Australian Government
Digital Transformation Agency

CEO Minute

To:	CEO
From:	Michelle Tuck, Digital Sourcing | Andrew Morrison, CTO
Cleared by:	Simon Quarrell, Deputy CEO, DIAS
Date cleared:	25/11/2025
Topic:	Use of Artificial Intelligence in Digital Marketplace Panel 2 tender evaluations
Date action required:	Allow at least 3 working days for CEO clearance

Recommendations

That you:

1. **Approve** the use of artificial intelligence (AI) to support Digital Marketplace Panel 2 tender evaluations from December 2025 until October 2029 with a mid-point review.

   Approved

2. **Sign** the full Assessment against the Pilot Australian Government AI Assurance Framework at ***Attachment A***.

   Signed

3. **Approve** under subsection 23(3) of the Public Governance Performance and Accountability Act 2013 (PGPA Act), the commitment of relevant money and agree it represents a proper use of Commonwealth resources to utilise DTA's protected Azure instance at an estimated value of AUD$9,680 (including GST) to October 2029.

   Approved

4. **Note** the outcomes of the CSIRO Data61 report and recommendations in relation to DTA's use of AI in Digital Marketplace Panel 2 tender evaluations.

   Noted

5. **Note** the following documents are in place to support the recommendations of this Minute: *Assessment of the AI Tool against CSIRO Data61 and AI Technical Standards Recommendations*; *Risk Register*; *AI Governance Framework for the Evaluation of DTA Whole of Government Tenders*; *Project Plans*.

Noted

6. **Note** that the Chief Technology Officer has obtained interim Authority to Operate approval through the Chief Information Security Officer (CISO), which includes updating DTA's transparency statement on AI use.

Noted

7. **Note** that prior to implementation, DTA will complete a privacy impact assessment (PIA) and obtain probity sign-off.

Noted

CEO Signature:.  Date: 11/12/2025

Purpose

To enhance the efficiency, consistency, and fairness of the Digital Marketplace Panel 2 (DMP2) evaluation process by introducing a structured AI assisted evaluation model. This initiative aims to reduce manual workload and resourcing pressures while maintaining rigorous standards of integrity, transparency, and accountability.

Issues

- The DMP2 tender process has historically attracted a high volume of applicants, with over 3,200 applications and over 18,000 technical case studies evaluated in the first two application rounds.
- Due to the large volume of applications, the DMP2 evaluation process is resource intensive. Introducing an AI tool aims to ease resourcing pressures and accelerate applicant assessments, while improving consistency of evaluations. By pairing each

evaluator with the AI tool, the same case study evaluations could be completed in approximately two-thirds of the time over previous application rounds.

- This marks the first time AI will be integrated into a DTA-run whole of government procurement process, helping ease resourcing pressures, improve fairness and repeatability over time, and accelerate delivery while maintaining oversight and integrity.
- Each DMP2 tender response includes at least one category application, which is supported by two technical case studies for each category. The current process requires two human evaluators to independently score each case study using a structured framework to assess technical merit within the category. If the scores differ by more than a set tolerance, the evaluators conduct a consensus process to determine an agreed score.
- For the current tender round**,** the AI tool is proposed to operate under a structured evaluation framework with oversight from the Evaluation Chair and the Delegate (***Attachment B***). There are two key outcomes: Where the AI and human scores match within a set tolerance, the AI supports the technical merit assessment. Where the scores differ beyond the tolerance or the case study is rated unacceptable, the AI rating is discarded, and a second human evaluator assesses the case study.
- This AI evaluation framework ensures appropriate human oversight, reduces the risk of perceived AI bias, and allows for efficient processing of large volumes of case studies while maintaining rigorous quality controls. It also supports transparency, accountability and stakeholder trust, and maintains the integrity of the overall evaluation process and outcomes.
- The AI tool matches established human evaluation methods, achieving about 99% comparability with the selected prompt model. It delivers consistent, scalable, and cost-effective results that correlate with human assessments.
- The DTA commissioned CSIRO's Data61 to analyse the proposed AI implementation (***Attachment C***). The report reviews the human-AI evaluation process across three domains, AI Evaluation, AI Engineering, and AI Governance, and found the process was methodologically sound and aligned with national AI assurance frameworks, presenting no high-risk issues. The report focused on strengthening the system before deployment and during ongoing monitoring, with six immediate actions and fourteen optional actions designed to guide DTA from the design and pilot stage to operational use, including:

  - using representative and diverse datasets to ensure the evaluation reflects real-world applications
  - applying robust alignment metrics to accurately measure how well AI and human scores agree
  - adopting best practice calibration methods to adjust AI scores so they match human scoring patterns
  - filtering out sensitive data before submitting to AI to protect privacy and comply with security requirements
  - monitoring for fairness bias regularly to detect and address any inequitable outcomes in AI evaluations
  - strengthening privacy governance by ensuring sensitive information in case studies is properly managed and reviewed.
- The DTA has responded to all recommendations in its *Assessment of the AI Tool against CSIRO Data61 and AI Technical Standards Recommendations,* which formed part of the agreed interim Authority to Operate.
- As a part of the go-live process, this use-case will be captured in the DTA's use-case register, and will be included in the DTA's AI Transparency Statement in line with the AI Accountable Officer/s roles.

Procurement

Procurement Estimate

Upon approval of this proposal and based on the projected number of future case studies, each application round is estimated to cost around $550 (excluding GST). An estimated budget for around 16 DMP2 application rounds, corresponding to four rounds per year over four years, has been prepared. The cost for procuring the necessary Azure services through the Protected, ISM-compliant environment of the Australian-East instance of the Microsoft secure data centre is projected to be $8,800 (excluding GST) up to October 2029.

Procurement Method

Open tender via Category 1 of the Software Marketplace (SON3490955); a whole of government coordinated procurement.

Contract vehicle

DTA will utilise its current work order for Microsoft Azure services (DTA-ICT-37980) under the Data#3 Microsoft Volume Source Licensing Agreement (VSA) through Category 1 of the Software Marketplace.

A new subscription will be issued under the DTA SCE enrolment to provide for data segregation, access control and separate invoicing.

Financial Treatment

Cost Centre DT905 - DTA ICT Coordinated Procurement Special Account 2017.

Cost Centre manager, Michelle Tuck confirms sufficient funds are available and will be committed following approval of this minute.

Under the agreement, Azure services are consumption-based and are billed monthly in arrears. The Digital Sourcing branch finance team will track spend under this approval.

Sensitivities

- The use of AI in tender evaluations is likely to attract scrutiny from sellers and the public due to its novelty and the emerging nature of the technology.
- Key sensitivities include:
  - **Public Perception:** Concerns about fairness, transparency, and inclusivity (particularly for SMEs and Indigenous businesses) have been identified in the Risk Register. Risks include potential bias in AI outputs and reduced confidence in the integrity of the evaluation process. The DTA has designed considerable checks and balances into the procurement process, commissioned an independent expert report on its approach and has followed government best practice on the use of AI to assess and address these risks. The DTA will also establish a public communications campaign (both to sellers and applicants, as well as the wider public) to explain the process behind the AI evaluation tool. It will focus on how staff members will remain central to the process, what safeguards will be implemented (along with applicants opportunity to request a manual review of their application), and address the advantage of speeding up the application review process without sacrificing accuracy.
  - **Privacy and Probity:** A PIA is underway, with a public version intended to be published on DTA's website. External probity advice and sign-off are also being

sought. The outcome of the PIA and probity sign-off will be incorporated into the AI tool and processes where applicable.

– **Conditional Approval:** The initiative is subject to finalisation of the PIA, probity sign-off and CTO production readiness approval, all of which are currently underway.

Consultation

- The development and proposed implementation of AI-assisted evaluation in DMP2 have been informed by extensive internal and external consultation, as well as applicant consent.
- During the March 2024 establishment round of DMP2, DTA notified all sellers that AI may be used in the tender process and were subsequently invited to opt-in to an AI trial. Over 250 applicants provided consent for their application data to be used in testing the AI tool.
- During the November 2024 application round, all sellers were notified that by applying in the round they consented to their applications being accessed by AI. All future DMP2 applications rounds will include a similar provision.

Internal Consultation

- The Chief Technology Officer branch has been engaged throughout the design, testing and analysis phases, providing technical oversight and contributing to the AI assurance and governance frameworks.
- The Digital Sourcing branch, including the Tenders and Seller Management and DMP2 teams, have led the operational and procurement design, testing, and documentation of the AI evaluation model.
- The DTA's Privacy Officer has been engaged, and a PIA is being conducted with the support of the Australian Government Solicitor (AGS), with a public version intending to be published on the DTA website.

External Consultation

- The CSIRO's Data61 team has been engaged to independently assess and make recommendations on the DTA's AI methodology, governance controls, and ethical considerations.

- Probity advisers will be consulted to ensure the proposed use of AI aligns with Commonwealth Procurement Rules and maintains the integrity of the evaluation process.

Background

- The Digital Marketplace Panel 2 (DMP2) is a Whole-of-Government digital and ICT services panel managed by the Digital Transformation Agency (DTA). Operating under an 'open often' model, DMP2 enables sellers to regularly apply or expand offerings, supporting innovation, competition, and accessibility while maintaining compliance with the Commonwealth Procurement Rules (CPRs).
- DMP2's scale is significant in contrast to most other government panels. Over 3,200 applicants and 18,000 case studies were evaluated in the first two application rounds, with the next round scheduled for October 2025.
- Technical merit assessments use the CARES framework (Circumstance, Action, Result, Ethical behaviour, Sustainability), requiring detailed human evaluation of applicant technical case studies.
- A proof of concept in July 2024, using real DMP2 case studies with applicant consent, demonstrated the AI's ability to produce consistent, CARES-aligned assessments comparable to human evaluators.
- Development of the AI tool, evaluation model, and governance approach has been informed by consultation with the Chief Technology Officer and Digital Sourcing branches, and external advisors CSIRO's Data61. Integration will be supported by training, guidance, and oversight to ensure ethical and effective use.
- Subject to delegate approval, the AI tool will be deployed in Phase 2 (Technical Merit) and Phase 3 (Consensus) evaluations, hosted securely on Azure OpenAI (GPT-4o).
- AI aims to streamline assessment, improve consistency, and reduce manual workloads, while new challenges—such as transparency and risk—will be managed through robust governance. Following approval, communication strategies, procurement documentation, and evaluator training on AI use will be developed for approval by the Branch Manager, Digital Sourcing.
- Executive Sponsor endorsement in September 2024 required a full AI Assurance assessment. Additional documentation has been establish to support its governance, assurance, and risk management, with regular review to ensure responsible adoption. These frameworks set expectations for monitoring, auditing, and continuous improvement, detailing oversight, escalation, and accountability processes.

- Deployment will be manual initially within the secure government instance of Azure, with enhancements planned for automation.
- Project timeline and milestones are summarised as follows:

Phase	Date Range	Key Activities
Finalisation & Assurance	Dec 2025	Update tender tool to support AI evaluations, assurance docs, PIA, probity sign-off, interim ATO
Training & Change Management	Dec 2025 – Jan 2026	Develop/deliver training, update documentation
Go-Live Preparation & Deployment	Jan 2026 – Feb 2026	Go-live checklist, comms, AI tool operational in DMP2 evaluations
Monitoring & Improvement	Feb 2026 – ongoing	Review, feedback, continuous improvement

Attachments

- Attachment A - Assessment against the Pilot Australian Government AI Assurance Framework
- Attachment B - DMP2.3 Tender Evaluation Plan – Use of AI Excerpt
- Attachment C - CSIRO - DTA Tender Evaluation Report