



# SYDNEY DIOCESAN SECRETARIAT

———— Annual Report 2014 ————



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

# OUR VISION

SDS will be a **highly regarded** organisation of the Diocese which –

- demonstrates leadership across the Diocesan network and beyond
  - encourages positive relationships to enhance the effectiveness of the network
- is a sustainable long term partner in the mission of the Diocese

SDS will be **valued** by the organisations we serve by –

- understanding their mission
- meeting their service expectations in a cost efficient manner
- anticipating and responding to their needs with effective solutions

SDS will provide a **caring and professional** Christian environment where our staff are –

- empowered to serve and engaged for service
  - continuously learning
- making effective use of their skills and experience
  - widely recognised for their contribution



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# 2014 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 2014 were as follows.



## Synod and Standing Committee



- 1st session of the 50th Synod held over 5 days involving more than 600 members, 50 elections, 51 questions, 47 substantive resolutions and 7 ordinances.
- Managed over \$22 million of Synod allocations and parish cost recovery disbursements.
- 11 meetings of the Standing Committee and 58 meetings of its permanent sub-committees.

## Anglican Church Property Trust Diocese of Sydney



- Review and development of policies for the demolition of buildings and structures, administration of grants, leasing of licencing and building contracts for major projects.
- Management of the Long Term Pooling Fund.
- Marketing for sale of Bishopscourt.
- Facilitating of grants under the Community Building Partnership Scheme.
- Overseeing the development of proposals for the rebuilding of the Dulwich Hill church hall.
- Ongoing management of the Church Insurance Program.

### Glebe Administration Board as trustee of the Diocesan Endowment



- Surplus in 2014 of \$11.43 million, being a return on opening equity of 8.4%.
- Distributions of \$3.6 million paid for spending by the Synod.
- Net assets increased to \$143.3 million from \$135.6 million.

### St Andrew's House Corporation



- St Andrew's House fully tenanted.
- Net operating surplus in 2014 of \$8.6 million.
- Distributions of \$4.8 million paid during 2014.
- Increase in building value by \$5 million to \$114 million.
- Capital works undertaken for energy efficiency, electrical and fire safety.

### Mission Property Committee



- Acquisition of a 2.5 hectare greenfields site at Riverstone for a new ministry centre.
- Acquisition of a 2 hectare greenfields site at Leppington for a new ministry centre, and a residential lot at Willowdale for a ministry residence.
- Commencement of construction of the new Oran Park Ministry Centre.

### Finance & Loans Board

- Net surplus in 2014 of \$600,000.
- New loans totalling \$2.9 million made during 2014.
- Appointed by the Standing Committee to review parish borrowing proposals which require a mortgaging ordinance.
- Commenced work on the development of its strategic plan.

### KEY OUTCOMES

Key outcomes of our own performance in 2014 were as follows –

- Performance in accordance with the agreed service level standards
- Surplus (after transfers to reserves) of \$233,000



## 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.

In accordance with our charter, our focus is to provide professional services to the diocesan organisations we support and, by so doing, assist those organisations to be more effective in their mission.

SDS exists to assist diocesan organisations meet their objectives and mission. The fees received from providing services to those organisations 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 Strategic Plan for 2013-2015 commits us to enhance further our contribution to the mission of the Diocese by meeting the service expectations of these organisations in a cost effective manner and by anticipating and responding to their needs with effective solutions. The reforms undertaken by SDS in recent years, particularly in relation to governance, risk management and service delivery, give us great confidence that SDS will continue to be an organisation which demonstrates leadership across the Diocese and is a sustainable long term partner in mission.

There were several changes in the membership of SDS during 2014 –

- Ben Koo, a member since November 2009, retired in November 2014 when his current term of office came to an end. We are particularly thankful to God for Ben's wisdom and dedication, especially in more recent times as Ben continued to faithfully serve while living overseas.
- Greg Hammond and Andrew Stanley were appointed to the board in November 2014. Further information about Greg and Andrew (and other members) is set out later in this report. We look forward to their contribution to our work.

I thank my fellow members for their 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 organisations we support, will bring glory to His name in the Diocese and beyond.

**ROSS SMITH**  
Chairman





# CHIEF EXECUTIVE OFFICER'S REPORT

## INTRODUCTION

SDS is a service provider to the main central diocesan organisations, including 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.

In accordance with its charter set out in the Sydney Diocesan Secretariat Ordinance 1973, SDS provides finance, administrative, management and secretarial services to those organisations. An important part of our administrative and management role is to co-ordinate and oversee the provision of other services by external service providers.

Our Strategic Plan for 2013-2015, commits SDS to enhance the services we provide to the organisations we serve.

Our governance statement, which is summarised elsewhere in this Annual Report, reflects our 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

The Strategic Plan has the following 3 objectives –

- to enhance the contribution of SDS to the mission of the Diocese, through enhancing the service to the organisations we serve, and
- to further encourage and support our staff by giving them assurance about the future direction of the organisation, and
- to provide a framework for SDS to make decisions about business development, budgeting and resource allocation.

The Strategic Plan comprises 3 vision statements, 8 key objectives and an action plan covering the years 2013 to 2015.



The Vision Statements are as follows –

<b>Our Vision for 2015</b>
<b>SDS will be a highly regarded service organisation of the Diocese which –</b>
<ul style="list-style-type: none"> <li>• demonstrates leadership across the Diocesan network and beyond,</li> <li>• encourages positive relationships to enhance the effectiveness of the network</li> <li>• is a sustainable long term partner in the mission of the Diocese.</li> </ul>
<b>SDS will be valued by the organisations we serve by –</b>
<ul style="list-style-type: none"> <li>• understanding their mission,</li> <li>• meeting their service expectations in a cost efficient manner,</li> <li>• anticipating and responding to their needs with effective solutions.</li> </ul>
<b>SDS will provide a caring and professional Christian work environment where our staff are –</b>
<ul style="list-style-type: none"> <li>• empowered to serve and engaged for service,</li> <li>• continuously learning,</li> <li>• making effective use of their skills and experience,</li> <li>• widely recognised for their contribution.</li> </ul>

For the purpose of achieving the Vision for 2015, as described by the 3 Vision Statements, the following 8 key objectives have been determined –

- Demonstrating leadership.
- Being highly regarded and valued.
- Being a sustainable long term partner.
- Meeting the needs of the organisations we serve.
- Enhancing our support of parishes.
- Simplifying what we do.
- Maintaining a caring Christian work environment.
- Engaging and empowering our staff.

# CHIEF EXECUTIVE OFFICER'S REPORT

Action plans for each objective have been determined, and consolidated into one overall action plan for SDS. The action plan describes not only the actions to be undertaken but also the timing for undertaking those actions during the years 2013-2015. The action plan is the basis of ongoing reporting to SDS about the progress towards achieving the objectives and the Vision.

## HIGH LEVEL MEASURES OF PERFORMANCE

To assess the progress of SDS in accordance with the Strategic Plan, 5 high level measures of performance have been adopted 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 in a reserve for lease make good works, and
- “return” means the surplus of SDS earned during that year less the amount from that surplus to be transferred to the reserve for lease make good works and interest earned during that year in respect of that reserve.

The amounts set aside in a reserve for make good works and the amount transferred to that reserve from the surplus are excluded amounts because they are considered to be extraordinary payments relating to the leases of levels 1 and 2 of St Andrew's House and are to be incurred on a “one-off” basis when the present leases expire. The return on opening equity for 2013 was 7.7% and 2014 was 17.6%.

The increase in the return on equity in 2014 is due to a larger surplus earned in 2014.

The main reasons for the surplus in 2014 were as follows –

- Additional interest income of \$32,000 was earned by reason of the investment of cash held by SDS in higher yielding term deposits.
- Staff and related expenses were \$140,000 under budget due primarily to under expenditure on key projects proposed to be undertaken by SDS in 2014 but not yet commenced.
- Energy costs were \$63,000 less than budget, by reason of initiatives taken within the St Andrew's building and the SDS tenancies to reduce energy consumption.
- There were savings in other expenses such as professional fees (\$26,000), printing and stationery (\$24,000), entertainment and travel (\$13,000), and miscellaneous expenses (\$23,000).
- The surplus includes an amount of \$70,000 proposed to be allocated to a reserve for capital maintenance.

From the surplus in 2014, \$70,000 has been allocated to the reserve for capital maintenance and \$115,000 to a reserve for future projects (business development). It is likely that a substantial portion of the balance of the surplus, together with the reserve (for future projects), will be allocated in due course to projects which SDS proposes undertaking.

## CARE & SAFETY

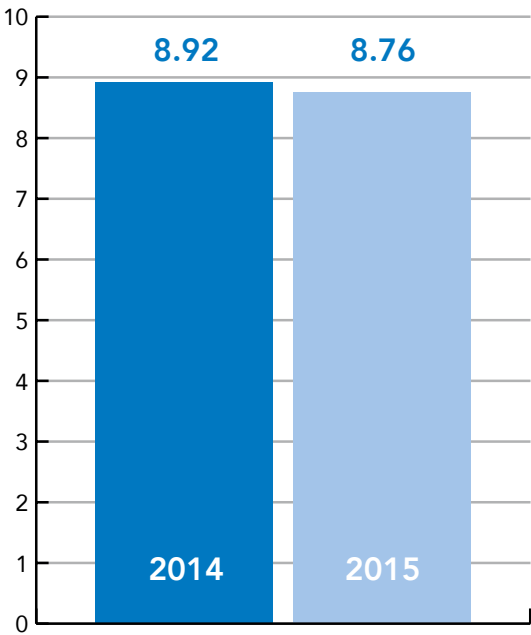
The care and safety measure states that SDS will ensure that the number of staff work health and safety notifiable incidents is not more than 2 per annum. Incidents occurring when a staff member is travelling to or from work are excluded for this purpose, as those incidents are beyond the control of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

There was 1 notifiable incident in 2013 and no notifiable incidents in 2014.

### 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 first annual survey of the members of major organisations we serve (to set the base for the average score about the degree to which we are valued) was undertaken in March 2014. The second annual survey of those organisations was undertaken in March 2015. The following graph outlines the average response (out of a total score of 10) of the members of those organisations to the question "Overall how satisfied are you with the service provided by SDS to your organisation?"

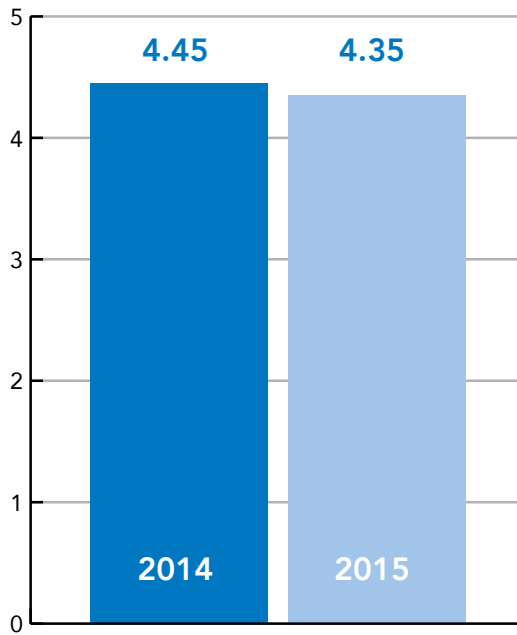


It is to be noted that the 2015 result shows a small reduction in the average score for overall satisfaction with the service provided by SDS. However, the result for 2014 establishes a very high base.

### 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 first annual survey of our staff (to set the base for the average score about staff satisfaction) was undertaken in February 2014. The second annual survey was recently completed. In the survey, staff were asked 18 questions related to their work at SDS. The following graph 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 2015 survey shows a small reduction in the average score for overall satisfaction for working for SDS. However, the result for 2014 establishes a very high base.

# CHIEF EXECUTIVE OFFICER'S REPORT

## 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 organisations we serve, to be measured by an increase in the average score from annual surveys undertaken of our parishes.

In order to obtain feedback from parishes about the services provided, in December 2014, a parish survey was undertaken. The survey asked 10 questions to obtain feedback about the services provided by SDS and comment about –

- the services found to be the most useful, and why
- the services the parish would like to see improved, and why
- thinking broadly, new or additional services and support that the parish would find useful.

The feedback and comment provided by parishes was mainly in free form. It covered a range of issues, among other things, the survey has confirmed the need to substantially enhance our website and the electronic availability of information. As a consequence of the feedback and comment provided, we undertook 5 regional face to face consultations with parish representatives during April 2015 to discuss in more detail the parish responses and how better support can be provided to parishes. The data gathered from these consultations is now being reviewed and will guide the actions we need to take in this area.

## 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 the major 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. No material issue of non-performance with our service obligations was identified during 2014.

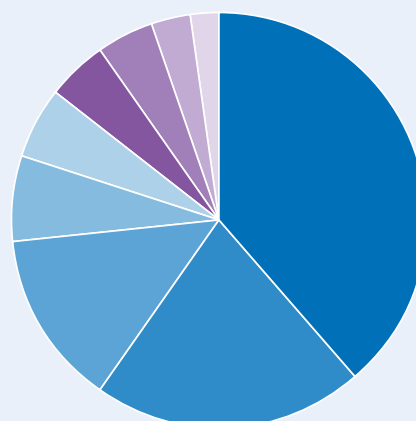
## FUNDING OF SDS

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 2014 was \$7.4 million, compared to \$7.2 million in 2013. Of that amount \$6.8 million comprised the fees charged to diocesan organisations served by SDS, and \$600,000 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 –

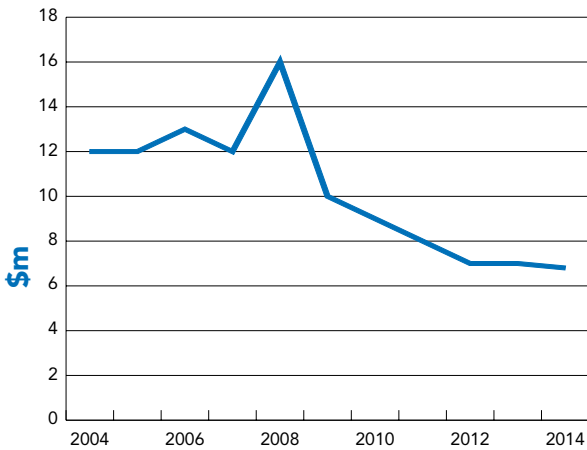
THE SOURCE OF FEES CHARGED TO THE DIOCESAN



### OPERATING EXPENSES OF SDS

SDS has significantly reduced its operating expenses in recent years. The following table shows the expenses of SDS in 2014, and in prior years.

OPERATING EXPENSES OF SDS

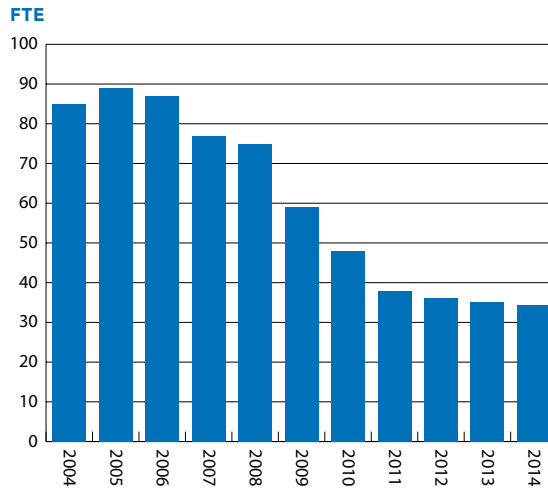


While all expenses of SDS are periodically reviewed the reduction in total expenses is largely the result of reductions in staff numbers. Generally, staff costs have been about 65% of SDS's total expenses.

A significant factor in the reduction in staff numbers has been the outsourcing to external providers of services previously provided by SDS. SDS is conscious of the additional demands that the reduction of staff numbers places on remaining staff and, with this in mind, has developed an extensive range of policies and procedures for people, learning and culture to better care for our staff.

The change in staff numbers in recent years on a full time equivalent (FTE) basis has been as follows –

STAFF NUMBERS



### WORK HEALTH & SAFETY

Work health and safety remains an important focus of SDS and its senior management. 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.

### CONCLUSION

SDS has undertaken significant reform in recent years, particularly in relation to enhancing governance, risk management and service delivery processes. The results of the reforms to date indicate that SDS has made substantial progress in enhancing its contribution to the work in the organisations we serve and, through them, the ministry of the Diocese. The strategic plan for 2013-2015 is designed to enable SDS to further enhance its contribution to the work of the organisations we serve.

- Glebe Administration Board (Diocesan Endowment) (\$2,470,000)
- Anglican Church Property Trust (\$1,355,000)
- Synod (\$865,000)
- St Andrew's House Corporation (\$415,000)
- Insurance Fund (\$366,000)
- Endowment of the See (\$295,000)
- Parish Cost Recoveries (\$292,000)
- Mission Property (\$180,000)
- Finance & Loans Board (\$141,000)

**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 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 (ABN 69 226 342 710) is a registered charity with the Australian Charities & Not-for-profits Commission ("ACNC"). SDS has lodged with the ACNC an Annual Information Statement for 2014 which complies with the requirements of the Australian Charities and Not-for-profits Commission Act 2012.

# ACCESS

The principal office of SDS is Level 2, St Andrew's House, Sydney Square

**Postal address:**

PO Box Q190,  
QVB Post Office,  
NSW 1230

**Telephone:**

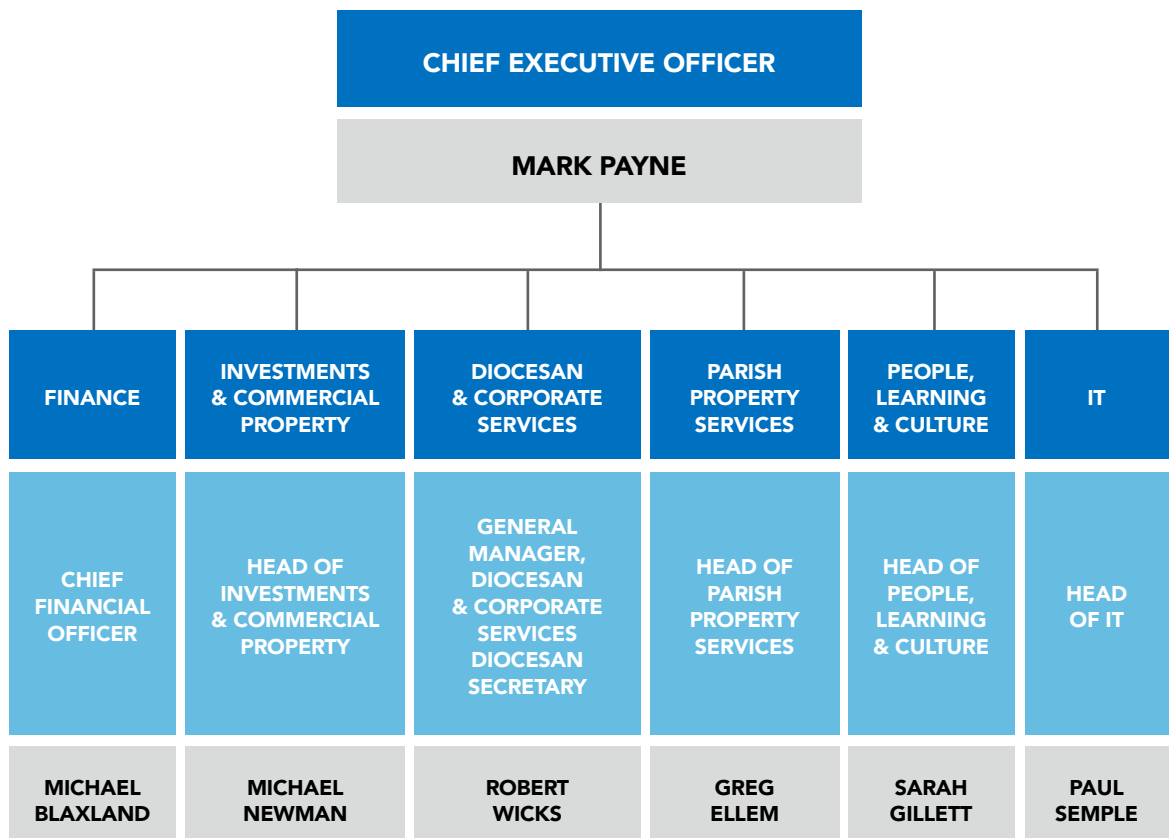
(02) 9265 1555

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 2014, SDS had 34.3 employees (or a full time equivalent basis). The following diagram outlines the organisation structure –

## 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 that apply to charities registered with the ACNC and the revised "Corporate Governance Principles and Recommendations" (3rd Edition, 2014) published by the ASX Corporate Governance Council.

While SDS is not a company, it recognises that the principles and recommendations of the ASX Corporate Governance Council are useful guides to determine and administer SDS's governance standards.

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 below.

## 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 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.

## 2. ROLES AND RESPONSIBILITIES

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

- providing leadership and setting the strategic objectives of SDS, and
- appointing the Chairman and Deputy Chairman, and
- appointing, and where necessary

- replacing, the Chief Executive Officer, and
- approving the appointment, and when necessary replacement, of other senior executives, and
- overseeing management's implementation of SDS's strategic objectives and its performance generally, and
- approving operating budgets and major capital expenditure, and
- overseeing the integrity of SDS's accounting and corporate reporting systems, including the external audit, and
- overseeing SDS's process for making timely and balanced disclosure of information to its stakeholders, and
- 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 (the "CEO"), 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.

## 3. MEMBERSHIP

### Membership of SDS

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

# GOVERNANCE STANDARDS

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.

## **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, and
- 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, and



- 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.

## 5. ACTING ETHICALLY AND RESPONSIBLY

SDS promotes ethical and responsible conduct.

Responsibilities of members at 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.

## 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, and
- its financial reports fully inform the members as to financial exposures, and
- its accounting methods are comprehensive and relevant and comply with applicable accounting rules and policies, and
- 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, and
  - 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, and
- the financial statements and notes required comply with the accounting standards, and
- the financial statements and notes give a true and fair view of the financial position and of the performance of the organisation, and
- 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.

## **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 –

1. Business continuity
2. Data and systems security
3. Financial sustainability
4. Financial systems and processes
5. People
6. Regulatory and contractual obligations
7. Reputation
8. Service delivery
9. 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 2015, the members of SDS were –

Name	Brief Biography	Photo
<p><b>Mr Mark Ballantyne</b> BEc, MBA, FIAA</p>	<p>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.</p> <p>Board member since 2009.</p>	
<p><b>The Rev Ted Brush</b> BTh, DipMin</p>	<p>Rector, Parish of Lower Mountains; member National Church Life Survey Board and Archbishop's Ministry Chaplain. 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 &amp; Loans Board. Originally training as an electrical engineer with extensive experience in supply chain management both in Australian and internationally.</p> <p>Board member since 2013.</p>	
<p><b>Bishop Robert Forsyth</b> BA, BD, ThL, DipA, MTh</p>	<p>Bishop of South Sydney; Chairman of Anglican Media Council, Archbishop's Liturgical Panel and EU Graduates Fund; Member of Standing Committee Diocese of Sydney; Diocesan Doctrinal Commission, Standing Committee of General Synod; Diocesan Representative on General Synod; Corporate Trustee of Anglican Church of Australia; member of Audit Committee.</p> <p>Board member since 2000.</p>	
<p><b>Mr Greg Hammond</b> BA (Hons), LLB (Hons), Assoc Deg Th</p>	<p>Consultant in banking and finance sector; solicitor; formerly partner of King &amp; Wood Mallesons; director of Australian College of Theology, G&amp;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.</p> <p>Board member since 2014.</p>	

Name	Brief Biography	Photo
<p><b>Mr Andrew McLoughlin</b> BBus, CPA, MTax</p>	<p>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.</p> <p>Board member since 2009.</p>	
<p><b>Mr Ian Miller</b> BA, LLM, ThL, MTh, GAICD</p>	<p>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.</p> <p>Board member since 1999.</p>	
<p><b>Mr John Pascoe</b> (Deputy Chairman) BEc, FCA</p>	<p>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.</p> <p>Board member since 2009.</p>	
<p><b>Mr Ross Smith</b> (Chairman) MAppFin, BEc, GAICD, Chartered Accountant</p>	<p>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.</p> <p>Board member since 2010.</p>	
<p><b>Mr Andrew Stanley</b> BEc, LLB, MAppFin, CA, FINSA</p>	<p>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.</p> <p>Board member since 2014.</p>	
<p><b>Prof Peter Wolnizer OAM</b> BEc, MEc PhD, FCA, FCPA</p>	<p>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.</p> <p>Board member since 2012 and member of Audit Committee since 2012.</p>	

Mr Ben Koo retired as a member of SDS in November 2014 upon the expiration of his term of office.

# 5 YEAR FINANCIAL SUMMARY

The income and expenses of SDS for 2014 were as follows (with comparatives for 2010-2013).

Further information about income and expenses can be found in the Financial Accounts of SDS for 2014.

\$000s	2014	2013	2012	2011	2010
<b>Income</b>					
Total Income	7,367	7,181	6,897	7,751	9,536
<b>Expenses</b>					
Staff Expenses	4,409	4,283	4,257	5,413	6,053
Other Expenses	2,390	2,582	2,493	2,608	3,324
<b>Net Surplus</b>	<b>568</b>	<b>316</b>	<b>147</b>	<b>(270)</b>	<b>159</b>

The balance sheet of SDS as at 31 December 2014 can be summarised as follows (with comparatives for 2010 2013) –

<b>\$000s</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Assets</b>					
<b>Current Assets</b>					
Cash	8,487	3,824	3,594	4,889	4,414
Other	377	312	95	692	213
<b>Non-Current Assets</b>					
Investments	-	-	-	-	500
Lease Incentive	23	27	-	-	-
Fixed Assets	1,068	1,301	1,183	1,071	908
<b>Total Assets</b>	<b>9,955</b>	<b>5,464</b>	<b>4,872</b>	<b>6,652</b>	<b>6,035</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Payables	420	371	301	625	580
Interest Bearing Liabilities	4,968	1,255	1,418	2,887	1,906
Provisions	940	778	780	942	971
<b>Non-Current Liabilities</b>					
Provisions	555	556	185	154	267
<b>Total Liabilities</b>	<b>6,883</b>	<b>2,960</b>	<b>2,684</b>	<b>4,611</b>	<b>3,725</b>
<b>Net Assets</b>	<b>3,072</b>	<b>2,504</b>	<b>2,188</b>	<b>2,041</b>	<b>2,310</b>
<b>Equity</b>					
Capital	2,062	2,062	2,062	2,062	2,062
Reserves	549	215			
Accumulated Surpluses	461	227	126	(21)	248
<b>Total Equity</b>	<b>3,072</b>	<b>2,504</b>	<b>2,188</b>	<b>2,041</b>	<b>2,310</b>

