

Annual Report  
2016-17

CenITex

Supporting a modern, agile  
and productive public sector



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**12 October 2017**  
**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 2016-17 Annual Report of CenITex, including the Financial Statements for the year ended 30 June 2017, for presentation to Parliament, pursuant to Part 7 of the Financial Management Act 1994.

Yours Sincerely



Randall Straw  
**Chairman**

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## Our goal

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

## Our values



## How we work

We are committed to recognising the customer across all lines of business, and this underpins our behaviour and decision making.

## Our key 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

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## 1. From the Chairman

**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 pursued innovation, added to our customer base, reduced prices and invested significantly in our staff.**

CenITex ended the 2016-17 financial year with a third successive surplus, this year of \$7 million. Total revenue was \$167.6 million, which was \$12.9 million up on the previous year. And while the surplus was driven in part by the accounting treatment of revenue from capital acquisitions in support of customer projects, our continued focus on managing cost and lifting productivity allowed us to bring forward a 2.5 per cent across the board price reduction planned for the next financial year, to this one.

Gail Moody retired from the Victorian Public Service and the CenITex Board in April this year. I would like to sincerely thank Gail for her valued service as a Board member, and welcome Shaun Condron as our new Board member.

This year saw CenITex build and internally deploy a market ready Office 365 desktop environment, capable of supporting whole of Victorian Government with the latest productivity, collaboration and communication tools, necessary for a modern, agile and productive Victorian public sector. Three of our largest customers are signed up to migrate to this new service in the coming year.

The 2016-17 financial year also saw CenITex update our financial systems, improve our security environment, continue to refresh our asset base and, perhaps most significantly, restructure the organisation to align staff delivering services with the customers we serve.

We improved our employees' capabilities by their skills in cloud based technologies and provided them with comprehensive customer service training. We introduced a new service delivery module built on Prince2 and Agile methodologies and a virtual team structure to support the delivery of customer projects. We brought to market Azure-based cloud hosting services, and negotiated with AWS to enable scaled rollout to government – all in an environment of continued financial sustainability. We also welcomed a new customer in VicRoads, who will enhance its cyber security capability by leveraging services from our 24x7 Security Operations Centre which began operating in August last year.

There is much to be proud of and much to be done, and the foundation we are working from is a solid one.



**Randall Straw**  
Chairman

Our work in the areas of security, cloud services and in building a new services roadmap has been done in close collaboration with our customers.

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## 2. From the Chief Executive

**In 2016/17, CenITex continued its transformation into a more customer-centric organisation, offering our customers an expanding choice of contemporary services, greater responsiveness and lower costs.**

We made significant investments and significant progress in the provision of cloud-based services, including perhaps most importantly, a migration within the organisation to the Microsoft Office 365 environment for mail, productivity tools and collaboration. This is now available as a service in our catalogue and it appears likely that we will have transitioned as much as half of our customer base by the end of the 2017/18 financial year.

For a second successive year, we reduced prices across all our services and co-founded projects with customers aimed at modernising their ICT environments and enhancing the productivity of their workforces. We invested heavily in cybersecurity initiatives, including the launch of a 24x7 Security Operations Centre service to monitor and protect key customer ICT infrastructure.

We continued the two-day customer service training program launched last year, which is being attended by all staff, including those on the Executive team. We placed more staff on customer sites, invited customers to play key roles on project and program governance committees and actively engaged in many key customer forums. Significantly, we implemented the “Customer 2020” structure which sees service delivery and technical staff across the organisation formed into virtual teams flexibly and responsively supporting key customer groups and departments.

Much has been done and there is much for our people to be proud of, but our transformation is not yet complete.

We need a still greater focus on our customers, more innovation and greater responsiveness to customer demands for change or for new technology and services. We need to continue our efforts to reduce costs and find ways to enhance our productivity. We need to expand our partnerships with industry to ensure we can enable our customers access to the best and most professional services and expertise available.

Based on our track record and based on the commitment and energy our people are bringing to these tasks, I am confident that we will accomplish what we are setting out to achieve.

### Highlights of 2016/17

In the past financial year, we:

- Completed Program Unity with the Department of Health and Human Services (DHHS), which saw the migration of over 9000 users onto the Windows 8.1 desktop environment, the consolidation of data centre assets, and the migration of DHHS ICT services onto the Government Shared Platform (GSP).

- Successfully migrated all CenITex staff onto the Office 365 platform, supported by an extensive training program, and established the necessary expertise, industry partnerships and service offerings to support customers who wish to migrate from their existing Lotus Notes service in the coming year.
- Implemented a financial management system well suited to the needs of an organisation delivering ICT services to a complex customer base and which can be integrated with systems that track and bill services consumed from the cloud service providers.
- Introduced improved performance management reporting to enable our customers to analyse their data and gain greater insight into their consumption.
- Established a network join between the Department of Justice and Regulation (DJR) and the GSP, completed a major firewall refresh and worked closely with the Department to establish plans that will see a migration over the coming two years more fully onto the GSP.
- Launched our 24x7 Security Operations Centre which, drawing on information in real time from cybersecurity incidents from around the world, offers monitoring and protection for our customers’ critical infrastructure.
- Implemented a new customer billing reporting system using new technologies and practices to automate for greater efficiencies and accuracy, thus enabling more timely reporting and improved invoicing.
- Worked closely with Court Services Victoria on planning the migration of their existing ICT services to the GSP and the rollout of Office 365 across each court jurisdiction.
- Completed the DHHS Critical Reporting Tool project, which involved the transition of 24 reporting solutions and 2000 users from a legacy platform to a leading-edge, fully virtualised and secure cloud platform.
- Introduced a new service delivery model based on Prince2 and Agile methodologies and a virtual team structure to support the delivery of customer projects.
- Conducted our second independently run customer satisfaction survey, addressing all aspects of IT services and support provided by both CenITex and our customers’ ICT teams, the outcomes of which will enable us to jointly address service improvements.
- Began implementation of a new enterprise resource planning (ERP) system for finance, customer relationship management and project management.
- Completed a new cost model to support a restructuring of our Service Catalogue, improve cost transparency and realign service categories and prices to the market.

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## 2. From the Chief Executive

### Financial Outcome

CenITex ended the year with a third successive financial surplus, this time of \$7m. The majority of the surplus related to customer revenue contributions to purchase property plant and equipment needed for our customers' project implementations. Total revenue this year was \$167.6 million which was \$12.9 million up on the previous year.

Pricing for services saw the absorption of cost increases consistent with increases in consumer price index as well as an across the board price reduction of 2.5 per cent of all GSP catalogue workplace and hosting services. A further 2.5 per cent discount was made available to customers who paid for their service consumption annually in advance. In addition to these reductions, a further 2.5 per cent rebate on all services for GSP customers was announced in January and backdated to the start of the financial year.

CenITex experienced another significant increase in internal and customer project activity. The original forecast was \$36.5 million in project expenditure across both internal and customer portfolios. Due to increased demand, we delivered internal and customer projects well ahead of the forecast value to a total of almost \$43 million.



Michael Vanderheide  
Chief Executive

For a second successive year, we reduced prices across all our services and co-founded projects with customers aimed at modernising their ICT environments and enhancing the productivity of their workforces.

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## 3. Organisation Overview

CenITex is an information and communications technology (ICT) shared services agency that provides centralised ICT infrastructure, services and support to Victorian Government departments and agencies. It was created as a state-owned enterprise on 16 July 2008 to deliver integrated and reliable ICT infrastructure, application hosting and desktop services.

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

CenITex provides ICT services to support about 34,000 Victorian public servants across six Victorian Government Departments and their associated portfolio agencies, and also the Environment Protection Authority, Public Transport Victoria, Taxi Services Commission, VicForests, Victorian Ombudsman and VicRoads.

### What we deliver

Workplace services including:

- desktop services
- file and print services
- email and diary services
- personal productivity applications
- internet access services.

Hosting services including:

- application hosting
- storage and back-up
- restore and disaster recovery
- database and application server management.

Professional services (customer-funded projects) including:

- solution design and build
- project management.
- CenITex also supplies identity and access management, ICT security services, personnel on-boarding and off-boarding, and directory services.

### Our customers

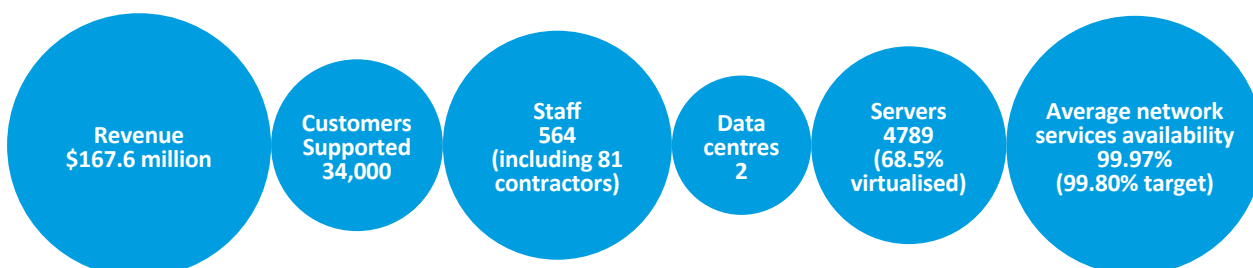
As at 30 June 2017, CenITex provides ICT services to the following Victorian government departments and their agencies:

- 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)
- Public Transport Victoria (PTV)
- Victorian Ombudsman
- VicForests
- Environment Protection Authority (EPA)
- Taxi Services Commission (TSC)
- VicRoads

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

- 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

### Key metrics (as at 30 June 2017)





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## 4. Governance & Organisational Structure

### 4.1 Governance

CenITex is governed by a nine-member Board, the members of which are appointed by the Governor-in-Council on the recommendation of the organisation's portfolio minister, the Minister for Finance. On 26 April 2017 Gail Moody retired from the Victorian Public Service and the Board. Shaun Condron was appointed to the Board on 13 June 2017.

The CenITex Executive Leadership Team has operational responsibility and is supported by operational and advisory groups, most including departmental representatives. During the financial year 1 July 2016 to 30 June 2017 the positions of Minister and accountable officer responsible for CenITex were held by:

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

### 4.2 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.

### 4.3 Board of Directors

**Randall Straw** (Chair) has over 32 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.

**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.

**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.

**Johanna (Joh) Barker** has extensive corporate, banking and IT management experience, particularly 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.

**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.

**Amanda Cattermole** is Deputy Secretary, Community Services Program and Design with the Department of Health and Human Services. She is responsible for leading and overseeing the development of operational policy and funding frameworks for housing, homelessness, family violence, family support, disability, child protection, out of home care and youth justice services. She has extensive social policy experience across Commonwealth, state and territory governments, including Western Australia and the Northern Territory.

**Gail Moody** retired from the Victorian Public Service and the Board on 26 April 2017. Gail had been Deputy Secretary, Corporate Governance and Infrastructure in the Department of Justice and Regulation since August 2007. She was responsible for overseeing the department's key public accountability and governance requirements, including procurement, performance monitoring and reporting, risk, audit, ICT, environment, and budget coordination.

**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.

**Shaun Condron**, appointed to the Board on 13 June 2017, has 23 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).

## Board Meetings

There were 10 Board meetings during 2016-17.

Director	Number of meetings attended	Number of meetings eligible to attend
Randall Straw (Chair)	11	11
Richard Tait	10	11
Conrad Harvey	9	11
Johanna Barker	11	11
Richard Bolt	7	11
Kathryn Anderson	10	11
Amanda Cattermole	6	11
Gail Moody	9	9
Julie Fahey	10	11
Shaun Condron	1	1

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## 4. Governance & Organisational Structure (continued)

### 4.3.1 CenITex 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 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.

#### ARC membership

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

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

#### ARC meetings

There were four meetings during the year.

#### Remuneration Committee

The Remuneration Committee is a standing committee of the CenITex Board. Its primary roles include maintaining the Remuneration and Employment Policy, providing recommendations for the annual executive remuneration review, remuneration compliance, and appointment of the CenITex Chief Executive.

#### Remuneration Committee membership

Randall Straw  
Conrad Harvey  
Kathryn Anderson

#### Remuneration Committee meetings

There were two meetings during the year.

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## 4.4 Organisational structure

CenITex is arranged in five functional areas:

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

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

### 4.4.1 Executive Leadership Team roles and responsibilities

#### Chief Executive – Michael Vanderheide

- advises the Board on the establishment and implementation of a strategy for CenITex and 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

- serves as the key enabling interface between CenITex and its customers
- responsible for account management and customer service delivery management and customer satisfaction; and is also responsible for
- 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 Service Delivery – Scott Ayer

Coordinates and manages services and projects to agreed levels, including:

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

#### Acting Director Strategy and Governance – Paul Cooper

- coordinates and manages corporate strategy, business trends and strategic research
- provides secretariat and strategic support to the Board and ELT
- provides enterprise risk, audit, service assurance and compliance services including Privacy, Freedom of Information, and protected disclosure
- responsible for production of the corporate plan.

#### Director Finance and Business Services – Catherine Ho

Responsible for:

- 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

Responsible for:

- 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.

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## 4. Governance & Organisational Structure (continued)

### 4.4.2 Customer 2020

In 2016 CenITex embarked on a transformation journey and an organisational restructure - under the banner of Customer 2020 - to become more customer-centric, providing our customers with more choice, greater responsiveness, and service efficiencies, while being comparable in cost to service providers in the market.

#### Internal structural changes

Customer 2020 saw a renaming and re-organisation of some teams:

- Strategy and Business Coordination was renamed Strategy and Governance to focus on corporate strategy, Board support, enterprise risk, audit, service assurance and compliance services including Privacy, Freedom of Information, and Protected Disclosure.
- Service Operations was renamed Service Delivery with five new internal teams to design, build and run, monitor and govern ICT operations and a sixth team to develop new services.
- Finance Services was renamed Finance and Business Services to manage the finance and procurement functions, business technology support and legal services.
- Customer Engagement assumed responsibility for Service Strategy and all communications functions.

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## 5. Our Customers

As a key supplier of shared ICT infrastructure, CenITex's key strategic goal is to deliver customer-focussed ICT services that support a modern, agile and productive public sector.

### 5.1 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 the key customer challenges and 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 or CIOs.

#### Cyber Security Customer Group

The Cyber Security Customer Group provides governance and guidance for the three-year \$6 million security uplift program. It also acts as 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.

#### Cloud Services Customer Group

The Cloud Services Customer Group acts as a reference group for the development and implementation of the CenITex cloud strategy and the delivery of cloud services. This includes the establishment of an enterprise cloud management capability (operating model) for service provision and delivery, management, billing and reporting; a dedicated high speed network link to cloud hosting providers; and the establishment of cloud hosting services. Group membership includes CenITex Director Customer Engagement (Chair), CenITex cloud specialists, and relevant departmental senior ICT executives and CIOs.

#### ICT Architecture Group

The ICT Architecture Group ensures that decisions relating to technology, systems, products and designs are aligned to the customer requirements and the business priorities of CenITex. It does this by establishing a reference architecture view of the current and future state, a roadmap, timetable and process for decision making that provides clarity and alignment to the organisational direction. Group membership is made up of CenITex Enterprise Architect (Chair) and CenITex and customer enterprise architects.

#### Service Delivery Forum

The Service Delivery 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 CenITex Director Service Delivery and attended by customer CIOs and/or their delegates.

### 5.2 The Machinery of Government (MoG)

As of 3 April 2017, the Youth Justice Service moved from the Department of Health and Human Services (DHHS) to the Department of Justice and Regulation (DJR) as part of a package of reforms to youth justice.

To support this change, CenITex leveraged the recently completed network join of the DJR network to the GSP, extending the DJR network to previously DHHS-dedicated sites that had now become co-located because of the MoG.

The network was extended initially to two sites, Malmsbury and Parkville, and new DJR login accounts were created for 840 staff. The extension of the network to additional co-located sites and the creation of further logins is due for completion in the latter half of 2017.

### 5.3 Cost review and realignment

To better align CenITex services to market offerings and improve cost to price service alignment for customers, CenITex undertook a review of its cost model in 2016/17.

Phase 1 of improving price transparency was completed with market benchmarking and realignment of project delivery resources. Phase 2, to be undertaken in 2017/18 will benchmark and realign Service Catalogue pricing.

In February 2017, the CenITex Board reviewed a new cost model for GSP services. The costs were modelled against services in a restructured service catalogue specifically designed to align services to their underlying cost.

### 5.4 Engaging new customers

#### VicRoads

In April 2017, VicRoads signed a proposal to enhance its cyber security capability by leveraging services from the 24 x 7 Security Operations Centre (SOC), including real-time event management, threat analysis and incident response support, and proactive security intelligence and reporting. Although VicRoads does not use CenITex GSP network services, the 24/7 SOC cyber security capability can be consumed by any Victorian Government entity, resulting in improved security for their network connections and their critical systems.

In June 2017, VicRoads signed a Memorandum of Understanding (MOU) with CenITex that set out the terms and conditions by which VicRoads can request services from the Service Catalogue, including project delivery services.

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## 5. Our Customers (continued)

### 5.5 Transitioning customers to Service Catalogue

#### Court Services Victoria

Following the submission of a detailed proposal jointly developed by CenITex and Courts Services Victoria (CSV), the Courts Council, chaired by the Chief Justice of Victoria, approved the migration of CSV's network, hosting and desktop services onto the CenITex GSP. This will take place during 2017/18.

### 5.6 Customer service improvements

#### Security uplift program

CenITex's new Security Operations Centre (SOC) began operation on 1 August 2016, delivering around-the-clock real-time threat management for Government Shared Platform (GSP) customers and the Department of Health and Human Services.

The introduction of the SOC is part a \$6 million security uplift program announced in 2015/16 and overseen by the Cyber Security Customer Group. The SOC monitors critical security data logs from firewalls, web proxy servers and McAfee tools to identify network intrusions, malicious software and suspicious traffic. The centre also extends the previous CenITex cyber threat management and incident response services from standard business hours, five days per week, to 24x7 coverage.

In September 2016, CenITex upgraded its intrusion protection system with the Proofpoint Targeted Attack Prevention (TAP) system. TAP uses advanced threat detection features and is aligned to the Australian Security Directorate's mitigation strategy #6, which proposes automated dynamic analysis of email and web content to detect suspicious behaviour.

#### Customer reporting

To improve performance reporting and give customers deeper access to performance reports and data, CenITex agreed on a new range of performance measures to report on. To meet these reporting requirements CenITex has undertaken a significant uplift in internal data quality and data integration.

The data has been consolidated into a reporting system call Tableau, which allows customers to self-serve and gain visibility on service related queries e.g. service costs, incidents, requests and projects.

#### Customer self-service

Over the past 12 months CenITex has developed ways to give customers the capability to self-serve, including requesting and approving services, tracking request progress and accessing knowledge bases. This capability will be delivered through CenITex's new self-service portal ReQuestIT.

ReQuestIT currently provides CenITex customers with an alternative to calling or emailing the IT Service Centre to raise a service request or report a fault. The portal features a modern and user-friendly interface and provides the ability to log requests and incidents 24/7 as well as view updates on the status of their requests and reported faults.

Future releases of the portal will include features such as Live Chat with a service desk analyst and the ability to request and provision select items in the Service Catalogue, as well as a dashboard to check the service health of key services. The service is being prepared for adoption by customers on the GSP during 2017/18.

In addition, the ReQuestIT portal features a new self-service password reset service, which was successfully piloted with CenITex staff in December 2017. Resetting a person's network password is one of the most common requests to the IT Service Centre.

The service offers three ways to reset a password: SMS verification, mobile device verification and security questions. The service is being finalised for customer adoption in 2017/18.

#### Customer satisfaction survey

CenITex completed its second customer satisfaction survey in April 2017. Conducted independently by the Andrews Group, the survey addressed all aspects of IT services and support provided by both CenITex and our customers' IT staff.

The results were based on 2628 responses, drawn from a broad based and randomly selected sample of users of all employment grades 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. The survey did not distinguish between IT services provided by CenITex or customers. The focus was on everything IT, covering all services government staff consume.

Overall satisfaction with IT was on par with the previous year at 61.5 per cent; the percentage of respondents who were neutral (21 per cent) or dissatisfied (17 per cent) remained the same as last year.

There were notable gains in satisfaction with the Internet and the friendliness of IT staff. Respondents were marginally more dissatisfied with remote access services, business applications, access to data and their IT Helpdesk services.

While more people thought that IT support better understood their needs and provided software that could help them be more effective and efficient, satisfaction with IT support dropped in four key areas:

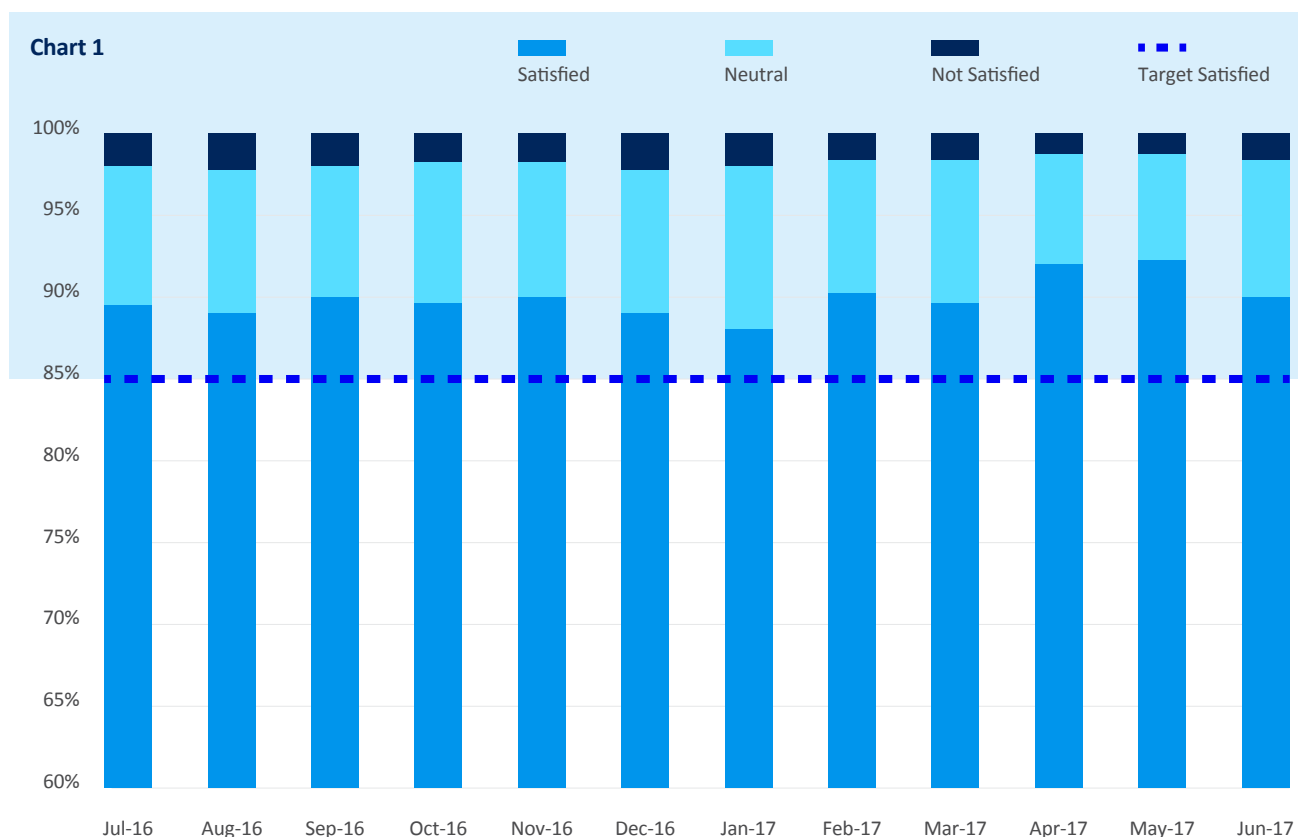
- Issue being fixed quickly
- Timeliness of response
- Issue being fixed first time
- Having a single point of contact to resolve a problem.

CenITex provided each customer with their own report on their users' results and developed a series of action plans to address the areas of common dissatisfaction; as well as partnering with individual customers to address local areas of dissatisfaction.

### Customer satisfaction with the IT Service Centre

CenITex polls customers fortnightly to gather their feedback, improve customer response and support technical and service analysts. Over the past year, the customer satisfaction rating averaged 89.86 per cent positive, 8.47 per cent neutral, and 1.69 per cent negative.

Chart 1 plots the customer satisfaction rating with the IT Service Centre from July 2016 to June 2017. CenITex has exceeded its KPI of 85 per cent satisfied throughout the 12 months.





## 5. Our Customers (continued)

### 5.7 Key service initiatives

#### Alignment to the Victorian Government ICT Strategy

The Victorian Government’s Information Technology Strategy 2016-2020 gives guidance to decision-makers in the public service and provides insight into government’s approach for use by the Information and Communication Technology (ICT) sector.

The strategy has four priorities:

- reform in how government manages and makes transparent its information and data,
- seizing opportunities from the digital revolution,
- reforming government’s underlying technology and,
- lifting the capability of government employees to implement ICT solutions that are innovative, contemporary and beneficial.

Fifteen strategies sit under the four priorities and CenITex, in its development of new strategies and services, is directly working to 10 of them to provide an ICT environment that supports a modern, agile and productive Victorian public sector.

#### Victorian Government ICT Strategy 2016-20

Information & data reform	Digital opportunity	Technology reform	Capability uplift
Open information and data	Digital services	Modern staff productivity systems	Strengthening ICT project delivery and probity
Holistic management of information	Mobile delivery	Sharing corporate systems	Strengthening ICT procurement
System approach to government data sharing	Digital engagement with citizens	Sharing technology systems	Transform willingness to engage
		Cloud-based systems	Increased awareness of contemporary technology approaches
		Improved security	

Key

Direct relationship
  Indirect relationship

## Customer Services Roadmap

CenITex is one year into a rolling three-year Customer Services Roadmap, developed in consultation with customers to identifying new and/or enhanced services that CenITex will include in the Customer Service Catalogue. This roadmap is updated every six months as part of a process of consultation and engagement with customers.

In the first two years, CenITex will established cloud-based services that focus on application hosting, storage and desktop mobility, and deliver quality infrastructure (network, security, directories, reporting and billing) that supports those cloud-based services.

In the third year, 2018, CenITex will equip and train staff to advise customers on how to maximise their use of integrated hosting services. CenITex will also increase arrangements with third-party vendors to provide key ICT business solutions.

The following table shows a list of all services that customers have advised they need for the coming three years, and it is intended that all these services will be implemented by the 2019/20 financial year. This Services Roadmap is reviewed quarterly with customers, updated every six months and formally published once a year.

### Three-year services roadmap as at 30 June 2017

Service management	Professional services	Hosting & cloud	End User Computing	Network & Security
Self Service Portal	Project Management	Compute Gold Service – Azure	Cloud-Based GO Office 365	Managed Wifi – Access Points
Onboarding-Off Boarding	• Solution Delivery	SQL Database – Azure	• Desktop	Internet Link Gateway
Software Asset Management	• Customer Project Support	DIY Platform – Azure	• Mail & Diary	Security Advisory Services
Service Integration	• Proposal Development	DIY Platform – AWS	• Collaboration Suite	Office IT in a Box
Cloud Automation	Cloud Infrastructure	Compute – AWS	Virtual Desktop	Secure File Transfer
Service Desk as a Service	Consulting	Storage – AWS	Mobile Device Management	USB Encryption Management
	Vulnerability Testing	Secure Host Cloud	Integrated Meeting Rooms	3rd Party Identity & Access Management
	3rd Party Contract Management	Workspaces – AWS	BYOD Computing	CloudLink – cloud connectivity
	Notes to SharePoint Migration	Secure Host – On Premises	Application Store	Managed Certificates
		Developer Tools	Unified Communications	Software Defined Networks
				Network Operations Centre
				3rd Party Cloud Partners
				Data Loss Prevention

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## 5. Our Customers (continued)

### Customer Service Catalogue 2016/17

The Customer Service Catalogue 2016/17 was released on 1 July 2016 in a new slimline, easy to access format and with reduced prices and new services.

Pricing reflected the absorption of consumer price index (CPI) increases in 2015-16 and a 2.5 per cent discount off all GSP catalogue workplace and hosting services in 2016-17. A further 2.5 per cent discount was available to customers who paid annually in advance.

The catalogue was aligned to the service families agreed with customers as part of the development of the Services Roadmap. New or enhanced services featured in the catalogue included:

- Virtual Solaris Server – established through asset refresh, offering among other things high application availability by default and reduced pricing.
- MobileConnect – a secure and effective method to connect mobile devices to access business systems hosted on the CenITex GSP. This services is the production version of a successful proof-of-concept funded by the CenITex Innovation and Research Fund and DELWP.
- Microsoft Azure-based public cloud service.
- Real time threat management - a suite to cyber security threat management, monitoring, predictive intelligence and incident management tools and services to maintain ICT service confidentiality, integrity and availability.
- Microsoft Windows 10 – available as an upgrade for shared desktop environments.
- Wireless LAN – wireless access for desktops and notebooks to departmental local area networks.
- Application Whitelisting – security service to protect against the downloading and execution of unauthorised software and malicious programs.

### Cloud services strategy

Since July 2016, CenITex has been implementing a cloud services strategy aligned to the Victorian Government's ICT Strategy. This cloud strategy has five pillars:

- Cloud hosting services in Azure and AWS.
- Enterprise cloud management capability for brokering, integrating, reporting and billing services.
- Cloud network connectivity that provides a high speed private and scalable link to the cloud
- GO Office 365 – a single shared tenancy capable of supporting the whole of Victorian Government.
- Enterprise-endorsed mobile device management tool to support departments and agencies that wish to support a bring your own device (BYOD) strategy.

The GO Office 365 shared tenancy uses the Active Directory Federated Service to provide authenticated access to Victorian public servants using their standard identity and network credentials, which is aligned to the Victorian Government's Workplace Environment Standard.

CenITex customers now have the capability, scalability and security safeguards to take advantage of cloud services, providing their staff with a contemporary and innovative work environment that can help improve government services to the Victorian public.

### GO Office 365

Over the past 12 months, CenITex has built a single, secure, shared tenancy based on Microsoft Office 365 suite of productivity, collaboration and mail tools, capable of supporting the whole of Victorian Government. The service adheres to Victorian Government workplace standards and is branded Government Office (GO) Office 365.

CenITex successfully migrated its staff onto GO Office 365 in 2016/17, building the know-how and service offerings to enable customers to buy this service from our Service Catalogue in 2017/18. CenITex also built a co-existence solution to allow customers to maintain their Lotus Notes infrastructure while they migrate to the Exchange messaging platform.

The seven GO Office 365 technology streams are:

- Foundation Identity (Active Directory Federated Service)
- Messaging (Exchange Online)
- Unified Communications (Skype for Business Online)
- Collaboration & Content Management (SharePoint/OneDrive)
- Enterprise Mobility
- Office 365 ProPlus
- Enterprise Social (Yammer).

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## Contemporary Office solutions in the cloud

GO Office 365 was one of several cloud-based services successfully developed for customer adoption in 2017/18 in line with the Services Roadmap. The following new services were developed in 2016/17 and will feature in the Customer Service Catalogue 2017/18:

- CloudLink Express Route – a cloud provider independent network to access any cloud service peered with Equinix cloud exchanges in Melbourne and Sydney.
- CloudLink IX Peering – a private connection to the Equinix cloud exchanges.
- GO Desktop – operation platform to access corporate applications and GO Office 365 services.
- GO Office 365 - tailored support services and a suite of Microsoft based productivity tools.
- GO Office 365 Collaboration - collaboration tools Yammer Enterprise, SharePoint; and Skype for Business.
- GO Office Exchange - integrated mail, calendar and task scheduling system.
- Standard Desktop for non-supported devices - virtual desktop platform and necessary software licensing to access corporate applications and GO Office 365 software on devices that are incompatible with standard corporate PCs and notebooks.

In June 2017, CenITex announced to customers that the same price reductions, cost absorptions and discounts applied to the 2016/17 Service Catalogue would be reapplied in the 2017/18 catalogue. Following a cost benchmarking exercise, CenITex reduced the hourly rate for some of its project resources. CenITex also significantly reduced the price of corporate storage (by 65 per cent) and email archiving (by 55 per cent). Overall, the pricing and rate card reductions, absorbed costs and discount represent a reduction of \$9.2 million based on 2016/17 customer consumption.

## Innovation Fund

CenITex maintained a \$2 million Innovation Fund in 2016/17 to support proof of concept solutions that would deliver innovative products and services. The fund is open to both CenITex customers and CenITex internal business units. Funding proposals must demonstrate the potential to generate economic or efficiency improvements for CenITex and its customers, take a practical approach to technical and commercial feasibility, and benefit the wider customer base.

New projects funded in 2016/17 focused on improving customer access to cloud services and preparing their readiness to adopt GO Office 365.

## 5.8 Key customer project initiatives

### Program Unity

The migration of DHHS onto the GSP and Windows 8.1 desktop environment, completed in March 2017, involved the relocation of all DHHS infrastructure at the Ballarat data centre, a network join and the transition of the IT support functions from a Computer Associates to the GSP Remedy-based support environment. The desktop upgrade involved 67 individual DHHS sites and 9000 devices to upgrade including the replacement of 3800 devices.

### DHHS CRT project

The new DHHS Cloud reporting tool (CRT) platform in Microsoft Azure has been a collaborative achievement involving the transition of 24 reporting solutions and 2000 users from a legacy platform to a leading-edge, fully virtualised and secure Cloud platform.

The collaboration involved setting up a secure and fully virtualised cloud hosting environment; the migration of three generations of operating system (Windows Server 2003 to Windows Server 2012R2) and application (SQL Server 2005 to SQL Server 2014) and 2000 users who execute up to 50,000 reports per month; and new service capabilities such as business intelligence toolsets.

### DJR network join and firewall refresh

A network join was successfully completed in March 2017, establishing network connectivity between the GSP and DJR Domain Name System (DNS) servers. CenITex and DJR also completed the final stages of a complete firewall refresh that protects data centre assets.

The network join is the first milestone in the roadmap for DJR and Court Services Victoria to leverage the GSP network, hosting and securities services and consume services from the Service Catalogue.

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## 6. Operational Performance

### 6.1 Service Delivery

Victorian Government ICT operates across three infrastructure platforms.

The GSP hosts the Departments of Economic Development, Jobs, Transport and Resources (DEDJTR), Environment, Land, Water and Planning (DELWP), Treasury and Finance (DTF), and Premier and Cabinet (DPC).

The Departments of Justice and Regulation (DJR) and Health and Human Services (DHHS) are supported independently on dedicated infrastructure platforms. Both customers are transitioning services to the GSP. In March 2017, DHHS completed its desktop migration to Windows 8.1 and is due to complete migration to the GSP in 2017/18.

The GSP is a modern ICT platform distributed across two enterprise grade data centres via a Multiprotocol Label Switching (MPLS) network that delivers high degrees of service availability and cost efficiencies. Operating under the Information Technology Infrastructure Library (ITIL) service management processes, it also utilises state-of-the-art alerting and monitoring systems to support the delivery of business application hosting and physical or virtual workplaces to customers.

Service Delivery manages day-to-day operational support for these platforms and CenITex customers and our staff. Service Delivery comprises six groups, each run by a General Manager:

- Development and Design
- Project Delivery
- Operations
- Service Management
- Delivery Assurance
- Innovation and Delivery.

Development and Design, Project Delivery and Operations are responsible for the design, build and running of server, storage and directory, network and security, end user computing, platform and applications, and cloud services – supported by technical architecture, automation and capacity planning specialists.

Service Management is responsible for the IT Service Centre, the management of incidents and problems, events, change and release schedules, configuration and access, and monitoring.

Delivery Assurance manages quality control systems, disaster recovery governance, the Project Management Office, internal and customer reporting, service transition and managed service request (MSR) delivery and governance.

Innovation and Delivery is responsible for the development and market readiness of cloud services, the GO Office 365 platform and acts as an innovation incubator for the development of CenITex products and services.

#### Project Management Office

CenITex experienced another significant increase in internal and customer project activity. The original forecast was \$36.5 million in project funding across both internal and customer portfolios. Due to increased demand, CenITex delivered internal and customer projects well ahead of the forecast value for a total of almost \$43 million.

During 2016/17 CenITex opened a total of 651 customer projects valued at \$36.1 million, an increase of almost \$3 million from the previous year. Of these, 223 were major projects valued at \$30.1 million and 428 were minor projects valued at \$6 million.

During the year, the Project Management Office improved time and delivery efficiencies around program and project delivery with increased attention on process improvements and methodologies. This included a focus on using Lean and PRINCE2 Agile methods to increase end to end process from proposal generation through to project delivery.

#### Asset refresh

The Asset Refresh Program supports CenITex commitment to the enhancement of the reliability of services delivered to customers. This is achieved through the initiation, delivery and governance of targeted refresh projects, enabling the life-cycle management of assets that support customer business critical services. During the year, the following GSP assets were refreshed:

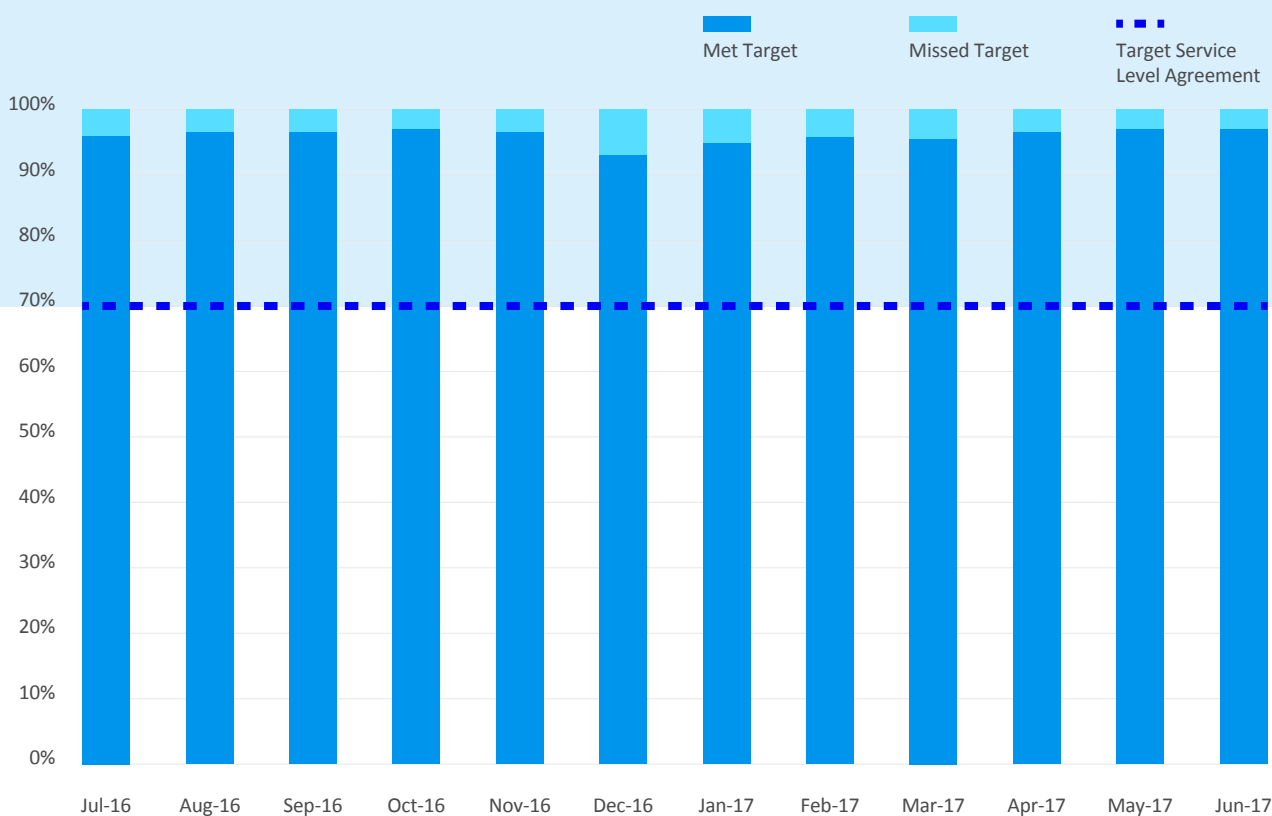
- Windows 2003 server operating system
- Solaris 9 and 10 servers
- Juniper Network and security management (NSM) system
- Email platform
- Hosting and storage
- Blue Coat internet traffic scanning
- Cisco secure access control system (ACS) for Windows.

**IT Service Centre performance, period ending 30 June 2017**

The CenITex IT Service Centre supports customers with standard and premium service levels. Common to all customer service level agreements (SLAs) is the ability to answer and resolve customer service requests and reported faults quickly.

Chart 2 shows CenITex performance in addressing service requests and fixing faults within two hours. From July 2016 to June 2017, the Service Centre has consistently exceeded its SLA.

**Chart 2 – Service Request and faults fixed within two hours 2016-17**

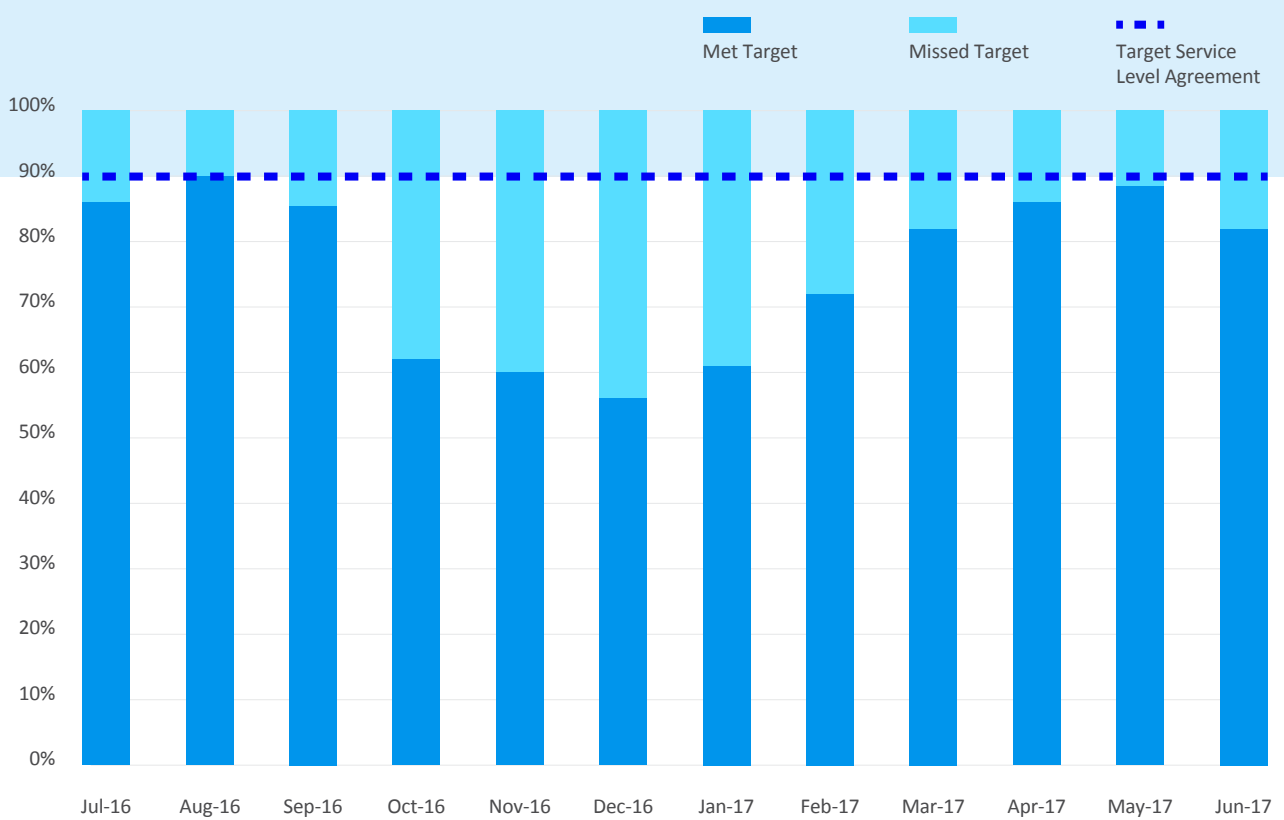


## 6. Operational Performance (continued)

The Service Centre aims to answer support calls within 30 seconds.

Chart 3 shows that from July 2016 to June 2017, the Service Centre did not meet its SLA during the year, due to an unusually high staff turnover rate and a very large number of calls.

**Chart 3 – Service Centre calls answered within 30 seconds 2016-17**



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## 6.2 Customer Engagement

The Customer Engagement team builds and manages relationships with customers by acting as the interface between the organisations. The team manages the entire customer lifecycle, from on-boarding new customers and managing customer accounts, to the development and market readiness of new products and services.

Customer Engagement comprises three groups, each run by a General Manager:

- Shared Government Services
- Custom Services and Solutions
- Customer Operations and Strategy.

Shared Government Services looks after all customers on the GSP while Custom Services and Solutions supports customers running their own managed platforms. Both teams support customers with account management, service delivery management and custom and technical solutions services.

Customer Operations and Strategy looks after customer satisfaction, internal and external communication, service strategy, customer reporting, product management, service catalogue, integration architecture and business development.

The CenITex Enterprise Architecture function also reports directly to the Director Customer Engagement.

### Achievements

- New customer - facilitated the onboarding of VicRoads, CenITex's first new customer in five years, to use services from the Security Operation Centre.
- GO Office 365 - five customers signed onto the assessment phase for the GO Office 365 platform: DEDJTR and PTV, DJR and CSV, and DHHS.
- Customer satisfaction survey – participation of all customers, the briefing of customers on the findings and the development of action plans for individual customers to address opportunities and issues identified in the findings.
- Disaster recovery (DR) testing – completed the annual DR test of IT services for DPC and DTF with learnings fed into the CenITex IT Disaster Response Framework.
- Fire season – maintained heightened ICT support for DELWP emergency responses during the Victorian fire season.

## 6.3 Strategy and Governance

The Strategy and Governance team has accountability for:

- facilitating the setting of strategic direction across CenITex
- monitoring CenITex investments in alignment with the corporate plan
- delivering a risk management program that addresses both enterprise and operational risk profiles with agreed mitigation strategies
- managing the internal and external audit program
- coordinating Board and management performance reporting
- managing Freedom of Information requests, Privacy and Protected Disclosure processes
- fostering an environment that supports effective governance via transparency and clarity of accountabilities throughout the business

### Achievements

During the year, Strategy and Governance:

- established a Strategic Portfolio Office to govern CenITex investments in alignment with the corporate plan
- oversaw the remediation of 171 operational risks
- introduced a quarterly performance reporting dashboard for the Victorian Secretaries Board.

## 6.4 Human Resources

The key areas of focus for Human Resources are:

- organisational development, including values and culture
- capability development, including learning and development, management and leadership development
- workforce planning, recruitment, onboarding and staff movement
- performance, reward and recognition
- occupational health and safety, and employee wellbeing
- people management policies and procedures
- payroll
- employee relations.



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## 6. Operational Performance (continued)

### Achievements

During the year, Human Resources:

- conducted a staff alignment and engagement pulse survey which showed a 7 per cent increase in engagement, including supporting the rollout and communication of results and team action planning
- facilitated the review and launch of revised CenITex values; accountability, collaboration, courage, initiative and respect
- continued a focus on building leadership skills through a quarterly People Manager Forum, focusing on building the skills of our people managers, leveraging off each other's experience and leading through our values.
- ran the Mind Body Life Wellbeing Program to encourage staff to be proactive in managing their own wellbeing
- launched an Early Intervention Toolkit as part of the Mind Body Life wellbeing program. The toolkit provides information and resources for staff and people managers to continue to build a supportive work environment to help prevent the development of chronic injury and illness. Manager training in early intervention strategies was also developed as part of the toolkit.
- facilitated a flu vaccination program for all staff as part of the Mind Body Life Program.
- implemented an Industry Based Learning (IBL) program and Graduate Program, working with managers to place and support students across the business. There are currently five graduates on the 12-month Graduate program.
- continued Customer Centric Training with monthly training offered to all team members at all levels
- reviewed the online compliance modules, ensuring that the new modules are best practice
- continued Women in CenITex events throughout the year.

### 6.5 Finance and Business Services

The Finance and Business Services function manages:

- budgeting and financial aspects of the CenITex Business Plan
- financial control
- project portfolio reporting
- management accounting
- cash management and forecasting
- corporate taxation
- procurement of goods and services
- compliance with the Victorian Government Purchasing Board's (VGPB) policies and guidelines
- legal services
- information management and business technology.

### Achievements

During the year, Finance and Business Services achieved the following:

- oversaw the delivery of savings of more than \$5m, facilitating additional price reductions and other in-kind support to our customers.
- spearheaded the procurement of the Enterprise Resource Planning (ERP) system.
- implemented and migrated to a new financial management platform, Microsoft Dynamics NAV, giving CenITex full control over its financial reporting capabilities for the first time.
- completed the valuation of fixed assets in conjunction with the Valuer-General.
- gained the ability to invest with the Victorian Funds Management Corporation (VFMC)
- completed contractual agreement with AWS for consumption of its Cloud services to enable scaled roll out to government
- achieved accreditation with the Victorian Government Purchasing Board (VGPB)
- introduced improved performance management reporting to enable CenITex customers and stakeholders to analyse their data and gain greater insight into their usage.
- implemented a new customer billing reporting system utilising new technologies and practices to automate for greater efficiencies and accuracy, thus enabling more timely reporting and improved invoicing.
- developed a two-year strategy to deliver the compliance assessment requirements in the Victorian Protective DataSecurity Framework (VPDSF).

## 7. Our People

### 7.1 Our workforce

**Table 1: Full-time equivalents (FTE) and contractor staffing trends from 2011 to 2017**

Full time equivalents (FTE) staffing trends from 2010 to 2016						
June-17	June-16	June-15	June-14	June-13	June-12	June-11
483.14*	468.15*	466.12*	531.92*	553.42*	585.69*	494.51*
Contractors/Temporary staff						
81**	60**	22**	9**	15**	81**	251**

\* This excludes contractors

\*\* This includes contractors and temporary staff employed by employment agencies

**Table 2: Summary of employment levels in June 2015, June 2016, and June 2017**

Ongoing employees				Fixed-term & Casual	
Year	Number (Headcount)	Full time (Headcount)	Part time (Headcount)	FTE	FTE
June-17	454	439	15	449.94	33.2
June-16	454	435	19	449.15	19
June-15	447	431	16	442.12	24

## 7. Our People (continued)

Table 2 (continued): Summary of employment levels in June 2015, June 2016, and June 2017

Data distribution							June-17	
All Employees				Ongoing		Fixed-term & Casual		
	Number (Headcount)	FTE	Full Time (Headcount)	Part Time (Headcount)	FTE	Number (Headcount)	FTE	
<b>Gender</b>								
Female	104	99.94	81.00	13.00	90.34	10.00	9.60	
Male	384	383.20	358.00	2.00	359.60	24.00	23.60	
<b>Total</b>	<b>488</b>	<b>483.14</b>	<b>439.00</b>	<b>15.00</b>	<b>449.94</b>	<b>34.00</b>	<b>33.20</b>	

Data distribution							June-16	
All Employees				Ongoing		Fixed-term & Casual		
	Number (Headcount)	FTE	Full Time (Headcount)	Part Time (Headcount)	FTE	Number (Headcount)	FTE	
<b>Gender</b>								
Female	100.00	95.75	79.00	16.00	90.75	5.00	5.00	
Male	373.00	372.40	356.00	3.00	358.40	14.00	14.00	
<b>Total</b>	<b>473.00</b>	<b>468.15</b>	<b>435.00</b>	<b>19.00</b>	<b>449.15</b>	<b>19.00</b>	<b>19.00</b>	

Notes:

(i) All figures reflect employment levels (active employees) during the last full pay period of June 2017.

(ii) Excluded are Directors of the Board (9) as defined in the Public Administration Act 2004; Contractors and temporary staff employed through employment agencies (81); employees on leave without pay, including secondment, for the whole of the last pay period in June 2017 (0).

**Table 2 (continued): Summary of employment levels in June 2015, June 2016, and June 2017**

<b>Data distribution</b>							<b>June-17</b>	
	All Employees				Ongoing	Fixed-term & Casual		
	Number (Headcount)	FTE	Full Time (Headcount)	Part Time (Headcount)	FTE	Number (Headcount)	FTE	
<b>Age</b>								
Under 25	3	3	2.00	0.00	2.00	1.00	1.00	
25-34	99	97.6	81.00	5.00	84.60	13.00	13.00	
35-44	179	177.26	168.00	5.00	171.66	6.00	5.60	
45-54	133	132.18	122.00	3.00	124.18	8.00	8.00	
55-64	69	68.30	62.00	1.00	62.70	6.00	5.60	
Over 64	5	4.80	4.00	1.00	4.80	0.00	0.00	
<b>Total</b>	<b>488</b>	<b>483.14</b>	<b>439.00</b>	<b>15.00</b>	<b>449.94</b>	<b>34.00</b>	<b>33.20</b>	

<b>Data distribution</b>							<b>June-16</b>	
	All Employees				Ongoing	Fixed-term & Casual		
	Number (Headcount)	FTE	Full Time (Headcount)	Part Time (Headcount)	FTE	Number (Headcount)	FTE	
<b>Age</b>								
Under 25	10.00	10.00	10.00	0.00	10.00	0.00	0.00	
25-34	96.00	95.20	89.00	3.00	91.20	4.00	4.00	
35-44	172.00	170.27	162.00	7.00	167.27	3.00	3.00	
45-54	125.00	123.58	113.00	5.00	116.58	7.00	7.00	
55-64	64.00	63.30	56.00	3.00	58.30	5.00	5.00	
Over 64	6.00	5.80	5.00	1.00	5.80	0.00	0.00	
<b>Total</b>	<b>473.00</b>	<b>468.15</b>	<b>435.00</b>	<b>19.00</b>	<b>449.15</b>	<b>19.00</b>	<b>19.00</b>	

**Notes:**

(i) All figures reflect employment levels (active employees) during the last full pay period of June 2017.

(ii) Excluded are Directors of the Board (9) as defined in the Public Administration Act 2004; Contractors and temporary staff employed through employment agencies (81); employees on leave without pay, including secondment, for the whole of the last pay period in June 2017 (0).

## 7. Our People (continued)

**Table 2 (continued): Summary of employment levels in June 2015, June 2016, and June 2017**

<b>Data distribution</b>							<b>June-17</b>	
All Employees				Ongoing		Fixed-term & Casual		
	Number (Headcount)	FTE	Full Time (Headcount)	Part Time (Headcount)	FTE	Number (Headcount)	FTE	
<b>Classification</b>								
Grade 2	6	6	1.00	0.00	1.00	5.00	5.00	
Grade 3	87	85.24	72.00	6.00	76.24	9.00	9.00	
Grade 4	81	80.60	75.00	2.00	76.60	4.00	4.00	
Grade 5	152	151.00	144.00	3.00	146.00	5.00	5.00	
Grade 6	133	131.70	124.00	4.00	127.10	5.00	4.60	

<b>Data distribution</b>							<b>June-16</b>	
All Employees				Ongoing		Fixed-term & Casual		
	Number (Headcount)	FTE	Full Time (Headcount)	Part Time (Headcount)	FTE	Number (Headcount)	FTE	
<b>Classification</b>								
Grade 2	2.00	2.00	2.00	0.00	2.00	0.00	0.00	
Grade 3	96.00	93.52	84.00	9.00	90.52	3.00	3.00	
Grade 4	70.00	69.70	66.00	2.00	67.70	2.00	2.00	
Grade 5	145.00	144.40	141.00	2.00	142.40	2.00	2.00	
Grade 6	133.00	132.13	122.00	4.00	125.13	7.00	7.00	

**Notes:**

(i) All figures reflect employment levels (active employees) during the last full pay period of June 2017.

(ii) Excluded are Directors of the Board (9) as defined in the Public Administration Act 2004; Contractors and temporary staff employed through employment agencies (81); employees on leave without pay, including secondment, for the whole of the last pay period in June 2017 (0).

**Table 2 (continued): Summary of employment levels in June 2015, June 2016, and June 2017**

<b>Data distribution</b>							<b>June-17</b>	
All Employees				Ongoing		Fixed-term & Casual		
	Number (Headcount)	FTE	Full Time (Headcount)	Part Time (Headcount)	FTE	Number (Headcount)	FTE	
<b>Senior Employees</b>								
STS	24	24.00	23.00	0.00	23.00	1.00	1.00	
Executive	5	4.60	0.00	0.00	0.00	5.00	4.60	
<b>Total</b>	<b>488</b>	<b>483.14</b>	<b>439.00</b>	<b>15.00</b>	<b>449.94</b>	<b>34.00</b>	<b>33.20</b>	

<b>Data distribution</b>							<b>June-16</b>	
All Employees				Ongoing		Fixed-term & Casual		
	Number (Headcount)	FTE	Full Time (Headcount)	Part Time (Headcount)	FTE	Number (Headcount)	FTE	
<b>Senior Employees</b>								
STS	22.00	21.40	20.00	2.00	21.40	0.00	0.00	
Executive	5.00	5.00	0.00	0.00	0.00	5.00	5.00	
<b>Total</b>	<b>473</b>	<b>5.00</b>	<b>435.00</b>	<b>19.00</b>	<b>449.15</b>	<b>19.00</b>	<b>19.00</b>	

Notes:

(i) All figures reflect employment levels (active employees) during the last full pay period of June 2017.

(ii) Excluded are Directors of the Board (9) as defined in the Public Administration Act 2004; Contractors and temporary staff employed through employment agencies (81); employees on leave without pay, including secondment, for the whole of the last pay period in June 2017 (0).

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## 7. Our People (continued)

### 7.2 Employment and conduct principles

#### Organisational and staff development

Over the past 12 months CenITex has successfully implemented a new organisational structure to support the new Customer 2020 business strategy. The changes included the creation of new leadership roles that aim to build leadership capability within the organisation and to drive the new customer centric operating model.

CenITex also conducted management and employee development programs designed to further improve communication and customer service skills and enhance managers' ability to engage in effective conversations with our customers and employees.

CenITex continued to offer work experience opportunities for secondary school students, and offered university internships.

#### 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. This Agreement superseded the VPS Workplace Determination 2012.

#### 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 the following programs and policies to ensure that the workplace remains free from discrimination:

- 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.

## 7. Our People (continued)

### 7.3 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	2016-17
Incidents	Number of incidents	16
	Rate per 100 FTE	3.31
Claims	Number of standard claims <sup>(i)</sup>	0
	Rate per 100 FTE	0
	Number and incidence of lost time claims <sup>(i)</sup>	0
	Rate per 100 FTE	0
	Number and incidence of claims exceeding 13 weeks <sup>(i)</sup>	0
	Rate per 100 FTE	0
Fatalities	Fatality claims	0
Claim costs	Average cost per standard claim <sup>(i)</sup>	0
	Estimate of outstanding claim costs <sup>(i)</sup>	0
Return to work	Percentage of claims with RTW Plan <30 days	0
Management commitment	Evidence of policy statement and objectives	Policy statement on CenITex Intranet and displayed in main office foyer

<sup>(i)</sup> Source - CGU Insurance

<sup>(ii)</sup> Reporting format was placed under review pending completion of the Customer 2020 organisational restructure. In 2017-18 reporting will be updated following consultation with the Executive Leadership Team and the newly formed General Managers Group.

<sup>(iii)</sup> Due to the Customer 2020 organisational restructure and accommodation restack at 80 Collins Street, workplace safety inspections were deferred to 2017/18. Also, Nominated Management Representative positions became vacant and new appointments will be made in 2017/18 with appropriate training provided.

<sup>(iv)</sup> Training figure relates to current staff only. Requirement for staff to complete OH&S online training module was deferred to July 2017 due to planned introduction of new compliance modules. This will include a new OH&S online training module for managers.



## 7. Our People (continued)

### 7.3 Occupational Health and Safety (continued)

Measure	KPI	2016-17
	Regular reporting to senior management	<sup>(ii)</sup> 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
	Compliance with agreed structure on DWGs, HSRs and issue resolution procedures	Yes
Risk management	Number of internal audits/inspections completed. <sup>(iii)</sup>	0
	Percentage of issues identified, actioned arising from:	
	• hazard reports	100%
	• internal inspections	0%
	• HSR provisional improvement notices	0%
	• WorkSafe notices	0%
Training	Number of managers and staff that have received OHS training:	
	• induction/annual <sup>(iv)</sup>	125
	• management training <sup>(iv)</sup>	0
	Percentage of HSRs training (not a legislative requirement):	
	• acceptance of role	100% - Of the four HSRs in the role, all completed the optional five-day OH&S training, previous to FY2016/17
	• refresher training	Number of eligible HSRs who undertook refresher training in FY2016/17: 0

<sup>(i)</sup> Source - CGU Insurance

<sup>(ii)</sup> Reporting format was placed under review pending completion of the Customer 2020 organisational restructure. In 2017-18 reporting will be updated following consultation with the Executive Leadership Team and the newly formed General Managers Group.

<sup>(iii)</sup> Due to the Customer 2020 organisational restructure and accommodation restack at 80 Collins Street, workplace safety inspections were deferred to 2017/18. Also, Nominated Management Representative positions became vacant and new appointments will be made in 2017/18 with appropriate training provided.

<sup>(iv)</sup> Training figure relates to current staff only. Requirement for staff to complete OH&S online training module was deferred to July 2017 due to planned introduction of new compliance modules. This will include a new OH&S online training module for managers.

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## 8. Outlook

### 8.1 Background

In October 2016, CenITex embarked on a transformation journey under the banner of Customer 2020. The vision is to transform CenITex in a manner that will be more customer-centric, provide our customers with more choice, greater responsiveness, and service efficiencies, while being comparable in cost to service providers in the market

#### Customer 2020

Some key outcomes of Customer 2020 focussed on delivering further efficiencies and maturity in our delivery model to improve the customer experience, are:

*Customer aligned virtual teams ...* Improving alignment between Service Delivery and Customer Engagement teams around our customer base. Virtual teams, led by Customer Engagement with members from across the organisation, have been established to support the delivery of services through a partnership model with our customers, thus delivering more effective decision making. For example, the design of customer defined technology solutions and the development of proposals.

*Building internal capability ...* Employees, working across virtual and project teams, use the new collaborative working tools to more rapidly launch new services based on evolving cloud technology platforms, such as MS Azure and AWS.

*Better processes ...* The introduction of a new operating model provides a focus on the following three end-to-end customer process streams to deliver a more agile and customer orientated focus:

- Customer Services Delivery Process Stream
- Project Delivery Process Stream
- New Products and Services Delivery Process Stream.

*Reporting, pricing and cost transparency ...* Improved price setting and costing, together with tracking and monitoring of products and services will enable our customers to make more informed decisions regarding their service options. Reporting is standardised for all customers to provide improved transparency of the products and services they are consuming.

The Victorian Government's Information Technology Strategy 2016-2020 seeks to increase the effectiveness of government through digital first delivery of services and interaction with citizens. The four priorities outlined in this Strategy are also guiding CenITex in a complex and ever changing government ICT environment:

- reforming how government manages and makes transparent its information and data;
- seizing opportunities from the digital revolution;
- reforming government's underlying technology; and
- lifting the capability of government employees to implement ICT solutions that are innovative, contemporary and beneficial.

The public sector ICT landscape is rapidly evolving with the changing nature of Government service delivery, changing workforce practices that now include higher levels of flexibility and mobility, the rise of cyber threats, and the opportunities of maturing cloud capabilities to reduce some ICT costs and potentially speed up ICT delivery timeframes – all have implications for an organisation dedicated to offering responsive, high quality shared ICT services. CenITex must be ready to quickly and proactively adapt to the needs of customers in this rapidly changing marketplace.

CenITex will work with its customers to support them in the development of a more modern public sector aligned to Government initiatives, including services that enable increased flexibility in client workforce arrangements. This means enabling decisions that determine when, where and how work is accomplished through provision of powerful collaborative working technologies and through supporting mobile technologies and preference in choice of user devices (in alignment with customer needs).

### 8.2 The future

The following principles guide us:

- sharing a transparent, consultative and collaborative approach through customer led forums so the customer perspective is always uppermost in our thinking;
- facilitating the pooling of investments so more cost effective ICT shared services can be designed, sourced and made available to customers;
- establishing effective governance to ensure accountability and responsibility for agreed outcomes is transparent;
- finding opportunities for market based solutions and benchmark before we choose to build services;
- focusing on innovative projects that deliver shared efficiencies and improved service;
- continuing to ensure the delivery of standard, long duration services so that customers have certainty, capability and service;
- minimising potential impact on customers and the community by addressing and managing risk and seeking all pathways that lead to sustained substantial improvements in our service quality and service availability; and
- ensuring that the root cause of service outages is always thoroughly investigated and the knowledge used to inform service design to improve performance and resilience.

To meet customer demands and expectations today and in the future, CenITex is pro-actively:

- transforming engagement with customers by aligning resources across the business to deliver knowledge and expertise where it is needed;

## 8. Outlook (continued)

- continuously seeking to mitigate the impact of incidents on customers with the vision of eliminating impact altogether;
- providing transparent and collaborative decision-making so that customers and stakeholders are engaged with, and understand significant service delivery options;
- improving our customer project management delivery and our capability to service requests in a timely manner;
- assisting customers to meet increasing cyber threats and to keep government services secure;
- working in partnership with our customers in creation of innovative new services, and enhancement of existing services;
- enabling new customers ease of access to the secure GSP to gain the benefits of scale, integration, efficiency and reduced cost;
- managing the financial impact of legacy assets as migration to the cloud increases.
- The essence of our governance will be on working with customers as key partners within a risk-management and agreed service-assurance framework that supports compliance and reporting obligations.

### 8.3 Our focus

The Victorian Government's Information Technology Strategy 2016-2020 seeks to increase the effectiveness of government through digital first delivery of services and interaction with citizens.

CenITex aims to align with, and complement this strategy by adopting a customer-centric approach and providing ICT services that directly support evolving service delivery models. CenITex has committed the following four Strategic Objectives to support customers:

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

#### 1. Improve service quality and drive down costs

Approach	Outcome	Target
• Continue service offerings restructure, aligning prices to underlying costs and release through a new Service Catalogue without impacting quality.	Service availability greater than 99%	Monthly SLA review
• Provide customers with a maturing suite of interactive real time reports to measure performance across agreed criteria and monitor their consumption of services.	Interactive service reports available to customers in real time.	2nd quarter 2017-18
• Continue to leverage the benefits of automation of service delivery across the business to reduce costs and increase efficiency.	Asset management strategy implemented	Monthly review against budget and expected benefits
• Deliver another \$2m of initiatives prioritised by customers to address security-related risks.	Service roadmaps aligned to customer needs	Account Plans articulate link to Service Roadmaps
	Service automation to drive efficiency	10% increase in automation of GSP services
	Enterprise resource platform implemented	1st quarter 2017-18

## 2. Drive a focus on customer services and grow our customer base

Approach	Outcome	Target
<ul style="list-style-type: none"> <li>Implement Customer 2020 program with a focus on processes, technologies and skills to ensure customers' expectations are met.</li> </ul>	Customer account plans developed and implemented	1st quarter 2017–18
<ul style="list-style-type: none"> <li>Run an annual customer satisfaction survey applying an accepted industry benchmark and evolve a survey model to ensure measurement of factors that are important to customers.</li> </ul>	Customer acquisition strategy implemented and reported	1st quarter 2017–18
<ul style="list-style-type: none"> <li>Assess the broader potential customer base across the Victorian Public Sector and local government and develop a customer acquisition strategy.</li> </ul>	Customer satisfaction survey action plans implemented and reported	2nd quarter 2017–18
<ul style="list-style-type: none"> <li>Proactively co-design with customers to anticipate and respond to their evolving business and technology demands.</li> </ul>	Three new customers consuming services.	4th quarter 2017–18
<ul style="list-style-type: none"> <li>Offer customers the opportunity to pilot or prototype services using the Innovation and Research Fund to support co-designing future services.</li> </ul>	Review and refresh both the inter/intranet sites	2nd quarter 2017–18

## 3. Build a high performing and engaged organisation by investing in our people.

Approach	Outcome	Target
<ul style="list-style-type: none"> <li>Continue to support a customer centric approach to service delivery.</li> </ul>	Customer 2020 change management program delivered	3rd quarter 2017–2018 outcomes review
<ul style="list-style-type: none"> <li>Continue a targeted approach to investment in training and work proactively work with staff to develop and meet performance plans.</li> </ul>	Accommodation and work practices strategy approved	2nd quarter 2017–18
<ul style="list-style-type: none"> <li>Continue to evolve a rolling 18-month strategic workforce plan to better enable skills development and skills acquisition.</li> </ul>	Develop and implement an attraction and retention strategy	4th quarter 2017–18
<ul style="list-style-type: none"> <li>Focus on leadership development and create opportunities for coaching and mentoring of current and future leaders.</li> </ul>	Diversity program implemented and reported	3rd quarter 2017–18
<ul style="list-style-type: none"> <li>Continue the graduate and intern recruitment program.</li> </ul>	Staff engagement and alignment "pulse" survey improved engagement	5% increase in overall engagement

## 8. Outlook (continued)

### 4. Embrace innovation and rapidly introduce new ICT services

Approach	Outcome	Target
<ul style="list-style-type: none"> <li>Continue to make new services available to customers with a focus on GO Office 365, cloud based hosting options and cloud based storage options.</li> </ul>	Two-year technology roadmap agreed with customers	4th quarter 2017–18
	GO Office 365 uptake by three customers	4th quarter 2017–18
<ul style="list-style-type: none"> <li>Continue to evolve service offerings to meet customer demand with a strong focus on cloud services.</li> </ul>	CenITex innovative work-practices program developed and reported	3rd quarter 2017–18
<ul style="list-style-type: none"> <li>Undertake a review of the outcomes of the application of agile and lean methods to assess effectiveness and implement changes with a focus on improved service delivery outcomes.</li> </ul>	Phase 2 – 2020 security strategy approved	4th quarter 2017–18
<ul style="list-style-type: none"> <li>Continue to roll out new technologies and selectively outsource services that are best provided by the market.</li> </ul>		

## 9 Financial Report

### Summary of Financial results

	2015 \$'000	2016 \$'000	2017 \$'000
Services provided to other Government entities	147,209	152,979	166,344
Total income from transactions	149,905	155,164	167,807
Total expenses from transactions	(138,677)	(146,799)	(161,255)
Net results from transactions before depreciation and amortisation	29,680	25,780	19,434
Net results from transactions	11,228	8,365	6,552
Net results for the period	9,647	7,472	7,039
Net cash flow from operating and investing activities	24,727	16,667	(12,550)
<b>Total assets</b>	<b>98,593</b>	<b>110,739</b>	<b>111,480</b>
<b>Total liabilities</b>	<b>37,443</b>	<b>36,047</b>	<b>29,757</b>

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## 9 Financial Report (continued)

The 2016/17 financial year has been productive for CenITex with its balance sheet and liquidity well managed. Although it reports a 25% decrease in EBITDA, it has done this for the benefit of its customers.

CenITex took care during the year to refund as rebate baseline charges and provided other in-kind support to its customers, such as funding Office 365 customer readiness assessments, to ensure that it did not make an unnecessary surplus.

Within this frame, it delivered Office 365 to government, implemented and migrated its financial systems to MS Dynamic NAV, improved its security environment, refreshed its asset base, restructured under Customer 2020 to position itself for the future, improved the underlying capabilities of its employees by upskilling in Cloud technology and embracing Agile in project management, completed negotiations with AWS to enable scaled rollout to government, completed Project Unity with DHHS to on-board its workplace services to the Government Shared Platform (GSP), and continued to ensure financial sustainability.

During the year, it sought accreditation with the Victorian Funds Management Corporation to enable CenITex to invest the equivalent of its employee entitlements into long term investments, thereby further strengthening its balance sheet and enabling long term financial sustainability. This action explains the negative cashflow from operating and investing activities.

In relation to pricing commitments to customers, CenITex provided price reductions of 7.5% to our customers on the GSP. This is 2.5% more than our commitment to our customers in our Corporate Plan.

CenITex invested \$22m in internal projects, delivering:

- Security capability uplift \$1.5m
- Office 365 capability to government \$6.1m
- Refresh of underlying asset base \$7.3m
- Contribution to onboarding of DHHS under Project Unity \$3.6m
- Remediation of Internet program \$1m
- Strategic initiatives (e.g.; Office 365 customer readiness, Dynamic NAV \$1.9m)

The surplus achieved for this financial year of \$7.04m consists mainly of customer contributions for the purchase of property plant and equipment related to their projects and revaluation of employee entitlements as determined by government guidelines. Surplus from delivery of service relating to productivity has been rebated back to customers during the year.

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# **CenITex**

## **Financial Report for the financial year ended 30 June 2017**

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**This financial report covers CenITex as an individual entity.**

**Its principal address is:  
CenITex  
Level 32, 80 Collins Street  
Melbourne VIC 3000**



## Comprehensive operating statement

for the financial year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
<b>Income from transactions</b>			
Services provided to other government entities	2(a)	166,344	152,979
Interest	2(b)	1,282	1,757
Fair value of assets received free of charge or for nominal consideration	2(c)	181	428
<b>Total income from transactions</b>		<b>167,807</b>	<b>155,164</b>
<b>Expenses from transactions</b>			
Employee benefits	3(a)	78,613	64,383
ICT expenditure	3(b)	53,839	49,089
Depreciation	3(c)	12,882	17,415
Occupancy expenses	3(d)	13,003	13,013
Other operating expenses	3(e)	2,918	2,899
<b>Total expenses from transactions</b>		<b>161,255</b>	<b>146,799</b>
<b>Net result from transactions</b>		<b>6,552</b>	<b>8,365</b>
<b>Other economic flows included in net result</b>			
Provision for doubtful debts	4(a)	(335)	456
Net gain/(loss) on disposal of non-financial assets		189	(433)
Net gain/(loss) from revaluation of long service leave liability		633	(916)
<b>Total other economic flows included in net result</b>		<b>487</b>	<b>(893)</b>
<b>Net result</b>		<b>7,039</b>	<b>7,472</b>
<b>Total other economic flows – other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Comprehensive result</b>		<b>7,039</b>	<b>7,472</b>

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

## Balance sheet

as at 30 June 2017

	Note	2017 \$'000	2016 \$'000
<b>Assets</b>			
Financial assets			
Cash and deposits	18(a)	32,156	44,788
Receivables	4	8,036	9,110
Investments and other financial assets	5	15,000	-
<b>Total financial assets</b>		<b>55,192</b>	<b>53,898</b>
<b>Non-financial assets</b>			
Property, plant and equipment	6	38,539	39,576
Intangible assets	7	2,154	4,155
Prepayments	8	15,603	13,110
<b>Total non-financial assets</b>		<b>56,296</b>	<b>56,841</b>
<b>Total assets</b>		<b>111,488</b>	<b>110,739</b>
<b>Liabilities</b>			
Payables	9	10,295	16,984
Borrowings	10	204	123
Provisions	11	16,842	14,907
Unearned revenue	12	2,416	4,033
<b>Total liabilities</b>		<b>29,757</b>	<b>36,047</b>
<b>Net assets</b>		<b>81,731</b>	<b>74,692</b>
<b>Equity</b>			
Accumulated loss		(47,259)	(54,298)
Contribution by Owners		128,990	128,990
<b>Total equity</b>		<b>81,731</b>	<b>74,692</b>
Commitments for expenditure	15		
Contingent assets and contingent liabilities	16		

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

## Statement of changes in equity

for the financial year ended 30 June 2017

	Accumulated loss \$'000	Contributions by Owners \$'000	Total \$'000
<b>Balance at 1 July 2015</b>	<b>(61,770)</b>	<b>122,920</b>	<b>61,150</b>
Net result for the year	7,472	-	7,472
Contributed capital	-	6,070	6,070
<b>Balance at 30 June 2016</b>	<b>(54,298)</b>	<b>128,990</b>	<b>74,692</b>
Net result for the year	7,039	-	7,039
<b>Balance at 30 June 2017</b>	<b>(47,259)</b>	<b>128,990</b>	<b>81,731</b>

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 2017

	Note	2017 \$'000	2016 \$'000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from other government entities		173,142	156,783
Interest received		1,282	1,757
Goods and services tax received (net)		3,147	2,212
<b>Total receipts</b>		<b>177,571</b>	<b>160,752</b>
<b>Payments</b>			
Payments to suppliers		(101,930)	(68,374)
Payments to employees		(63,887)	(57,057)
Interest and other costs of finance paid		7	(5)
<b>Total payments</b>		<b>(165,810)</b>	<b>(125,436)</b>
<b>Net cash flows from operating activities</b>	18(b)	<b>11,761</b>	<b>35,316</b>
<b>Cash flows from investing activities</b>			
Payments for investments		(15,000)	-
Payments for non-financial assets		(9,340)	(18,684)
Proceeds from sale of non-financial assets		29	35
<b>Net cash flows from/(used in) investing activities</b>		<b>(24,311)</b>	<b>(18,649)</b>
<b>Cash flows from financing activities</b>			
Owner contributions by state government		-	6,070
Repayment of loan from Government		-	(16,000)
Repayment of finance leases		(82)	(34)
<b>Net cash flows from/(used in) financing activities</b>		<b>(82)</b>	<b>(9,964)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(12,632)</b>	<b>6,704</b>
Cash and cash equivalents at the beginning of the financial year		44,788	38,084
<b>Cash and cash equivalents at the end of the financial year</b>	18(a)	<b>32,156</b>	<b>44,788</b>

The above cash flow statement should be read in conjunction with the accompanying notes.  
Non-cash transactions are disclosed in Note 18.

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## Note 1. Summary of accounting policies

These annual financial statements represent the audited general purpose financial statements for CenITex for the period ended 30 June 2017. The purpose of the report is to provide users with information about CenITex's stewardship of resources entrusted to it.

### (a) Statement of compliance

The financial report is a general purpose financial report that has been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards (AAS), which includes the Australian accounting standards issued by the *Australian Accounting Standards Board* (AASB), interpretations and other mandatory professional requirements.

Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied.

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are 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.

### (b) Basis of preparation

These financial statements have been prepared on accrual basis 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 the carrying values of assets and liabilities that are not readily apparent from other sources. The 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.

The significant estimates and associated assumptions are made for recognition of annual and long service leave liabilities, and the discount rate for the measurement is provided by the Department of Treasury and Finance (DTF).

Judgements and estimates are made for determination of fair value and useful life for property, plant and equipment and intangible assets - refer Note 1 (f) and Note 1 (i) for details.

The accounting policies applied in preparing the financial statements for the year ended 30 June 2017 and the comparative information presented for the year ended 30 June 2016 are set out below.

The financial report has been prepared on a historical cost convention except for plant and equipment where fair value is applied, available-for-sale investments which are measured at fair value with movements reflected in 'other economic flows – other comprehensive income and annual and long service leave which are measured at present value. Cost is based on the fair value of the consideration given in exchange for assets.

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, described as follows, based on the lowest level input that is significant to the fair value measurement:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, CenITex has determined classes of assets and liabilities based on 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.

The functional currency of CenITex is the Australian dollar, which has also been identified as the presentation currency of CenITex.

### (c) 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.

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## Note 1. Summary of accounting policies (continued)

### *Objectives and funding*

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 and excellent 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.

### **(d) Scope and presentation of financial statements**

As a result of the state-wide policy to improve consistency in public sector reporting, CenITex has prepared its complete set of financial statements to align with the Accounting Standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting* presentation format used in the Financial Report for the State and the general government sector.

#### *Comprehensive operating statement*

CenITex's Comprehensive operating statement comprises three components, being 'net result from transactions', 'other economic flows included in net result', as well as 'other economic flows - other comprehensive income'. This classification is consistent with the whole of government reporting format and is allowed under Accounting Standard AASB 101 *Presentation of Financial Statements*.

Income and expenses in the Comprehensive operating statement are classified according to whether they arise from 'transactions' or 'other economic flows'.

'Transactions' are those economic flows that are considered to arise because of policy decisions, usually interactions between two entities by mutual agreement. Transactions also include flows within an entity, such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Transactions can be in kind (e.g. assets provided/received free of charge or for nominal consideration) or where the final consideration is cash.

'Other economic flows included in net result' are changes in the volume or value of an asset or liability that do not result from transactions.

The net result is equivalent to profit or loss derived in accordance with AAS.

#### *Balance sheet*

Assets and liabilities are presented in liquidity order, with assets aggregated into financial assets and non-financial assets.

Current and non-current assets and liabilities (non-current being those assets or liabilities expected to be recovered or settled more than 12 months after the reporting period, except for the provisions of employee benefits, which are classified as current liabilities if CenITex does not have the unconditional right to defer the settlement of the liabilities within 12 months after the end of the reporting period) are disclosed in the notes, where relevant.

### *Statement of changes in equity*

The Statement of changes in equity presents reconciliations of each non-owner and owner equity opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the 'comprehensive result' and amounts recognised 'in other comprehensive income – other movements in equity' related to transactions with the owner in its capacity as owner.

#### *Cash flow statement*

Cash flows are classified according to whether they arise from operating activities, investing activities, or financing activities. This classification is consistent with requirements under AASB 107 *Statement of Cash Flows*.

For the purposes of the Cash flow statement, cash comprises cash on hand, cash at bank and deposits at call, and highly liquid investments with short periods to maturity that are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

#### *Rounding of amounts*

Amounts in the financial statements (including the notes) have been rounded to the nearest thousand dollars, unless otherwise stated.

### **(e) Income from transactions**

Income is recognised to the extent that it is probable that the economic benefits will flow to the entity and the income can be reliably measured at fair value.

#### *Services provided to other government entities*

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.

#### *Interest*

Interest income includes interest received on bank term deposits and other investments. Interest income is recognised as revenue using the effective interest method which allocates the interest over the relevant period.

#### *Fair value of assets received free of charge or for nominal consideration*

Contributions of resources received free of charge or for nominal consideration are recognised at fair value when control is obtained over them, irrespective of whether these contributions are subject to restrictions or conditions over their use.

## (f) Expenses from transactions

Expenses from transactions are recognised as they are incurred, and reported in the financial year to which they relate.

### *Employee benefits*

See Note 1(j) regarding employee benefit provisions.

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.

### *Superannuation*

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

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.

### *ICT expenditure*

ICT expenditure includes software licences and maintenance, hardware maintenance, telecommunication expenses and outsourced ICT expenses. They are recognised in the period in which they are incurred.

### *Depreciation*

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.

Unless otherwise stated, 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

### *Occupancy expense*

Occupancy expense represents operating lease rental costs which are recognised in the period in which they are incurred.

### *Other operating expenses*

Other operating expenses generally represent the day-to-day running costs incurred by CenITex in its normal operations and include:

- Professional services, travel, stationery
- Interest expense

Professional services, travel and stationery costs are recognised as an expense in the reporting period in which they are incurred.

Interest expense represents costs incurred in connection with borrowings. It includes interest components of finance lease repayments and is recognised in the period in which it is incurred.

## (g) Other economic flows included in net result

Other economic flows included in net result are changes in the volume or value an asset or liability that does not result from transaction. It includes:

- gains and losses from disposals of non-financial assets;
- gains and losses from revaluation of long service leave liability;
- realised and unrealised gains and losses from revaluations of financial instruments at fair value; and
- provision for doubtful debts.

## (h) Financial assets

### *Cash and deposits*

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.

### *Receivables*

Receivables consist predominantly of:

- contractual receivables, such as debtors in relation to goods and services, accrued revenue; and
- statutory receivables that is GST input tax credits recoverable.



## Note 1. Summary of accounting policies (continued)

Contractual receivables are classified as financial instruments and categorised as loans and receivables (refer Note 1(l)). Statutory receivables are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

Receivables are subject to impairment testing as described below. A provision for doubtful receivables is made when there is objective evidence that the debts will not be collected. Bad debts are written-off when identified.

### *Investments and other financial assets*

Investments are classified in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity; and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Any dividend or interest earned on the financial asset is recognised in the comprehensive operating statement as a transaction.

### *Impairment of financial assets*

At the end of each reporting period, CenITex assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Receivables are assessed for bad and doubtful debts on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and the allowance for doubtful receivables are classified as other economic flows included in net result.

The amount of the allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

### **(i) Non-financial assets**

#### *Property, plant and equipment*

*All non-financial physical assets are initially measured at cost and subsequently revalued at fair value less accumulated depreciation and impairment. A fair value assessment of non-financial assets is undertaken annually.*

*The fair value of property, plant and equipment is normally determined by reference to the asset's depreciated replacement cost due to their short-term nature.*

*The initial cost for non-financial physical assets under a finance lease (refer Note 1 (k)) 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.*

The costs of leasehold improvements are capitalised as assets and depreciated over the shorter of the remaining terms of the leases or the estimated useful lives of the improvements.

### *Revaluation of non-financial physical assets*

Non-financial physical assets are measured at fair value on a cyclical basis, in accordance with the FRDs issued by the Minister for Finance. Revaluation increases or decreases arise from differences between an asset's carrying value and fair value.

Net revaluation increases are recognised in 'other economic flows – other comprehensive income', and accumulated in equity under the asset revaluation surplus.

Net revaluation decrease is recognised in 'other economic flows – other comprehensive income' to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of property, plant and equipment.

### *Intangible 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 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.

### *Impairment of non-financial assets*

Intangible assets and all other assets including property, plant and equipment 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.

### *Prepayments*

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. These include software licences and maintenance, other ICT expenditure and occupancy expenses.

## **(j) Liabilities**

### *Payables*

Payables consist of:

- contractual payables, such as accounts payable. Accounts payable represent liabilities for goods and services provided to CenITex before the end of the financial year that are unpaid, and arise when CenITex becomes obliged to make future payments in respect of purchase of those goods and services;
- statutory payables, such as GST and fringe benefits tax payables.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost (see Note 17). 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.

### *Borrowings*

Finance lease liabilities are recorded initially at fair value, less directly attributable transaction costs.

After initial recognition, finance lease liabilities are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised using the effective interest rate method in the comprehensive result over the period of the interest bearing liability.

### *Provisions*

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.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all the economic benefits required to settle a provision are expected to be recognised from a third party, the receivable is recognised as an asset if recovery is virtually certain and the amount of the receivable can be measured reliably.

### *Employee benefits*

#### (i) 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.

#### (ii) 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.

## Note 1. Summary of accounting policies (continued)

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 another economic flow.

(iii) On-costs related to employee expenses

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

(iv) 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 because of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after Balance Sheet date are discounted to present value.

### Unearned revenue

Unearned revenue is recognised as a liability when customer payments of accounts which are paid in advance but the services have not yet been provided to the customer. When the services are provided to the customer, the unearned revenue balance is reduced and the revenue is brought to account.

### (k) Leases

A lease is a right to use an asset for an agreed period in exchange for payment. Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement to reflect the risks and rewards incidental to ownership. Leases of property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. All other leases are classified as operating leases.

#### Finance leases

Finance leases are recognised as assets and liabilities at amounts equal to either the fair value of the leased plant and equipment or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The leased asset is accounted for as a non-financial physical asset. The leased asset is depreciated over the shorter of the estimated useful life of the asset or the term of the lease. Minimum lease payments are allocated between the principal component of the lease liability and the interest expenses calculated using the interest rate implicit in the lease, and are charged directly to the Comprehensive operating statement. Contingent rentals associated with finance leases are recognised as an expense in the period in which they are incurred.

#### Operating leases

Operating lease payments, including any contingent rentals, are recognised as an expense in the Comprehensive operating statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset is not recognised in the balance sheet.

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments. If lease incentives are received to enter operating leases, the aggregate cost of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### (l) Financial instruments

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*. For example, statutory receivables arising from taxes do not meet the definition of financial instruments as they do not arise under contract.

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.

The following refers to financial instruments unless otherwise stated.

#### 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. After 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 17 - Financial instruments.

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. After 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 (refer to Note 17).

CenITex recognises the following liabilities in this category:

- payables (excluding statutory payables); and
- borrowings (including finance lease liabilities).

### **(m) Other economic flows – other comprehensive income**

Other economic flows – other comprehensive income comprises items (including reclassification adjustments) that are not recognised in net result as required or permitted by other Australian Accounting Standards.

The components of other economic flows-other comprehensive income include:

- changes in physical asset revaluation surplus; and
- gains and losses on remeasuring available-for-sale financial assets.

### **(n) Equity**

#### *Contributions by owners*

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.

#### **(o) Commitments**

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources and are disclosed at their nominal value and inclusive of the GST (refer Note 14 and Note 15).

#### **(p) Contingent assets and contingent liabilities**

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value and presented inclusive of the GST (refer Note 16).

#### **(q) 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.

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## Note 1. Summary of accounting policies (continued)

### (r) Events after reporting date

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between CenITex and other parties, the transactions are recognised only when the agreement is irrevocable at or before balance date. Adjustments are made to amounts recognised in the financial statements for events that occur after the reporting date and before the date on which the statements are authorised for issue where those events provide information about conditions that existed at the reporting date. Note disclosure is made about events between the balance date and the date on which the statements are authorised for issue where the events relate to conditions that arose after the reporting date and which may have a material impact on the results of subsequent years.

### (s) Australian Accounting Standards (AAS) issued that are not yet effective

As at 30 June 2017, certain new AAS have been published that are not mandatory for the 30 June 2017 reporting period. CenITex assesses the impact of all these new standards for their applicability and early adoption.

*AASB 9 Financial Instruments* replaces *AASB 139 Financial Instruments: Recognition and Measurement*. The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred. Applicable for annual reporting periods beginning on or after 1 January 2018. While CenITex's assessment has not identified any material impact arising from *AASB 9*, it will continue to be monitored and assessed.

*AASB 15 Revenue from Contracts with Customers*. This standard provides a single revenue recognition model based on the transfer of goods and services and the consideration expected to be received in return for that transfer, it replaces *AASB 111 Construction Contracts*, *AASB 118 Revenue* and ultimately *AASB 1004 Contributions*. Applicable for annual reporting periods beginning on or after 1 January 2018. 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. 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. Preliminary assessment has not identified any material impact arising from *AASB 15*, however, ongoing work is being carried out to monitor and assess the impact of this standard.

*AASB 16 Leases*. This standard requires the recognition of most of operating leases, which are currently not recognised, on the balance sheet. Applicable for annual reporting period beginning on or after 1 January 2019. The assessment has indicated that as most operating leases will come on balance sheet, recognition of lease assets and lease liabilities will cause net debt to increase. Depreciation of lease assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus. The amounts of cash paid for the principal portion of the lease liability will be presented within financing activities and the amounts paid for the interest portion will be presented within operating activities in the cash flow statement. At this stage, ongoing work is being carried out to assess the impact of this standard.

*AASB 1058 Income of Not-for-Profit Entities*. The standard supersedes all the income recognition requirements relating to private sector Not-for-profit (NFP) entities, and most income recognition requirements relating to public sector NFP entities, previously in *AASB 1004 Contribution*. Applicable for annual reporting period beginning on or after 1 January 2019. The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity. *AASB 1058* applies when a NFP entity receives volunteer services or enters other transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives. In the latter case, the entity recognises and measures the asset at fair value in accordance with the applicable Australian Accounting Standard (eg *AASB 116 Property, Plant and Equipment*). Income where there is an associated performance obligation should be recognised in line with the principles of *AASB 15*, whereas donations with no future obligation may be recognised immediately. In addition, assets or services received at below market value (such as peppercorn leases) must be recognised at fair value. Preliminary assessment has not identified any material impact arising from *AASB 1058* however, ongoing work is being carried out to monitor and assess the impact of this standard.

## Note 2. Income from transactions

	2017 \$'000	2016 \$'000
<b>(a) Services provided to other Government entities:</b>		
Work place support	114,784	109,987
Hosting	26,624	28,623
Projects	20,062	12,028
Projects - customer funded capital	4,514	2,031
Victorian Government Electronic Messaging System (VGEMS)	360	310
<b>Total revenue from services provided to other Government entities</b>	<b>166,344</b>	<b>152,979</b>
<b>(b) Interest</b>		
Interest on bank deposits	1,282	1,757
<b>Total interest revenue</b>	<b>1,282</b>	<b>1,757</b>
<b>(c) Fair value of assets received free of charge or for nominal consideration</b>		
Plant and equipment	181	428
<b>Total Fair value of assets received free of charge or for nominal consideration</b>	<b>181</b>	<b>428</b>

From 1 July 2016 to 30 June 2017 CenITex incurred \$4,514,461 of capital funding during the delivery of customer funded projects. (2016: \$2,031,000).



## Note 3. Expenses from transactions

	Note	2017 \$'000	2016 \$'000
<b>(a) Employee benefits</b>			
Post employment benefits			
- Defined contribution superannuation expense	13	4,660	4,412
- Defined benefit superannuation expense	13	191	211
Termination benefits		1,437	193
Salaries, wages, leave entitlements and contractor payments		72,325	59,567
<b>Total employee benefits</b>		<b>78,613</b>	<b>64,383</b>
<b>(b) ICT expenditure</b>			
Software licences and maintenance		25,522	22,804
Hardware maintenance		7,501	9,043
Telecommunications		13,956	13,171
Outsourced ICT		6,860	4,071
<b>Total ICT expenditure</b>		<b>53,839</b>	<b>49,089</b>
<b>(c) Depreciation</b>			
Depreciation of non-current assets	6	10,881	13,514
Depreciation of non-current intangible assets	7	2,001	3,901
<b>Total depreciation</b>		<b>12,882</b>	<b>17,415</b>
<b>(d) Occupancy expense</b>			
Occupancy expense		13,003	13,013
<b>Total occupancy expense</b>		<b>13,003</b>	<b>13,013</b>
<b>(e) Other operating expenses</b>			
Professional services, travel, stationery etc.,		2,925	2,893
Interest expense - finance lease costs		(7)	6
<b>Total other operating expenses</b>		<b>2,918</b>	<b>2,899</b>

## Note 4. Receivables

	2017 \$'000	2016 \$'000
<b>Current receivables</b>		
<b><i>Contractual</i></b>		
Trade receivables	2,020	5,016
Provision for doubtful contractual receivables (See also Note 4(a))	(350)	(15)
Other receivables	3,169	2,478
<b>Total contractual receivables</b>	<b>4,839</b>	<b>7,479</b>
<b>Statutory</b>		
GST input tax credit recoverable	3,197	1,631
<b>Total statutory receivables</b>	<b>3,197</b>	<b>1,631</b>
<b>Total current receivables</b>	<b>8,036</b>	<b>9,110</b>
<b>Total receivables</b>	<b>8,036</b>	<b>9,110</b>

### (a) Movement in the provision for doubtful contractual receivables

	2017 \$'000	2016 \$'000
Balance at beginning of the year	15	470
Increase / (decrease) of the provision recognised in net result	335	(455)
<b>Balance at end of the year</b>	<b>350</b>	<b>15</b>

### (b) Ageing analysis of contractual receivables

See Note 17 (d) for the ageing of contractual receivables.

### (c) Nature and extent of risk arising from contractual receivables

See Note 17 (d) for the nature and extent of credit risk arising from contractual receivables.



## Note 5. Investments and other financial assets

	2017 \$'000	2016 \$'000
<b>Non-current investments and other financial assets</b>		
Managed investment schemes <sup>(i)</sup>	15,000	-
<b>Total investments and other financial assets</b>	<b>15,000</b>	<b>-</b>

<sup>(i)</sup> CenITex designates all its managed investment schemes as available for sale financial assets. Unless such assets are part of a disposal group held for sale, all managed investment schemes are classified as non-current.

### **(b) Ageing analysis of investments and other financial assets**

See Note 17 (d) for the ageing of investments and other financial assets.

### **(c) Nature and extent of risk arising from investments and other financial assets**

See Note 17 (d) for the nature and extent of credit risk and Note 17(f) for the nature and extent of market risk arising from investments and other financial assets.

## Note 6. Property, plant and equipment

### Gross carrying amount and accumulated depreciation

Non-Current assets	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Buildings - leasehold improvements at cost	1,914	1,896	(1,659)	(1,361)	255	535
<b>Plant and equipment</b>						
Computer equipment at fair value	-	11	-	(11)	-	-
Facilities at fair value	2,966	2,938	(2,237)	(2,456)	729	482
Network at fair value	58,141	47,552	(44,296)	(39,662)	13,845	7,890
Servers at fair value	37,807	34,604	(27,115)	(25,282)	10,692	9,322
Storage at fair value	39,979	31,972	(29,160)	(24,159)	10,819	7,813
Office machines and equipment at fair value	6	5	(1)	-	5	5
Motor vehicles under finance lease at cost	254	226	(51)	(104)	203	122
Construction in progress	1,991	13,407	-	-	1,991	13,407
<b>Total</b>	<b>143,058</b>	<b>132,611</b>	<b>(104,519)</b>	<b>(93,035)</b>	<b>38,539</b>	<b>39,576</b>

## Note 6. Property, plant and equipment (continued)

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

	Buildings leasehold improvements -at cost		Plant and equipment - at fair value <sup>(1), (2)</sup>					Construction in progress -at cost	Moto vehicles under finance lease -at cost	Total
	Level 3		Computer Equipment	Facilities	Network	Servers	Storage			
2017	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Opening balance</b>	535	-	482	7,890	9,322	7,813	5	13,407	122	39,576
Additions	18	-	19	2,319	1,085	73	-	8,221	223	11,958
Disposals	-	-	-	(116)	(233)	-	-	-	(96)	(445)
Adjustments	-	-	359	381	(450)	(664)	1	(1,296)	-	(1,669)
Transfers	-	-	33	7,496	4,201	6,611	-	(18,341)	-	-
Depreciation expense	(298)	-	(164)	(4,125)	(3,233)	(3,014)	(1)	-	(46)	(10,881)
<b>Closing balance</b>	<b>255</b>	<b>-</b>	<b>729</b>	<b>13,845</b>	<b>10,692</b>	<b>10,819</b>	<b>5</b>	<b>1,991</b>	<b>203</b>	<b>38,539</b>

<sup>(1)</sup> Classified in accordance with the fair value measurement hierarchy as at reporting date. See note 1(b).

<sup>(2)</sup> Description of significant unobservable assets to level 3 valuation:

- Plant and equipment is valued at depreciated replacement cost where the weighted average cost per asset is \$27,702 (2016: \$22,331) and the cost per unit is between \$5,000 to \$1,166,544 (2016: \$5,000 to \$1,031,059). The useful life of plant and equipment is disclosed in note 1(f).

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 2017.

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

An independent valuation of CenITex's plant and equipment (excluding office machines & equipment) was performed by the Valuer-General Victoria. The valuation was performed based on the depreciated replacement cost of the assets. The effective date of the valuation is 30 June 2017. The Valuer-general Victoria's findings support the valuation of CenITex's carrying value for Property, plant and equipment and hence no adjustments were made.

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

	Buildings leasehold improvements -at cost	Plant and equipment - at fair value (1), (2)						Construction in progress -at cost	Moto vehicles under finance lease -at cost	Total
		Level 3								
		Computer Equipment	Facilities	Network	Servers	Storage	Office Machines & Equipment			
2016	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Opening balance</b>	244	55	861	7,307	7,453	10,104	-	7,843	142	34,009
Additions	138	(41)	30	6,683	2,557	4,062	5	12,120	40	25,594
Disposals	-	-	(52)	(385)	(295)	(36)	-	-	(17)	(785)
Adjustments	420	(3)	2	(74)	(30)	(29)	-	(872)	-	(586)
Transfers	-	(11)	(41)	(767)	3,061	(1,700)	-	(5,684)	-	(5,142)
Depreciation expense	(267)	-	(318)	(4,874)	(3,424)	(4,588)	-	-	(43)	(13,514)
<b>Closing balance</b>	<b>535</b>	<b>-</b>	<b>482</b>	<b>7,890</b>	<b>9,322</b>	<b>7,813</b>	<b>5</b>	<b>13,407</b>	<b>122</b>	<b>39,576</b>

<sup>(1)</sup> Classified in accordance with the fair value measurement hierarchy as at reporting date. See note 1(b).

<sup>(2)</sup> Description of significant unobservable assets to level 3 valuation:

## Note 6. Property, plant and equipment (continued)

Aggregate depreciation recognised as an expense during the year:

	2017 \$'000	2016 \$'000
<b>Building:</b>		
Leasehold improvements	298	267
<b>Plant and equipment:</b>		
Facilities	164	318
Network	4,125	4,874
Servers	3,233	3,424
Storage	3,014	4,588
Office machines and equipment	1	-
Motor vehicles under finance lease	46	43
<b>Total depreciation expense</b>	<b>10,881</b>	<b>13,514</b>

## Note 7. Intangible assets

Non-Current assets	Capitalised development <sup>(1)</sup>							Total
	Software configuration & installation	Virtual server environment	Identity & access management (IDAM) services	Network environment	End user computer services	Storage consolidation design	Security services	
<b>2017</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Gross carrying amount</i>								
<b>Opening balance</b>	<b>4,637</b>	<b>1,220</b>	<b>6,897</b>	<b>630</b>	<b>5,775</b>	<b>191</b>	<b>951</b>	<b>20,301</b>
Transfers	-	-	-	-	-	-	-	-
<b>Closing balance</b>	<b>4,637</b>	<b>1,220</b>	<b>6,897</b>	<b>630</b>	<b>5,775</b>	<b>191</b>	<b>951</b>	<b>20,301</b>
<i>Accumulated depreciation and impairment</i>								
<b>Opening balance</b>	<b>(4,473)</b>	<b>(570)</b>	<b>(4,534)</b>	<b>(630)</b>	<b>(5,368)</b>	<b>(191)</b>	<b>(380)</b>	<b>(16,146)</b>
Depreciation expense	(130)	(287)	(1,093)	-	(301)	-	(190)	(2,001)
Transfers	-	-	-	-	-	-	-	-
<b>Closing balance</b>	<b>(4,603)</b>	<b>(857)</b>	<b>(5,627)</b>	<b>(630)</b>	<b>(5,669)</b>	<b>(191)</b>	<b>(570)</b>	<b>(18,147)</b>
<b>Net book value at the end of the financial year</b>	<b>34</b>	<b>363</b>	<b>1,270</b>	<b>-</b>	<b>106</b>	<b>-</b>	<b>381</b>	<b>2,154</b>

<sup>(1)</sup> CenITex capitalizes 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.

## Note 7. Intangible assets (continued)

Non-Current assets	Capitalised development <sup>(1)</sup>							Total
	Software configuration & installation	Virtual server environment	Identity & access management (IDAM) services	Network environment	End user computer services	Storage consolidation design	Security services	
2016	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Gross carrying amount</i>								
<b>Opening balance</b>	<b>4,637</b>	<b>1,484</b>	<b>6,897</b>	<b>630</b>	<b>5,775</b>	<b>1,274</b>	<b>951</b>	<b>21,648</b>
Transfers	-	(264)	-	-	-	(1,083)	-	(1,347)
<b>Closing balance</b>	<b>4,637</b>	<b>1,220</b>	<b>6,897</b>	<b>630</b>	<b>5,775</b>	<b>191</b>	<b>951</b>	<b>20,301</b>
<i>Accumulated depreciation and impairment</i>								
<b>Opening balance</b>	<b>(3,761)</b>	<b>(460)</b>	<b>(3,155)</b>	<b>(505)</b>	<b>(4,213)</b>	<b>(884)</b>	<b>(190)</b>	<b>(13,168)</b>
Depreciation expense	(712)	(255)	(1,379)	(125)	(1,155)	(84)	(190)	(3,900)
Transfers	-	145	-	-	-	777	-	922
<b>Closing balance</b>	<b>(4,473)</b>	<b>(570)</b>	<b>(4,534)</b>	<b>(630)</b>	<b>(5,368)</b>	<b>(191)</b>	<b>(380)</b>	<b>(16,146)</b>
<b>Net book value at the end of the financial year</b>	<b>164</b>	<b>650</b>	<b>2,363</b>	<b>-</b>	<b>407</b>	<b>-</b>	<b>571</b>	<b>4,155</b>

<sup>(1)</sup> CenITex capitalizes 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.

## Note 8. Prepayments

	2017 \$'000	2016 \$'000
<b>Current</b>		
Software licences and maintenance and other ICT expenditure	15,603	12,904
Occupancy expenses	-	206
<b>Total prepayments</b>	<b>15,603</b>	<b>13,110</b>

## Note 9. Payables

	2017 \$'000	2016 \$'000
<b>Current payables <i>Contractual</i></b>		
Supplies and services	7,742	15,020
<b>Total contractual payables</b>	<b>7,742</b>	<b>15,020</b>
<b><i>Other current payables</i></b>		
Other payables	2,542	1,953
<b>Total other current payables</b>	<b>2,542</b>	<b>1,953</b>
<b><i>Statutory</i></b>		
FBT payable	11	11
<b>Total statutory payables</b>	<b>11</b>	<b>11</b>
<b>Total current payables</b>	<b>10,295</b>	<b>16,984</b>
<b>Total payables</b>	<b>10,295</b>	<b>16,984</b>

**(a) Maturity analysis of contractual payables**

See Note 17 (e) for the maturity analysis of contractual payables.

**(b) Nature and extent of risk arising from contractual payables**

See Note 17 (f) for the nature and extent of risks arising from contractual payables.



## Note 10. Borrowings

	2017 \$'000	2016 \$'000
<b>Current borrowings</b>		
Finance lease liabilities <sup>(1)(2)</sup>	55	84
<b>Total current borrowings</b>	<b>55</b>	<b>84</b>
<b>Non-current borrowings</b>		
Finance lease liabilities <sup>(1)(2)</sup>	149	39
<b>Total non-current borrowings</b>	<b>149</b>	<b>39</b>
<b>Total borrowings</b>	<b>204</b>	<b>123</b>

<sup>(1)</sup> Secured by the assets leased. Finance leases are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

<sup>(2)</sup> Refer Note 14 'Leases' for details.

### (a) Maturity analysis of finance lease liabilities

See Note 17 (e) for the maturity analysis of finance lease liabilities.

### (b) Nature and extent of risk arising from finance lease liabilities

See Note 17 (f) for the nature and extent of risks arising from finance lease liabilities.

## Note 11. Provisions

	2017 \$'000	2016 \$'000
<b>Current</b>		
<b>Annual leave</b>		
- Unconditional and expected to be settled within 12 months	3,457	3,308
- Unconditional and expected to be settled after 12 months	1,328	1,340
<b>Long service leave</b>		
- Unconditional and expected to be settled within 12 months	485	382
- Unconditional and expected to be settled after 12 months	5,364	4,217
<b>Provisions related to employee benefit on-costs:</b>		
- Unconditional and expected to be settled within 12 months	631	590
- Unconditional and expected to be settled after 12 months	1,070	889
<b>Other Provisions</b>		
- Provisions for Restructuring	1,080	
<b>Total current provisions</b>	<b>13,415</b>	<b>10,726</b>
<b>Non-current</b>		
Employee benefits	2,954	3,604
Provisions related to employee benefit on-costs	473	577
<b>Total non-current provisions</b>	<b>3,427</b>	<b>4,181</b>
<b>Total provisions</b>	<b>16,842</b>	<b>14,907</b>
<b>Reconciliation of movement in provisions for on-costs</b>	<b>2017 \$'000</b>	<b>2016 \$'000</b>
<b>Opening balance</b>	<b>2,057</b>	<b>1,833</b>
Additional provisions recognised	940	914
Reductions arising from payments	(823)	(690)
<b>Closing balance</b>	<b>2,174</b>	<b>2,057</b>
Current	1,701	1,480
Non-current	473	577
<b>Total</b>	<b>2,174</b>	<b>2,057</b>

## Note 12. Unearned revenue

	2017 \$'000	2016 \$'000
Unearned revenue	2,416	4,033
<b>Total unearned revenue</b>	<b>2,416</b>	<b>4,033</b>

## Note 13. Superannuation

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.

CenITex does not recognize any defined benefit liability in respect of the plans because the entity has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance recognizes and discloses the State's defined benefit liabilities in its financial statements under the note for administered items.

However, superannuation contributions for the reporting period are included as part of employee benefits in CenITex's Comprehensive Operating Statement.

The basis for contributions is determined by the various schemes.

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.

Details of the major employee superannuation funds and contributions made by CenITex are as follows:

Fund	Contribution for the year		Contribution outstanding at year end	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Defined benefit plans:</b>				
State Employees Retirement Benefits Scheme (SERBS)	191	211	-	-
<b>Defined contribution plans:</b>				
Victorian Superannuation Fund – VicSuper scheme	2,518	2,530	-	-
Other	2,142	1,882	-	-
<b>Total defined contribution plans</b>	<b>4,660</b>	<b>4,412</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>4,851</b>	<b>4,623</b>	<b>-</b>	<b>-</b>

## Note 14. Leases

### Finance leases

Finance leases relate to motor vehicles with lease terms of three years. CenITex has options to purchase the motor vehicles for a nominal amount after the lease agreements.

	Minimum future lease payment	Present value of minimum future lease payment
<b>2017</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Finance lease liabilities payable</b>		
Not longer than one year	61	55
Longer than one year and not longer than five years	154	149
<b>Minimum future lease payments <sup>(1)</sup></b>	<b>215</b>	<b>204</b>
Less future finance charges	11	-
<b>Present value of minimum lease payments</b>	<b>204</b>	<b>204</b>
Included in the financial statements as:		
Current finance lease liabilities (refer to Note 10)		55
Non-current finance lease liabilities (refer to Note 10)		149
<b>Total finance lease liabilities</b>		<b>204</b>
<b>2016</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Finance lease liabilities payable</b>		
- No longer than one year	86	84
- Longer than one year and not longer than five years	40	39
<b>Minimum future lease payments <sup>(1)</sup></b>	<b>126</b>	<b>123</b>
Less future finance charges	3	-
<b>Present value of minimum lease payments</b>	<b>123</b>	<b>123</b>
<b>Included in the financial statements as:</b>		
Current finance lease liabilities (refer to Note 10)		84
Non-current finance lease liabilities (refer to Note 10)		39
<b>Total finance lease liabilities</b>		<b>123</b>

<sup>(1)</sup> Minimum finance lease payments include the aggregate of all lease payments and any guaranteed residual.

## Note 14. Leases (continued)

### Operating leases

#### Leasing arrangements

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 if CenITex exercises its option to renew. CenITex does not have an option to purchase the leased asset at the expiry of the lease period.

	2017 \$'000	2016 \$'000
<b>Operating leases payable</b>		
Not longer than one year	12,890	13,605
Longer than one year and not longer than five years	39,148	24,015
Longer than five years <sup>(1)</sup>	8,150	-
<b>Total operating leases payable<sup>(1)</sup></b>	<b>60,188</b>	<b>37,620</b>

(1) The disclosed amount is inclusive of GST.

## Note 15. Commitments for expenditure

	2017 \$'000	2016 \$'000
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*The following commitments have not been recognised as liabilities in the financial statements:*

### (a) Capital expenditure commitments

#### Plant and equipment

Payable:

Not longer than one year	1,191	6,881
<b>Total capital expenditure commitments<sup>(1)</sup></b>	<b>1,191</b>	<b>6,881</b>

### (b) Lease commitments

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in Note 14.

<sup>(1)</sup> The amount disclosed is inclusive of GST.

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## Note 16. Contingent assets and contingent liabilities

At 30 June 2017, CenITex had no contingent assets or liabilities (As at 30 June 2016: Nil)

## Note 17. Financial instruments

### (a) 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)
- borrowings.

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 Note 1 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 risks include credit risk, liquidity risk and interest rate 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.

## Note 17. Financial instruments (continued)

### (b) Categorisation of financial instruments

2017	Loans and Receivables	Available-for-sale	Financial Liabilities at amortised cost	Total
<b>Contractual financial assets</b>				
Cash and deposits	32,156	-	-	32,156
Receivables	4,839	-	-	4,839
<b>Investments and other contractual financial assets</b>				
Management investment schemes	-	15,000	-	15,000
<b>Total contractual financial assets</b>	<b>36,995</b>	<b>15,000</b>	<b>-</b>	<b>51,995</b>
<b>Contractual financial liabilities</b>				
Payables	-	-	10,284	10,284
Financial lease liabilities	-	-	204	204
<b>Total contractual financial liabilities</b>	<b>-</b>	<b>-</b>	<b>10,488</b>	<b>10,488</b>

### (b) Categorisation of financial instruments (continued)

2016	Loans and Receivables	Available-for-sale	Financial Liabilities at amortised cost	Total
<b>Contractual financial assets</b>				
Cash and deposits	44,788	-	-	44,788
Receivables	7,479	-	-	7,479
<b>Total contractual financial assets</b>	<b>52,267</b>	<b>-</b>	<b>-</b>	<b>52,267</b>
<b>Contractual financial liabilities</b>				
Payables	-	-	16,973	16,973
Financial lease liabilities	-	-	123	123
<b>Total contractual financial liabilities</b>	<b>-</b>	<b>-</b>	<b>17,096</b>	<b>17,096</b>

The amount of financial assets disclosed here excludes statutory receivables (i.e. GST input tax credit recoverable).  
The amount of financial liabilities disclosed here excludes statutory payables (i.e. taxes payable).

(c) Net holding gain/(loss) on financial instruments by category

2017	Net holding gain/(loss) \$'000	Total interest income/ (expenses)	Impairment (loss)/reversals \$'000	Total \$'000
<b>Contractual financial assets</b>				
Cash and desposits	-	1,282	-	1,282
Receivables	-	-	(335)	(335)
Available-for-sale	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1,282</b>	<b>(335)</b>	<b>947</b>
<b>Contractual financial liabilities</b>				
Financial lease liabilities	-	7	-	7
<b>Net holding gain (loss)</b>	<b>-</b>	<b>1,289</b>	<b>(335)</b>	<b>954</b>

(c) Net holding gain/(loss) on financial instruments by category (continued)

2016	Net holding gain/(loss) \$'000	Total interest income/ (expenses)	Impairment (loss)/reversals \$'000	Total \$'000
<b>Contractual financial assets</b>				
Cash and desposits	-	1,757	-	1,757
Receivables	-	-	456	456
Available-for-sale	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1,757</b>	<b>456</b>	<b>2,213</b>
<b>Contractual financial liabilities</b>				
Financial lease liabilities	-	(6)	-	(6)
<b>Net holding gain (loss)</b>	<b>-</b>	<b>1,751</b>	<b>456</b>	<b>2,207</b>

The net holding gains and losses disclosed above are determined as follows:

- For cash and deposits, receivables and available-for-sale financial assets, the net gain or loss is calculated by taking the movement in the fair value of asset, interest income and adding or subtracting gains or losses arising from revaluation of the financial assets minus any impairment recognised in the net result.
- For financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense and adding or subtracting foreign exchange gains or losses arising from the revaluation of financial liabilities at amortised cost.



## Note 17. Financial instruments (continued)

### (d) Credit risk exposures

Credit risk arises from the financial assets of CenITex, which comprise cash and deposits, and trade and other receivables. CenITex's exposure to credit risk arises from the potential default of counter parties on their contractual obligations resulting in financial loss to CenITex. Credit risk is measured at fair value and is monitored on a regular basis. Credit risk associated with CenITex financial assets is minimal because the debtors are government departments. Provision for impairment of contractual financial assets is

recognised when there is objective evidence that CenITex will not be able to collect a receivable. Objective evidence is that debts are more than 150 days overdue.

The carrying amount of financial assets recorded in the financial report, net of any allowances for losses, represents CenITex's maximum exposure to credit risk without taking account of the value of any collateral obtained.

**Table 17.1: Credit risk exposure and ageing analysis of financial assets**

All amounts in \$000

	Credit risk exposure					Past due but not impaired					
	Weighted average effective interest rate	Carrying amount	Fixed interest rate	Variable interest rate	Non-interest bearing	Non-past due and not impaired	Less than 1 month	1-3 months - 1 year	3 months - 1 year	1-5 years	Impaired Financial Assets
<b>2017</b>											
Cash	1.6%	32,156	20,000	12,156	-	32,156	-	-	-	-	-
Receivables <sup>(1)</sup>		4,839	-	-	4,839	4,585	164	69	21	-	-
Investments and other financial assets		15,000	-	-	15,000	15,000	-	-	-	-	-
		<b>51,995</b>	<b>20,000</b>	<b>12,156</b>	<b>19,839</b>	<b>51,741</b>	<b>164</b>	<b>69</b>	<b>21</b>	<b>-</b>	<b>-</b>
<b>2016</b>											
Cash	2.0%	44,788	28,500	16,288	-	44,788	-	-	-	-	-
Receivables <sup>(1)</sup>		7,479	-	-	7,479	6,969	93	328	89	-	15
Investments and other financial assets		-	-	-	-	-	-	-	-	-	-
		<b>52,267</b>	<b>28,500</b>	<b>16,288</b>	<b>7,479</b>	<b>51,757</b>	<b>93</b>	<b>328</b>	<b>89</b>	<b>-</b>	<b>15</b>

<sup>(1)</sup> Ageing analysis of receivables excludes statutory receivables for GST input tax credits recoverable. These amounts are not contractual, and are therefore outside the scope of this disclosure.

### (e) Liquidity risk

Liquidity risk arises when CenITex is unable to meet its financial obligations as they fall due. CenITex operates under the Victorian Government's Fair Payments policy of settling financial obligations within 30 days and, in the event of a dispute, making payments within 30 days of the date of resolution.

Maximum exposure to liquidity risk is the carrying amounts of financial liabilities. CenITex manages its liquidity risk by:

- maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligation;
- careful maturity planning of its financial obligations based on forecasts of future cash flows.

**Table 17.2: Liquidity risk exposure and maturity analysis of financial liabilities**

All amounts in \$000

	Liquidity risk exposure					Maturity dates				
	Weighted average effective interest rate	Nominal amount	Fixed interest rate	Variable interest rate	Non-interest bearing	Less than 1 month	1-3 months	3 months- 1 year	1-5 years	> 5 years
<b>2017</b>										
Payables <sup>(1)</sup>		10,284	-	-	10,284	10,284	-	-	-	-
Financial lease liabilities	3.4%	215	215	-	-	5	9	47	154	-
		<b>10,499</b>	<b>215</b>	<b>-</b>	<b>10,284</b>	<b>10,289</b>	<b>9</b>	<b>47</b>	<b>154</b>	<b>-</b>
<b>2016</b>										
Payables <sup>(1)</sup>		16,973	-	-	16,973	16,973	-	-	-	-
Financial lease liabilities	6.1%	126	126	-	-	47	26	13	40	-
		<b>17,099</b>	<b>126</b>	<b>-</b>	<b>16,973</b>	<b>17,020</b>	<b>26</b>	<b>13</b>	<b>40</b>	<b>-</b>

All amounts in \$000

<sup>(1)</sup> The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities.

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## Note 17. Financial instruments (continued)

### (f) 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.

#### *Foreign currency risk*

CenITex is exposed to insignificant foreign currency risk through its payables relating to purchases from overseas for which the counterparty invoices are in foreign currency.

Based on past and current assessment of economic outlook, it is deemed unnecessary for CenITex to enter into any hedging arrangements to manage the risk.

#### *Interest rate risk*

Exposure to interest rate risk relates solely to cash balances held in deposits at variable interest rates.

CenITex manages this risk by undertaking fixed rate with relatively even maturity profiles. Management has concluded for cash at bank, as financial assets that can be left at floating rate without necessarily exposing CenITex to significant bad risk, management monitors movement in interest rates on a daily basis.

CenITex's exposure to interest rate risk is set out in tables 17.1 and 17.2.

#### *Sensitivity disclosure analysis*

Taking into account future expectations, economic forecasts, and management's knowledge and experience of the financial markets, CenITex believes the following movements are possible over the next 12 months:

A parallel shift of +1.00% and -1.00% in market interest rates (AUD) from year-end rates of 1.6% (2016:2%).

Table 17.3 discloses the impact on net result from transactions and equity for each category of financial instrument held by CenITex at year-end, as presented to key management personnel, if the above movements were to occur.

**Table 17.3 Market risk exposure**

<b>2017</b>					
<b>Interest rate risk</b>					
		<b>-1.00%</b> <b>(100 basis points)</b>		<b>1.00%</b> <b>(100 basis points)</b>	
	<b>Carrying amount (\$'000)</b>	<b>Net result from transactions (\$'000)</b>	<b>Equity \$'000</b>	<b>Net results from transactions \$'000</b>	<b>Equity \$'000</b>
<i>Contractual financial assets:</i>					
Cash and deposits	32,156	(322)	(322)	322	322
Receivables <sup>(1)</sup>	4,839	-	-	-	-
Investment and other financial assets	15,000	-	-	-	-
<i>Financial liabilities:</i>					
Payables <sup>(1)</sup>	10,284	-	-	-	-
Financial lease liabilities <sup>(2)</sup>	204	-	-	-	-
<b>Total increase/(decrease)</b>		<b>(322)</b>	<b>(322)</b>	<b>322</b>	<b>322</b>
<b>2016</b>					
<b>Interest rate risk</b>					
		<b>-1.00%</b> <b>(100 basis points)</b>		<b>1.00%</b> <b>(100 basis points)</b>	
	<b>Carrying amount (\$'000)</b>	<b>Net result from transactions (\$'000)</b>	<b>Equity \$'000</b>	<b>Net results from transactions \$'000</b>	<b>Equity \$'000</b>
<i>Contractual financial assets:</i>					
Cash and deposits	44,788	(448)	(448)	448	448
Receivables <sup>(1)</sup>	7,479	-	-	-	-
Investment and other financial assets	-	-	-	-	-
<i>Financial liabilities:</i>					
Payables <sup>(1)</sup>	16,973	-	-	-	-
Financial lease liabilities <sup>(2)</sup>	123	-	-	-	-
<b>Total increase/(decrease)</b>		<b>(448)</b>	<b>(448)</b>	<b>448</b>	<b>448</b>

<sup>(1)</sup> The carrying amount is denominated in Australian Dollars and is non-interest bearing. This item is not subject to the identified risk sensitivities.

<sup>(2)</sup> Finance lease liabilities relate solely to motor vehicles. Each contract has interest fixed at the inception of the lease. This item is not subject to identified risk sensitivities.

## Note 17. Financial instruments (continued)

### 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. CenITex's sensitivity to equity price risk is set out below.

2017	Carrying amount	Net result	-15% Available-for-sale revaluation surplus	Net result	+15% Available-for-sale revaluation surplus
<b>Contractual financial assets</b>					
Investments and other contractual financial assets	15,000	-	(2,250)	-	2,250
	<b>15,000</b>	<b>-</b>	<b>(2,250)</b>	<b>-</b>	<b>2,250</b>

Investments comprises managed investment schemes that are exposed to movements in equity prices.

### (g) Fair value

The fair values and net fair values of financial instrument assets and liabilities are determined 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 where the carrying amounts are a reasonable approximation of 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 2016-17 reporting period. These financial instruments include:

#### Financial assets

Cash and deposits  
 Receivables  
 • Sale of services  
 • Other receivables  
 Investments and other financial assets  
 • Managed investment schemes

#### Financial liabilities

Payables  
 • For supplies and services  
 • Other payables  
 Borrowings – finance lease liabilities

## Note 17. Financial instruments (continued)

### Financial assets measured at fair value

2017	Carrying amount at 30 June	Fair value measurement using Level
<b>Available-for-sale securities</b>		
Managed investment schemes	15,000	15,000
<b>Total</b>	<b>15,000</b>	<b>15,000</b>

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 and which may be subject to restrictions on redemptions such as lock-up periods and redemption dates. CenITex considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investment, to ensure they are reasonable and appropriate and therefore the net asset value (NAV) of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions and redemptions, future commitments and other specific factors of the fund. Depending on the nature and level of adjustments needed to the NAV and the level of trading of CenITex, these funds have been classified as Level 2.

## Note 18. Cash flow information

### (a) Reconciliation of cash and cash equivalents

For the purpose of the Cash Flow Statement, cash includes cash on hand and in banks and investments in money market instruments, 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:

	2017 \$'000	2016 \$'000
Total cash and deposits	32,156	44,788
<b>Balance as per Cash Flow Statement</b>	<b>32,156</b>	<b>44,788</b>

### (b) Reconciliation of net result for the period to net cash flows from operating activities

	2017 \$'000	2016 \$'000
Net result for the period	7,039	7,472
<b>Non-cash movements</b>		
Net (gain)/ loss on sale or disposal of non-current assets	(189)	433
Depreciation of non-current assets	12,882	17,415
Resources provided free of charge or for nominal consideration	(181)	(428)
Increase/(decrease) in provision for doubtful debts	335	(455)
<b>Movements in assets and liabilities</b>		
(Increase)/decrease in receivables	940	(4,470)
(Increase)/decrease in prepayments	(2,493)	391
Increase/(decrease) in payables	(6,890)	9,414
Increase/(decrease) in unearned revenue	(1,617)	3,375
Increase/(decrease) in provisions	1,935	2,169
<b>Net cash flows from/(used in) operating activities</b>	<b>11,761</b>	<b>35,316</b>

## Note 19. Ex gratia payments

No ex-gratia payments were made during the year (2016: \$Nil)

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## Note 20. 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.

### Names

The persons who held positions of Ministers, Accountable Officers and members of the Board responsible for CenITex during the financial year were:

Position	Name	Period
The Minister for Finance and the Minister for Multicultural Affairs	The Hon. Robin Scott MP	1 July 2016 to 30 June 2017
Chairman	Randall Straw	1 July 2016 to 30 June 2017
Chief Executive	Mr. Michael Vanderheide	1 July 2016 to 30 June 2017
Board Member	Johanna Barker	1 July 2016 to 30 June 2017
Board Member	Dr. Richard Tait	1 July 2016 to 30 June 2017
Board Member	Conrad Harvey	1 July 2016 to 30 June 2017
Board Member	Katheryn Anderson	1 July 2016 to 30 June 2017
Board Member	Richard Bolt	1 July 2016 to 30 June 2017
Board Member	Amanda Cattermole	1 July 2016 to 30 June 2017
Board Member	Gail Moody	1 July 2016 to 24 May 2017
Board Member	Julie Fahey	1 July 2016 to 30 June 2017
Board Member	Shaun Condron	16 June 2017 to 30 June 2017

### Remuneration

Remuneration received or receivable by the Accountable Officer in connection with the management of CenITex during the reporting period was in the range: \$360,000 to \$ 369,999 (\$350,000 to \$359,999 in 2015-16)



## Note 21. 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.

**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.

Remuneration of executive officers	2017 \$'000	2016 \$'000
Short-term employee benefits	743	
Post-employment benefits	77	
Other long-term benefits	-	
Termination benefits	97	
<b>Total remuneration <sup>(a)</sup></b>	<b>917</b>	
<b>Total number of executives</b>	<b>4</b>	<b>5</b>
<b>Total annualised employee equivalents <sup>(b)</sup></b>	<b>3.0</b>	<b>3.8</b>

Notes:

a) No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21B. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction. Refer to the prior year's financial statements for executive remuneration for the 2015-16 reporting period.

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

## Note 22. Related party transactions

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 on an arm's length basis.

### Significant transactions with government-related entities

During the year, CenITex had the following government-related entity transactions:

Related party	Revenue from services provided \$000
Department of Health and Human Services	38,809
Department of Justice and Regulation	34,967
Department of Economic Development, Jobs, Transport & Resources	32,620
Department of Environment, Land, Water and Planning	31,622
Department of Treasury and Finance	6,789
Department of Premier and Cabinet	6,500
Public Transport Victoria	5,372
Environment Protection Authority	1,682
Other Victorian Government Departments and Entities	7,983
<b>Total</b>	<b>166,344</b>

### 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 and members of the Board of Directors. 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 Premier and Cabinet's Financial Report.

Compensation	2017 \$'000
Salaries and other short term employee benefits	496
Post-employment benefits	39
Other long-term employment benefits	9
Termination benefits	-
Board member fees	14
<b>Total key management personnel compensation</b>	<b>558</b>

## Note 22. Related party transactions (continued)

### 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.

During the year, Victorian Rail Track provided telecommunications services to CenITex. Randall Straw, the chairman of the CenITex Board, is a member of the Victorian Rail Track Telecommunications Committee. 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.

All other transactions that have occurred with 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 Department'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.

## Note 23. Remuneration of auditors

	2017 \$'000	2016 \$'000
<b>Victorian Auditor - General's Office</b>		
Audit of the financial report	168	143
<b>Total remuneration of auditors</b>	<b>168</b>	<b>143</b>

## Note 24. Events occurring after the balance date

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.

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## Declaration in the Financial Statements

The attached financial statements for CenITex for the year ended 30 June 2017 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 2017 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 12 October 2017



**Randall Straw**  
Chairman



**Michael Vanderheide**  
Chief Executive



**Catherine Ho**  
Chief Financial Officer

Melbourne  
12 October 2017

# Independent Auditor's Report

## To the Board Members of CenITex

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<b>Opinion</b>	<p>I have audited the financial report of CenITex which comprises the:</p> <ul style="list-style-type: none"><li>• balance sheet as at 30 June 2017</li><li>• comprehensive operating statement for the year then ended</li><li>• statement of changes in equity for the year then ended</li><li>• cash flow statement for the year then ended</li><li>• notes to the financial statements, including significant accounting policies</li><li>• Declaration in the Financial Statements.</li></ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of CenITex as at 30 June 2017 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>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described 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 <i>APES 110 Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Australia. 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>
<b>Board Members' responsibilities for the financial report</b>	<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, and using the going concern basis of accounting unless it is inappropriate to do so.</p>

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**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.

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MELBOURNE  
13 October 2017



Timothy Maxfield  
*as delegate for the Auditor-General of Victoria*

## 10. Other Disclosures

### 10.1 Disclosures

#### 10.1.1 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 (VIPP). Departments and public sector bodies are required to apply a VIPP 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 VIPP was required.

#### 10.1.2 Consultancy expenditure

**Details of consultancies (valued at \$10,000 or greater)**  
In 2016/17, there were 10 consultancies where the total fee payable to each of the consultants was \$10,000 or greater. The total expenditure incurred during 2016/17 in relation to these consultancies was \$680,483.63. Details of individual consultancies are outlined below.

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (excluding GST)	Expenditure 2016-17 (excluding GST)	Future expenditure (excluding GST)
UXC CONSULTING	Lean and agile for Customer Improvement Project	13 Apr 2016	30 Jun 2016	\$249,772.73	<b>\$183,171.14</b>	Nil
STRATICA	Business continuity plan / disaster recovery refinement	1 Jun 2016	31 Dec 2016	\$138,181.82	<b>\$133,636.36</b>	Nil
ANDREWS GROUP	Customer satisfaction benchmarking	2 Nov 2015	30 Nov 2017	\$90,000.00	<b>\$23,310.00</b>	\$66,690.00
BEVINGTON GROUP	Lean accreditation	25 Jul 2016	30 Jun 2017	\$38,065.00	<b>\$35,442.00</b>	Nil

## 10. Other Disclosures (continued)

### 10.1.2 Consultancy expenditure (continued)

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (excluding GST)	Expenditure 2016-17 (excluding GST)	Future expenditure (excluding GST)
ISG INFORMATION SERVICES GROUP	Application software solution market research	25 Jul 2016	2 Sep 2016	\$91,113.66	<b>\$91,113.66</b>	Nil
KPMG	Provision of probity advisory services	18 Aug 2016	17 Aug 2017	\$72,727.27	<b>\$32,270.00</b>	\$40,500.00
TRUSTED IMPACT	Development of 2-year CenITex Customer Cybersecurity Strategy and threat risk assessment report	6 Jun 2016	30 Dec 2016	\$68,600.00	<b>\$68,600.00</b>	Nil
PRICE WATERHOUSE COOPERS	Procurement reform review	4 Oct 2016	21 Apr 2017	\$43,584.55	<b>\$38,868.19</b>	Nil
PRICE WATERHOUSE COOPERS	Procurement services probity audit	5 Oct 2016	26 Oct 2018	\$134,298.18	<b>\$132,796.36</b>	Nil
KPMG	Accreditation services	10 Nov 2016	31 May 2017	\$77,181.80	<b>\$77,181</b>	Nil

#### Details of consultancies under \$10,000

In 2016/17, four consultancies were engaged, where the total fees payable to the individual consultancies was less than \$10,000. Total expenditure incurred during 2016/17 in relation to these consultancies was \$19,833.30 (excl. GST).



### 10.1.3 Information and Communication Technology expenditure

For the 2016/17 reporting period, CenITex had a total ICT expenditure of \$4,162,000, with the details shown 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	Non-Business As Usual (non-BAU) ICT expenditure (Total = Operational expenditure and Capital expenditure)	Operational expenditure	Capital expenditure
(Total)			
2,795	1,367	1,213	154

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.

#### 10.1.4 Disclosure of major contracts

CenITex has disclosed, in accordance with the requirements of Government policy and accompanying guidelines, 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](http://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.

#### 10.1.5 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 2016, CenITex did not receive any requests for access under Freedom of Information.

#### 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 Manager  
CenITex  
PO Box 2750  
Melbourne VIC 3001

Requests can also be lodged online at <http://www.foi.vic.gov.au>

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>

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## 10. Other Disclosures (continued)

### 10.1.6 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*.

### 10.1.7 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 completion 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.

### 10.1.8 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.

CenITex does not tolerate improper conduct by employees, nor the taking of reprisals against those who come forward to disclose such conduct. It is committed to ensuring transparency and accountability in its administrative and management practices and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

CenITex will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. It will also afford natural justice to the person who is the subject of the disclosure to the extent it is legally possible.

#### Reporting procedures

Disclosures of improper conduct or detrimental action by CenITex or any of its employees may be made to:

Protected Disclosure Officer  
Corporate Communications  
CenITex  
Phone: (03) 8688 1507

Alternatively, disclosures of improper conduct or detrimental action by CenITex or any of its employees may also be made directly to the Independent Broad-based Anti-corruption Commission:

Level 1, North Tower, 459 Collins Street  
Melbourne VIC 3000  
Phone: 1300 735 135  
Internet: [www.ibac.vic.gov.au](http://www.ibac.vic.gov.au)

Email:

(See the website above for the secure email disclosure process, which also provides for anonymous disclosures)

#### Further information

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.

## Disclosures under the *Protected Disclosure Act 2012*

The number of disclosures made by an individual to CenITex and notified to the Independent Broad-based Anti-corruption Commission	2016-17 Number	2015-16 Number
Assessable disclosures	0	0

### 10.1.9 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				
	2016-17 Offices	Data Centres	2015-16 Offices	Data Centres
Electricity consumption (mega joules - MJ)	3,866,872	22,086,549	3,854,666	21,673,759
MJ per square metre (m2)	491	13,038	546	11,492
MJ per full-time employee (FTE)	6854	39,151	7298	41,033
Paper consumption (reams)	1910		2244	
Reams per FTE	3.39		4.25	
Motor vehicle use (kilometres)	157,717		106,728	
km per FTE	280		199	

### 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. Therefore, we do not keep data as we do not process direct accounts from these suppliers.

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## 10. Other Disclosures (continued)

### Procurement

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

- Stationery & 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

### 10.1.10 Additional information

For additional information contact:

Corporate Communications

CenITex

PO Box 2750

Melbourne VIC 3001

Australia

[corporate.communications@cenitex.vic.gov.au](mailto:corporate.communications@cenitex.vic.gov.au)

## 10.2 Disclosure index

### Ministerial Directions & Financial Reporting Directions

#### Report of operations

Legislation	Requirement	Section Reference
<b>Charter and purpose</b>		
FRD 22H	Manner of establishment and the relevant Ministers	3 & 4.1
FRD 22H	Purpose, functions, powers and duties	3 & 4.1
FRD 8D	Departmental objectives, indicators and outputs	Preamble
FRD 22H	Key initiatives and projects	5.3, 6.1 - 6.2
FRD 22H	Nature and range of services provided	3, 5.2, 6.1 - 6.2
<b>Management and structure</b>		
FRD 22H	Organisational structure	4.4
<b>Financial and other information</b>		
FRD 10A	Disclosure index	10.2
FRD 12B	Disclosure of major contracts	10.1.4
FRD 15D	Executive officer disclosures	Financial Report note 21
FRD 22H	Employment and conduct principles	7.2
FRD 22H	Occupational health and safety policy	7.3
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	Major changes or factors affecting performance	8.2 - 8.3

## 10.2 Disclosure index (continued)

### Report of operations (continued)

Legislation	Requirement	Section Reference
<b>Financial and other information (continued)</b>		
FRD 22H	Subsequent events	Financial Report note 24
FRD 22H	Application and operation of <i>Freedom of Information Act 1982</i>	10.1.5
FRD 22H	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	10.1.6
FRD 22H	Statement on National Competition Policy	10.1.7
FRD 22H	Application and operation of the <i>Protected Disclosure Act 2012</i>	10.1.8
FRD 22H	Details of consultancies over \$10 000	10.1.2
FRD 22H	Details of consultancies under \$10 000	10.1.2
FRD 22H	Disclosure of ICT expenditure	10.1.3
FRD 22H	Statement of availability of other information	10.1.1
FRD 24C	Reporting of office based environmental impacts	10.1.9
FRD 25C	Victorian Industry Participation Policy disclosures	10.1.1
FRD 29B	Workforce Data disclosures	7.1
<b>Compliance attestation and declaration</b>		
SD 3.7.1	Attestation for compliance with Ministerial Standing Direction	See below
SD 5.2.3	Declaration in report of operations	See below

## 10.2 Disclosure index (continued)

Report of operations (continued)		
Legislation	Requirement	Section Reference
<b>Financial statements</b>		
<b>Declaration</b>		
SD 5.2.2	Declaration in financial statements	Financial Report
<b>Other requirements under Standing Directions 5.2</b>		
SD 5.2.1 (a)	Compliance with Australian accounting standards and other authoritative pronouncements	Financial Report note 1
SD 5.2.1 (a)	Compliance with Ministerial Directions	Financial Report note 1
SD 5.2.1 (b)	Compliance with Model Financial Report	Financial Report note 1
<b>Other disclosures as required by FRDs in notes to the financial statements</b>		
FRD 9A	Departmental Disclosure of Administered Assets and Liabilities by Activity	Financial Report note 15
FRD 11A	Disclosure of Ex gratia Expenses	Financial Report note 18
FRD 21C	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	Financial Report note 20, 21
FRD 103F	Non Financial Physical Assets	Financial Report note 6, 7
FRD 110A	Cash Flow Statements	Financial Report
FRD 112D	Defined Benefit Superannuation Obligations	Financial Report note 12
<b>Legislation</b>		
<i>Freedom of Information Act 1982</i>		10.1.5
<i>Building Act 1983</i>		10.1.6
<i>Protected Disclosure Act 2012</i>		10.1.8
<i>Victorian Industry Participation Policy Act 2003</i>		10.1.1
<i>Financial Management Act 1994</i>		Preamble

## 10.3 Our websites

CenITex has an online presence in three website environments:

Website	Audience
Staff intranet	CenITex staff
insITe	CenITex staff and customers
Internet	Public, CenITex customers and staff

[www.cenitex.vic.gov.au](http://www.cenitex.vic.gov.au)

## 10.4 Glossary of terms

<b>ARC</b>	Audit and Risk Committee
<b>CFO</b>	Chief Finance Officer
<b>CIO</b>	Chief Information Office/r
<b>CPI</b>	Consumer Price Index
<b>Departments</b>	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)
<b>Executive</b>	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> .
<b>FTE</b>	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.
<b>GSP</b>	Government Shared Platform



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## 10.4 Glossary of terms (continued)

<b>ICT</b>	Information and Communications Technology
<b>ITIL</b>	Information Technology Infrastructure Library
<b>MoG</b>	Machinery of Government
<b>MPLS</b>	Multiprotocol Label Switching
<b>MOU</b>	Memorandum of Understanding
<b>Public Sector</b>	All organisations (i.e. VPS departments and agencies, as well as public entities) covered by the <i>Public Administration Act 2004</i> .
<b>Remedy</b>	Tool for managing internal service desk calls
<b>SAC</b>	Stakeholder Advisory Committee
<b>SOC</b>	Security Operations Centre
<b>state agencies</b>	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) Taxi Services Commission (TSC) 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
<b>Victorian public sector</b>	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> .
<b>VPS</b>	Victorian Public Service (see also Victorian public sector)
<b>WoVG</b>	Whole of Victorian Government

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## Risk attestation\*

I, Randall Straw, certify that CenITex has risk management processes in place consistent with the Australian/New Zealand International Risk Management Standard, and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures, except for the following element:

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Risk management processes are effective in managing risks to a satisfactory level and it is clear who is responsible for managing each risk

**Partially Compliant** - CenITex is in the process of implementing the recommendations of an Enterprise Risk Management Internal Audit. The implementation of these recommendations, which will be finalised during 2017–18, will enhance risk management processes within CenITex.

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Randall Straw  
**Chairman**  
29 June 2017

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\* Risk attestation approved by the Audit and Risk Committee on 24 May 2017

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