Australian Government

Australian Charities and Not-for-profits Commission

07 June 2024

Use and Governance of Artificial Intelligence Systems in the Australian Public Sector
Committee Secretary
Joint Committee of Public Accounts and Audit
PO Box 6021
Parliament House
Canberra ACT 2600

Submitted by email: jcpaa@aph.gov.au

Our reference: ACNCSUB2024-008

Dear Committee Secretary

The Australian Charities and Not-for-profits Commission (**ACNC**) welcomes the opportunity to provide information regarding our use of AI.

About the ACNC and the charity sector

The ACNC is the national regulator of charities established by the *Australian Charities and Not-for-profits Commission Act 2012* (Cth) (**ACNC Act**). The objects of the ACNC Act are to:

- maintain, protect and enhance public trust and confidence in the Australian not-for-profit sector; and
- support and sustain a robust, vibrant, independent and innovative Australian not-for-profit sector; and
- promote the reduction of unnecessary regulatory obligations on the Australian not-for-profit sector.

1. For what purposes do you currently use AI in your entity, and do you have planned or likely future uses? Please summarise.

We are undertaking the following:

- A limited internal trial of Copilot for Microsoft 365 to investigate the utility of the product to improve office productivity, including summarising documents, preparing first drafts, and assisting with analysis, as part of the trial led by the Digital Transformation Agency (**DTA**), and

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- A trial of optical character recognition technology leveraging machine learning to extract financial transactions from PDF documents for subsequent analysis. The product is Microsoft Azure Document Intelligence.

The ACNC is investigating other opportunities to leverage AI technologies that are readily available. Future uses may include enhancing financial analytical techniques and conversational-style chatbots to locate information more effectively. We do not plan to use AI to perform decision making functions.

2. Which legislative, regulatory and policy frameworks (including cross-Government policies) are relevant to your entity's use of AI?

We are aware of and consider the following material when developing our AI tools:

- interim guidance published by the DTA and the Department of Industry, Science and Resources,[1]
- DTA's Artificial Intelligence policy,[2] and related Capabilities, Standards, and Designs,
- DTA's Australia's Artificial Intelligence Ethics Principles,[3] and
- Australian Signals Directorate's Australian Cyber Security Centre's guidance.[4]

We adhere to the *Privacy Act 1988* (Cth), including the Australian Privacy Principles.

3. What are your internal framework/policies for assessing the risks associated with the use of emerging technologies such as AI, specifically in the areas of security, privacy, ethics, bias, discrimination, transparency and accountability?

We have an existing policy framework covering matters such as privacy and decision-making. This framework governs all our work, including our use of AI.

For the purposes of the *Public Governance, Performance and Accountability Act 2013* (Cth) (**PGPA Act),** the ACNC forms part of the broader Australian Taxation Office (**ATO**). We will work with the ATO when developing/implementing additional ATO-wide or ACNC-specific policies to manage the risk associated with the use of AI.

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[11] Digital Transformation Agency and the Department of Industry, Science and Resources, *Interim guidance on government use of public generative AI tools* (November 2023) <https://architecture.digital.gov.au/guidance-generative-ai>.
[2] Digital Transformation Agency, *Artificial Intelligence policy* (7 September 2023), <https://architecture.digital.gov.au/artificial-intelligence-policy-position>.
[3] Digital Transformation Agency, Australia's Artificial Intelligence Ethics Principles (21 July 2023) <https://architecture.digital.gov.au/australias-artificial-intelligence-ethics-principles-0>.
[4] Australian Signals Directorate's Australian Cyber Security Centre, *Engaging with Artificial Intelligence* (24 January 2024) <https://www.cyber.gov.au/resources-business-and-government/governance-and-user-education/artificial-intelligence/engaging-with-artificial-intelligence>.

4. What are the supply chain risks when using existing AI solutions or software?

General supply chain risks apply to AI solutions or software. These include third-party dependencies, data security, intellectual property considerations, and operational continuity.

5. What additional controls [have] been developed by your entity to manage:

a. the broad risks associated with AI
b. the risks associated with the design and implementation of systems using AI
c. the risks associated with change management policies that arise from the use of AI

Our trial of AI is on a limited scale and subject to the guardrails set by the DTA to manage associated risks. This also involves the consideration of further controls that will be needed, should we proceed to implement AI in our processes.

6. How do you manage regular updates to AI and supporting data?

AI technologies currently in use at the ACNC are software or platform-as-a-service products. The service provider updates these products.

7. What considerations or planning do you undertake for any additional capability required to implement AI?

We currently access support through DTA as part of the Copilot trial. We may also engage additional staff to assist in developing our use of AI and appropriate controls.

8. What frameworks have you established to manage bias and discrimination in any of your systems that use AI?

We are mindful of the risks of bias and discrimination in our trial of AI. We are establishing a framework to manage these risks.

9. How do you ensure that that the use of AI meets government security and privacy requirements?

The ACNC only uses technology that meets government security and privacy requirements.

Copilot for Microsoft 365 is licensed and governed under the existing DTA Microsoft Volume Sourcing Arrangement and has also been assessed under the Information Security Registered Assessors Program (IRAP) at the PROTECTED level for the Australian Government.[5] Microsoft provides comprehensive assurances that the product meets existing security expectations, including additional assurances that they will not train the product with ACNC organisational data.

[5] Microsoft, *Service Trust Portal*, <https://servicetrust.microsoft.com/ViewPage/AustraliaIRAP>.

10. What briefings are given to your audit and risk committees, or boards, on the use of AI?

The accountable authority for the ACNC is the Commissioner of Taxation, and so, the ACNC attends the ATO Audit and Risk Committee. Given that the ACNC has not implemented any AI (apart from taking part of the DTA's trial into Copilot), the ACNC has not formally briefed the ATO Audit and Risk Committee.

We have discussed the potential use of AI with the ACNC Performance, Audit and Risk Committee (**PARC**). While this is not a committee under the PGPA Act, the ACNC has established this committee as part of our commitment to good governance and better practice. We will continue to discuss the use of AI with the PARC.

11. How does your internal audit program consider the robustness of controls for AI to provide assurance around mitigation or risks?

We are considering what further controls would need to be implemented should we implement AI into our processes following our trial.

12. As part of your system design process, how do you audit and trace the output of, and decisions made through, AI?

We do not use any AI technology to perform decision making functions.

13. Are the AI platforms in use at your entity:

a. off the shelf products
b. customised from other products
c. systems developed in-house?

The AI technologies in use are considered off the shelf products. They are:

- Microsoft Azure Document Intelligence (formerly Form Recogniser), and
- Copilot for Microsoft 365.

14. Who has ownership and possession of the source code for your AI, and can you understand this code, including its capacity to learn and innovate? How?

In the case of Document Intelligence, Microsoft provides the solution as a managed service within the Azure ecosystem. While detailed documentation, Software Development Kits, and Application Programming Interfaces to integrate and use the service are available, the underlying source code is proprietary. That said, the underlying AI architectures that Document Intelligence uses to learn are established techniques that our staff understand well.

In the case of Copilot for Microsoft 365, this, too, is provided as a managed service within the Microsoft 365 ecosystem, and the underlying source code is proprietary.

Next steps

If you have queries about this submission, please contact [redacted] Director, Legal and Policy, [redacted].

[redacted]

Sue Woodward AM
Commissioner
Australian Charities and Not-for-profits Commission