



cenitex

Annual Report

2019 2020



30 October 2020

The Hon Danny Pearson MP
Minister for Government Services
Department of Premier and Cabinet
1 Treasury Place
Melbourne VIC 3002

Dear Minister

CENITEX ANNUAL REPORT

I am pleased to submit the 2019-20 Annual Report of CenITex, including the Financial Statements for the year ended 30 June 2020, for presentation to Parliament, pursuant to Part 7 of the *Financial Management Act 1994*. CenITex is a State body under the *State Owned Enterprises Act 1992* ("Cenitex").

Yours sincerely



Randall Straw
Chair

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Overview

ABOUT CENITEX

Cenitex provides reliable, robust and contemporary shared Information and Communications Technology (ICT) services and technology, enabling the departments, agencies and over 46,000 public servants it works with to deliver services for the Victorian community.

Created as a state-owned enterprise in July 2008, Cenitex delivers essential ICT services to the Victorian Government, such as identity and network management, security, user workspace and cloud services efficiently and cost-effectively.

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

The Cenitex vision is to support a modern, agile and productive public sector and is driven by the Government's commitment to a digital Victoria and better outcomes for the community.

As of 22 June 2020, the Minister for Government Services became the Victorian Government Minister responsible for Cenitex.

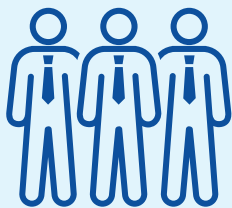
Cenitex supports a total of 35 customers from across Victorian Government including all eight Departments with various services to meet their needs.



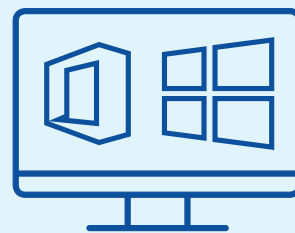
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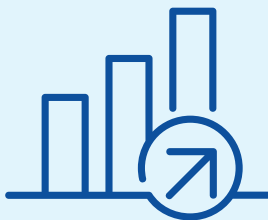
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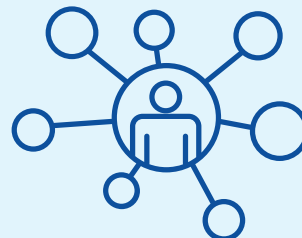
More than
46,000
public servants
supported



More than
25,000
Office 365 users
managed



4.2%
baseline revenue
growth



512
people in our
workforce



35 customers, including
all eight Victorian
Government departments



More than
500 million
cyber security threats protected

FROM THE CHAIR



I am pleased to present the Cenitex 2019-20 Annual Report outlining the operational and financial performance in the past financial year.

Cenitex has demonstrated its value to the Victorian Government in what has been a challenging and defining year. The day-to-day operations and strategic planning have been significantly influenced by the COVID-19 pandemic, a worldwide emergency in 2020 that will have long lasting impacts on the health, social and economic outcomes of our society.

Since the COVID-19 outbreak, Cenitex has performed an integral role in strengthening the Victorian Government's ICT infrastructure. We experienced a rapid, large scale shift to working from home, with Cenitex responding quickly to ensure its customers had secure, remote access solutions. The rapid response to stabilise, scale and innovate with solutions was unprecedented.

Earlier in the financial year Cenitex continued its transformation through Program Fortify, a comprehensive process to fortify the ICT, business processes and people capabilities. Cenitex is now delivering a new 1-3-5 Strategy that will guide and drive the organisation for the next three years. The 1-3-5 Strategy ensures we build the capability, the operating model, the service offerings, the engagement approach and the culture to support the aims of the Victorian Government.

Cenitex is committed to ensuring products and services are cyber prepared and provide a safe and seamless experience for the Victorian community. This includes continuous availability of services and effective protection of sensitive data. We want to drive service agility, efficiencies and effectiveness through

the right tools and techniques, while balancing cost, human impacts and enterprise benefits.

In the year we delivered significant key milestones that brought about positive change to Cenitex and our customers. Cenitex ended the year with a deficit of \$11.3m against a planned deficit of \$6.2m. This includes pandemic-related costs absorbed by Cenitex, as well as the loss of project revenue as our customers paused non-essential projects to focus on supporting the broader Victorian Government's response to the COVID-19 crisis.

With the current pandemic, Cenitex has increased its focus to ensure business continuity and disaster recovery infrastructure is in line with evolving customer and industry expectations. The creation of flexible infrastructure and common platforms will enable the Victorian Government to respond dynamically to emerging issues such as mobile workforces or other societal shifts. The reconfiguration of government operating models is therefore a key future consideration underpinned by secure, robust and resilient infrastructure, standardised where possible for efficiency gains.

I would like to extend my sincere thanks to the Board of Directors together with Frances Cawthra, the Executive Leadership Team and all staff. I would also like to thank recently departed Board Directors Johanna Barker and Kathryn Anderson for their dedicated service and valued input to decision making for Cenitex.

Cenitex is committed to meeting the demands and challenges of the future of the Victorian Government and the community. I look forward to working with Cenitex in the coming years to serve the people of Victoria through secure, effective and contemporary ICT services for Government entities.

Randall Straw
Chair

FROM THE CHIEF EXECUTIVE OFFICER



The 12 months to 30 June 2020 was a busy time for Cenitex, with several organisation-wide priorities to deliver in conjunction with two unprecedented major crises – the regional bushfire emergency and the global COVID-19 pandemic.

In an extremely challenging time for the Victorian Public Service and the wider community Cenitex has played an important role in supporting the Victorian Government which is increasingly reliant on digital technologies.

I am thankful for the extra effort the team made to support our regional customers impacted by the bushfire crisis. This included visits to affected regions by our workplace engineers to assist a number of government agencies with their ICT needs, as well as providing heightened technical support such as desktop support and additional video conferencing capabilities for Incident Control Centres.

In response to COVID-19 Cenitex has focused on stabilising and scaling the ICT services it provides to customers to support more than 30,000 public servants working from home. Prior to the pandemic Cenitex serviced approximately 1,780 remote concurrent connections per day on average. Cenitex is now serving more than 19,500 concurrent connections each day.

Despite the challenges Cenitex delivered other significant priorities during the year and launched its inaugural whole-of-organisation plan, 1-3-5 Strategy. The rapid completion of Program Fortify built a strong foundation to develop and launch the 1-3-5 Strategy, with a three year action plan to achieving our renewed “one purpose, three strategic goals, five strategic programs”. The whole-of-organisation strategy was developed by listening to our staff and customers and positions and strengthens Cenitex to anticipate and meet the fast-changing IT environment and evolving needs of customers.

Enhancing cyber security will always be a core focus for Cenitex as part of our service delivery and assurance for staff and customers. During the year Cenitex embarked on a review of its Service Assurance model in areas related to cyber security. We have now renewed our Cyber Security Framework to increase the capability, to fine-tune the application of cyber security controls which allows us to perform effectively in identifying and addressing risks.

Cenitex planned for a year-end deficit of \$6.2m to cover costs associated with transformation work under Program Fortify. We reported an additional deficit of \$5.1m as a result of pandemic-related costs absorption and customer project deferrals. Baseline revenue grew by 4.2% largely due to increased customer consumption of desktop services after price reductions on our catalogue services, and a rebate for customers who joined the Government Shared Platform.

I would like to thank the Chair and Board of Directors for the invaluable advice and guidance, the Executive Leadership Team and all our resilient and capable staff for their hard work and commitment in meeting the challenges of the past year. I look forward to continuing to work with and support you all in what will be a challenging but exciting journey ahead.

A handwritten signature in black ink, reading "Frances A. Cawthra".

Frances Cawthra
Chief Executive Officer

CENITEX BOARD

Randall Straw

Chair

Johanna Barker

Board Director

John Craven

Board Director

Carolyn De Gois

Board Director

Julie Fahey

Board Director

Peter Meehan

Board Director

Dean Tighe

Board Director

Kathryn Anderson

Board Director

(resigned on 5 March 2020)

CENITEX EXECUTIVE LEADERSHIP TEAM

Frances Cawthra

Chief Executive Officer

Nigel Cadywould

Executive Director, Customer Engagement

Adrian Carbone

Executive Director, Workplace and Application Services

Sharon Copeland-Smith

Executive Director, Strategy, Governance and Risk

Alexis Ewing

Executive Director, Infrastructure Services

Catherine Ho

Executive Director, Finance and Business Services

Catherine Proud

Executive Director, People and Capability

A large, stylized number '2' in a medium blue color, positioned on the left side of the page. It is partially overlaid by a light blue geometric shape that resembles a stylized 'C' or a large bracket, which is also positioned on the left side. The background is a solid dark blue.

Year in Review

OUR GOAL

To deliver customer-focused Information and Communications Technology (ICT) services that support a modern, agile and productive public sector.

OUR VALUES

Accountability, Courage, Initiative, Collaboration and Respect

OUR STRATEGIC OBJECTIVES

The Victorian Government's ICT strategy articulates a digital-first, citizen-centric delivery of Government services and transactions. Cenitex supports this strategy through a customer-centric approach and the provision of ICT services that directly support new service delivery models.

We are committed to delivering the following four strategic objectives:

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

CENITEX RESPONSE TO COVID-19

During the COVID-19 pandemic the Victorian Government introduced a range of restrictions on the community. For the Victorian Public Service (VPS) there was a pivot to remote working at scale and quickly.

Customers turned to Cenitex for secure, remote access solutions to allow workforces to work from home in unprecedented numbers placing significant pressure on the State's infrastructure. Cenitex was required to rapidly scale up remote access solutions.

Prior to the pandemic Cenitex serviced approximately 1,780 remote concurrent connections per day on average, and scaled up to support more than 19,500 concurrent connections each day.

Cenitex adopted a strategic response of "Stabilise, Scale and Innovate" to:

- Stabilise what we have
- Scale what we can
- Innovate to where we need to be

As the demand increased for remote access Cenitex identified three key areas of risk that required careful management:

- impact of the scale of demand for remote access
- reliance on one technical solution (GO Connect) as the predominant solution
- likelihood of increased opportunistic cyber and physical attacks.

Scaling was driven by customer needs to increase the capacity of remote access solutions to support more than 30,000 public servants working from home. This had the ability to create significant strain on existing infrastructure. Cenitex balanced scaling with stability, acting cautiously and balancing the timing of changes made to the environment and implementing increased security measures.

Cenitex also recognised early on that the current solutions would present limitations and new solutions and ways of solving problems would be required.

The response by Cenitex was focused on:

- Technical solutions (including security)
- Customer interface
- Cenitex workforce
- Stakeholder management
- Emergency business support

The support of key internal and external stakeholders was critical to the overall response. This included the rapid and efficient uptake of remote working by Cenitex employees and the effort made to support each other and customers.

The Cenitex response had several positive aspects including:

- significant increase in remote access solutions to customers now exceeding 19,500 concurrent connections
- positive feedback from senior officials and other public sector staff
- core business activities and project commitments to customers where possible
- increased communication with and between senior stakeholders in Government, customers and staff.

STRATEGIC OBJECTIVE 1: IMPROVE SERVICE QUALITY AND DRIVE DOWN COSTS

Significant reduction in high severity incidents on Data Centre Network Services

In previous years, high severity incidents on Data Centre Network Services formed the majority of all incidents. Cenitex prioritised reducing the number of severity 1 and 2 incidents on Data Centre Network Services by at least 50%.

As part of Program Fortify new processes and governance controls were implemented together with strong cross-divisional collaboration. By the end of Q4, Cenitex achieved an 87.5% reduction in the number of severity 1 incidents on Data Centre Network Services. In 2019-20 there were two severity 1 incidents, as opposed to 16 severity 1 incidents in the previous year – making it the third consecutive year in achieving a downward trend in high severity incidents.

These accomplishments stemmed from an understanding of why incidents occur and ensuring strong remediation, problem management and routine processes to reduce recurrence. A large part of providing reliable and robust services to customers is by identifying the root cause of these incidents.

Other influences on the reduction in incidents was due to customers transitioning to newer, more robust technologies such as Office 365, and the delivery of the Program Fortify deployments.

Program Fortify: Final software defined network migration

In January 2019 Cenitex commenced its most significant change project – Program Fortify. The program was the culmination of various transformation initiatives that impacted technologies, services, business processes and people. Through Program Fortify Cenitex adopted new ways of working with employees, processes and technologies to deliver significantly enhanced resilience, reliability and cost-effective services to customers.

In November 2019 the final, most complex of the four software deployments through Program Fortify, the software defined network stream, was completed. The benchmark industry expectation for a such a large transformation is around 26 months with Cenitex completing the program in less than 12 months.

A large part of the success was due to a strong start to the Program, by establishing new test labs to increase efficiency in doing several end-to-end program trials, allowing Cenitex to enter production phase in a timely manner for each deployment. A strong commitment to comprehensive planning, curated resourcing, effective execution and proactive engagement with customers also contributed to the success of Program Fortify.

One of the Program Fortify goals was to provide more resilience and reliability for all workloads, which were rigorously validated and continue seamlessly to support our Whole of Victorian Government customers during extremely high traffic due to COVID-19. At implementation Cenitex reduced its hardware footprint by more than 60% and freed up high customer demand storage of around 600 terabytes for reuse and expansion cost avoidance.

Reduction in overall pricing for 2019-20

Cenitex has focused on stabilising its financial sustainability over the past few years through various efficiency gain measures, while continuing to invest in a fast-changing technology environment. Service affordability to customers has improved through price reductions and absorption of the Consumer Price Index (CPI).

In 2019-20, Cenitex reduced overall pricing of catalogue services by 2.5% as it continues to deliver more value to customers. The reduction is consistent with the introduction of innovative, relevant services for customers, following extensive work to realign service costing and pricing.

Cenitex saw baseline revenue growth of 4.2%. This is largely due to increased customer consumption of desktop services after price reductions on our catalogue services, as well as a rebate for customers who joined the Government Shared Platform (GSP).

A new service catalogue was released in 2019-20 with an underpinning pricing strategy, which saw significantly more balanced pricing across the Cenitex customer base and services. Customers will benefit by purchasing from the new service catalogue, which was designed to align with evolving customer needs, a shift in cost base, government standards and comparable services in the market.

Enhancing Cyber Security

Enhancing cyber security is a core focus for Cenitex as part of its service delivery and assurance for staff and customers.

In 2020 Cenitex embarked on a review of its Service Assurance model in areas related to cyber security. As a result, a renewed Cyber Security Framework was introduced to increase the capability to fine-tune the application of cyber security controls, in order to allow identification and addressing of risks effectively.

Using the new framework Cenitex is better placed to demonstrate improvements to the security and assurance of its products and services, implement a “security by design” approach to projects, strengthen the cyber resilience of IT systems, certify services so they align to customer expectations, manage critical assets better, and build successful collaborative and co-creative relationships with customers and partners.

Performance against Corporate Plan

Outcome	Target	Status
Reduce overall pricing for 2019-20	2.5% reduction by Q1 2019-20	Complete
Reduce severity 1 incidents on Data Centre Network Services	50% reduction in Q4 2019-20 compared to Q4 2018-19	Complete
Reduce remote site network outages related to Cenitex services	50% reduction in Q4 2019-20 compared to Q4 2018-19	Complete
Increase regional customers' take up of our Dual VLAN service	90% uptake by Q4 2019-20	Cenitex is providing alternative enhanced capability through Cisco Meraki.

LAUNCH OF 1-3-5 STRATEGY

Cenitex launched its first whole-of-organisation corporate strategy, 1-3-5 Strategy 2020-2023 in February 2020. The Strategy sets out the One Purpose, Three Strategic Goals, Five Strategic Programs for the next three years which helps define, drive and guide what Cenitex does every day.

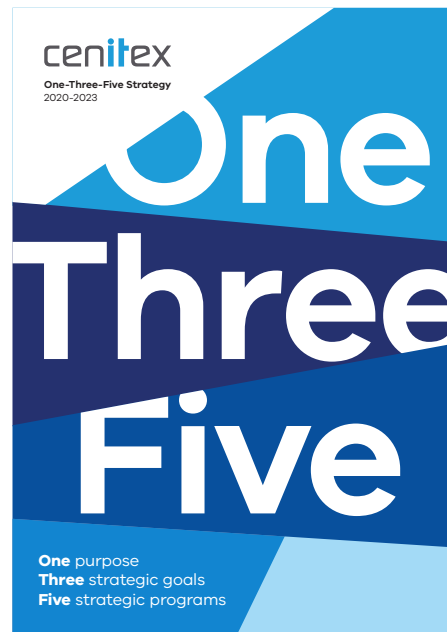
The 1-3-5 Strategy marks the start of a new era for Cenitex after completing a comprehensive internal transformation process to fortify its capabilities. With the new strategy Cenitex is embarking on a renewal to fulfil its purpose to serve the people of Victoria.

Through targeted and opportunistic improvement in executing the five strategic programs, Cenitex will accomplish new levels of confidence in its ability to serve the Government and people of Victoria.

It will see a stronger drive than ever to deliver the fundamentals – getting the basics right and delivering on customer expectations. The organisation will leverage the investment made to date through previous and other strategic initiatives. Cenitex will build enduring capability and will continue to mitigate State risk as custodian of Victoria's critical ICT infrastructure and supporting services.

As part of the Strategy, Cenitex will also be guided by its new culture traits of Inclusiveness, Urgency, Customer Commitment, Performance and Positivity – in line with the values of the Victorian Public Service.

The creation of the 1-3-5 Strategy has been a combined effort of the executive team, business leaders and staff. It has been developed by listening to the organisation's two most important stakeholders – its customers and staff.



SNAPSHOT: 1-3-5 STRATEGY

Our **ONE PURPOSE** is to serve the people of Victoria through secure, effective and contemporary IT services for Government entities.

In support of our purpose, our **THREE STRATEGIC GOALS** are:



TRUST

- Build trust and influence by fulfilling our core mandate to exceptional standards.
- Apply our know-how to inform policy, strategy and the IT decisions of customers.



PARTNERSHIP

- Transform our customer approach towards meaningful, ongoing partnership.
- Establish strategic relationships with vendors to the benefit of all our customers.



GROWTH

- Increase the public value we add by serving a greater proportion of Victoria's public entities, reducing duplication and unnecessary IT spend in the State.
- Develop a revenue base to scale with our optimal infrastructure to increase value and reduce price to approximate the market.

These three goals will be accomplished through **FIVE**

STRATEGIC PROGRAMS:

1. Effective operating model
2. Enhanced capability
3. Clear and refined offering
4. Extensive engagement
5. The right culture.

STRATEGIC OBJECTIVE 2: DRIVE A FOCUS ON CUSTOMER SERVICE AND GROW OUR CUSTOMER BASE

ServiceNow Platform: Modernising our Service Centre

As part of the strategy to enhance the customer and employee experience, Cenitex commenced implementation of a new solution using the ServiceNow platform to consolidate IT help tools into a single data model. This will transform customer and employee service experience, automate internal and customer workflows, leverage artificial intelligence (AI) and improve IT productivity.

Cenitex has developed a platform to replace the existing solution providing a much-improved user interface and better employee-driven experience to request and track IT services.

RequestIT, the previous self-service portal, has been transformed into a more user-friendly self-service portal which includes a Live Chat feature and Knowledge function to provide users with an easier and more efficient service, particularly while working remotely. For technology teams and leaders, the new Portal will give them access to the right tools and information, plus real-time data and alerts, enabling them to provide better IT assistance and improve response times to users.

Cenitex released a 'lite' version of the service portal allowing users to have live conversations with technical support officers. A full customisable version of the portal with branding specific to customer departments will be launched later in the year.

Cenitex will continue to improve on the platform capability to ensure it meets the rapidly changing needs of both Cenitex and its customers well into the future.

Enhancing customer experience and engagement

To support the focus on providing exceptional customer service, Cenitex developed and implemented a new, comprehensive Customer Experience Action Plan. This includes engagement of a Customer Experience Manager, establishment of a Customer Experience Working Group comprising staff across Cenitex, and development of the Customer Experience Framework. As part of the 1-3-5 Strategy, customer experience goals have been embedded into staff performance planning processes.

To build staff knowledge of customer experience a range of customers have participated in all staff events providing perspective of how the work of Cenitex has impacted the broader Victorian Public Service.

Customer satisfaction was gauged through a range of measures including regular CIO meetings, ongoing customer engagement activities and feedback from customers. Through these channels, Cenitex has received positive feedback from customers and stakeholders for its response to the pandemic.

The Customer Engagement Division continued to work closely with the communications team to develop stakeholder maps and communications strategy in order to reach customers and stakeholders with clear, cohesive, tailored communications.

Building new partnerships, growing our customer base

To provide greater benefit to the Victorian Government, Cenitex has continued to engage strategically and extensively with existing and potential customers.

In the year Cenitex has pursued a partnership model, which has helped build several new partnerships including signing memorandums of understanding (MoUs) with nine Victorian Government agencies.

Over the financial year Cenitex welcomed three new major customers: Digital Health, Portable Long Service Authority and Melbourne Polytechnic.

The growth in customers this year follows a redefined approach towards customer engagement and a changing perception in the market, where the value proposition of working within government is clearer. By fostering deeper relationships with customers around their ICT journey and challenges and opportunities ahead, the business development team has been successful in identifying solutions to best fit each new customer.

The ongoing work to continue growing the customer base includes devising and implementing a business development plan for new and existing customers and introducing new tailored products and services to a growing customer base.

Performance against Corporate Plan

Outcome	Target	Status
Increase customer satisfaction against results from 2017-18 Customer Satisfaction survey	5% increase by Q4 2019-20	New survey is now targeted for delivery in 2020-21.
Generate new revenue from services	\$5m by Q4 2019-20	Baseline revenue growth of \$4.64m above budget.
Release a new Service Catalogue with an underpinning pricing strategy	Q1 2019-20	Complete
Customers endorse our Customer Account Plans	Q1 2019-20	To respond to changing customer needs from COVID-19, Cenitex has redesigned and renamed these documents into Partnership Plans. Targeted for delivery in 2020-21.

CENITEX RESPONSE TO REGIONAL BUSHFIRE EMERGENCY

Cenitex played an integral role in the State's bushfire response and recovery efforts. Staff were actively involved in supporting the recovery through volunteering, fundraising and offering professional services.

Cenitex assistance included on-site IT and desktop support to customers at the Bairnsdale Incident Control Centre and remotely setting up new printers and large format map plotters. Technical analysts were available on-call and laptops were loaned out to government agencies during the disaster response.

Cenitex worked closely with its customers including Department of Premier and Cabinet (DPC), Department of Environment, Land, Water and Planning (DELWP) and Department of Transport (DoT) to provide support and resources to assist with the broader Victorian Government response.

Specifically, Cenitex worked with DoT and DELWP to supply wi-fi services to the Parks Victoria facilities in Mallacoota. These services were used for the coordination of the recovery efforts in the broader region. Cenitex was also engaged by DPC to support the creation of the new agency, Bushfire Recovery Victoria (BRV). Assistance to date has included the creation of agency web addresses, onboarding staff email accounts and enabling Office 365 services.

Cenitex advanced plans with DPC to further assist the ongoing recovery effort. Cenitex deployed workplace support resources to BRV at its Exhibition Street offices to assist with any IT issues. These resources were organised and deployed with significant haste to support the agency and its staff becoming operational as quickly as possible. DPC noted the speed of the response and has expressed its gratitude for the outstanding support provided to BRV.

Fire Forest Management (FFM) within DELWP also provided positive feedback on the work of Cenitex. FFM appreciated the expedient way in which Cenitex resolved their IT issues, allowing its staff to perform their heightened duties with the level of confidence needed during the challenging period.

STRATEGIC OBJECTIVE 3: BUILD A HIGH PERFORMING AND ENGAGED ORGANISATION BY INVESTING IN OUR PEOPLE

Developing, engaging and supporting our people

A core focus for Cenitex is to continue providing relevant development opportunities and strong wellbeing support for its staff.

Cenitex supported its staff during its comprehensive technological and organisational change, on top of the rapid pandemic-affected shift to remote working. Change management training was provided to staff to increase capability to support the transitions taking place with Program Fortify, and new activities have been implemented to support staff during the COVID-19 period such as the regular CEO Live events. Modules of the wellbeing program, Mind Body Life, have continued to be relevant during this time.

Since the COVID-19 outbreak, managers have played a vital role in maintaining effective communication with staff. Many staff have needed flexibility as they deal with a range of factors while working at home. Communications over this period have kept people informed and feeling supported and motivated. To ensure staff feel supported Cenitex has conducted monthly Wellbeing and Work Environment surveys which have yielded positive results.

Cenitex continues to invest in leadership, training and development programs for staff. Over the year it has delivered the Leadership Pathways Program by actively creating opportunities for the coaching and mentoring of current and future leaders. As part of the strategy to attract, retain and develop the best people Cenitex is continuing its Graduate Program with five graduates working in rotation across Cenitex.

The organisation has also focused on building its service expertise by re-designing roles and building employee capability to match customer service requirements more closely.

Project SouthBound: A new way of working

Cenitex has relocated its offices to the South Tower at 80 Collins Street. Project SouthBound has facilitated the redesign of our office integrating the latest technology and tools with different workspaces, giving staff a new way of working that encourages seamless mobility, collaboration and a sharing of knowledge across the business and with customers.

This project enabled our workforce to seamlessly move to working from home as a result of the COVID-19 outbreak. To support staff during this period, Cenitex has established a Pandemic Committee to plan and oversee the implementation of the Pandemic Plan. In readiness of a return to the new office, a project group was formed to integrate flexible working arrangements for staff, seating arrangements, plus safety and physical distancing measures.

Embracing diversity, equity and inclusion

To champion the Cenitex value of 'Respect', Cenitex is striving to increase diversity, equality and inclusion at all levels.

Cenitex launched a Diversity and Inclusion Framework, a key supporting activity under the 1-3-5 Strategy aligning with the new cultural trait of inclusiveness. The Framework centres on engaging and involving Cenitex staff through the establishment of a Diversity and Inclusion Council, with a comprehensive focus on six diversity streams: Gender Equality, Dis/ability, LGBTQI+, Indigenous, Age and Cultural.

Cenitex has delivered a number of gender equality initiatives to acknowledge and showcase gender diversity within the workforce and to support the career growth of female staff by:

- celebrating Ada Lovelace Day by inviting an external panel of leaders who have championed women in technology
- sponsoring the Women in Technology Diversity Awards
- holding a Women in Cenitex Forum to celebrate International Women's Day, where our female leaders reflected on their leadership journey and shared thoughts on empowering women and creating a more equitable workplace for all staff
- hosting its first Daughters@Work Day with around 30 young women in attendance, who were all daughters, nieces and granddaughters of Cenitex staff.

Cenitex also developed its first-ever Social Procurement Strategy in response to the Victorian Government's Social Procurement Framework ensuring that social and environmental outcomes are considered across all procurement activities. A number of initiatives identified in the Strategy have been completed, with highlights including:

- implementation of a catering panel for use by Cenitex staff, 75% of the approved suppliers are social enterprises
- implementation of a source-to-award procurement tool that includes the social enterprise marketplace, to connect buyers with social benefit suppliers through the procurement process.

Performance against Corporate Plan

Outcome	Target	Status
Fill new operational and customer-facing roles	90% by Q2 2019-20	Complete
Skills Matrix Report available for 80% of employees	Q3 2019-20	Target deferred due to COVID-19 related disruptions.
Support employees to gain certification after participation in technical training programs	50% of employees gain certification by Q4 2019-20	Target deferred due to COVID-19 related disruptions.
Employees say they use multiple work settings in the new office during each week	70% of employees by Q4 2019-20	The introduction of remote services technology has allowed all staff to work in alternative locations.

STRATEGIC OBJECTIVE 4: EMBRACE INNOVATION AND RAPIDLY INTRODUCE NEW ICT SERVICES

Delivering better ICT solutions for government

Cenitex has continued to deliver and develop new services and solutions to enhance customers' security, productivity and service experience.

This includes developing new roadmaps on Workplace and Application Services as well as Infrastructure Services. The roadmaps align with the 1-3-5 Strategy and outline new services and initiatives over the coming years.

Key focus areas of these roadmaps include improving service efficiency, refining existing service offerings and building new services and capabilities.

Unified Communications: One place for calls, chat, meetings and collaboration

Unified communications provide real-time access to phone communications, messaging, data sharing and conferencing from a variety of devices and allows users to move seamlessly between the applications.

Cenitex introduced a new service for Unified Communications to further build upon customers investment in Office 365. This enabled flexible and remote working in line with the current COVID-19 impacted environment leading to improved efficiency and productivity across government.

Cenitex has been using Microsoft Teams as its unified communications hub. Key features include:

- Chat: Instant messaging and group chat which allows teams of any size to have a discussion in real time, and to easily switch from a chat to a call if the discussion becomes too complex.
- Calling: Phone calls and voicemail that moves with staff.

- Meetings: Phone and video conferencing that enables staff who are working remotely to participate just as they would if in the office.
- Share: Collaborate closely by sharing screen and documents with teams to work on together, in real time.
- Teamwork: Collaboration with teammates, the broader Cenitex community and external colleagues.

Delivering VicCloud Safe: Secure cloud technology platform

As more customers leverage the power of the cloud for their data and application hosting, Cenitex has transformed customers cloud security landscape with VicCloud Safe (formerly VicCloud Protect).

Developed in association with Microsoft Australia and oobe, VicCloud Safe allows customers to safely manage applications and data rated up to Protected level in the cloud. Other key features of VicCloud Safe are active security compliance, logging and monitoring controls within the VicCloud secure Microsoft Azure cloud service. Services included are comprehensive reporting and high availability (HA).

The cloud technology platform is the first of its kind for Victoria, offering secure cloud hosting controls that comply with the Australian Signals Directorate (ASD), the Australian Cyber Security Centre guidelines, and the Victorian Protective Data Security Framework controls for up to "Protected" level platform configuration. This level of certification is currently the highest security level approved by the ASD on its Certified Cloud Services List.

Digital Workplace: Work anywhere, anytime, on any device

With flexible working arrangements likely to be part of the 'new normal' Cenitex is adopting solutions and technology to allow users to do more remotely.

Before COVID-19 Cenitex had already aimed to increase the accessibility and flexibility of remote mobility with a focus on expanding services to enhance the user experience. Cenitex migrated its own workforce to the Digital Workplace in December 2019.

With the COVID-19 impact, the demand for enabling remote access solutions rapidly became a reality with most of the VPS now working remotely. When COVID-19 restrictions were imposed, Cenitex was able to mobilise its entire workforce immediately while maintaining a high level of productivity. This meant Cenitex could focus on assisting customers with the change in environment.

Whilst the remote access solutions Cenitex provides (GO Connect and Citrix) were not originally designed to cater for most of the VPS working remotely, Cenitex was able to rapidly re-design and expand these legacy services.

Performance against Corporate Plan

Outcome	Target	Status
Service and Technology Roadmaps are refreshed and agreed by customers	Q1 2019-20	Complete
New services are launched in line with our Service Roadmap	Quarterly	Complete
A Victorian Government certified protected cloud service is delivered and available to customers	Q1 2019-20	Complete (VicCloud Safe)



Financial Report

SUMMARY OF FINANCIAL RESULTS

	2018 \$'000	2019 \$'000	2020 \$'000
Services provided to other Government entities	171,548	172,814	180,034
Total income from transactions	173,225	174,931	183,838
Total expenses from transactions	(171,703)	(170,431)	(194,177)
Net results from transactions before depreciation and amortisation	14,480	15,544	6,367
Net result from transactions	1,522	4,500	(10,339)
Net result for the period	1,018	1,564	(11,328)
Net cash flow from operating and investing activities	(3,942)	(87)	13,733
Total assets	113,291	120,911	173,761
Total liabilities	30,233	36,598	101,107

The 2019-20 financial year has been significant for Cenitex with the delivery of key milestones that brought about much change to the organisation. Cenitex reports a deficit of \$11.3m against a planned deficit of \$6.2m. The variance is caused by pandemic related costs absorbed by Cenitex and the loss of project revenue when customers stopped non-essential projects to focus on supporting government in the pandemic.

During the year the organisation's baseline revenue grew by 4.2% while lowering prices to customers through a combination of price discounts and a rebate of \$6.1m for joining the GSP platform. This growth is due mainly to increased customer consumption of desktop services. In addition, Cenitex received a grant from the Department of Treasury and Finance to support the rapid scale out of working from home requirements and related security gaps as a result of the pandemic. It recognised \$2.8m of this grant in 2019-20 and deferred \$10.2m.

At the same time, the organisation's cost base grew by 13.9% of which 12.53% was planned. The increase incorporates a combination of variable cost increases due to volume growth, internal

project costs that are operating in nature, costs associated with carrying concurrent old and new technology environments, implementing the new organisational structure and pandemic related costs absorbed by Cenitex.

Importantly Cenitex commenced and completed several foundational projects which form transformation building blocks for its future. It expended \$35.8m, approximately doubling our annual investment envelope, to deliver a large body of work through the following key programs:

- The completion of Program Fortify which stood up the digital workplace capability and built resilience and redundancy in the infrastructure and workplace environment
- The completion of unified communications allowing both the Service Desk and staff to move to a cloud-based, work from anywhere, voice call communication solution underpinned by Microsoft Teams
- The completion of Project SouthBound which saw Cenitex move to its new premises and pave the way for activity-based working in the future

- Made significant inroads towards its IT service management toolset renewal, delivering much improved capabilities to service our customers – this project is scheduled for completion at the end of Q1 2020-21
- Commenced renewal of storage solutions to address capacity and improved capabilities.

From a balance sheet perspective, property plant and equipment increased materially as a result of the inclusion of right of use assets from accommodation and technology on account of AASB 16 Leases (\$51.3m), construction in progress, which includes accommodation fit-out (\$8.9m)

and network assets (\$1.9m) which are in the process of being rolled out. This introduction of AASB 16 Leases caused a shift in expenditure from accommodation to depreciation and amortisation.

These new capabilities and increased capacity stood Cenitex well in the pandemic and focused on positioning the organisation to be a reliable, resilient contemporary ICT enterprise. Cenitex will continue its transformation journey in 2020-21 as it migrates more customers onto newer platforms prior to being able to harvest benefits, therefore it plans a further deficit in 2020-21.

Declaration in the Financial Statements

The attached financial statements for Cenitex have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

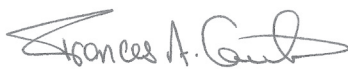
We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2020 and financial position of Cenitex at 30 June 2020.

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 24 August 2020.



Randall Straw
Chair



Frances Cawthra
Chief Executive Officer



Catherine Ho
Executive Director
Finance and Business Services

Melbourne
24/08/2020

CENITEX FINANCIAL REPORT

for the financial year ended 30 June 2020

How this report is structured

Cenitex has presented its audited general purpose financial statements for the financial year ended 30 June 2020 in the following structure to provide users with the information about its stewardship of resources entrusted to it.

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Independent Auditor's Report

To the Board Members of Cenitex

Opinion	<p>I have audited the financial report of Cenitex which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2020 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • declaration in the financial statements. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of Cenitex as at 30 June 2020 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of Cenitex in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board Member's responsibilities for the financial report	<p>The Board Members of Cenitex are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board Members are responsible for assessing Cenitex's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this 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 Member's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Cenitex's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause Cenitex to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

MELBOURNE
26 August 2020



Timothy Maxfield
as delegate for the Auditor-General of Victoria

COMPREHENSIVE OPERATING STATEMENT

For the financial year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Income from transactions			
Services provided to other government entities	2.1	180,034	172,814
Government grant	2.2	2,849	–
Investment income		955	2,117
Total income from transactions		183,838	174,931
Expenses from transactions			
Employee benefits	3.1.1	86,890	82,614
ICT expenditure	3.2	83,738	63,896
Depreciation and amortisation	4.1.1	16,706	11,044
Occupancy expenses	3.3	3,267	10,157
Other operating expenses		3,576	2,720
Total expenses from transactions		194,177	170,431
Net result from transactions		(10,339)	4,500
Other economic flows included in net result			
Net gain/(loss) on financial instruments		(330)	10
Net gain/(loss) on disposal of non-financial assets		(220)	(1,389)
Net gain/(loss) from revaluation of long service leave liability		(439)	(1,557)
Total other economic flows included in net result		(989)	(2,936)
Net result		(11,328)	1,564
Other economic flows – other comprehensive income			
Items that will not be reclassified to net result			
Changes to the fair value of financial assets measured at fair value through other comprehensive income		–	(309)
Comprehensive result		(11,328)	1,255

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

BALANCE SHEET

As at 30 June 2020

	Note	2020 \$'000	2019 \$'000
Assets			
Financial assets			
Cash and deposits		34,811	28,040
Receivables	5.1	17,561	16,127
Investments and other financial assets		16,708	16,438
Total financial assets		69,080	60,605
Non-financial assets			
Property, plant and equipment	4.1	82,561	31,594
Prepayments	5.3	22,120	28,712
Total non-financial assets		104,681	60,306
Total assets		173,761	120,911
Liabilities			
Payables	5.2	20,273	16,720
Lease liability		44,673	132
Employee-related provisions	3.1.2	20,313	19,198
Unearned Revenue		15,848	548
Total liabilities		101,107	36,598
Net assets		72,654	84,313
Equity			
Accumulated loss		(56,336)	(44,677)
Contribution by owners		128,990	128,990
Total equity		72,654	84,313

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

CASH FLOW STATEMENT

For the financial year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Receipts			
Receipts from other government entities		195,364	177,241
Receipts from government grant		13,000	–
Interest received		397	1,598
Goods and services tax received from the ATO		323	3,067
Total receipts		209,084	181,906
Payments			
Payments to suppliers		(101,054)	(95,302)
Payments to employees		(77,521)	(75,206)
Interest and other costs of finance paid		(387)	(5)
Total payments		(178,962)	(170,513)
Net cash flows from/(used in) operating activities	6.2.1	30,122	11,393
Cash flows from investing activities			
Payments for non-financial assets		(16,389)	(11,480)
Net cash flows from/(used in) investing activities		(16,389)	(11,480)
Cash flows from financing activities			
Repayment of leases (2019: finance leases)		(6,962)	(47)
Net cash flows from/(used in) financing activities		(6,962)	(47)
Net increase/(decrease) in cash and cash equivalents		6,771	(134)
Cash and cash equivalents at the beginning of the financial year		28,040	28,174
Cash and cash equivalents at the end of the financial year	6.2	34,811	28,040

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2020

	Accumulated loss	Contributions by owners	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2018	(45,932)	128,990	83,058
Net result for the year	1,564	—	1,564
Other comprehensive income for the year	(309)	—	(309)
Balance at 30 June 2019	(44,677)	128,990	84,313
Change in accounting policy (due to AASB 15)	(331)	—	(331)
Restated at 1 July 2019	(45,008)	128,990	83,982
Net result for the year	(11,328)	—	(11,328)
Balance at 30 June 2020	(56,336)	128,990	72,654

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

1. ABOUT THIS REPORT

These annual financial statements represent the audited general purpose financial statements for Cenitex for the period ended 30 June 2020. The financial report covers Cenitex as an individual reporting entity.

Cenitex is a State Body established on 16 July 2008 by Order in Council (establishing order) under section 14 of the *State Owned Enterprise Act 1992* (the Act) and declared a re-organising body on 24 April 2012 by Order in Council under section 7(1) of the Act. The status of Cenitex 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 affected by Order in Council No. G28 of 14 July 2016, which was varied under section 16 of the Act by replacing the text with Order in Council No. G44 of 2 November 2017.

Its principal address is:

Cenitex
Level 10, South Tower, 80 Collins Street
Melbourne VIC 3000

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

Basis of preparation

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

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

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

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

Compliance information

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

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

2. FUNDING DELIVERY OF OUR SERVICES

Introduction

The purpose of Cenitex is to serve the people of Victoria through secure, effective and contemporary ICT services for Government entities. 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.

In order to support the significant increase in public sector employees working from home during the COVID-19 pandemic, Cenitex has implemented several emergency initiatives which required additional funding. Consequently, DTF has provided a Treasurer's Advance in the form of a grant to support Cenitex as it expands its operations to include additional work from home and cyber security measures necessary as a result of the COVID-19 pandemic.

Structure

- 2.1 Services provided to other government entities
- 2.2 Government grant

2.1 Services provided to other government entities

	2020 \$'000	2019 \$'000
Workplace support	134,797	116,066
Hosting	26,420	31,188
Projects	17,200	21,677
Projects – customer funded capital	1,500	3,698
Victorian Government Electronic Messaging System (VGEMS)	117	185
Total revenue from services provided to other government entities	180,034	172,814

The services provided to other government entities included in the table above are transactions that Cenitex has determined to be classified as revenue from contracts with customers in accordance with AASB 15. The impact of initially applying AASB 15 on the organisation's revenue from contracts with customers is described in Note 8.7. Due to the modified retrospective transition method chosen in applying AASB 15, comparative information has not been restated to reflect the new requirements.

The following practical expedient has been used for uncompleted contracts when applying AASB 15 retrospectively under the modified approach:

- For contracts modified before the date of initial application, Cenitex has reflected the aggregate of all past contracts modifications that occurred before the date of initial application when identifying performance obligations and determining and allocating the transaction price.

The practical expedient has been consistently applied to all contracts within the current reporting period and the effect of applying the practical expedient is disclosed in Note 5.1.

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in the contract with the customer. Cenitex recognises revenue when the performance obligations for the sale of services to the customer are satisfied.

- Revenue from the rendering of services is recognised at a point in time when the performance obligation is satisfied when the service is completed; and over time when the customer simultaneously receives and consumes the services as it is provided.

For baseline services rendered, i.e. workplace support and hosting, revenue is recognised where customers simultaneously receive and consume the services as it is provided.

For projects that are completed based on milestones, revenue is recognised progressively as contract asset until the customer is subsequently invoiced in accordance with the terms of the service agreement.

For projects that are only available for customers to consume the services when they have been

completed, revenue is only recognised upon completion and delivery of the services. In rare circumstance where there may be a change in the scope of services provided, the customer will be provided with a new contract for the additional services to be rendered and revenue is recognised consistent with accounting policy above.

Previous accounting policy for 30 June 2019

Revenue is recognised when services have been provided or when a usage or service charge has been made.

2.2 Government grant

	2020	2019
	\$'000	\$'000
Specific purpose grant	2,849	–
Total grant	2,849	–

Cenitex has determined grant revenue to be enforceable and with sufficiently specific performance obligations to be accounted for as revenue from contracts with customers in accordance with AASB 15. Revenue is recognised when Cenitex satisfies the performance obligations by providing the relevant services to customers for which it received the grant.

3. THE COST OF DELIVERING SERVICES

Introduction

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

Structure

- 3.1 Employee benefits
- 3.2 ICT expenditure
- 3.3 Occupancy Expense

3.1 Employee benefits

3.1.1 Employee benefits in the comprehensive operating statement

	Note	2020 \$'000	2019 \$'000
Post employment benefits			
– Defined contribution superannuation expense	3.1.3	5,481	5,394
– Defined benefit superannuation expense	3.1.3	150	200
Termination benefits		3,093	554
Salaries, wages, leave entitlements and contractor payments		78,166	76,466
Total employee benefits		86,890	82,614

Employee benefits expenses include all costs related to employment, including wages and salaries, contractor payments, leave entitlements, termination payments and superannuation contributions.

The amount recognised in the comprehensive operating statement in relation to superannuation is employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period. Cenitex does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. Instead, the Department of Treasury and Finance (DTF) discloses in its annual financial statements the net defined benefit cost related to the members of these plans as an administered liability (on behalf of the State as the sponsoring employer).

Termination benefits are payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when Cenitex is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

3.1.2 Employee benefits in the balance sheet

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave (LSL) for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

	2019 \$'000	2019 \$'000
Current		
Annual leave		
– Unconditional and expected to be settled within 12 months	4,196	3,982
– Unconditional and expected to be settled after 12 months	2,044	1,671
Long service leave		
– Unconditional and expected to be settled within 12 months	414	484
– Unconditional and expected to be settled after 12 months	9,941	9,279
Provisions for on-costs:		
– Unconditional and expected to be settled within 12 months	696	675
– Unconditional and expected to be settled after 12 months	1,811	1,655
Other Provisions		
– Provisions for restructuring	–	–
Total current provisions	19,102	17,746
Non-current		
Employee benefits	1,052	1,261
On-costs	159	191
Total non-current provisions	1,211	1,452
Total provisions for employee benefits	20,313	19,198

Reconciliation of movement in provisions for on-costs:

	2020 \$'000
Opening balance	2,521
Additional provisions recognised	1,028
Reductions arising from payments	(883)
Closing balance	2,666
Current	2,507
Non current	159

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries (including non-monetary benefits, annual leave and on-costs) are recognised as part of the employee benefit provision as current liabilities, because Cenitex does not have an unconditional right to defer settlements of these liabilities.

The liability for salaries and wages are recognised in the balance sheet at remuneration rates which are current at the reporting date. As Cenitex expects the liabilities to be wholly settled within 12 months of reporting date, they are measured at undiscounted amounts.

The annual leave liability is classified as a current liability and measured at the undiscounted amount expected to be paid, as Cenitex does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

No provision has been made for sick leave as all sick leave is non-vesting and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised in the Statement of Comprehensive Income as it is taken.

Employment on-costs such as payroll tax, workers compensation and superannuation

are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred.

Unconditional LSL is disclosed as a current liability; even where Cenitex does not expect to settle the liability within 12 months because it will 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 – if Cenitex expects to wholly settle within 12 months; or
- present value – if Cenitex does not expect to wholly settle within 12 months.

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

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

3.1.3 Superannuation contributions

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

Fund	Contribution for the year		Contribution outstanding at year end	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Defined benefit plans^(a):				
State Employees Retirement Benefit Scheme (SERBS)	150	200	–	–
Defined contribution plans:				
Victorian Superannuation Fund – VicSuper scheme	2,666	2,647	–	–
Other	2,815	2,747	–	–
Total	5,631	5,594	–	–

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

3.2 ICT expenditure

	2020 \$'000	2019 \$'000
Software licences and maintenance	40,435	31,729
Hardware maintenance	11,667	11,317
Telecommunications	13,649	11,100
Outsourced ICT	17,987	9,750
Total ICT expenditure	83,738	63,896

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

3.3 Occupancy expense

Occupancy expense represents lease rental costs for office accommodation with the remaining lease terms to be terminated prior to 30 June 2020, which are recognised in the period in which they are incurred.

4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

Introduction

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

Structure

- 4.1 Property, plant and equipment
- 4.2 Intangible assets
- 4.3 Investments and other financial assets

Fair value measurement

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

4.1 Property, plant and equipment ^(a)

Non-Current Assets	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Buildings – leasehold improvements at cost	1,593	1,593	(1,593)	(1,578)	–	15
Plant and equipment:						
Facilities at fair value	1,922	2,052	(1,649)	(1,655)	273	397
Network at fair value	51,706	57,781	(38,535)	(41,858)	13,171	15,923
Servers at fair value	26,321	30,755	(23,668)	(26,031)	2,653	4,724
Storage at fair value	20,352	25,427	(17,462)	(20,585)	2,890	4,842
Office machines and equipment at fair value	31	6	(10)	(4)	21	2
<i>PP&E sub-total</i>	101,925	117,614	(82,917)	(91,711)	19,008	25,903
Right-of-use assets:						
Motor vehicles at cost	322	255	(77)	(123)	245	132
Accommodation	46,945	–	(6,009)	–	40,936	–
Technology	4,404	–	(1,079)	–	3,325	–
<i>ROU Assets sub-total</i>	51,671	255	(7,165)	(123)	44,506	132
Construction in progress	19,047	5,559	–	–	19,047	5,559
Total	172,643	123,428	(90,082)	(91,834)	82,561	31,594

(a) AASB 16 Leases has been applied for the first time from 1 July 2019.

4.1 Total right-of-use assets: motor vehicles, accommodation and technology (a).

	Motor vehicles			
	at cost	Accommodation	Technology	Total
	\$'000	\$'000	\$'000	\$'000
Opening balance – 1 July 2019(a)	132	–	–	132
Additions	200	46,945	4,404	51,549
Disposals	(47)	–	–	(47)
Depreciation	(40)	(6,009)	(1,079)	(7,128)
Closing balance – 30 June 2020	245	40,936	3,325	44,506

Initial recognition

Items of property, plant and equipment are measured initially at cost. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a machinery of government change are transferred at their carrying amount.

The cost of constructed non-financial physical assets includes the cost of all materials used in construction and direct labour on the project.

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

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

Right-of-use asset acquired by lessee (under AASB 16 Leases from 1 July 2019) – Initial measurement

Cenitex recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date less any lease incentive received; plus
- any initial direct costs incurred.

Subsequent measurement

Property, plant and equipment as well as right-of-use assets under leases are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset) and is summarised in Note 4.1(a) and 4.1.2 by asset category.

Right-of-use asset – Subsequent measurement

Cenitex depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use assets are also subject to revaluation.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

Impairment of non-financial assets

Assets 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.

4.1.1 Depreciation and amortisation

	Note	2020 \$'000	2019 \$'000
Buildings – Leasehold improvements	4.1.2	15	44
Plant and equipment	4.1.2	9,563	10,340
Motor vehicles under finance lease	4.1.2	40	47
Accommodation under lease		6,009	–
Technology under lease		1,079	–
Intangible assets		–	613
Total depreciation and amortisation expense		16,706	11,044

Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term. Where Cenitex obtains ownership of the underlying leased asset or if the cost of the right-of-use asset reflects that Cenitex will exercise a purchase option, Cenitex depreciates the right-of-use asset over its useful life. The useful lives for the different categories of right-of-use assets are included in the table below:

Vehicles	3 years
Accommodation	5 years
Technology	5 years

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

	Buildings leasehold improvements – at cost	Plant and equipment – at fair value			
		Facilities	Network	Servers	Storage
	\$'000	\$'000	\$'000	\$'000	\$'000
2020					
Opening balance	15	397	15,923	4,724	4,842
Additions	–	22	1,898	–	–
Disposals	–	–	(135)	(14)	(87)
Adjustments	–	–	–	–	–
Transfers	–	–	789	176	–
Impairment	–	–	–	–	–
Depreciation expense	(15)	(146)	(5,303)	(2,233)	(1,865)
Closing balance	–	273	13,172	2,653	2,890

	Buildings leasehold improvements – at cost	Plant and equipment – at fair value			
		Facilities	Network	Servers	Storage
	\$'000	\$'000	\$'000	\$'000	\$'000
2019					
Opening balance	59	557	13,352	8,329	7,525
Additions	–	–	5,694	123	15
Disposals	–	(9)	(13)	(9)	(34)
Adjustments	–	–	–	–	–
Transfers	–	–	1,935	85	–
Impairment	–	–	(622)	(704)	–
Depreciation expense	(44)	(151)	(4,423)	(3,100)	(2,664)
Closing balance	15	397	15,923	4,724	4,842

	Construction in progress – at cost	Total
Office Machines & Equipment		
\$'000	\$'000	\$'000
2	5,559	31,462
24	14,453	16,397
–	–	(236)
–	–	–
–	(965)	–
–	–	–
(6)	–	(9,568)
20	19,047	38,055

	Construction in progress – at cost	Total
Office Machines & Equipment		
\$'000	\$'000	\$'000
4	1,983	31,988
–	5,596	11,428
–	–	(65)
–	–	–
–	(2,020)	–
–	–	(1,326)
(2)	–	(10,431)
2	5,559	31,594

4.2 Intangible assets

Initial Recognition

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

Purchased intangible assets are initially recognised at cost. When the recognition criteria in AASB 138 Intangible Assets is met, internally generated intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Depreciation and amortisation begin when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

Subsequent Measurement

Intangible produced assets with finite useful lives, are amortised as an 'expense from transactions' on a straight-line basis over their useful lives. Produced intangible assets have useful lives of between 3 and 5 years.

Impairment of intangible assets

Intangible assets are tested annually for indications of impairment. The policy in connection with testing for impairment is outlined in Note 4.1.

4.3 Investments and other financial assets

Cenitex holds investments of \$16,707,815 (2019: \$16,438,000) in managed investment schemes.

Cenitex designates all its managed investment schemes as financial assets at fair value through comprehensive income. They are classified as non-current, as the intention is to hold these for a period longer than 12 months. All managed investments are invested through the Victorian Funds Management Corporation.

5. OTHER ASSETS AND LIABILITIES

Introduction

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

Structure

5.1 Receivables
5.2 Prepayments
5.3 Payables

5.1 Receivables

	2020 \$'000	2019 \$'000
Contractual		
Trade receivables	4,674	9,575
Provision for doubtful contractual receivables	(91)	(49)
Other receivables	6,830	5,294
Total contractual receivables	11,413	14,820
Statutory		
GST input tax credit recoverable	6,148	1,307
Total statutory receivables	6,148	1,307
Total receivables	17,561	16,127

Contractual receivables are classified as financial instruments and categorised as 'financial assets at amortised cost'. They are initially recognised at fair value plus any directly attributable transaction costs. Cenitex holds the contractual receivables with the objective to collect the contractual cash flows and therefore they are subsequently measured at amortised cost using the effective interest method, less any impairment.

Other receivables include assets relate to the organisation's right to consideration in exchange for goods transferred to customers for works completed, but not yet billed at the reporting date. These are transferred to receivables when the rights become unconditional, at this time an invoice is issued. This usually occurs when Cenitex issues an invoice to the customer. The balance of other receivables at 30 June 2020 were impacted by timing of the works completed and is not billable at this stage. The works are expected to be completed and recovered early next year.

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

instruments for disclosure purposes.

All receivables are classified as current.

5.1.1 Movement in the provision for doubtful contractual receivables

Receivables are assessed for bad and doubtful debts on a regular basis. A provision for doubtful debts is recognised when there is objective evidence that the debt may not be collected, and bad debts are written off when identified. A provision is also made for estimated irrecoverable amounts from the sale of goods and services when there is objective evidence that an individual receivable is impaired. Any change in the provision for the year is recognised in the net result.

Bad debts are considered as written off after all avenues for collection are exhausted and are classified as a transaction expense. Bad debts not written off, but included in the provision for doubtful debts, are classified as other economic flows in the net result.

There was an increase in the provision for doubtful contractual receivables of \$42,000 (2019: decrease of \$87,000) that was recognised in the net result.

5.2 Payables

	2020 \$'000	2019 \$'000
Contractual		
Supplies and services	16,224	14,670
Other payables	4,038	2,039
Total contractual payables	20,262	16,709
Statutory		
Fringe Benefit Tax payable	11	11
Total statutory payables	11	11
Total payables	20,273	16,720

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

All payables are classified as current.

5.2.1 Maturity analysis of contractual payables

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

5.3 Prepayments

	2020 \$'000	2019 \$'000
Current		
Software licences and maintenance and other ICT expenditure	22,120	28,523
Occupancy expenses	–	189
Total prepayments	22,120	28,712

Prepayments represent payments in advance of receipt of goods or services, or the payments made for services covering a term extending beyond that financial accounting period.

6. FINANCING OUR OPERATIONS

Introduction

This section provides information on the sources of finance utilised by Cenitex during its operations, along with interest expenses (the cost of leases) and other information related to financing activities of Cenitex.

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

Structure

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

6.1 Leases

Cenitex leasing activities

Cenitex leases various properties, technology equipment and motor vehicles. The lease contracts are typically made for fixed periods of 3-5 years with an option to renew the lease after that date.

6.1(a) Right-of-use assets

Right-of-use assets are presented in note 4.1.

6.1(b) Amounts recognised in the Comprehensive operating statement

	2020 \$'000
Other operating expense	
Interest expense on lease liabilities	387
Total amount recognised in the Comprehensive operating statement	387

The following amount is recognised in the Comprehensive operating statement relating to leases:

Note: AASB 16 Leases has been applied for the first time from 1 July 2019. No comparatives available.

6.1(c) Amounts recognised in the Cash flow statement

	2020 \$'000
Repayment of leases	6,962
Interest and other costs of finance paid	387
Total cash outflow for leases	7,349

The following amounts are recognised in the Cash flow statement for the year ending 30 June 2020 relating to leases.

Note: AASB 16 Leases has been applied for the first time from 1 July 2019. No comparatives available.

For any new contracts entered into on or after 1 July 2019, Cenitex considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition Cenitex assesses whether the contract meets three key evaluations:

- Whether the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to Cenitex and for which the supplier does not have substantive substitution rights;
- Whether Cenitex has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract and Cenitex has the right to direct the use of the identified asset throughout the period of use; and
- Whether Cenitex has the right to take decisions in respect of 'how and for what purpose' the asset is used throughout the period of use.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

Separation of lease and non-lease components

At inception or on reassessment of a contract that contains a lease component, the lessee is required to separate out and account separately for non-lease components within a lease contract and exclude these amounts when determining the lease liability and right-of-use asset amount.

Recognition and measurement of leases as a lessee (under AASB 16 from 1 July 2019)

Lease Liability – initial measurement

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily determinable or Cenitex incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments) less any lease incentive receivable;
- variable payments based on an index or rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments arising from purchase and termination options reasonably certain to be exercised.

Lease Liability – subsequent measurement

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero. [AASB 16.39]

Short-term leases and leases of low-value assets

Cenitex has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Presentation of right-of-use assets and lease liabilities

Cenitex presents right-of-use assets as 'property, plant and equipment', and lease liabilities are presented as 'lease liability' in the balance sheet.

Recognition and measurement of leases (under AASB 117 until 30 June 2019)

In the comparative period, leases of property, plant and equipment were classified as either finance lease or operating leases.

Cenitex determined whether an arrangement was or contained a lease based on the substance of the arrangement and required an assessment of whether fulfilment of the arrangement is dependent on the use of the specific asset(s); and the arrangement conveyed a right to use the asset(s).

Leases of property, plant and equipment where Cenitex as a lessee had substantially all of the risks and rewards of ownership were classified as finance leases. Finance leases were initially recognised as assets and liabilities at amounts equal to the fair value of the leased property 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 and depreciated over the shorter of the estimated useful life of the asset or the term of the lease. Minimum finance lease payments were apportioned between the reduction of the outstanding lease liability and the periodic finance expense, which is calculated using the interest rate implicit in the lease and charged directly to the consolidated

comprehensive operating statement.

Assets held under other leases were classified as operating leases and were not recognised in the organisation's balance sheet. Operating lease payments were recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

6.2 Cash flow information and balances

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

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

	2020 \$'000	2019 \$'000
Total cash and deposits disclosed in the balance sheet	34,811	28,040
Balance as per Cash Flow Statement	34,811	28,040

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

	2020 \$'000	2019 \$'000
Net result for the period	(11,328)	1,564
Non-cash movements		
(Gain)/loss on sale or disposal of non-current assets	220	1,390
Depreciation and amortisation of non-current assets	16,706	11,044
(Gain)/loss on financial instruments	41	76
Other non-cash movements	(331)	–
Movements in assets and liabilities		
(Increase)/decrease in receivables	(1,475)	(946)
Increase/(decrease) on financial assets	(270)	(1,196)
(Increase)/decrease in prepayments	6,591	(7,005)
Increase/(decrease) in payables	3,553	5,185
Increase/(decrease) in unearned revenue	15,300	(1,174)
Increase/(decrease) in provisions	1,115	2,455
Net cash flows from/(used in) operating activities	30,122	11,393

6.3 Commitments for expenditure

	Less than 1 year \$'000	1 year - 5 years \$'000	> 5 years \$'000	Total \$'000
Nominal amounts				
2020				
Capital expenditure commitments – plant and equipment	2,784	–	–	2,784
Operating expenditure commitments	12,519	5,526	–	18,045
Total commitments (inclusive of GST)	15,303	5,526	–	20,829
2019				
Capital expenditure commitments – plant and equipment	5,392	–	–	5,392
Operating lease commitments payable	13,378	35,061	2,115	50,554
Total commitments (inclusive of GST)	18,770	35,061	2,115	55,946

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

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

Introduction

Cenitex is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements.

This section sets out financial instrument specific information (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for Cenitex related mainly to fair value determination.

Structure

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

7.1 Financial instruments specific disclosures

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the organisation'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 AASB 132 *Financial Instruments: Presentation*.

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

Cenitex applies AASB 9 *Financial Instruments* and classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms.

Financial assets at amortised cost

Financial assets are measured at amortised costs if both the following criteria are met and the assets are only designated as fair value through net result:

- the assets are held by Cenitex to collect the contractual cash flows, and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently 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).

Financial assets at fair value through other comprehensive income

Equity investments are measured at fair value through other comprehensive income if the assets are not held for trading and Cenitex has irrevocably elected at initial recognition to recognise in this category.

These assets are initially recognised at fair value with subsequent change in fair value in other comprehensive income. Upon disposal of these equity instruments, any related balance in the fair value reserve is reclassified to retained earnings.

Fair value is determined in the manner described in Note 7.3 Fair value determination.

Cenitex recognises investments in equities and managed investment schemes in this category.

Financial liabilities at amortised cost

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

Cenitex recognises the following liabilities in this category:

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

7.1.1 Financial risk management objectives and policies

Principal financial instruments of Cenitex comprise:

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

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

The main purpose in holding financial instruments is to prudentially manage financial risks of Cenitex within the government's policy parameters. The organisation's main financial risk is market risk. Cenitex manages this financial risk in accordance with its Treasury and Investment 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 Audit and Risk Committee.

Financial instruments: Market risk

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

Interest rate risk

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

(a) The carrying amounts disclosed here exclude statutory amounts (e.g. GST input tax credit recoverable and GST payables).

A sensitivity table is not disclosed as the impact with all other variables held constant on the organisation's net result is not material.

Note 7.1.1 Financial risk management objectives and policies

Interest rate exposure of financial instruments

	Weighted average interest rate (%)	Interest rate exposure			
		Carrying amount ^(a) \$'000	Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest bearing \$'000
2020					
Financial assets					
Cash and deposits	0.65%	34,811	–	34,811	–
Total financial assets		34,811	–	34,811	–
Financial liabilities					
Borrowings					
Lease liabilities	2.64%	44,673	44,673	–	–
Total financial liabilities		44,673	44,673	–	–
	Weighted average interest rate (%)	Interest rate exposure			
		Carrying amount (a) \$'000	Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest bearing \$'000
2019					
Financial assets					
Cash and deposits	1.65%	28,040	–	28,040	–
Total financial assets		28,040	–	28,040	–
Financial liabilities					
Borrowings					
Lease liabilities	3.25%	132	132	–	–
Total financial liabilities		132	132	–	–

Note:

(a) The carrying amounts disclosed here exclude statutory amounts (e.g. GST input tax credit recoverable and GST payables).

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 the organisation's liabilities. Cenitex has appointed a State organisation to manage its investment portfolio in accordance with the Investment Risk Management Plan approved by the Treasurer. The fund manager on behalf of Cenitex closely monitors performance and manages the equity price risk through diversification of its investment portfolio.

A sensitivity table is not disclosed as the impact with all other variables held constant on the organisation's net result is not material.

7.2 Contingent assets and contingent liabilities

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

Contingent Assets

Cenitex had no contingent assets at 30 June 2020 (2019: \$ Nil).

Contingent Liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- present obligations that arise from past events but are not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
 - the amount of the obligations cannot be measured with sufficient reliability.

Contingent liabilities are classified as either quantifiable or non-quantifiable.

Cenitex had no contingent liabilities at 30 June 2020. At 30 June 2019 Cenitex disclosed two contingent liabilities:

- In May 2019, Cenitex commenced an organisational restructure to which AASB 137 Provision, Contingent Liabilities and Contingent Assets applied as no reliable estimate of the redundancy cost could be made. The outcomes of this event are incorporated in the 30 June 2020 results.
- At 30 June 2019, Cenitex was subject to a vendor claim in relation to software expenditure which was in dispute because there was insufficient information from the vendor to prove or validate the claim. Cenitex settled this claim and the outcomes are incorporated in the 30 June 2020 results.

7.3 Fair value determination

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

Fair value hierarchy

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

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 the independent valuation agency of Cenitex.

7.3.1 Fair value determination: financial assets and liabilities

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

- Level 1 – the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

Cenitex currently holds a range of financial instruments that are recorded in the financial statements at their carrying amounts which approximate to fair value, either due to their short-term nature or with the expectation that they will be paid in full by the end of the 2020-21 reporting period. These financial instruments include:

Financial assets

Cash and deposits

Receivables

- Trade receivables
- Other receivables

Financial liabilities

Payables

- For supplies and services
- Other payables

These financial instruments are classified at Level 1 of the fair value hierarchy. There have been no transfers between levels during the period.

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

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

The managed investment schemes are classified at Level 2 of the fair value hierarchy. There have been no transfers between levels during the period.

7.3.2 Fair value determination: non-financial physical assets

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 2020. For all assets measured at fair value, the current use is considered the highest and best use.

Non-financial physical assets are classified at Level 3 of the fair value hierarchy. There have been no transfers between levels during the period.

Description of significant unobservable inputs to Level 3 valuation:

Plant and equipment is valued at depreciated replacement cost where the weighted average cost per asset is \$22,214 (2019: \$27,475) and the cost per unit is between \$5,000 to \$1,166,544 (2019: \$5,000 to \$1,166,544). The useful life of plant and equipment is disclosed in Note 4.1.1.

Significant unobservable inputs remain unchanged since June 2019.

8. OTHER DISCLOSURES

Introduction

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

Structure

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

8.1 Responsible persons

In accordance with the Ministerial Directions issued by the Assistant Treasurer 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
Assistant Treasurer and Minister for Veterans	The Hon. Robin Scott MP	1 July 2019 to 15 June 2020
Assistant Treasurer, Minister for Regulatory Reform and Minister for Government Services	Danny Pearson MP	22 June 2020 to 30 June 2020
Chair	Randall Straw	1 July 2019 to 30 June 2020
Chief Executive	Michael Vanderheide	1 July 2019 to 8 July 2019
Chief Executive (interim)	Catherine Ho	9 July 2019 to 28 July 2019
Chief Executive Officer	Frances Cawthra	29 July 2019 to 30 June 2020
Board Member	Johanna Barker	1 July 2019 to 30 June 2020
Board Member	Carolyn De Gois	1 July 2019 to 30 June 2020
Board Member	Julie Fahey	1 July 2019 to 30 June 2020
Board Member	John Craven	1 July 2019 to 30 June 2020
Board Member	Peter Meehan	17 September 2019 to 30 June 2020
Board Member	Dean Tighe	17 September 2019 to 30 June 2020
Board Member	Kathryn Anderson	1 July 2019 to 5 March 2020

Remunerations

Remuneration received or receivable by the Accountable Officer in connection with the management of Cenitex during the reporting period was in the range: \$390,000 to \$399,999 (2019: \$380,000 to \$389,999).

8.2 Remuneration of executives

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

Remuneration comprises employee benefits (as defined in AASB119 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.

	2020 \$'000	2019 \$'000
Remuneration of executive officers		
Short-term employee benefits	1,141	777
Post-employment benefits	106	79
Other long-term benefits	–	–
Termination benefits	–	142
Total remuneration	1,247	998
Total number of executives	5	4
Total annualised employee equivalents (a)	5.0	3.4

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

8.3 Related parties

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

Related parties of Cenitex include:

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

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

Key management personnel

Key management personnel of Cenitex include the relevant Minister, The Hon. Robin Scott MP, Assistant Treasurer and Minister for Veterans, Danny Pearson MP, Assistant Treasurer, Minister for Regulatory Reform and Minister for Government Services, the Chairperson, members of the Board of Directors and the Chief Executive Officer. The compensation detailed below excludes the salaries and benefits the relevant Ministers receive. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliamentary Services Financial Report.

	2020 \$'000	2019 \$'000
Compensation		
Salaries and other short term employee benefits	546	532
Post-employment benefits	37	36
Other long-term employment benefits	–	–
Termination benefits	34	–
Board member fees	13	14
Total key management personnel compensation	630	582

Transactions with key management personnel and other related parties

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

Victorian Rail Track provides telecommunications services to Cenitex. Randall Straw, the Chair of the Cenitex Board, was during the 2019-20 year a member of the Victorian Rail Track Board. Victorian Rail Track was awarded a contract with Cenitex under a State purchase contract on terms and conditions equivalent for those that prevail in arm's length transactions under the State's procurement process.

The transaction involved the provision of ICT services to support the intra-Government Secured Network with a value of \$1.448 million in the year.

Datacom Group provides professional IT services to Cenitex. Julie Fahey, a Cenitex Board member, was during the 2019-20 year a member of the Datacom Board. Datacom were awarded a contract with Cenitex 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 IT professional services to Cenitex with a value of \$0.129 million in the year.

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

8.4 Remuneration of auditors

	2020 \$'000	2019 \$'000
Victorian Auditor – General's Office		
Audit of the financial report	129	129
Total remuneration of auditors	129	129

8.5 Subsequent events

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

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

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

8.6 Other accounting policies

Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST.

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

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

Equity

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

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

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

8.7 Change in accounting policies

AASB 15 Revenue from Contracts with Customers

Cenitex has adopted AASB 15 *Revenue from Contracts with Customers* on 1 July 2019. This standard establishes a five-step model to account for revenue arising from an enforceable contract that imposes a sufficiently specific performance obligation on an entity to transfer goods or services. AASB 15 requires entities to only recognise revenue upon the fulfilment of the performance obligation. Therefore, entities need to allocate the transaction price to each performance obligation in a contract and recognise the revenue only when the related obligation is satisfied.

Cenitex applies the standard using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated loss at 1 July 2019, with no restatement of comparative information.

AASB 16 Leases

Cenitex has applied AASB 16 with a date of initial application of 1 July 2019.

Cenitex has elected to apply AASB 16 using the modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated losses as at 1 July 2019. Accordingly, the comparative information presented is not restated and is reported under AASB 117 and related interpretations.

Previously, Cenitex determined at contract inception whether an arrangement is or contains a lease under AASB 117 and Interpretation 4 Determining whether an arrangement contains a Lease. Under AASB 16, Cenitex assesses whether a contract is or contains a lease based on the definition of a lease as explained in note 6.1.

On transition to AASB 16, Cenitex has elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and

Interpretation 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under AASB 16 was applied to contracts entered into or changed on or after 1 July 2019.

Leases classified as operating leases under AASB 117

As a lessee, Cenitex recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate published by Treasury Corporation of Victoria (TCV) as of 1 July 2019. On transition, right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

Cenitex has elected to apply the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Adjusted the right-of-use assets by the amount of AASB 137 onerous contracts provision

immediately before the date of initial application, as an alternative to an impairment review;

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance leases under AASB 117, the carrying amount of the right-of-use asset and lease liability at 1 July 2019 are determined as the carrying amount of the lease asset and lease liability under AASB 117 immediately before that date.

Impacts on financial statements

On transition to AASB 16, Cenitex recognised \$34.8 million of right-of-use assets and \$34.8 million of lease liabilities.

When measuring lease liabilities, Cenitex discounted lease payments using TCV's incremental borrowing rate at 1 July 2019. The weighted average rate applied is 2.64 per cent.

	1 July 2019 \$'000
Total operating lease commitments disclosed at 30 June 2019	50,554
Net amount of total operating lease commitments disclosed at 30 June 2019	45,958
Deferred commencement of new offices leases	(16,042)
Leases to be brought forward at 1 July 2019	29,916
Discounted using the incremental borrowing rate at 1 July 2019	29,089
Changes of lease terms and estimated consumption of data centres	1,178
Additional contract to be recognised under AASB 16	4,404
Leases recognised under AASB 16 as at 1 July 2019	34,671
Finance lease liabilities as at 30 June 2019	132
Lease liabilities recognised at 1 July 2019	34,803

Impact on balance sheet due to the adoption of AASB 15 and AASB 16 is illustrated with the following reconciliation between the restated carrying amounts at 30 June 2019 and the balances reported under the new accounting standards at 1 July 2019:

		Before new accounting standards	Impact of new accounting standards –	After new accounting standards
		Opening 1 July 2019	AASB 15 and 16	Opening 1 July 2019
Balance sheet	Notes	\$'000	\$'000	\$'000
Total financial assets	5.1	60,605	378	60,983
Total non-financial assets	4.1	60,306	34,671	94,977
Total assets		120,911	35,049	155,960
Payables		16,720	–	16,720
Lease liability		132	34,671	34,803
Other liabilities		19,746	709	20,455
Total liabilities		36,598	35,380	71,978
Accumulated loss		(44,677)	(331)	(45,008)
Contribution by owners		128,990		128,990
Total equity		84,313	(331)	83,982


8.8 Australian Accounting Standards issued that are not yet effective

Certain new and revised accounting standards have been issued but are not effective for the 2019-20 reporting period. These accounting standards have not been applied to the Cenitex financial statements. Cenitex is reviewing its existing policies and assessing the potential impact of these accounting standards which includes:

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	This Standard principally amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments refine and clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendments also include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material.	1 January 2020	The standard is not expected to have a significant impact on the organisation's financial statements. Cenitex will not early adopt the standard.
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current	This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. A liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.	1 January 2022. However, ED 301 has been issued with the intention to defer application to 1 January 2023.	The standard is not expected to have a significant impact on the organisation's financial statements. Cenitex will not early adopt the standard.

The following amending standard has been issued that applies to future reporting periods, but are considered to have limited impact on the organisation's reporting:

- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia.



Governance and organisational structure

GOVERNANCE

Cenitex is governed by Board of Directors. Each Board Director was appointed by the Governor-in-Council on the recommendation of the portfolio minister responsible for Cenitex.

There have been several changes to Board membership throughout the year. On 5 March 2020, Kathryn Anderson resigned from the Board after four years of service. The term of appointment for Johanna Barker, a member of the Board for six years, also expired on 30 June 2020. Cenitex also welcomed John Craven (effective from 1 July 2019), Peter Meehan (effective from 17 September 2019) and Dean Tighe (effective from 17 September 2019) as its Board Directors in 2019-20. The term of the Board Chair, Randall Straw, has been extended for a further two years, effective from 1 July 2020 to 30 June 2022.

The Chief Executive Officer and the Executive Leadership Team (ELT) has operational responsibility for Cenitex and is supported by several operational and advisory groups, most of which include departmental representatives.

During the year, the positions of Minister and accountable officer responsible for Cenitex were held by:

- Assistant Treasurer, the Hon. Robin Scott MLA (1 July 2019 – 15 June 2020)
- Acting Assistant Treasurer, the Hon. Daniel Andrews MP (16 June – 21 June 2020)
- Minister for Government Services, the Hon. Danny Pearson MP (22 June – 30 June 2020)
- Chief Executive, Michael Vanderheide (1 July 2019 – 8 July 2019)
- Chief Executive (interim), Catherine Ho (9 July 2019 – 28 July 2019)
- Chief Executive Officer, Frances Cawthra (29 July 2019 – 30 June 2020)

Relationship to the Minister

The Board advises the Minister on all matters within the Minister's areas of responsibility as they relate to Cenitex.

From 1 July 2019 to 21 June 2020, the Victorian Government Minister responsible for Cenitex was the Assistant Treasurer. On 22 June 2020 the relevant minister became the Minister for Government Services.

Board of Directors

Randall Straw (Chair) has over 30 years of experience in government ICT, formerly serving as Deputy Secretary of Innovation and Technology at the then-Department of Business and Innovation. Prior to that Randall served as Executive Director at 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.

Johanna (Joh) Barker has extensive corporate, banking and IT management experience and, in particular, 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. Joh has a Bachelor of Business (Accounting) and holds a Master of Commerce (Finance).

John Craven has more than 40 years of experience in management consulting and information technology. As part of his management consultancy John has worked with clients from Australia and Asia in the communications industry as well as in government administration, banking, manufacturing and distribution. John has a Bachelor of Science degree from the University of Melbourne and is a Fellow of the Australian Institute of Company Directors.

Carolyn De Gois is a senior executive within the Department of Health and Human Services. Carolyn recently led a Whole of Victorian Government reform agenda, focused on providing transparent and effective integrated services to the community and building on a One VPS vision. Carolyn is a proven international business and technology executive, with a demonstrated track record of transformational leadership and successful organisational change. She has influenced and collaborated with executives in politically challenging situations across a variety of companies both in Australia and internationally, and within public and private domains.

Julie Fahey has over 30 years of 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.

Peter Meehan has a wide range of experience across financial management, shared services and risk management. Peter was a member of the Council of Deakin University for more than 10 years, where he chaired their Audit and Risk Committee; was a Deputy Chancellor; and was part of the Chancellor's Advisory, Remuneration and Honorary Degrees Committees. He has previously served as a Chief Executive Officer of the Group of 100 and the Chief Financial Officer for Australia Post. He is a Fellow of the Australian Institute of Chartered Accountants and the Australian Society of Certified Practising Accountants.

Dean Tighe is the Deputy Secretary of Investment and Technology at the Department of Transport. He has a wide range of experience across the

Victorian Government and has previously served in Executive Director roles at the Department of Treasury and Finance and the Department of Education and Training. Dean brings a unique and valuable customer perspective to our Board and insights across investment strategy, commercial transactions, finance, enterprise technology and procurement.

Kathryn Anderson (resigned in March 2020) was the Deputy Secretary Corporate Services at the Department of Environment, Land, Water and Planning. She was 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 of experience as a public servant across Commonwealth, Queensland and Victorian jurisdictions, including six years with the Queensland Department of Premier and Cabinet.

Board meetings

There were nine Board meetings in 2019-20.

Director	Number of meetings attended	Number of meetings eligible to attend
Randall Straw (Chair)	9	9
Johanna Barker	9	9
John Craven	8	9
Carolyn De Gois	8	9
Julie Fahey	8	9
Peter Meehan	7	8
Dean Tighe	7	8
Kathryn Anderson	5	6

GOVERNANCE COMMITTEES

Audit and Risk Committee

The Audit and Risk Committee (ARC) is a standing committee that reports to the Cenitex Board. Its purpose is to assist the Board through independent review and assessment of the effectiveness of the organisation's systems and controls for financial management, performance and sustainability, including effective risk management. The ARC also reviews and assesses:

- the integrity and quality of financial reporting and disclosures, including the annual audit of financial statements by an external auditor
- compliance with laws, regulations, standards and codes
- the adequacy of identifying and managing fraud and regulatory issues, incidents and risks

Membership

The ARC consists of a mix of independent members and non-executive Board Directors, all of whom are independent of Cenitex management. During 2019-20 the members were:

- Johanna Barker (Chair)
(1 July 2019 – 30 June 2020)
- Peter Meehan
(25 September 2019 – 30 June 2020)
- Claire Keating (external member)
(1 July 2019 – 30 June 2020)
- John Craven
(25 July 2019 – 30 June 2020)
- Russell Hogg (external member)
(31 March 2020 – 30 June 2020)
- Peter Goddard (external member)
(1 July 2019 – 31 March 2020)

Meetings

There were four meetings during the year.

People Strategy and Remuneration Committee

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

Membership

- Julie Fahey (Chair)
- Kathryn Anderson (to March 2020)
- Randall Straw
- Mikki Swindon (external member)

Meetings

There were two meetings during the year.

OUR CUSTOMERS

As at 30 June 2020, Cenitex supports a total of 35 customers from across Victorian Government with various ICT services to meet their needs.

- Ambulance Victoria
- City of Melbourne
- Commercial Passenger Vehicles Victoria
- Court Services Victoria
- Department of Jobs, Precincts and Regions
- Department of Transport
- Department of Environment, Land, Water and Planning
- Department of Health and Human Services
- Department of Justice and Community Safety
- Department of Premier and Cabinet
- Department of Treasury and Finance
- Department of Education and Training
- Digital Health
- Emergency Management Victoria
- Emergency Services Telecommunication Authority
- Environment Protection Authority
- Essential Services Commission
- Forensicare
- Melbourne Polytechnic
- Metropolitan Waste and Resource Recovery Group
- Office of the Chief Parliamentary Counsel
- Office of the Governor
- Portable Long Service Authority
- Public Record Office Victoria
- Public Transport Victoria
- Service Victoria
- State Electrical Commission
- Transport Safety Victoria
- VicForests
- VicRoads
- Victorian Building Authority
- Victorian Multicultural Commission
- Victorian Ombudsman
- Victorian Public Sector Commission
- WorkSafe

CUSTOMER COMMITTEES

Stakeholder Advisory Committee

The role of the Stakeholder Advisory Committee (SAC) is to ensure that Cenitex develops and maintains strong and open relationships with its customers at a senior management level. The committee includes customer representatives from all departments and major agencies for whom Cenitex provides services. The Committee provides a forum where customers can collaborate with Cenitex to maintain a focus on challenges faced by customers and potential improvements that are aligned with their strategic needs.

The SAC is chaired by the Executive Director for Customer Engagement and membership includes Chief Information Officers (CIOs) or equivalent roles from all departments and major agencies.

Shared Cyber Security Working Group

The purpose of the Shared Cyber Security Working Group is to provide cyber security vision and leadership for customers. The group provides a clear view on cyber security issues and risks, while building consensus on shared responsibilities and initiatives to protect common IT environments.

The Shared Cyber Security Working Group is chaired by a customer CIO or Chief Information Security Officer (CISO) and membership includes senior cyber security representatives from all major customers as well as the Victorian Government CISO.

Service Operations Forum

The role of the Service Operations Forum is to bring together experts who can focus on what is the best possible operating model, tools and processes for Cenitex to deliver a high standard of service to its customers. The Forum looks for improvements to existing service provision but also what might be required in the future.

The Service Operations Forum is chaired by a customer operational lead and membership includes senior operations representatives from all major customers.

EXECUTIVE LEADERSHIP TEAM ROLES AND RESPONSIBILITIES

Frances Cawthra was appointed Chief Executive Officer (CEO) of Cenitex on 29 July 2019 following the departure of former CEO Michael Vanderheide.

There are six Divisions responsible for operations and customer service. They are:

- Customer Engagement
- Finance and Business Services
- Infrastructure Services
- People and Capability
- Strategy, Governance and Risk
- Workplace and Application Services

The CEO is supported by the Executive Leadership Team (ELT). The ELT advises the CEO on matters concerning the operation and governance of the organisation. The roles and responsibilities of the CEO and ELT are detailed below.

Frances Cawthra

Chief Executive Officer

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

Nigel Cadywould

Executive Director, Customer Engagement

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

EXECUTIVE LEADERSHIP TEAM ROLES AND RESPONSIBILITIES – Continued

Adrian Carbone**Executive Director, Workplace and Application Services**

- design, build, run and monitor workplace and application services, including unified communications, device management, application platforms and cloud services for customers
- strategic development, lifecycle management and pricing of workplace and application services and technologies
- commercial management of vendors and contracts
- implement, monitor, and review services strategy and delivery.

Sharon Copeland-Smith**Executive Director, Strategy, Governance and Risk**

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

Alexis Ewing**Executive Director, Infrastructure Services**

- design, build, run and monitor infrastructure services to customers
- management of Cenitex server hosting platform, networks, security, identity, storage and recovery capabilities
- strategic development, lifecycle management and pricing of infrastructure services
- commercial management of vendors and contracts
- implement, monitor, and review services strategy and delivery.

Catherine Ho**Executive Director, Finance and Business Services**

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

Catherine Proud**Executive Director, People and Capability**

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

A large, stylized number '5' is the central graphic element. It is composed of two shades of blue: a darker blue for the main body and a lighter blue for the top horizontal bar and the bottom curve. The '5' is positioned on the left side of the page, with its right edge extending towards the center.

Our People

5.1 WORKFORCE PROFILE

Table 1: Full-time equivalents (FTE) and contractor staffing trends 2015-20

		Jun-20	Jun-19	Jun-18	Jun-17	Jun-16	Jun-15
Full time equivalents (FTE) staffing trends		508.78	525.72	521.29	483.14	468.15	466.12
Contractors/Temporary staff		28	36	18	81	60	22
Ongoing employees	Number (headcount)	443	466	479	454		
	Full time (headcount)	430	447	466	439		
	Part time (headcount)	13	19	13	15		
	FTE	439.78	461.19	475.49	449.94		
Fixed-term & Casual	FTE	69.00	64.53	45.80	33.20		

			June 2020							
			All employees		Ongoing			Fixed term and casual		
			Number (headcount)	FTE	Full-time (headcount)	Part-time (headcount)	FTE	Number (headcount)	FTE	
Demographic data	Gender	Women	113	110.44	81.00	11.00	89.44	21.00	21.00	
		Men	399	398.33	349.00	2.00	350.33	48.00	48.00	
		Self-described	0	0.0	0	0	0.0	0	0.0	
		Total	512	508.78	430.00	13.00	439.78	69.00	69.00	
	Age	15-24	10	10	5.00	0.00	5.00	5.00	5.00	
		25-34	107	106.6	77.00	1.00	77.60	29.00	29.00	
		35-44	182	179.92	159.00	8.00	164.92	15.00	15.00	
		45-54	132	131.66	118.00	2.00	119.66	12.00	12.00	
		55-64	73	72.6	63.00	2.00	64.60	8.00	8.00	
		Over 64	8	8	8.00	0.00	8.00	0.00	0.00	
		Total	512	508.78	430.00	13.00	439.78	69.00	69.00	
	Classification data	Classification	Grade 2	7	7	2.00	0.00	2.00	5.00	5.00
			Grade 3	116	115.46	89.00	2.00	90.46	25.00	25.00
Grade 4			71	70.59	61.00	2.00	62.59	8.00	8.00	
Grade 5			134	132.93	121.00	4.00	123.93	9.00	9.00	
Grade 6			144	143	127.00	4.00	130.00	13.00	13.00	
Total			472	468.98	400	12	408.98	60	60.00	
Senior employees		STS	33	32.8	29.00	1.00	29.80	3.00	3.00	
		Executives	7	7	1.00	0.00	1.00	6.00	6.00	
		Total	40	39.80	30	1	30.80	9.00	9.00	
		Total employees	512	508.78	430	13	439.78	69.00	69.00	
Excludes		Board Directors	5.0							
		Temp Staff	0.0							
		Contractors	28.0							
		Secondment	0.0							

Table 2: Employment levels in June 2020 and 2019

The head count and Full-time Staff Equivalent (FTE) of all active public service employees of Cenitex, employed from the last full pay period in June 2019 to the last full pay period in June 2020.

June 2019						
All employees		Ongoing			Fixed term and casual	
Number (headcount)	FTE	Full-time (headcount)	Part-time (headcount)	FTE	Number (headcount)	FTE
110	105.7	78	14	88.1	18	17.6
424	420.0	369	5	373.1	50	46.9
0	0.0	0	0	0.0	0	0.0
534	525.7	447	19	461.2	68	64.5
17	14.7	5	1	5.8	11	8.9
103	101.8	76	5	80.2	22	21.6
205	201.9	176	6	179.9	23	22.0
125	124.1	114	4	117.1	7	7.0
76	75.6	69	2	70.6	5	5.0
8	7.6	7	1	7.6	0	0.0
534	525.7	447	19	461.2	68	64.5
9	8.0	1	2	2.6	6	5.4
114	110.0	81	6	85.9	27	24.1
82	81.2	74	3	76.2	5	5.0
146	145.2	130	3	132.2	13	13.0
154	152.5	140	4	142.5	10	10.0
505	496.9	426	18	439.4	61	57.5
25	24.8	21	1	21.8	3	3.0
4	4.0	0	0	0.0	4	4.0
29	28.8	21	1	21.8	7	7.0
534	525.7	447	19	461.2	68	64.5

5.2 OCCUPATIONAL HEALTH AND SAFETY

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

During 2019-20 Cenitex focused on mental health with the appointment of accredited Mental Health First Aid Officers, the launch of a quarterly men's wellbeing seminar series and a specific plan of activities to support mental health for all staff which was adapted in response to the COVID-19 pandemic.

Cenitex responded to the government work from home directions and implemented strategies to ensure its staff working at home were provided with ergonomic support with individualised management where appropriate.

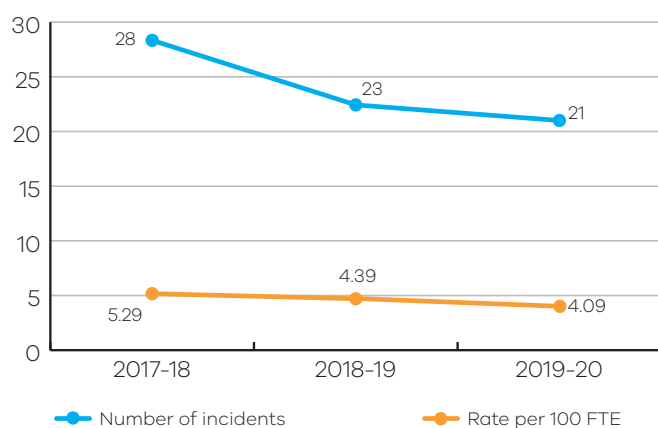
With a planned move to newly constructed and designed premises, Cenitex has targeted its OH&S activities towards ensuring both the physical and mental wellbeing of staff working on site. These plans were adapted and continue to be modified in response to the COVID-19 pandemic.

Incident management

Incidents reported Cenitex include injuries, near-misses and detected workplace hazards.

2017-20 The incident rate continued to decline despite 50% of incidents relating to sites outside of the organisation's control including building construction works at 80 Collins Street, Melbourne.

Figure 1: No. of incidents and rate per 100 FTE



One standard claim was submitted but rejected after investigation.

Figure 2: No. of standard claims and rate per 100 FTE

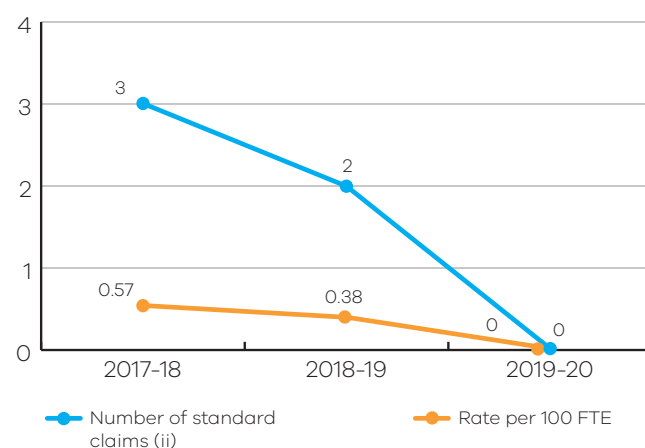


Figure 3: Lost time claims and rate per 100 FTE

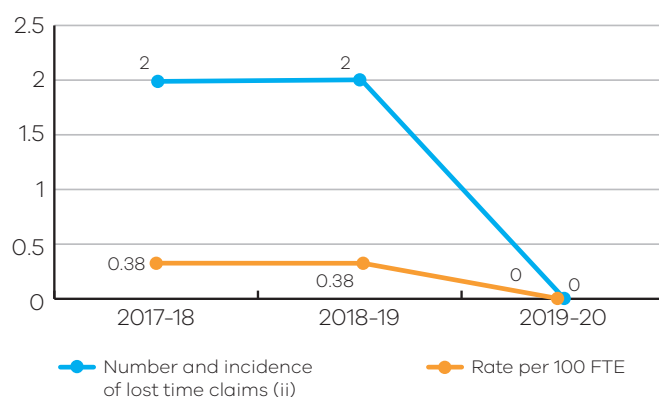
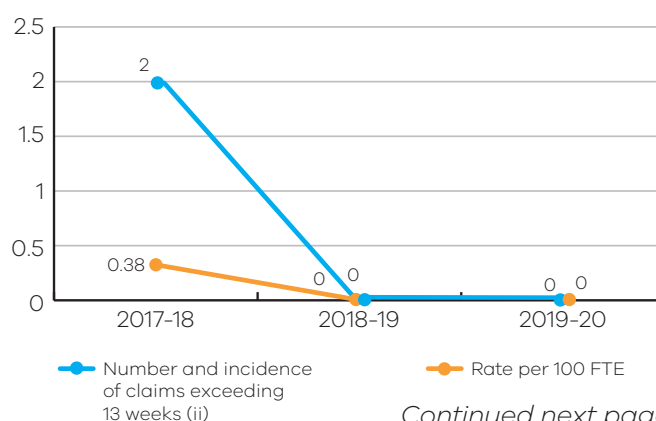


Figure 4: Claims exceeding 13 weeks and rate per 100 FTE



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Measure	KPI	2017-18	2018-19	2019-20
Incidents	Number of incidents (i)	28	23	21
	Rate per 100 FTE	5.29	4.39	4.09
	No. of incidents requiring first aid and/or further medical treatment	Not collated	9	7
Claims	Number of standard claims (ii)	3	2	0
	Rate per 100 FTE	0.57	0.38	0
	Number and incidence of lost time claims (ii)	2	2	0
	Rate per 100 FTE	0.38	0.38	0
	Number and incidence of claims exceeding 13 weeks (ii)	2	0	0
	Rate per 100 FTE	0.38	0	0
Fatalities	Fatality claims	0	0	0
Claim costs	Average cost per standard claim (ii)	\$124,129.00	\$94,728.40	0
	Estimate of outstanding claim costs (ii)	\$322,560.00	\$58,219.00	0
Return to work	Percentage of claims with RTW Plan <30 days	0%	0	0
Management commitment	Evidence of OH&S policy	Policy statement on Cenitex Intranet	Policy statement on Cenitex intranet	Policy statement on Cenitex intranet
	Regular reporting to senior management	Six-monthly report to Board/People Strategy and Remuneration Committee	Six-monthly report to Board/People Strategy and Remuneration Committee	Six-monthly report to Board/People Strategy and Remuneration Committee
Consultation and participation	Evidence of agreed structure of designated workgroups (DWGs), health and safety representatives (HSRs) and issue resolution procedures (IRPs)	Yes	Yes	Yes
	Compliance with agreed structure on DWGs, HSRs and issue resolution procedures	Yes	Yes	Yes
	Number of OHS committee meetings	6	6	7

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Performance against OH&S management measures – continued

Risk management	Number of internal audits/ inspections completed	3	1	0
	Percentage of reported incidents investigated (iii)		100%	100%
	No. of improvement Notices issued across the Department by WorkSafe Inspector	0	0	0
	Percentage of issues identified, actioned arising from:			
	• hazard reports	83%	0%	100%
	• internal audits or inspections	0%	0%	0%
	• HSR provisional improvement notices	0%	0%	0%
	• WorkSafe notices	0%	0%	0%
Training	Number of managers and staff that have received OHS training:			
	• induction/annual	492	280 (45%)	272
	• management training	90	28 (32%)	37
	Percentage of HSRs training (not a legislative requirement): (iv)			
	• acceptance of role	37% – Of the 16 HSRs in the role, 6 completed the optional five-day OH&S training	100%	100%
	• annual refresher training	0% in 2017-18. Number of eligible HSRs who undertook refresher training previous to 2017-18: 2	0	0

(i) 11 incidents are injuries or hazards relating to worksites/locations not under Cenitex management control

(ii) Source – CGU Insurance. Does not include rejected claims.

(iii) Completed for 100% incidents that were assessed as requiring an investigation.

(iv) Based on % of HSRs who request training. All HSRs offered training upon acceptance of role.

5.3 EMPLOYMENT AND CONDUCT PRINCIPLES

Employee relations

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

Workplace Enterprise Agreement

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

Code of Conduct

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

Merit and equity

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

They are:

- Conflict of Interest Policy
- Recruitment Policy
- Grievance Policy and Process
- Human Rights Policy
- Appropriate Workplace Behaviour Policy and online learning tool
- Employee Assistance Program
- VPS Code of Conduct
- Induction training
- Managing Diversity Policy





Disclosures

6.1 LOCAL JOBS FIRST

The *Local Jobs First Act 2003* introduced in August 2018 brings together the Victorian Industry Participation Policy (VIPP) and Major Project Skills Guarantee (MPSG) policy which were previously administered separately.

Departments and public sector bodies are required to apply the Local Job first policy in all projects valued at \$3m or more in Metropolitan Melbourne or for statewide projects, or \$1m or more for projects in regional Victoria.

MPSG applies to all construction projects valued at \$20m or more.

The MPSG guidelines and VIPP guidelines will continue to apply to MPSG applicable and VIPP applicable projects respectively where contracts have been entered prior to 15 August 2018.

During 2019-20, Cenitex commenced three Local Jobs First Standard projects totaling \$31.3m. Those projects are all statewide, with an average commitment of 33% of local content. The MPSG did not apply to any of these projects.

The outcomes expected from the implementation of the Local Jobs First policy to these projects where information was provided are as follows:

- an average of 33% of local content commitment was made; and
- a total of 14 jobs were committed, including the creation of one new job and the retention of 13 existing jobs.

Cenitex did not complete any standard Local Jobs First projects.

Cenitex did not commence or complete any strategic Local Jobs First projects.

Cenitex did not provide any grants during 2019-20.

6.2 CONSULTANCY EXPENDITURE

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

In 2019-20, there were 23 consultancies where the total fee payable to each of the consultants was \$10,000 or greater. The total expenditure incurred during 2019-20 in relation to these consultancies was \$1,091,229 (excl. GST). Details of individual consultancies are outlined below.

Consultant

ARCBLUE CONSULTING (AUS) PTY LTD

BAE SYSTEMS

BEING CONSULTING

CLAYTON UTZ

CODE BLACK THREAT MANAGEMENT PTY LTD

CORPORATE PROPERTY ADVISORS PTY LTD

COURTHEATH CONSULTING

DB RESULTS PTY LTD

DELOITTE CONSULTING PTY LTD

DELOITTE CONSULTING PTY LTD

DLA PIPER

DXC TECHNOLOGY AUSTRALIA PTY LTD

ERNST & YOUNG

FISHER IT ASSET CONSULTING AUST PTY LTD

FOI SOLUTIONS

MERCER CONSULTING (AUSTRALIA) PTY LTD

NTT AUSTRALIA PTY LTD

Purpose of consultancy	Start Date	End Date	Total Approved Project Fee (excluding GST)	Expenditure 2019-20 (excluding GST)	Future Expenditure (excluding GST)
eProcurement platform implementation and change management support	17/01/2020	30/06/2020	\$63,455	\$59,716	NIL
Provision of cyber security incident response	1/07/2019	31/12/2020	\$51,200	\$51,200	NIL
Strategic planning advice and development of Corporate Plan	16/09/2019	28/02/2020	\$122,175	\$122,175	NIL
Legal advice for Cenitex leases	1/07/2019	30/09/2020	\$22,727	\$3,552	\$19,176
Human resources advisory services	16/09/2019	16/09/2020	\$27,273	\$1,386	NIL
Commercial real estate leasing advice	21/02/2020	31/07/2020	\$30,273	\$23,365	\$6,907
Probity advice for tender processes	1/07/2019	31/12/2019	\$13,708	\$13,708	NIL
Business environment mapping services	2/12/2019	31/12/2019	\$31,900	\$31,900	NIL
Case study on Microsoft Office 365 rollout	15/07/2019	15/01/2020	\$79,350	\$79,349	NIL
Financial advisory support	16/09/2019	11/11/2019	\$140,000	\$140,000	NIL
General legal support	19/05/2020	30/11/2020	\$90,908	\$13,765	\$45,454
Configuration Management Uplift	1/09/2019	30/06/2020	\$175,030	\$164,907	\$10,123
Victoria Protective Data Security Standard (VPDSS) Compliance Gap Assessment	25/05/2020	31/07/2020	\$77,616	NIL	\$77,616
Software management advisory services	1/07/2019	30/06/2020	\$164,200	\$164,200	NIL
Legal advice for preparing responses to FOI requests	1/07/2019	18/09/2020	\$22,727	\$7,000	\$1,000
Market benchmarking and review of position documentation	15/06/2020	30/09/2020	\$10,500	NIL	\$10,500
Activity based working specialist services	29/11/2019	30/06/2020	\$37,500	\$7,750	NIL

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Details of consultancies under \$10,000

In 2019-20, there were eight consultancy engagements, where the total fees payable to the individual consultant was less than \$10,000. Total expenditure incurred during 2019-20 in relation to these consultancies was \$25,324 (excl. GST).

6.3 INFORMATION AND COMMUNICATION TECHNOLOGY EXPENDITURE

For the 2019-20 reporting period, Cenitex had a total ICT expenditure of \$8,256,000 as detailed below.

(\$ thousand)

ICT Expenditure 2019-20

Business as Usual (BAU) ICT expenditure	Non-Business as Usual (non-BAU) ICT expenditure	Operational Expenditure	Capital Expenditure
\$000's	\$000's	\$000's	\$000's
2,113	6,143	5,334	810

ICT expenditure refers to the organisation's costs in consuming business-enabling ICT services to support its 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 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.

Consultant

OOBE PTY LTD

PEDDLE THORP INTERIORS PTY LTD

PERRY WATSON DESIGN PTY LTD

PRICE WATERHOUSE COOPERS

RED HAT ASIA PACIFIC PTY LTD

RISK LOGIC PTY LTD

6.4 DISCLOSURE OF MAJOR CONTRACTS

In accordance with the requirements of Government policy and accompanying guidelines, Cenitex has disclosed all contracts greater than \$10m in value which it entered into during the year ended 30 June 2020.

Details of contracts that have been disclosed in the Victorian Government contracts publishing system can be viewed at: www.procurement.vic.gov.au.

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

Purpose of consultancy	Start Date	End Date	Total Approved Project Fee (excluding GST)	Expenditure 2019-20 (excluding GST)	Future Expenditure (excluding GST)
Technical analysis and design services	5/08/2019	14/12/2019	\$44,280	\$29,110	NIL
Construction architectural consulting services	1/07/2019	28/08/2020	\$93,805	\$58,787	\$2,000
Communication design, printing and delivery of annual report and service catalogues	1/07/2019	30/06/2021	\$41,056	\$27,420	\$13,636
Security advisory services	29/10/2019	7/11/2019	\$16,788	\$16,788	NIL
Technical support for server environment	13/01/2020	12/01/2021	\$73,352	\$73,352	NIL
Communications advice and services in response to the COVID-19 pandemic	25/03/2020	31/12/2020	\$18,000	\$1,800	\$16,200

6.5 FREEDOM OF INFORMATION

The Act allows the public a right of access to documents held by Cenitex. The purpose of the Act is to extend as far as possible the right of the community to access information held by government departments, local councils, Ministers and other bodies subject to the Act.

An applicant has a right to apply for access to documents held by an agency. This comprises documents both created by Cenitex or supplied to Cenitex by an external organisation or individual, and may also include maps, films, microfiche, photographs, computer printouts, computer discs, tape recordings and videotapes.

The Act allows an agency to refuse access, either fully or partially, to certain documents or information. Examples of documents that may not be accessed include: cabinet documents; some internal working documents; law enforcement documents; documents covered by legal professional privilege, such as legal advice; personal information about other people; and information provided to an agency in-confidence.

From 1 September 2017, the Act has been amended to reduce the Freedom of Information (FOI) processing time for requests received from 45 to 30 days. However, when external consultation is required under ss29, 29A, 31, 31A, 33, 34 or 35, the processing time automatically reverts to 45 days. Processing time may also be extended by periods of 30 days, in consultation with the applicant. With the applicant's agreement this may occur any number of times. However, obtaining an applicant's agreement for an extension cannot occur after the expiry of the timeframe for deciding a request.

If an applicant is not satisfied by a decision made by Cenitex, under section 49A of the Act, they have the right to seek a review by the Office of the Victorian Information Commissioner (OVIC) within 28 days of receiving a decision letter.

Making a request

FOI requests can be lodged either by email or by post. An application fee of \$29.60 applies. Access charges may also be payable if the document pool is large, and the search for material is time consuming.

Email FOI requests should be sent to corporate.communications@cenitex.vic.gov.au.

Postal FOI requests should be addressed to:

Strategy, Governance and Risk
Cenitex
PO Box 2750
Melbourne VIC 3000

FOI requests must be in writing, and should clearly identify what types of material/documents are being sought.

FOI statistics/timeliness

During 2019-20, Cenitex received six applications. Of these requests, none were from Members of Parliament and none were from the media, with all six being from the general public.

Cenitex made four FOI decisions during the 12 months ended 30 June 2020.

Three decisions were made within the statutory 30-day time period and one decision was made within an extended statutory 30-45 day time period. There were no access decisions made. The average time taken to finalise requests in 2019-20 was 25 days.

During 2019-20, no requests were subject to a complaint/internal review by OVIC. No requests progressed to the Victorian Civil and Administrative Tribunal (VCAT).

Further information

Further information regarding the operation and scope of FOI can be obtained from the Act; regulations made under the Act; and www.foi.vic.gov.au.

6.6 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*.

6.7 COMPETITIVE NEUTRALITY POLICY

Competitive neutrality requires government businesses to ensure where services compete, or potentially compete with the private sector, any advantage arising solely from

their government ownership be removed if it is not in the public interest. Government businesses are required to cost and price these services as if they were privately owned.

Competitive neutrality policy supports fair competition between public and private businesses and provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency in the provision of service.

Cenitex is working to ensure Victoria fulfils its requirements on competitive neutrality reporting for technological based businesses against the enhanced principles as required under the Competition Principles Agreement and Competition and Infrastructure Reform Agreement.

Cenitex receives no subsidisation or ongoing appropriation funding and pricing for services is fully cost attributed.

6.8 COMPLIANCE WITH THE PUBLIC INTEREST DISCLOSURES ACT 2012

The *Public Interest Disclosures 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 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 directly to the Independent Broad-based Anti-corruption Commission:

Level 1, North Tower, 459 Collins Street
Melbourne, VIC 3000
Phone: 1300 735 135
Website: www.ibac.vic.gov.au

Email: See IBAC's website above for secure email disclosure process, which also provides for anonymous disclosures.

Further information

The Public Interest Disclosure Procedures, which outline the system for reporting disclosures of improper conduct or detrimental action by Cenitex or any of its employees and/or officers, is available on the Cenitex website. Cenitex is not aware of any disclosures that have been made to the Independent Broad-based Anti-corruption Commission in relation to Cenitex during 2019-20 or 2018-19.

6.9 OFFICE-BASED ENVIRONMENTAL IMPACTS

Cenitex collects data for environmental impacts reporting. The data presented below includes our office-based environmental impacts in three areas: energy, paper and transport.

Environmental Reporting

	2019-2020		2018-19	
	Offices	Data centres	Offices	Data centres
Electricity consumption (megajoules – MJ)	3,302,993	13,756,774	5,064,495	15,961,072
MJ per square metre (m2)	417	8,121	639	9,422
MJ per full-time employee (FTE)	5,415	22,552	9,032	28,466
Paper consumption (reams)	198		1,832	
Reams per FTE	0.32		3.27	
Motor vehicle use (kilometres)	121,635		118,776	
- Diesel	28,681			
- Unleaded	92,954			
km per FTE	225		212	

FTE = 540.40 in 2019-20

FTE = 560.70 in 2018-19

Notes:

2019-20 Motor Vehicle kilometres is based on financial year (July 2019 to June 2020), with additional details provided on fuel type.

2018-19 Motor Vehicle kilometres is based on Fringe Benefits Tax year (April 2018 to March 2019).

Water and waste

Cenitex pays indirectly for water consumption and waste disposal as part of the 80 Collins Street lease, billed as a percentage of the whole of the property budget across 50 floors. This is standard practice in leased buildings.

We do not keep data as we do not process direct accounts from these suppliers.

6.10 PROCUREMENT

Cenitex procures a significant portion of its requirements from state purchasing contracts (SPC) to take advantage of pre-negotiated contract terms and/or pricing arrangements. The SPCs we purchase from include:

- Citrix Systems Asia Pacific contract
- End User Computing equipment panel contract
- eServices register
- IT Infrastructure register
- Microsoft licensing solution provider and VMWare reseller contract
- Professional Advisory Services
- Staffing services contract
- Telecommunications (TPAMS2025) service contract
- WoVG Data Centre contracts

Cenitex has implemented the Social Procurement Framework and completed its inaugural Social Procurement Strategy in 2019-20.

6.11 IMPLEMENTATION OF THE SOCIAL PROCUREMENT FRAMEWORK

Victoria is committed to social procurement and has established the Social Procurement Framework. The Framework enables buyers and suppliers to use the Government's buying power to deliver social, economic and environmental outcomes that benefit the Victorian community, the economy and the environment.

Cenitex implemented its inaugural social procurement strategy in Quarter 4 of 2019.

In 2019-20, Cenitex prioritised the following Social Procurement Framework objectives:

- opportunities for Victorian Aboriginal people;
- women's equality and safety; and

- environmentally sustainable outputs.

Cenitex has successfully completed a number of initiatives identified in its strategy to support the implementation of social procurement, specifically through capability development and supplier engagement. These included:

- implementing a catering panel for use by Cenitex staff, 75% of the approved suppliers are social enterprises;
- implementing a source-to-award procurement tool that includes the social enterprise marketplace, to connect buyers with social benefit suppliers through the procurement process;
- a detailed communications plan focused on informing our key suppliers and internal stakeholders of Cenitex priority objectives through various forms of media;
- a statement from the CEO strongly supporting our priority objectives, the Framework and its alignment to Cenitex 1-3-5 Strategy; and
- building a body of reference material, combined with education for the relevant key decision makers to understand the important principles and requirements of the Framework.

This is the first year in which Cenitex annual report includes achievements in social procurement and covers activity between 1 July 2019 to 30 June 2020.

6.12 COMPLIANCE WITH DATAVIC ACCESS POLICY

Consistent with the DataVic Access Policy issued by the Victorian Government in 2012, Cenitex has made four data sets available on the DataVic website in 2019-20. Information included in this Annual Report will also be available at www.data.vic.gov.au in electronic readable format.

Social procurement metric	Expenditure 2019-20 (excluding GST)	Number of businesses engaged
Total spend with Victorian Aboriginal businesses	\$22,199	2
Total spend with Victorian social enterprises led by a mission for the disadvantaged	\$36,716	2
Total spend with Victorian social enterprises	\$58,915	4

6.13 AVAILABILITY OF OTHER INFORMATION

In compliance with the requirements of the Standing Directions 2018 under the *Financial Management Act 1994*, details in respect of the items listed below have been retained by Cenitex and are available on request, subject to the provisions of the *Freedom of Information Act 1982*:

- a) statement that declarations of pecuniary interests have been duly completed by all relevant officers
- b) details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary
- c) details of publications produced by the entity about itself, and how these can be obtained
- d) details of changes in prices, fees, charges, rates and levies charged by the entity
- e) details of any major external reviews carried out on the entity
- f) details of major research and development activities undertaken by the entity; details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- g) details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and its services
- h) details of assessments and measures undertaken to improve the occupational health and safety of employees
- i) a general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes
- j) a list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved
- k) details of all consultancies and contractors including:
 - i) consultants/contractors engaged
 - ii) services provided
 - iii) expenditure committed to for each engagement

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FRD 22H	Organisational structure	4
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SD 5.2.1 (a)	Compliance with Ministerial Directions	Financial Report
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<i>Public Interest Disclosures Act 2012</i>		6.8
<i>Local Jobs First Act 2003</i>		6.1
<i>Financial Management Act 1994</i>		Letter to Minister

GLOSSARY OF TERMS

1-3-5 Strategy	(also One-Three-Five Strategy) New Cenitex whole-of-organisation strategy that sets out its one purpose, three strategic goals and five strategic programs
ARC	Audit and Risk Committee
CEO	Chief Executive Officer
CFO	Chief Finance Officer
CIO	Chief Information Officer
CISO	Chief Information Security Officer
Departments	Department of Jobs, Precincts and Regions (DJPR), Department of Transport (DoT), Department of Environment, Land, Water and Planning (DELWP), Department of Health and Human Services (DHHS), Department of Justice and Community Safety (DJCS), Department of Premier and Cabinet (DPC), Department of Treasury and Finance (DTF), Department of Education and Training (DET)
Executive	In the Victorian Public Service, a person employed as a public service body head or other executive under Part 3, Division 5 of the <i>Public Administration Act 2004</i> . The definition of an executive officer does not include statutory officers unless they are specifically declared to be employed under the executive employment provisions of the <i>Public Administration Act 2004</i>
ELT	Executive Leadership Team
FTE	Full-time equivalent. One FTE is the equivalent of one person working full-time for one financial year. For example, two persons, each working 2.5 days per week (or 0.5 of standard hours) equals one FTE
GSP	Government Shared Platform
ICT	Information and Communications Technology
MoU	Memorandum of Understanding
PSRC	People Strategy and Remuneration Committee
Public sector	All organisations (i.e. VPS departments and agencies, as well as public entities) covered by the <i>Public Administration Act 2004</i>
SAC	Stakeholder Advisory Committee

State agencies	<p>Administrative unit of State Government providing community and other services. State agencies mentioned in this report:</p> <ul style="list-style-type: none"> • Ambulance Victoria • Bushfire Recovery Victoria • Commercial Passenger Vehicles Victoria • Court Services Victoria • Emergency Management Victoria • Emergency Services Telecommunication Authority • Environment Protection Authority • Essential Services Commission • Fire Forest Management • Forensicare • Metropolitan Waste and Resource Recovery Group • Office of the Chief Parliamentary Counsel • Office of the Governor • Portable Long Service Authority • Public Record Office Victoria • Public Transport Victoria • Service Victoria • State Electrical Commission • Transport Safety Victoria • VicForests • VicRoads • Victorian Building Authority • Victorian Multicultural Commission • Victorian Ombudsman • Victorian Public Sector Commission • WorkSafe
Victorian public sector	All Victorian organisations (i.e. Victorian Public Service departments and agencies, as well as public entities) covered by the <i>Public Administration Act 2004</i>
VPS	Victorian public service (see also Victorian public sector)
WoVG	Whole of Victorian Government

Attestation for Financial Management Compliance with Ministerial Standing Direction 5.1.4

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



Randall Straw

Chair

30 October 2020

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