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CASE STUDY · MARLUC SYNOPSIS

Deloitte Australia welfare compliance report

IMPLEMENTED 2024–2025 · PROFESSIONAL SERVICES · AUSTRALIA · BAND F · PARTLY PROVED

VERSION 1.0 · PUBLISHED 15 NOVEMBER 2026 · UPDATED 15 NOVEMBER 2026 · FACTS CHECKED 15 NOVEMBER 2026

A Deloitte report for an Australian government department was published with references to works that do not exist and a wrong court quotation. Deloitte reissued it, disclosed its use of generative AI and repaid part of its fee.

ABOUT THIS SYNOPSIS

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NOTICE WORDING LAST UPDATED 16 NOVEMBER 2026

AT A GLANCE

What went wrong: Weak oversight or controls.

AI used: Generative AI: a large language model tool chain (Azure OpenAI GPT-4o), disclosed in the corrected report.

Implemented: 2024–2025. Grade: band F, Failure, Partly proved.

Headline result, as reported: Deloitte reissued a A$440,000 government report with corrected references and repaid A$97,587, October 2025

1 · The case

The facts, as reported by the 5 sources listed at the end. Where a source is silent, the field says "Not reported".

Organisation

Deloitte Australia. Australian member firm of the professional services network Deloitte. The client was the Australian Government Department of Employment and Workplace Relations. The engagement was an independent assurance review under an Order for Services dated 23 December 2024. Canvas block: 8. Governance and risk. Also 3. Customers and proposition, 4. Operations and process.

Business challenge

The challenge. The department commissioned an independent assurance review of its Targeted Compliance Framework, examining the system operating the framework against operational policy, business rules and IT. The framework's IT system is used to automate penalties in the welfare system, per the Guardian.

How it was addressed. Deloitte undertook the review from December 2024 to June 2025 and delivered a final report dated 4 July 2025. By the corrected report's account, one phase assessed whether system code could be mapped to business requirements, using a generative AI tool chain (Azure OpenAI GPT-4o) licensed by the department and hosted on the department's Azure tenancy. In August 2025 a journalist put a list of reference errors to the department. On 22 August Deloitte confirmed in writing that some footnotes and reference list entries contained errors. A corrected report dated 26 September was published on 3 October 2025. [1] [2] [3] [4] [5]

Who implemented it

Deloitte (Consultancy): Carried out the review and wrote the report.
Microsoft Azure and OpenAI (Model or cloud provider): Supplied the generative AI tool chain, licensed by the department.

Technology (SEAM pillar E)

SEAM types: T3 API integrations. Deployment: Cloud APIs. Vendors and products: Microsoft Azure, OpenAI, Azure OpenAI GPT-4o.

Where it was built in: A generative AI tool chain licensed by the department and hosted on the department's Azure tenancy, used in the phase that assessed whether system code could be mapped to business requirements. Which tool, if any, produced the faulty references is not reported.

What changed

Before: a published report citing works that the named author confirmed do not exist, and a quotation attributed to a Federal Court judge that the enquiry said does not appear in the orders.
After: a corrected report with a disclosure of generative AI use, the final contract instalment repaid, and a further corrected version on 3 February 2026. [1] [2] [3] [4] [5]

Cost of failure

A$97,587 repaid by Deloitte, the final instalment of a contract worth A$440,000, as told to Senate Estimates and reported by Region and the Guardian. Cost of the rework to Deloitte and of the department's checking: Not reported.

What it saved

Not reported [1] [2] [3] [4] [5]

Governance and control

The department's deputy secretary asked Deloitte for a full check of all references and a personal assurance that the corrected report would be verified. The department's secretary told Senate Estimates that her staff should not be double-checking a provider's footnotes. Finance officials said the errors were discovered through media reporting, per Region. Deloitte told the

S2 · Accountable owner · Not reported
Names are redacted in the released correspondence; the department's deputy secretary asked her Deloitte contact for a personal assurance that the corrected report would be verified. [3]

A1 · Safe use · Missing (independent source shows it was absent)
The use of generative AI was added to the report only in the corrected version, per the Guardian; Deloitte later told the government its staff would undertake training in the use of AI, per Region. [4] [5]

A2 · Human in the loop · Missing (independent source shows it was absent)
Deloitte confirmed that footnotes and reference list entries in the delivered report contained errors, and the department's secretary said her staff should not be double-checking a provider's footnotes. [3] [5]

A3 · Monitoring and assurance · Missing (independent source shows it was absent)
The errors came to light through a journalist's enquiry after publication; Finance officials said they were discovered through media reporting, per Region. [3] [5]

A4 · Vendor AI · Claimed
By the corrected report's account, the AI tool chain was licensed by the department and hosted on the department's Azure tenancy. [2]

A5 · Agent controls · Not reported
No agents described.

A6 · Standards and regulation · Not reported
No regulator or court finding is reported; senators questioned officials about the report at Senate Estimates on 8 October 2025, per Region. [5]

What worked, what did not, what is unproven

WORKED

– The department said the substance of the review is retained and its recommendations did not change.

– The academic who first raised the errors said the report's conclusions concur with other evidence, per the Guardian.

DID NOT

– The first version cited two books that the named author confirmed do not exist, and an article that the enquiry said does not appear to exist.

– It attributed a quotation to a judge in the Amato case; the corrected report amended its summary of that case.

– The use of generative AI was disclosed only in the corrected version, per the Guardian.

– The errors reached the department through a journalist's enquiry after publication.

– A second correction followed on 3 February 2026.

UNPROVEN

– Whether generative AI produced the faulty references: Deloitte did not state that AI was the reason for the errors.

– What was corrected in the version of 3 February 2026: Not reported.

– Whether Deloitte changed its review process for client reports: Not reported.

Timeline

Dec 2024 Order for Services dated 23 December 2024; Deloitte begins the review [2]

Aug 2025 A journalist puts reference errors to the department; on 22 August Deloitte confirms errors in footnotes and the reference list [3]

Sept 2025 Deloitte updates the report on 26 September and adds a disclosure of generative AI use [2]

Oct 2025 Corrected report published on 3 October; the department confirms Deloitte will repay the final instalment [4]

Oct 2025 Senate Estimates hears that Deloitte repaid A$97,587 [5]

Feb 2026 Report updated again on 3 February 2026 to address identified corrections [1]

2 · Grade and SEAM assessment

MarLuc's opinion, made on the evidence above. How cases are graded: marluc.co.uk/case-studies/how-we-rate

Level of change and impact

Claimed: Not applicable. Grade: F, Failure. Proof: Partly proved. Level of change: Not graded.

No level assessed: band F, a deliverable that had to be corrected and partly refunded. The cause is partly proved: generative AI use is disclosed, and its role in the errors is not confirmed by Deloitte.

A paid deliverable had to be corrected and reissued, and part of the fee was repaid. The errors, the reissue and the refund are established by the department's own records. The link to generative AI is partly proved: the corrected report discloses that a generative AI tool chain was used in the review, and Deloitte did not state that AI caused the errors.

The SEAM view and lessons learnt

The review's findings stood, by the department's account. The failure sat at the join between drafting and quality review: references that could not be traced reached a published government report, and the client learned of them from a journalist. The report was itself an assurance review, so errors in its sources affected confidence in the wider programme, as the department's deputy secretary wrote. For any organisation buying or selling advice, the point is to agree in advance how AI use is disclosed and who verifies sources.

1. Verify every reference and quotation against the original before a report is issued.
2. Tell the client where AI was used before delivery.
3. Write AI disclosure and source checking into contracts for advisory work.

Evidence

Score 2 of 4. Partly independent: the errors, correction and refund come from the client department's records and Senate Estimates; the cause of the errors is not independently established.

Evaluation method. Government records and press reporting: the department's published report and released correspondence, with Senate Estimates evidence reported by Region; no independent inquiry finding.

3 · Original sources

Read these in full. To challenge a fact or a grade, use the contact form at marluc.co.uk or the link on https://marluc.co.uk/case-studies/deloitte-australia-welfare-compliance-report

[1] Department of Employment and Workplace Relations: Targeted Compliance Framework Assurance Review, Final Report (resource page, archived copy)
https://web.archive.org/web/20261007001244/https://www.dewr.gov.au/assuring-integrity-targeted-compliance-framework/resources/targeted-compliance-framework-assurance-review-final-report

[2] Deloitte for the Department of Employment and Workplace Relations: Targeted Compliance Framework Final Report, updated 26 September 2025 (archived copy)
https://web.archive.org/web/20251007083804/https://www.dewr.gov.au/download/17099/targeted-compliance-framework-assurance-review-final-report/41163/targeted-compliance-framework-independent-review-final-report/pdf

[3] Department of Employment and Workplace Relations: Correspondence relating to the Targeted Compliance Framework Assurance Review, released under FOI (archived copy)
https://web.archive.org/web/20260410200233/https://www.dewr.gov.au/download/17304/correspondence-relating-targeted-compliance-framework-assurance-review/41491/correspondence-relating-targeted-compliance-framework-assurance-review/pdf

[4] The Guardian: Deloitte to pay money back to Albanese government after using AI in $440,000 report
https://www.theguardian.com/australia-news/2025/oct/06/deloitte-to-pay-money-back-to-albanese-government-after-using-ai-in-440000-report

[5] Region: Government urged to get Deloitte's total fee returned for delivering a botched AI report
https://region.com.au/government-urged-to-get-deloittes-total-fee-returned-for-delivering-a-botched-ai-report/911846/

Deloitte Australia website: https://www.deloitte.com/au/en.html

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