

B. How we prepared this report

Queensland Audit Office reports to parliament

The Queensland Audit Office (QAO) is Queensland's independent auditor of public sector entities and local governments.

QAO's independent public reporting is an important part of our mandate. It brings transparency and accountability to public sector performance and forms a vital part of the overall integrity of the system of government.

QAO provides valued assurance, insights and advice, and recommendations for improvement via the reports it tables in the Legislative Assembly, as mandated by the *Auditor-General Act 2009*. These reports may be on the results of our financial audits, on the results of our performance audits, or on our insights. Our insights reports may provide key facts or a topic overview, the insights we have gleaned from across our audit work, the outcomes of an investigation we conducted following a request for audit, or an update on the status of Auditor-General's recommendations.

We share our planned reports to parliament in our 3-year forward work plan, which we update annually: www.qao.qld.gov.au/audit-program.

A fact sheet on how we prepare, consult on, and table our reports to parliament is available on our website: www.qao.qld.gov.au/reports-resources/fact-sheets.

Performance audits

Through our performance audit program, we evaluate the efficiency, effectiveness, and economy of public service delivery. We select the topics for these audits via a robust process that reflects strategic risks entities are facing. We develop or identify suitable criteria for each audit and evaluate the audited entities' performance against it. We report to parliament on the outcome.

Our performance audit reports help parliament hold entities to account for the use of public resources. In our reports, we provide recommendations or insights for improvement, and may include actions, advice, or better practice examples for entities to consider.

About this report

QAO prepares its reports on performance audits under the *Auditor-General Act 2009*:

- section 37A, which outlines that the Auditor-General may conduct a performance audit of all or any particular activities of a public sector entity.

This report communicates the findings, conclusions, and recommendations from our performance audit on managing the ethical risks of artificial intelligence. Our audit was a reasonable assurance engagement, conducted under the *Auditor-General Auditing Standards* and the Australian Standard on Assurance Engagements ASAE 3500 *Performance Engagements*. We complied with the independence and other relevant ethical requirements related to assurance engagements. The conclusions in our report provide reasonable assurance about the audited entities' performance against the identified criteria. Our objectives and criteria are set out below.

The objective of this audit

The objective of the audit is to assess whether the Queensland public sector has policies and guidelines in place to effectively manage the ethical risks associated with its artificial intelligence (AI) systems.



What we cover

In this audit, we focused on policies the Department of Customer Services, Open Data and Small and Family Business has issued that guide entities in managing ethical risks with AI.

We also assessed how the Department of Transport and Main Roads, in collaboration with the Queensland Revenue Office within Queensland Treasury, managed ethical risks and relevant mitigating controls of 2 AI systems it uses:

- QChat, a generative AI virtual assistant created for Queensland Government employees
- Mobile Phone and Seatbelt Technology, an image-recognition AI system used to detect possible mobile phone and seatbelt offences.

Entities we audited

- Department of Customer Services, Open Data and Small and Family Business – developed the AI governance policy and assists the relevant public sector entities with applying it.
- Department of Transport and Main Roads – a user of QChat and is responsible for the MPST program and contract with the external vendor that owns and manages the system.
- Queensland Revenue Office within Queensland Treasury – adjudicates potential offences and issues infringement notices for alleged offences.

Our approach

Audit criteria

Sub-objective 1: The Department of Customer Services, Open Data and Small and Family Business (CDSB) has effective policies in place to guide the ethical use of AI by the public sector.

Criteria

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| 1.1 | CDSB has strategies, policies, and procedures guiding the ethical use of AI systems that are evidence-based, clear, and user-friendly. |
| 1.2 | CDSB has a comprehensive understanding of the use of AI across the public sector. |
| 1.3 | CDSB provides appropriate guidance and support to entities to identify and manage ethical risks associated with AI. |

Sub-objective 2: The Department of Transport and Main Roads (TMR) is effectively managing ethical risks associated with the use of AI on selected projects, including in collaboration with the Queensland Revenue Office (QRO) where relevant.

Criteria

- | | |
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| 2.1 | TMR has governance structures to effectively oversee the design and use of AI systems. |
| 2.2 | TMR uses an ethical framework to evaluate the transparency, accountability, and risk associated with the AI life cycle. |
| 2.3 | TMR, in collaboration with QRO, implements a continuous improvement process which leads to updates on AI controls as risks change. |

Scope exclusions and limitations

We did not examine broader frameworks or controls in information communication and technology, procurement, project management practices, or risk management, other than the areas that relate to the ethical risk management of AI systems.

We also did not assess whether the selected AI systems were ethical. Instead, we assessed how effectively entities managed ethical risks when planning and implementing the selected AI systems.

Method

Field visits and interviews

We conducted interviews with key selected stakeholders involved with AI across the Queensland Government. This included, but was not limited to:

- Department of Customer Services, Open Data and Small and Family Business
- Department of Transport and Main Roads
- Queensland Revenue Office, within Queensland Treasury.

Document review

We obtained and reviewed relevant documents from the entities involved in the audit. This included legislation, policies, frameworks, business cases, strategic plans, correspondence, performance reports, audit reviews, and evaluations. We also considered research from other jurisdictions and academia.

Data analysis

We analysed a range of data from CDSB and TMR, including:

- QChat user and use types
- MPST photos taken, AI accuracy calculation, and potential offences identified by AI and human reviews
- MPST incidences identified from the vendor and fines issued.

We validated our data methods and analysis progressively with the departments.

Subject matter experts

We engaged 2 subject matter experts to provide insights on approaches to manage and oversee AI systems and methods to assess related ethical risks. The experts offered advice and validated facts and concepts related to specific aspects of the audit.

