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Developing or procuring AI?
Here's what you need to know

AI tools bring paradigm-shifting opportunities to change the way we work and interact. Your architecture and integration decisions during development or procurement of AI tools may raise technical, legal, and ethical risks.

Architecture risks

General purpose AI
Flexible systems, trained to handle a broad range of tasks.

- **Precision** – the tool may provide helpful generic information but perform poorly on specialised tasks.
- **Hallucination** – the tool may generate plausible but inaccurate information, given it relies on non-specific training data.
- **Integration** – broadly integrated tools can create new avenues for malicious activity, including via 'prompt injection'.

Narrow AI
Targeted systems, trained to perform specific tasks.

- **Overfitting** – the tool may accurately handle specific tasks but not generalise to all your intended use-cases.
- **Fragility** – the tool's utility may degrade where inputs and integrations vary even slightly from training data or environments.
- **Context** – the tool's narrow capabilities and training data may mean it lacks awareness of your commercial, operational and legal context.

Integration risks

Black boxes

Opaque algorithmic decision-making may yield helpful outputs but is not readily explainable to stakeholders.

Bias

Biased models and data may skew outputs, raising accuracy, fairness and discrimination risks.

Accountability

Liability for AI-led decisions can be obscured in complex or outsourced supply chains, increasing your risk.

Privacy

AI tools may commercialise users' data, raising privacy & data breach risks across the supply chain.

IP

Complex licensing arrangements may threaten ownership of models, input data, and generated outputs.

Environment

AI tools and service providers consume significant energy and water, raising sustainability risks.

You can mitigate AI development and integration risks with clear guardrails

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Leading the charge gives you the opportunity to proactively mitigate risks of developing and adopting AI tools. Strong internal guardrails and vendor management strategies are essential for responsible development and procurement, in line with community expectations.

Internal guardrails

Privacy review
Proactively identify and mitigate privacy risks.

Conduct privacy impact assessments early in the development or deployment process to understand how your proposed AI tool will affect the collection, use, and disclosure of personal information. Pay close attention to risky overseas transfers – such as to overseas data centres.

IP licenses
Protect your IP, and distribution to stakeholders.

Update relevant agreements with customers, staff and suppliers to ensure ownership of models, input data and generated outputs is managed as intended. This is particularly critical for public-facing tools that collect or share information with third parties.

Ethical frameworks and guardrails
Reflect on stakeholder expectations and target your approach.

Develop a holistic AI policy to address stakeholders' varied expectations as to how you manage AI-related risks – such as ensuring automated decisions are reviewable and unbiased, and that data is secure. Ensure all staff understand their legal, social and environmental obligations.

Vendor management

Due diligence checklist
Assess if vendors are up to scratch during procurement.

Develop a checklist to assess how your vendors comply with key legal and ethical requirements, including your own AI policy and key privacy laws. Implement this checklist early on to proactively identify risks, regardless of whether the vendor supplies AI tools, or staff to assist in development.

Security questionnaire
Complete a targeted review of vendors' security practices.

Design a targeted questionnaire to assess vendors' security controls, data protection measures, incident response plans, and compliance certifications (e.g. ISO 27001). Tailor questions to your proposed AI tool's risk profile, and the kinds of data the AI tool (or developers) may handle.

Dynamic oversight
Regularly reassess vendors as your needs change.

AI tools are shiny and new, but it is critical to apply a commercial lens to any procurement decisions. Regularly reassess your goals, and vendors' compliance, to reflect your organisation's changing needs, changes in applicable legislation, and evolving technology use patterns.

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