

AI Governance Operating Model

The UTS Human Technology Institute (HTI) is an impact-oriented institute building human values into new technologies. Bringing together policy, legal and technical experts, HTI provides independent expert advice, policy development, capability building, and data science solutions to support government, industry and civil society.

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Acknowledgement of Country

UTS acknowledges the Gadigal people of the Eora Nation, the Boorooberongal people of the Dharug Nation, the Bidiagal people and the Gamaygal people upon whose ancestral lands our university stands. We would also like to pay respect to the Elders both past and present, acknowledging them as the traditional custodians of knowledge for these lands.

Executive summary

As organisations scale up their AI adoption across functions and with increasingly sophisticated and more transformative use cases, the opportunities and risks will also expand. In HTI's view, this is the point at which organisations should shift away from ad hoc, project-based governance towards a more structured approach.

This snapshot report presents HTI's AI governance operating model. This is a simple, structured approach to AI corporate governance that boards and management teams can use to guide their AI investments, and to ensure that they use AI lawfully and responsibly.

The HTI operating model supports organisations to become AI-optimised organisations. It does this by focusing on **strategy** as the key driver of AI governance. HTI's operating model focuses the board on two strategic questions: How can we use AI to achieve the organisation's strategic objectives? And how much risk are we willing to accept in the process?

By setting the strategy, the board sets a clear agenda for management to guide future investments in AI technology. This helps the organisation to focus on high value AI systems and use cases, and to filter out those that are not aligned with strategy.

Other key AI governance components flow from the strategy and the principles of responsible AI. The board should oversee management in implementing:

- **AI governance structures** for clear and efficient decision making on AI investments and use
- **AI governance practices** to ensure that AI-related risk and compliance are appropriately managed, and
- **AI governance enablers** to support the responsible use of AI by staff, and the organisation more broadly.

The AI governance operating model is a key tool for company boards, and their management teams, when implementing their AI corporate governance.

It provides a simple, structured approach to AI governance that sets the organisation up to use AI strategically, and responsibly.

Introduction

To date, many Australian organisations have tended to adopt AI technologies in limited or incidental ways. They have adopted or piloted AI tools for specific projects or teams; used AI tools that are embedded in other products; or allowed staff to use publicly available large language models (“LLMs”) to support their personal productivity. In these cases, organisations may have implemented some policies to manage risk, but they are unlikely to have considered their AI governance more broadly.

As organisations scale up their AI adoption with new and more transformative use cases, the opportunities and risks will also expand. This is the point at which organisations that may not have invested in their AI governance previously should adopt a more structured approach.

The Australian Government has indicated that it does not intend to introduce legislation to regulate high risk AI systems.¹ In any case, existing laws will apply to the use of AI systems, and organisations will need to manage their AI-related risks.

There is now a range of guides, frameworks and standards available to help Australian organisations to guide their AI corporate governance. The advice across these frameworks is generally consistent but differs in focus audience and detail.²

In 2025, the Australian Government released the *Guidance for AI Adoption: Foundations*, and the more detailed *Implementation Guidance*, to guide organisations about key aspects of AI governance. These are practical guides for organisations that address priority aspects of organisational and system level governance.

The HTI AI governance operating model sets out a simple, clear blueprint for AI governance at the organisational level. Rather than focusing on a set of initial priorities, it maps the full scope of initiatives needed for a simple but effective framework—to help organisations leverage the opportunities of AI while managing risk, and ensuring that AI is used responsibly. It can be used in combination with the Australian Government guidance material.

The AI governance operating model builds upon HTI’s previous articulation of the *eight elements of AI governance*. The model itself provides a more structured way of staging and implementing AI governance initiatives, and each of the elements can be mapped to it.

HTI’s AI governance operating model

HTI’s AI governance operating model helps an organisation to answer:

- **Why** are we implementing AI in the business?
- **Who** will be responsible for our use of AI?
- **What** processes will we implement to ensure we use AI lawfully and responsibly?
- **How** will we support the responsible use of AI across the organisation?

Each organisation will approach these questions in its own way given its unique operating context.

The operating model can be applied to any organisation. Some initiatives are foundational while others can be implemented over time. They are not sequential and can be implemented in parallel; however, HTI does recommend starting with strategy.

There are four components:

1. Strategy:

The strategy component identifies how AI will be used to achieve the organisation's strategic objectives, and articulates the risk appetite and values to guide its use. These should be defined by the board and should lead the rest of the AI governance initiatives. This ensures that the organisation invests in the AI systems and use cases that are aligned with organisational strategy.

2. AI governance structure:

The AI governance structure sets the accountabilities for AI use and governance; the decision-making authority and processes for AI adoption; and the monitoring and reporting framework for effective oversight. This ensures the organisation is set up to evaluate new AI systems and use cases efficiently, and to manage them effectively.

3. AI governance practices:

The AI governance practices are the policies and procedures for the use of AI systems—to manage risk, comply with the law, and ensure that the organisation’s use aligns with key ethical principles. These may include both organisational and system level policies.

4. AI governance enablers:

The AI governance enablers are the key initiatives needed to support effective AI governance. They include the AI technology and infrastructure; building AI literacy across the organisation and embedding a responsible AI culture; and engaging with key stakeholders to ensure the use of AI systems remains fair, transparent and accountable.

Figure 1. AI Governance Operating Model



1. Strategy



The strategy component answers the question: *Why are we implementing AI in the business?*

This component involves strategic discussions about how AI will be used to achieve the organisation's objectives, and the risk appetite and values when doing so.

1.1 Strategic direction

The board should discuss the strategic direction for AI adoption by the organisation. It does not need to develop a standalone AI strategy document—but it should engage in regular strategic discussions about the opportunities that AI technologies provide for the organisation to achieve its business objectives.

In some organisations, the board may see AI merely as a useful tool to improve individual productivity within the workforce. In others, it may see opportunities to use AI to transform its operations in the near, medium or longer term.

The board should engage in these discussions and set the strategic direction for management to implement. This will guide management in its strategic planning, and when making investment decisions about AI systems and use cases. It means that AI projects that are not aligned with the board's strategic direction can be filtered out early, before significant investment has been made.

In this way, management can focus on the AI tools and use cases with strategic value, rather than the latest developments in the market.

1.2 AI risk appetite and values

When setting the strategic direction, the board also should set the AI risk appetite. This reflects the degree of risk that it is prepared to accept in relation to the use of AI technologies. The risk appetite guides the organisation in its deployment of AI tools, the rules adopted to manage any risks, and its future investments in AI systems. In practice, the board may set various risk appetites across different AI technologies, tools and even stakeholders (e.g., staff vs customer focused AI use).

The board should also articulate the organisation's AI values. For example, if it wants the organisation to be known for using AI responsibly, these values will reflect key ethical principles such as fairness, transparency and accountability. The AI values can be translated into practice through other AI governance initiatives such as the AI policy, AI literacy campaigns and when embedding a responsible AI culture.

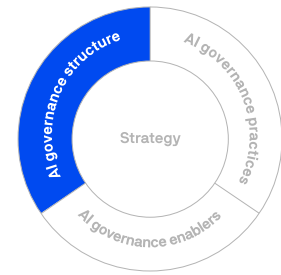
1.3 Prioritisation and resourcing

Once the AI strategic direction has been decided, the board should ensure there is a process to identify, prioritise and resource the governance needed to support it. The board should ask management to develop the AI governance needed to support the organisation's current and future AI use; and ensure that it maintains ongoing oversight through board reporting.

"Many leading organisations are using strategy to drive their AI governance. Their boards see the benefit in setting a clear direction on AI use to achieve their strategic goals, and they are building their governance to align with this."

— Professor Nicholas Davis

2. AI governance structure



The AI governance structure answers the question: *Who will be responsible for our use of AI?*

Managing AI governance may be relatively simple when organisations are using it in limited ways. However, as they scale up their use, they are likely to be managing multiple AI systems with varying use cases across different functions and teams. As the technology develops, new systems and use cases will also need to be evaluated and potentially rolled out.

AI governance structures establish clear roles and lines of accountability, define the organisation's decision-making processes in relation to AI systems and use cases, and create reporting and escalation pathways for effective AI governance.

This ensures the organisation can evaluate potential AI systems and use cases efficiently, and target its investment to those aligned with its AI strategic direction. It also sets up the reporting processes to monitor AI related risks and respond quickly to them.

2.1 AI roles and accountabilities

The board's role is to identify the strategic opportunities and risks for the organisation, and to ensure they are managed appropriately. If board members don't have the skills to do this, they can invest in board training, recruit new members with these skills, and/or engage expert advisors.

The board should ensure that the organisation has single point accountability for AI governance. This role should be accountable for setting up the AI governance and overseeing its operation. In smaller organisations, the CEO may take on this role. In larger ones, it may be a standalone role (such as a Chief AI Officer), or it may be exercised by an existing role such as the Chief Operating Officer or Chief Risk Officer.

While accountability for AI governance should rest with someone in senior leadership, no single person can manage it alone. Effective

AI governance depends on having the right people, in the right roles, with the skills and capabilities to identify and manage the issues that arise.

HTI has identified the key roles to support best practice AI governance in our Snapshot report, *People, Skills and Culture for Effective AI Governance (2024)*.

2.2 Decision making and escalation

The board should ensure that the organisation has a process and structure to make decisions about how AI will be used and governed. This includes approving high risk AI systems and use cases; approving AI policies and processes; and reporting to senior management and the board on AI use and governance.

An organisation may choose to use an established governance process or to establish a specific AI governance committee. The benefit of a specific process is that it can help to build internal capability in AI governance within the organisation. It can also speed up decision making by centralising discussions about new AI systems and use cases.

A specific process can also be adopted on a transitional basis. In this case, AI governance decisions would be mainstreamed once AI processes have been established, and capability has been built.

Either way, the board should ensure that the AI governance structure is able to identify and manage AI related risks; and that it is able to filter out those AI investments that are not aligned with the AI strategy or are otherwise legally, ethically, or commercially unsound.

For more information on AI governance structures, please see the HTI Snapshot report on *Designing AI Governance Structures (2025)*.

2.3 AI oversight and reporting

Both boards and senior management rely on the flow of information about key risk and operational indicators for effective AI governance.

The board should identify the key KPIs, and cadence of reporting, that it wants from the organisation in relation to AI governance. Management should identify any additional KPIs that it needs for effective oversight.

HTI has developed a set of possible KPIs and updates that boards and management teams may wish to consider adopting for their AI governance reporting. Some organisations may want to adopt all of these KPIs while others may choose a more streamlined set of indicators.

Figure 2. Possible KPIs for AI governance reporting

Topic	Possible KPI/ update
AI usage	<ul style="list-style-type: none"> • Overview of AI use • Measures related to return on investment on AI systems • Planned investments in the next 12 months
AI and strategy	<ul style="list-style-type: none"> • Alignment of AI usage with AI strategic objectives • Organisation's competitive positioning on AI adoption • Emerging opportunities
AI and governance	<ul style="list-style-type: none"> • Updates on AI governance framework (e.g., new policies etc) • Report on AI governance committee activity • Report on alignment of AI governance with practice
AI risk and compliance	<ul style="list-style-type: none"> • Key risks and controls for AI and their status • Monitoring and assurance activities and results • Emerging risks (if any) • Emerging legal requirements (if any)
AI and the workforce	<ul style="list-style-type: none"> • Responsible AI culture initiatives and indicators (including AI training and literacy) • Workforce planning relating to AI (e.g., future plans for new/ changed roles)
AI and the community	<ul style="list-style-type: none"> • Engagement with key stakeholders and their feedback • AI related emissions and performance against target • Any broader environmental, social responsibility or reputational issues relating to AI.

3. AI governance practices



The AI governance practices answer the question: *What processes will we implement to ensure we use AI lawfully and responsibly?*

The board should ensure that the AI governance practices translate the board’s AI strategy, values and risk appetite into operation. They should also ensure that policies and processes are in place to manage legal compliance and risk effectively, and to ensure the use of AI systems, and their outputs, align with the principles of responsible AI.

3.1 Legal compliance

As noted above, the Australian Government has indicated that it does not intend to introduce specific legislation to regulate high risk AI systems.³ In any case, there is already a range of laws that can apply to the use of AI, including laws relating to privacy, competition, consumer protection, anti discrimination, intellectual property and work health and safety.⁴

The board should ensure that management has identified the relevant laws and other legal obligations that may apply to the organisation’s use of AI, and that it has a plan to ensure compliance with them.

3.2 Risk management

The board should ensure that the organisation has a process to identify AI-related risks and manage them—at both the organisational and AI system level. This should be aligned with the board’s AI risk appetite.

The AI risk assessment processes should integrate seamlessly with the existing risk management framework to avoid lengthy processes and duplication. Risk-based triage can ensure that resources are focused on higher risk AI systems and use cases—for example, with risk and impact assessments and referral to an AI governance committee. Those AI systems and use cases that are considered low risk can be managed more simply through AI policies and processes.

3.3 Policies and processes

The board should ensure that the organisation has the key policies and processes needed for effective AI governance at both the organisational and AI system level.

AI inventory

An AI inventory is a key document for board and management oversight as it provides a comprehensive view of the AI systems being used across the organisation.

The AI inventory can be quite simple, covering the AI systems being used in the organisation, the main use cases, the business areas using them, and the person responsible for each system. Some organisations may also wish to use the inventory to record proposed high risk AI systems and use cases that are yet to be approved, and those that have been approved and any conditions placed on their use.

AI policy

An AI policy provides an overview of key aspects of the AI governance framework.

The AI policy should also guide staff as to which AI systems and use cases are approved for use (and the rules applying to their use), and those which are prohibited.

This is important given the high incidence of “shadow AI” by employees; that is, where staff use AI systems at work without management’s knowledge or approval. In these cases, staff may not be aware of the risks involved in using an AI system or how to manage them. This includes the potential loss of confidentiality of information fed into a publicly available AI system, and the potential reliance on AI-generated information that is not correct (for example, as a result of hallucinations).

Organisations can manage this risk by outlining the rules for acceptable use in the AI policy, and training staff on them.

Data governance, privacy and cybersecurity

AI systems use data across their lifecycle, including the training phase for an AI system and when an AI system or tool is used to carry out tasks or generate content.

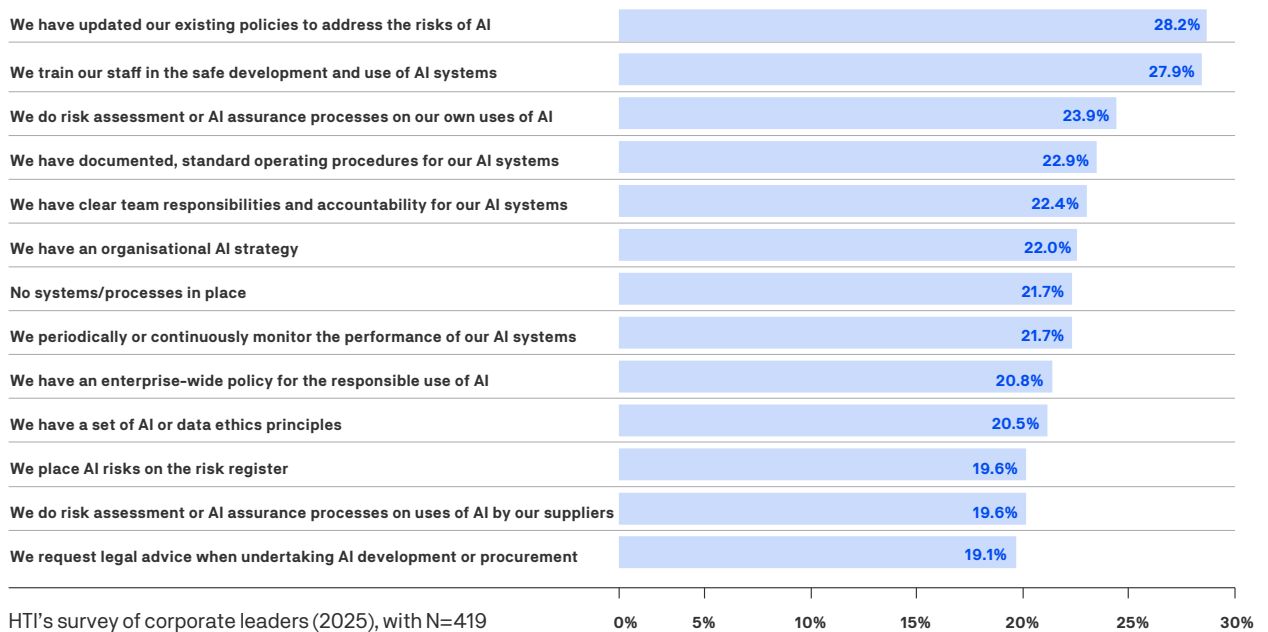
In practice, the datasets used to train an AI system may contain historical biases, or they may represent only a limited section of the community. Depending on the context, this could lead to unfair or discriminatory outcomes.

When using AI systems, organisations may also seek to use data relating to customers, staff or others, and in some cases this may be personal information under the *Privacy Act 1988* (Cth).

Organisations should also be aware of the cybersecurity risks to their AI systems, including the evolving nature of these risks given rapid developments in AI technology.

Given the data used in AI systems, organisations should review their privacy, data governance and cybersecurity policies and processes to ensure they address any specific risks arising in this context.

Figure 3. AI governance practices currently being used in organisations



4. AI governance enablers



The AI governance enablers answer the question: *How will we support the responsible use of AI across the organisation?*

Effective AI governance involves a number of enablers. These are the initiatives that will help to support the formal governance framework. Without them, organisations may struggle to manage their AI use effectively and responsibly.

4.1 AI technology and infrastructure

AI technology and infrastructure includes the data governance, technology platforms and related systems needed to support and deliver AI responsibly. This involves ensuring that AI systems integrate with existing IT systems; the data used in AI systems is high quality and relevant to its proposed use; and that appropriate mechanisms are in place to monitor and report on performance. These are key enablers for effective AI governance and for achieving the full opportunities of AI systems.

4.2 AI literacy and responsible AI culture

AI literacy refers to the ability to understand AI technology, appreciate its risks, and use it responsibly. It is a key enabler of the responsible use of AI within organisations.

The board should build its own AI literacy, and ensure that management has identified the AI literacy needed across different roles in the organisation. To build AI literacy, organisations should implement training on AI technology, the risks raised, and the organisation's policies for managing them. Training may be formal and informal, and it can include responsible experimentation.

A responsible AI culture is one in which all staff feel personally committed to the responsible use of AI, and they will reinforce this among their peers. This is particularly important given the high incidence of shadow AI within organisations. Once in place, a responsible AI culture will support the organisation's formal AI governance arrangements.

For more information, please see the HTI Snapshot report on *People, Skills and Culture for Effective AI Governance (2024)*.

4.3 Stakeholder engagement

Stakeholder engagement provides key information about the impact of an organisation's use of AI on customers, staff, suppliers and even the broader community.

By engaging with *customers*, organisations can identify any concerns about the fairness of AI systems. They can also develop practical ways for customers to raise concerns about, or challenge, the use of AI systems or their outputs more generally. By engaging with *staff*, management can seek practical advice and feedback on the rollout and operation of AI systems. By engaging with *suppliers*, organisations can obtain information about an AI system's design or training, and can provide feedback for further refinements.

For more information on stakeholder engagement with staff, please see HTI's report, *From Invisible to Involved: A Guide to Worker Engagement on AI (2025)*.

Conclusion

How organisations can use the operating model

Every organisation starts from a different position. HTI's 2025 survey of Australian corporate leaders indicated that only about 15% of them felt confident in their organisation's AI governance, identifying as 'leaders'. Three-quarters reported high levels of interest in AI, but admitted their organisation falls short in terms of formal governance, a group we classify as 'explorers'. Meanwhile, about 10% of them reported that their organisations had yet to engage with AI at all, identifying as 'latecomers'.

The AI governance operating model works for all three categories. The key is identifying which components of the operating model need attention and when for your organisation.

If you're a Latecomer: It's time to make AI governance a priority

Be cautious about assuming that your organisation isn't exposed. Your staff are likely to be already using AI tools informally without being aware of the risks or how to manage them.

Boards should be thinking about the opportunities of AI, and how it can be used to help achieve the organisation's strategic objectives. They should also consider their risk appetite for AI use (see section 1). Once these are set, they'll guide the organisation's investment in AI capabilities.

Boards should also be asking management what AI governance arrangements are in place. At the minimum, there should be a senior executive with single point accountability for AI (section 2), a policy that communicates acceptable use of AI within the organisation (section 3), and training for staff on AI technologies, their risks and how to manage them (section 4).

If you're an Explorer: It's time for suitable AI governance structures and practices

This is where most Australian organisations sit. AI tools are in use across teams, enthusiasm is high, but governance is patchy or informal. The risk is that AI will become embedded in workflows before controls are established.

Ensure a senior executive is accountable for AI governance (section 2), establish a process for evaluating high-risk use cases to ensure they align with your strategy and risk appetite (section 2), review your risk management and compliance plans to ensure they are fit for purpose (section 3), consider the quality of your data and how to improve it, and start to embed a culture of responsible AI across the workforce (section 4).

If you're a Leader: It's time to review and refine your AI governance

If you're a leader, your organisation has addressed strategy, and has clear accountabilities and decision making processes and rigorous risk assessment. It has also built AI literacy among the workforce.

The question is whether governance is keeping pace with developments in AI capability and risk. Revisit your AI risk appetite regularly (section 1), review your decision making processes to see how they can be improved (section 2), stress-test your practices against emerging risks (e.g., the risks in agentic AI systems) (section 3), and consider what more you can do to enable your AI strategy (section 4). Leaders such as Telstra and KPMG are continually tuning their governance approach to ensure that safe and responsible innovation is supported at every turn.

Finally, the AI governance operating model isn't a one-off exercise. As AI capability evolves and organisational use matures, boards should expect to revisit their strategic objectives and test whether the structures, practices and enablers remain fit for purpose.

Learn more about AI governance with HTI

The AI Corporate Governance Program is an initiative of the UTS Human Technology Institute. Its aim is to broaden understanding of corporate accountability and governance in the use of AI.

HTI's AI Corporate Governance Program is supported by philanthropic partner Minderoo Foundation, and project advisory partners KPMG, Gilbert + Tobin, and Atlassian.

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Endnotes

1. See Australian Government Department of Industry, Science and Resources, *National AI Plan (2025)*, which stated: "The government's regulatory approach to AI will continue to build on Australia's robust existing legal and regulatory frameworks, ensuring that established laws remain the foundation for addressing and mitigating AI-related risks".
2. For example, the Australian Government has released guidance that helps organisations to align with legal and ethical principles. The *Voluntary AI Safety Standard (2024)* provides detailed guidance across 10 voluntary guardrails; and the *Guidance for AI Adoption: Foundations, and Implementation Practices (2025)* are both pitched at a higher level across 6 key principles. Several overseas bodies have also developed guidance, such as the International Standardisation Organisation's *ISO/IEC 42001:2023 Information Technology – Artificial Intelligence – Management system*.
3. See Australian Government Department of Industry, Science and Resources, *National AI Plan (2025)*.
4. See, e.g., *Privacy Act 1988 (Cth)*; *Competition and Consumer Act 2010 (Cth)*; *Copyright Act 1968 (Cth)*; *Work Health and Safety Act 2011 (NSW)* and similar legislation in other jurisdictions; and Commonwealth and State anti discrimination laws, including *Racial Discrimination Act 1975 (Cth)*, *Sex Discrimination Act 1984 (Cth)*, *Age Discrimination Act 2004 (Cth)* and *Disability Discrimination Act 1992 (Cth)*.



**For more
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