

INDEPENDENT COMMISSION AGAINST CORRUPTION

STATEMENT IN THE MATTER OF: Operation Gerda

PLACE: University of Sydney

NAME: Alec Brennan

ADDRESS: University of Sydney

OCCUPATION: Company Director

TELEPHONE NO: Known to ICAC

DATE: 22 January 2019

States: -

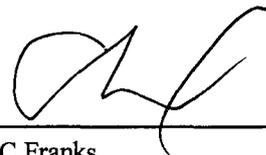
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1. This statement made by me accurately sets out the evidence which I would be prepared, if necessary, to give in Court as a witness. The statement is true to the best of my knowledge and belief, and I make it knowing that, if it is tendered in evidence, I shall be liable to prosecution if I have wilfully stated in it anything which I know to be false or do not believe to be true.
 2. I am 71 years of age.
 3. On 9 October 2018, I participated in an electronically recorded interview with Barry Davidow and Andrew Howe at the University of Sydney. This statement was drafted from the digital recording and transcripts of that interviews. I have been given the opportunity to read the draft statement and make any necessary amendments prior to signing this document.

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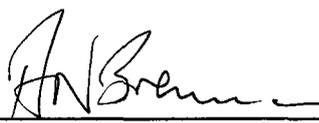
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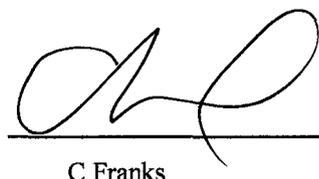


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4. I worked in business all of my life. I spent most of my career working for CSR Ltd. I retired in 2007 as the Chief Executive of CSR Ltd. I have been a public company director for more than 30 years for different companies. I am broadly familiar with business activities. I was invited to join the Senate of the University by Justice Kim Santow, who was the Chancellor of the University in 2006. A requirement of the appointed people is that there is someone who has commercial knowledge and experience to assist the University, and I had that. I am not an accountant. I did spend some time as the Finance Director of CSR and I also have an MBA and financial qualifications from Harvard.
5. My involvement with the University has largely been around the commercial processes of the University and how to help the University to get better at doing those things.
6. I have chaired the Finance Committee, the HR Committee, and the Building and Estates Committee at various times.
7. All the roles I have had with the university are voluntary and unpaid. I stepped down as a Fellow of Senate and Deputy Chancellor at the end of 2017 though I still serve as a member of the Finance and Audit Committee.
8. The Finance and Audit Committee looked at the finances of the University and it also oversaw the work of the internal audit office of the University. It essentially approved the budget of the University and approved major capital spending

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programs for the University and approved major contracts that the University entered into, the threshold of which I think was about \$10 million.

9. The Committee was a committee of Senate.

10. The Committee used to meet about six times a year. Meetings were scheduled to last for 2 hours. The meeting in which the annual budget was considered would typically last for 3 hours. The minutes were adequate and consistent with what I would have expected from my involvement in the private sector.

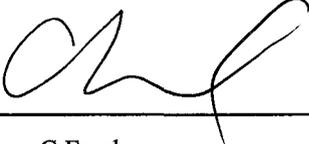
11. The committee would get papers. Normally a set of papers would run to 2 or 300 pages. Occasionally there would be matters that would be considered with a verbal briefing, but that was unusual.

12. Decisions typically would not be made if there were not substantive papers to support those decisions.

13. The agendas would be tightly timed. The internal process would be that there would be an Executive of the University in a management role who would have responsibility for pulling the papers together and making sure that they were adequate. The papers would then be subject to a level of managerial review within the University. So typically, the Vice Chancellor would have cast his eyes over all of the papers.

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14. I would typically have a pre-meeting with the Executive responsible. In this case, it was the Chief Financial Officer of the University, and we would go through the agenda and broadly be satisfied that the matters that were being brought forward were at an appropriate state and could be handled by the meeting at the time and that the information was adequate.

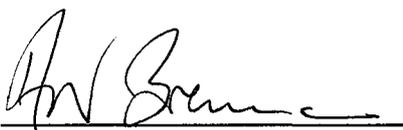
15. The delegations of authority in the University do delegate most of the operating contracts to management. But for contracts that are larger than a particular amount the view is that there should be some level above management that looks at those contracts.

16. I think that the view was taken that there ought to be some extra level of overview and scrutiny for the largest contracts that the University entered into. If the Committee had felt on those matters that the processes within the University were not adequate, then it could have sought to have a higher level of involvement in the conclusion of contracts in the University.

17. Specific times were devoted to audit activities. The leader of the internal audit function attended the Committee and talked to those matters. I personally had access to the internal auditor in the absence of any management of the University and met with him.

18. There was a structured audit program, and a lot of the discussion at the Committee was around the structured audit program, where we were at, what had been found, etcetera.

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19. There would have been occasions where the Committee would have asked the internal auditor to go and do some work in a particular area and provide information back to the Committee.
20. My understanding is that any matter, any investigation that was undertaken by the internal auditor which showed significant deficiencies in processes in the University was reported to the Committee. So it was not possible for a matter to be investigated and problems to be found and it not to come to the Committee.
21. I would say that it would not be good practice for an operational manager to commission an internal audit from a consultant auditor without the knowledge and overview of the internal audit function. It could be problematic.
22. On one or two matters that I can recall, following a matter that I was unhappy about the management of, I indicated to the Vice Chancellor that I wanted a review of that matter by someone outside the University. On one occasion I briefed one of the major accounting firms to come in and write a report. The report was back to the Committee, not to management.
23. Off the top of my head I do not have any recollection of the security services contract being discussed by the Committee in 2015.

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24. I would expect an assessment of risks to be part of the documentation presented to the Committee for a contract decision.
25. Having worked in the commercial environment, in a business, we had an expectation that there was corruption going on, and if we were not finding any, then our view was that we were not doing the job. And so the number of things that would be currently being found has had an upward trajectory. And they are the sort of things that I would have expected that we would be finding, so that has been encouraging in that sense.
26. It is absolutely critical for internal audit to keep in mind in their work the potential for corruption.
27. At one stage the Audit Committee was an entirely separate committee.
28. The audit function at the University reports to the Office of General Counsel, which is a not unusual arrangement and keeps it separate from the finance function. Several years ago, most of the non-academic activities were consolidated under a Vice Principal Operations, However the audit function remained separate from that stream and retained existing reporting arrangements. The role is, in the context of the management of the University, not as senior as the Vice Principal Operations or the Chief Financial Officer. My view has generally always been that there need to be ways to make sure that the audit function does have a senior voice in the organisation which is outside the mainstream of the management. It is a question of how you achieve that. I am not sure

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whether the key to achieving it is around the structure of the Committee, though. It is more around what mechanisms do you have to make sure that that audit voice is heard and has the potential to be heard separately? My personal approach was to make sure that I met with the auditor completely separately and we had conversations separately. That has been my approach over many years in the commercial environment, to just make sure that if I am on a board, that there is that completely separately voice, so to speak.

- 29. The previous Vice-Principal Operations was only in the role for a relatively short period and was not a particularly stellar performer.
- 30. I do not remember an audit report on the compliance of the security services with the contract coming to me at the Committee in 2016.
- 31. Typically in the Committee we would spend no more than 15 minutes discussing a contract award. The discussion would cover how it was going to be managed and how it was going to be reviewed and what safeguards would be in place, etcetera.
- 32. My expectation was that there would be a two or three page cover note to help us to understand it because it is not fair to get a series of volunteers to wade through that amount of paper in a long report. I would have expected the Committee to be given the summary rather than the whole report.
- 33. The major problem in my career with outsourced contracts is organisations that tend to outsource these things often do not retain the skills to manage the outsourced service in a way that is satisfactory. You would want to be satisfied that there were skills in-house to

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manage those sorts of issues. Unfortunately, if you outsource things, you cannot outsource the supervision of them necessarily.

34. With security services being outsourced it would be reasonable to expect an assurance framework to be in place on the contractor's side, and also by university management of the area.

35. I think that subcontracting is a serious risk in the security industry. Just reading from the newspapers it is an industry that is a problematic industry.

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