

SYDNEY DIOCESAN SECRETARIAT

*Supporting the mission of the Anglican Church
in the Diocese of Sydney*

2015
ANNUAL REPORT



OUR MISSION, VALUES & VISION

MISSION

Under our constituting ordinance, our object is to advance the purposes of the Anglican Church of Australia in the Diocese of Sydney through the regulation of the central administration of the affairs of the Diocese.

We do this by providing administrative, secretarial and accounting services to the Synod and its Standing Committee, other diocesan organisations, and our parishes.

VALUES

We have 4, biblically grounded, values:

DILIGENCE: Being sustainable, dependable and effective performers.

"Whatever your task, put yourselves into it, as done for the Lord and not for your masters." (Colossians 3:23)

INTEGRITY: Being trustworthy, responsible and honest.

"Therefore each of you must put off falsehood and speak truthfully to his neighbour, for we are all members of one body." (Ephesians 4:23)

SERVICE: Being a servant to others.

"Each one should use whatever gift he has received to serve others, faithfully administering God's grace in its various forms." (1 Peter 4:10)

CARE: Caring for others.

"Each of you should look not only to your own interests, but also to the interests of others." (Philippians 2:4)

VISION FOR 2018

We will be a valued partner in the mission of the Anglican Church of Australia in the Diocese of Sydney, and beyond.

A valued partner:

- Meets the expectations of the Synod and the other organisations we serve, and anticipates and responds to their needs with effective solutions.
- Provides relevant, specialised and accessible services and resources to support parishes having regard to the changing environment in which parish ministry takes place.
- Proactively models and promotes servant leadership across the Diocesan network and beyond.

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2015 HIGHLIGHTS

As a service provider to central diocesan organisations Sydney Diocesan Secretariat (“SDS”) seeks to enhance the performance of those organisations and their contribution to the Mission of the Diocese. The success of those organisations reflects our performance.

Some of the key outcomes of diocesan organisations served by SDS during 2015 were as follows.



Synod and Standing Committee

- 2nd session of the 50th Synod held over 5 days with an average attendance of 500 members, involving 27 elections, 52 substantive resolutions, and the passing of 6 ordinances and 1 policy
- Managed over \$22 million of Synod allocations and parish cost recovery disbursements
- 10 meetings of the Standing Committee, with 46 ordinances passed and 47 meetings of its permanent subcommittees



Anglican Church Property Trust Diocese of Sydney

- Overseeing the management of parish properties, including sale and purchase contracts.
- Management of the Long Term Pooling Fund.
- Exchange of contacts for the sale of Bishopscourt.
- Facilitating grants under the Community Building Partnership Scheme.
- Completion of rebuilding of the Dulwich Hill church hall.



Glebe Administration Board as trustee of the Diocesan Endowment

- Surplus of \$13.15 million earned, being a return on opening equity of 9.2%.
- Distributions of \$4 million were paid for spending by the Synod.
- Net assets increased to \$152.2 million from \$143.3 million.
- Work undertaken to review the ethical investment policy
- Future of Financial Services reviewed.



St Andrew's House Corporation

- Net operating surplus of \$9.1 million and net assets of \$113.9 million for 2015
- Distributions paid of \$4.9 million
- St Andrew's House valued at \$125.0 million
- Capital works undertaken for fire safety, electrical, lift replacement and the building façade
- Achieved a 5.5 star energy rating for the base building under the National Australian Built Environment Rating System (NABERS)



Mission Property Committee

- Acquisition of new site at Marsden Park for a new ministry centre.
- Sale of surplus land at Rouse Hill, Claymore and Austral to release funds for greenfield projects.
- Planning for new ministry centres at Stanhope Gardens, Leppington and Riverstone.
- Identification of lands to purchase at Box Hill, St Marys / ADI, West Dapto and Wilton Junction.



Finance & Loans Board

- Net operating surplus of \$0.47 million and net assets of \$15.7 million for 2015
- New loans totalling \$4.5 million made during the year
- A review of 4 parish mortgaging ordinances undertaken on behalf of the Standing Committee
- A Strategic Plan for 2015 to 2017 was adopted

KEY OUTCOMES

Key outcomes of our own performance in 2015 were as follows:

- Performance in accordance with the agreed service level standards
- Surplus (after transfers to reserves - other than capital maintenance) of \$44,000.

CHAIRMAN'S REPORT



It is my privilege to continue to serve as the chairman of SDS, with fellow board members who are committed and engaged, and with a professional staff team led by Mark Payne, the Chief Executive Officer.

Our mission is to advance the purposes of the Anglican Church of Australia in the Diocese of Sydney through the regulation of the central administration of the affairs of the Diocese.

We do this by serving the Synod and Standing Committee, other diocesan organisations and parishes.

The fees received from providing services are the source of income from which SDS can meet the expenses of those services. SDS reviews its expenses on an ongoing basis to ensure that its services are provided in as cost effective manner as possible.

Our new Strategic Plan for 2016-2018 commits us to enhance further our contribution to the mission of the Diocese by being a valued partner in the mission of the Anglican Church in the Diocese of Sydney and beyond.

The reforms undertaken by SDS in recent years, particularly in relation to governance, risk management and service delivery, give us great confidence that SDS is well placed to enhance our contribution to the mission in this way.

There were two changes in the membership of SDS during 2015:

- Bishop Robert Forsyth, a member since 29 May 2000, retired in November 2015 when his term of office came to an end. We are particularly thankful to God for his wisdom and service.
- Bishop Michael Stead was appointed as a member in November 2015. Further information about Michael (and other members) is set out later in this report. We look forward to his contribution to our work.

I thank my fellow members for their ongoing contribution to the work of SDS. I also thank Mark Payne and the other members of the management team for their commitment and servant-hearted approach to our work.

Above all we continue to thank God for His continued blessing. We pray that our work, and the work of the Synod, the Standing Committee, the organisations we support and our parishes, will bring glory to His name in the Diocese and beyond.

ROSS SMITH
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT



SDS advances the purposes of the Anglican Church of Australia in the Diocese of Sydney through the regulation of the central administration of the affairs of the Diocese. We do this by being a service provider to the main central diocesan organisations and our parishes. The organisations we serve include the Synod and the Standing Committee, Anglican Church Property Trust Diocese of Sydney, Glebe Administration Board, St Andrew's House Corporation, the Endowment of the See Committee and the Sydney Church of England Finance and Loans Board.

Our Strategic Plan for 2016-2018, commits SDS to further enhance our contribution to the mission of the Anglican Church in the Diocese and beyond.

Our governance statement, which is summarised elsewhere in this Annual Report, reflects our ongoing desire to ensure the highest standards of corporate governance are adopted and maintained. The governance statement and each of the standards it refers to are reviewed each year in light of changes to generally accepted standards of corporate governance.

Monitoring and managing risk remains a key priority. SDS has a risk register which outlines the key business risks, and the key controls for managing those risks. Further information about the way in which risk is monitored and managed is provided later in this report.

Strategic Plan 2013-2015

Our Strategic Plan for 2013 – 2015 committed SDS to:

- be a highly valued organisation of the Diocese,
- be valued by the organisations we serve, and
- create a caring and professional Christian work environment.

Underlying the Strategic Plan for 2013 – 2015 were 8 objectives, and underlying action plans for each objective which set out the strategic work to be undertaken and timetable for undertaking that work during 2013 to 2015. Generally, those actions were undertaken in accordance with the timetable. Having regard to the high level measures of performance referred to later in this report and other feedback, SDS considers that it achieved the strategic outcomes proposed by the Strategic Plan for 2013 – 2015.

Strategic Plan 2016-2018

SDS has adopted its Strategic Plan for 2016-2018. Our Vision is that by 2018 SDS will be a *valued partner* in the mission of the Anglican Church of Australia in the Diocese of Sydney, and beyond.

We consider that we will be a valued partner in mission if we:

- meet the expectations of the Synod and the other organisations we serve, and anticipate and respond to their needs with effective solutions,

- provide relevant, specialised and accessible services and resources to support parishes having regard to the changing environment in which parish ministry takes place, and
- proactively model and promote servant leadership across the Diocesan network and beyond.

Our strategy sets out what we have to do to achieve our Vision. We have 8 strategic objectives:

- To enhance how we communicate with our stakeholders.
- To optimise our service delivery to parishes and the organisations we currently serve.
- To provide additional support for parishes.
- To grow the number of organisations we service.
- To undertake a key project each year to support mission.
- To provide leadership in governance across the Diocese.
- To enable our people to develop and excel.
- To ensure our sustainability.

We have action items for these strategic objectives. In 2016 we will:

- Develop and implement a strategy to ensure our communications are clear, concise, relevant and appropriately targeted.
- Implement a unified communications system (including telephone system).
- Complete our website and database refresh.
- Engage 2 new organisations for SDS to serve.
- Investigate (and, where appropriate, pursue) opportunities to work co-operatively with other dioceses.
- Develop and implement a program for the holistic care of clergy in the Diocese.

- Enhance the independence of the internal compliance function for SDS.
- Ensure we are effectively managing key people and developing future leaders.
- Ensure we provide a caring and encouraging Christian workplace.
- Review our succession planning strategies for key roles.
- Review our key costs and ensure they are appropriate.

HIGH LEVEL MEASURES OF PERFORMANCE

To assess the performance of SDS, 5 high level measures of performance have been maintained dealing with the following matters:

- financial
- care and safety
- being valued by the organisations we serve
- staff satisfaction
- support of parishes

FINANCIAL

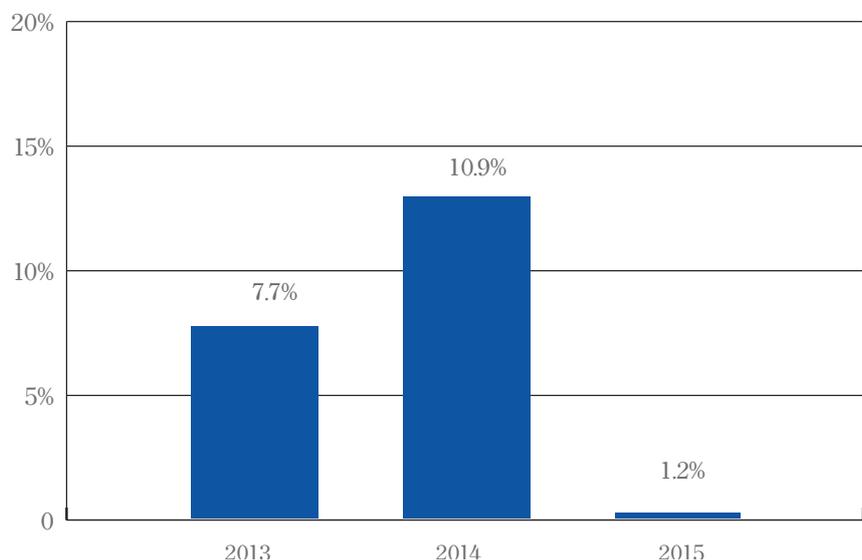
The financial measure of performance states that each year SDS will earn a return on opening equity which is not less than 4% per annum, or such other rate determined by SDS from time to time. For the purposes of this measure:

- “opening equity” means the opening equity of SDS less the total amount set aside to reserves (other than a capital maintenance reserve), and
- “return” means the surplus of SDS earned during that year less the amount from that surplus transferred to reserves (other than a capital maintenance reserve).

The purpose of the financial measure of performance is to ensure that the real value of the capital of SDS is being maintained, after appropriate reserves have been created for expected future obligations.

The return on opening equity (as defined) for 2013, 2014 and 2015 was as follows:

THE RETURN ON OPENING EQUITY FROM 2013–2015



The return on opening equity for SDS for 2015 has been calculated after the following transfers to reserves:

- \$169,000 to the fit out reserve for the costs of undertaking the fitout of premises upon expiration of SDS's current leases, and
- \$200,000 to an IT projects reserve for IT projects to be undertaken in 2016, and
- \$75,000 to a business development reserve for costs associated with the implementation of the Strategic Plan 2016-2018.

While the return on opening equity for SDS for 2015 did not meet the 4% return objective, it was sufficient to maintain the real value of the capital given the prevailing inflation rate. It is to be noted that over the period 2013-2015 the average annual return on opening equity was 7.3%.

CARE & SAFETY

The care and safety measure states that SDS will ensure that the number of staff work health and safety notifiable incidents is not more than 2 per annum. Incidents occurring when a staff member is travelling to or from work are excluded for this purpose, as those incidents are beyond the control of SDS.

There were no notifiable incidents in 2015 (2014: 0 incidents).

BEING VALUED BY THE ORGANISATIONS WE SERVE

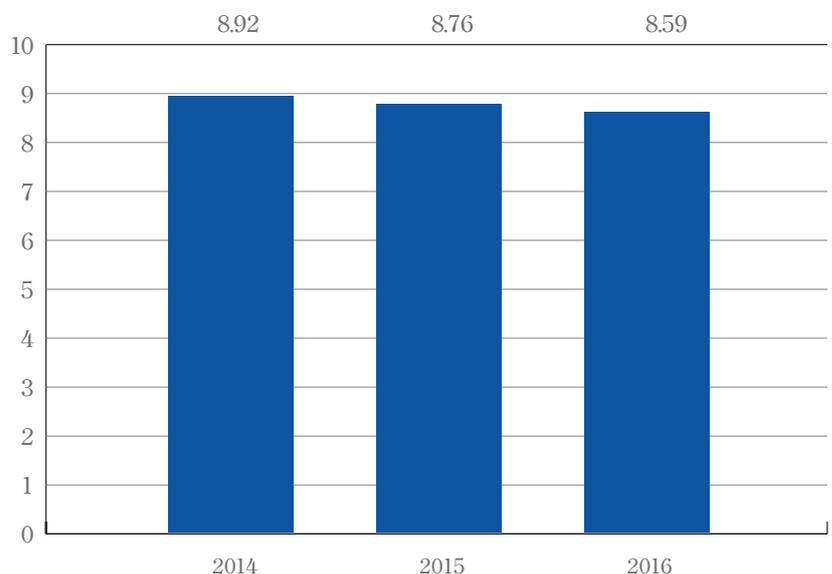
By this measure SDS seeks to show continuous improvement in the degree to which we are valued by the organisations we serve, to be measured by an increase in the average score from annual surveys undertaken of those organisations.

The annual surveys of the members of organisations we serve (to set the base for the average score about the degree to which we are valued) were commenced in 2014 and have been undertaken in March in each year subsequently.

The following graph outlines the average response (out of a total score of 10) of the members of the organisations we serve to the question "Overall how satisfied are you with the service provided by SDS to your organisation?"

It is to be noted that the 2016 survey shows a small reduction in the average score for overall satisfaction in the service provided by SDS. However, the results for previous years establish an extremely high base.

ORGANISATION SATISFACTION WITH THE SERVICE PROVIDED



STAFF SATISFACTION

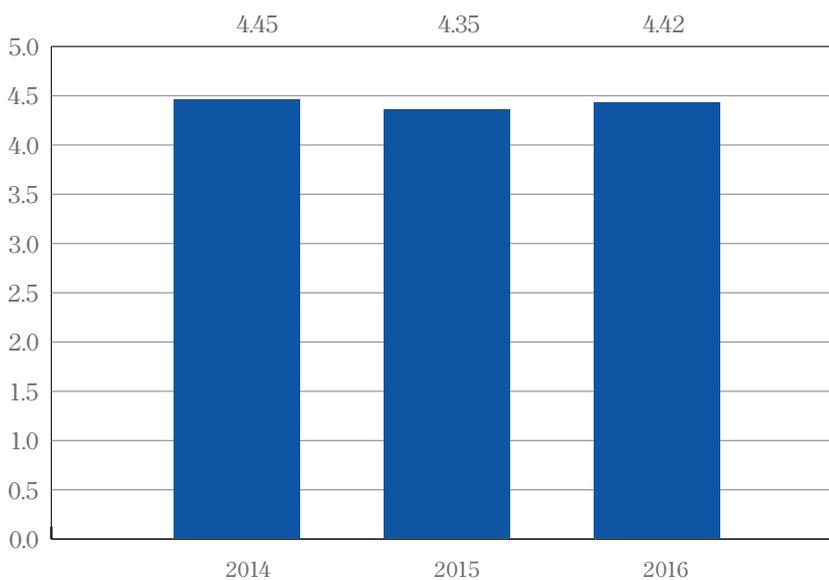
By this measure SDS seeks to show continuous improvement in the degree to which our staff are satisfied with their work, to be measured by an increase in the average score from annual surveys undertaken of our staff.

The annual survey of our staff (to set the base for the average score about staff satisfaction) is undertaken in February each year. The third annual survey was

recently completed. In the survey, staff were asked 18 questions related to their work at SDS. The graph above, outlines the average response (out of a total score of 5) of our staff to the question "Overall, how satisfied are you working for SDS?"

It is to be noted that the 2016 survey shows that overall satisfaction of our staff remains extremely high.

STAFF SATISFACTION



SUPPORT OF PARISHES

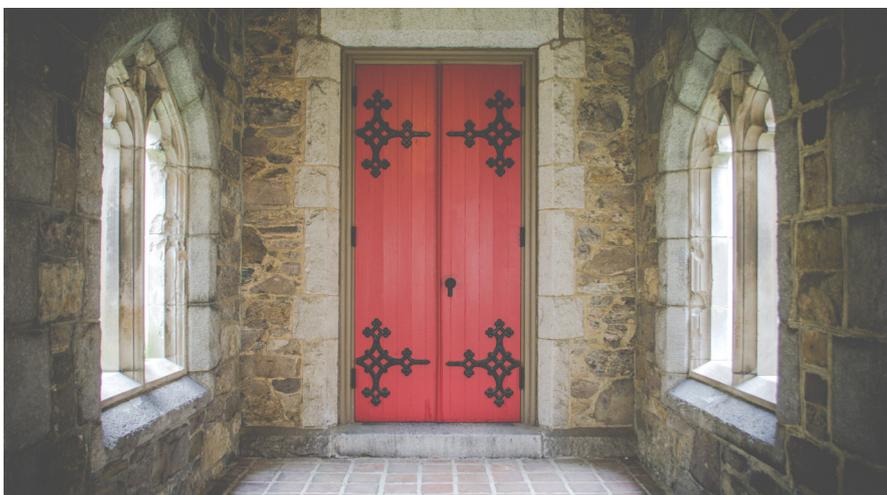
By this measure, there is to be continuous improvement in the degree to which parishes are satisfied with the support provided to them by SDS on behalf of the parishes we serve, to be measured by an increase in the average score from annual surveys undertaken of our parishes.

As a consequence of feedback and comment provided by parishes in a survey undertaken in December 2014, we undertook 5 regional face to face consultations with parish representatives during April 2015 to discuss in more detail how better support can be provided to parishes.

A number of areas have been identified, including:

- enhancing our communication to parishes, particularly in relation to our website,
- better assisting parishes in dealing with the regulatory burden, and
- providing assistance in enhancing governance in the parish context.

We have taken this feedback into account in determining our Strategic Plan for 2016 – 2018.



SERVICE DELIVERY

SDS has written service levels standards with each of the organisations it serves which specify the services to be provided by SDS, and the required service levels. They form the basis of the fees charged by SDS for the services provided. The service level standards for a calendar year are agreed with the relevant organisation before the start of that calendar year.

Effectively, members of staff of SDS are the executive managers of each organisation served by SDS since, generally, those organisations do not themselves employ any staff. Acting in that executive capacity, the staff of SDS are accountable to the board of each organisation for the achievement of the organisation's objectives, compliance with board policies and processes and the implementation of other board decisions. The main achievements of each organisation served by SDS are summarised elsewhere in this Annual Report. SDS, through its staff, had a significant input into those achievements.

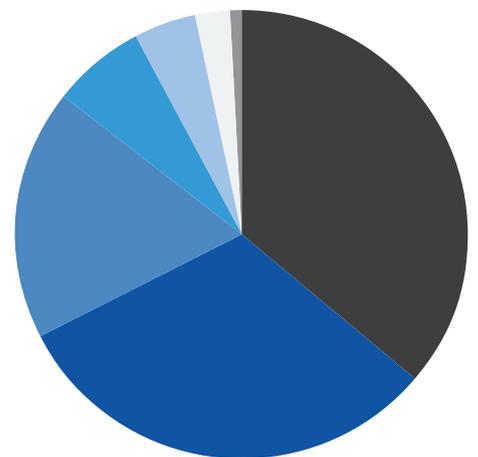
The performance by SDS against the service level standards for each organisation is formally reviewed by SDS in consultation with the organisation every 6 months. This review is in addition to the surveys of the members of the organisations we serve referred to earlier in this report. No material issue of non-performance with our service obligations was identified during 2015.

FUNDING OF SDS

SDS is primarily funded by the fees it charges the organisations it serves. The fees charged are determined on a cost recovery basis. This means that the fee charged to an organisation is the amount required for SDS to recover the cost of providing the services to that organisation. This principle of SDS recovering its costs was approved by the Standing Committee in December 2010.

The total income of SDS during 2015 was \$7.5 million, compared to \$7.4 million in 2014. Of that amount \$6.6 million comprised the fees charged to diocesan organisations served by SDS, and \$900,000 was income from other sources (such as interest and sublease income).

The source of fees charged to the diocesan organisations served by SDS was as follows:



- Glebe Administration Board (\$2.4M)
- St Andrew's House Corporation (\$424K)
- Synod (\$1.2M)
- Property Trust (\$2.05M)
- EOS Expenditure Fund (\$305K)
- Finance & Loans Board (\$160K)
- Others (\$37K)



OPERATING EXPENSES OF SDS

Table 1.0 shows the operating expenses of SDS in 2015, and in prior years.

The increase in operating expenses in 2015 compared to 2014 was 3.9%. The main contributors to the increase in operating expenses was the increase in staff costs (3.5%), the increase in rent and occupancy expenses (4.8%) and the increase in miscellaneous expenses arising from governance training for the members of SDS and other organisations served by SDS which was paid for by SDS. All expenses of SDS are periodically reviewed to ensure they are appropriate.

The change in staff numbers in recent years on a full time equivalent (FTE) basis is shown in table 2.0.

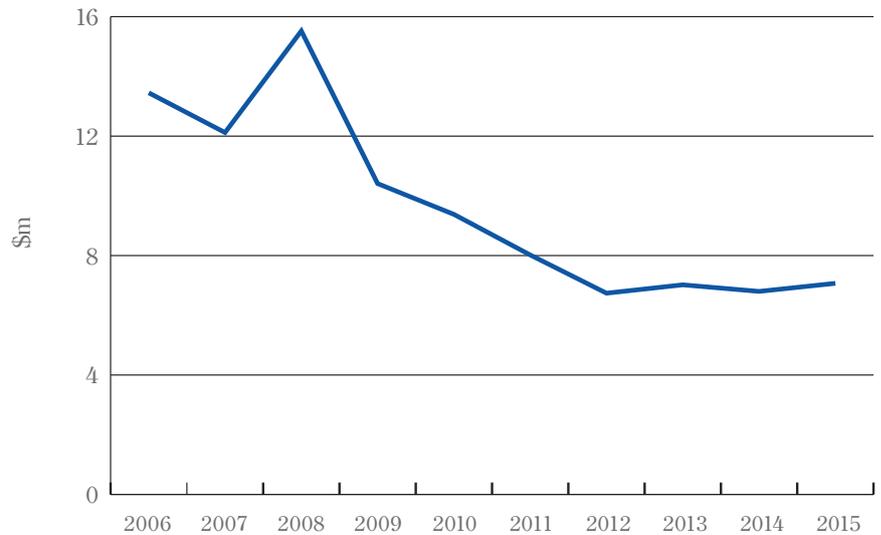
STAFF CARE AND WORK HEALTH & SAFETY

Staff care and work health and safety remains an important focus of SDS and its senior management.

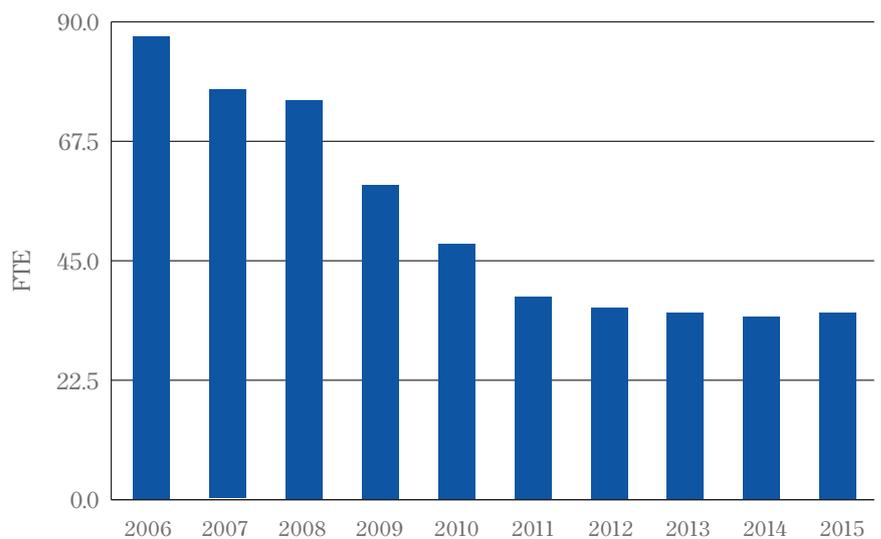
SDS has an extensive range of policies and procedures for people, learning and culture to better care for our staff.

SDS has a workplace hazard register which lists key work health and safety risks, current controls and, where necessary, future action. The nature of the risks recorded in the register is formally reviewed annually. Compliance is formally reviewed by the senior managers every quarter, and reports about work health and safety are provided to each meeting of SDS.

1.0 - OPERATING EXPENSES OF SDS



2.0 - CHANGE IN NUMBERS OF FULL TIME STAFF



CONCLUSION

SDS continues to serve the Diocese well in relation to proper governance, risk management and service delivery. Our work in 2015 further enhanced our contribution to the work of the Synod and the Standing Committee, the organisations we serve and our parishes. Our strategic plan for 2016–2018 is designed to enable us to further enhance our contribution to that work.

MARK PAYNE
Chief Executive Officer

CONSTITUTION AND CHARTER

SDS is constituted by the Sydney Diocesan Secretariat Ordinance 1973 (the "1973 Ordinance") and is incorporated under the Anglican Church of Australia (Bodies Corporate) Act 1938.

Under clause 3 of the 1973 Ordinance the object of SDS is to advance the purposes of the Anglican Church in the Diocese of Sydney through the regulation of the central administration of the affairs of the Diocese. The functions of SDS are set out in clause 7 of the 1973 Ordinance. Its principal function is to carry out, perform and provide administration, secretarial and accounting services for the Diocese.

SDS is a registered charity with the Australian Charities & Not-for-profits Commission ("ACNC").

ACCESS

The principal office of SDS is Level 2, St Andrew's House, Sydney Square (PO Box Q190, QVB Post Office, NSW 1230). Telephone (02) 9265 1555. The hours of access are between 8.30 am and 5.30 pm.

STRUCTURE

Information about the membership of SDS is set out later in this Annual Report. As at 31 December 2015, SDS had 35 employees (on a full time equivalent basis). The following diagram outlines the organisation structure:



GOVERNANCE STANDARDS

SDS is committed to the highest standards of governance, which are fundamental to its sustainability.

In determining its governance standards, SDS has considered:

- The governance standards applying to charities registered with the ACNC.
- The "Corporate Governance Principles and Recommendations" (3rd Edition, 2014) published by the ASX Corporate Governance Council.
- The Governance Policy for Diocesan Organisations approved by the Synod on 20 October 2014.

SDS's governance standards are set out in its Governance Statement which can be found on the SDS website, <http://www.sds.asn.au/site/104316.asp?ph=cb>.

SDS's governance standards are set out in the following pages.

GOVERNANCE STANDARD 1

Object and Not-For-Profit character

The object of SDS, as set out in clause 3 of the 1973 Ordinance, is to advance the purposes of the Anglican Church of Australia in the Diocese of Sydney through the regulation of the central administration of the affairs of the Diocese.

The principal organisations served by SDS are the Synod of the Diocese of Sydney and its Standing Committee and their subcommittees, parishes, Glebe Administration Board, Anglican Church Property Trust Diocese of Sydney, St Andrew's House Corporation, the Endowment of the See Committee, the Mission Property Committee, and the Sydney Church of England Finance and Loans Board.

GOVERNANCE STANDARD 2

Roles And Responsibilities

The members of SDS, acting collectively, are responsible for:

- providing leadership and setting the strategic objectives of SDS,
- appointing the Chairman and Deputy Chairman,
- appointing, and where necessary replacing, the Chief Executive Officer,
- approving the appointment, and when necessary replacement, of other senior executives,
- overseeing management's implementation of SDS's strategic objectives and its performance generally,
- approving operating budgets and major capital expenditure,
- overseeing the integrity of SDS's accounting and corporate reporting systems, including the external audit,
- overseeing SDS's process for making timely and balanced disclosure of information to its stakeholders,
- ensuring that SDS has in place an appropriate risk management framework and setting the risk

appetite within which the members expect SDS to operate, and

- monitoring the effectiveness of SDS's governance practices.

SDS has an Audit Committee and a Nominations Committee to assist it in fulfilling its responsibilities.

The main role of the Audit Committee is to monitor, report and make recommendations to SDS about the financial reporting processes of SDS, the internal control systems and the independent audit process. The charter of the Audit Committee is reviewed periodically by SDS.

The main role of the Nominations Committee is to make recommendations to SDS, for its advice to the Standing Committee, about the preferred skills and experience of a potential candidate to fill a vacancy in the membership of SDS.

SDS has delegated to the Chief Executive Officer, and through the CEO to the other executive staff of SDS, responsibility for the day to day management of the business of SDS. The scope of that delegated authority, and the limits on that authority, is documented and reviewed periodically by SDS.

GOVERNANCE STANDARD 3

Membership

Membership of SDS

The members of SDS are appointed by the Standing Committee under the Sydney Diocesan Secretariat Ordinance 1973.

Under the 1973 Ordinance the number of members of SDS is to be not less than 8 and not more than 10.

The name of each member, together with information about their qualifications and experience, is set out in the annual report of SDS.

Appointment of members

SDS is to have an adequate number of members with appropriate skills and commitment to adequately discharge their responsibilities and duties.

SDS advises the Standing Committee about the preferred skills and experience of candidates to fill vacancies in the office of member.

The Standing Committee may appoint, as a member, a person other than a potential candidate recommended by SDS.

Independence of members

No member of SDS is an employee of SDS.

Each member of SDS is to be free from any business or other relationship that could interfere with the exercise of their unfettered and independent judgment as a member.

Each member is expected to disclose any business or other relationship which they may have with SDS.

Term of office

A member of SDS holds office for a term of 3 years.

Eligible members may offer themselves for re-election by the Standing Committee. SDS also makes recommendations concerning the re-election of any members by the Standing Committee.

Induction of members

On appointment, a member receives a letter of appointment which sets out the expectations of the member and the conditions of appointment. A member is also offered an induction program to familiarise them with matters relating to the business, strategy and any current issues before SDS.

The induction program includes meetings with the Chairman, and the CEO and senior executives, as appropriate.

SDS and each member enter into a Deed of Indemnity, Access and Confidentiality.

Meetings of members

The members of SDS meet quarterly during the year (March, June, September and December) and at other times when required.

SDS has operating protocols for its meetings which cover matters such as the business of the meeting, attendance at a meeting, and how matters are to be discussed and determined at a meeting.

The CEO attends all meetings. The Chairman, on the recommendation of the CEO, determines which other staff members or external consultants will be present at a meeting.

At each meeting, there is the opportunity for members of SDS to discuss matters in the absence of the CEO and other staff members.

Review of performance of members

The members of SDS regularly review their performance and effectiveness.

Learning & Development

SDS endorses and supports the appropriate development of its members, and expects that they will undertake ongoing learning and development which is relevant to their role as a member. SDS has a Member Learning & Development Policy which describes how SDS will provide support to members in undertaking learning and development.

GOVERNANCE STANDARD 4

Accountability

SDS is accountable to the Archbishop, the Synod and the Standing Committee being the representatives of the Diocese of Sydney for whose purposes SDS is constituted.

In accordance with its obligations under the 1973 Ordinance, SDS:

- causes notice of each meeting, and a copy of the minutes of each meeting, to be sent to the Archbishop,
- reports to the Standing Committee quarterly as to its proceedings and tables a copy of the minutes of all meetings of SDS held since the last meeting,
- provides the Standing Committee with such information regarding the affairs of SDS as the Standing Committee may require from time to time, and
- answers any question on any matter relating to the affairs of SDS asked by any member of the Standing Committee and which has been referred to SDS by the Diocesan Secretary.

SDS also complies with the provisions of the Accounts, Audits & Annual Reports Ordinance 1995 which include provisions as to reporting. SDS publishes its annual financial statements and its annual report on its website.

GOVERNANCE STANDARD 5

Acting Ethically and Responsibly

SDS promotes ethical and responsible conduct.

Responsibilities of members act ethically and responsibly.

In undertaking their responsibilities, members of SDS are:

- to act with reasonable care and diligence
- to act honestly in the best interests of SDS and for its purpose
- not to misuse their position as members
- not to misuse information they gain in their role as members
- to disclose conflicts of interest
- to ensure the financial affairs of SDS are managed responsibly
- not to allow SDS to operate while it is insolvent.

Conflicts of interest

SDS's conflict of interest policy provides guidelines for recognising and managing potential conflicts of interest of members:

- all members are required to disclose any actual or potential conflict of interest upon appointment and are required to keep those disclosures to SDS up-to-date, and
- any member with a material personal interest in a matter may not participate in discussion or vote on that matter, unless SDS resolves otherwise.

In addition, staff of SDS are not permitted to participate in activities which involve a conflict with their duties and responsibilities or which are prejudicial to SDS.

Compliance with Australian law

SDS is subject to a number of specific legal and regulatory obligations by reason of the activities it undertakes. SDS has identified those obligations and monitors compliance with those obligations.

The members of SDS collectively, and each member individually, may seek independent professional advice, at SDS's expense, to help them carry out their responsibilities. The Chairman's prior approval is required, but will not be unreasonably withheld.

GOVERNANCE STANDARD 6

Safeguard Integrity in Financial Reporting

Core principles

SDS's approach to financial reporting reflects the following core principles:

- its financial reports present a true and fair view,
- its financial reports fully inform the members as to financial exposures,
- its accounting methods are comprehensive and relevant and comply with applicable accounting rules and policies,
- appropriate internal controls are maintained, and
- its external auditor is independent.

Integrity in the financial reporting system is maintained through:

- the work of the Audit Committee,
- the work of the External Auditor, and
- CEO and CFO assurance.

Audit Committee

The Audit Committee reviews and assesses any significant estimates and judgments in financial reports and the processes used to monitor and comply with laws, regulations and other reporting requirements.

Members of the Audit Committee are chosen on the basis of relevant skills and experience. The Audit Committee has the flexibility to augment the skills and experience by appointing persons who are not members of SDS, subject to SDS approval.

The performance of the Audit Committee is reviewed as part of the annual performance review undertaken by members.

The Audit Committee may meet with the external auditors without management being present.

Given the relatively small size of SDS an internal audit division is not warranted. SDS has instituted internal controls and appropriate division of duties. The accounting controls monitor for breaches of authority.

External Auditors

The role of the external auditor is to provide an independent opinion that the financial reports are true and fair and comply with applicable regulations.

The external auditor has access to the minutes and papers of SDS and its Audit Committee.

The external auditor submits an annual declaration of independence to SDS.

Any advisory services by the external auditor are detailed in the notes to the annual financial statements.

The external auditor attends all meetings of the Audit Committee at which a report is presented by the auditor about management, monitoring of financial risks, significant and unusual transactions, any correspondence with regulators and asset valuations.

CEO and CFO Assurance

The members of SDS receive a letter of representation, signed by both the CEO and the Chief Financial Officer, assuring SDS that in all material respects:

- the financial records have been properly maintained to correctly record and explain its transactions,
- the financial statements and notes required comply with the accounting standards,
- the financial statements and notes give a true and fair view of the financial position and of the performance of the organisation,
- that appropriate internal controls and risk management systems are sound, and continue to run in an efficient manner, and
- that proper retention processes are in place to ensure these records are recoverable and useable for a period of seven years.

GOVERNANCE STANDARD 7

Recognise and Manage Risk

Risk Management

SDS regards identifying and managing the risks that affect its business as key to the performance of SDS and its reputation and sustainability.

Effective risk management involves achieving an integrated and balanced approach to risk and reward, and assists us in achieving our objectives of optimizing financial growth and mitigating potential loss or damage.

Risk Management Roles and Responsibilities

SDS approves the organisation's risk identification and management strategy

and periodically reviews that strategy.

The CEO and senior managers are responsible for implementing the risk management framework, systems, controls and procedures for identifying risk and management of risks adopted from time to time by SDS.

The CEO and senior managers ensure that risks are quantified, appropriate risk limits (tolerances) are set and that financial exposures are fully reported to SDS.

Compliance Reporting

SDS monitors its compliance with key risk matters, by requiring periodic confirmation certificates from management.

The compliance coverage and depth of review is reviewed in response to changing circumstances. Compliance reporting is the responsibility of the Corporate Secretary of SDS.

Further information about risk management is set out on the next section.

RISK MANAGEMENT

SDS has a risk register which identifies risk, current controls for managing risks, further action and the plan taking that further action. The risk register is reviewed formally every 12 months. The Chief Executive Officer, on behalf of the management, periodically certifies to the members of SDS about the adequacy of current controls.

The main risks of the business of SDS are:

- Business continuity
- Data and systems security
- Financial sustainability
- Financial systems and processes
- Governance
- People
- Regulatory and contractual obligations
- Reputation
- Service delivery
- Strategic risks

MEMBERSHIP OF SYDNEY DIOCESAN SECRETARIAT

The members of SDS are appointed by the Standing Committee. The 1973 Ordinance provides that the number of members of SDS is to be not less than 8 and not more than 10. As at 25 March 2016, the members of SDS were:

Mr Mark Ballantyne

BEC, MBA, FIAA



Qualified Actuary; General Manager of Financial Wisdom with the Commonwealth Bank, having over 20 years experience in all facets of financial services. Attends East Lindfield Anglican Church.

Board member since 2009.

The Rev Ted Brush

BTh, DipMin



Rector, Parish of Lower Mountains; member National Church Life Survey Board and Archbishop's Ministry Chaplin. Previously served on Standing Committee, Mission Board of the Standing Committee, Council of St Andrew's Cathedral School, George's River Regional Council and Finance & Loans Board. Originally training as an electrical engineer with extensive experience in supply chain management both in Australian and internationally.

Board member since 2013.

Mr Greg Hammond OAM

BA (Hons), LLB (Hons), Assoc Deg Th



Consultant in banking and finance sector; solicitor; formerly partner of King & Wood Mallesons; director of Australian College of Theology, G&C Mutual Bank, Olive Tree Media Limited and Opportunity International Limited; Honorary Fellow Applied Finance Centre, Macquarie University; previous service on a number of Diocesan and other not-for-profit boards and committees. Member of Macquarie Anglican Churches.

Board member since 2014.

Mr Andrew McLoughlin

BBus, FCPA, MTax



Deputy Inspector-General of Taxation. Over 25 years banking, financial services and taxation experience. Senior management positions in industry and government service. Member of Audit Committee. Attends East Lindfield Anglican Church.

Board member since 2009.

Mr Ian Miller

BA, LL.M, ThL, MTh, GAICD



Partner, Hunt and Hunt Lawyers; member of the Hammond Care Group; Director, Church Missionary Society Trust Ltd, Australian College of Theology Ltd and Pentel Australia Pty Ltd; Chairman of Barker College Council; Consultant Editor of CCH Australia; Board of Enquiry and Parish relationships Ordinance Panels; Diocesan Representative on General Synod and Provincial Synod. Attends Beecroft Anglican Church.

Board member since 1999.

Mr John Pascoe

BEC, FCA



Partner Pascoe Whittle Chartered Accountants; Member of Standing Committee, Finance Committee, St Andrew's House Corporation, St Andrew's Cathedral Chapter and Diocesan Resources Committee; Chairman Audit Committee. Attends St Andrew's Cathedral.

Board member since 2009.

Mr Ross Smith (Chairman)

MAppFin, BEC, GAICD, Chartered Accountant



CFO Anglicare Sydney. Previously CEO, The Sargood Centre Limited. Previously a director of McGrathNicol and big four accounting firms with 25 years experience in Accounting, Finance, Corporate Restructuring and Advisory; Member of The Council of St Andrew's House Corporation. Member of Caringbah Anglican Church

Board member since 2010.

Mr Andrew Stanley

BEC, LLB, MAppFin, CA, FINSA



Head of Australian Equities, Ralton Asset Management. Over 20 years experience in financial structuring/investment banking and funds management. Previously a member of Anglican Funds Committee, Melbourne. Member of St Matthias Anglican Church Paddington.

Board member since 2014.

Bishop Michael Stead

BCom(Acc), BD(Hons), DipMin, PhD



Bishop of South Sydney; Member of Standing Committee Diocese of Sydney; Diocesan Representative on General Synod; Member of General Synod Standing Committee; Secretary of the General Synod Doctrine Commission. Prior to ordination, worked for PricewaterhouseCoopers from 1990-1996.

Board member since 2015.

Prof Peter Wolnizer OAM

BEC, MEc PhD, FCA, FCPA



Professor Emeritus at The University of Sydney; formerly Dean of the Faculty of Economics and Business (1999-2010) and Professor of Accounting. Chairman of the International Accounting Education Standards Board (2012-2014). Member Council of Moore College (2000-2004). Attends St Andrew's Cathedral.

Board member since 2012.

Bishop Robert Forsyth retired as a member of SDS in November 2015 upon the expiration of his term of office.

5 YEAR FINANCIAL SUMMARY

The income and expenses of SDS for 2015 were as follows (with comparatives for 2011-2014).

Further information about income and expenses can be found in the Financial Accounts of SDS for 2015.

\$000	2015	2014	2013	2012	2011
INCOME					
Total Income	7,541	7,367	7,181	6,897	7,751
EXPENSES					
Staff Expenses	4,564	4,409	4,283	4,257	5,413
Other Expenses	2,489	2,390	2,582	2,493	2,608
NET SURPLUS	488	568	316	147	(270)

The balance sheet of SDS as at 31 December 2015 can be summarised as follows (with comparatives for 2011-2014)

\$000	2015	2014	2013	2012	2011
ASSETS					
CURRENT ASSETS					
Cash	5,338	8,487	3,834	3,594	4,889
Other	280	377	312	95	692
NON-CURRENT ASSETS					
Investments	-	-	-	-	-
Lease Incentive	16	23	27	-	-
Fixed Assets	987	1,068	1,301	1,183	1,071
TOTAL ASSETS	6,621	9,955	5,464	4,872	6,652
LIABILITIES					
CURRENT LIABILITIES					
Payables	454	420	371	301	628
Interest bearing liabilities	960	4,968	1,255	1,418	2,887
Provisions	1,094	940	778	780	942
NON-CURRENT LIABILITIES					
Provisions	552	555	556	185	154
TOTAL LIABILITIES	3,060	6,883	2,960	2,684	4,611
NET ASSETS	3,561	3,072	2,504	2,188	2,041
EQUITY					
Capital	2,062	2,062	2,062	2,062	2,062
Reserves	1,066	549	215	-	-
Accumulated Surpluses	433	461	227	126	(21)
TOTAL EQUITY	3,561	3,072	2,504	2,188	2,041

SDS