

**INDEPENDENT COMMISSION AGAINST CORRUPTION
OPERATION SONET**

**OPENING STATEMENT
OF COUNSEL ASSISTING THE COMMISSION**

Introduction

1. This is a public inquiry into allegations that Ronald David Cordoba engaged in corrupt conduct by:
 - (a) dishonestly exercising his public official duties relating to procurement in order to obtain a financial advantage of more than \$1.7M; and
 - (b) by securing a payment of \$55,000 from Cloud People Pty Ltd by (amongst other things) falsely claiming that he was authorised by his employer to undertake work for that company.
2. Mr Cordoba is an employee of the Technical and Further Education Commission (otherwise known as TAFE NSW) and is therefore a public official for the purposes of the *Independent Commission Against Corruption Act 1988* (NSW). He commenced working at the South Western Sydney Institute of TAFE in 2002 as a casual teacher in information technology and became a full time teacher in 2005. He was promoted to the position of Senior Education Officer in 2009.
3. In December 2012, Mr Cordoba was temporarily appointed to the position of Manager of ICT Services – a position which carried with it a financial delegation of \$150,000.
4. The Commission is investigating an allegation that Mr Cordoba used that financial delegation and his official functions more generally:
 - (a) to procure TAFE to pay him more than \$1.7M; and
 - (b) to procure TAFE to engage Cloud People Pty Ltd with a view to profiting personally from that engagement.

First allegation (\$1.7M in payments)

5. As to the first of those allegations, it appears that Mr Cordoba was able to cause for large amounts of money to be paid into his personal bank account by cheating a number of aspects of TAFE's procurement policies and procedures.
6. Under TAFE's procurement procedures, four things ordinarily need to occur before a payment is made to a particular supplier:
 - (a) First, the supplier must be created as a vendor within TAFE's finance system;
 - (b) Second, a purchase order must be issued to the supplier – that occurs once a virtual “*shopping cart*” is created and then approved by a person who has an appropriate financial delegation level;
 - (c) Third, an officer of TAFE must certify receipt of the goods or services which have been ordered; and
 - (d) Finally, the supplier must issue an invoice to TAFE in the amount of the purchase order.
7. If there is a “*three way match*” between a purchase order, receipt certification and invoice, a payment is made by TAFE to the vendor.
8. Mr Cordoba appears to have thwarted these procedures for his own financial advantage.
9. In mid-January 2014, Mr Cordoba instructed a member of his staff – IT Coordinator, Sharon Ambrose – to create a new vendor in TAFE's finance system. That new vendor was recorded as “*ITD Pty Ltd*” – a now-deregistered company with a strikingly similar name to one of Mr Cordoba's own business names – ITD Systems. Mr Cordoba specified his own bank account as the bank account to be associated with “*ITD Pty Ltd*” in TAFE's finance system.
10. In the first half of 2014, Mr Cordoba approved more than \$1.7M worth of “*shopping carts*” ostensibly in favour of ITD Pty Ltd. He did this notwithstanding TAFE's policy of only using “*in contract*” and Government suppliers wherever possible.

11. Mr Cordoba certified that the items in the shopping carts had been received even though they had not been received at the time of certification.
12. Although Mr Cordoba ultimately provided some of the items in the “*shopping carts*”, some were never provided. The items that Mr Cordoba did provide were purchased by him at a fraction of the cost that he charged to TAFE. Indeed, it seems that he spent less than \$500,000 on the hardware and licenses which he on-charged to TAFE for more than \$1.7M. It thus appears that Mr Cordoba pocketed a net profit of some \$1.1M through what appears to be a very significant fraud against TAFE.
13. As well as giving the requisite approvals and certifications at the TAFE end, Mr Cordoba also pretended to act on behalf of ITD Pty Ltd. To this end, he prepared quotations and invoices which appeared as if they were created by ITD Pty Ltd but which were in fact prepared by Mr Cordoba himself. In communicating those quotations and invoices to TAFE, Mr Cordoba sought to cover his tracks by not using his own name in communications with TAFE but instead assuming the name “*Alicia*” – a person who he pretended was the “*Accounts Officer*” of ITD Systems.
14. By adopting this scheme, Mr Cordoba was able to subvert the “*three way match*” system I referred to earlier – in point of fact, the same person caused for purchase orders to be issued, prepared matching invoices and certified that items were received even when they were not.
15. Given that the purchase orders, invoices and receipt certifications matched, significant amounts of money were paid to the bank account recorded against ITD Pty Ltd – that is, Mr Cordoba’s own bank account.
16. This public inquiry will further investigate the events that led to large amounts of money being paid by TAFE to Mr Cordoba and will consider whether Mr Cordoba conduct amounts to a dishonest

exercise of his official functions of a kind which amounts to “*corrupt conduct*” for the purposes of the *Independent Commission Against Corruption Act 1988*.

Allegation 2 (Cloud People)

17. The other principal allegation to be investigated in this public inquiry relates to TAFE's engagement of a firm called Cloud People Pty Ltd to provide the South Western Sydney Institute with what was referred to as a "*Hosted Private Cloud*".
18. Mr Cordoba was closely involved in that engagement. Amongst other things, he approved the relevant "*shopping carts*" and approved for advance payment to be made by TAFE to Cloud People.
19. After that occurred, Cloud People paid Mr Cordoba \$55,000.
20. It appears that (unbeknownst to other TAFE officers) there was an agreement or understanding between Mr Kinsella of Cloud People and Mr Cordoba that – if Cloud People was engaged by TAFE to provide a "*Hosted Private Cloud*" – Cloud People would subcontract some of the associated support work to Mr Cordoba.
21. Mr Kinsella says that Mr Cordoba told him that TAFE had authorised him to act as a subcontractor in this way and would not have engaged him if he knew that Mr Cordoba was not authorised to be so engaged.
22. The agreement or understanding with Cloud People appears to have led Mr Cordoba to ensure that Cloud People was engaged regardless of whether that was an appropriate course having regard to TAFE's interests and procurement procedures. Amongst other things, it appears that Mr Cordoba lied to his staff by saying that he had complied with TAFE's procurement policies by obtaining three quotes and by saying that had chosen Cloud People due to its expertise and price.
23. These matters will be investigated further in this public inquiry as will the question of whether Mr Cordoba's conduct amounts to corrupt conduct.

The course of the public inquiry

24. In considering the allegations made against Mr Cordoba, this public inquiry will hear from five employees of TAFE who have been summonsed to give evidence:
 - (a) James BRASSIL, the Director of Human Resources for the South Western Sydney Institute of TAFE;
 - (b) Neil STRALOW, a Financial Accountant for the Institute;
 - (c) Sharon AMBROSE, an IT Coordinator who worked under Mr Cordoba;
 - (d) Sylvia ARTHUR, the Director of Electrotechnology, Information and Communications Technology and Design Faculty of SWSI who is presently Relieving as the Associate Institute Director of People, Planning & Performance; and
 - (e) Ronald CORDOBA.
25. A sixth possible witness – John HUMPHREY who previously acted as a Relieving Associate Institute Director – has been excused from appearance at this public inquiry for health reasons; a seventh, Jason KINSELLA of Cloud People Pty Ltd is unavailable to attend the public inquiry this week but may be called at a later date if necessary. In due course, I will tender a witness statement signed by Mr Humphrey and a record of interview with Mr Kinsella.
26. I will also tender a series of other statements which have been taken by ICAC investigators during the course of its investigation.
27. As well as investigating whether Mr Cordoba's conduct amounts to corrupt conduct within the meaning of the *Independent Commission Against Corruption Act 1988* (NSW), this public inquiry will also consider:
 - (a) whether consideration should be given to obtaining the advice of the Director of Public Prosecutions with respect to the prosecution of Mr Cordoba for any criminal offences such as, for example, fraud in contravention of s 192E of the *Crimes Act 1900* (NSW);

- (b) whether consideration should be given to the taking of action against Mr Cordoba with a view to dismissing, dispensing with the services of or otherwise terminating the services of Mr Cordoba;
 - (c) what recommendations should be made with a view to reducing the likelihood of the occurrence of corrupt conduct in the future.
28. May it please the Commission.