

The NSW AI Operational Policy and the ARC mandate

Mapping each element of the NSW AI Operational Policy to the TPP20-08 anchor that brings it within an Audit and Risk Committee's mandate.

AI Operational Policy element	What the policy requires	TPP20-08 anchor	ARC oversight angle
The policy as a mandatory government policy	Compliance with Standards A and B and the eight AI Ethics Principles	Model ARC charter, <i>Compliance and ethics</i> ; CR 3.1	Review the effectiveness of the agency's monitoring of compliance with this new mandatory policy, as the charter already requires for changes in key laws and government policy
AI as a category of risk	Identify, assess and treat AI risk across the lifecycle via the AIAF	CR 1.2; clauses 1.2.11–1.2.13 (emerging risks; cyber and climate named); model charter, <i>Risk management</i>	Treat AI as the next named emerging risk; seek assurance it is being identified and addressed within the existing AS ISO 31000:2018 framework
AIAF risk assessment and the AIAF Platform register	Register all AI use; assess use cases; maintain a central register and portfolio data	CR 1.2 (framework; integration 1.2.5; risk register linked to objectives)	Use portfolio-level AIAF data as the AI equivalent of the risk register; request views on risk concentration, sensitive-data use and automated-decision prevalence
Accountable Official (senior executive)	Senior executive nominated to implement the policy	CR 1.1 (Accountable Authority's ultimate responsibility; delegation of functions permitted)	Identify the Accountable Official as the standing witness for AI matters; confirm the delegation is real and resourced
AI governance board	Executive-level board accountable for risk oversight, transparency, redress, continuity and effectiveness review	Three Lines Model (Figure 1); CR 3.1	Recognise this as management and oversight, not the ARC; oversee whether it operates effectively without absorbing its function
AI assurance function	Director-level function approving risk bands, monitoring higher-risk systems and escalating non-compliance	Three Lines Model (second line); CR 3.1	Distinguish second-line management assurance from third-line independent assurance; do not treat it as a substitute for internal audit
Annual audits of high and critical-risk AI uses	Audit the highest-risk uses at least annually	CR 2.1–2.3; model charter, <i>Internal audit</i> ; clause 2.3.7 (ARC recommends approval of the audit plan)	Ensure the risk-based internal audit plan reflects AI proportionately; press for genuinely independent coverage of critical-risk uses, and test internal audit's capability and resourcing
Monitoring and lifecycle reassessment	Monitor medium, high and critical-risk systems and reassess on change	CR 1.2 (continual monitoring); model charter, <i>Risk management</i>	Seek assurance that monitoring and reassessment processes operate effectively, including human oversight
Incident response, override, appeal pathways, alternative channels	Plans and mechanisms for higher-risk AI; escalation pathways	Model charter, <i>Risk management</i> (business continuity) and <i>Compliance and ethics</i>	Confirm AI incidents surface to the committee appropriately and are distinct from the cyber-incident pathway
Recordkeeping of AI outputs	Capture and retain AI outputs as State records	Model charter, <i>Compliance and ethics</i> (State Records Act obligations)	Seek assurance recordkeeping obligations are met where AI informs decisions
Annual AI attestation (31 October)	Attestation endorsed by the governance board and approved by the Agency Head	Requirements for an Attestation Statement; Annexure C; model charter, <i>External accountability</i>	Review the AI attestation and any non-compliance disclosure before approval; sequence with the TPP20-08 attestation given the shared deadline
Independence boundary	Agencies may use existing functions	CR 3.1 independence; clauses 3.1.21–3.1.22 (no executive powers, no management function)	Confirm the agency has not conflated the ARC with the AI governance board

CR = Core Requirement under TPP20-08. Reflects the NSW AI Operational Policy as published and the current TPP20-08 Internal Audit and Risk Management Policy for the General Government Sector. Prepared by ELM Probitry Advisory.