

# Artificial intelligence

## A guide to artificial intelligence (AI) for community organisations

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# Part 1

## Introduction

# Introduction



## This part of the guide covers:

- ▶ what is artificial intelligence?
- ▶ the benefits of using AI

**In this guide, we consider the legal challenges that artificial intelligence (AI) presents for community organisations and provide practical guidance on how organisations can manage the risks associated with its use.**



## Disclaimer

This guide provides general information about the technical, commercial and legal implications of the use of artificial intelligence on your organisation. This information is a guide only and is not technical, commercial or legal advice. If you or your organisation has a specific legal issue, you should seek specific advice before deciding what to do.

Please refer to [the full disclaimer](#) that applies to this fact sheet.

AI offers real benefits to community organisations. Used correctly, AI can improve an organisation's work processes and help the organisation meet community needs.

However, your community organisation needs to be aware of the limitations and legal risks associated with use of AI. To manage these, you should implement responsible AI practices. This includes data governance, robust security measures, and human oversight – all essential to use AI ethically and legally.

# What is artificial intelligence?

Artificial intelligence (AI) refers to technology that can simulate aspects of human intelligence, allowing systems to learn, recognise patterns, generate content and solve problems. Unlike traditional software, which follows predetermined rules and instructions, AI systems can produce outputs that are not fully predefined and may vary depending on the information provided to them.

With the rapid development of technology, computers can now do complex tasks we once thought required a human brain. This includes learning from experience, understanding natural language, recognizing patterns, and making decisions.

When people talk about AI today, they're not referring to the sentient machines you see in movies. They're talking about computers that mimic human thought processes.

Depending on what the AI does, it may fall into a number of different categories of AI, such as machine learning, deep learning, natural language processing, and generative.



## What is machine learning AI?

Machine learning AI programs 'learn' from data to improve their performance over time. These programs are given access to data, and instructed or programmed to recognise and pull out patterns from that data.

Machine learning AI programs are often used to predict consumer behaviour, and suggest products or services (for example, on social media). They do this by collecting and analysing consumer data like spending habits and location and demographic information, and then grouping customers based on that data.

Examples of machine learning AI include:

- recommendation systems – these systems recommend products, services, or content to users based on their past behaviour or preferences (these are used by Amazon, Netflix, and Spotify)
- fraud and detection – machine learning can be used to identify suspicious activity, such as credit card fraud or filtering junk out of your email inbox

A not-for-profit could use a machine learning system to analyse donor data to predict future giving patterns, allowing the organisation to target fundraising efforts more effectively.



## What is deep learning AI?

Deep learning AI is an advanced type of machine learning AI.

Deep learning AI uses a series of complex algorithms designed to simulate the human brain which means they can analyse larger amounts of data in more sophisticated ways, leading to more nuanced predictions and conclusions.

Deep learning AI is used in autonomous or self-driving vehicles. These systems have to analyse a constant, live stream of surrounding data (like street signs, pedestrians, and other cars) and make complex, real-time decisions based on that data.



## What is natural language processing AI?

Natural language processing AI are programs which can understand, generate and manipulate human language – the way we commonly write or speak it.

Examples of natural language processing AI include:

- voice assistants (like Apple's Siri or Amazon's Alexa) that can understand and respond to spoken requests
- machine translation systems that instantly translate text from one language to another
- chatbots (like ChatGPT) that let you interact with programs in a seamless, natural, conversational way

A not-for-profit could use natural language processing to automate tasks like analysing social media sentiment or to quickly translate donation requests into different languages.



## What is generative AI?

Generative AI are programs that generate new content – like images, text, audio, or video – usually based on simple instructions or ‘prompts’ from a user. It works by learning patterns from existing content and reproducing that content in new forms or combinations.

The most well-known type of generative AI is ChatGPT (the G in ChatGPT stands for ‘generative’). Users can ‘chat’ with it by typing in a question or request, and ChatGPT will instantly generate a text response based on the prompt and the data it has learned from.

A not-for-profit might use generative AI to produce marketing materials or create educational content.



## What are AI agents?

AI agents are AI systems that can not only generate content, but also take actions to achieve a goal. Unlike many AI tools that simply respond to prompts, AI agents may be able to search for information, analyse data, interact with software systems and complete tasks with limited human involvement.

For example, a community organisation might use an AI agent to:

- monitor grant opportunities and prepare draft applications
- answer routine stakeholder enquiries
- assist with volunteer scheduling
- prepare draft reports using information held in organisational systems
- automate administrative tasks across multiple software platforms

AI agents can increase efficiency, but they also create additional risks because they may act with greater autonomy and have access to larger amounts of organisational information.

### Example – using an AI agent

A charity uses an AI agent to identify grant opportunities, prepare draft applications and send deadline reminders. The charity limits the agent's access to confidential information and requires staff approval before any application is submitted. This helps improve efficiency while maintaining appropriate human oversight.



AI is a rapidly evolving field, and new applications are being developed all the time. You can even use AI to help you find other AI tools (for example, [theresanaiforthat.com](https://theresanaiforthat.com)).



## Note

In this guide, we generally use the term ‘AI tool’ to describe AI software or services used by organisations. Some government resources use the term ‘AI system’.

# The benefits of using AI

AI is revolutionising how various sectors work, enhancing efficiency, accuracy, and decision-making processes. These activities range from automating routine tasks to analysing vast amounts of data swiftly and accurately to provide insights that might otherwise remain hidden.

By bringing AI into their strategy, not-for-profit organisations can streamline their operations, make better use of resources, and increase impact in their communities.



## Caution

This next section outlines some of the key benefits and use cases for AI, with reference to specific AI tools. Not all tools are available in Australia, and it is important to bear in mind that **every** AI tool has limitations and risks – including IP infringement, security and data privacy-related risks.

## Improving and automating processes

One of the main attractions of AI for organisations of all sizes is the ability to improve and automate processes. This frees up people's time and energy to focus on other tasks. This is especially important for smaller organisations that may not have the resources to hire someone with a particular skill set or capability like marketing or grant writing.

These improvements can range from routine administrative tasks like sorting emails, scheduling meetings, taking notes and processing donations, through to grant and proposal writing tailored to the opportunity.

Similarly, for those organisations with a large volunteer base and who run multiple events, AI scheduling tools can help to match volunteers with suitable roles based on their availability and skill sets.

## Research

A range of AI tools that can be used to improve an organisation's research capabilities are available. These programs are designed to analyse and summarise large amounts of data from a range of sources, including websites, academic articles and research papers, and social media. This research can then be used to generate content, aid decision-making and planning, and streamline operations.

Tools like Scite and Consensus are powerful for academic research – they can connect and reference over a billion different citations and tell you if an academic article supports, mentions or contradicts a specific finding or assertion.

If you deal with large documents, tools like PDFgear, Copilot and PDF.ai can analyse large PDF documents (or groups of documents) and present the information in a searchable, easy-to-digest way. Some of these tools act like a chatbot, allowing you to ask questions about the document's content and get an immediate, conversational answer.

Using these tools can help accelerate the research process and make researching more intuitive and streamlined. **However, it is important to always independently verify the research by checking the original source material, like the article or paper itself.**

## Virtual assistants

Virtual assistants, like chatbots, can greatly improve how your not-for-profit interacts with its stakeholders by handling routine enquiries and providing general information about the organisation and its activities. They can also monitor and manage online donation platforms and initiatives, ensuring that they are available for beneficiaries and donors.

Virtual assistants operate 24/7 without fatigue, meaning that the organisation is always 'open' to stakeholders and can provide timely responses to enquiries. However, AI-powered virtual assistants can sometimes generate incorrect or fabricated information (often referred to as an AI 'hallucination'), so organisations should put appropriate safeguards in place when using them.

Virtual assistants will not be suitable for all organisations and uses.



## What about using virtual assistants for meetings?

Most workplace software now includes virtual assistant tools to help with meeting tasks, like real-time transcription and language translation (Like in Microsoft Teams and Zoom).

Before you decide whether a virtual assistant is a good fit for your organisation, consider:

- **Human and ethical concerns**
  - **Bias:** AI models can contain biases embedded in their training data. This can influence how the assistant perceives and responds, potentially affecting different genders or demographics unfairly.
  - **Missing human touch:** Assistants can't replicate the human element – they lack the ability to understand emotional cues, build rapport, or facilitate sensitive conversations, which can make meetings feel less productive or emotionally sterile
  - **Reduced engagement:** If participants expect the AI to handle all note-taking and summarising, they might 'zone out', leading to decreased engagement and inattention during the meeting
- **Security and privacy risks**
  - **Privacy compromise:** Virtual assistants require access to meeting audio or video, meaning there may be privacy risks regarding the handling of personal or sensitive information.
  - **Vulnerability to hacking:** If the assistant itself is compromised, hackers could potentially access sensitive meeting information or disrupt the meeting flow with harmful misinformation.
- **Practical hurdles**
  - **Cost and integration:** Implementing and maintaining these tools can be expensive. Integrating the AI into your existing workflows and ensuring your team actually adopts it in an effective and compliant way can also be challenging.

Also refer to our 'Tips for using AI tools' below.



The Governance Institute of Australia has published an [issues paper 'Artificial Intelligence and board minutes'](#), which considers the potential applications and challenges of using AI in board meetings and company secretarial practice.

## Content generation

Content generation is critical for most not-for-profits and charities as it increases outreach and engagement.

A wide range of AI tools, especially generative AI, can significantly enhance this part of an organisation's operations. These tools can create diverse content like social media posts, community newsletters, annual reports, blogs and articles. Beyond text, AI can also be used to create images, infographics and videos.

You can even combine tools to create a full audio-visual suite. For example, couple text generators like ChatGPT and JasperAI with visual tools like Canva, DALL-E, and Synthesia for comprehensive content creation.



### Caution

There are serious **legal and ethical issues** surrounding the use of AI-generated content. These include whether content should contain disclosures around AI-generation and disclaimers regarding copyright and IP infringement and the risk of misinformation.

We discuss this in more detail below.

## Data analysis

Charities and not-for-profits can also use AI to organise and analyse large amounts of data from various sources. The insights from this process can be used to shape your strategic direction and activities. This includes guiding program development, accurately measuring impact, and identifying new funding opportunities based on community and donor behaviour.

**How AI helps with strategy and planning** – operational AI tools can collect and analyse participant feedback from a workshop or activity and then generate instant recommendations on how to improve it. You can then use those recommendations to quickly refine your strategies for greater impact.

**How AI helps with fundraising** – AI-powered fundraising tools can analyse donor data, identify patterns and trends, predict future giving behaviour, and help organisations identify prospective supporters. You can use these insights to tailor your outreach, personalise communications and target fundraising campaigns more effectively, increasing your chances of securing donations.



### Caution

The main concern with data analysis, however, involves the potential disclosure of **confidential and personal information**. Because many publicly available AI models are trained using the data that users input, there is a risk that the information you share could become publicly available. This can have serious consequences and means it might be inappropriate or unsafe to use certain AI tools in some cases.

## Aiding decision-making

Supported by data, AI can provide real-time data analysis which can be used to identify trends and inform strategic decision-making.



### Example – use of AI for decision-making (managing the risks)

A local not-for-profit organisation that supports disadvantaged youth wants to use a grant management platform that incorporates AI functionalities to help allocate grant funding based on various criteria.

To proactively manage the risks of using AI, the organisation:

- conducts a bias assessment of the AI algorithm before deployment, ensuring it doesn't unfairly discriminate against certain groups, and
- only uses the AI system as a decision-support tool, and ensures human experts review and approve the final grant allocations



### Example – how Justice Connect uses AI

Every year millions of people miss out on legal help. Legal services funding isn't growing, but the huge amount of unmet legal need in our community is.

To maximise our reach, Justice Connect uses AI in our online tools. These tools help people correctly identify their legal issue and connect with the right information and services.

Justice Connect worked with the University of Melbourne to develop and train an algorithm to correctly identify legal issues based on the language of help seekers.

We did this by analysing loads of data – specifically, the language people use to describe their legal issue (nearly 15,000 language samples) – and worked with pro bono lawyers to match that 'natural language' data with the correct legal issue (lawyers made more than 67,000 annotations). Using this data and analysis, the University of Melbourne built an algorithm.

The model has been incorporated into our intake form. There's been a significant increase in people identifying their legal issue correctly, as well as an increase in conversion from intake form to service delivery. We are now considering how else this technology could be used and applied.





# Part 2

**Legal risks associated with use of AI**

# Legal risks associated with use of AI

## This part of the guide considers:

- ▶ misleading information and defamation
- ▶ intellectual property infringement
- ▶ data privacy and security
- ▶ cyber security
- ▶ bias and unlawful discrimination
- ▶ duty of care and work health and safety laws
- ▶ fraudulent and unlawful activity
- ▶ compliance and legal risks



### Caution

The legal and regulatory landscape is still rapidly developing in Australia (and globally). Because generally accepted practices for AI use are constantly shifting, your organisation should keep itself informed of any developments relevant to your AI use.



### Note – AI policy

This part of the guide discusses some of the risks associated with using AI. Creating and implementing an AI policy for your organisation can help to mitigate some of these risks.

See our guidance on drafting an AI policy in [part 3 of this guide](#).

While there are no Australian laws currently directly targeting and regulating AI across all sectors, this doesn't mean AI use is unregulated. Instead, existing legislation applies to specific AI contexts. This includes consumer protection, defamation, unlawful discrimination, work, health and safety (**WHS**), intellectual property, and privacy laws.

## Misleading information and defamation

AI-generated content (text, images, videos) might be inaccurate or misleading, potentially causing harm to people or other organisations. If an organisation publishes this content, it could be liable for spreading misinformation. If the content damages someone's reputation, it could be considered defamation.

In certain circumstances, the Australian Consumer Law (**ACL**) may apply. The provisions in the ACL are designed to protect consumers against behaviours which may be considered harmful to them, such as misleading or deceptive conduct, false or misleading representations, and unconscionable conduct.

If an organisation uses AI in a tool (for example, an AI-powered financial advice tool) that provides inaccurate recommendations, this could be seen as a defective service under the ACL.



For more information about the Australian Consumer Law, see [our webpage 'Communications and advertising'](#).

For more information on defamation laws, see [our webpage 'Understanding defamation laws'](#).

## Intellectual property infringement

Use of AI could infringe intellectual property laws and rights, such as:

- **copyright** – in Australia, AI cannot be the author of a work of art or literature for copyright purposes. This means that, in some cases, it may be unclear who holds copyright in work generated by AI (or if there is any copyright in such content at all). Separately, a person who uses AI to create something based on someone's else work, without proper authorisation, may infringe the other person's copyright
- **patent** – similarly, while Australian law does not recognise AI inventors (patents may only be granted for inventions by humans), a person who uses an AI program that exploits a patented process without the patentee's permission may infringe that patent
- **trade mark** – a person who creates AI-generated content that uses trade marks without permission may be liable for trade mark infringement

Intellectual property issues can arise both from the content uploaded into AI systems and the content generated by those systems. Organisations should consider whether material uploaded into an AI tool is subject to copyright or licence restrictions, whether AI-generated outputs may incorporate third-party intellectual property, and whether there are any contractual terms governing the use of AI systems and their outputs. If you do use AI, be clear on who owns the intellectual property in the final work (if anybody), and be sure that your use of AI does not infringe someone else's intellectual property.



For more information on intellectual property infringement, see [our webpage 'Understanding intellectual property laws'](#).

Also see [Copyright Agency's webpage 'AI and copyright in Australia'](#) for links to more information.

## Contractual risks

Many AI-related risks arise from contracts rather than legislation.

Organisations should review the contractual terms that apply to AI tools before using them.

AI providers may impose terms dealing with:

- ownership and use of outputs
- confidentiality
- use of customer data for training purposes
- limitations of liability
- security obligations
- service availability

Organisations should also consider whether funding agreements, client agreements, confidentiality obligations or other contracts restrict the use of AI tools or disclosure of information to third-party providers.

Separately, many terms and conditions supplied by AI providers require the customer to accept most or all risk associated with the use of the AI tool, even where it is defective or of poor quality. As such, organisations should review such terms and conditions carefully and understand whether they are using AI tools entirely at their own risk.

## Data privacy and security

One of the most significant risks associated with using AI generally is data privacy and security.

Charities and not-for-profits collect and store a range of personal information about their stakeholders, donors, beneficiaries and personnel. Depending on their focus, this can include sensitive or health-related information.

AI systems often need access to large amounts of an organisation's data to function. **Crucially**, many AI programs 'train' themselves using the information users input. This immediately raises privacy concerns, and organisations must ensure their AI systems and use complies with privacy legislation including the Australian Privacy Principles (**APPs**) under the *Privacy Act 1988* (Cth).

Where AI tools collect, hold, use, or disclose personal information, they present privacy compliance risks for organisations. These include the risk that:

- organisations may not be transparent about how an AI tool uses personal information, particularly if the organisation itself does not fully understand how the tool works. This may result in a breach of APP 1 (Open and transparent management of personal information) or APP 5 (Notification of the collection of personal information)
- an AI tool may collect or generate personal information that is not necessary for the organisation's functions or activities, resulting in a breach of APP 3 (Collection of solicited personal information)
- an AI tool may use personal information for a new purpose, such as training or improving the model, resulting in a breach of APP 6 (Use or disclosure of personal information)
- an AI tool may store or process personal information on servers located overseas, creating a risk that the organisation will not comply with APP 8 (Cross-border disclosure of personal information)
- an AI tool may generate personal information that is inaccurate, incomplete or out-of-date, creating a risk of non-compliance with APP 10 (Quality of personal information)
- an AI tool may not adequately protect personal information from unauthorised access, misuse or disclosure, resulting in a potential breach of APP 11 (Security of personal information)

Using AI tools that do not collect or retain user data is one way to reduce the risk of privacy breaches. In particular, organisations should avoid entering personal information into public, commercially available AI tools such as ChatGPT.

Where an organisation needs to use an AI tool to process personal information, it can reduce privacy risks by limiting the types and amount of personal information shared with the tool.

Privacy laws also require organisations to notify people about how their personal information will be collected, used and disclosed. Organisations should review their privacy policies, privacy statements and collection notices to ensure they explain whether, and how, personal information may be shared with AI tools.

Before adopting an AI tool, organisations should understand:

- where data is stored
- whether prompts and uploaded information are retained
- whether information is used to train future models
- who can access the data, and
- how data can be deleted if required



### Tip

These matters can often be identified by carrying out a privacy impact assessment before the organisation adopts the AI tool.

Even where an organisation is not directly subject to the Privacy Act, privacy obligations may arise under contracts, funding agreements, professional obligations, state or territory laws, or community expectations.



For more information, see:

- the [Office of the Australian Information Commissioner's 'Guidance on privacy and the use of commercially available AI products'](#)
- [our webpage 'Privacy laws'](#)

## Cyber security

AI systems can be targets for cyber-attacks, increasing the risk of data breaches and unauthorised access to sensitive information.

Organisations that do not implement appropriate cybersecurity measures may breach legal obligations, including the requirement under the *Privacy Act 1988* (Cth) to take reasonable steps to protect personal information. A data breach may also trigger notification obligations to affected individuals and the Office of the Australian Information Commissioner.

Some organisations may also have obligations under the [Security of Critical Infrastructure Act 2018](#) (Cth).



For more information, see our [cyber security fact sheet](#).

## Bias and unlawful discrimination

AI tools involve the use of algorithms 'trained' using large amounts of data. For this reason, there is a risk that AI will perpetuate existing biases or discrimination present in the training data. This can lead to unfair treatment and discrimination of certain groups or individuals.

For example, an AI tool used for assessing job applications might unfairly favour specific demographics because the training data reflects historic biases in hiring. Even generative AI can produce content which is impacted by historical biases – for example, some image generators will only show older men when asked to create an image of 'company directors sitting around a board room table'.

Bear this risk in mind when using AI. Your organisation may need to take active steps to combat bias, such as:

- removing personal and demographic information from job applications before they are processed by an AI tool
- considering the data input to the tool and whether it is of adequate quality
- auditing AI output to check for harmful or discriminatory patterns, and
- maintaining human oversight and control over AI-driven decisions, particularly in high-risk scenarios (such as decisions that affect people's rights)



For more information on unlawful discrimination, see [our Guide to workplace behaviour](#).

## Duty of care and work health and safety laws

Organisations have a duty of care under common law and under work health and safety (WHS) laws. Using AI introduces potential legal risks related to this duty.

An organisation could be found to be negligent if it fails to take reasonable steps to mitigate risks associated with AI. For example, if an AI-generated decision (like grant allocation or service provision) leads to harm because of bias, misinformation or a data breach, you could be held responsible.

Under WHS laws, organisations have an overarching primary duty to ensure the health and safety (including psychological health and safety) of workers. Inadequate safeguards around use of AI could lead to psychological risks for staff, such as workplace anxiety or low employee morale and trust. This can happen due to:

- biased AI systems making unfair decisions that affect workers or clients, or
- the perceived threat of job losses caused by AI automation



For more information on an organisation's duty of care, see [our resources on managing risk and insurance](#).

For more information on an organisation's WHS obligations, see [our resources on work health and safety laws](#).

## Fraudulent and unlawful activity

AI can be used to facilitate fraud and other illegal activities, such as creating deepfakes or automating cybercrime like hacking and phishing attacks.

For example, an AI system used to process grant applications could be manipulated to generate fake requests. An organisation could be liable for financial losses resulting from such misuse.

Organisations should ensure that they and their personnel do not use AI systems for illegal purposes and implement measures to prevent and detect this kind of misuse.

## Compliance and legal risks

The regulatory landscape for AI is evolving, and charities and not-for-profits must stay informed about legal requirements and compliance issues. Non-compliance with laws and regulations related to use of AI can result in legal repercussions and damage to an organisation's reputation.

It is crucial to seek legal advice and implement compliance frameworks that address current and emerging regulatory requirements in Australia. These are addressed in more detail below.

AI agents may create additional risks because they can take actions rather than simply generate information. For example, an AI agent may send emails, interact with databases or carry out transactions. Appropriate human oversight, approval processes and access controls can help manage these risks.



### Example – an employee's use of ChatGPT highlights AI risks

Sarah works for a not-for-profit organisation that provides education services. To save time, she uses ChatGPT to draft board reports and social media content. The organisation has no AI policy, and Sarah does not tell her manager or the board that she is using AI in her work.

Without transparency or safeguards to ensure accuracy and avoid plagiarism, Sarah's use of ChatGPT creates several legal risks, including:

- inaccurate or misleading information being included in board reports or social media content
- infringement of intellectual property rights if AI-generated content copies protected material
- privacy and data security risks if organisational data is entered into or accessed by ChatGPT

These risks could expose the organisation to legal liability. Publishing inaccurate or infringing content could also damage the organisation's reputation and relationships with donors, partners and the public.



# Part 3

## Regulating the use of AI

# Regulating the use of AI

## This part of the guide considers:

- ▶ ethical concerns associated with use of AI
- ▶ legal reforms to regulate the use of AI in Australia
- ▶ how does AI impact organisational governance?
- ▶ implementing responsible AI practices



## Ethical concerns associated with use of AI

As AI takes on a larger role in organisational decision-making, the need for responsible and ethical use is being considered across sectors and by governments.

Using AI raises several ethical concerns that community organisations must navigate carefully. Issues include consent, autonomy, and the potential for misuse. For example, AI-driven surveillance tools could infringe privacy rights, and automated systems might lack the nuanced understanding needed for sensitive situations. Community organisations must establish clear ethical guidelines and ensure their AI use always aligns with their values and purpose and that appropriate human oversight occurs.

### Lack of transparency

While AI is certainly useful, not all systems are transparent about their decision-making process. This is sometimes called the 'black box problem', where even the developers struggle to explain the AI's complex reasoning. When organisations use AI without disclosing it, this lack of transparency can quickly lead to a loss of trust among stakeholders, including donors and beneficiaries.

To combat this, community organisations should ensure they are open about their use of AI, offering clear explanations of how AI-driven decisions are made and which content is AI generated.

It is also difficult for organisations to understand how any information being input to the tool is actually being used, so organisations should be mindful of what information is made available to the tool.

### Job displacement

AI is good for automating routine, repetitive, and administrative tasks. While this boosts efficiency and saves costs, it can also lead to job losses or significant changes in existing roles.

Community organisations need to proactively balance the adoption of AI with strategies for their workers. This could mean upskilling workers and actively creating new roles that leverage human skills alongside AI capabilities. Crucially, clear communication and a proactive plan are essential to minimise negative impacts and manage staff anxiety about these changes.

## AI Ethics Principles

To tackle these challenges and promote safe, responsible, and trustworthy use of AI in a way that benefits all Australians, the Australian Government has adopted a set of national [AI Ethics Principles](#).

The principles are voluntary and align with the international standards set out by the Organisation for Economic Co-operation and Development (OECD).



For more information on the OECD's AI principles, see the [OECD webpage 'AI principles'](#).

While the Australian AI principles are not legally binding, the framework serves as a national guide for responsible AI development and implementation.

### The AI Ethics Principles comprise eight core principles for responsible use of AI:

|    |                                                                                                                                                                                                                                        |
|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | <b>Human, social and environmental wellbeing</b><br>Throughout their lifecycle, AI systems should benefit individuals, society and the environment.                                                                                    |
| 2. | <b>Human-centred values</b><br>Throughout their lifecycle, AI systems should respect human rights, diversity, and the autonomy of individuals.                                                                                         |
| 3. | <b>Fairness</b><br>Throughout their lifecycle, AI systems should be inclusive and accessible, and should not involve or result in unfair discrimination against individuals, communities or groups.                                    |
| 4. | <b>Privacy protection and security</b><br>Throughout their lifecycle, AI systems should respect and uphold privacy rights and data protection, and ensure the security of data.                                                        |
| 5. | <b>Reliability and safety</b><br>Throughout their lifecycle, AI systems should reliably operate in accordance with their intended purpose.                                                                                             |
| 6. | <b>Transparency and explainability</b><br>There should be transparency and responsible disclosure so people can understand when they are being significantly impacted by AI, and can find out when an AI system is engaging with them. |
| 7. | <b>Contestability</b><br>When an AI system significantly impacts a person, community, group or environment, there should be a timely process to allow people to challenge the use or outcomes of the AI system.                        |
| 8. | <b>Accountability</b><br>Those responsible for the different phases of the AI system lifecycle should be identifiable and accountable for the outcomes of the AI systems, and human oversight of AI systems should be enabled.         |

The framework:

- is aimed at businesses and government agencies developing or using AI, and
- emphasises human oversight, avoiding bias in AI systems, and ensuring data privacy



For more information, see the [Australian Government's webpage 'Australia's AI Ethics Principles'](#).

# Legal reforms to regulate the use of AI in Australia

The Australian Government has signalled a move towards greater regulation of AI, particularly where it is used in large-scale or high-risk contexts.

In 2024, the government sought feedback on proposals for mandatory guardrails to promote the safe and responsible development and use of AI, particularly in high-risk settings. A federal parliamentary inquiry also recommended the introduction of legislation to regulate high-risk uses of AI. While the details of any future regulatory framework are still developing, it is likely to focus on higher-risk AI applications rather than the day-to-day use of AI tools by most community organisations.



## The Privacy Act and automated decision-making processes

There have also been significant changes to transparency requirements relating to the use of AI and other forms of automated decision-making.

In 2024, Parliament amended the *Privacy Act 1988* (Cth) to introduce new requirements in APP 1.7, 1.8 and 1.9. These provisions require organisations to include information in their privacy policies about their use of personal information in substantially automated decisions that have a significant effect on an individual's rights or interests.

For example, these requirements may apply where a not-for-profit organisation uses an AI tool to help decide whether to approve or reject a grant application. Organisations that use automated decision-making processes should review their privacy policies to ensure they contain the information required by the amended APP 1 provisions.

These requirements will come into force on 10 December 2026.

**The government has published a Voluntary AI Standard (as a 1st iteration) and voluntary Implementation Guidance that organisations can apply now.**

The guardrails in the Voluntary AI standard closely resemble the guardrails set out in the proposals paper and build on the foundation of the existing Australian AI Ethics Principles (discussed above), which continue to serve as a high-level guide for responsible AI development and implementation.

**The Voluntary AI Safety Standard consists of 10 voluntary guardrails:**

- 1. Establish, implement, and publish an accountability process including governance, internal capability and a strategy for regulatory compliance.**  
This creates the foundation for your organisation's use of AI.
- 2. Establish and implement a risk management process to identify and mitigate risks.**  
Conduct risk assessments on an ongoing basis.
- 3. Protect AI systems, and implement data governance measures to manage data quality and provenance.**
- 4. Test AI models and systems to evaluate model performance and monitor the system once deployed.**
- 5. Enable human control or intervention in an AI system to achieve meaningful human oversight.**

6. **Inform end-users regarding AI-enabled decisions, interactions with AI and AI-generated content.**  
This creates trust with users.
7. **Establish processes for people impacted by AI systems to challenge use or outcomes.**
8. **Be transparent with other organisations across the AI supply chain about data, models and systems to help them effectively address risks.**
9. **Keep and maintain records to allow third parties to assess compliance with guardrails.**
10. **Engage your stakeholders and evaluate their needs and circumstances, with a focus on safety, diversity, inclusion and fairness.**  
Organisations must identify potential bias, minimise negative effects of unwanted bias, ensure accessibility and remove ethical prejudices from the AI solution or component.

The Government's [AI Implementation Guidance](#) includes six essential practices to strengthen governance, manage risk, and maintain human oversight over AI. These are listed below.

### Six practices for responsible AI use

1. **Decide who is accountable**
2. **Understand impacts and plan accordingly**
3. **Measure and manage risks: implement AI-specific risk management**
4. **Share essential information**
5. **Test and monitor**
6. **Maintain human control**

Organisations adopting AI should review the voluntary guardrails and essential practices and consider how they apply to their use of AI. Organisations making only limited use of AI, such as using an AI transcription tool, may not need to consider every guardrail and practice in detail.



### A new national AI framework

On 15 July 2026, the [Australian Government announced](#) a new national AI framework, including plans for Australian AI standards, the establishment of an Office of AI within the Department of the Prime Minister and Cabinet, and further work on AI safety and consumer protection. These measures are intended to help Australia benefit from AI while managing risks and protecting the public interest.

The Government has also [launched AI.gov.au](#), a website designed to help businesses, not-for-profits and other organisations understand, adopt and use AI safely and responsibly.

# How does AI impact organisational governance?

Not all uses of AI involve the same level of risk

The level of governance, oversight and risk management required will depend on how AI is used. Some uses present relatively low risk, while others may have significant consequences for beneficiaries, employees, volunteers or other stakeholders.

| Lower-risk uses                                                                                                                                                                                                                                            | Higher-risk uses                                                                                                                                                                                                                                                                   |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Drafting first versions of documents</li> <li>• Meeting summaries and note-taking</li> <li>• Translation assistance</li> <li>• Brainstorming content and communications</li> <li>• Research assistance</li> </ul> | <ul style="list-style-type: none"> <li>• Assessing grant applications</li> <li>• Recruitment screening</li> <li>• Decisions affecting beneficiaries</li> <li>• Processing sensitive personal information</li> <li>• Automated decision-making with limited human review</li> </ul> |

Higher-risk uses generally require stronger governance measures, including appropriate human oversight, risk assessment, monitoring and review.

Directors, committee members and office holders are responsible for overseeing the organisation's management of risk, including risks arising from AI. These legal duties arise from a mix of common law principles and legislation and include duty of care, negligence and privacy laws.

## Legal duties

Legal duties apply to people involved in governing a not-for-profit organisation, which includes people who sit on a committee or board, or are office holders (people with control and influence over the governance of an organisation, even if they don't hold an official position).

The legal duties that apply depend on the legal structure of an organisation (duties can apply to an unincorporated group) and whether the organisation is registered as a charity with the Australian Charities and Not-for-profits Commission (**ACNC**).



We have simplified the main duties by listing them as four main duties below. For more information about the legal duties that apply to your organisation, see [our Duties guide](#).

**In practical terms, a director, committee member or office-holder has the following four main legal duties:**

1. **Good faith** – the duty to act in good faith in the best interests of the organisation and for a proper purpose
2. **Reasonable care** – the duty to act with reasonable care, skill and diligence (including the duty to prevent insolvent trading)
3. **Conflicts of interest** – the duty to disclose and manage conflicts of interest
4. **Use of information or position** – the duty not to use the position (or information gained as a result of that position) improperly. This duty flows from the duty relating to conflicts.

An office-holder should not use AI for personal gain or for purposes that could undermine the public's trust in the organisation.

In complying with their duties, particularly the duties to act in good faith in the best interests of the organisation and with reasonable care, skill and diligence, office-holders should:

- understand how the organisation is using AI and manage the potential risks associated with those uses, and
- ensure AI is used ethically and aligns with the organisation's purpose

As the use of AI becomes more sophisticated, including the use of AI agents that can perform tasks with limited human involvement, boards and committees should understand:

- which AI tools are being used
- whether any of those tools can take actions autonomously
- what information those tools can access
- what approvals are required before actions are taken
- who is responsible for monitoring AI outputs and actions, and
- how AI-related incidents are escalated and reviewed

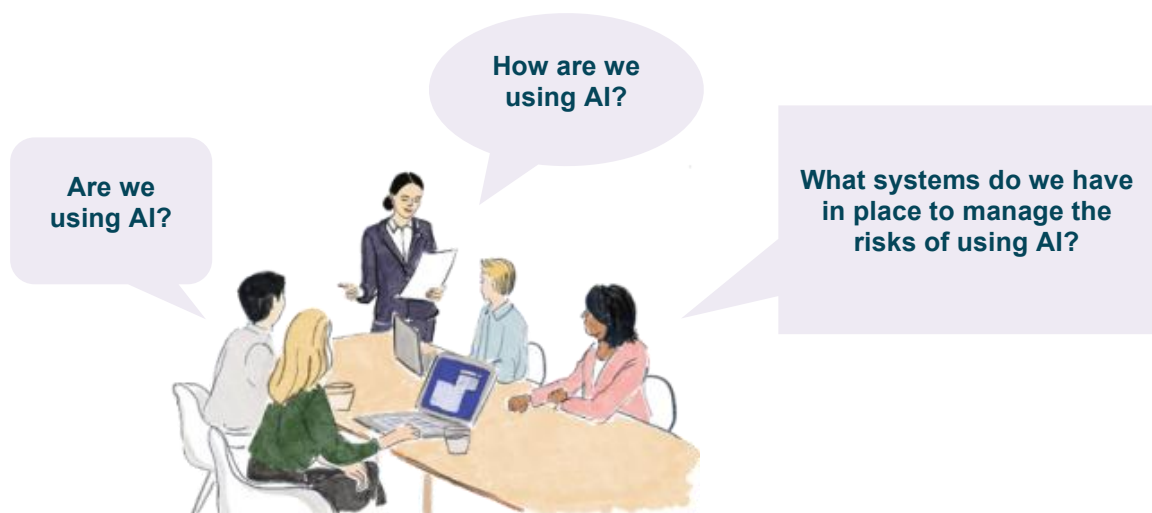


### Note

At a minimum, directors and committee members of community organisations should be getting informed about AI, its uses, its benefits and shortcomings, and the risks associated with its use.

Good governance and good decision-making comes with awareness and understanding. By being informed about these matters, directors and committee members will be in a better position to be able to discharge their duties.

Directors and committee members should ask questions of management and others within their organisations about the use of AI, including:



Armed with an understanding of AI and its use within their organisations, directors and committee members will be able to provide oversight and controls.

Implementing responsible AI practices will help to mitigate the risks associated with AI use identified above (for example, bias, discrimination, or data breaches) and protect the organisation from legal and reputational harm.



The Australian Institute of Company Directors has published a suite of [resources on the use of AI](#), comprising:

- Director's introduction to AI
- Director's guide to AI governance
- a snapshot of the 'Eight elements of safe and responsible AI governance', and
- a governance checklist

Also see the Institute of Community Directors Australia's [help sheet: Artificial intelligence and governance frameworks](#).

## Implementing responsible AI practices

**To implement responsible AI practices, an organisation should:**

- **assess whether a new AI tool is appropriate and safe to use**, including by considering:
  - who provides the service and which company operates the AI tool
  - where information will be stored and whether overseas storage or processing raises issues under APP 8
  - whether information entered into the tool will be used to train or improve AI models
  - what security measures are in place and whether they are proportionate to the sensitivity of the information involved
  - whether the organisation can require its data to be deleted when it is no longer needed
  - what access controls, review processes and oversight mechanisms are available
  - what will happen if the provider discontinues the service, including any business continuity implications
  - whether the organisation retains ownership and control of its data
- **adopt an AI risk assessment system** (or incorporate AI into existing risk management processes), which may include an AI oversight committee to:
  - establish clear roles and responsibilities for AI initiatives
  - monitor legal and regulatory developments
  - conduct regular risk assessments that consider issues such as bias, transparency, privacy, data security and misuse
  - develop and implement strategies to mitigate identified risks
- **develop an AI policy** that sets clear expectations for the responsible use of AI and aligns with the organisation's existing governance framework and policies
- **promote transparency and trust** by, where possible, selecting AI systems with understandable and explainable decision-making processes
- **maintain human oversight and accountability** for AI-assisted decisions, particularly where those decisions involve significant risks or may have a substantial impact on individuals

- **integrate AI governance into existing policies and procedures** to support consistent decision-making and risk management across the organisation
- **educate staff about the capabilities, limitations and risks of AI**, including by:
  - training staff on the organisation's AI policy and procedures
  - providing clear guidance on the appropriate use of AI tools for content creation, analysis and decision-making support
  - reinforcing the importance of using AI ethically, responsibly and in a manner consistent with the organisation's values and purpose
- **update the organisation's privacy policy, collection notices and privacy statements** to reflect its use of AI and comply with the APPs, including by:
  - identifying the types of personal information collected through AI tools
  - explaining how personal information is used, stored and protected
  - identifying parties that may receive personal information, including AI service providers and overseas recipients
  - explaining any use of AI in substantially automated decision-making that significantly affects individuals
  - updating website notices, intake forms, client service agreements and other collection notices to explain how personal information may be shared with or processed by AI tools



### **New Australian Privacy Principles (APP) for automated decisions**

From 10 December 2026, there will be additional obligations for APP entities to include information about automated decision making in their privacy policies if:

- the APP entity has arranged for a computer program to make, or do a thing that is substantially and directly related to making, a decision
- where that decision could reasonably be expected to significantly affect the rights or interests of an individual, and
- personal information about the individual is used in the operation of the computer program to make the decision or do the thing



### **Note – privacy laws**

An organisation should already have a privacy policy that implements a framework for data collection, storage, usage, and security, complying with privacy laws.

For more information, see [our webpage 'Privacy laws'](#).

## Developing an AI policy

An AI policy should cover what is acceptable use of AI, (including data governance principles), set out risk mitigation strategies and human oversight procedures, and align with your organisation's existing policies including policies on data privacy, information security, and discrimination.

| Information to include in an AI policy:          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|--------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Purpose and scope of the policy</b>           | <ul style="list-style-type: none"> <li>state the purpose of the policy (for example, to ensure the responsible use of AI within the organisation)</li> <li>state the scope of the policy (for example, who does it apply to, what AI tools and uses are covered)</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Principles to guide responsible use of AI</b> | <ul style="list-style-type: none"> <li><b>ethical use</b> – ensure AI technologies are used ethically</li> <li><b>transparency</b> – inform stakeholders about AI use and decisions</li> <li><b>accountability</b> – establish clear accountability for AI systems</li> <li><b>compliance</b> – adhere to relevant laws, regulations, and industry standards</li> <li><b>purpose and values</b> – AI use is consistent with the organisation's purposes and values and helps to achieve the organisation's purpose</li> </ul>                                                                                                                                                                                                                     |
| <b>Governance and oversight</b>                  | <ul style="list-style-type: none"> <li>appoint a committee or officer to oversee AI activities (this person may also be responsible for exploring and implementing AI projects)</li> <li>consider involving subject-matter experts and other stakeholders to provide input into AI activities and use</li> <li>ensure the board or committee provides oversight of AI initiatives with regular formal and informal reporting</li> <li>establish approval requirements for AI agents and define:               <ul style="list-style-type: none"> <li>which tasks may be automated</li> <li>which tasks require human review</li> <li>which tasks must always be performed by a person</li> </ul> </li> </ul>                                      |
| <b>Risk management and data management</b>       | <ul style="list-style-type: none"> <li>conduct regular risk assessments for AI technologies depending on their use (identifying potential biases, security vulnerabilities, and privacy concerns)</li> <li>implement processes for reducing the likelihood of risks (for example, through safeguards like bias detection tools, data security measures, and human review procedures)</li> <li>implement measures to ensure data protection and compliance with the <i>Privacy Act 1988</i> (Cth) and Australian Privacy Principles, and any other applicable state or territory-based privacy laws</li> <li>update the organisation's privacy policy</li> <li>maintain an inventory or register of AI systems used by the organisation</li> </ul> |
| <b>Ethical considerations</b>                    | <ul style="list-style-type: none"> <li>ensure AI systems are free from bias and do not discriminate (and include this as a guiding principle in the governing body's and the AI committee's consideration of proposed AI use)</li> <li>consider the impact of AI technologies on stakeholders like beneficiaries, employees and donors</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                 |

|                                   |                                                                                                                                                                                                                                                                 |
|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Training and awareness</b>     | <ul style="list-style-type: none"> <li>• provide staff and other key personnel with training on AI, its benefits, drawbacks and risks, and responsible use</li> <li>• provide training on the AI policy and its content and requirements</li> </ul>             |
| <b>Monitoring and reporting</b>   | <ul style="list-style-type: none"> <li>• implement continuous monitoring AI systems for correct and ethical functioning</li> <li>• provide regular reports on AI initiatives to the governing body and other stakeholders</li> </ul>                            |
| <b>Compliance and enforcement</b> | <ul style="list-style-type: none"> <li>• ensure all employees, volunteers, contractors, and partners comply with the policy</li> <li>• review the policy annually for relevance and effectiveness</li> <li>• outline consequences for non-compliance</li> </ul> |
| <b>Reviews and updates</b>        | <ul style="list-style-type: none"> <li>• include a clearly defined process for reviewing and updating the policy at regular intervals, to ensure it remains current</li> </ul>                                                                                  |



### Example – use of ChatGPT by an organisation's employee in accordance with an AI policy

Ben (the employee of a not-for-profit organisation) uses ChatGPT to draft reports for the organisation's board and craft social media posts.

In this scenario, the organisation has a policy on use of AI and Ben informs his supervisor about using ChatGPT and seeks guidance on appropriate content creation methods.

Ben and his manager review the organisation's AI policy to check that use of ChatGPT aligns with their guidelines. The AI policy includes guidelines on fact-checking and reviewing all AI-generated content before publication.

Ben follows the AI policy to ensure factual accuracy and to avoid plagiarism and other potential legal risks.

It is also important to recognise that, as AI becomes more embedded in an organisation's activities, a standalone AI policy may not be enough. AI can have implications across an organisation's governance framework, including its employee code of conduct, acceptable use policy, privacy policy, information security policies and risk management processes.

As a result, organisations should consider whether the introduction of AI requires a broader review of their policy suite and governance arrangements to ensure that AI-related risks and responsibilities are addressed consistently.



### AI policy templates

Infoxchange has published an [ethical AI policy template](#).

Also see the [Australian Government's Guidance for AI Adoption](#), which includes an [AI policy guide and template](#).



## Tips for using AI tools

- Before using an AI tool, clearly define the problem you're trying to solve or the task you want to automate. This helps you choose the right tool with the functionalities that best suit your needs.
- Understand the AI tool's capabilities and limitations. Most AI tools have limitations in terms of accuracy, bias, and the type of data they can handle.
- If possible, choose AI tools that offer some level of explainability. This allows you to understand how the AI arrived at a particular decision or output.
- Be cautious about what data you feed into AI tools. Don't share information that belongs to your organisation, or information that is personal, sensitive, or confidential with public free-to-use AI tools.
- Always follow your organisation's privacy and AI policies when using an AI tool.
- Ensure the words or data you use to prompt the AI tool are accurate, complete, and unbiased to avoid skewed or misleading results. The specificity of your prompts significantly impacts the quality of the outputs.
- Treat AI outputs as a starting point, not a final or correct piece. AI systems can be wrong, and their outputs might be biased or inaccurate. **Maintain human oversight and critical thinking when using AI-generated content or recommendations.**
- Always double-check information you receive from AI tools against reliable sources before using it for content creation or to make decisions.
- Do not rely solely on AI-generated legal, financial, medical or other professional advice. AI-generated advice should be reviewed by an appropriately qualified person before relying on it or acting on it.
- **Remember** – AI tools can inherit and amplify biases present in the data they're trained on. Be mindful of potential biases in your data and the AI tool itself. Consider using tools with built-in bias detection features.
- The field of AI is constantly evolving. Stay informed about advancements, best practices, and potential risks associated with AI tools.



## More information – the Australian Government's Guidance for AI Adoption

The [Australian Government's Guidance for AI Adoption](#) includes:

- guidance for [getting started in responsible AI governance](#) and [governance professionals and technical experts](#), and
- an [AI screening tool](#), [AI register template](#), and [AI policy guide and template](#).

