

PUBLIC SECTOR AI READINESS: IS APS MATURITY BEING STIFLED BY GOVERNANCE AND SKILLS GAPS?

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EXECUTIVE SUMMARY

The integration of Artificial Intelligence (AI) in the Australian Public Sector holds immense potential to enhance efficiency, improve service delivery, and strengthen public trust. However, discussions with sector leaders have highlighted key challenges related to governance, education, resource constraints, and public perception. This brief explores these issues and identifies actionable outcomes for responsible AI adoption.

Key insights include:

- The need for AI education and skills enhancement across the Australian Public Service (APS).
- Governance frameworks that balance innovation with ethical and legal safeguards.
- Strategic investments in AI-enabled solutions to address systemic inefficiencies and legacy system vulnerabilities.

A cohesive and strategic approach is necessary to ensure that AI's benefits are realised while mitigating associated risks. The brief outlines immediate, medium-term, and long-term actions to integrate AI responsibly into public sector processes.

FUTURE RESEARCH AND DISCUSSION

Education and training on AI: The discussion highlighted the need for better education and training on AI across the public sector, including understanding algorithms, data literacy, and ethical considerations, critical to managing change and workforce impacts associated with AI.

Governance and policy frameworks: The group discussed the challenges around current governance and policy constraints on AI usage. Facilitated discussions could include reviewing and improving these frameworks to enable more responsible and effective AI adoption.

Funding and procurement processes: The challenges around resource allocation and procurement for AI initiatives were raised. More flexible and responsive funding could be strategised along with procurement models to support public sector AI projects.

Legal and ethical considerations: The group touched on the legal liability, accountability, and ethical issues around AI decision-making.

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KEY THEMES AND INSIGHTS

GOVERNANCE AND ETHICAL CONSIDERATIONS

Governance frameworks are pivotal in ensuring AI's safe and ethical application. Discussions underscored the following response to the DTA Responsible AI Policy:

- The designation of Chief AI Officers (CAIOs) varies across agencies, with differing levels of authority and expertise. A unified governance approach is needed to ensure consistency.
- Ethical oversight, such as AI ethics committees, must complement governance structures to address societal concerns about transparency and accountability.
- Agencies demonstrate proactive approaches by aligning legislative frameworks with AI adoption, ensuring compliance with legal and ethical standards.

AI AS A CATALYST FOR EFFICIENCY

AI offers opportunities to address systemic inefficiencies and improve internal processes:

- A national cultural institution highlighted AI's potential to automate record descriptions, addressing resource limitations while safeguarding data integrity.
- Simple use cases, such as robotic process automation (RPA) for data entry, present low-risk, high-reward applications to build AI familiarity.

SOCIETAL AND POLICY IMPLICATIONS

- Public trust remains a critical factor. Concerns over AI errors in high-stakes decisions, such as immigration or healthcare, emphasise the need for a human-in-the-loop approach.
- Clear communication about AI's capabilities and limitations is essential to align public expectations with government objectives.

CHALLENGES AND BARRIERS

LEGACY SYSTEM DEPENDENCIES

- Many APS agencies rely on outdated systems, complicating AI integration. The cost of upgrading these systems often surpasses available budgets.

EDUCATIONAL GAPS

- Foundational AI knowledge among policymakers and staff remains inconsistent. Misconceptions about AI's scope, particularly around generative AI, hinder effective adoption.
- Comprehensive education programs are required to build capacity and bridge knowledge gaps.

FUNDING AND RESOURCE CONSTRAINTS

- Limited budgets and high costs for AI training and development constrain progress. For instance, the high hourly rates for AI contractors (up to \$275/hour) are beyond the reach of smaller agencies.
- Bureaucratic approval processes further delay AI project implementation

INNOVATIVE IDEAS AND CASE STUDIES

1. AI ADOPTION FRAMEWORKS

One larger operational public sector agency has pioneered AI adoption by:

- Revising legislative frameworks to enable AI-assisted decision-making.
- Employing human-in-the-loop processes to validate AI outputs, building trust and ensuring accountability.
- Focusing on low-risk applications, such as automated trademark searches, to develop AI maturity.

2. INTERNAL USE OF AI

- Another agency is exploring AI for internal data records. By addressing data complexity and leveraging AI for previously untenable tasks, the agency is laying the groundwork for scalable AI adoption without displacing current staff.

STRATEGIC OUTCOMES AND RECOMMENDATIONS

IMMEDIATE ACTIONS

- **Conduct AI Literacy Workshops:** Design training modules focusing on foundational AI concepts, ethical considerations, and practical applications tailored for public sector needs.
- **Simplify Bureaucratic Approval Processes:** Develop streamlined mechanisms for AI project approvals to reduce delays and accelerate adoption.
- **Leverage Existing Tools for Quick Wins:** Prioritise the deployment of low-cost, readily available AI tools (e.g., for document summarisation or internal process automation) to build early momentum.

MEDIUM-TERM GOALS

- **Establish Cross-Agency AI Governance Frameworks:** Create unified governance structures to ensure consistent application of AI policies and risk management practices.
- **Modernise Legacy Systems:** Allocate resources to update critical systems, integrating AI capabilities where feasible.

LONG-TERM VISION

- **Build Public Trust in AI:** Enhance transparency by publishing detailed reports on AI use cases and outcomes, ensuring accountability in decision-making processes.
- **Develop Comprehensive Workforce Strategies:** Invest in upskilling programs to prepare the APS workforce for AI-driven transformations.

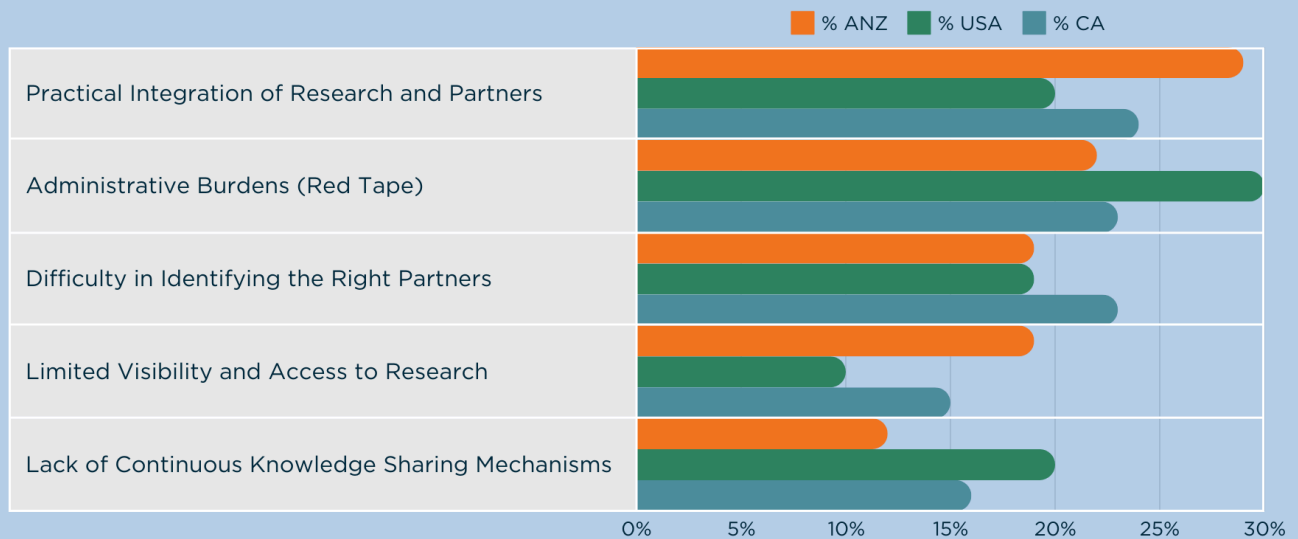
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Source: PSN Research Innovation Council Survey 2024. Total Sample Size: 188 ANZ/ 83 USA/ 80 CA Gov Executives

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