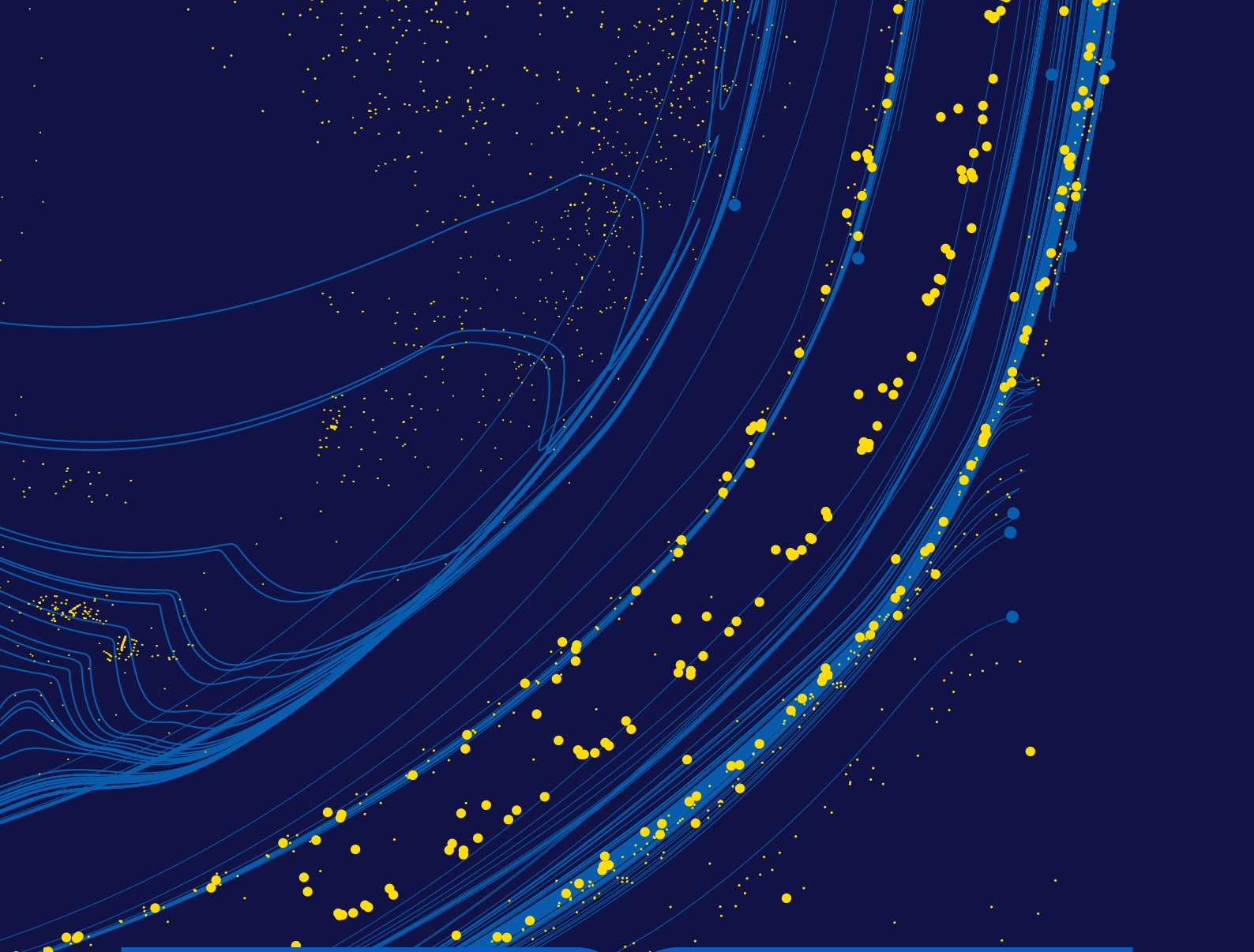


AI Governance in the Public Sector: Key Insights from CPA Australia's Webinar with Public Sector Experts

Report

CPA AUSTRALIA

Acknowledgment:

CPA Australia would like to thank the panellists who shared their expertise during the webinar: Julie Crisp FCPA, Mel Yates FCPA, Professor Michael Davern FCPA, Tony Krizan FCPA, Ric DeSanti FCPA, and Eric Lee CPA. We also acknowledge the contributions of members from CPA Australia's Digital Transformation Centre of Excellence and the Public Sector Working Group who provided input into the planning of this webinar.

We are grateful to all webinar participants who actively responded to the polling questions, enriching the discussion during the webinar.

2025 Edition.

CPA Australia Ltd Level 20, 28 Freshwater Place Southbank VIC 3006 Australia.

Table of contents

Introduction

Artificial intelligence (AI) refers to technologies that enable computers and machines to mimic human intelligence, supporting tasks such as comprehension, problem solving and decision making. Its ability to rapidly process and analyse large volumes of data makes AI a valuable asset for enhancing efficiency and decision making across most sectors.

In the public sector, AI has the potential to boost productivity, improve decision-making and streamline service delivery. However, using AI in public sector organisations introduces new challenges, including risk of bias, lack of transparency and accountability, privacy, security and legal compliance. These risks must be carefully managed through strong governance frameworks. Poor implementation or misuse of AI could erode trust in the public service, or it may cause unintended harm.

To explore the impacts of AI on the public sector, CPA Australia hosted a webinar featuring a panel of member experts with extensive public sector experience. The webinar examined the practical realities facing public institutions and included polling questions on:

- AI tools currently used in public sector workplaces
- the impact of AI on daily work
- public-sector specific applications of AI
- AI governance frameworks
- AI risks and strategies for mitigation.

Key messages from the ANAO review of AI governance at the ATO

The webinar also highlighted the key messages for all public sector entities from the recent Australian National Audit Office (ANAO) review of AI governance at the Australian Taxation Office (ATO). The key insights are:

Governance and risk management

- There is no universal AI governance model for public sector entities. Governance models should reflect the risk, scale and maturity of an entity's AI use and evolve as its use and complexity grows.
- AI governance frameworks can leverage an entity's existing data management and governance requirements and processes
- Public sector entities should maintain a centralised list of AI systems it uses to enhance transparency and accountability
- There should be clearly defined roles and responsibilities for AI
- Risk-based policies, procedures and assurance arrangements should underpin AI system design, development and deployment
- Entities can leverage existing risk management arrangements to address AI risks, however such risks will evolve, requiring entities to have adaptive risk management practices
- Entities should support ethical AI use through guidance, monitoring and assurance

Performance and impact measurement

- Monitoring and evaluation should measure the outcomes of AI adoption and support its continuous improvement
- Regular reporting on AI adoption and use should be made to senior management and accountable authorities

Record keeping

- Entities should maintain records documenting AI practices throughout the design, development, deployment and ongoing monitoring phases.

Current use of AI in the public sector

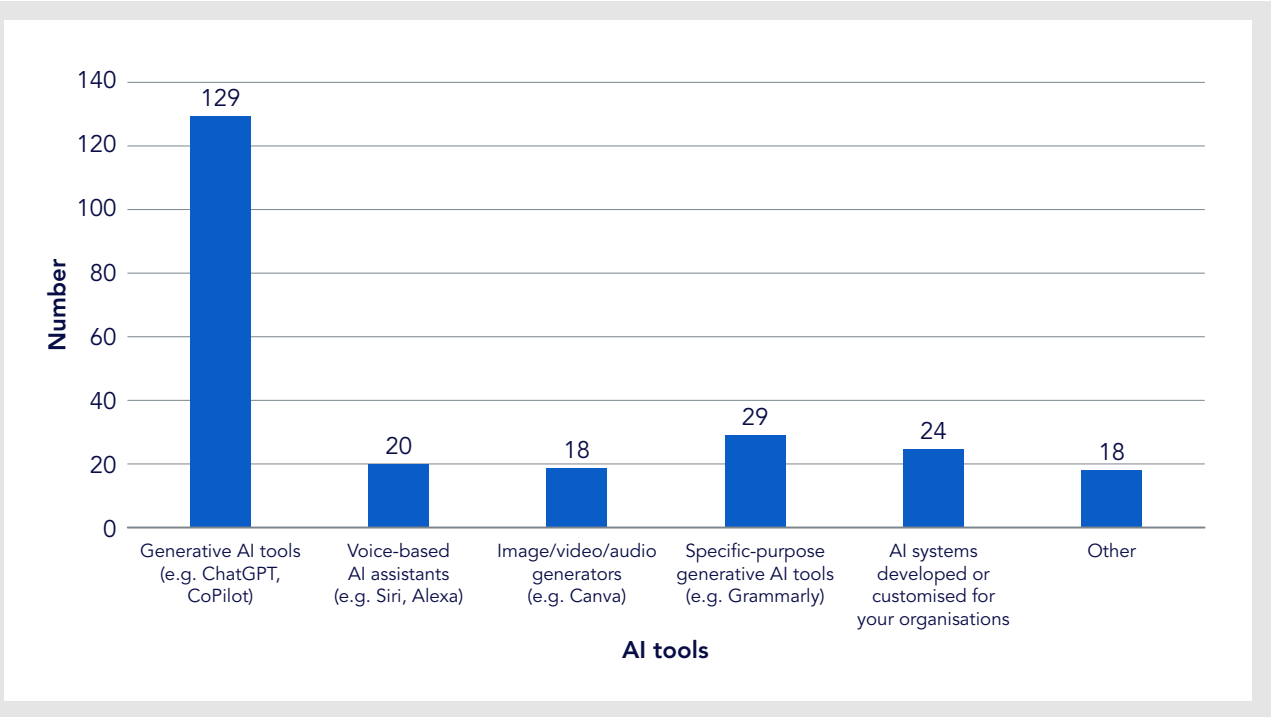
Australia's federal government has committed to adopting AI to 'improve user experience, support evidence-based decisions and gain efficiencies in agency operations. According to the ANAO, 56 Commonwealth public sector entities have advised them that they have adopted AI into their operations[1].

In relation to the ATO, it uses AI in a variety of ways including detecting anomalies in tax data and enhancing compliance. As of 2024, it has developed 43 AI models in-house and approved eight publicly available generative AI tools for use. None of the in-house AI models make fully automated decisions.

Many other public sector organisations have progressively adapted AI across a range of functions. For example, generative AI tools such as Microsoft Copilot are being used for drafting documents, improving communication and generating ideas. There are also examples of innovative uses of AI in the public sector, such as local governments using the tool to assess road conditions using video analytics. As AI improves, more creative and impactful AI applications are expected to emerge.

In response to a polling question *'What AI tools do you use at work?'*, generative AI tools such as ChatGPT and Microsoft CoPilot are by far the most commonly used. While some respondents also reported using specialised AI tools like Grammarly and customised in-house AI solutions, these were much less likely to be chosen.

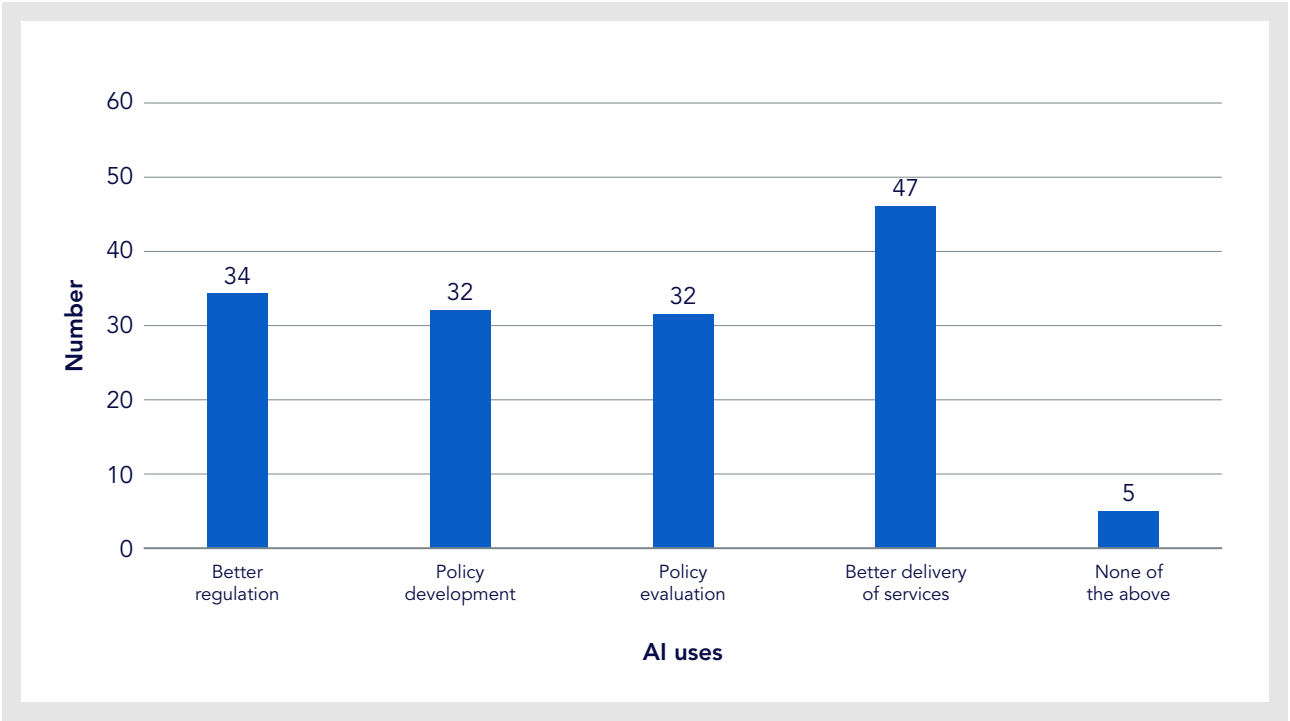
Number of responses for multi-response questions 'What AI tools do you use at work?'



[1] Page 7, *'The Governance of Artificial Intelligence at the Australian Taxation Office'*, the Australian National Audit Office, February 2025.

According to webinar polling, the most common public sector applications of AI tools are better service delivery followed by improving regulation. The poll results also reveal that among, a majority found AI to be beneficial in enhancing workplace efficiency, with many selecting options such as helps with communication and collaboration, reducing workload, and supporting critical thinking. A smaller number of participants indicated that AI contributes to privacy and compliance improvements. Very few believed that AI supports job security or increases stress and pressure at work. Despite growing AI adoption, public sector employee usage remains inconsistent. This hesitancy may stem from uncertainty about how AI tools can be used safely within the public sector and a lack of clarity on what constitutes appropriate or authorised use.

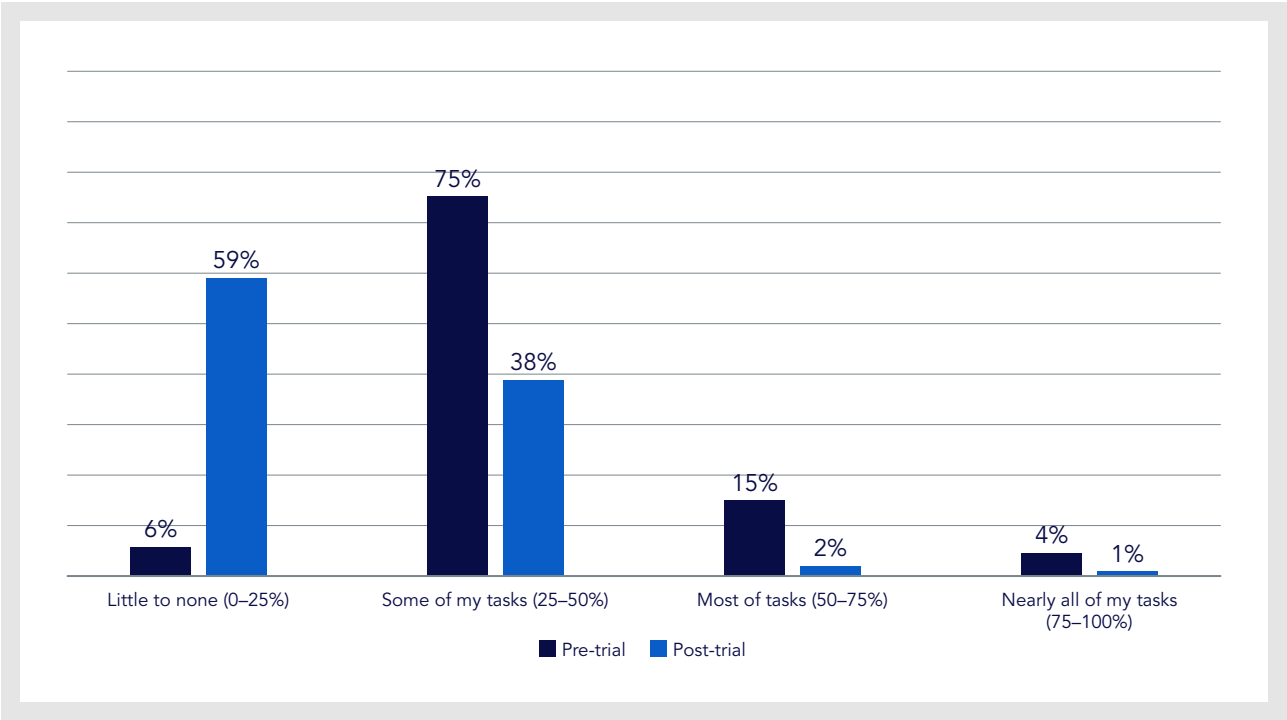
Which public-sector specific uses do you see for AI tools



An evaluation of the Federal Treasury's trial of Microsoft Copilot in February 2025 found that while the implementation was smooth, the product did not meet employee expectations. Before the trial, 75 per cent of officials thought it could support some of their tasks. However, only 38 per cent found it had done so post-trial, while a significant 59 per cent found Copilot provided little to no support. This may have contributed to some staff discontinuing its use[2].

[2] Page 1, *Evaluation of a trial of generative artificial intelligence (Copilot) in The Department of the Treasury*, The Treasury, February 2025.

Expected and actual proportion of workload participants felt CoPilot could/did support

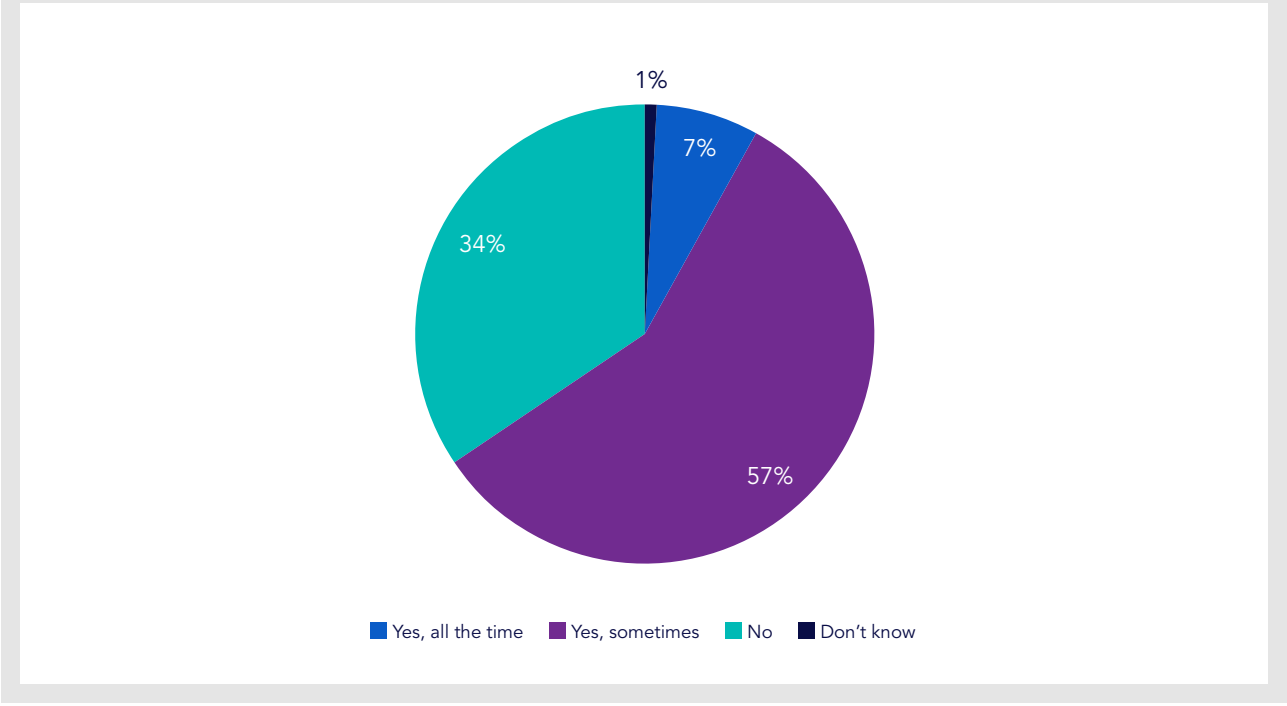


Source: Evaluation of a trial of generative artificial intelligence (Copilot) in The Department of the Treasury.

Treasury users found Copilot underperformed compared to other generative AI products that they used elsewhere. The evaluation concluded that this was in part due to the restrictions imposed by Treasury's IT security environment.

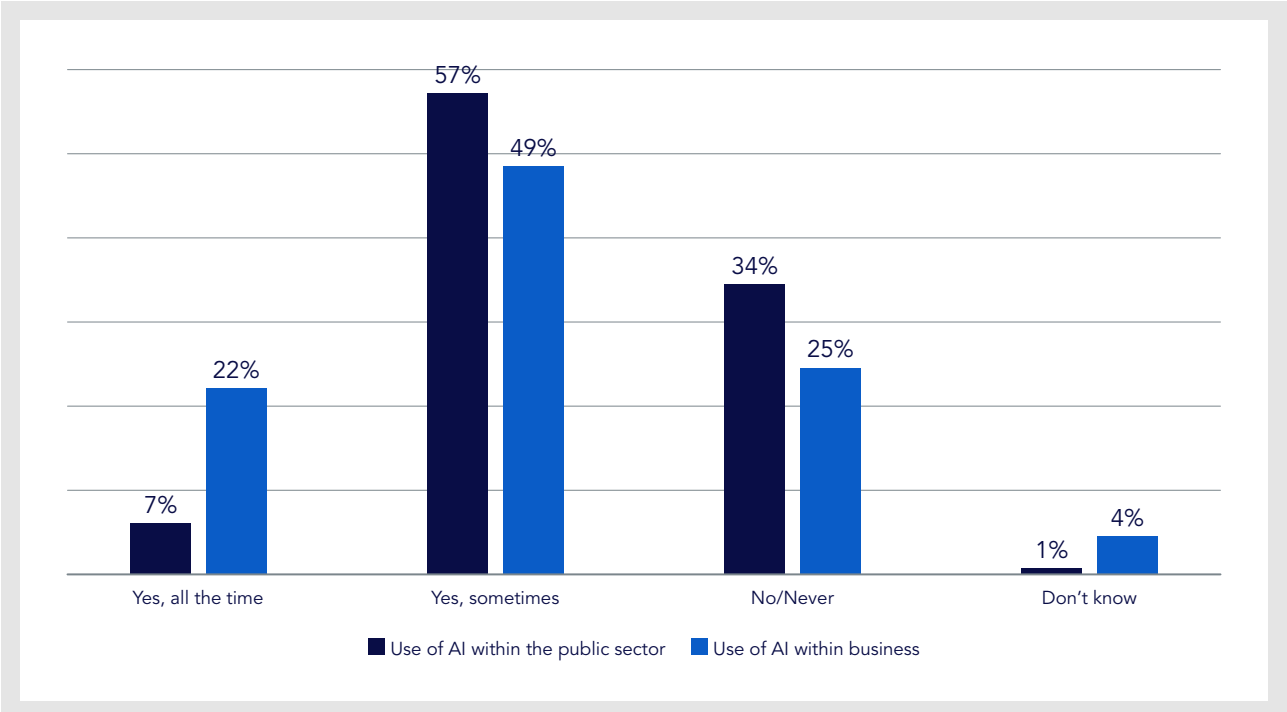
Polling conducted within the webinar reinforced the inconsistent adoption of AI within the public sector. Only 7 per cent of respondents reporting using AI 'all the time' in their work, while 57 per cent said they used it 'sometimes', and 34 per cent indicated they did not use AI at all.

At work, do you use AI tools in your current role?



By comparison, CPA Australia's 2024 Business Technology Survey revealed higher levels of AI integration in the business community. In that survey, 22 per cent of respondents said their business or employer used AI 'all the time', 49 per cent said 'some of the time' and 25 per cent said they 'never' used AI.

Use of AI within public sector/business



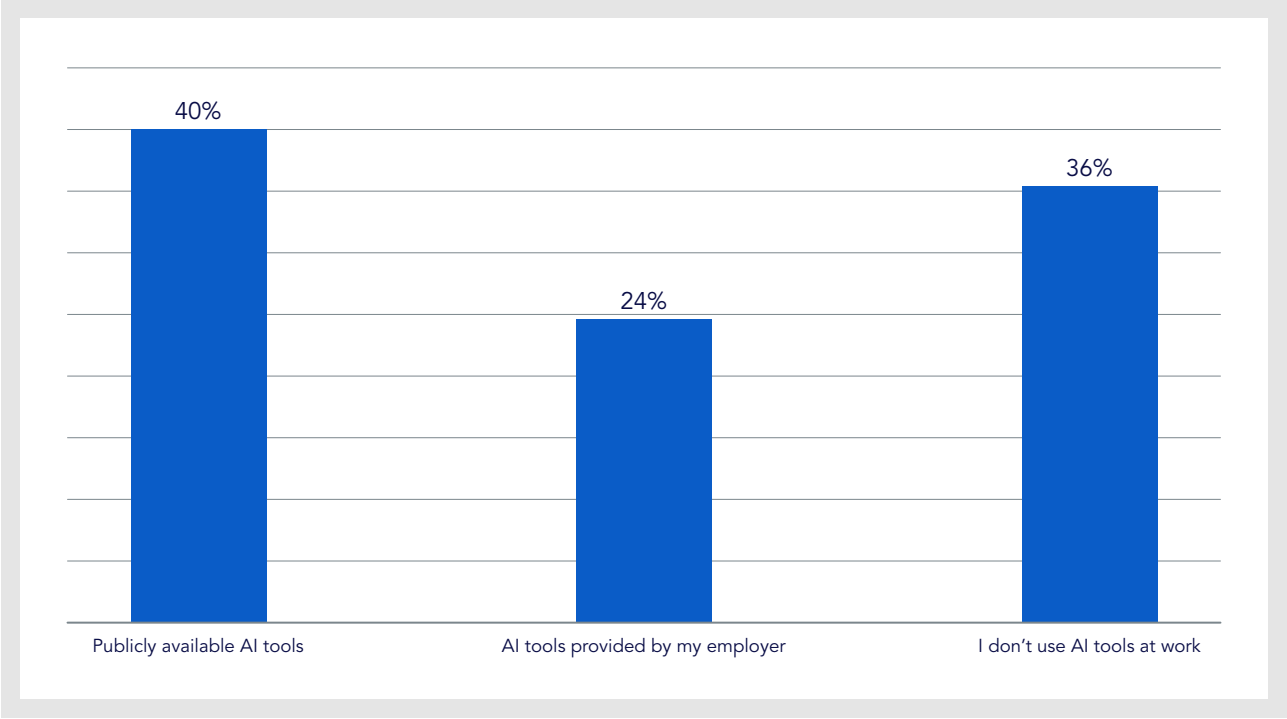
Key risks and challenges for using AI in the public sector

AI offers substantial benefits in terms of efficiency, productivity and service delivery. However, its adoption in the public sector presents a complex array of risks and challenges, particularly where data sensitivity, transparency, and accountability are paramount.

A key concern is the use of publicly available AI tools, despite internal policies that restrict or prohibit their use. This is especially problematic in agencies where data security is critical, as open-source or external tools may result in unintentional data exposure. In response, some agencies have blocked access to external AI platforms.

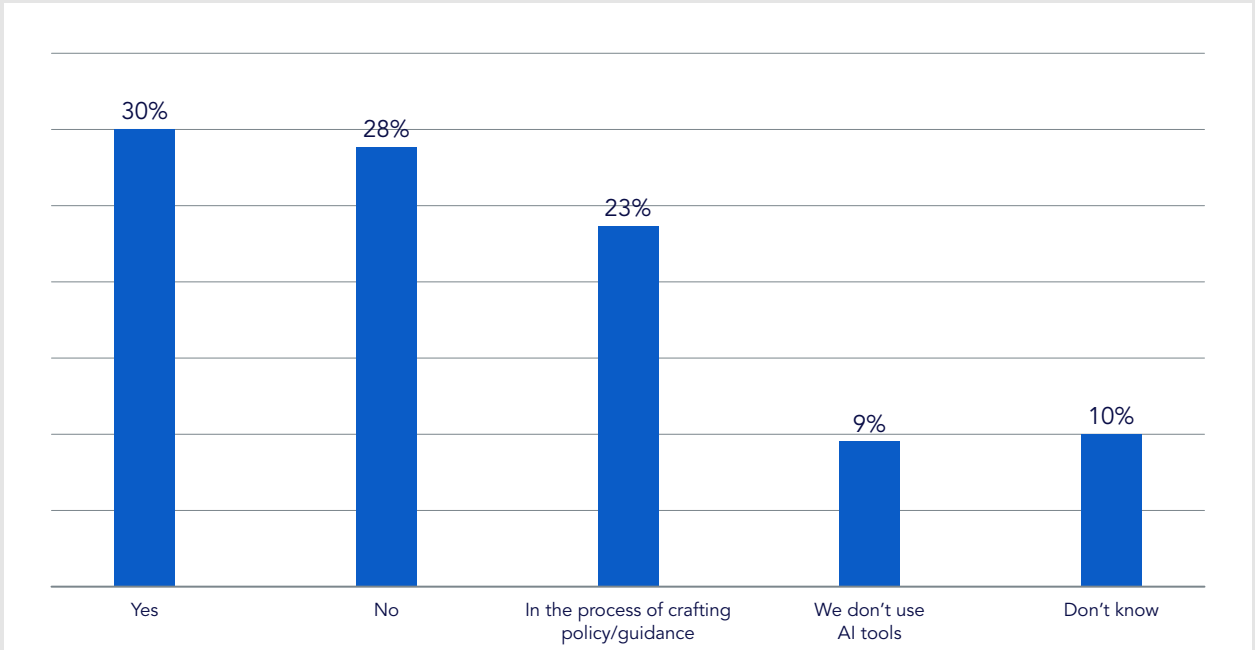
The webinar poll showed that 40 per cent of public sector employees accessed publicly available tools to do their work, while only 24 per cent used employer-sanctioned AI tools, highlighting a governance gap and suggests that existing controls may be insufficient or inconsistently enforced.

AI tools accessed at work



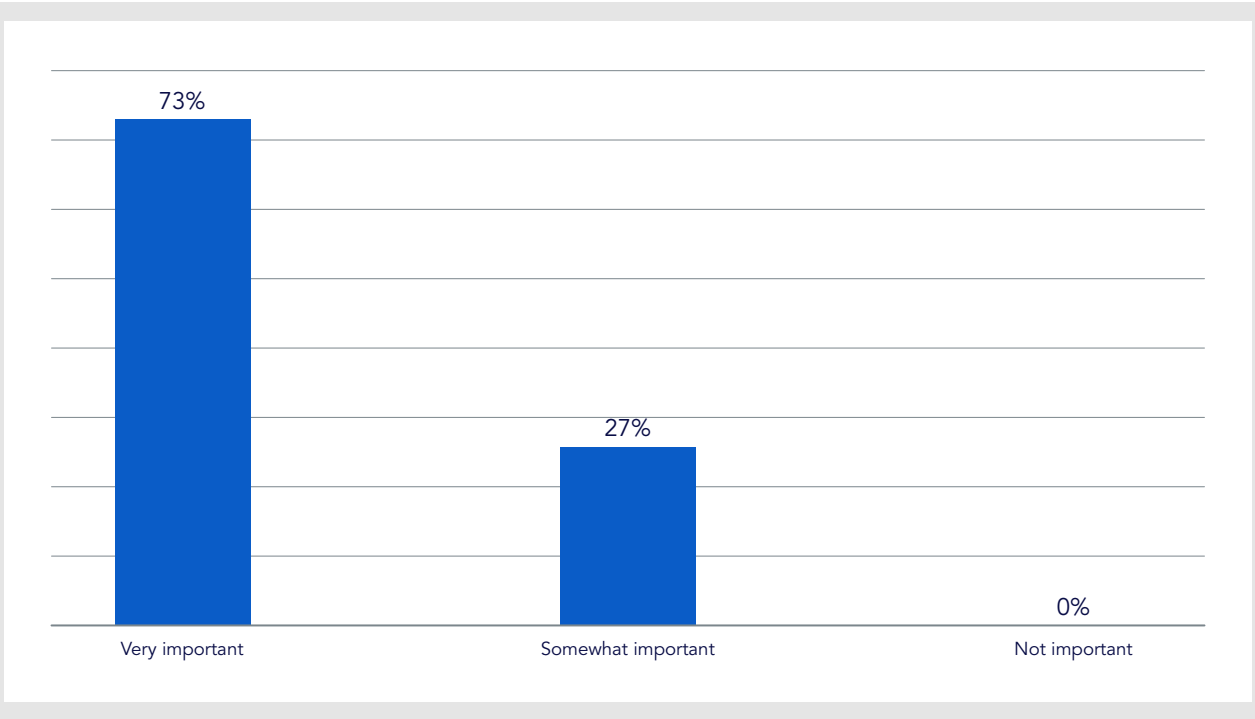
Another issue is the limited awareness and understanding of internal AI usage policies. Even when AI governance frameworks exist, they may not be well understood or consistently applied. The webinar poll results show that only 30 per cent of respondents indicated their organisation has put in place a policy or provided guidance on the use of AI tools at work. Meanwhile, 28 per cent reported no such policy exists, and 23 per cent said their organisation is currently in the process of crafting one. Alarmingly, 10 per cent of respondents were unaware of whether any such policy exists. This lack of clear and widespread policy adoption (or awareness of such policies) can lead to inappropriate practices, such as uploading sensitive data to unverified systems or accepting AI-generated outputs without adequate scrutiny.

Has your organisation put in place a policy or provided guidance on the use of AI tools at?



Despite the varied application and understanding of AI usage policies, there was unanimous agreement among webinar respondents of the importance of an AI governance framework. Every respondent indicated that an overarching AI governance framework for the Australian public sector is either 'very important' (73 per cent) or 'somewhat important' (27 per cent).

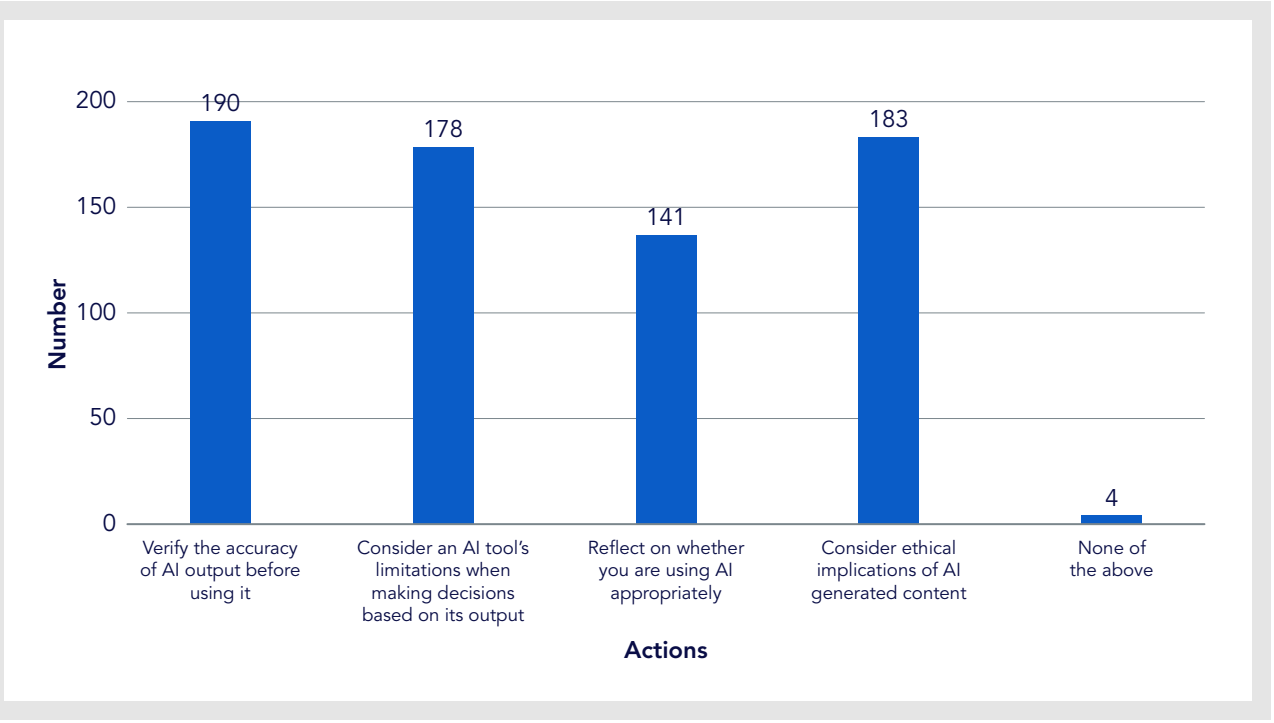
How important is it to have an overarching AI governance framework applicable to the entire Australian public sector?



The tendency of some users to view AI-generated content as a validated source without critical analysis, is concerning. Overreliance on AI tools may undermine the quality of decision making.

However, the webinar poll suggests a generally high-level of awareness among respondents regarding responsible AI use. High number of respondents indicated that they verify the accuracy of AI outputs, consider the limitations of AI tools, and reflect on ethical implications during their usage of AI tools.

Which of these actions do you believe are necessary for the appropriate use of AI tools



The imperative for governance

The public sector urgently needs fit-for-purpose AI governance frameworks that go beyond compliance. They must provide clarity, build user confidence, and promote responsible and ethical usage of AI.

An effective AI governance framework should specify:

- Which tools are permitted and under what conditions.
- How outputs should be reviewed and validated.
- Protocols for risk management, privacy and accountability.
- Mechanisms for monitoring, reporting and feedback.

The ANAO review of the ATO's AI use showed that while some governance elements exist, their overall readiness is patchy. In short, many public sector organisations currently lack the operational maturity or agility to govern AI use effectively.

Governance should go beyond documentation and checklists – it needs to be embedded into organisational culture. Achieving this requires building AI literacy across the workforce through training, support tools and ongoing dialogue. An informed workforce are more likely to make sound judgment, question inappropriate uses and outputs, and safeguard organisational integrity.

Cultural shifts and professional judgment

For AI to be successfully integrated into public sector operations, organisations should prioritise developing human capability alongside technological investment. AI tools should be designed to complement and support professional judgment and decision making, not replace it. Relying solely on AI-generated outputs without human validation can lead to significant risks and unintended consequences.

A key enabler of this cultural shift is 'AI literacy'. Being AI-literate involves understanding what AI can and cannot do, knowing how to interpret and question its outputs, and being able to recognise when human oversight is required. It also entails being aware of broader societal impacts, including the potential for bias, exclusion, or harm resulting from poor design or misuse of AI systems. This cultural component is as important as any technical guideline, especially in the public sector where decisions may have far-reaching implications.

Recommendations

To ensure the responsible and effective use of AI in the public sector, a multi-layered approach is needed. Public sector organisations should prioritise the development, implementation and communication of clear governance policies. These policies should include specific protocols for AI tool usage, data management and ethical review.

Leadership plays a key role in fostering a culture of accountability and transparency. By modelling best practice with AI tools, leaders can shape norms that uphold ethical standards.

Policymakers should also consider establishing a public sector AI governance framework that sets minimum standards and provides shared tools, resources and guidance for compliance and education. This framework should be adaptable to keep pace with the rapid evolution of AI technologies, ensuring that governance remains relevant and forward-looking.

Equally important is empowering public sector employees to build their understanding of AI. This involves providing training, access to approved tools, and channels for feedback and learning.

Conclusion

The CPA Australia webinar on AI governance in the public sector highlighted both the benefits and risks of AI adoption. While AI presents opportunities to increase public value, improve service delivery, and support policymaking, these benefits come with risks.

To realise the full potential of AI while safeguarding public trust, the public sector must invest in robust governance frameworks, develop AI literacy amongst staff, and reinforce the critical role of professional judgment. A coordinated, thoughtful approach to AI governance is not only prudent, but also essential for the community that the public service serves.

About the webinar

During the webinar, we asked participants to respond to a series of polling questions relating to AI governance in the public sector, including:

- current AI tools in use across public sector workplaces
- the impact of AI on daily work practices
- public sector–specific applications of AI
- AI governance frameworks
- risks associated with AI and strategies for mitigation.

The webinar was held on 22nd May 2025. There were 1,387 registrations, of which 976 people attended it live.

References

Governance of Artificial Intelligence at the Australian Taxation Office | Australian National Audit Office (ANAO) report.

JCPAA Report 510: Inquiry into the use and governance of artificial intelligence systems by public sector entities – 'Proceed with Caution'.

Evaluation of a trial of generative AI (Copilot) in The Treasury.

AI Governance in Malaysia – Khazanah Research Institute.


CPA
AUSTRALIA