needs in a timely manner

Be it resolving an issue or keeping you up to date with technology, our focus is on rapidly responding to your needs. Our team will take ownership of your issues and see them resolved to your satisfaction

A highly dependable and secure platform to Government

We focus on delivering highly reliable technology so you can focus on delivering great Government services

Value for money

With a deep understanding of Government our services will not only meet your needs but be cost attractive. We are part of Victorian Government and our sole focus is on delivering the best value technology to the public sector.

5.1 IMPROVE SERVICE QUALITY AND DRIVE DOWN COSTS

Government Shared Platform customers are now able to request services, report faults, ask for help and view the progress of requests online using the new customer service portal, Requestit.

Cenitex is also using Requestit as the foundation to automate and improve the delivery of services.

A common customer request is for the mobile email access service, Traveler. Now fully automated, Traveler reduces the time from the initial request to service provision on a mobile device from two working days to 75 minutes.

The removal of manual handling has saved Cenitex over half a million dollars of resource-hours per annum, enabling staff to focus on more valuable work.



Got an IT need?
requestit

- Use the self-service online portal to request a service, ask for help and view updates on your tickets**
- Manage your approvals on the go by email**
- Register to unlock your account and reset your password in Requestit**

Type 'requestit' into internet explorer and see how it easy it is

Requestit – the easy new way to contact the IT Service Centre

cenitex

New Service Catalogue

As a shared service provider, our service offerings must meet our customers' business needs and represent the best value for money.

To improve service choice and price transparency, Cenitex undertook a major review of its Service Catalogue and cost model.

The new Service Catalogue and cost model unbundles previously packaged ICT services enabling customers to have greater efficiency, transparency, choice and flexibility with their technology requirements. It is competitive and comparable to other market offerings with the ability to pass on cost efficiencies directly to Cenitex customers. The new Service Catalogue will enable us to effectively leverage the scale, efficiency and agility of the market to service and support our customers better.

Working closely with the Department of Treasury and Finance, the cost model was reworked to remove historical anomalies and apportion costs in a more equitable manner. A pricing strategy was developed

and new pricing benchmarked against the market. Customers were consulted on cost changes and on the different services packages they wanted introduced.

The new Service Catalogue will be released in 2018-19.

Security Uplift Program

This year saw the completion of the three-year \$6 million Security Uplift Program, which included the establishment of real-time threat management through a 24/7 Security Operations Centre (SOC) and upgrades to intrusion protection systems across the Government Shared Platform (GSP) and DHHS. A new

5. YEAR IN REVIEW

Secure Sockets Layer (SSL) Inspection platform and new Public Key Infrastructure (PKI) certification to address the increasing threat of malicious content hidden inside encrypted web content and applications was also introduced.

New endpoint security protection was added to protect the GSP network when accessed via remote devices, such as laptops or other wireless and mobile devices.

Phase two of the Security Uplift Program was approved by the Cenitex Board and will provide a

further \$2.6 million to mitigate the security risks as defined in Australian Signals Directorate Top 37 security remediation measures.

Enterprise resource planning

Following the adoption of the Government Office (GO) Office 365 productivity, collaboration and communication tools in 2016-17, Cenitex introduced a new Enterprise Resource Planning (ERP) system using Microsoft Dynamics 365. Financial reporting was migrated off Oracle Financials to the Dynamics NAV system, while a new Customer Relationship

Reduction in severe incidents

Major incidents are classified as Severity 1 and Severity 2 incidents and involve one or a combination of:

- an outage that affects more than one customer
- a technical issue that requires more than one Cenitex support team or a supplier's support team to resolve
- a security incident, or
- the resolution of a less severe incident (Severity 3 and 4) taking more time than agreed to in a customer's service level agreement (SLA).

We have experienced an overall decline in Severity 1 incidents over the past 12 months, following a targeted program of initiatives that assessed and mitigated operational legacy root cause risks.

Issues relating to intermittent network access, internet slowness and a data centre power outage during the second half of 2017 led to a spike in Severity 2 incidents, which has since declined, and the overall trend is falling slightly.

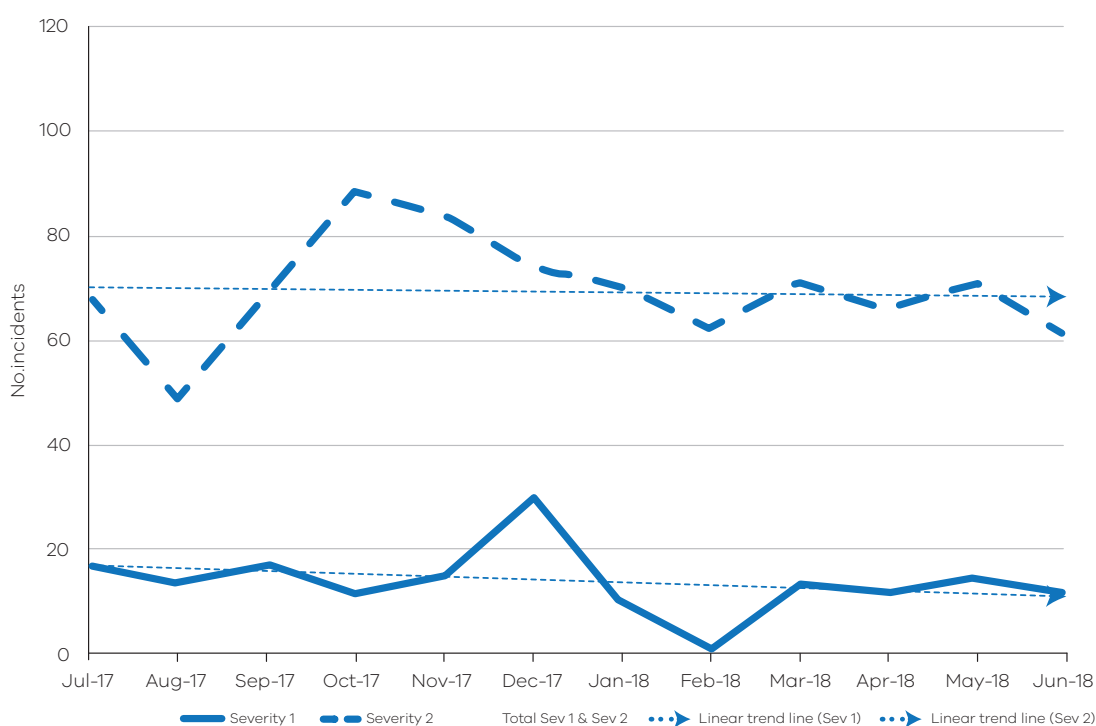


Chart 1: Frequency of severe incidents 2017-18

Management (CRM) system and tools to manage the projects portfolio completed the upgrade.

The ERP system will improve transparency and accuracy in financial and project reporting and development of customer project proposals. The CRM has already increased our visibility of shared and individual customer issues, enabling an efficient and consistent response when addressing matters.

Service interruptions

There was a decrease in severe incidents over the past 12 months, however a small number of short and severe interruptions caused disruption and inconvenience to our customers.

On a Friday evening in late November 2017, repeated lightning strikes on a data centre in Burwood utilised by Cenitex caused an 11 second power outage. Some infrastructure services came back online immediately but the incident left Cenitex and its customers' ICT teams dealing with an unprecedented number of system and services disruptions.

An independent review acknowledged Cenitex and customer staff 'going above and beyond' to restore nearly all services by Monday morning. However, the report highlighted the need for planning and the deployment of processes and procedures to manage an extraordinary incident. Cenitex has since undertaken a complete review of its incident management processes and crisis communications plan.

Isolated periods of intermittent network and internet access highlighted resilience issues and single points of failure in our existing IT systems. Having completed the architectural design for a new state of the art network and hosting environment, Cenitex established Program Fortify in the 2017-18 financial year to transform our core ICT systems. The two year program will create a fundamental change to the technology that underpins the organisation's service delivery.

Program Fortify

Fortify will significantly increase the reliability of our core services, enhance security and disaster recovery capability, improve our operational responsiveness and the speed with which we and our customers can take advantage of new technology and new services.

In addition to technology transformation, Fortify will look at organisational design - the way our people work and collaborate, and the way we work with our customers. It will address cultural mindsets and behaviours, the way our teams are configured and uplift the capability of our people ensuring they have the skills and support to thrive in this new paradigm.

Cenitex is investing more than \$30 million over the next two years to transform the technology that delivers services to customers. The technical transformation driven under Fortify has four streams:

- Digital Workplace – allows secure, ubiquitous access anytime, anywhere and anyway to office productivity tools and business applications at a lower cost than the current desktop service.
- Software Defined Data Centre – refresh of critical hosting infrastructure to increase the reliability and resilience and enable effortless disaster recovery capability between on-premise data centres and the cloud.
- Software Defined Network – an integrated network architecture optimised for the delivery of shared ICT services and advanced cyber security options.
- Smart Internet Gateway – a highly scalable gateway enabling secure access to cloud services in the office, at home, on the road and overseas, and removes the dependency on data centres for securing user traffic to the internet and cloud services.

Fortify will further improve the responsiveness of our services and make the provision of services faster, by embedding end-to-end service automation and improve internal business processes.

5. YEAR IN REVIEW

Performance of IT Service Centre

Around 32,000 requests are received by the IT Service Centre each month. We are committed to continuously improving our customers' experience and measure satisfaction with a monthly email survey to approximately 1000 of those requestors. Cenitex has exceeded its target of 85 per cent Satisfied every month.

The IT Service Centre supports customers with standard and premium service levels. Common to all customer Service Level Agreements (SLAs) is the requirement to quickly answer and resolve customer service requests and reported faults. Cenitex's performance during 2017-18 has consistently exceeded its SLA to resolve 70 per cent of service requests and faults within two hours.

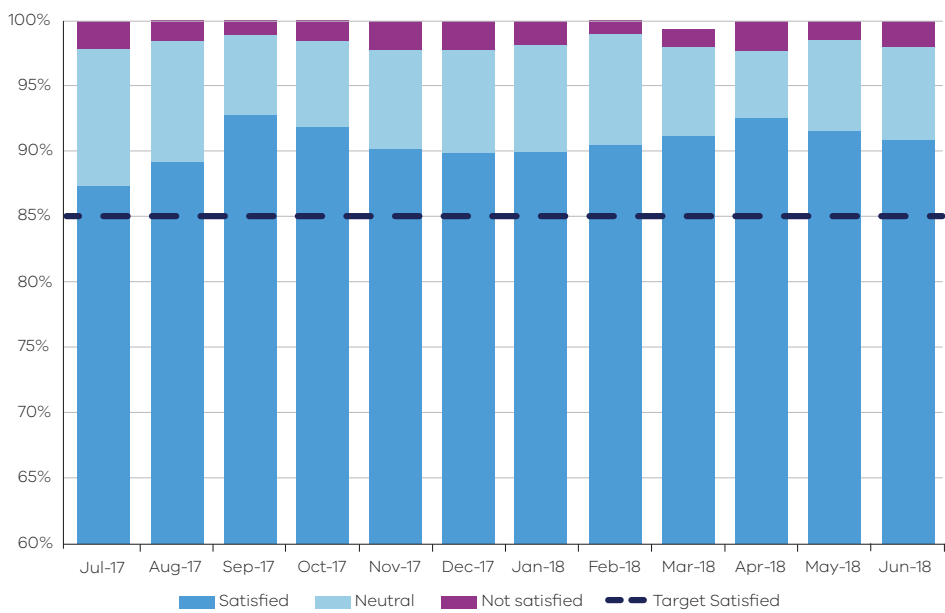


Chart 2: Customer satisfaction with the IT Service Centre

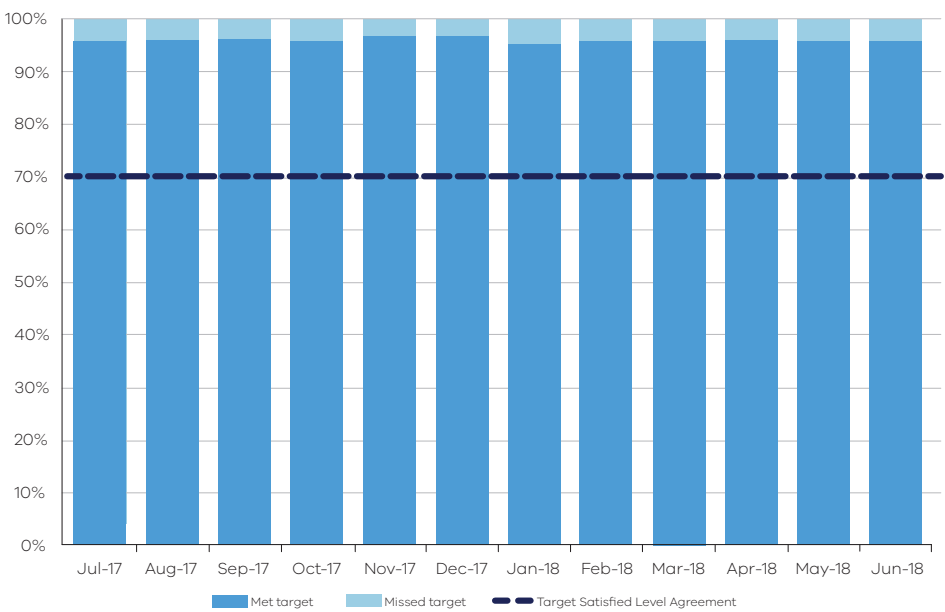


Chart 3: First level resolution of requests and faults

Performance against Corporate Plan

Outcome	Target	Status
Service availability greater than 99.8 per cent	Monthly SLA review	99.75 per cent average service availability across file and print, email, calendar, network, internet, collaboration tools and email archiving.
Interactive service reports available to customers in real time	2nd quarter 2017-18	On hold pending overhaul of underlying reporting technology and real-time data capture.
Asset Management Strategy implemented	Monthly review against budget and expected benefits	Implemented 3rd quarter 2017-18.
Service Roadmaps aligned to customer needs	Account Plans articulate link to Service Roadmaps	Quarterly review of Service Roadmap; customer requirements reported in Account Plans.
Service Automation to drive efficiency	10 per cent increase in automation of GSP services	Saved \$1 million in resource hours from automating the provisioning smartphone, email and calendar services and removal of manual handling of DHHS email support requests.
Enterprise Resource Platform implemented	1st quarter 2017-18	Implemented 2nd quarter 2017-18

POWER SAVING
IN GOVERNMENT

The Victorian Government became the first state government in Australia to legislate for net zero emissions by 2050 when it passed the Climate Change Act 2016. As part of the plan for a low carbon future, the Victorian Government pledged departments would take action to combat climate change by assessing energy use, transport and waste, as well as finding cleaner, greener ways to operate.

The Department of Environment, Land, Water and Planning's (DELWP) Climate Change Unit is leading a Victorian Government power saving initiative to shut down unused workstations after business hours, which brings both monetary and environmental benefits. Cenitex is assisting by acting as a single point of contact for the project across our customer base.

5. YEAR IN REVIEW

5.2 DRIVE A FOCUS ON CUSTOMER SERVICE AND GROW OUR CUSTOMER BASE

Just before Christmas 2017, Cenitex successfully migrated the Premier and staff in the Premier's Private Office (PPO) onto GO Office 365.

In recognition of the unique work pressures and responsibilities of the PPO, migrating, training and supporting staff required very careful planning.

To enable a smooth transition to Windows 10, Outlook and OneDrive, Cenitex worked in close partnership with the Department of Premier and Cabinet (DPC) on an adoption strategy so staff could come up to speed with the new tools as quickly as possible.

PPO staff took part in a series of flexible learning and information sessions organised by our people. Post roll out, individual just-in-time training and support was available, including mail set-up on mobile phones and training sessions that staff could choose to best suit their needs.

Following the success of the PPO uplift, DPC asked Cenitex to migrate Ministers and staff in 21 Ministerial Offices onto the same platform in three months. One standard operating environment now operates across the offices, offering a much higher level of support and efficiency than before.



Welcome to Service Victoria and Court Services Victoria

Cenitex welcomed two new customers with the signing of Memorandums of Understanding (MoU) with Service Victoria and Court Services Victoria.

Service Victoria brings together the most used government services onto one website ensuring the Victorian community can more easily and quickly access their most-used government transactions online. Service Victoria uses the Cenitex high speed private internet link, CloudLink, to connect to Amazon Web Services (AWS).

Service Victoria is using Cenitex's AWS Direct Connect service, to support the Department of Justice and Regulation's Working with Children Check Unit (WWCU), allowing the public to submit and manage their WWC Check via the Service Victoria website.

In June 2017, VicRoads signed a similar MoU to use the Cenitex 24/7 Security Operations Centre to enhance its cyber security capabilities and consume services from the Cenitex Service Catalogue.

Court Services Victoria (CSV) began the transition of its core IT infrastructure onto our GSP this year. The new agreement established the framework for CSV to begin the migration to Windows 10 and GO Office 365 and consume services from the Service Catalogue.

Innovation and Services Group

The new Innovation and Services Group replaced the former Cloud Services Group. The forum represents the interests of Cenitex customers in the future design and implementation of new and enhanced catalogue services; and explores common interests, innovation and opportunities to deliver benefits to customers and government as a whole.

Customers discuss their challenges and outline their future plans, leverage ideas for re-use, partnering and brokering, and share lessons learned. Cenitex uses the forum to seek input for the design of new services, clarify customer needs and expectations and prioritise the delivery of new services on the Services Roadmap. It also provides a platform to share the scope and benefits of new and enhanced services, project plans and delivery dates.

Customer virtual teams

Customer Engagement account teams have established virtual teams as a more effective way to support customers. The virtual support team model

PROCESSING BILLIONS

The Department of Health and Human Services (DHHS) has replaced its BPS (Budget and Payments System) with MAPS (Modelling and Payments System) on an all new platform. The new system, like its predecessor, interfaces with the department's Oracle Financials system and facilitates payments worth approximately \$12 billion to hospitals each year. Cenitex helped build the infrastructure that the system runs on and the first \$1 billion payment utilising this new platform was successfully processed to pay hospitals in June 2018.

5. YEAR IN REVIEW

draws upon designated subject matter experts from the operational teams and meets regularly using the Agile stand-up meeting technique to review the current account and project status, prioritise activities and to agree next steps and logistics.

Customer satisfaction survey

The Customer Satisfaction Survey is a joint partnership between Cenitex and our customers. Measuring the satisfaction level for IT services provided by Cenitex for our customers, and IT services departments and agencies provide for their staff, it is structured into four sections Services, Support, Communications and Overall Satisfaction.

Cenitex undertook its third annual customer satisfaction survey in April 2018. The survey is independently run by market research experts, Andrews Group.

The results were based on 2047 responses, representing 7 per cent of the 35,000 Victorian public

servants supported by Cenitex. The sample was drawn from a broad base of customers across all employment grades, roles and technology usage types (i.e. office based, mobile worker, tablet user, scientific power user) working in Melbourne's central business district and metro area, and regional and international locations.

There has been an overall increase in satisfaction with IT services. Satisfied respondents averaged 54 per cent across the 13 services tested, an improvement of 2 per cent on last year. Many changes being made to services have been well-received by end users, such as the roll-out of new hardware devices, Windows 10 and Microsoft Office, and improvements to the remote working experience.

Overall satisfaction with IT support remained fairly consistent at an average rating of 6.3 out of 10 (where 1=extremely dissatisfied and 10=extremely satisfied), down from 6.6 in 2017 and 2016.

Performance against Corporate Plan

Outcome	Target	Status
Customer Account Plans developed and implemented	1st quarter 2017-18	Implemented 2nd quarter 2017-18
Customer Acquisition Strategy implemented and reported	1st quarter 2017-18	Presented to Board 1st quarter 2017-18
Customer satisfaction survey action plans implemented and reported	2nd quarter 2017-18	Incorporated into Account Plans 2nd quarter 2017-18
Three new customers consuming services	4th quarter 2017-18	One new customer: Service Victoria consuming CloudLink high-speed internet service
Review and refresh both the inter/intranet sites	2nd quarter 2017-18	Internet refreshed, intranet deferred to 2018-19

5.3 BUILD A HIGH PERFORMING AND ENGAGED ORGANISATION BY INVESTING IN OUR PEOPLE

In February 2020, Cenitex will move to a new home, the South Tower at 80 Collins Street. Our people will continue to occupy the lower levels of the North Tower until the building has been completed.

Our new state-of-the-art facilities will offer great opportunities for our people to work more collaboratively and adaptively. The Cenitex 'SouthBound' team is developing a Workplace Strategy that considers ways of using the new space to support evolving work practices, virtual teams, and support greater role flexibility.

People Strategy and Remuneration sub-committee

Program Fortify is not just a technological transformation but will open up opportunities for current staff to learn new skills, build on their experience and fulfil their career ambitions. The Cenitex Board established a new sub-committee (incorporating the existing Remuneration Committee) focused on people strategy and succession planning to better support and engage staff and teams to manage the changes ahead.

Diversity and Inclusion Strategy

A Diversity and Inclusion Strategy has been endorsed by the Cenitex Executive Leadership Team, with a Diversity and Inclusion Leadership Council to be

established in 2018-19 and supporting activities rolled out. These activities will align with broader organisational programs including Program Fortify and SouthBound.

Gender balancing

Cenitex has adopted a requirement for gender balanced short-listing of applicants for all new Executive and General Manager roles. The Executive Leadership Team has achieved gender parity and 40 per cent of our General Management team are women.

Supporting current and future leaders

Cenitex strives for a culture where all our people have the potential to realise their career aspirations and thrive. We have a series of leadership and development programs to enhance the potential of our current and future leaders, focussing on skills training from foundation through to senior leadership. These programs include a structured leadership

ADOPTING BEST PRACTICE

To ensure the 35,000 Victorian public servants who rely daily on our services have the support they need at their fingertips, our IT Service Centre is building on its expertise and knowledge of remote desktop assistance. This has seen an increase in our first, second and third level support analysts regularly remoting into customers' devices to help resolve faults and service requests.

Following visits to our IT Service Centre and consultation with the Cenitex Service Centre Manager, The Department of Treasury and Finance's (DTF) newly formed Information and Technology Services TRIM Support team has started using remote desktop assistance. DTF rolled out the last version of TRIM, a records management system during the year. Remote desktop assistance will help internal support teams provide a higher service level to their TRIM users. The Cenitex Account Team will continue to work with DTF to identify further opportunities for remote desktop assistance.

5. YEAR IN REVIEW

pathway designed for our new and emerging people managers, supported by group coaching sessions to embed the learning and enable our leaders to put their new skills into practice.

The Senior Leaders program for our General Managers and high potential leaders was designed in partnership with the Melbourne Business School to ready our senior leaders as part of our succession plan. Modules are spread over 12 months and cover strategy, corporate governance, finance and business acumen, and creating value for stakeholders.

Graduate program

At Cenitex we see our graduates as our future leaders and we are fortunate that four talented graduates from our 2017 program accepted ongoing roles at Cenitex.

Our Graduate Program is a key part of our strategy to attract, retain and develop the best people. The program continues to grow and this year eight graduates are working in rotation across Cenitex teams and with our customers. The program is supported by a reverse mentoring program where our graduates provide feedback and input to senior management on the organisational direction of Cenitex.

Our graduates work on real-world ICT projects that support a modern, agile and productive public sector, and underpin the State Government's commitment to

a digital Victoria and better outcomes for our community.

My Pathway

My Pathway is Cenitex's new online learning and performance management system. It has two core modules to support both the Performance management and Learning processes at Cenitex.

The Learning module is the booking system for training programs. It will help facilitate the development of learning networks and can share articles and learning in key areas such as leadership. Over time the system will house a catalogue of programs and ways of learning that best meets our people's needs.

The Performance module supports the annual performance process, including performance planning, mid and end of year reviews. The module provides greater visibility of progress and the status of performance planning and makes performance plans accessible throughout the year.

Employee engagement survey

Cenitex conducts a staff alignment and engagement survey annually. The 2017-18 survey showed a 1 per cent increase in engagement from the 2015-16 survey. The findings of the survey inform improvement initiatives around team action planning, business process improvement and cultural change initiatives.

Performance against Corporate Plan

Outcome	Target	Status
Customer 2020 change management program delivered	3rd quarter 2017-2018 outcomes review	Completed 3rd quarter 2017-18
Accommodation and Work Practices Strategy approved	2nd quarter 2017-18	Completed 3rd quarter 2017-18 and will inform the design principles for the new accommodation in 80 Collins Street.
Develop and implement an Attraction and Retention Strategy	4th quarter 2017-18	Deferred to align with Program Fortify
Diversity Program implemented and reported	3rd quarter 2017-18	Approved 3rd quarter 2017-18; implementation deferred to align with Program Fortify
Staff Engagement and Alignment Survey improved engagement	5 per cent increase in overall engagement	1 per cent increase compared to 2015-16 survey

SCRUM MASTERS IMMERSION PROGRAM

To further the adoption of Agile working methods, Cenitex launched a Scrum Master Immersion Program. Participants gained a thorough understanding of the Scrum methodology by participating in the Scrum sessions of the Project Delivery teams that already use Agile to deliver internal and customer projects. Nine staff achieved Scrum Master certification via Scrum.org and will be called on to conduct future Scrum sessions. The program will continue to grow our internal capability so that more teams can rapidly take advantage of the Agile tools and methods.

5. YEAR IN REVIEW

5.4 EMBRACE INNOVATION AND RAPIDLY INTRODUCE NEW ICT SERVICES

This year, we unbundled services in the Service Catalogue to give customers more flexibility and choice and make it easier to compare Cenitex services and prices to the commercial market.

The 2018-19 Service Catalogue offers new services that fulfil our strategy of offering more cloud-based and brokered services. New services in the catalogue include:



GO Office 365 power application add-ons: Dynamics 365 and Power BI.



GO Connect: a seamless, always-on, remote connection from a corporate PC or Notebook to the internal corporate network, regardless of location.



GO FEX: secure exchange of files from externally hosted sources to the internal corporate network via the internet.



GO Phish: an ethical phishing email service designed to educate users to identify and deal with malicious emails.



VicCloud Azure and AWS cloud hosting platforms tailored for the Victorian Government security and privacy standards.



Managed Office Wi-Fi: keeps staff, partners, suppliers and customers connected to applications and content.

Migration to Windows 10 and Office 365

The completion of GO Office 365 readiness assessment across the Cenitex customer base has resulted in three departments and six portfolio agencies, and around 24,000 Victorian public servants, beginning their migration to Windows 10 and the Office 365 tool sets. The Victorian Ombudsman and the Victorian Civil & Administrative Tribunal (VCAT) successfully completed a full migration during the year.

Regional User Experience Program

Improving the IT experience of our regional customers is of paramount importance. This program was set up at the start of the 2017-18 to uplift the experience of customer staff in regional and rural areas who were experiencing latency

issues with the office network, internet and legacy applications. An IT refresh for DEDJTR and DELWP offices is now underway, refreshing hardware and migrating people to Windows 10 and Office 365, which should alleviate many of their issues. To closely monitor the program, two regional offices will be subject to deep dive monitoring of hardware, applications and the network to analyse what is happening at these sites.

Customer Project Delivery Performance

Cenitex earned \$22.7 million from customer projects in 2017-18, \$1.7 million in excess of budget but slightly down on the \$23.79 million earned the previous year.

During 2017-18 Cenitex opened a total of 358 customer projects. Of these, 40 were major projects valued at over \$100,000.

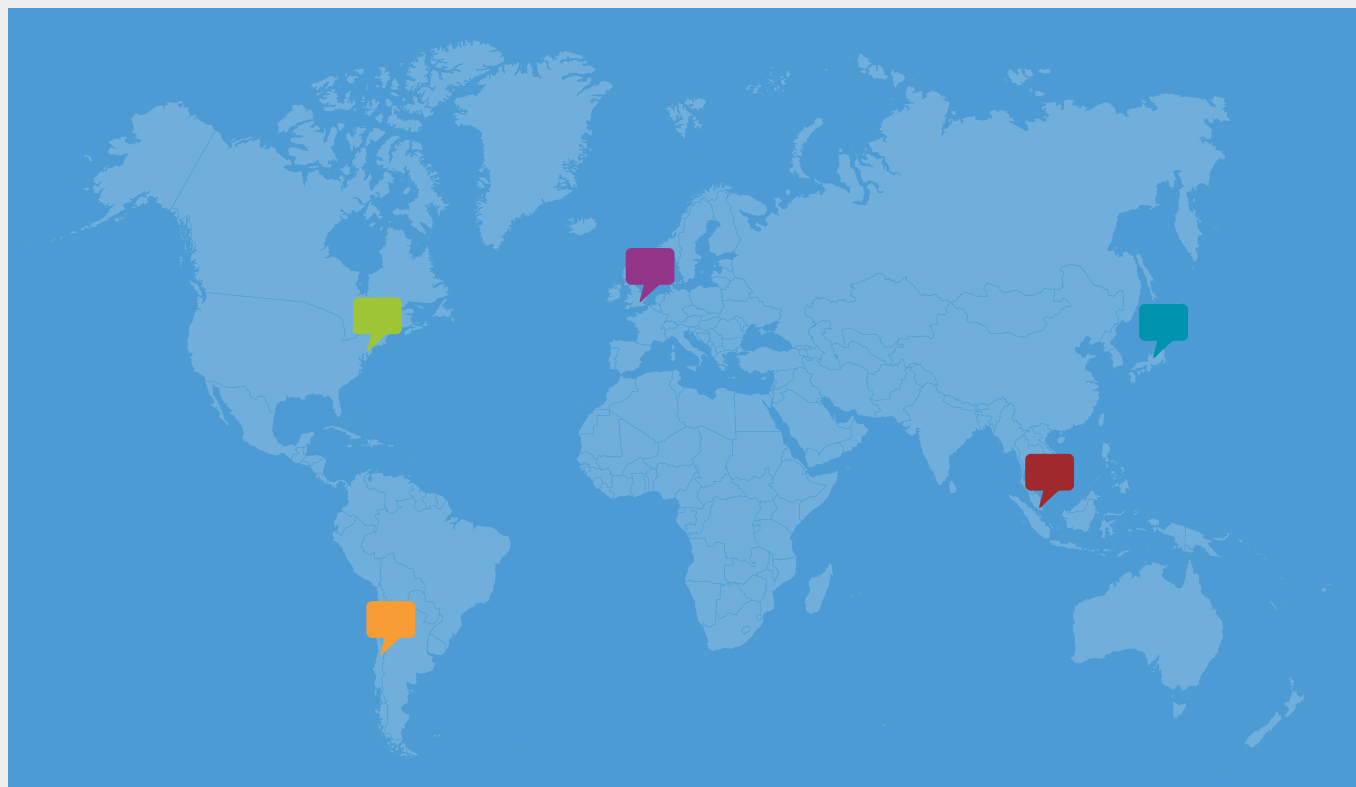
Performance against Corporate Plan

Outcome	Target	Status
Two-year Technology Roadmap agreed with customers	4th quarter 2017-18	Technology and Security Roadmaps presented to customers at SAC 4th quarter 2017-18
GO Office 365 uptake by three customers	4th quarter 2017-18	DEDJTR, CSV, PTV, DJR all began migration to GO Office 365 during 2017-18
Cenitex Innovative Work-practices program developed and reported	3rd quarter 2017-18	Deferred to align with Program Fortify
Phase 2 – 2020 Security Strategy approved	4th quarter 2017-18	Approved 4th quarter 2017-18

5. YEAR IN REVIEW

GO CONNECT (ALWAYS ON VPN) GAINS UNIVERSAL PRAISE

DEDJTR maintains a global network of over 20 Victorian Government Trade and Investment offices to lead the Victorian Government's strategy to increase the state's export opportunities as well as attract international business investment to Victoria to create Victorian jobs and grow the economy. Cenitex helped DEDJTR to upgrade its international offices Windows 10 with a new 'Always on VPN' service, known as GO Connect. Below is a sample of the overwhelmingly positive feedback the service has received.



London

"The 'Always on VPN' feature is amazing. I've saved at least half a day in man-hours not having to log back onto VPN. No drop-outs or interference switching between Wi-Fi and cable either which is fantastic!"



Singapore

"It has revolutionised my working day. If your department's KPIs are to increase productivity, this is something to roll out and highlight! You always get back to us, you are patient and you always fix the problem."



Tokyo

"Just to report to you briefly how the new PC with Always on VPN Mode was working at my home in Osaka under Wi-Fi environment. Overall, it works very well and working remotely from my home office can be done without any problems."



New York

"So far so good! It's brilliant, thank you."



Santiago

"Performance has been great. Automatic connection to VPN has been working flawlessly over the past two weeks - connecting when I turn the laptop on and staying connected even when the computer has been sleeping awhile. I have had no problem to report whatsoever."

6

FINANCIAL REPORT

6. FINANCIAL REPORT

6.1 SUMMARY OF FINANCIAL RESULTS

	2016	2017	2018
	\$'000	\$'000	\$'000
Services provided to other Government entities	152,979	166,344	171,548
Total income from transactions	155,164	167,807	173,225
Total expenses from transactions	(146,799)	(161,255)	(171,703)
Net results from transactions before depreciation and amortisation	25,780	19,434	14,480
Net result from transactions	8,365	6,552	1,522
Net result for the period	7,472	7,039	1,018
Net cash flow from operating and investing activities	16,667	(12,550)	(3,942)
Total assets	110,739	111,488	113,291
Total liabilities	36,047	29,757	30,233

Cenitex is pleased to report a surplus of \$1.02 million for 2017-18. The surplus is smaller than in the past few years due to the impact of across the board price reductions of up to 8 per cent over the previous two financial years, a strategy adopted as the means to return efficiency gains to customers.

Despite the price reductions, revenue has increased to \$173.23 million due to the increased consumption of workplace services by customers and their uptake of new cloud and desktop services.

Over the year, Cenitex worked progressively to modernise its technology platforms, delivering new services and adopting new toolsets to improve enterprise capabilities. The expenditures associated with these initiatives have caused a disproportionate increase in expenditure to revenue. Changes in the way we deliver technology to customers means less assets are being refreshed in the traditional manner. The Operating Statement shows a depreciation charge from legacy asset platforms and increased expenditures related to new cloud-based technologies.

Cenitex continues to build on technology and security initiatives of prior years. We completed the design and conceptual implementation of a software designed network, which will allow information to flow more effectively for our customers. New services such as GO Connect and GO FEX were brought to the Service Catalogue to enhance customer productivity.

A foundational implementation of the Customer Relationship Management and Project Management modules in our Enterprise Resource Planning suite was completed and now provides a platform to build improved reporting capability. Cenitex also implemented a new IT financial management tool to shift its cost model to a more dynamic platform to better inform decisions on resource utilisation.

In summary, Cenitex has improved its internal productivity by producing more outputs while holding its headcount and contracted expenditures stable.

DECLARATION IN THE FINANCIAL STATEMENTS

The attached financial statements for Cenitex for the year ended 30 June 2018 have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for Finance under the Financial Management Act 1994, applicable Financial Reporting Directions, Australian Accounting Standards including interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to and forming part of the financial statements, present fairly the financial transactions during the year ended 30 June 2018 and the financial position of Cenitex as at that date.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 31 August 2018.



Randall Straw
Chair



Michael Vanderheide
Chief Executive



Catherine Ho
Chief Financial Officer

Melbourne
31 August 2018

6. FINANCIAL REPORT

HOW THIS REPORT IS STRUCTURED

Cenitex has presented its audited general purpose financial statements for the financial year ended 30 June 2018 in the following structure to provide users with the information about Cenitex's stewardship of resources entrusted to it.

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6. FINANCIAL REPORT

COMPREHENSIVE OPERATING STATEMENT

For the financial year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Income from transactions			
Services provided to other government entities	2.1	171,548	166,344
Investment income		1,488	1,282
Fair value of assets received free of charge or for nominal consideration		189	181
Total income from transactions		173,225	167,807
Expenses from transactions			
Employee benefits	3.1.1	82,558	78,613
ICT expenditure	3.2	59,490	53,839
Depreciation	4.1.1	12,958	12,882
Occupancy expenses	3.3	13,140	13,003
Other operating expenses		3,557	2,918
Total expenses from transactions		171,703	161,255
Net result from transactions		1,522	6,552
Other economic flows included in net result			
Provision for doubtful debts	5.1.1	214	(335)
Net gain/(loss) on disposal of non-financial assets		(710)	189
Net gain/(loss) from revaluation of long service leave liability		(8)	633
Total other economic flows included in net result		(504)	487
Net result		1,018	7,039
Total other economic flows – other comprehensive income			
Items that may be reclassified subsequently to net result			
Changes to financial assets available-for-sale revaluation surplus		309	–
Comprehensive result		1,327	7,039

The above comprehensive operating statement should be read in conjunction with the accompanying notes.

BALANCE SHEET

As at 30 June 2018

	Note	2018 \$'000	2017 \$'000
Assets			
Financial assets			
Cash and deposits	6.1	28,174	32,156
Receivables	5.1	15,181	8,036
Investments and other financial assets	4.3	15,626	15,000
Total financial assets		58,981	55,192
Non-financial assets			
Property, plant and equipment	4.1	31,988	38,539
Intangible assets	4.2	615	2,154
Prepayments	5.2	21,707	15,603
Total non-financial assets		54,310	56,296
Total assets		113,291	111,488
Liabilities			
Payables	5.3	11,588	10,295
Finance lease liability		181	204
Employee-related provisions	3.1.2	16,743	16,842
Unearned Revenue		1,721	2,416
Total liabilities		30,233	29,757
Net assets		83,058	81,731
Equity			
Accumulated loss		(46,241)	(47,259)
Financial assets revaluation surplus		309	–
Contribution by Owners		128,990	128,990
Total equity		83,058	81,731
Commitments for expenditure	6.2		
Contingent assets and contingent liabilities	7.2		

The above balance sheet should be read in conjunction with the accompanying notes.

6. FINANCIAL REPORT

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2018

	<i>Accumulated loss</i>	<i>Financial assets revaluation surplus</i>	<i>Contributions by Owners</i>	<i>Total</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Balance at 1 July 2016	(54,298)	–	128,990	74,692
Net result for the year	7,039	–	–	7,039
Balance at 30 June 2017	(47,259)	–	128,990	81,731
Net result for the year	1,018	–	–	1,018
Other comprehensive income for the year	–	309	–	309
Balance at 30 June 2018	(46,241)	309	128,990	83,058

The above statement of changes in equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT

For the financial year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Receipts			
Receipts from other government entities		167,793	173,142
Interest received		1,171	1,282
Goods and services tax received (net)		5,632	3,147
Total receipts		174,596	177,571
Payments			
Payments to suppliers		(101,797)	(101,930)
Payments to employees		(71,418)	(63,887)
Interest and other costs of finance paid		(5)	7
Total payments		(173,220)	(165,810)
Net cash flows from operating activities	6.1.1	1,376	11,761
Cash flows from investing activities			
Payments for investments		–	(15,000)
Payments for non-financial assets		(5,327)	(9,340)
Proceeds from sale of non-financial assets		9	29
Net cash flows from/(used in) investing activities		(5,318)	(24,311)
Cash flows from financing activities			
Repayment of finance leases		(40)	(82)
Net cash flows from/(used in) financing activities		(40)	(82)
Net increase/(decrease) in cash and cash equivalents		(3,982)	(12,632)
Cash and cash equivalents at the beginning of the financial year		32,156	44,788
Cash and cash equivalents at the end of the financial year	6.1	28,174	32,156

Non-cash transactions are disclosed in Note 6.1.1.

The above cash flow statement should be read in conjunction with the accompanying notes.

6. FINANCIAL REPORT

1. ABOUT THIS REPORT

These annual financial statements represent the audited general purpose financial statements for Cenitex for the period ended 30 June 2018. The purpose of the report is to provide users with information about Cenitex's stewardship of resources entrusted to it.

This financial report covers Cenitex as an individual reporting entity.

Cenitex is a State Body established on 16 July 2008 by Order in Council (establishing order) under section 14 of the *State Owned Enterprise Act 1992* (the Act) and declared a re-organising body on 24 April 2012 by Order in Council under section 7(1) of the Act. Cenitex's status as a re-organising body was revoked on 14 July 2016 and reverted to a State Body under section 14 of the Act. These changes were effected by Order in Council No. G28 of 14 July 2016.

Its principal address is:

Cenitex
Level 18, 80 Collins Street
Melbourne VIC 3000

A description of the nature of its operations and its principal activities is included in the report of operations, which does not form part of these financial statements.

Basis of preparation

These financial statements are in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

The accrual basis of accounting has been applied in preparing these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

All amounts in the financial statements have been rounded to the nearest \$1,000 unless otherwise stated.

Compliance information

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* (FMA) and applicable Australian Accounting Standards (AASs), which include Interpretations, issued by the *Australian Accounting Standards Board* (AASB). In particular, they are presented in a manner consistent with the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049).

Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied. Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The financial report also complies with relevant Financial Reporting Directions (FRDs) issued by the Minister for Finance, and relevant Standing Direction (SD) authorised by the Minister for Finance.

2. FUNDING DELIVERY OF OUR SERVICES

Introduction

Cenitex's mission is to provide information and communication technology (ICT) workplace and hosting services for the Victorian Government in an industry competitive, integrated and reliable manner, delivering efficient customer service and value. Cenitex is predominantly funded by customer departments and agencies for the provision of services. The fees charged for these services are based on a cost recovery model.

Structure

2.1 Services provided to other government entities

2.1 Services provided to other government entities

	2018 \$'000	2017 \$'000
Work place support	121,831	114,784
Hosting	26,573	26,624
Projects	20,876	20,062
Projects – customer funded capital	1,895	4,514
Victorian Government Electronic Messaging System (VGEMS)	373	360
Total revenue from services provided to other government entities	171,548	166,344

Cenitex provides services to government departments and agencies. Revenue is brought to account when services have been provided or when a usage or service charge has been made.

3. THE COST OF DELIVERING SERVICES

Introduction

This section provides an account of the expenses incurred by Cenitex in delivering services. In Section 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded.

Structure

3.1 Employee benefits
3.2 ICT expenditure
3.3 Occupancy Expense

3.1 Employee benefits

3.1.1 Employee benefits in the comprehensive operating statement

	Note	2018 \$'000	2017 \$'000
Post employment benefits			
– Defined contribution superannuation expense	3.1.3	5,101	4,660
– Defined benefit superannuation expense	3.1.3	214	191
Termination benefits		485	1,437
Salaries, wages, leave entitlements and contractor payments		76,758	72,325
Total employee benefits		82,558	78,613

Employee benefits expenses include all costs related to employment, including wages and salaries, leave entitlements, redundancy payments and superannuation contributions. They are recognised when incurred, except for contributions in respect of defined benefit plans. These expenses also include payments to contractors.

The amount charged to the comprehensive operating statement in respect of defined benefit superannuation plans and defined contribution plans represents the contributions made by Cenitex to the superannuation plan with regard to the current services of current Cenitex staff. Superannuation contributions are made to the plans based on the relevant rules of each plan.

Cenitex does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. Instead, the Department of Treasury and Finance (DTF) in its Annual Financial Statements disclose on behalf of the State as the sponsoring employer, the net defined benefit cost related to the

members of these plans as an administered liability. See DTF's Annual Financial Statements for more detailed disclosures in relation to these plans.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts a voluntary redundancy in exchange for these benefits. Cenitex recognises termination benefits when it is demonstrably committed either to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after Balance Sheet date are discounted to present value.

3.1.2 Employee benefits in the balance sheet

Provisions are recognised when Cenitex has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

	2018 \$'000	2017 \$'000
Current		
Annual leave		
– Unconditional and expected to be settled within 12 months	3,556	3,457
– Unconditional and expected to be settled after 12 months	1,301	1,328
Long service leave		
– Unconditional and expected to be settled within 12 months	546	485
– Unconditional and expected to be settled after 12 months	6,387	5,364
Provisions related to employee benefit on-costs:		
– Unconditional and expected to be settled within 12 months	656	631
– Unconditional and expected to be settled after 12 months	1,230	1,070
Other Provisions		
– Provisions for Restructuring	228	1,080
Total current provisions	13,904	13,415
Non-current		
Employee benefits	2,447	2,954
Provisions related to employee benefit on-costs	392	473
Total non-current provisions	2,839	3,427
Total provisions for employee benefits	16,743	16,842
Reconciliation of movement in provisions for on-costs:		
	2018 \$'000	2017 \$'000
Opening balance	2,174	2,057
Additional provisions recognised	970	940
Reductions arising from payments	(866)	(823)
Closing balance	2,278	2,174
Current	1,886	1,701
Non-current	392	473
Total	2,278	2,174

6. FINANCIAL REPORT

Wages and salaries and annual leave

Liabilities for wages and salaries and annual leave are recognised in the provision for employee benefits as 'current liabilities'.

Depending on the expectation of the timing of settlement, liabilities for wages and salaries and annual leave are measured at:

- undiscounted value – component that Cenitex expects to wholly settle within 12 months; or
- present value – component that Cenitex does not expect to wholly settle within 12 months.

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL is disclosed as a current liability even when Cenitex does not expect to settle the liability within 12 months because it does not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- Undiscounted value – component that Cenitex expects to wholly settle within 12 months
- Present value – component that Cenitex does not expect to wholly settle within 12 months

Conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised in the 'net result from transactions', except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an other economic flow.

On-costs related to employee expenses

On-costs such as payroll tax, workers compensation and superannuation are recognised separately from the provision for employee benefits.

3.1.3 Superannuation contributions

Cenitex employees are entitled to receive superannuation benefits and Cenitex contributes to defined benefit as well as contribution plans. The defined benefit plan provides benefits based on years of service and final average salary.

Certain employees of Cenitex employed under the Victorian Public Sector Award are entitled to benefits from the Government Employees Superannuation Fund in the event of retirement, disability or death. This fund provides defined lump-sum benefits based on years of service and final average salary.

Fund	Contribution for the year		Contribution outstanding at year end	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Defined benefit plans^(a):				
State Employees Retirement Benefits Scheme (SERBS)	214	191	–	–
Defined contribution plans:				
Victorian Superannuation Fund – VicSuper scheme	2,545	2,518	–	–
Other	2,556	2,142	–	–
Total defined contribution plans	5,101	4,660	–	–
Total	5,315	4,851	–	–

(a) The basis for contributions is determined by the various schemes.

3.2 ICT expenditure

	2018 \$'000	2017 \$'000
Software licences and maintenance	30,009	25,522
Hardware maintenance	10,911	7,501
Telecommunications	10,672	13,956
Outsourced ICT	7,898	6,860
Total ICT expenditure	59,490	53,839

ICT expenditures are recognised in the period in which they are incurred.

3.3 Occupancy expense

	2018 \$'000	2017 \$'000
Occupancy expense	13,140	13,003
Total occupancy expense	13,140	13,003

Occupancy expense represents operating lease rental costs for data centres and office accommodation, which are recognised in the period in which they are incurred.

4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

Introduction

Cenitex controls plant and equipment and other investments that are utilised in fulfilling its objectives and conducting its activities. They represent the resources that have been entrusted to Cenitex to be utilised for delivery of those outputs.

Structure

- 4.1 Total plant and equipment
- 4.2 Intangible assets
- 4.3 Investment and other financial assets

Fair value measurement

Where the assets included in this section are carried at fair value, additional information is disclosed in Note 7.3 in connection with how those fair values were determined.

4.1 Property, plant and equipment

Gross carrying amount and accumulated depreciation:

Non-Current Assets	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Buildings – leasehold improvements at cost	1,697	1,914	(1,638)	(1,659)	59	255
Plant and equipment:						
Facilities at fair value	2,887	2,966	(2,330)	(2,237)	557	729
Network at fair value	58,335	58,141	(44,982)	(44,296)	13,353	13,845
Servers at fair value	33,759	37,807	(25,430)	(27,115)	8,329	10,692
Storage at fair value	27,721	39,979	(20,197)	(29,160)	7,524	10,819
Office machines and equipment at fair value	6	6	(2)	(1)	4	5
Construction in progress	1,983	1,991	–	–	1,983	1,991
Motor vehicles under finance lease at cost	255	254	(76)	(51)	179	203
Total	126,643	143,058	(94,655)	(104,519)	31,988	38,539

Initial recognition: Items of property, plant and equipment, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a machinery of government changes are transferred at their carrying amount.

The cost of constructed non-financial physical assets includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

The cost of a leasehold improvement is capitalised and depreciated over the shorter of the remaining term of the lease or their estimated useful lives.

The initial cost for non-financial physical assets under a finance lease is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

Subsequent measurement: Property, plant and equipment (PPE) are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset) and is summarised in Note 4.1.2 by asset category.

4.1.1 Depreciation and amortisation

	Note	2018 \$'000	2017 \$'000
Buildings – Leasehold improvements	4.1.2	196	298
Plant and equipment	4.1.2	11,176	10,537
Motor vehicles under finance lease	4.1.2	47	46
Intangible assets	4.2	1,539	2,001
Total depreciation and amortisation expense		12,958	12,882

Where assets have separate identifiable components that have distinct useful lives, a separate depreciation rate is determined for each component.

Depreciation is calculated using the straight-line method to allocate the asset's value less any estimated residual value over its estimated useful life, starting from the time at which the asset is held ready for use. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The depreciation periods used for current and prior year are listed below:

Building Leasehold improvements	5 to 10 years
Plant and equipment	5 to 10 years
Motor vehicles under finance lease	3 years
Intangible assets	5 years

Impairment of non-financial assets

Property, plant and equipment measured at cost are tested annually for indications of impairment.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their possible recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off by a charge to the Comprehensive operating statement, except to the extent that the write-down can be debited to an asset revaluation surplus amount applicable to that class of asset.

6. FINANCIAL REPORT

4.1.2 Reconciliation of movements in carrying amount of property, plant and equipment

	Buildings leasehold improvements – at cost	Plant and equipment – at fair value		
		Level 3		
		Facilities	Network	Servers
	\$'000	\$'000	\$'000	\$'000
2018				
Opening balance	255	729	13,845	10,692
Additions	–	1	3,636	348
Disposals	–	–	(6)	(279)
Adjustments	–	–	(1,148)	–
Transfers	–	–	1,126	898
Depreciation expense	(196)	(173)	(4,101)	(3,330)
Closing balance	59	557	13,352	8,329

	Buildings leasehold improvements – at cost	Plant and equipment – at fair value		
		Level 3		
		Facilities	Network	Servers
	\$'000	\$'000	\$'000	\$'000
2017				
Opening balance	535	482	7,890	9,322
Additions	18	19	2,319	1,085
Disposals	–	–	(116)	(233)
Adjustments	–	359	381	(450)
Transfers	–	33	7,496	4,201
Depreciation expense	(298)	(164)	(4,125)	(3,233)
Closing balance	255	729	13,845	10,692

		Construction in progress – at cost	Motor vehicles under finance lease – at cost	Total
Storage	Office Machines & Equipment			
\$'000	\$'000	\$'000	\$'000	\$'000
10,819	5	1,991	203	38,539
152	–	2,885	33	7,055
(436)	–	–	(10)	(731)
56	–	(196)	–	(1,288)
505	–	(2,697)	–	(168)
(3,571)	(1)	–	(47)	(11,419)
7,525	4	1,983	179	31,988

		Construction in progress – at cost	Motor vehicles under finance lease – at cost	Total
Storage	Office Machines & Equipment			
\$'000	\$'000	\$'000	\$'000	\$'000
7,813	5	13,407	122	39,576
73	–	8,221	223	11,958
–	–	–	(96)	(445)
(664)	1	(1,296)	–	(1,669)
6,611	–	(18,341)	–	–
(3,014)	(1)	–	(46)	(10,881)
10,819	5	1,991	203	38,539

6. FINANCIAL REPORT

4.2 Intangible assets

Non-Current Assets	Software configuration and installation	Virtual server environment	Capitalised	
			Identity and access management (IDAM) services	
2018	\$'000	\$'000	\$'000	
Gross carrying amount				
Opening balance	4,637	1,220	6,897	
Transfers	610	–	–	
Disposals	(114)	–	–	
Closing balance	5,133	1,220	6,897	
Accumulated depreciation and impairment				
Opening balance	(4,603)	(857)	(5,627)	
Depreciation expense	(19)	(244)	(1,086)	
Transfers	(610)	–	–	
Disposals	114	–	–	
Closing balance	(5,118)	(1,101)	(6,713)	
Net book value at the end of the financial year	15	119	184	

Non-Current Assets	Software configuration and installation	Virtual server environment	Capitalised	
			Identity and access management (IDAM) services	
2017	\$'000	\$'000	\$'000	
Gross carrying amount				
Opening balance	4,637	1,220	6,897	
Transfers	–	–	–	
Closing balance	4,637	1,220	6,897	
Accumulated depreciation and impairment				
Opening balance	(4,473)	(570)	(4,534)	
Depreciation expense	(130)	(287)	(1,093)	
Closing balance	(4,603)	(857)	(5,627)	
Net book value at the end of the financial year	34	363	1,270	

development ⁽¹⁾

Network environment	End user computer services	Storage consolidation design	Security services	Total
\$'000	\$'000	\$'000	\$'000	\$'000
630	5,775	191	951	20,301
—	—	—	—	610
—	—	—	—	(114)
630	5,775	191	951	20,797
(630)	(5,669)	(191)	(570)	(18,147)
—	—	—	(190)	(1,539)
—	—	—	—	(610)
—	—	—	—	114
(630)	(5,669)	(191)	(760)	(20,182)
—	106	—	191	615

development ⁽¹⁾

Network environment	End user computer services	Storage consolidation design	Security services	Total
\$'000	\$'000	\$'000	\$'000	\$'000
630	5,775	191	951	20,301
—	—	—	—	—
630	5,775	191	951	20,301
(630)	(5,368)	(191)	(380)	(16,146)
—	(301)	—	(190)	(2,001)
(630)	(5,669)	(191)	(570)	(18,147)
—	106	—	381	2,154

6. FINANCIAL REPORT

- ⁽¹⁾ Cenitex capitalises costs associated with the development, design, build and configuration of desktop, network, server, storage, identity access management, security environments, virtual environments and software that generate future economic benefits to the entity. These assets are depreciated over a useful life that is aligned with the underpinning information technology infrastructure assets.

Intangible assets represent identifiable non-monetary assets without physical substance.

Purchased intangible assets are initially recognised at cost. Intangible assets with finite useful lives are carried at cost less accumulated depreciation and accumulated impairment losses.

When the recognition criteria in Accounting Standard AASB 138 *Intangible Assets* are met, internally generated intangible assets are recognised and measured at cost less accumulated depreciation and impairment losses.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development is recognised only if all of the following are demonstrated:

- a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b) an intention to complete the intangible asset and use or sell it;
- c) the ability to use or sell the intangible asset;
- d) the intangible asset will generate probable future economic benefits;
- e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are tested annually for indications of impairment. The policy in connection with testing for impairment is outlined in Note 4.1.1.

4.3 Investments and other financial assets

	2018 \$'000	2017 \$'000
Non-current investments and other financial assets		
Managed investment schemes	15,626	15,000
Total investments and other financial assets	15,626	15,000

Cenitex designates all its managed investment schemes as available-for-sale financial assets. The managed investment schemes are classified as non-current as the intention is to hold these for a period longer than 12 months. All managed investments are invested through the Victorian Funds Management Corporation.

5. OTHER ASSETS AND LIABILITIES

Introduction

This section sets out those assets and liabilities that arose from Cenitex's operations.

Structure

5.1 Receivables
5.2 Prepayments
5.3 Payables

5.1 Receivables

	2018 \$'000	2017 \$'000
Current receivables		
Contractual		
Trade receivables	8,516	2,020
Provision for doubtful contractual receivables	(136)	(350)
Other receivables	5,924	3,169
Total contractual receivables	14,304	4,839
Statutory		
GST input tax credit recoverable	877	3,197
Total statutory receivables	877	3,197
Total current receivables	15,181	8,036
Total receivables	15,181	8,036

Contractual receivables are classified as financial instruments and categorised as 'loans and receivables' are recognised at fair value plus any directly attributable transaction costs.

Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments.

5.1.1 Movement in the provision for doubtful contractual receivables

	2018 \$'000	2017 \$'000
Balance at beginning of the year	350	15
Increase / (decrease) of the provision recognised in net result	(214)	335
Balance at end of the year	136	350

Receivables are assessed for bad and doubtful debts on a regular basis. A provision for doubtful debts is recognised when there is objective evidence that the debt may not be collected and bad debts are written off when identified.

A provision is made for estimated irrecoverable amounts from the sale of goods and services when there is objective evidence that an individual receivable is impaired. The increase in the provision for the year is recognised in the net result.

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Bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off, but included in the provision for doubtful debts, are classified as other economic flows in the net result.

5.2 Prepayments

	2018 \$'000	2017 \$'000
Current		
Software licences and maintenance and other ICT expenditure	21,532	15,603
Occupancy expenses	175	–
Total prepayments	21,707	15,603

Prepayments represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

5.3 Payables

	2018 \$'000	2017 \$'000
Current payables		
Contractual		
Supplies and services	8,311	7,742
Total contractual payables	8,311	7,742
Other current payables		
Other payables	3,267	2,542
Total other current payables	3,267	2,542
Statutory		
FBT payable	10	11
Total statutory payables	10	11
Total current payables	11,588	10,295
Total payables	11,588	10,295

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost (see Note 7.1). Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

5.3.1 Maturity analysis of contractual payables

Contractual and other payables are carried at their nominal amount, with a maturity date of less than one month.

6. HOW WE FINANCED OUR OPERATIONS

Introduction

This section provides information on the sources of finance utilised by Cenitex during its operations, along with commitments for future use of those sources.

This section includes disclosures of balances that are financial instruments (such as cash balances). Notes 7.1 and 7.3 provide additional, specific financial instrument disclosures.

Structure

- 6.1 Cash flow information and balances
- 6.2 Commitments for expenditure

6.1 Cash flow information and balances

Cash and deposits comprise cash on hand and cash at bank, deposits at call and highly liquid investments with an original maturity of three months or less that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

For the purpose of the Cash Flow Statement, cash includes cash on hand and in banks, net of outstanding bank overdrafts. Cash at the end of the financial year as shown on the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	2018 \$'000	2017 \$'000
Total cash and deposits	28,174	32,156
Balance as per Cash Flow Statement	28,174	32,156

6.1.1 Reconciliation of net result for the period to net cash flows from operating activities

	2018 \$'000	2017 \$'000
Net result for the period	1,018	7,039
Non-cash movements		
Net (gain)/loss on sale or disposal of non-current assets	710	(189)
Depreciation of non-current assets	12,958	12,882
Resources provided free of charge or for nominal consideration	(189)	(181)
Increase/(decrease) in provision for doubtful debts	(214)	335
Movements in assets and liabilities		
(Increase)/decrease in receivables	(7,591)	940
(Increase)/decrease in prepayments	(6,105)	(2,493)
Increase/(decrease) in payables	1,583	(6,890)
Increase/(decrease) in unearned revenue	(695)	(1,617)
Increase/(decrease) in provisions	(99)	1,935
Net cash flows from/(used in) operating activities	1,376	11,761

6. FINANCIAL REPORT

6.2 Commitments for expenditure

Commitments include those operating and capital commitments arising from non-cancellable contractual or statutory sources and are disclosed at their nominal value and inclusive of the GST.

				\$'000
Nominal amounts	Less than 1 year	1 year – 5 years	> 5 years	Total
2018				
Capital expenditure commitments – plant and equipment	2,454	–	–	2,454
Operating lease commitments payable	12,710	44,747	6,198	63,655
Total commitments (inclusive of GST)	15,164	44,747	6,198	66,109
2017				
Capital expenditure commitments – plant and equipment	1,191	–	–	1,191
Operating lease commitments payable	12,890	39,148	8,150	60,188
Total commitments (inclusive of GST)	14,081	39,148	8,150	61,379

Operating leases relate to buildings with lease terms of three to five years, with an option to extend for a further three years. All operating lease contracts contain market review clauses in the event that Cenitex exercises its option to renew. Cenitex does not have an option to purchase the leased asset at the expiry of the lease period.

Commitments for expenditure are not included in any totals on the Balance Sheet.



7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

Introduction

Cenitex is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for Cenitex related mainly to fair value determination.

Structure

- 7.1 Financial instruments specific disclosures
- 7.2 Contingent assets and contingent liabilities
- 7.3 Fair value determination

7.1 Financial instruments specific disclosures

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of Cenitex's activities, certain financial assets and financial liabilities arise under statutory obligation rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in an AASB 132 *Financial Instruments: Presentation*.

Where relevant, for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

Categories of financial instruments

Loans and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Cenitex recognises the following assets in this category:

- cash and deposits; and
- receivables (excluding statutory receivables).

Available-for-sale financial assets

Available-for-sale financial instrument assets are those designated as available-for-sale or not classified in any other category of financial instrument asset.

Such assets are initially recognised at fair value. Subsequent to initial recognition, they are measured at fair value with gains and losses arising from changes in fair value recognised in 'Other economic flows – other comprehensive income' until the investments are disposed.

Movements resulting from impairment are recognised in the net result as other economic flows. On disposal, the cumulative gain or loss previously recognised in 'other economic flows – other comprehensive income' is transferred to other economic flows in the net result.

Fair value is determined in the manner described in Note 7.3 Fair value determination. Cenitex recognises investments in equities and managed investment schemes in this category.

Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability, using the effective interest rate method.

Cenitex recognises the following liabilities in this category:

- payables (excluding statutory payables); and
- finance lease liabilities

7.1.1 Financial risk management objectives and policies

Cenitex's principal financial instruments comprise:

- cash and deposits;
- receivables (excluding statutory receivables);
- investments in managed investment schemes;
- payables (excluding statutory payables); and
- finance lease liabilities

Details of significant accounting policies and methods adopted in respect of each class of financial asset and financial liability including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised are disclosed throughout the notes to these financial statements.

The main purpose in holding financial instruments is to manage Cenitex's financial risks prudently within the

government's policy parameters. Cenitex's main financial risk is market risk. Cenitex manages these financial risks in accordance with its Financial Risk Management Policy.

Cenitex uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and oversight of financial risks rests with Cenitex's Risk and Audit Committee.

Financial instruments: Market risk

Cenitex's exposure to market risk is primarily through interest rate risk with only insignificant exposure to foreign currency risk and other price risks. Objectives, policies and processes used to manage each of these risks are disclosed in the paragraphs below.

Interest rate risk

Exposure to interest rate risk through variable interest rates is relatively low on the basis that it relates solely to cash balances held in operating accounts.

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	Weighted average interest rate	Interest rate exposure			
		Carrying amount ^(a)	Fixed interest rate	Variable interest rate	Non- interest bearing
2018					
Financial assets					
Cash and deposits	1.70%	28,174	20,000	8,174	–
Total financial assets		28,174	20,000	8,174	–
Financial liabilities					
Borrowings					
Finance lease liabilities	3.25%	181	181	–	–
Total financial liabilities		181	181	–	–

	Weighted average interest rate	Interest rate exposure			
		Carrying amount ^(a)	Fixed interest rate	Variable interest rate	Non- interest bearing
2017					
Financial assets					
Cash and deposits	1.60%	32,156	20,000	12,156	–
Total financial assets		32,156	20,000	12,156	–
Financial liabilities					
Borrowings					
Finance lease liabilities	3.40%	204	204	–	–
Total financial liabilities		204	204	–	–

Note: (a) The carrying amounts disclosed here exclude statutory amounts (e.g. amounts owing from the Victorian Government, GST input tax credit recoverable, and GST payables).

Interest rate risk sensitivity

Sensitivity analysis is determined based on the direct exposure to interest rates at the balance sheet date as detailed above. A 1.0% (2017: 1.0%) increase or decrease in interest rates is used in the sensitivity analysis to assess the impact on interest bearing investments. A sensitivity table is not disclosed as the impact with all other variables held constant on Cenitex's net result is not material.

Equity price risk

Cenitex is exposed to equity price risk through its investments in managed investment schemes. Such investments are allocated and traded to match the investment objectives appropriate for Cenitex's liabilities. Cenitex has appointed a state organisation to manage its investment portfolio in accordance with the Investment Risk Management Plan approved by the Board. The fund manager on behalf of Cenitex closely monitors performance and manages the equity price risk through diversification of its investment portfolio. A sensitivity table is not disclosed as the impact with all other variables held constant on Cenitex's net result is not material.

7.2 Contingent assets and contingent liabilities

Cenitex had no contingent assets or liabilities at 30 June 2018 (2017: \$ Nil)

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

7.3 Fair value determination

This section sets out information on how Cenitex determined fair value for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy

Consistent with AASB 13 *Fair Value Measurement*, where it is applicable, assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy.

For the purpose of fair value disclosures, Cenitex has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, Cenitex determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Valuer-General Victoria (VGV) is Cenitex's independent valuation agency.

7.3.1 Fair value determination: financial assets and liabilities

The fair values and net fair values of financial instrument assets and liabilities are determined according to the fair value hierarchy as follows:

Level 1 – the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;

Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and

Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

Cenitex currently holds a range of financial instruments that are recorded in the financial statements at their carrying amounts which approximate to fair value, either due to their short-term nature or with the expectation that they will be paid in full by the end of the 2017-18 reporting period. These financial instruments include:

Financial assets	Financial liabilities
Cash and deposits	Payables
Receivables	<ul style="list-style-type: none"> For supplies and services Other payables
<ul style="list-style-type: none"> Trade receivables Other receivables 	

There have been no transfers between levels during the period.

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The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate fair value.

Managed investment schemes: Cenitex invests in managed funds, which are not quoted in an active market. They are recorded at fair value as determined by the fund manager or valuations by other skilled independent third parties. In determining fair values, observable market transactions of the units and the underlying assets are used where available and applicable. Some of the underlying assets of these financial instruments are valued using valuation models and technical that include inputs which are not based on observable market data.

7.3.2 Fair value determination: non-financial physical assets

Assets are classified in accordance with the fair value hierarchy as at reporting date (see Note 7.3).

There have been no transfers between levels during the period.

Plant and equipment is held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method.

There were no changes in valuation techniques throughout the period to 30 June 2018.

For all assets measured at fair value, the current use is considered the highest and best use.

Description of significant unobservable inputs to Level 3 valuation:

Plant and equipment is valued at depreciated replacement cost where the weighted average cost per asset is \$25,306 (2017: \$27,702) and the cost per unit is between \$5,000 to \$1,166,544 (2017: \$5,000 to \$1,166,544). The useful life of plant and equipment is disclosed in Note 4.1.1.

Significant unobservable inputs remain unchanged since June 2017.

8. OTHER DISCLOSURES

Introduction

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

Structure

- 8.1 Responsible persons
- 8.2 Remuneration of executives
- 8.3 Related parties
- 8.4 Remuneration of auditors
- 8.5 Subsequent events
- 8.6 Other accounting policies
- 8.7 Australian Accounting Standards issued that are not yet effective

8.1 Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994* (FMA), the following disclosures are made regarding responsible persons for the reporting period.

Position	Name	Period
The Minister for Finance and the Minister for Multicultural Affairs	The Hon. Robin Scott MP	1 July 2017 to 30 June 2018
Chairman	Randall Straw	1 July 2017 to 30 June 2018
Chief Executive	Mr. Michael Vanderheide	1 July 2017 to 30 June 2018
Board Member	Johanna Barker	1 July 2017 to 30 June 2018
Board Member	Dr. Richard Tait	1 July 2017 to 30 June 2018
Board Member	Conrad Harvey	1 July 2017 to 30 June 2018
Board Member	Katheryn Anderson	1 July 2017 to 30 June 2018
Board Member	Richard Bolt	1 July 2017 to 15 September 2017
Board Member	Julie Fahey	1 July 2017 to 30 June 2018
Board Member	Shaun Condrón	1 July 2017 to 30 June 2018
Board Member	Carolyn De Gois	13 June 2018 to 30 June 2018

Remuneration

Remuneration received or receivable by the Accountable Officer in connection with the management of Cenitex during the reporting period was in the range: \$370,000 to \$379,999 (\$360,000 to \$369,999 in 2016-17).

8.2 Remuneration of executives

The number of executive officers, other than ministers and accountable officers, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provides a measure of full-time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories:

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- **Short-term employee benefits** include amounts such as wages, salaries and annual leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.
- **Post-employment benefits** include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.
- **Other long-term benefits** include long service leave, other long service benefits or deferred compensation.
- **Termination benefits** include termination of employment payments, such as severance packages.

	2018 \$'000	2017 \$'000
Remuneration of executive officers		
Short-term employee benefits	803	743
Post-employment benefits	83	77
Other long-term benefits	–	–
Termination benefits	7	97
Total remuneration	893	917
Total number of executives	5	4
Total annualised employee equivalents^(a)	3.6	3.0

(a) Annualised employee equivalent is based on the time fraction worked over the reporting period.

8.3 Related parties

Cenitex is a wholly owned and controlled entity of the State of Victoria that provides ICT services to other wholly owned entities of the State of Victoria.

Related parties of Cenitex include:

- all key management personnel, their close family members and business interests (controlled entities, joint ventures and entities they have significant influence over);
- all cabinet ministers and their close family members; and
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into on an arm's length basis.

Key management personnel

Key management personnel of Cenitex include the relevant Minister, The Hon. Robin Scott MP, Minister for Finance and the Minister for Multicultural Affairs, the Chairman, members of the Board of Directors and the Chief Executive. The compensation detailed below excludes the salaries and benefits the relevant Minister receives. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliamentary Services Financial Report.

	2018 \$'000	2017 \$'000
Compensation		
Salaries and other short term employee benefits	511	496
Post-employment benefits	46	39
Other long-term employment benefits	–	9
Termination benefits	–	–
Board member fees	12	14
Total key management personnel compensation	569	558

Transactions with key management personnel and other related parties

Given the breadth and depth of State government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public, e.g. stamp duty and other government fees and charges. Further, employment processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements.

Victorian Rail Track provides telecommunications services to Cenitex. Randall Straw, the Chair of the Cenitex Board, was during the 2017-18 year a member of the Victorian Rail Track Telecommunications Committee and the Victorian Rail track Board. Victorian Rail Track was awarded a contract with Cenitex under a State purchase contract on terms and conditions equivalent for those that prevail in arm's length transactions under the State's procurement process. The transaction involved the provision of ICT services to support the intra-Government Secured Network with a value of \$1.3 Million in the year.

Other than transactions disclosed in Note 2.1, all other transactions that have occurred with Key Management Personnel (KMP) and their related parties have not been considered material for disclosure. In this context, transactions are only disclosed when they are considered necessary to draw attention to the possibility that the Agency's financial position and profit or loss may have been affected by the existence of related parties, and by transactions and outstanding balances, including commitments, with such parties.

8.4 Remuneration of auditors

	2018 \$'000	2017 \$'000
Victorian Auditor – General's Office		
Audit of the financial report	151	168
Total remuneration of auditors	151	168

8.5 Subsequent events

No matters and/or circumstances have arisen since the end of the reporting period which significantly affect or may significantly affect the operations of Cenitex, the results of those operations, or the state of affairs of Cenitex in future financial years.

The policy in connection with recognising subsequent events, that are, for events that occur between the end of the reporting period and the date when the financial statements are authorised for issue is as follows:

- adjustments are made to amounts recognised in the financial statements where those events provide information about conditions that existed at the reporting date; and/or
- disclosure is made where the events relate to conditions that arose after the end of the reporting period that are considered to be of material interest.

6. FINANCIAL REPORT

8.6 Other accounting policies

Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In the latter case, GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Balance Sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities that were recovered from, or paid to, the taxation authority, are presented as an operating cash flow.

Equity

Consistent with the requirements of AASB 1004 *Contributions*, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of Cenitex.

Additions to net assets that have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners.

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners.

8.7 Australian Accounting Standards issued that are not yet effective

As at 30 June 2018, certain new AAS have been published that are not mandatory for the 30 June 2018 reporting period. Cenitex assesses the impact of all these new standards for their applicability and early adoption.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on Cenitex financial statements
AASB 15 <i>Revenue from Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 Jan 2018	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications.
AASB 2016-7 <i>Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities</i>	This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.	1 Jan 2019	This amending standard will defer the application period of AASB 15 to the 2019-20 reporting period.
AASB 16 <i>Leases</i>	The key changes introduced by AASB 16 include the recognition of operating leases (which are currently not recognised) on balance sheet.	1 Jan 2019	<p>The assessment has indicated that most operating leases, with the exception of short term and low value leases, will come on to the balance sheet and will be recognised as right of use assets with a corresponding lease liability.</p> <p>In the operating statement, the operating lease expense will be replaced by depreciation expense of the asset and an interest charge.</p>

AUDITOR-GENERAL'S REPORT



Independent Auditor's Report

To the Board Members of CenITex

Opinion	<p>I have audited the financial report of CenITex which comprises the:</p> <ul style="list-style-type: none">• balance sheet as at 30 June 2018• comprehensive operating statement for the year then ended• statement of changes in equity for the year then ended• cash flow statement for the year then ended• notes to the financial statements, including significant accounting policies• Declaration in the Financial Statements. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of CenITex as at 30 June 2018 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's responsibilities for the audit of the financial report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of CenITex in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board Members' responsibilities for the financial report	<p>The Board Members are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board Members are responsible for assessing CenITex's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CenITex's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board Members.
- conclude on the appropriateness of the Board Members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on CenITex's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause CenITex to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Board Members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
4 September 2018



Timothy Maxfield
as delegate for the Auditor-General of Victoria



7

GOVERNANCE & ORGANISATIONAL STRUCTURE

7. GOVERNANCE & ORGANISATIONAL STRUCTURE

Governance

Cenitex is governed by an eight-person Board, the members of which are appointed by the Governor-in-Council on the recommendation of Cenitex's portfolio minister, the Minister for Finance. On 15 September 2017, Richard Bolt resigned from the Cenitex Board. The other members of the Board were re-appointed by the Governor-in-Council and a new member appointed, Carolyn de Gois, on 13 June 2018.

The Cenitex Executive Leadership Team has operational responsibility and is supported by operational and advisory groups, most of which include departmental representatives. During the 2017-18 financial year, the positions of Minister and accountable officer responsible for Cenitex were held by:

- the Minister for Finance, the Hon. Robin Scott MLA
- Chief Executive, Michael Vanderheide.

Relationship to the Minister

The Victorian Government Minister responsible for Cenitex is the Minister for Finance.

It is the responsibility of the Board to advise the Minister directly on all matters within the Minister's areas of responsibility as they relate to Cenitex.

Board of Directors

Randall Straw PSM (Chair) has over 30 years' experience in government ICT, formerly serving as Deputy Secretary of Innovation and Technology at the then-Department of Business and Innovation and prior to that as Executive Director Multimedia Victoria and a range of other ICT and technology related positions. He has extensive knowledge of, and experience in, the management of large scale ICT and technology related reform projects in government. Randall was awarded a Public Service Medal in 2012.

Kathryn Anderson is Deputy Secretary Corporate Services with the Department of Environment, Land, Water and Planning. She is responsible for the delivery of a range of corporate support and advisory services, including people and culture, finance and planning, business operations, legal, information and communications services. Kathryn has more than 25 years' experience as a public servant across Commonwealth, Queensland and Victorian

jurisdictions, including six years with the Queensland Department of Premier and Cabinet.

Johanna (Joh) Barker has extensive corporate, banking and IT management experience, in particular in the establishment and management of shared services. She is a former Executive Manager of the ANZ Bank and has held senior finance, IT and business positions at SMS Ltd and IBM. She is also a former member of the Victorian Government Shared Services Advisory Board.

Richard Bolt is the Secretary of the Department of Economic Development, Jobs, Transport and Resources, supporting nine ministers across 13 portfolios and one of the Victorian Public Service's most senior leaders. Richard has previously served as Secretary of the Department of Education and Early Childhood Development (2011-14) and Secretary of the Department of Primary Industries (2006-11). He is a National Fellow of the Institute of Public Administration Australia (IPAA) and Chair of the Grampians Regional Management Forum. He has also served as a Director of Schools Connect Australia and Co-Chair of the Children's Services Coordination Board. Richard resigned from the Cenitex Board on 15 September 2017.

Shaun Condrón has over 20 years' experience as a finance professional in the Victorian Government. In November 2016, he was appointed Deputy Secretary Finance, Infrastructure & Governance for the Department of Justice and Regulation. Before that he was the Department's Chief Finance Officer for nine years following four years as Chief Finance Officer for the Department of Primary Industries. He has also worked at the Department of Treasury and Finance as Deputy Secretary, Market Engagement and Corporate. Shaun holds a Bachelor of Business majoring in Accounting and is a Fellow of both CPA Australia and the Institute of Public Administration Australia (IPAA).

Carolyn De Gois was appointed to the Cenitex Board on 13 June 2018 and is the Deputy Secretary Corporate Services at the Department of Health and Human Services. Carolyn is a proven international business and technology executive with a demonstrated track record of transformational leadership and successful organisational change. She has influenced and collaborated with executives in politically challenging situations across a variety of companies both in

7. GOVERNANCE & ORGANISATIONAL STRUCTURE

Australia and internationally, and within public and private domains. She has diverse industry and functional experience across a range of high profile international organisations such as NBN and KPMG.

Julie Fahey has over 30 years' experience in technology with KPMG, SAP, General Motors, Exxon and Western Mining, and has fulfilled roles including Program Management, CIO, software vendor, and consultant. Julie retired from KPMG in June 2014 where she spent 10 years in leadership roles including National Lead Partner Telecommunications, Media and Technology, and National Managing Partner – Markets. She is currently a board member of Datacom, disability services organisation Yooralla and a Non-Executive Director of Seek.

Conrad Harvey brings a wealth of experience in the innovative use of ICT in service delivery. He is a former Group General Manager of Coles, where he led the transformation of service delivery through information technology and digital delivery channels. He is currently Chief Information Officer of logistics and supply chain company Linfox.

Dr Richard Tait is one of Australia's most experienced information technology executives, having served in a range of strategically important Chief Technologist and Chief Information Officer roles, including Goldman Sachs, JB Were and ANZ Bank. He is a recognised authority on risk management and the delivery of major transformation programs.

Board meetings

There were eight Board meetings in 2017-18.

Director	Number of meetings attended	Number of meetings eligible to attend
Randall Straw (Chair)	8	8
Richard Tait	6	8
Conrad Harvey	6	8
Johanna Barker	8	8
Richard Bolt	0	2
Kathryn Anderson	7	8
Julie Fahey	8	8
Shaun Condrón	6	8
Carolyn De Gois	1	1

7. GOVERNANCE & ORGANISATIONAL STRUCTURE

GOVERNANCE COMMITTEES

Audit and Risk Committee

The Audit and Risk Committee (ARC) is an independent standing committee reporting to the Cenitex Board. Its purpose is to assist the Board to fulfil responsibilities relating to:

- the integrity and quality of Cenitex's financial reporting and disclosures
- the adequacy of the internal control framework that Cenitex uses to identify and manage key business, financial, fraud and regulatory risks
- the external auditor's annual audit of Cenitex's financial statements
- Cenitex's compliance with relevant laws, regulations, standards and codes
- the effective operation of the Cenitex risk management framework, which includes risks to cybersecurity; service continuity; financial sustainability; and staff retention and engagement.

Membership

The ARC consists of five non-executive members who are independent of Cenitex management.

Johanna Barker (Chair)
Richard Tait
Conrad Harvey
Peter Goddard (external member)
John Craven (external member)

Meetings

There were four meetings during the year.

People Strategy and Remuneration Committee

The newly formed People Strategy and Remuneration Committee is a standing committee of the Cenitex Board, replacing the former Remuneration Committee. Its key roles include the development of people and culture strategies, remuneration and employment policy, and providing recommendations for the annual executive remuneration review, remuneration compliance, and appointment of the Cenitex Chief Executive.

Membership

Julie Fahey (Chair)
Kathryn Anderson
Randall Straw
Mikki Swindon (external member)

Meetings

There were two meetings during the year.

Our customers

As at 30 June 2018, Cenitex provides ICT services to the following Victorian government departments and their agencies:

- Department of Economic Development, Jobs, Transport and Resources (DEDJTR)
- Department of Environment, Land, Water and Planning (DELWP)
- Department of Health and Human Services (DHHS)
- Department of Justice and Regulation (DJR)
- Department of Premier and Cabinet (DPC)
- Department of Treasury and Finance (DTF)
- Commercial Passenger Vehicles (CPV)
- Court Services Victoria (CSV)
- Environment Protection Authority (EPA)
- Public Transport Victoria (PTV)
- Service Victoria
- VicForests
- VicRoads
- Victorian Ombudsman.

Cenitex also services the following customer associated agencies and government entities:

- Metropolitan Waste and Resource Recovery Group
- Office of the Chief Parliamentary Counsel
- Office of the Governor
- Public Record Office Victoria
- Transport Safety Victoria
- Victorian Multicultural Commission
- Victorian Public Sector Commission.

CUSTOMER COMMITTEES

Stakeholder Advisory Committee

The Stakeholder Advisory Committee (SAC) ensures that Cenitex develops and maintains strong and open relationships with its customers at a senior management level. This committee includes customer representatives from all departments and major agencies to whom Cenitex provide services. This group ensures Cenitex's continued focus on key customer challenges and that improvement activities are aligned to their strategic needs. SAC membership consists of Cenitex Chief Executive (Chair), Cenitex Director Customer Engagement and relevant departmental senior ICT executives and/or CIOs.

Cyber Security Customer Group

The Cyber Security Customer Group provides governance and guidance for the three-year \$6 million Security Uplift Program and ongoing investments. It is also a forum for problem solving and sharing leading practice among customers. Group membership comprises DHHS Chief Information Officer (Chair), one of Cenitex's Group Managers, Cenitex security specialists, and relevant departmental senior ICT executives and CIOs.

Innovation and Services Group

The new Innovation and Services Group replaced the former Cloud Services Group. The forum represents the interests of Cenitex customers in the future design and implementation of new and enhanced catalogue services; and explores common interests, innovation and opportunities to deliver benefits to customers and government as a whole.

Customers discuss their challenges and outline their future plans, leverage ideas for re-use, partnering and brokering, and share lessons learned. Cenitex uses the forum to seek input for the design of new services, clarify customer needs and expectations and prioritise the delivery of new services on the Services Roadmap. It also provides a platform to share the scope and benefits of new and enhanced services, project plans and delivery dates.

Group membership includes Cenitex Director Customer Engagement (Chair) and relevant departmental senior ICT executives and/or CIOs.

Service Operations Forum

The Service Operations Forum focuses on operational performance and the development and approval of strategies and activities for Cenitex and its customers to improve service management processes and practices, including service levels, responsiveness, priorities, new services, tools, reporting and operational needs. The forum is chaired by a customer delegate and facilitated by Cenitex.

Organisational Structure

Cenitex is structured around five functional areas:

- Customer Engagement
- Finance and Business Services
- Human Resources
- Service Delivery
- Strategy and Governance

The leaders of each area, and the Chief Executive, make up the Executive Leadership Team (ELT).

EXECUTIVE LEADERSHIP TEAM ROLES AND RESPONSIBILITIES

Chief Executive – Michael Vanderheide

- advises the Board on the establishment and implementation of a strategy for Cenitex and then delivers the agreed strategy
- ensures that the necessary people, processes and systems are in place to deliver infrastructure, network, operating system projects and upgrades across the customer departments
- engages with senior customer stakeholders and industry representatives
- provides leadership to the Cenitex organisation and builds a constructive and customer-oriented culture.

Director Customer Engagement – Nigel Cadywould

- the key interface between Cenitex and its customers
- account management and customer service delivery management and customer satisfaction
- new customer acquisition and onboarding
- service strategy, customer service catalogue and bringing new services to market
- customer and internal communications, production of the annual report
- customer reporting.

Director Strategy and Governance – Sharon Copeland-Smith

- corporate strategy, business trends and strategic research
- secretariat and strategic support to the Board, ARC and ELT
- enterprise risk, audit, service assurance and compliance services including Privacy, Freedom of Information, and protected disclosure
- development of the corporate plan.

Director Service Delivery – Tim Duck

- infrastructure and workplace services
- project delivery services
- asset management
- operational security
- IT Service Centre, request fulfilment and incident and problem management.

Director Finance and Business Services – Catherine Ho

- financial analysis and reporting
- cash management, governance on asset management
- budgeting and financial modelling
- procurement
- legal services
- information management and business technology.

Director Human Resources – Catherine Proud

- organisational development, including capability development, management and leadership development
- workforce planning, recruitment, onboarding and staff movement
- occupational health and safety, and employee well-being
- entitlement management (including payroll), industrial relations
- accommodation services.



OUR PEOPLE

8. OUR PEOPLE

8.1 WORKFORCE PROFILE

Table 1: Full-time equivalents (FTE) and contractor staffing trends 2012-18

Full time equivalents (FTE) staffing trends from 2012 to 2018 (excluding contractors)						
June-18	June-17	June-16	June-15	June-14	June-13	June-12
521.3	483.1	468.2	466.1	531.9	553.4	585.7
Contractors/Temporary staff (employed by employment agencies)						
18	81	60	22	9	15	81

		June 2018						
		All employees		Ongoing			Fixed term and casual	
		Number (headcount)	FTE	Full-time (headcount)	Part-time (headcount)	FTE	Number (headcount)	FTE
Demographic data	Gender							
	Women	107	103.7	84	11	91.9	12	11.80
	Men	418	417.6	382	2	383.6	34	34
	Self-described	0	0	0	0	0	0	0
	Age							
	15-24	13	13	4	0	4	9	9
	25-34	106	105.5	920	2	93.5	12	12
	35-44	197	195.3	181	6	185.3	10	10
	45-54	127	126.3	115	2	116.5	10	10
	55-64	76	75.6	69	2	70.6	5	5
	65+	6	5.6	5	1	5.6	0	0
Classification data	VPS 1-6 grades	493	489.7	443	12	451.7	38	38
	VPS 1	0	0	0	0	0	0	0
	VPS 2	9	9	0	0	0	9	9
	VPS 3	101	100.2	86	3	88.2	12	12
	VPS 4	86	85.2	77	3	79.2	6	6
	VPS 5	152	150.7	142	4	144.7	6	6
	VPS 6	145	144.6	138	2	139.6	5	5
	Senior employees	32	31.6	23	1	23.8	8	7.8
	STS	27	26.8	23	1	23.8	3	3
	Executives	5	4.8	0	0	0	5	4.80
	Total employees	525	521.3	466	13	475.5	46	45.8

Table 2: Employment levels in June 2017 and 2018.

The head count and full-time staff equivalent (FTE) of all active public service employees of Cenitex, employed in the last full pay period in June 2018, and in the last full pay period in June 2017 of the previous reporting period are detailed below.

June 2017						
All employees		Ongoing			Fixed term and casual	
Number (headcount)	FTE	Full-time (headcount)	Part-time (headcount)	FTE	Number (headcount)	FTE
104	99.9	81	13	90.3	10	9.6
384	383.2	358	2	359.6	24	23.6
0	0	0	0	0	0	0
3	3	2	0	2	1	1
99	97.6	81	5	84.6	13	13
179	177.3	168	5	171.7	6	5.6
133	132.2	122	3	124.2	8	8
69	68.3	62	1	62.7	6	5.6
5	4.8	4	1	4.8	0	0
459	454.5	416	15	426.9	28	27.6
0	0	0	0	0	0	0
6	6	1	0	1	5	5
87	85.2	72	6	76.2	9	9
81	80.6	75	2	76.6	4	4
152	151	144	3	146	5	5
133	131.7	124	4	127.1	5	4.6
29	28.6	23	0	23	6	5.6
24	24	23	0	23	1	1
5	4.6	0	0	0	5	4.6
488	483.1	439	15	449.9	34	33.2

8. OUR PEOPLE

8.2 OCCUPATIONAL HEALTH AND SAFETY

Cenitex is committed to occupational health and safety (OH&S) and aims to ensure that all staff remain safe and healthy at work.

Measure	KPI	2017-18	2016-17
Incidents	Number of incidents	28	16
	Rate per 100 FTE	5.29	3.31
Claims	Number of standard claims (i)	3	0
	Rate per 100 FTE	0.57	0
	Number and incidence of lost time claims (i)	2	0
	Rate per 100 FTE	0.38	0
	Number and incidence of claims exceeding 13 weeks (i)	2	0
	Rate per 100 FTE	0.38	0
Fatalities	Fatality claims	0	0
Claim costs	Average cost per standard claim (i)	\$124,129.00	0
	Estimate of outstanding claim costs (i)	\$322,560.00	0
Return to work	Percentage of claims with RTW Plan <30 days	0%	0
Management commitment	Evidence of policy statement and objectives	Policy statement on Cenitex Intranet	Policy statement on Cenitex Intranet and displayed in main office foyer
	Regular reporting to senior management	Six-monthly report to Board/People Strategy and Remuneration Committee	Monthly reporting completed to 1st quarter 2016-17.
Consultation and participation	Evidence of agreed structure of designated workgroups (DWGs), health and safety representatives (HSRs) and issue resolution procedures (IRPs)	Yes	Yes
	Compliance with agreed structure on DWGs, HSRs and issue resolution procedures	Yes	Yes
Risk management	Number of internal audits/inspections completed	3	0
	Percentage of issues identified, actioned arising from:		
	hazard reports	83%	100%
	internal inspections	0%	0%
	HSR provisional improvement notices	0%	0%
	WorkSafe notices	0%	0%

Measure	KPI	2017-18	2016-17
Training	Number of managers and staff that have received OH&S training:		
	induction/annual (ii)	492	125
	management training (ii), (iii)	90	0
	Percentage of HSRs training (not a legislative requirement):		
	acceptance of role	37%	100%
	refresher training	0%	0%

(i) Source - CGU Insurance

(ii) Training figure relates to current staff only.

(iii) Includes compliance module completion for team leaders briefings for Executive Leadership Team and General Manager Group

8.3 EMPLOYMENT AND CONDUCT PRINCIPLES

Employee relations

Cenitex is committed to providing a workplace that encourages constructive, respectful, open and ethical working relationships at all levels in the organisation. Human Resources provides support and guidance to managers and staff to ensure compliance with employment legislation.

Workplace Enterprise Agreement

All non-executive employees are employed under the Victorian Public Service (VPS) Enterprise Agreement 2016.

Code of conduct

Cenitex applies the VPS Code of Conduct that encompasses standards and behaviours for all employees. The Code of Conduct is issued to all new employees and changes to the Code are notified immediately to employees.

Merit and equity

Cenitex maintains programs and policies to ensure that the workplace remains free from discrimination. They are:

- Conflict of Interest Policy
- Recruitment Policy
- Grievance Policy and Process
- Human Rights Policy
- Appropriate Workplace Behaviour Policy and online learning tool
- Employee Assistance Program (provides staff with professional, confidential counselling on work-related or personal problems)
- VPS Code of Conduct (provides staff with details on the behavioural standards required of Cenitex employees)
- Induction training
- Managing Diversity Policy.



9

DISCLOSURES

9.1 IMPLEMENTATION OF THE VICTORIAN INDUSTRY PARTICIPATION POLICY

The *Victorian Industry Participation Policy Act 2003* requires departments and public sector bodies to report on the implementation of the Victorian Industry Participation Policy (VIPPP). Departments and public sector bodies are required to apply a VIPPP in all procurement activities valued at \$3 million or more in metropolitan Melbourne or \$1 million or more for procurement activities in regional Victoria. Cenitex did not commence or complete any contracts for which a VIPPP was required.

9.2 CONSULTANCY EXPENDITURE

Details of consultancies (valued at \$10,000 or greater)

In 2017-18, there were 14 consultancies where the total fee payable to each of the consultants was \$10,000 or greater. The total expenditure incurred during 2017-18 in relation to these consultancies was \$1,451,374. Details of individual consultancies are outlined opposite.

Details of consultancies under \$10,000

In 2017-18, four consultancies were engaged, where the total fees payable to the individual consultancies was less than \$10,000. Total expenditure incurred during 2017-18 in relation to these consultancies was \$24,035.00 (excl. GST).

9. DISCLOSURES

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (excluding GST)	Expenditure 2017-18 (excluding GST)	Future expenditure (excluding GST)
ACCENTURE	Cloud hosting design and implementation services	4/10/2017	12/08/2018	\$368,181	\$316,737	NIL
ANDREWS GROUP	Customer satisfaction benchmarking	29/01/2018	30/06/2019	\$59,750	\$35,849	\$23,901
BAE SYSTEMS DETICA	Burwood data centre incident review	14/12/2017	14/12/2018	\$48,750	\$48,750	NIL
DATA#3 Group	Data centre network design and implementation	16/10/2017	29/06/2018	\$437,662	\$437,662	NIL
DELOITTE TOUCHE TOHMATSU	Pricing strategy	4/09/2017	27/10/2017	\$135,000	\$134,999	NIL
DIMENSION DATA	Office 365 assessment	18/09/2017	26/01/2018	\$188,684	\$188,684	NIL
DIMENSION DATA	Cyber security assessment	11/09/2017	31/01/2018	\$33,868	\$33,868	NIL
FISHER IT ASSET CONSULTING	ILMT review	4/06/2018	1/08/2018	\$26,000	NIL	\$26,000.00
GRAYMATTERS TRUST	Accommodation advisory services	17/01/2018	29/03/2018	\$69,600	\$7,152	NIL
HIVINT	Cloud hosting threat risk assessment	10/11/2017	31/12/2017	\$22,680	\$22,680	NIL
INTEGRATED GLOBAL PARTNERS	Independent review of Board performance	1/08/2017	8/09/2017	\$57,875	\$57,838	NIL
PEDDLE THORP INTERIORS	Construction and architectural consulting services	24/04/2018	29/03/2019	\$379,855	NIL	\$379,855
PRICE WATERHOUSE COOPERS	Procurement policy advisory services	15/09/2017	10/11/2017	\$45,050	\$19,821	NIL
UNISPACE GLOBAL	Workplace strategy	1/02/2018	30/06/2018	\$96,910	\$70,011	NIL

9. DISCLOSURES

9.3 INFORMATION AND COMMUNICATION TECHNOLOGY EXPENDITURE

For the 2017-18 reporting period, Cenitex had a total ICT expenditure of \$8,255,000 as detailed below.

(\$ thousand)

All operational ICT expenditure	ICT expenditure related to projects to create or enhance ICT capabilities	ICT expenditure related to projects to create or enhance ICT capabilities	ICT expenditure related to projects to create or enhance ICT capabilities
Business As Usual (BAU) ICT expenditure (Total)	Non-Business As Usual (non-BAU) ICT expenditure (Total = Operational expenditure and Capital expenditure)	Operational expenditure	Capital expenditure
3,729	4,526	4,279	247

ICT expenditure refers to Cenitex's costs in consuming business-enabling ICT services to support our own business operations. It comprises Business As Usual (BAU) ICT expenditure and Non-Business As Usual (Non-BAU) ICT expenditure. Non-BAU ICT expenditure relates to extending or enhancing Cenitex's current ICT capabilities. BAU ICT expenditure is all remaining ICT expenditure which primarily relates to ongoing activities to operate and maintain the current ICT capability.

9.4 DISCLOSURE OF MAJOR CONTRACTS

In accordance with the requirements of Government policy and accompanying guidelines, Cenitex discloses all contracts greater than \$10 million in value which it entered into during the year ended 30 June 2017. Details of contracts that have been disclosed in the Victorian Government contracts publishing system can be viewed at: www.procurement.vic.gov.au

Contractual details have not been disclosed for contracts where disclosure is exempted under the *Freedom of Information Act 1982* and/or government guidelines.

9.5 FREEDOM OF INFORMATION

The *Freedom of Information Act 1982* allows the public a right of access to documents held by Cenitex. For the 12 months ending 30 June 2018, Cenitex received one request for access under Freedom of Information. The request was received from a member of the public and was acceded to.

Making a request

Access to documents may be obtained through written request to the Freedom of Information Manager, as detailed in section 17 of the *Freedom of Information Act 1982*. In summary, the requirements for making a request are:

- it should be in writing;
- it should identify as clearly as possible which document is being requested; and
- it should be accompanied by the appropriate application fee (the fee may be waived in certain circumstances).

Requests for documents in the possession of Cenitex should be addressed to:

Freedom of Information Officer
Cenitex
PO Box 2750
Melbourne VIC 3001

Access charges may also apply once documents have been processed and a decision on access is made; for example, photocopying and search and retrieval charges.

Further information regarding Freedom of Information can be found at <http://www.foi.vic.gov.au>.

9.6 COMPLIANCE WITH THE BUILDING ACT 1993

Cenitex does not own nor control any government buildings. Consequently, it is exempt from notifying its compliance with the building and maintenance provisions of the *Building Act 1993*.

9.7 NATIONAL COMPETITION POLICY

Under the National Competition Policy (NCP), the guiding legislative principle is that legislation, including future legislative proposals, should not restrict competition unless it can be demonstrated that:

- the benefits of the restriction to the community as a whole outweigh the costs; and
- the objectives of the legislation can only be achieved by restricting competition.

Cenitex continues to comply with the requirements of the NCP by establishing prices for services that are fully cost reflective.

Competitive neutrality requires government businesses to ensure where services compete, or potentially compete with the private sector, any advantage arising solely from their government ownership be removed if it is not in the public interest. Government businesses are required to cost and price these services as if they were privately owned. Competitive neutrality policy supports fair competition between public and private businesses and provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency in the provision of service.

9.8 COMPLIANCE WITH THE PROTECTED DISCLOSURE ACT 2012

The *Protected Disclosure Act 2012* encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The Act provides protection to people who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and for rectifying action to be taken.

Disclosures about Cenitex, its employees, officers and members should only be made to the IBAC. According to the Independent Broad-based Anti-corruption Commission IBAC, Cenitex is a public body that cannot receive disclosures. The Protected Disclosure Policy and Procedures, which outline the system for reporting disclosures of improper conduct or detrimental action by Cenitex or any of its employees are available on the Cenitex website (Protected Disclosure Procedures 2018.docx available for download at <https://www.cenitex.vic.gov.au/protected-disclosure>).

9. DISCLOSURES

9.9 OFFICE-BASED ENVIRONMENTAL IMPACTS

Cenitex collects data for environmental impacts reporting. The sixth full year of data collection is reported here. The data includes our office-based environmental impacts in three areas: energy, paper and transport.

	Environmental Reporting			
	2017-18		2016-17	
	Offices	Data centres	Offices	Data centres
Electricity consumption (mega joules - MJ)	4,905,412	18,945,024	3,866,872	22,086,549
MJ per square metre (m2)	619	11,184	491	13,038
MJ per full-time employee (FTE)	9,410	36,341	8,004	45,718
Paper consumption (reams)	1,753		1,910	
Reams per FTE	3.36		3.95	
Motor vehicle use (kilometres)	117,542		157,717	
km per FTE	223		280	

Water and waste

Cenitex pays indirectly for water consumption and waste disposal as part of the 80 Collins Street lease, billed as a percentage of the whole of the property budget across 50 floors. This is standard practice in leased buildings. We do not keep data as we do not process direct accounts from these suppliers.

9.10 PROCUREMENT

Where possible, Cenitex buys equipment from state purchasing contracts (SPC) to take advantage of environmental requirements covered for all departments in SPC tenders and contracts. The contracts and panels we purchase from include:

- Stationery and Workplace Consumables
- Multifunctional devices and printers contract
- Citrix Systems Asia Pacific contract
- WoVG Data Centre contracts
- End User Computing Equipment contract
- IT Infrastructure register
- Telecommunications (TPAMS2025) service contract

In addition, Cenitex has incorporated social procurement requirements in its procurement documentation.

Additional information

For additional information contact:

Corporate Communications
Cenitex
PO Box 2750
Melbourne VIC 3001
Australia
corporate.communications@cenitex.vic.gov.au

9.11 COMPLIANCE WITH DATAVIC ACCESS POLICY

Consistent with the DataVic Access Policy issued by the Victorian Government in 2012, Cenitex has made four data sets available on the DataVic website in 2017-18. Information included in this Annual Report will also be available at www.data.vic.gov.au in electronic readable format.

9.12 DISCLOSURE INDEX

Ministerial Directions & Financial Reporting Directions – Report of operations

Legislation	Requirement	Section reference
Charter and purpose		
FRD 22H	Manner of establishment and the relevant Ministers	About Cenitex
FRD 22H	Purpose, functions, powers and duties	About Centex
FRD 8D	Departmental objectives, indicators and outputs	5
FRD 22H	Key initiatives and projects	5
FRD 22H	Nature and range of services provided	About Cenitex, 5
Management and structure		
FRD 22H	Organisational structure	7
Financial and other information		
FRD8D	Performance against output performance measures	
FRD 10A	Disclosure index	9.12
FRD 12B	Disclosure of major contracts	9.4
FRD 15D	Executive officer disclosures	Financial Report 8.2
FRD 22H	Employment and conduct principles	8.3
FRD 22H	Occupational health and safety policy	8.2
FRD 22H	Summary of the financial results for the year	Financial Report
FRD 22H	Significant changes in financial position during the year	Financial Report
FRD 22H	Subsequent events	Financial Report 8.5
FRD 22H	Application and operation of <i>Freedom of Information Act 1982</i>	9.5
FRD 22H	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	9.6
FRD 22H	Statement on National Competition Policy	9.7
FRD 22H	Application and operation of the <i>Protected Disclosure Act 2012</i>	9.8
FRD 22H	Details of consultancies over \$10 000	9.2
FRD 22H	Details of consultancies under \$10 000	9.2
FRD 22H	Disclosure of ICT expenditure	9.3
FRD 22H	Statement of availability of other information	9.1
FRD 24C	Reporting of office based environmental impacts	9.9
FRD 25C	Victorian Industry Participation Policy disclosures	9.1
FRD 29B	Workforce Data disclosures	8.1
SD 5.2	Specific requirements under Standing Direction 5.2	Financial Report

Continued next page

9. DISCLOSURES

9.12 DISCLOSURE INDEX – continued

Ministerial Directions & Financial Reporting Directions – Report of operations

Legislation	Requirement	Section reference
Compliance attestation and declaration		
SD 5.1.4	Attestation for compliance with Ministerial Standing Direction	See below
SD 5.2.3	Declaration in report of operations	Letter to Minister
Financial statements		
Declaration		
SD 5.2.2	Declaration in financial statements	Financial Report
Other requirements under Standing Directions 5.2		
SD 5.2.1 (a)	Compliance with Australian accounting standards and other authoritative pronouncements	Financial Report 1
SD 5.2.1 (a)	Compliance with Ministerial Directions	Financial Report
Other disclosures as required by FRDs in notes to the financial statements		
FRD 21C	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	Financial Report 8.1
FRD 103G	Non Financial Physical Assets	Financial Report 4.1
FRD 110A	Cash Flow Statements	Financial Report
FRD 112D	Defined Benefit Superannuation Obligations	Financial Report 3.13
Legislation		
<i>Freedom of Information Act 1982</i>		9.5
<i>Building Act 1983</i>		9.6
<i>Protected Disclosure Act 2012</i>		9.8
<i>Victorian Industry Participation Policy Act 2003</i>		9.1
<i>Financial Management Act 1994</i>		Letter to Minister

9.13 OUR WEBSITES

Cenitex has an online presence in three website environments:

Website	Audience
Staff intranet	Cenitex staff
inslTe	Cenitex staff and customers
Internet	General public, Cenitex customers and staff www.cenitex.vic.gov.au

9.14 GLOSSARY OF TERMS

ARC	Audit and Risk Committee
CFO	Chief Finance Officer
CIO	Chief Information Office/r
Departments	Department of Economic Development, Jobs, Transport and Resources (DEDJTR) Department of Environment, Land, Water and Planning (DELWP) Department of Health and Human Services (DHHS) Department of Justice and Regulation (DJR) Department of Premier and Cabinet (DPC) Department of Treasury and Finance (DTF)
Executive	In the Victorian Public Service, a person employed as a public service body head or other executive under Part 3, Division 5 of the <i>Public Administration Act 2004</i> . The definition of an executive officer does not include statutory officers unless they are specifically declared to be employed under the executive employment provisions of the <i>Public Administration Act 2004</i> .
FTE	Full-time equivalent. One FTE is the equivalent of one person working full-time for one financial year. For example, two persons, each working 2.5 days per week (or 0.5 of standard hours) equals one FTE.
GSP	Government Shared Platform
ICT	Information and Communications Technology
MoU	Memorandum of Understanding
Public sector	All organisations (i.e. VPS departments and agencies, as well as public entities) covered by the <i>Public Administration Act 2004</i> .
Remedy	Tool for managing internal service desk calls
SAC	Stakeholder Advisory Committee
SOC	Security Operations Centre
State agencies	Administrative unit of state government providing community and other services. State agencies mentioned in this report: Public Transport Victoria (PTV) Victorian Ombudsman VicForests Environment Protection Authority (EPA) Commercial Passenger Vehicles Victoria (CPV) Office of the Governor Victorian Public Sector Commission Office of the Chief Parliamentary Counsel Public Record Office Victoria Victorian Multicultural Commission Transport Safety Victoria Metropolitan Waste and Resource Recovery Group Court Services Victoria
Victorian public sector	All Victorian organisations (i.e. Victorian Public Service departments and agencies, as well as public entities) covered by the <i>Public Administration Act 2004</i> .
VPS	Victorian public service (<i>see also</i> Victorian public sector)
WoVG	Whole of Victorian Government

ATTESTATION FOR FINANCIAL MANAGEMENT COMPLIANCE WITH MINISTERIAL STANDING DIRECTION 5.1.4

I, Randall Straw, on behalf of Cenitex, certify that Cenitex has complied with the applicable Standing Directions of the Minister for Finance under the *Financial Management Act 1994* and Instructions.



Randall Straw

Chair

31 August 2018

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The logo for cenitex, featuring the word "cenitex" in a lowercase, sans-serif font. The letters "ce", "ni", and "ex" are white, while the letters "te" are a vibrant blue. The logo is positioned in the bottom left corner of the page, which has a background of overlapping blue geometric shapes and a white upper section.

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