



Committee Secretary
Joint Committee of Public Accounts and Audit
PO Box 6021
Parliament House
Canberra ACT 2600

Our ref: 36.24OM

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Submission uploaded via aph.gov.au

Dear Sir / Madam,

TPB SUBMISSION: INQUIRY INTO THE USE AND GOVERNANCE OF ARTIFICIAL INTELLIGENCE SYSTEMS BY PUBLIC SECTOR ENTITIES

1. The Tax Practitioners Board (**TPB**) is pleased to provide you with a submission in relation to the terms of reference of the Joint Committee of Public Accounts and Audit's [Inquiry into the use and governance of artificial intelligence systems by public sector entities \(Inquiry\)](#).
2. The TPB is supportive of the examination of the adoption and use of artificial intelligence (**AI**) systems and processes by public sector entities to conduct certain functions, including but not limited to the delivery of services, to help achieve their objectives. The TPB considers that, having regard to the Government's recent release of the [National framework for the assurance of artificial intelligence in government](#) (released 21 June 2024) and the '[Policy for the responsible use of AI in government](#) (effective from 1 September 2024), this Inquiry presents an opportunity to assess whether existing legislative, regulatory and policy frameworks are fit for purpose and to identify opportunities to further strengthen those governance frameworks to support the ethical and responsible use of AI by public sector entities. The TPB is of the view that effective governance frameworks are essential in ensuring the Australian community has confidence in the public sector, particularly in regard to data and the use and storage of personal information.

Background

Role of the TPB

3. The TPB is an independent statutory body that administers the *Tax Agent Services Act 2009 (TASA)* and the *Tax Agent Services Regulations 2022 (TASR)*. The TPB is responsible for registering and regulating entities providing tax agent services (which includes Business Activity Statement (**BAS**) services) in Australia.
4. While the TPB is an independent statutory body, for the purposes of the *Public Governance, Performance and Accountability Act 2013*, the TPB forms part of the Commonwealth listed entity known as the Australian Taxation Office (**ATO**) of which the Commissioner of Taxation (**Commissioner**) is the accountable authority. The TPB is assisted by APS employees whose services are made available to the TPB by the Commissioner. The TPB staff on secondment from the ATO access ATO systems in

order to discharge the TPB's statutory functions. When accessing these systems, TPB staff are not only bound by the TPB's policies in relation to the use of AI but also those of the ATO, including the ATO's 'Use of publicly available generative AI technology policy' (issued in December 2023).

5. The object of the TASA is to support public trust and confidence in the integrity of the tax profession and the tax system by ensuring that tax agent services are provided to the community in accordance with appropriate standards of professional and ethical conduct.
6. The TPB's statutory functions include, among other things, to administer the system for the registration of tax agents and BAS agents (collectively referred to as 'tax practitioners'), to investigate applications for registration and conduct that may breach the TASA, and to impose sanctions for non-compliance with the Code of Professional Conduct (**Code**) in the TASA. Some of these functions utilise the use of AI systems.
7. As at 1 October 2024, there were a total of 63,357 tax practitioners registered with the TPB. The total number is comprised of 46,411 tax agents and 16,946 BAS agents.

TPB's Submission

8. The recent release of the Government's current policies on the use of AI have provided the TPB with the opportunity to assess and update its existing internal AI governance framework and policies. In particular, the TPB has:
 - reviewed its internal 'Policy for the responsible usage of generative artificial intelligence' (last updated April 2024) to ensure it remains fit for purpose,
 - established best practices for 'Data Governance, Ethics and Responsible use of AI for Analytical Solutions' (June 2024), an internal policy that governs the handling of data to develop any analytical and data science solutions,
 - drafted a policy that governs the 'Responsible use of AI in Data and Analytics' (September 2024),
 - taken immediate measures to implement the mandatory requirements and recommended actions set out under the government's 'Policy for the responsible use of AI in government',
 - continued to improve our data, analysis and risk assessment, internally and with partner agencies, including in the context of the use of generative AI,
 - continued to improve consumer protections through our current review of existing guidance to ensure the risks and challenges posed by AI and technology more broadly are appropriately identified and mitigated, and
 - maximised technology and analytical tools to manage data and clarify risks, subject to human verification.
9. The TPB recognises that AI technology is rapidly evolving and being introduced into many of the services utilised by the TPB. Unlike previous AI technologies, which were limited to transcription, spelling and grammar checking, or word prediction, these new technologies are substantially more sophisticated.
10. They can create content such as text or images using just a prompt. While this opens the door to significant time savings and entirely new industries, it is important to remember that the content is limited to the knowledge of the AI and the training material provided to it. These technologies, such as ChatGPT and Microsoft 365 Copilot, can provide content that feels authoritative but is occasionally

based on fiction or a misunderstood premise. When used responsibly and with appropriate oversight, AI technology has the power to revolutionise the way the TPB conducts, analyses, and communicates its research, particularly in the context of data analysis and risk assessment modelling.

11. At the TPB, we see the benefits of these technologies, particularly in assisting staff to be more productive and creative without compromising the TPB's reputation for high-quality, impartial research.
12. Noting the above and drawing upon the TPB's usage of generative AI, the TPB makes the following submission on the terms of reference of the inquiry:

a. *The purposes for which AI is currently being used by the TPB and whether there are planned or likely future uses*

The TPB is currently utilising AI in the following key areas:

- Microsoft 365 Copilot for AI functionality within Microsoft Office applications (for example, Microsoft Teams, Outlook, Word, Excel, and PowerPoint),
- Microsoft Azure and Microsoft Defender for Endpoint, the latter of which proactively identifies cyber security risks, and
- the TPB's data and analytics capability to assist the TPB to analyse complex and high-volume data to train statistical and machine learning models.

In addition, the TPB utilises machine learning algorithms to develop tools to identify high risk clients for human-led risk assessment profiling and modelling, and to estimate the revenue effect in response to proposed compliance action.

Not all TPB staff have access to, or use, Microsoft 365 Copilot and its use is generally limited to around 35 staff members (largely working in the TPB's Data, Analytics and Science team).

b. *The existing legislative, regulatory and policy frameworks that are relevant to the use of AI and whether they are fit for purpose*

In utilising AI, the TPB is guided by and adopts the following external policies and procedures:

- interim guidance from the Digital Transformation Agency (DTA) on government use of public generative AI tools,
- guidance from the Office of the Australian Information Commissioner, and
- guidelines of the Australian Government's AI Ethics Framework and the Data Quality Framework.

The use of AI within the TPB must comply with the Australian Public Service Code of Conduct and the TPB's overarching policy framework on the use of AI which is contained within its internal 'Policy for the responsible usage of generative artificial intelligence' (last updated April 2024). This policy seeks to ensure that AI services and technologies made available to staff undergo a rigorous assessment process and are used responsibly and ethically. The policy applies to all staff, consultants, and contractors at the TPB, and supplements the whole of government AI policy by explaining the benefits, risks and mitigations of the use of generative AI within the TPB context.

In addition, the TPB has established best practices for 'Data Governance, Ethics and Responsible use of AI for Analytical Solutions' (June 2024). These best practices apply while handling data to develop any analytical and data science solutions.

Further, the TPB is currently in the process of finalising its draft 'Responsible use of AI in Data and Analytics' policy (September 2024). The objective of this policy is to set a clear framework for the lawful, ethical and trustworthy use of AI by the TPB's Data, Analytics and Science team. The framework has been drafted in a manner that is consistent and aligned with the use of AI by other government agencies and the Australian government's AI policy more broadly.

It should also be noted that the TPB has taken immediate action in implementing the Government's 'Policy for the responsible use of AI in government'. In particular, the TPB has appointed two Accountable Officials, each of whom will have oversight of the following key areas of responsibility:

- overall accountability for implementation of the policy and accountable for TPB staff access to AI tools from TPB computers, and
- accountability for AI in the context of data science and analytics, such as the use of machine learning models.

The DTA has been informed of the appointment of these two Accountable Officials. In addition, the TPB is working towards:

- engaging with the DTA's AI forums and processes,
- promoting its existing AI policy internally to staff, and externally to registered tax practitioners and the community,
- creating an internal register to record and document the TPB's use of AI, and
- developing AI staff training packages in line with the DTA's recommendations.

c. Whether the internal governance structures that currently exist for AI will ensure its ethical and responsible use by public sector entities

The TPB's internal governance framework for the use of AI, largely covered by the TPB's internal 'Policy for the responsible usage of generative artificial intelligence', is designed to ensure the ethical and responsible use of AI. The governance framework outlined in this policy aligns with the AI policy of the ATO and the government's broader policy on the use of AI.

In addition, the TPB's internal draft policy on the 'Responsible use of AI in Data and Analytics' includes a clear framework to ensure that the TPB's use of AI in data and analytics is lawful, ethical, and trustworthy, and ultimately respects the values, rights and interests of stakeholders and the public. More specifically, the following principles and guidelines, derived and consolidated from the Australian government's [AI Ethics Framework](#) (published 7 November 2019)¹ and the ATO's published information on how it uses [data and analytics](#)², are intended to

¹ Department of Industry, Science and Resources, *Australia's Artificial Intelligence Ethics Framework*, 7 November 2019.

² Australian Taxation Office, *How we use data and analytics*, last updated 13 August 2024.

assist TPB staff to adhere to the highest standards of excellence and integrity when using AI in data analytics and science:

i. Human-centric principles and guidelines:

The TPB's Data, Analytics and Science team must ensure that AI solutions developed using data are used in a way that respects and protects the dignity, autonomy, and well-being of humans, and also aligns with human values and interests.

ii. Governance principles and guidelines:

The Data, Analytics and Science team must ensure that AI is used in a way that is transparent, accountable, and explainable, and ensure that it is subject to appropriate oversight and evaluation mechanisms.

iii. Technical principles and guidelines:

The Data, Analytics and Science team must ensure that its technical solutions are used in a way that is robust, secure, and reliable, and used in a manner that minimises the risks of errors, biases, failures, or harms.

iv. Societal principles and guidelines:

The Data, Analytics and Science team must ensure that models are used in a way that is beneficial, inclusive, and fair. These models should maximise positive impacts while minimising negative impacts on society.

To date, the TPB has had no reportable breaches of policies or procedures currently relating to the use of AI.

d. Internal framework/policies or additional controls used for assessing the risks associated with the use and possible misuse of AI, including the areas of security, privacy, ethics, bias, discrimination, transparency and accountability

At a broad level, the TPB's internal 'Policy for the responsible usage of generative artificial intelligence' governs how the TPB assesses risks and challenges associated with the use and possible misuse of AI.

Where risks are identified through AI, the assessment of any potential risks will always be subject to human verification. This ensures the TPB's actions and decisions are ethical and fair, and supported by human supervision.

Any final decision about the ongoing use of AI driven solutions is subject to agreement by the TPB Executive team, including the Board of the TPB.

e. Whether there is an adequate line of sight to the output of AI, and the decisions made through its use

The TPB's Technology team is responsible for monitoring and conducting the evaluation of AI services. In evaluating AI services, through human oversight and validation, the team considers:

- the company providing the service including their:
 - ownership
 - privacy policy and general terms of service
 - approach to responsible and ethical AI development and usage,
- what the service will deliver for the TPB,
- the cost of the service,
- the location where the service will be storing and processing data,
- the legal jurisdiction that applies, both to the location where the data is stored and/or processed, and that applies to the company providing the AI service,
- terms of use and privacy policy specific to the AI tool,
- who owns the data provided to and generated by the service,
- what data provided to and generated by the service can be used for,
- attribution requirements for generated content, and
- any Whole-of-Australian-Government advice or guidance that may apply to the service.

This evaluation is to be made available to all users of the AI service.

f. Whether the TPB has the internal capability to effectively adopt and utilise AI into the future

The TPB's Data, Analytics and Science team and the Technology team each have appropriate levels of knowledge and capability in the use of AI technology. In addition, the TPB is currently working on the development of AI staff training packages, as recommended by the DTA. These training packages will build on and further develop internal TPB capability to ensure AI is effectively adopted and utilised into the future. Further, TPB staff have access to relevant training made available by the ATO.

g. Whether there are sovereign capability issues to consider given that most AI tools currently used in Australia are sourced from overseas

No. All generative AI used by the TPB is hosted locally in Australia, using tools developed by trusted vendors from trusted nations (for example, the United States of America).

h. Any other related matters

The TPB is currently reviewing a number of its published information products that assist tax practitioners and the wider community to understand the application of the TASA (and associated legislation) to ensure that they remain fit for purpose as technology, and in particular the use of AI, becomes more prevalent.

For example, the TPB is currently undertaking a review of the following TPB information sheets:

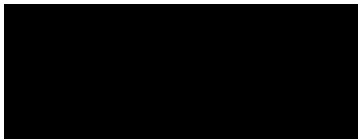
- TPB Information Sheet [TP\(I\) 09/2011 Digital service providers and the Tax Agent Services Act 2009](#), and
- TPB Information Sheet [TPB\(I\) 31/2016 Payroll service providers](#).

This review is aimed at identifying the risks and challenges associated with the use of AI by providers of tax agent and BAS services with a view to establishing a set of guidelines and principles to ensure that public trust and confidence in the integrity of the tax profession and the tax system is maintained. To this end, the TPB is working closely with the ATO to ensure a consistent approach is adopted. Further, the TPB has raised with The Treasury the broader risks that AI poses to consumers of tax agent services and the tax profession.

Further information

13. We welcome any additional discussions or assistance we can provide to the Inquiry. If you would like to discuss, please contact Janette Luu, Assistant Secretary, at [REDACTED] or on [REDACTED].

Yours sincerely



Michael O'Neill
Secretary/CEO
Tax Practitioners Board