AI Governance Checklist for SME and NFP Directors

This checklist sets out suggested steps for AI governance in small and medium-sized enterprises (SMEs) and not-for-profit (NFP) organisations. Each organisation will be at a different stage of this process and will have different resources available to them.

Stage 1: Foundations

Understand where your organisation is already using AI: Create an AI inventory or register that your organisation can rely on, including AI incorporated within existing cyber or tech products. Establish a process to keep this updated.

Assess where AI could add value to your organisation: Discuss with management how AI can be used to achieve your organisation's strategic objectives. AI use should align with the values and strategy of the organisation, avoiding "AI for AI's sake".

Identify the key risks arising from AI use and how to mitigate these risks: Consider the organisation's risk appetite for AI use. Confirm that AI use is captured by risk controls and incorporated within risk management frameworks/processes. Those with vulnerable clients or stakeholders should take particular care.

Establish board and management accountability: Identify who within the organisation has responsibility for decisions relating to the development, procurement, use and/or governance of AI. Create clear lines of reporting up to the board and consider reporting frequency to the board.

Establish a baseline understanding at board and executive level: Given the complexity of the topic, implement introductory education sessions or briefings to upskill the board and management. Some resources may be freely available or offered on a pro bono basis by experts.

Develop AI policies and processes: Develop an AI policy (preferably taking a risk-based use approach) that ideally covers the development, procurement, implementation, and use of AI systems. Consider alignment with, and any updates to, existing policies (e.g. privacy, data, cybersecurity, procurement).

Verify that your data governance is fit-for-purpose: Understand what data your AI draws on. Consider where and how this data is stored, used, and accessed. Confirm that privacy and security protections are in place for this data. This is particularly critical for those with vulnerable clients or stakeholders.

Stage 2: Building

Engage with stakeholders: Stakeholders, particularly workers and customers, can provide valuable insights into the development, adoption and use of AI systems. Engage with these stakeholders to understand the impact and potential harms of AI systems, especially on vulnerable individuals. Explore whether existing relationships with customers and suppliers can be leveraged to lift organisational AI capability.

Confirm that policies allow for access to reasons and mechanisms to contest and provide redress for decisions made by AI systems.

Support training for those involved in AI use within the organisation. Training may be necessary to understand AI, its risks and harms, and responsible AI use.[1] Some free modules are available online.

Stage 3: Continuous development

Ongoing reporting and monitoring: Require mechanisms for ongoing reporting from management to the board, especially on mission-critical AI use or systems that could cause individual harm. Board reporting should be refined, and mature over time.

For proposed higher-risk AI uses, consider the need for escalation protocols or external expertise to assess the risk of harm and the adequacy of mitigation measures.

Periodically re-assess the organisation's approach: Given the pace of change, boards should regularly seek confirmation that management is periodically testing and validating AI policies and processes. The board should also consider how AI risk management and strategy needs to evolve.

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1   HTI and the National AI Centre (NAIC) have produced a 'What is AI' video series for people using or looking to use AI in their organisations. NAIC, in partnership with the Institute of Applied Technology, is also offering free AI education for SMEs.

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