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From: s22
To: Avakian, Anush
Subject: Deloitte Letter
Date: Tuesday, 2 September 2025 7:05:32 AM
Attachments: image001.png
20250902 Deloitte Letter to Department of Finance.pdf

Good Morning Anush

Please find attached the letter outlining the circumstances relating to media articles from our engagement with the Department of Employment and Workplace Relations. The circumstances are consistent with our discussion on 25 August 2025. We conducted a full review of the deliverable and can confirm there is no additional information that needs reporting.

Please do not hesitate to contact me with any questions or to discuss the letter generally.

Kind regards

s22
Lead Partner, Australian Federal Government
6 Brindabella Cct, Canberra Airport, ACT 2609, Australia
s22
s22 @deloitte.com.au | www.deloitte.com.au

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Deloitte Touche Tohmatsu
ABN 74 490 121 060
6 Brindabella Cct, Canberra Airport
Canberra ACT 2609
Australia
Tel: +61 3 9671 7000
www.deloitte.com
www.deloitte.com

2 September 2025

Anush Avakian
First Assistant Secretary
Commercial Division
Department of Finance

By email: anush.avakian@finance.gov.au

Dear Anush

Targeted Compliance Framework Final Report dated 4 July 2025

I refer to our discussion on 25 August 2025 in relation to an article published in the *Australian Financial Review* (**AFR**) on 22 August 2025 titled "Academics raise alarm over suspected AI use in Deloitte report" (**Article**) and subsequent related coverage.

As the Article raises concerns about the veracity of the information and footnote references contained in the Targeted Compliance Framework Final Report dated 4 July 2025 (**TCF Report**) prepared by Deloitte Touche Tohmatsu (**Deloitte**) on behalf of the Department of Employment and Workplace Relations (**DEWR**), the Department of Finance (**Department**) wishes to obtain further information.

Accordingly, we provide the following information for your consideration.

Background

On 23 December 2024, Deloitte was engaged by DEWR in accordance with an Order for Services issued pursuant to clause 11.3 of the Management Advisory Services Panel Head Agreement as varied by Order Variation dated 10 June 2025 (**Agreement**). Under the terms of the Order for Services, Deloitte was to undertake an independent assurance review of DEWR's Targeted Compliance Framework (**TCF**) including an in-depth review of the code structure and dependencies of the IT system underpinning the TCF against legislation and operational policy (**Assurance Review**) and issue the following:

1. a Statement of Program Assurance on the operations of the Mutual Obligations Framework and TCF; and
2. a Final Report that includes the options for future improvements to the operations underpinning the Mutual Obligations Framework and TCF,

(together, the **Deliverables**).

Use of artificial intelligence

The Deloitte engagement team and DEWR engaged in discussions in relation to opportunities to utilise generative artificial intelligence (**Gen AI**) to enhance the efficiency and quality of the Assurance Review. Deloitte prepared a proposal for DEWR's consideration which identified the approach, process, risks, mitigants and details of proposed AI tools that could be used for the Assurance Review. Following an internal assessment process, DEWR consented to the use of a generative AI large language model (ChatGPT) based tool chain licensed by DEWR and hosted on DEWR's Azure tenancy to support the performance of code base analysis (the **ChatGPT Based Toolchain**).

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At the conclusion of the Assurance Review and prior to issuing the Deliverables, the Deloitte engagement team used generative AI tools (MyAssist and ChatGPT) to support the following publishing related tasks:

1. further summarise for formatting purposes a summary of the proceedings commenced by Deanna Amato against The Commonwealth of Australia in the Federal Court of Australia (VID611/2019). This process involved inputting a prepared summary together with a prompt to further summarise; and
2. complete and format citations in draft versions of the Deliverables in line with a citation style guide. This process involved inputting the complete source list and the draft citations together with a prompt to complete in accordance with the style guide.

MyAssist is a Deloitte proprietary enterprise grade generative AI platform which uses the Azure OpenAI GPT 3.5 Turbo and GPT4-o (Omni) large language models. To enable Deloitte personnel to leverage this technology to support day to day engagement activities, MyAssist is hosted within a Deloitte managed private cloud environment to ensure all information, including prompts and responses, remain confidential and cannot be accessed by unauthorised persons.

All Deloitte engagement team members have received training on how to use generative AI responsibly, including on Deloitte's guidelines for use of MyAssist and publicly available AI tools where permissible, the limitations of the technology, the appropriate use of data and maintaining confidentiality were required, and the importance of reviewing all outputs against source materials. In accordance with this training and the applicable policies, the ChatGPT Based Toolchain, and MyAssist output was subject to review prior to their respective use in the Deliverables, and while this review corrected some errors, not all were identified as part of this process.

Identification of the errors the subject of the Article and Deloitte's response

On 22 August 2025, Deloitte received an enquiry from the Australian Financial Review requesting clarification of the following academic sources cited in the TCF Report that appeared to be incorrect:

1. Lisa Burton Crawford, The Rule of Law and Administrative Justice in the Welfare State: A Study of Centrelink (Federation Press, 2021);
2. Lisa Burton Crawford, The Rule of Law and Administrative Discretion (Federation Press, 2021);
3. Carolyn Adams, 'Choice, Responsibility and the Regulation of Behaviour: Lessons from the Social Security System' (2012) 35(2) University of New South Wales Law Journal 417; and
4. Terry Carney, 'Automating Compliance and Administrative Justice in Australia's Welfare State' (2024) 31(1) Journal of Social Security Law 32.

In response to the enquiry, a further investigation was undertaken which confirmed that the use of the generative AI tools had resulted in inaccurate outputs whereby certain citations, in the form of footnotes and sources in the accompanying reference list, contained errors. DEWR was advised of the nature and cause of the errors, together with the media enquiry and Deloitte's proposed response.

Following the identification of the citation errors, Deloitte commenced and has now completed a further review of the Deliverables in support of providing DEWR with corrected versions of the Deliverables as agreed. The review identified further inaccurate outputs which will be addressed in the updated report to be provided in due course.

We trust the information provided is sufficient for your purposes which we understand includes consideration of whether the matter meets the requirements of a Significant Event under the Agreement. For completeness, we confirm Deloitte does not consider the issuance of the Deliverables, the Article or the review findings to be events which have, or could have, a material adverse impact on any of the matters described in sub-paragraphs (A) to (D) of clause 16.2.3(b)(iv) of the Agreement.

If any more relevant findings in relation to this matter become apparent, we will notify you as soon as possible.

Please do not hesitate to contact me should you have any questions or wish to discuss further.

Yours sincerely

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s22 [redacted]
Partner
Deloitte Touche Tohmatsu