

2016

ANNUAL REPORT

SYDNEY DIOCESAN SECRETARIAT

SUPPORTING THE MISSION OF THE ANGLICAN CHURCH IN THE DIOCESE OF SYDNEY

SDS

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 four, 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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2016 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 2016 were as follows.

SYNOD AND STANDING COMMITTEE

- Special session of Synod held to approve the merger of Anglicare and Anglican Retirement Villages.
- Clergy Parental Leave and Anglican Schools Ministry Ordinances passed at ordinary session of Synod.
- Launch of Clergy Assistance Program in collaboration with the Episcopal team and Anglicare (61 clients).
- Renewal of stipends continuance insurance policy with cost increase moderated by active return-to-work case management.
- Diocesan researcher appointed with significant contribution to preparing the Synod booklet "What has God joined together?" and other diocesan social policy initiatives.
- Administered parish cost recoveries processes involving 10 instalments (no unpaid charges), 450 clergy, monthly superannuation, stipend continuance contributions and quarterly long service leave contributions.
- Managed over \$23.6 million of Synod allocations and parish cost recovery disbursements.

ANGLICAN CHURCH PROPERTY TRUST DIOCESE OF SYDNEY

- Oversight of the management of parish properties, including a key sale and purchases transaction on behalf of the parish of Dundas/Teloepa and 18 purchases or sales for other parishes.
- Management of the Long Term Pooling Fund with an investment return of 8.2%.
- Settled the sale of Bishopscourt.
- Facilitated grants totalling \$850,000 on behalf of 42 parishes under the Community Building Partnership Scheme.
- Administered 25 construction contracts for parishes, including the rebuilding of the Dulwich Hill church hall.

GLEBE ADMINISTRATION BOARD

- Surplus of \$13.7 million earned on the Diocesan Endowment, being a return on opening equity of 9%.
- Distributions of \$4.3 million from the Diocesan Endowment were paid for spending by the Synod.
- Net assets increased to \$161.5 million from \$152.2 million.
- Triennial review of investments of Diocesan Endowment completed, resulting in new asset allocation and investment objective.
- Ethical investment policy approved and endorsed by the Standing Committee.
- Triennial review of the investments of the Diocesan Endowment completed, resulting in a new asset allocation and investment objective.
- Closure of Glebe Income Accounts continued.
- Diocesan Cash Investment Fund established as the new treasury vehicle to manage cash on behalf of diocesan organisations.

ST ANDREW'S HOUSE CORPORATION

- Net operating surplus of \$9.4 million and net assets of \$129.3 million.
- Distributions paid of \$5.04 million.
- St Andrew's House valued at \$137 million (\$125 million in 2015).
- Capital works undertaken in respect of enhancing building security, fire safety works and other improvements.
- 10 year lease of part of level 1 to Anglican Deaconess Ministries.

MISSION PROPERTY COMMITTEE

- Provision of ministry housing at Leppington in the South West and Rouse Hill in the North West.
- Purchase of Rossmore Church site to facilitate ministry in the parish of South Creek and future land release areas.
- Approvals obtained and construction commenced of Leppington ministry centre (Stage 1).
- Development applications lodged for new ministry centres at Stanhope Gardens and Riverstone.
- Identification of land to purchase at Box Hill, Bringelly, St Mary's, West Dapto and Wilton Junction.

FINANCE & LOANS BOARD

- Net operating surplus of \$0.42 million and net assets of \$16.1 million.
- New loans totalling \$4.27 million made for 10 parishes.
- Review of 4 parish mortgaging ordinances undertaken on behalf of the Standing Committee.

CHAIR'S REPORT



ROSS SMITH
CHAIR

It is my privilege to continue to serve as the chair of SDS, with fellow board members who are committed and engaged, and with a professional staff team led by Robert Wicks, the Acting 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 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 2016:

- Mr Ian Miller, a member since 23 August 1999, retired in November 2016 when his term of office came to an end. We are thankful to God for his service.
- Mr Andrew McLoughlin, a member since 7 December 2009, retired in November 2016 when his term of office came to an end. We are thankful to God for his service.

I thank my fellow members for their ongoing contribution to the work of SDS.

Mr Mark Payne resigned as the Chief Executive Officer

in November 2016, having served in the role since 2010 and in other roles at SDS since 1991. I thank Mr Payne for his long service at SDS.

I also thank Robert Wicks 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

CHIEF EXECUTIVE OFFICER'S REPORT



ROBERT WICKS
ACTING CHIEF EXECUTIVE OFFICER

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 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.

For each year of our Strategic Plan we identify specific action items to achieve these strategic objectives. Our action items for 2016 were –

- 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 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 and GAB.
- Facilitate general governance training for members of diocesan organisations and parish office holders.
- Ensure we are effectively managing key people and developing future leaders.
- Provide a caring and encouraging Christian workplace.
- Review our succession planning strategies for key roles.
- Review our key costs and ensure they are appropriate.

By the end of 2016 the majority of these action items had been completed or substantially completed, with the remainder proposed for completion in 2017.

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

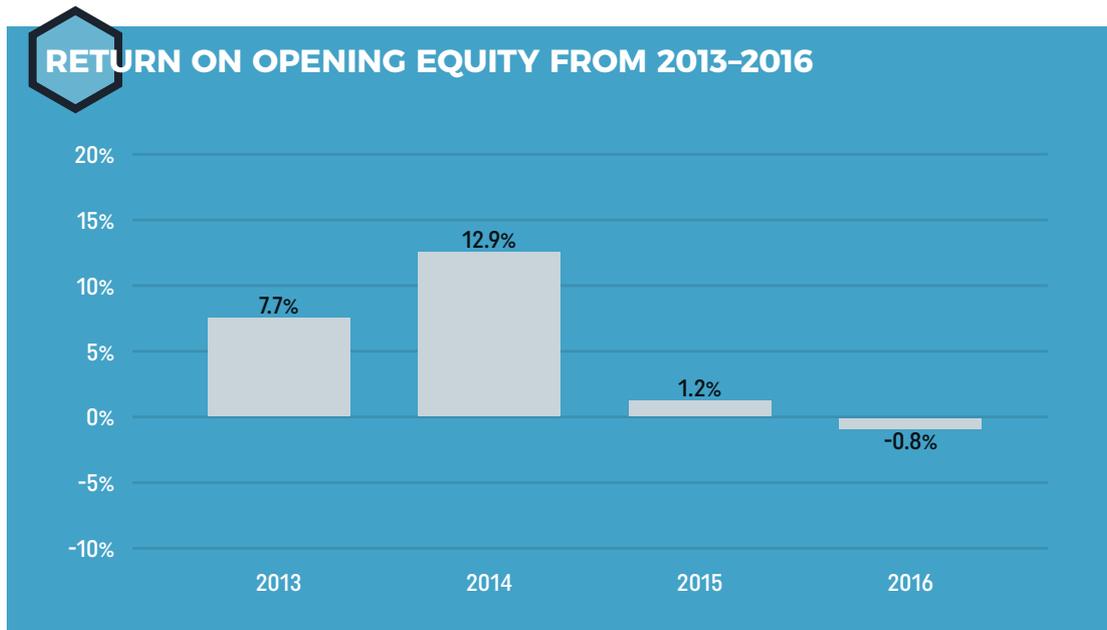
FINANCIAL

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, 2015 and 2016 was as follows:



The return on opening equity for SDS for 2016 has been calculated after:

- a transfer of \$169,000 to the fit out reserve for the costs of undertaking the fit out of premises upon expiration of SDS’s current leases, and
- a transfer of \$81,700 from the information, communication and technology reserve to retained earnings reflecting the cost of the new communications system implemented in 2016.

Due to a number of unbudgeted expenses, the return on opening equity for SDS for 2016 did not meet the 4% return objective. However it is to be noted that over the period 2013- 2016 the average annual return on opening equity was 5.4%.

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 2016 (2015: 0 incidents).

BEING VALUED BY THE ORGANISATIONS WE SERVE

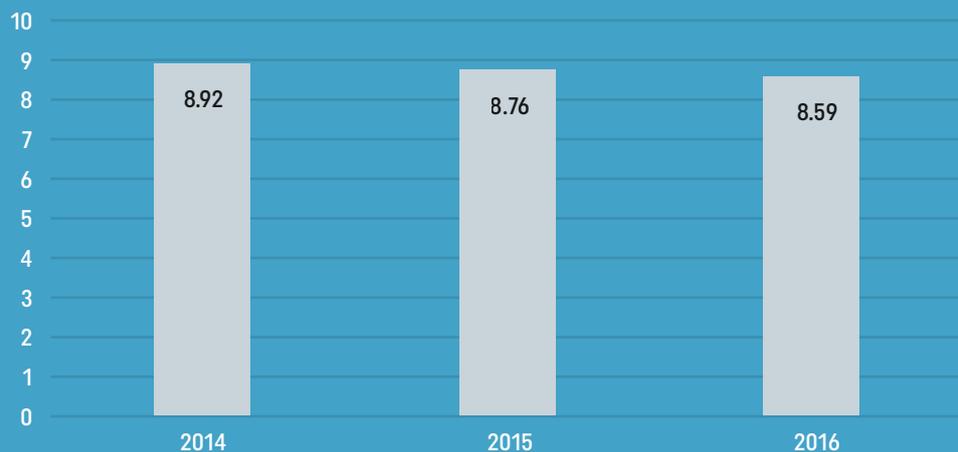
By this measure SDS seeks to show continuous improvement in the degree to which we are valued by the organisations we serve, to be measured by an increase in the average score from annual surveys undertaken of those organisations.

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

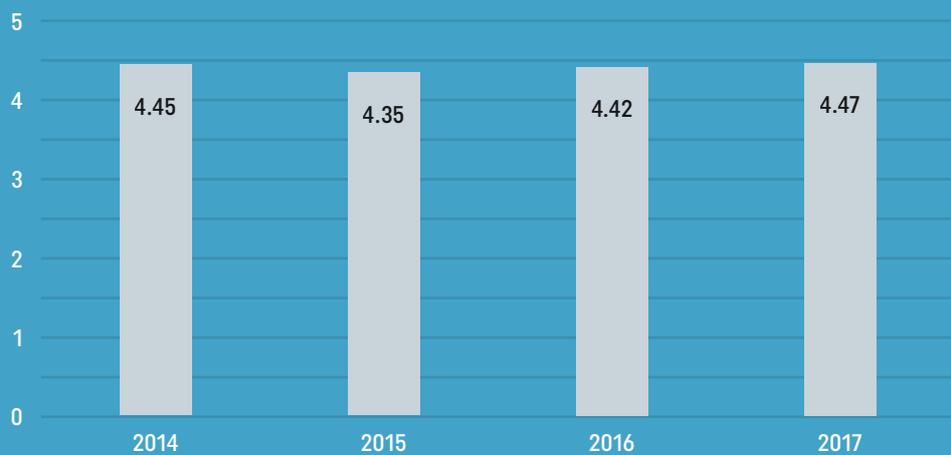
By this measure SDS seeks to show continuous improvement in the degree to which our staff are satisfied with their work, to be measured by an increase in the average score from annual surveys undertaken of our staff.

The annual surveys of our staff (to set the base for the average score about staff satisfaction) were commenced in 2014 and have been undertaken in February each year subsequently. The fourth 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 2017 survey shows an increase in the overall satisfaction of our staff compared to 2016.



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.

During 2016, we undertook a number of initiatives to enhance our support of parishes as part of our Strategic Plan. In 2017 we will:

- Continue to enhance the functionality and information on our website for parishes.
- Ensure our communications to parishes are clear, concise, relevant and appropriately targeted.
- Undertake a pilot training video and webinar trial for parish officers.
- Undertake a 12 month trial of clergy contact persons.

We expect to finalise in 2017 an effective way to measure parish satisfaction with the support provided by SDS.

SERVICE DELIVERY

SDS has written service level 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.

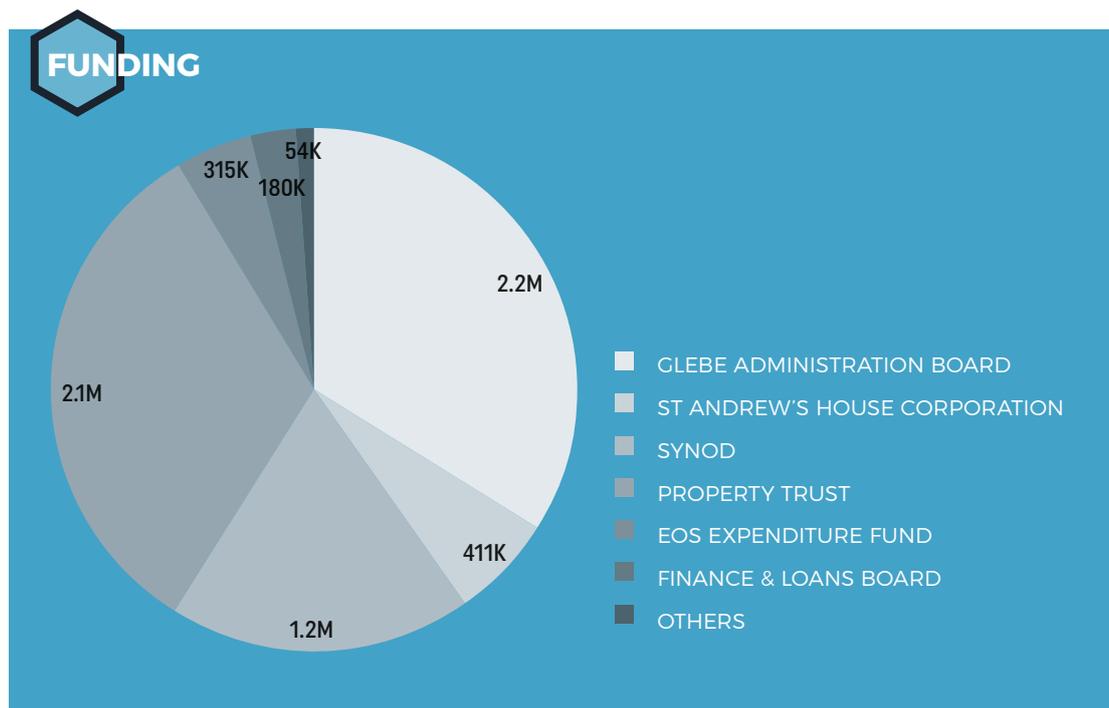
The performance by SDS against the service level standards for each organisation is formally reviewed by SDS in consultation with the organisation every 6 months. This review is in addition to the surveys of the members of the organisations we serve referred to earlier in this report. No material issue of non-performance with our service obligations was identified during 2016.

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 2016 was \$7.6 million, compared to \$7.5 million in 2015. Of that amount \$6.5 million comprised the fees charged to diocesan organisations served by SDS, and \$1.1 million 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:

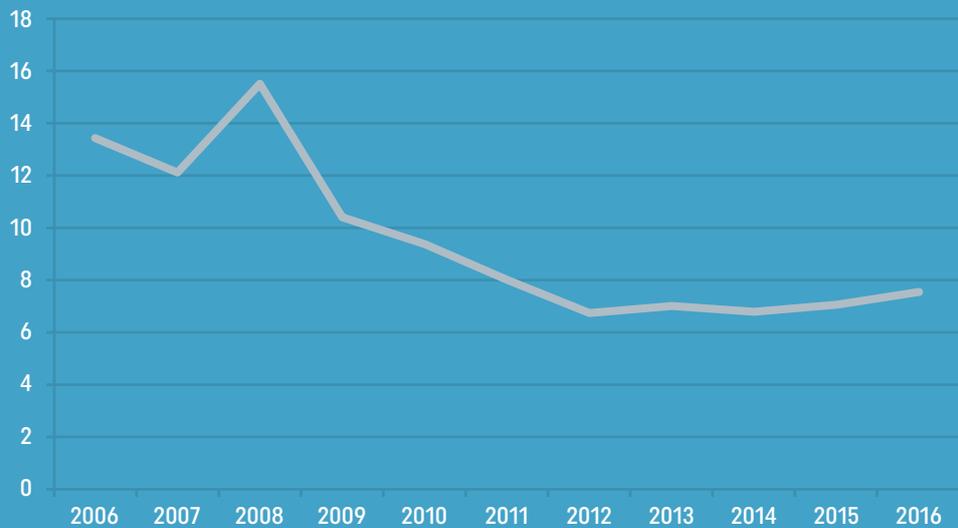


OPERATING EXPENSES OF SDS

The table shows the operating expenses of SDS in 2016, and in prior years.

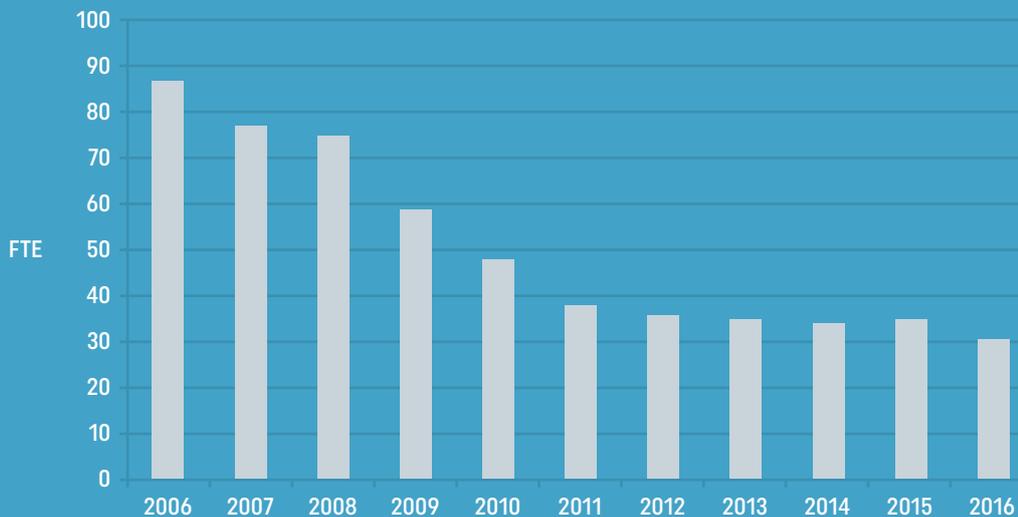
The increase in operating expenses in 2016 compared to 2015 was 7%. The main contributors to the increase in operating expenses was the increase in staff costs (7.5%), the fee of \$100,000 paid to St Andrew's House Corporation for the partial surrender of a lease, offset by the decrease in rent and occupancy expenses (4%). All expenses of SDS are periodically reviewed to ensure they are appropriate.

OPERATING EXPENSES



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

CHANGE IN NUMBERS OF FULL TIME STAFF



STAFF CARE AND WORK HEALTH & SAFETY

Staff care and work health and safety remain important focuses 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.

CONCLUSION

SDS continues to serve the Diocese well in relation to proper governance, risk management and service delivery. Our work in 2016 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.

Robert Wicks

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.

CHARITY STATUS

SDS (ABN 69 266 342 710) is registered as a large charity under the Australian Charities and Not-for-profits Commission Act 2012 (the "ACNC Act").

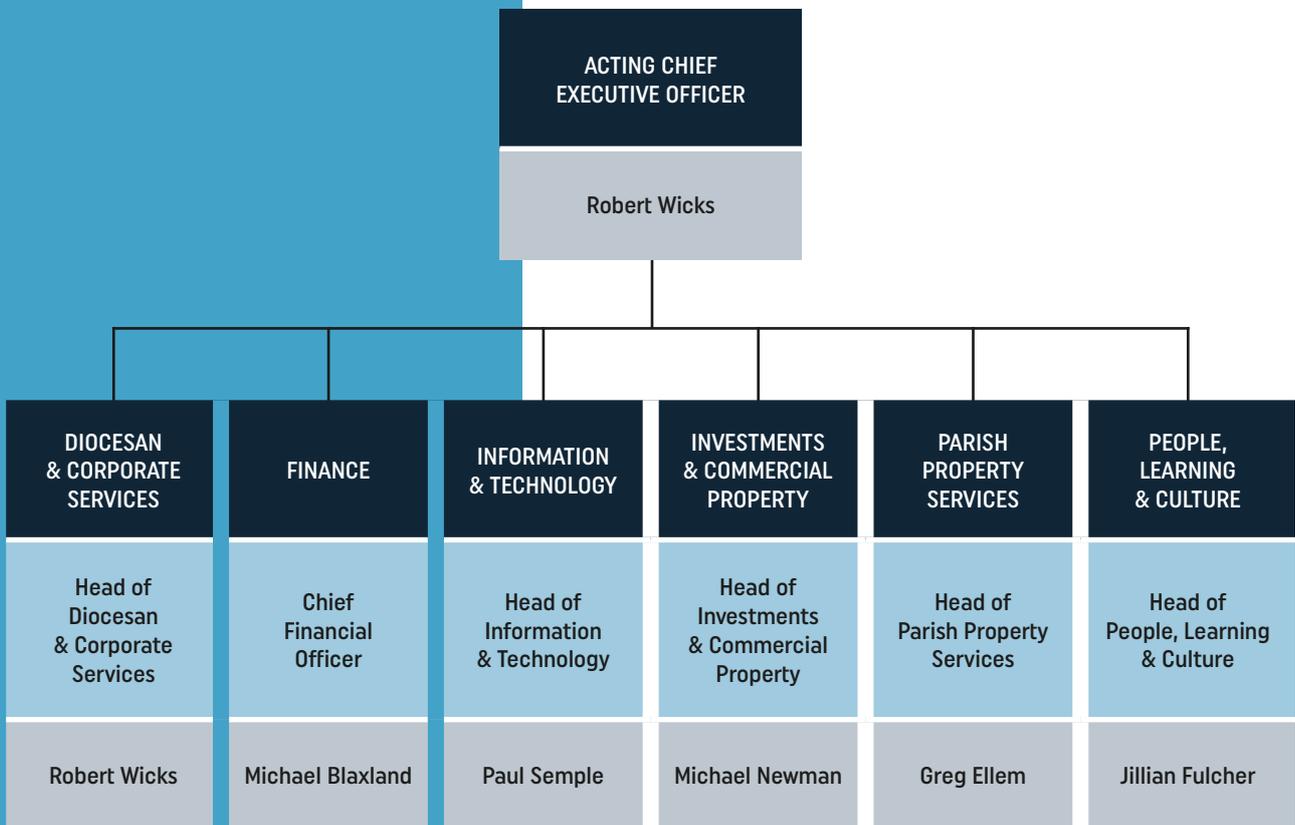
An annual information statement for 2016 which complies with the ACNC Act has been given to the ACNC. SDS is a basic religious charity under the ACNC Act which means that SDS is exempted from the financial reporting and auditing requirements under the ACNC Act.

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 2016, SDS had 30.6 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, www.sds.asn.au.

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 Chair and Deputy Chair,
- 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 Chair, 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 Chair, 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.

Responsibility of members to 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, and
- 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 Chair'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.

CONFORMITY WITH SYNOD'S GOVERNANCE POLICY

The provisions of the Sydney Diocesan Secretariat Ordinance 1973 and SDS's Governance Statement and other board policies generally conform to the requirements of the Synod's Governance Policy for Diocesan organisations. The main areas of non-conformity are:

- The minimum number of board members being 8 (rather than 9).
- The absence of a provision which requires at least 2 board members to be clergy or to have formal theological education.
- Grounds upon which casual vacancies arise in SDS's membership including disqualification by the ACNC Commission at any time during the preceding 12 months from being a responsible entity of a registered entity.
- Statements of personal faith to be signed by members of SDS and the Chief Executive Officer before being appointed.
- Prohibition on SDS members being reimbursed for their services (except for reimbursement of reasonable out of pocket expenses).
- Limit of 14 consecutive years for membership of SDS.
- Inclusion of specific not-for-profit and winding-up provisions in SDS's constitution.

It is anticipated that each of these areas of non-conformity with the Synod's policy will be addressed in the first half of 2017.

RISK MANAGEMENT

SDS has a risk register which identifies risk, current controls for managing risks, further action and the plan for 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 31 December 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. 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 trained as an electrical engineer with extensive experience in supply chain management both in Australia and internationally.

Board member since 2013.



Mr Greg Hammond OAM

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

Consultant in banking and finance; formerly partner of King & Wood Mallesons; chairman of Anglican Community Services (t/as Anglicare Sydney) and Olive Tree Media; director of the Australian College of Theology, G&C Mutual Bank, NCNC Funds Limited and Opportunity International Australia; Adjunct Fellow Macquarie University in the Applied Finance Centre; previous service on Diocesan and other not-for-profit



boards and committees. Member of Macquarie Anglican Churches.

Board member since 2014.

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 (Chair)

MAppFin, BEc, GAICD, Chartered Accountant

CEO, Anglican Schools Corporation. Previously CFO of Anglicare, Sydney. Brings 25 years experience in Finance, Corporate Restructuring and Acquisition Advisory; Member of The Council of St Andrew's House Corporation. Member of Caringbah Anglican Church.

Board members 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**

BEd, MEd 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.

Mr Andrew McLoughlin and Mr Ian Miller retired as members of SDS in November 2016 upon the expiration of their terms of office.

5 YEAR FINANCIAL SUMMARY

The income and expenses of SDS for 2016 were as follows (with comparatives for 2012-2015).

Further information about income and expenses can be found in the Financial Accounts of SDS for 2016.

\$000s	2016	2015	2014	2013	2012
INCOME					
Total Income	7,610	7,541	7,367	7,181	6,897
EXPENSES					
Staff Expenses	4,906	4,564	4,409	4,283	4,257
Other Expenses	2,639	2,489	2,390	2,582	2,493
NET SURPLUS	65	488	568	316	147

The balance sheet of SDS as at 31 December 2016 can be summarised as follows (with comparatives for 2012-2015):

\$000s	2016	2015	2014	2013	2012
ASSETS					
CURRENT ASSETS					
Cash	5,687	5,338	8,487	3,824	3,594
Other	571	280	377	312	95
NON-CURRENT ASSETS					
Investments	-	-	-	-	-
Lease Incentive	2	16	23	27	-
Fixed Assets	861	987	1,068	1,301	1,183
TOTAL ASSETS	7,121	6,621	9,955	5,464	4,872
LIABILITIES					
CURRENT LIABILITIES					
Payables	755	454	420	371	301
Interest bearing liabilities	1,240	960	4,968	1,255	1,418
Provision	1,119	1,094	940	778	780
NON-CURRENT LIABILITIES					
Provisions	381	552	555	556	185
TOTAL LIABILITIES	3,495	3,060	6,883	2,960	2,684
NET ASSETS	3,626	3,561	3,072	2,504	2,188
EQUITY					
Capital	2,062	2,062	2,062	2,062	2,062
Reserves	1,255	1,066	549	215	-
Accumulated Surpluses	309	433	461	227	126
TOTAL EQUITY	3,626	3,561	3,072	2,504	2,188

