
EXECUTIVE MASTERCLASS

The Principles of Good AI Governance

Confident AI adoption without the high-profile failures

26 July | Seminar

Bruce Mullan



A Wake Up Call?

Proudly brought on by:

OAIC, APRA, ASIC, ASD, Five Eyes & EU AI Act

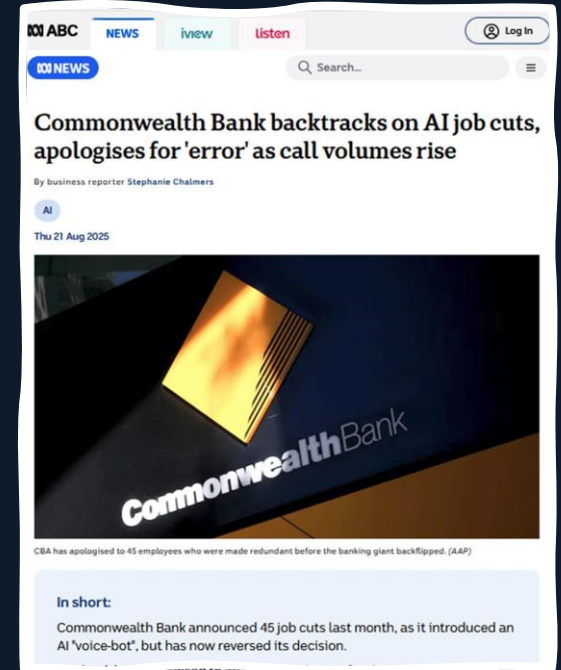
... six clear signals that AI governance is now an urgent business imperative

When AI goes wrong, it goes badly wrong

Want to know the salary of your CEO, boss or workmates?

Simple.

Just ask Copilot.



The Regulators are twitchy

Authority	Signal
Office of the Australian Information Commissioner	December 10 is Disclosure Day. Transparency obligations under the <i>Privacy and Other Legislation Amendment Act 2024</i> require companies that use AI to make or substantially assist in making decisions about individuals (affecting rights, interests, or wellbeing) to disclose this in their privacy policies from December 10, 2026.
Australian Prudential Regulation Authority	APRA expects entities to establish consistent governance arrangements that include, at a minimum frameworks (policy, standard, guidance) and reporting lines to promote safe, responsible and sustainable adoption of AI.
Australian Securities and Investments Commission	ASIC says do not wait for perfect clarity to address the threat posed by new AI models. Instead, act now, and act with discipline, to strengthen the cyber resilience fundamentals that underpin your business
Australian Signals Directorate	The ASD urges organizations to view AI risk as a top-level business issue, not just an IT problem.
Five Eyes major intelligence-sharing alliance	Five Eyes says advanced AI models are collapsing the time it takes hackers to exploit software weaknesses. They urged corporate and government leaders to treat AI-driven cyber risk as an urgent leadership responsibility.
EU AI Act	Coming into law on August 2, 2026, the EU Act activates transparency when using AI in business and general purpose AI enforcement for AI vendors.

What the OAIC is targeting

1

Opaque
decision-
making

2

Inability to
explain
outcomes

3

Poor
management
accountability

4

Absence of a
human
review

5

Undocumented
data
usage

Signalling a more aggressive enforcement environment.

Admin fines up to **\$330k for an outdated privacy policy.**

Ordinary privacy breach fines of up to **\$660k.**

Where will you find AI? Everywhere.

Call centre queue prioritisation	Employee Performance Reviews	Allocating employee shifts	Assessing health care levels
Invoice processing	Loan applications	Insurance applications	HR applicant screening
Profiling for differential pricing	Predictive preventative maintenance	Student course admissions	Health benefit claims processing
Rental applications	VISA processing	Fraud Detection	Compliance monitoring
LLMs, Copilot, Vendors with AI modules		Ungoverned Shadow AI	

You can't expect AI to fix

- Years of document and data accumulation,
- Poor business processes,
- Ageing systems and
- Operating knowledge inside people's heads.

Perfect storm for AI Governance

Patchwork of emerging regulation

New AI solutions that think for themselves

Legacy technical environments

Why a standard is needed



Construction Code



Prince2



AI Governance

Purpose of a standard > prevention

Why do we need a National Construction Code?

Section B Structure	
Part B1 Structural provisions	46
Section C Fire resistance	
Section C Fire resistance	61
Part C1 Fire resistance and stability	65
Part C2 Compartmentation and separation	71
Part C3 Protection of openings	78
Section D Access and egress	
Section D Access and egress	122
Part D1 Provision for escape	129
Part D2 Construction of exits	140
Part D3 Access for people with a disability	155
Section E Services and equipment	
Part E1 Fire fighting equipment	175
Part E2 Smoke hazard management	192
Part E3 Lift installations	213
Part E4 Visibility in an emergency, exit signs and warning systems	222
Section F Health and amenity	
Part F1 Damp and weatherproofing	232
Part F2 Sanitary and other facilities	244
Part F3 Room heights	265
Part F4 Light and ventilation	268
Part F5 Sound transmission and insulation	275
Part F6 Condensation management	287

What do you need in your house?

- ☐ It won't fall over in high winds
- ☐ The roof won't leak when it rains
- ☐ It is comfortable to live in
- ☐ Toilets that remove waste properly
- ☐ Low energy costs to run it
- ☐ A safe balcony

New AI Governance Standard

When

Released in July 2025

**Developed by the Department
of Digital Transformation**

42 Statements over 102 pages



What

These AI Systems

“An AI system is a machine-based system that, for explicit or implicit objectives, infers, from the input it receives, how to generate outputs such as predictions, content, recommendations, or decisions that can influence physical or virtual environments.”

Who

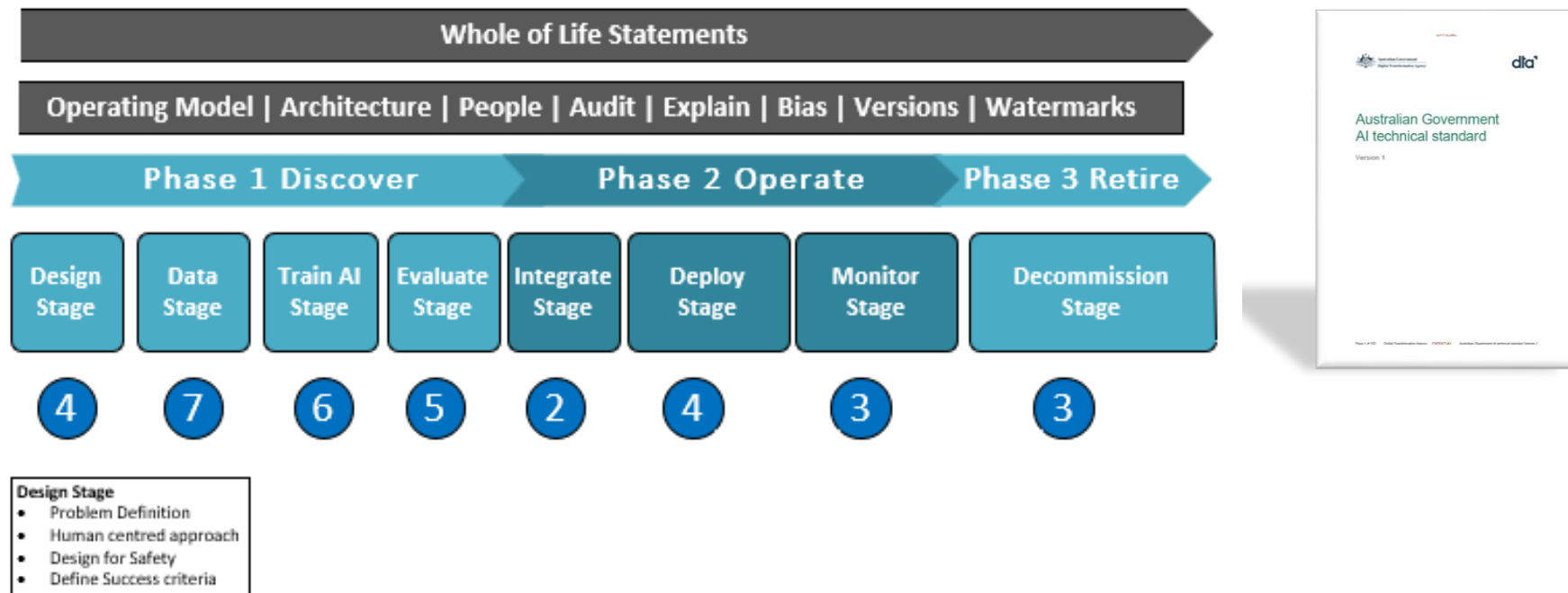
Australian Public Service is mandated policy, plus

- Some APS Suppliers
- Some APS Consultants

State Public Service entities
Local Government entities
APS funded service providers (eg
NDIS, CDC) and
Corporates (APRA, ASIC)

The Australian AI Governance Standard

42 Statements with 148 criteria (91 mandatory) across the whole AI Lifecycle



Example Statement

Statement 4: Enable AI auditing

- **Criterion 9: Provide end-to-end auditability.**

End-to-end AI auditability refers to the ability to trace and inspect the decisions and processes involved in the AI system lifecycle. This enables internal and external scrutiny. Publishing audit results enables public accountability, transparency, and trust.

This may include:

- establishing documentation across the AI system lifecycle as agreed with the accountable official. This should demonstrate conformance with the AI technical standard, and compliance with relevant legislation and regulations.
- establishing traceability of decisions and changes from requirements through to operational impacts
- ensuring accessibility, availability, and explainability of technical and non-technical information to assist audits
- ensuring audit logging of the AI tools and systems are configured appropriately

This may include:

- enabling or disabling the capture of system inputs and outputs
- detect and record modifications to the system's operation or performance
- record who made the modification, under what authority, and the rationale for the modification
- record system version and any other critical system information.

**Criteria
provides
context and
guidance on
how things
should be done**



Example Statement

Statement 5: Provide explainability based on the use case

- **Criterion 12: Explain the AI system and technology used, including the limitations and capabilities of the system.**

AI algorithms and technologies such as deep learning models, are often seen as 'black boxes'. This can make it difficult to understand how they work and the factors that generate outcomes. Providing clear and understandable explanations of AI outputs helps maintain trust and transparency with AI systems.

Explainability on the specific context of the use case ensures clear understanding and reasoning behind AI system output. This supports accountability, trust, and ethical considerations.

This may include:

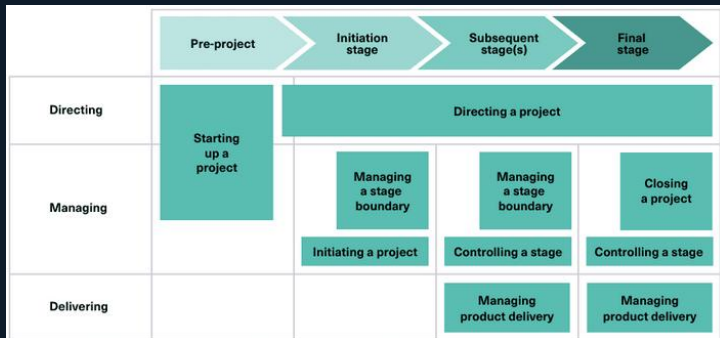
- explaining the AI system such as:
 - consideration of trade-offs such as cost and performance
 - what changes are made with AI system updates
 - how feedback is used in improving AI system performance
 - whether the AI system is static or learns from user behaviour
 - whether AI techniques would provide clearer explanations and validate AI actions and decisions.
- use cases that are impacted by legislation, regulation, rules, or third-party involvement
- explain how the system operates including situations that require human intervention
- explain technical and governance mechanisms that ensure ethical outcomes from the use of an AI system
- inform stakeholders when changes are made to the system
- persona level explainability adhering to need-to-know principles.

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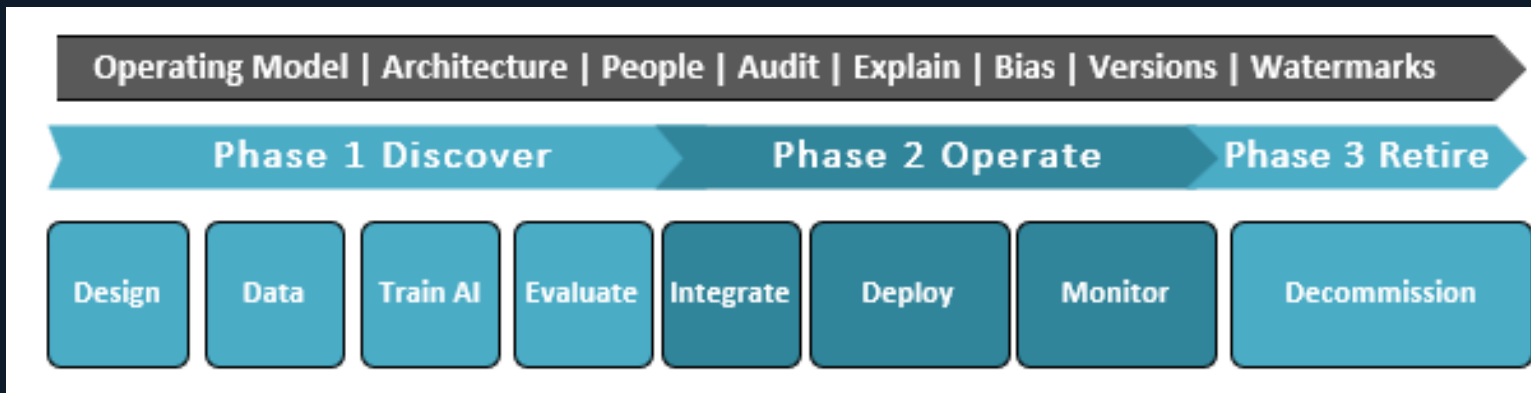


A *practical, implementable* standard!

Prince2 Framework



DTA AI Governance Framework

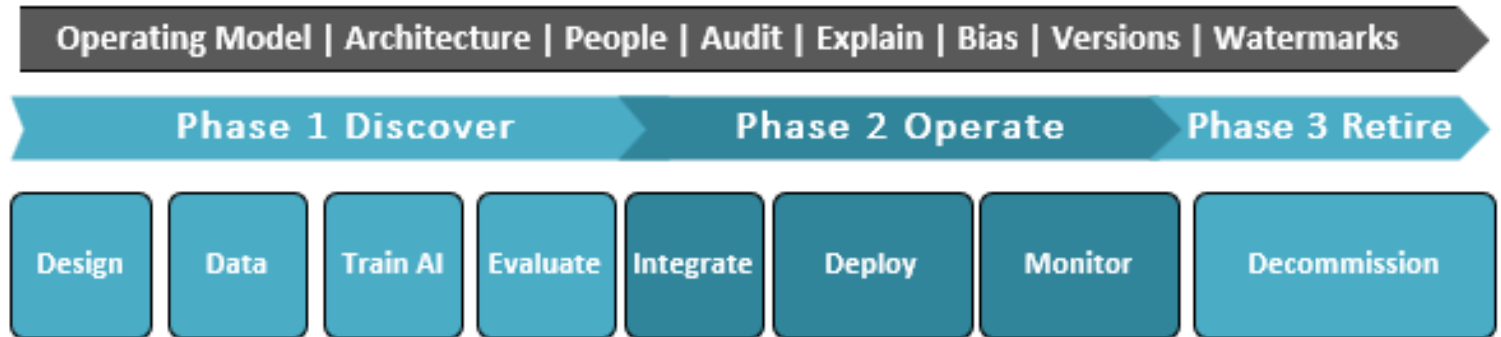


ISO 42001 - Artificial Intelligence Management Systems

ISO 42001 Framework



DTA AI Governance Framework



Co-Pilot: Ungoverned AI use



What could go wrong? Risks & Harms

- You inadvertently enter sensitive data into a prompt
- You ignore internal policies or bypass official systems and controls
- Your data ends up being processed or stored outside approved environments
- You inadvertently disclose private information via generated outputs
- You violate industry regulations (eg provide misleading advice)
- You apply outdated or incorrect legal interpretations
- You provide your boss with made up data (eg hallucinate)
- You progressively produce inconsistent outputs for similar inputs
- You miss cultural expectations and offend someone
- You miss the fairness checks
- You discriminate, in recruitment or service delivery processes
- You use Copilot in unapproved ways
- You integrate Copilot into workflows informally
- You accelerate work without checkpoints
- You make decisions faster than your internal governance processes can keep up

Required AI Governance

Statement 1 - Define who owns the Copilot system in your company (by default they own its governance)

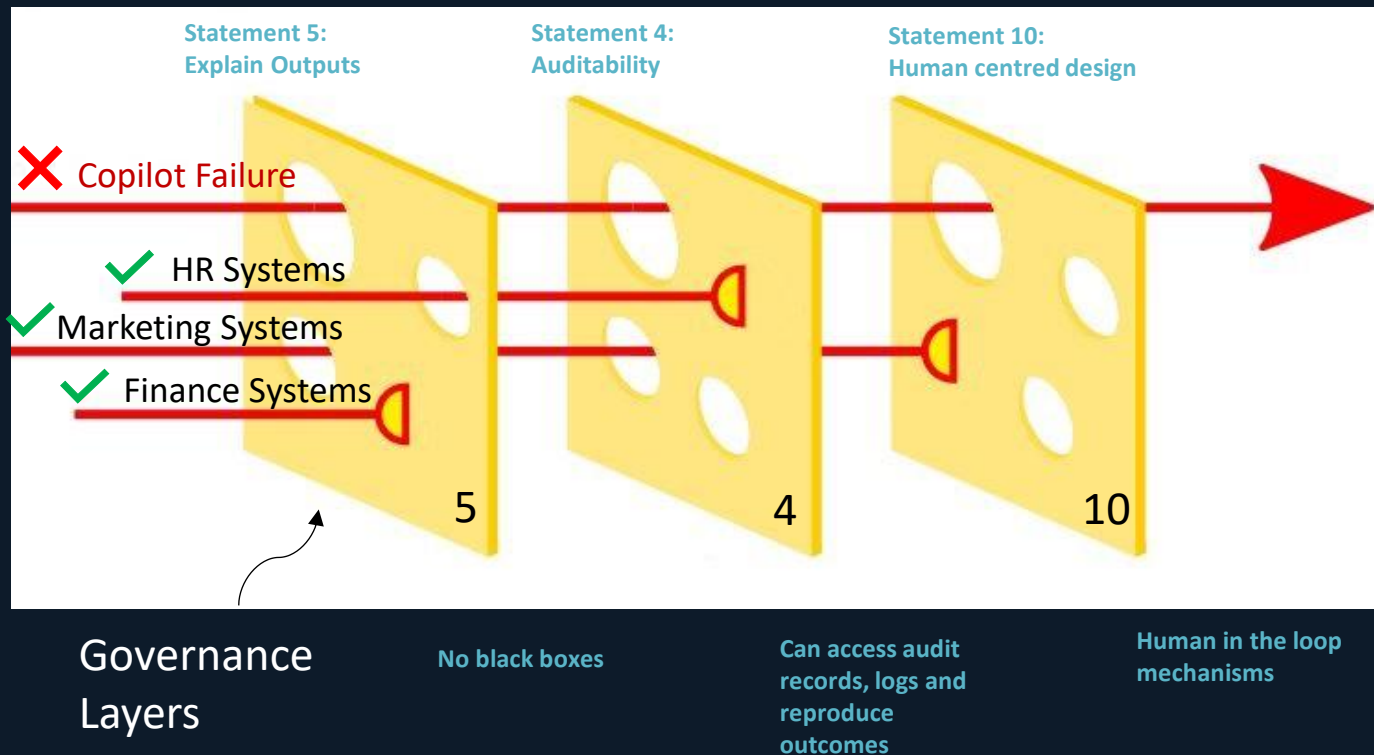
Statement 4 - Enable auditing and audit on a recurring cycle

Statement 5 - Ensure you can provide explainability to any decisions it makes

Statement 10 - Define where human oversight is required in the outputs or actions

Statement 38 - Undertake ongoing monitoring for unintended consequences, safety, security, compliance and so on

Governance prevents compounding failures



Want to know the salary of your CEO, boss or workmates?

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Quick wins are a perfect place to start

A HANDFUL OF EASY TO IMPLEMENT STATEMENTS

Statement 1	Operational Model	<i>Who is accountable for the AI system and its outputs?</i>
Statement 3	People Capability	<i>Do you have the right people and right skills?</i>
Statement 4	Enable AI Auditing	<i>Can you reconstruct decisions?</i>
Statement 7	Version Control	<i>Can you track what changed?</i>
Statement 9	Define Purpose	<i>What exactly does the system do? What are its boundaries?</i>
Statement 17	Data Quality	<i>Is your data fit for purpose?</i>

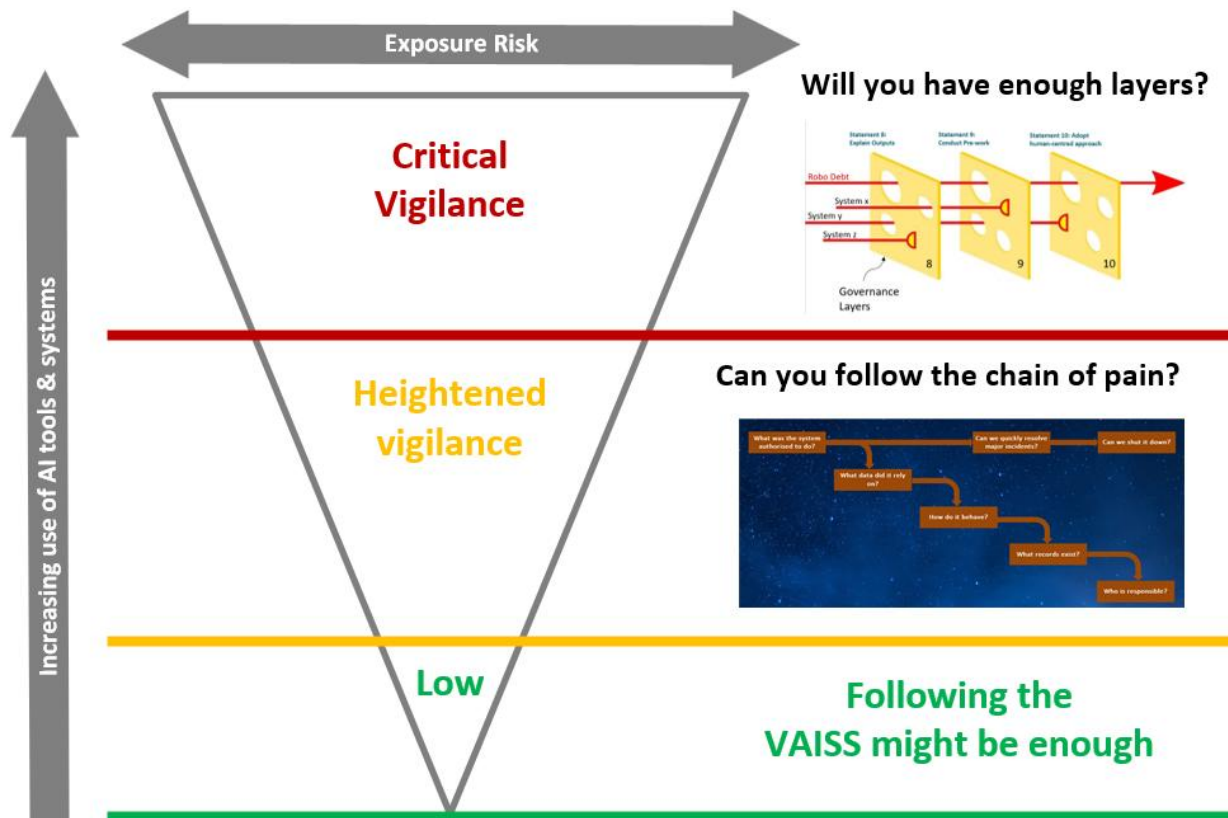
Start with one statement. Prove it works. Then expand. Do not boil the ocean.

When things go wrong, follow the chain of pain



Evidence-based compliance

Could your AI systems cause harm, misuse or errors?



Five steps to getting AI governance started

1

Name all your AI System Owners and therefore the owner of AI outcomes and content. By naming these people, behaviour will immediately change. Part of Statement 1.

2

Learn as much as you can about the Standard. Use AI everyday to get familiar with its potential (safely of course). Join a Community of Practice in your industry. Part of Statement 3.

3

Appoint someone responsible for implementing the process of AI Governance (eg Compliance Manager etc). Part of Statement 3.

4

Implement Statement 4 - Enable AI Auditing within one month. You'll be in a very good place already.

5

Determine your AI Governance Implementation Roadmap. Much easier if you implement governance at the same time as the AI system – lower risk, with no retro-fitting.

Doing nothing is not an option

Potential exposure for AI, Privacy or Data Breach:

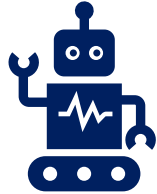
- Large fines
- Regulatory investigations
- Reputational damage
- Personal legal liability for Directors
- Lost customer or employee trust
- Operational disruption

What good AI Governance looks like

You have in place at a minimum:

- ☐ Implemented an AI Governance framework
- ☐ Established ownership and accountability across the AI lifecycle
- ☐ Built inventories of AI tooling and AI use cases
- ☐ Ensured human involvement for high-risk decisions and accountability
- ☐ Educated staff on AI use, misuse, limitations and secure practices

AI Governance Partners



Privacy Act
“Disclosure
Day” Readiness



Shadow AI
Discovery
Program



ISO 42001
Audits and Risk
Assessments



AI Governance
Education
Workshops



Fractional
AI Governance
Officers

AI. Use responsibly.

Prevention is far cheaper than remediation

- I'll share the information I have presented today
- You can start your AI Governance journey right now – see steps earlier
- I am open to a strategy conversation or diagnostic review about your situation
- Consider working with us on **Shadow AI Discovery** which is your first step to managing AI Risk



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AI. Use responsibly.