

AI Risk Self-Diagnostic



If the Regulator Demands Your AI Assurance Evidence Tomorrow, Where Will You Find It?

AI transformation is creating a new category of governance failure, exposing Senior Managers to unprecedented personal liability under SM&CR. The core threat is systemic failure caused by overconfidence in statistically average AI outputs. This is a non-financial risk that the FCA, PRA, and Bank of England are actively scrutinising.

This diagnostic is not a technical checklist. It is a strategic self-diagnostic tool specifically designed for executive boards and senior leaders (SMFs) to assess your organisation's readiness to govern your AI systems.

This focused review spans...

- **Strategic Alignment**
- **Model Risk & Outlier Management**
- **Governance & Accountability**
- **Human Oversight & Challenge**
- **Bias, Fairness & Compliance**
- **Operational Resilience & Monitoring**
- **Continuous Improvement**

Crucially, this is a private self-assessment. The outputs are yours alone. There is no requirement to share the results with any internal or external party.

The results of this gap analysis provide the starting point for your compliance and assurance roadmap.

 Download the associated executive brief [AI: An Amplifier of the Average](#) for a detailed analysis of the systemic risk identified in this Diagnostic.

Limited time?

EXECUTIVE PRIORITY SNAPSHOT

If you do not have the time to complete the full gap analysis right now, focus your team on providing definitive answers to these **3 non-negotiable questions**.

1. Have you secured board approval for a single, enterprise-wide AI risk framework and a formal AI risk appetite statement?
2. Have you quantified the scale of unapproved 'Shadow AI' usage across high-risk functions and are immediate controls in place to mitigate any Consumer Duty risks?
3. Do you have a tested AI Incident Playbook that specifically defines the critical first 7 days of regulatory reporting for an AI failure?

A "No" or "Not Sure" answer indicates the high probability of an immediate, critical governance gap and personal liability exposure that needs addressing within the next 90 days.

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This is a self-assessment tool for UK financial services boards to evaluate and benchmark their AI risk management maturity. The rating system is used to score your organisational capabilities across various AI risk governance dimensions and offers guidance on interpreting overall maturity scores.

Strategic alignment and governance: Assess how AI risk management is prioritised within the organisation, identify executive ownership, funding and internal capabilities for AI governance and examine the existence and review of AI risk frameworks and reporting to the board.

Model risk, human oversight, and compliance: Evaluates practices such as validation of AI models for rare events, stress-testing, monitoring for errors and biases, mandatory human-in-the-loop controls, staff training, escalation processes and alignment with regulatory requirements.

Operational resilience and continuous improvement: Review continuous independent monitoring of AI models, audit trails for AI decisions, preparedness for incident response, updating resilience plans for AI risks, regular updating of governance frameworks, independent risk assessments and learning from incidents to enhance AI risk management.

The overall maturity score interpretation ranges from "**Early Stage**" indicating high unmanaged AI risk exposure to "**Leading Practice**" reflecting well-governed and resilient AI risk management, guiding organisations on next steps for improvement.

How to Use This Diagnostic

For each question, score your organisation's current status:

- 1 = Not Started
- 2 = Early Stage / Ad Hoc
- 3 = Developing / In Progress
- 4 = Established / Consistent
- 5 = Leading Practice / Optimised

The **Notes** column is optional.

Important

This diagnostic is not about how you would score yourselves, but **how an independent assessor or a regulator** would score you **based on evidence**. Be prepared to support each answer with documentation, audit trails, or demonstrable practices.

Add up your scores for each section to identify strengths and areas for improvement.

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1. STRATEGIC ALIGNMENT

1 = Not Started | 2 = Early Stage / Ad Hoc | 3 = Developing / In Progress | 4 = Established / Consistent | 5 = Leading Practice / Optimised

	Question	1	2	3	4	5	Notes
1.1	How does managing AI risk rank compared to our other strategic priorities?	☐	☐	☐	☐	☐	
1.2	Who is the named executive owner for AI risk and assurance?	☐	☐	☐	☐	☐	
1.3	Do we have an existing AI risk/governance programme?	☐	☐	☐	☐	☐	
1.4	Is there dedicated funding for AI risk management?	☐	☐	☐	☐	☐	
1.5	Do we have the internal capabilities to deliver robust AI governance?	☐	☐	☐	☐	☐	
1.6	If asked about our AI risk posture in 3 months, what progress do we expect?	☐	☐	☐	☐	☐	
1.7	If we invest in AI risk management, what other initiatives may be impacted?	☐	☐	☐	☐	☐	

Rank your answers.

Section 1 Score:

Sum all ranked scores for this section. The maximum is 35 for this section.

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2. MODEL RISK & OUTLIER MANAGEMENT

1 = Not Started | 2 = Early Stage / Ad Hoc | 3 = Developing / In Progress | 4 = Established / Consistent | 5 = Leading Practice / Optimised

	Question	1	2	3	4	5	Notes
2.1	Have we validated AI models for rare, high-impact outlier cases?	☐	☐	☐	☐	☐	
2.2	Do our models quantify and report confidence levels (UQ)?	☐	☐	☐	☐	☐	
2.3	Are we stress-testing AI systems against adversarial scenarios?	☐	☐	☐	☐	☐	
2.4	Are we monitoring for 'mismatched confidence' and hallucinations?	☐	☐	☐	☐	☐	
2.5	Are model failures and near-misses reported to the board?	☐	☐	☐	☐	☐	

Rank your answers.

Section 2 Score:

Sum all ranked scores for this section. The maximum is 25 for this section.



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3. GOVERNANCE & ACCOUNTABILITY

1 = Not Started | 2 = Early Stage / Ad Hoc | 3 = Developing / In Progress | 4 = Established / Consistent | 5 = Leading Practice / Optimised

	Question	1	2	3	4	5	Notes
3.1	Is there clear, documented accountability for AI oversight (SM&CR)?	☐	☐	☐	☐	☐	
3.2	Has the board reviewed our AI governance framework in the last 12 months?	☐	☐	☐	☐	☐	
3.3	Are AI-related risks/incidents reported to the board rigorously?	☐	☐	☐	☐	☐	
3.4	Are we prepared to demonstrate our AI risk management to regulators?	☐	☐	☐	☐	☐	

Rank your answers.

Section 3 Score:

Sum all ranked scores for this section. The maximum is 20 for this section.

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4. HUMAN OVERSIGHT & CHALLENGE

1 = Not Started | 2 = Early Stage / Ad Hoc | 3 = Developing / In Progress | 4 = Established / Consistent | 5 = Leading Practice / Optimised

	Question	1	2	3	4	5	Notes
4.1	Do we have mandatory 'human-in-the-loop' controls for high-stakes AI?	☐	☐	☐	☐	☐	
4.2	Are staff trained to challenge and escalate AI outputs?	☐	☐	☐	☐	☐	
4.3	Is there a clear escalation process for AI errors/anomalies?	☐	☐	☐	☐	☐	
4.4	Are we auditing how human reviewers interact with AI?	☐	☐	☐	☐	☐	

Rank your answers.

Section 4 Score:

Sum all ranked scores for this section. The maximum is 20 for this section.

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5. BIAS, FAIRNESS & COMPLIANCE

1 = Not Started | 2 = Early Stage / Ad Hoc | 3 = Developing / In Progress | 4 = Established / Consistent | 5 = Leading Practice / Optimised

	Question	1	2	3	4	5	Notes
5.1	Have we audited AI for bias in credit, risk, and compliance?	☐	☐	☐	☐	☐	
5.2	Are we monitoring for disparate impact and taking corrective action?	☐	☐	☐	☐	☐	
5.3	Are AI systems aligned with EU AI Act requirements?	☐	☐	☐	☐	☐	
5.4	Are we tracking regulatory developments and updating compliance?	☐	☐	☐	☐	☐	

Rank your answers.

Section 5 Score:

Sum all ranked scores for this section. The maximum is 20 for this section.

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6. OPERATIONAL RESILIENCE & MONITORING

1 = Not Started | 2 = Early Stage / Ad Hoc | 3 = Developing / In Progress | 4 = Established / Consistent | 5 = Leading Practice / Optimised

	Question	1	2	3	4	5	Notes
6.1	Is there continuous, independent monitoring of AI model performance?	☐	☐	☐	☐	☐	
6.2	Do we have robust audit trails for AI-driven decisions?	☐	☐	☐	☐	☐	
6.3	Are we prepared for rapid response/remediation of AI incidents?	☐	☐	☐	☐	☐	
6.4	Are operational resilience plans updated for AI-specific risks?	☐	☐	☐	☐	☐	

Rank your answers.

Section 6 Score:

Sum all ranked scores for this section. The maximum is 20 for this section.



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7. CONTINUOUS IMPROVEMENT

1 = Not Started | 2 = Early Stage / Ad Hoc | 3 = Developing / In Progress | 4 = Established / Consistent | 5 = Leading Practice / Optimised

	Question	1	2	3	4	5	Notes
7.1	Are we regularly updating AI governance and risk frameworks?	☐	☐	☐	☐	☐	
7.2	Do we conduct periodic independent AI risk assessments?	☐	☐	☐	☐	☐	
7.3	Are lessons learned from incidents used to improve our approach?	☐	☐	☐	☐	☐	
7.4	Are we regularly updating AI governance and risk frameworks?	☐	☐	☐	☐	☐	

Rank your answers.

Section 7 Score:

Sum all ranked scores for this section. The maximum is 20 for this section.



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MATURITY SCORES

Section 1 Score: STRATEGIC ALIGNMENT

The maximum is 35 for this section.

Section 2 Score: MODEL RISK & OUTLIER MANAGEMENT

The maximum is 25 for this section.

Section 3 Score: GOVERNANCE & ACCOUNTABILITY

The maximum is 20 for this section.

Section 4 Score: HUMAN OVERSIGHT & CHALLENGE

The maximum is 20 for this section.

Section 5 Score: BIAS, FAIRNESS & COMPLIANCE

The maximum is 20 for this section.

Section 6 Score: OPERATIONAL RESILIENCE & MONITORING

The maximum is 20 for this section.

Section 7 Score: CONTINUOUS IMPROVEMENT

The maximum is 20 for this section.

Total Score:

Sum all section scores above. The maximum for all sections is 160.

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SCORE INTERPRETATION

Score	Category	Position	Recommendation	Comments
130 and Above	Leading Practice	AI risk is well-governed and resilient	Schedule periodic independent audits.	This is high-performing organisation, but it will still benefit from independent, external validation to confirm the high score and produce the defensible evidence required by the board and regulator.
100–129	Established	Good foundations, but some gaps remain	Utilise training to align executive perspectives.	The organisation has a basic structure but needs to align its senior leaders on a single, defensible framework to mature their governance, moving from compliance to control.
70–99	Developing	Progress made, but significant improvement needed	Prioritise action. Use resource augmentation or external consultants if internally constrained by capability or capacity.	The score indicates an immediate, systemic governance gap requiring a prioritised, external intervention before the regulator intervenes. This is a high-stakes, time-sensitive liability mitigation service.
Below 70	Early Stage	High risk of unmanaged AI exposure		

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OPERATIONALISING RESILIENCE: YOUR NEXT STEP

To achieve genuine operational resilience and regulatory defensibility, senior leaders require both clear visibility of their AI risk exposure and the practical tools to manage it. **ADVANTAGE AI** provides a dual solution tailored for high-stakes, regulated UK financial services organizations:

1. Independent AI Risk Assessments & Audits

We provide independent AI risk assessments that offer clarity on an organization's current management, technical, and operational capabilities. These assessments deliver a prioritized roadmap of remediation actions to address identified gaps and support robust board-level assurance.

2. The Executive AI Masterclass (Self-Paced Training)

The self-paced masterclass is for Board Executives and Senior Leaders (SMFs) needing to rapidly close the AI governance gap. Delivered in bite-sized content to fit busy schedules, this program transforms strategic risk into a competitive advantage by enabling you to:

- **Own SM&CR Liability:** Directly articulate the personal liability exposure created by the AI governance gap.
- **Secure Board Approval:** Draft the essential board paper to secure formal approval for AI risk appetite and a single enterprise framework.
- **Ensure Operational Resilience:** Develop and implement an **AI Incident Playbook** focused on the critical first 7 days of regulatory reporting.
- **Control Shadow AI:** Quantify the scale of "Shadow AI" and implement controls to mitigate immediate data-leak and Consumer Duty risks.

We don't sell AI systems. We deliver regulatory assurance. Independently.

Take control of your AI risk exposure before the regulator does. Contact us today...

Web: <https://advantage-ai.co.uk>

Phone: [+44 \(0\)7471 359987](tel:+44(0)7471359987)

Email: info@advantage-ai.co.uk

