Australian Government

Department of Finance

Department of Finance

Submission to the Joint Committee of Public Accounts and Audit

Inquiry into the use and governance of artificial intelligence systems by public sector entities

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1. Introduction

The Department of Finance (Finance) welcomes the opportunity to contribute to the Joint Committee of Public Accounts and Audit's (JCPAA) inquiry into use and governance of AI systems by public sector entities.

This submission will update existing information provided by Finance in its previous submission to the JCPAA's Inquiry into Commonwealth Financial Statements 2022-23. The submission also provides new information on the terms of reference not addressed in the previous submission.

2. Strengthened Governance of AI Systems

Finance promotes the safe, ethical, and responsible adoption of AI systems within government that improve public service efficiency and delivery, while simultaneously maintaining public trust and aligning with APS Values.

Since June 2024, Finance has proactively enhanced its internal governance of AI systems. Finance's internal governance aligns with strengthened whole of government AI policy settings and maintains a risk-based approach to the use of AI within the department.

Microsoft Copilot remains the only AI system in use within the Finance ICT environment. Its use is confined to low-risk use cases, adhering to both internal governance and the Digital Transformation Agency's (DTA) *AI assurance framework.* Finance intends to continue this approach while staying receptive to any other safe and responsible AI applications identified in government contexts.

In July 2024, *Guidance on the use of generative AI* was published and made available to all staff within Finance. This guidance reflects the fast-growing understanding of AI-related risks and harms, embedding best practices throughout the department. Finance remains dedicated to continuously reviewing and assessing its internal policies and AI governance strategies to ensure they stay effective and relevant.

In September 2024, Finance designated its 'accountable official' for the use of AI within the department in line with the DTA's *Policy for the responsible use of AI in government*. The responsibilities of the accountable official within the department are vested in the co-chairs of a newly established *AI Governance Committee*. This committee will ensure Finance's internal policies and AI governance remains aligned with whole of government policy settings, including the requirement to notify the DTA of any high-risk use cases identified within the department.

Finance is currently taking part in the Australian Government's AI assurance framework pilot and will give feedback to the DTA on the pilot's results to guide future AI policy settings.

In March 2025, Finance will publish its AI transparency statement following the DTA's *Policy for the responsible use of AI in government*. This statement will be reviewed annually and provide the public with relevant information about the use of AI in the department including:

- ongoing compliance with the *Policy for the responsible use of AI in government*
- measures to monitor effectiveness of deployed AI systems
- efforts to protect the public against negative impacts.

3. Whole of Government Policy Setting

The DTA, a Finance portfolio agency, provides whole of government strategic and policy leadership to address the challenges and opportunities posed by emerging technologies, including AI. Finance works closely with the DTA and shares the same views on AI use and governance. Finance directs the committee to DTA's submission to the Inquiry for information on government-wide policy settings, especially concerning the public sector's internal capacity to effectively adopt and use AI, as well as the implications of using AI tools from abroad on sovereign capability.

In addition to the DTA's work on whole of government policy, assurance and technical standards, Finance and the DTA are exploring how we may further support and accelerate the safe, responsible, efficient and connected uptake of AI across the APS, particularly in low risk settings.

Finance is also engaged in the *AI for integration and inclusion* initiative supported by the Australian Public Service Capability Reinvestment Fund. The capability being collaboratively developed by multiple Commonwealth agencies involves co-designing and testing AI-driven tools to improve policy formation, inclusive design, and community engagement throughout the Australian Public Service.