# AI governance gap leaves UK firms exposed to rising risks



As artificial intelligence becomes embedded in business operations, AI governance is emerging as a critical concern. Guru Sethupathy, founder and CEO of Fairnow, recently described it as the framework of policies, practices and processes that guide the ethical development and use of AI. Yet despite growing awareness, many organisations are still working out how to implement these systems effectively.

A recent report by Trustmarque illustrates the shortfall. While 93% of organisations now use AI, only 7% have fully integrated governance frameworks, and just 8% have embedded them in their software development lifecycles. The resulting gap increases the risk of bias, opacity, unpredictable behaviour and AI-generated false outputs. Without robust governance, Trustmarque warns, businesses face reputational harm, legal consequences and operational breakdowns. The report urges firms to align AI strategies with broader goals, invest in infrastructure and establish cross-functional accountability to ensure ethical use.

Wider societal concerns are also intensifying scrutiny. According to the Financial Times, the spread of misinformation, data breaches, algorithmic bias, job displacement and environmental costs are fuelling calls for tougher oversight. Companies are under growing pressure to implement ongoing monitoring, rigorous testing and clear ethical guidelines to secure trust. Investors and regulators worldwide are responding with stricter governance demands and tighter controls aimed at curbing misuse and advancing the public good.

AI’s role in human resources highlights the stakes. From recruitment to performance management, AI tools in HR carry a high risk of perpetuating bias if not carefully governed. Experts stress the need for defined policies, regular reviews, third-party audits and transparency to maintain legal compliance and workplace fairness. This not only reduces risk but builds employee trust and improves retention—crucial in a competitive labour market. Practical approaches are emerging. Data governance ensures accuracy and security, while diverse training sets and bias detection tools help mitigate discrimination. Explainable AI enhances transparency, and involving stakeholders in system design builds trust. Routine algorithm audits and demanding openness from AI suppliers help prevent unfair outcomes and reinforce ethical standards.

Experts also emphasise the value of human-AI collaboration, with human oversight balancing algorithmic decisions against ethical considerations. Compliance with data protection laws and open communication about AI’s impact on staff are essential for protecting privacy and cultivating a positive culture.

In the UK, these shifts offer an opportunity to lead in responsible AI. Embracing governance, aligning ethics with innovation and promoting transparency can help unlock AI’s potential while safeguarding public trust. The challenge is multifaceted—but momentum is building for an AI future that is not only powerful but principled.

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## Bibliography

1. <https://hrtechfeed.com/podcast-fairnows-guru-sethupathy-on-how-to-approach-ai-governance/?utm_source=rss&utm_medium=rss&utm_campaign=podcast-fairnows-guru-sethupathy-on-how-to-approach-ai-governance> - Please view link - unable to able to access data
2. <https://www.itpro.com/technology/artificial-intelligence/organizations-face-ticking-timebomb-over-ai-governance> - A recent report by Trustmarque reveals a significant gap between AI adoption and governance within organizations. Despite 93% of companies using AI, only 7% have fully integrated governance frameworks, and just 8% have incorporated AI governance into their software development lifecycles. This oversight exposes businesses to risks such as bias, lack of explainability, and hallucinations. The report emphasizes the need for organizations to align AI strategies with business objectives, invest in infrastructure, and establish clear, cross-functional accountability to ensure ethical AI implementation.
3. <https://www.ft.com/content/52249269-cca7-4060-8009-ea1c1fa28f60> - The Financial Times discusses the challenges companies face in responsibly implementing AI technologies, highlighting concerns about misinformation, data breaches, bias, job losses, and environmental impact. Ensuring AI trustworthiness requires continuous monitoring, testing, and adherence to ethical guidelines. Businesses are urged to establish robust policies prioritizing transparency, accountability, and data privacy. Investors are increasingly scrutinizing AI governance, and regulators are introducing stringent frameworks to safeguard against misuse, underscoring the global urgency to mitigate AI risks and align advancements with societal benefits.
4. <https://www.onrec.com/news/opinion/the-importance-of-ai-policies-in-hr-a-new-frontier-in-workplace-governance> - This article emphasizes the necessity of AI policies in human resources to foster fair and transparent work environments. Without proper guidelines, AI can unintentionally reinforce workplace biases, leading to discrimination. Implementing AI policies mandates regular reviews, audits, and third-party evaluations to minimize bias. The piece also highlights legal risks, noting that the absence of AI-specific policies can result in violations of existing and emerging laws. Transparency in AI processes is crucial for building employee trust and satisfaction, thereby enhancing retention rates.
5. <https://www.selecthrtech.com/ai-risk-management/> - This article outlines strategies for responsible AI adoption in human resources, focusing on data governance, bias mitigation, and transparency. It advocates for robust data governance practices to ensure data quality and security, compliance with data protection regulations, and the use of techniques to identify and mitigate AI bias. The piece also promotes transparency in AI decision-making processes, encouraging the use of explainable AI techniques and stakeholder engagement to address concerns about AI implementation.
6. <https://alliancehcm.com/blog/the-rise-of-artificial-intelligence-in-human-resources/> - The article discusses the ethical risks associated with AI in human resources, particularly algorithmic bias. It emphasizes the importance of auditing algorithms regularly and demanding transparency from vendors to prevent discrimination based on gender, race, or age. The piece also addresses data privacy and employee trust, highlighting the need for clear data governance policies and open communication about how AI affects employees' work lives to build confidence in AI systems.
7. <https://www.linkedin.com/pulse/ai-powered-hr-transforming-workforce-george-bonela-bjg6c> - This article explores the ethical considerations in AI-powered human resources, focusing on bias and fairness, privacy and data security, and human-AI collaboration. It presents statistical impacts, such as the percentage of AI recruitment tools showing bias and the likelihood of improving workforce diversity with bias-audited AI systems. The piece also outlines best practices, including using diverse training data, implementing explainable AI approaches, maintaining human oversight, and ensuring compliance with data protection regulations.