

The background of the journal cover features a top-down view of a desk. On the left, a pair of black leather brogue shoes is partially visible. In the center, an open notebook with lined pages and a silver pen lies on a light-colored wooden surface. To the right, a black leather bag with a zipper and a black leather watch with a silver face are also visible. A large, semi-transparent white rectangular box is centered over the image, containing the journal's title and ISSN information.

INTERNATIONAL LAW
JOURNAL

**WHITE BLACK
LEGAL LAW
JOURNAL**
**ISSN: 2581-
8503**

Peer - Reviewed & Refereed Journal

The Law Journal strives to provide a platform for discussion of International as well as National Developments in the Field of Law.

WWW.WHITEBLACKLEGAL.CO.IN

DISCLAIMER

No part of this publication may be reproduced, stored, transmitted, translated, or distributed in any form or by any means—whether electronic, mechanical, photocopying, recording, scanning, or otherwise—without the prior written permission of the Editor-in-Chief of *White Black Legal – The Law Journal*.

All copyrights in the articles published in this journal vest with *White Black Legal – The Law Journal*, unless otherwise expressly stated. Authors are solely responsible for the originality, authenticity, accuracy, and legality of the content submitted and published.

The views, opinions, interpretations, and conclusions expressed in the articles are exclusively those of the respective authors. They do not represent or reflect the views of the Editorial Board, Editors, Reviewers, Advisors, Publisher, or Management of *White Black Legal*.

While reasonable efforts are made to ensure academic quality and accuracy through editorial and peer-review processes, *White Black Legal* makes no representations or warranties, express or implied, regarding the completeness, accuracy, reliability, or suitability of the content published. The journal shall not be liable for any errors, omissions, inaccuracies, or consequences arising from the use, interpretation, or reliance upon the information contained in this publication.

The content published in this journal is intended solely for academic and informational purposes and shall not be construed as legal advice, professional advice, or legal opinion. *White Black Legal* expressly disclaims all liability for any loss, damage, claim, or legal consequence arising directly or indirectly from the use of any material published herein.

ABOUT WHITE BLACK LEGAL

White Black Legal – The Law Journal is an open-access, peer-reviewed, and refereed legal journal established to provide a scholarly platform for the examination and discussion of contemporary legal issues. The journal is dedicated to encouraging rigorous legal research, critical analysis, and informed academic discourse across diverse fields of law.

The journal invites contributions from law students, researchers, academicians, legal practitioners, and policy scholars. By facilitating engagement between emerging scholars and experienced legal professionals, *White Black Legal* seeks to bridge theoretical legal research with practical, institutional, and societal perspectives.

In a rapidly evolving social, economic, and technological environment, the journal endeavours to examine the changing role of law and its impact on governance, justice systems, and society. *White Black Legal* remains committed to academic integrity, ethical research practices, and the dissemination of accessible legal scholarship to a global readership.

AIM & SCOPE

The aim of *White Black Legal – The Law Journal* is to promote excellence in legal research and to provide a credible academic forum for the analysis, discussion, and advancement of contemporary legal issues. The journal encourages original, analytical, and well-researched contributions that add substantive value to legal scholarship.

The journal publishes scholarly works examining doctrinal, theoretical, empirical, and interdisciplinary perspectives of law. Submissions are welcomed from academicians, legal professionals, researchers, scholars, and students who demonstrate intellectual rigour, analytical clarity, and relevance to current legal and policy developments.

The scope of the journal includes, but is not limited to:

- Constitutional and Administrative Law
- Criminal Law and Criminal Justice
- Corporate, Commercial, and Business Laws
- Intellectual Property and Technology Law
- International Law and Human Rights
- Environmental and Sustainable Development Law
- Cyber Law, Artificial Intelligence, and Emerging Technologies
- Family Law, Labour Law, and Social Justice Studies

The journal accepts original research articles, case comments, legislative and policy analyses, book reviews, and interdisciplinary studies addressing legal issues at national and international levels. All submissions are subject to a rigorous double-blind peer-review process to ensure academic quality, originality, and relevance.

Through its publications, *White Black Legal – The Law Journal* seeks to foster critical legal thinking and contribute to the development of law as an instrument of justice, governance, and social progress, while expressly disclaiming responsibility for the application or misuse of published content.

**AI ETHICS AND CORPORATE GOVERNANCE:
DEVELOPING RESPONSIBLE AI POLICIES- LESSONS
FROM DELOITTE AUSTRALIA'S CHATGPT GUIDELINES**

AUTHORED BY - NASHRA HUSSAIN

Abstract

With artificial intelligence (AI) being integrated quickly into the decision-making processes of businesses, significant issues regarding ethics and governance have arisen within the frameworks of today's leading organisations. Corporates are now increasingly utilising Generative AI tools like ChatGPT to improve their efficiency, operations productivity and help inform future business decisions, however, there are risks associated with AI technologies as they relate to confidentiality, accountability, accuracy and corporate liability. One example of the importance of strong corporate governance frameworks for AI is evident in the Deloitte Australia ChatGPT incident whereby an AI-created document featured multiple inaccuracies including made-up citations that resulted in reputational damage and financial cost. This paper analyses the corporate governance of artificial intelligence by exploring its legal and ethical ramifications based on a specific example, Deloitte Australia. It will consider how generative AI integrates into directors' duties, fiduciary duties, compliance with corporate regulations, and responsibilities under the Companies Act. In addition, it will examine some of the difficulties encountered in relation to accountability, transparency, and responsibility when accounting for and managing AI within corporation.

This paper contends that current frameworks for corporate governance are required to change significantly in order to adapt to AI-related risks and recommends the creation of governance policies for AI, compliance mechanisms for use by the corporation, and regulatory frameworks for implementing those governance policies. The conclusion of the paper is that ethical use of AI technologies is critical not only for ensuring proper conduct by corporations but also for protecting everyone that is a stakeholder in a digital corporate world.

Keyword- Artificial Intelligence, Corporate Governance, generate AI, ChatGPT, Ethics, Directors' Duties, Fiduciary Duties, Accountability, Corporate Liability, Risk Management, AI Governance, Deloitte Australia.

Introduction

Corporate practices increasingly rely on artificial intelligence, which completely alters how companies make decisions, report information, ensure compliance with laws and regulations, and provide professional services. Corporations are implementing generative AIs (such as ChatGPT) to produce written content quickly, interpret and analyse text and data collected internally for use externally, and improve the effectiveness of both internal and external communications.¹ However, there is a substantial governance risk when outputs produced by generative AIs are not only untruthful but also biased or produced without appropriate corroborating evidence. The risk related to the above-mentioned examples is no longer an issue of technology, but rather an issue of institutions because the use of AI in a corporation creates issues with accountability, internal controls, and building trust with stakeholders. The incident highlights the importance of the use of intelligence, as shown by the Deloitte Australia example. It also illustrates the impact of using artificial intelligence when compiling an Australian Government document, including the use of fictitious citations and an incorrectly identified judicial quotation, which has led to increased media attention and subsequent revisions² to the documents. The relevance of this example lies in the fact that errors due to AI-generated text may present in a corporate environment as governance failures rather than something simply being a part of preparing documents.

This paper contends that proper management of AI should be considered as part of an organization's governance system. Boards, management, and compliance mechanisms should provide that AI is utilised as an aid to assist with making decisions and not simply as an uncontrolled replacement for human judgement. Therefore, this paper applies a doctrinal methodology to determine the legal and ethical implications associated with generative AIs and proposes a comprehensive framework to address the improper use of generative AIs within governance of organisations.

Research gap

The increasing interest in AI and corporate governance has resulted in a fragmented literature base. One set of literature focuses on the [One set of literature focuses on the ethical or](#)

¹ *AI and the Role of the Board of Directors*, Harv. L. Sch. Forum on Corp. Governance (Oct. 7, 2023), <https://corpgov.law.harvard.edu/2023/10/07/ai-and-the-role-of-the-board-of-directors/>.

² *Deloitte Dolittle: Stop Treating AI Like a Magic Wand*, Horses for Sources (Oct. 7, 2025), https://www.horsesforsources.com/deloitte-dolittle_100725/.

[technology issues associated with AI, while another body of work pertains to board oversight and responsibilities for directors and responsibilities for directors. The literature only has limited connections between generative AI usage and corporate law doctrines related to diligence, fiduciary duty, and oversight liability. The Deloitte case is an](#) ideal example to address this gap as it illustrates the practical implications that arise from improper use of AI in a high- stress professional context.

Implementation is another area where we see considerable gaps between theory and practice in the realm of responsible AI. While there are many descriptions of responsible AI (for example, fairness, transparency, accountability), very few provide a clear operational framework that corporations can actually implement. The purpose of this research paper is to address such deficiencies by creating a framework for the governance of responsible AI which can be applied at all levels of an organisation (boards, senior management, compliance teams and employees), bridging the divide between the analysis of the concepts and the design of the actual governance mechanisms.

Objectives of the Study

This research has various aims:

1. To investigate how AI can be used to help ensure sound corporate governance.
2. To identify some of the ethical risk associated with generative AI to Corporations.
3. To explore Deloitte Australia's ChatGPT incident.
4. To review Director's Duties and Corporate Liability as it relates to how AI is used.
5. To recommend a framework for the governance of AI within corporations.

Research Questions

1. To what extent does the use of generative AI tools such as ChatGPT affect corporate governance and ethical decision-making in corporations?
2. What are the legal implications of AI usage in corporations, particularly in relation to directors' duties, corporate liability, and fiduciary obligations?
3. What lessons can be derived from the Deloitte Australia ChatGPT incident for developing effective AI governance frameworks in corporations?

Methodology

Using a doctrinal methodology, this article analyses legal doctrines, governance guidelines, policy documents, and scholarly literature to gain an understanding of how the existing notions of company law and corporate governance relate to generative artificial intelligence. The use of this method is appropriate because the research is normative and analytical in nature and does not contain any empirical data. The focus of this research is to provide an assessment of how the law should respond to governance risks associated with artificial intelligence.

AI and Corporate Governance

AI has become an increasingly popular tool for supporting analysis, drafting, monitoring, and strategic decision-making in the corporate governance of firms. Nevertheless, the governance literature has cautioned against considering AI to be either totally neutral or completely independent. Dignam's article on AI, technology corporate governance, and how government bodies should respond to these developments (the "Regulatory Response") asserts that in order to understand AI, we need to consider accountability, regulatory oversight, and the public interest, rather than it simply being an efficiency enhancing tool.³ Additionally, it cautions about the over-exaggeration of the capabilities or independence of an AI, citing the fact that most of today's AIs continue being built with every narrow statistics and rely upon having a significant amount of human supervision to operate effectively. The implication of this on corporate governance is clear; the use of AI in organisations does not take away from the organisation's leadership and accountability; instead, deploying AI has increased the need for internal controls, verification and oversight by the organisation's boards.⁴

As boards bear responsibility for how corporations use AI, the current data regarding boards' oversight is important to corporations because of the fact that boards will not only need to oversee their "enterprise risk management" with regards to AI, but also their "overall strategy" and "compliance" regarding the deployment of AI. Additionally, boards should also be asking whether companies have developed suitable policies, established internal controls and

³ Alan Dignam, *Artificial Intelligence, Tech Corporate Governance and the Public Interest Regulatory Response*, Cambridge J. Regs. Econ. & Soc'y (2020), <https://qmro.qmul.ac.uk/xmlui/bitstream/handle/123456789/61781/Dignam%20ARTIFICIAL%20INTELLIGENCE.%20TECH%20CORPORATE%20GOVERNAN...pdf>.

⁴ *AI and the Role of the Board of Directors*, Harv. L. Sch. Forum on Corp. Governance (Oct. 7, 2023), <https://corpgov.law.harvard.edu/2023/10/07/ai-and-the-role-of-the-board-of-directors/>; *Responsible Artificial Intelligence Governance: A Review and Research Framework*, ScienceDirect (2024), <https://www.sciencedirect.com/science/article/pii/S0963868724000672>.

procedures for auditing their use of AI, and are regularly reviewing their use of AI, among other things. The implication of this is that the use of AI by corporations will increase the scope of board governance rather than decrease it.

Ethical Risks of Generative AI

Businesses are increasingly aware of the different types of ethical hazards associated with doing business, including the accuracy risk that occurs when an AI (artificial intelligence) produces content that seems to be credible but does not in fact meet the accuracy requirement (e.g., generating a reference that doesn't exist, misquoting something). A well-documented example of this is the Deloitte example, in which an audit report generated with the assistance of AI contained fabricated references and misquoted a legal case. Reports like this (especially in government or non-government decision making) can affect the credibility of the report, as even one misleading reference can destroy the public's confidence in the agency and create many consequences for the agency's reputation and governance. Examples like this show why responsible governance of AI must put a priority on verification, human oversight and accountability for the machine-generated output.⁵

Confidentiality is an important issue. When staff utilise external AI solutions there is the potential to release sensitive corporate/client data inadvertently. In addition, using AI outputs that may not have been verified by employees reduces accountability as there is no clear trail to follow up on data provided. Lastly, bias is also an ethical issue because most AI systems will replicate or amplify implicit assumptions in the input data/prompts. Therefore, these issues combined indicate that AI governance constitutes the ethical component of AI uses, not simply an operational one.⁶

Directors' Duties and Fiduciary Obligations

The introduction of Generative Artificial Intelligence (GAI) has changed how Boards of Directors (the "Board") exercise their oversight of the corporate enterprise, as well as how the Board delegates and exercise its authority. The fact that a machine is drafting and generating

⁵ *Responsible Artificial Intelligence Governance: A Review and Research Framework*, ScienceDirect (2024), <https://www.sciencedirect.com/science/article/pii/S0963868724000672>.

⁶ *Deloitte Was Caught Using AI in \$290,000 Report to Help the Australian Government Crack Down on Welfare After a Researcher Flagged Hallucinations*, Fortune (Oct. 7, 2025), <https://fortune.com/2025/10/07/deloitte-ai-australia-government-report-hallucinations-technology-290000-refund/>.

recommendations does not relieve a director of his or her obligation to ensure that the GAI being utilised is compliant with applicable legal requirements and is consistent with the internal risk management controls established by the enterprise. The commentary of the Corporate Governance Program specifically states that, as part of its charter, each Board must not only understand how GAI is used by the entity, but also the risks associated with the GAI and the manner in which there will be oversight of those risks.⁷ The foregoing clearly demonstrates that GAI does not replace Board responsibility; rather, it heightens the need for conscientious oversight and engagement.⁸

In order to fulfil their Fiduciary obligations Directors and Senior Management are required to act in Good Faith with loyalty and care. When AI is utilized for more than low-level applications, these duties must be exercised with active supervision and verification of AI systems; not only being fulfilled through passive reliance on the technology itself. The literature regarding Corporate Officers' fiduciary duty to manage generative AI supports the notion that oversight of AI applications has been incorporated into the standard duty of care. Therefore, if organisations do not have Policy, Training and Review processes related to AI there may be a breach of the Organisation's Governance.⁹

Corporate Liability

Using AI can sometimes expose companies to liability, where legal, financial, or reputational damage is done to third parties by the use of AI. The critical question is not whether AI itself is liable but whether the company exercised reasonable oversight over the AI output. If a company submits or otherwise publishes AI-generated content that contains false citations, false statements of fact, or inaccurate legal authorities, that company is potentially subject to claims for negligence, misrepresentation, or breach of duty.¹⁰ The Deloitte event makes this clear as well, as per news reports, a generative AI report to the government of Australia has to be corrected after errors, including citations not being accurate, were found. This type of situation creates liability risk for a corporation's contracts, reputation, compliance, and

⁷ *AI and the Role of the Board of Directors*, Harv. L. Sch. Forum on Corp. Governance (Oct. 7, 2023), <https://corpgov.law.harvard.edu/2023/10/07/ai-and-the-role-of-the-board-of-directors/>.

⁸ *Board Oversight of AI*, Harv. L. Sch. Forum on Corp. Governance (Sept. 17, 2024), <https://corpgov.law.harvard.edu/2024/09/17/board-oversight-of-ai/>.

⁹ *Understanding the NIST AI Risk Management Framework*, Databrackets, <https://databrackets.com/blog/understanding-the-nist-ai-risk-management-framework/>.

¹⁰ *Responsible Use of AI*, Accenture, <https://www.accenture.com/us-en/case-studies/data-ai/blueprint-responsible-ai>.

professional responsibilities. The overarching doctrinal issue is that companies remain liable for the content that they endorse even if it was created with the assistance of AI.¹¹

Answer to Research Question One

Corporate Governance is being impacted heavily by generative AI software, including ChatGPT, due to their potential to change how an organisation has traditionally made, validated and approves data. While it will help corporations produce content faster and increase efficiency, it also heightens the exposure level to relying on automated outputs to the point of removing the level of critical review typically required in good corporate governance. Deloitte's incident was an example of how even if an AI-generated piece of work may look good on the surface, the underlying document may contain significant factual and citation errors.¹²

In terms of ethics, the primary implication of using computers to make decisions is that people are likely to be less thoughtful about their choices, and more reliant on the fluency of the machine produced by the computer. Therefore, unless human oversight is continually provided, there may be an inherent bias for expedience in decision-making, rather than accuracy. Thus, it is important to view the computer as an aid and not a substitute for exercising human professional judgement. Adequate governance requires all AI-assisted processes will involve scepticism, verification, and accountability.

Answer to Research Question Second

Directors of corporations have a significant duty to oversee the use of Artificial Intelligence (AI) in the workplaces they manage. This includes ensuring that AI is used responsibly to mitigate risk to their individual company and for any foreseeable harm they can foresee. When AI is involved in creating content, if there is no appropriate oversight of that, the corporation will potentially have liability to others, including for losses, misrepresentations, or failures to meet compliance requirements that arise out of AI content.¹³

¹¹ *Understanding the NIST AI Risk Management Framework*, Databricks, <https://databricks.com/blog/understanding-the-nist-ai-risk-management-framework/>.

¹² *Building a Responsible AI Framework: 5 Key Principles for Organizations*, Harv. DCE Prof. & Exec. Dev., <https://professional.dce.harvard.edu/blog/building-a-responsible-ai-framework-5-key-principles-for-organizations/#Meet-Our-Expert>.

¹³ *Understanding the NIST AI Risk Management Framework*, Databricks, <https://databricks.com/blog/understanding-the-nist-ai-risk-management-framework/>.

It is a fiduciary duty of a director or senior officer to act in a manner consistent with the requirement to maintain impartiality and good faith when performing their responsibilities. AI usage does not eliminate fiduciary obligations; rather, it creates an additional layer of responsibility for Directors and/or officers as the Board must have broader oversight responsibilities for developing AI policies, reviewing AI development efforts, and providing training on AI to employees. Those Boards that do not have adequate oversight of AI related risks may be unable to meet the expectations of contemporary governance frameworks. The legal position is that AI does not reduce the liability of individuals for AI but rather increases the need for oversight.

Answer to Research Question Third

The ChatGPT incident in Australia illustrates many lessons for establishing guidelines on how companies govern their use of AI technology. Companies should ensure that humans verify all AI-generated high-stakes (important) material prior to publishing or displaying it to the general public.¹⁴ Companies should not use public generative AI products/tools to generate any confidential/legal/socially sensitive material without having strict restrictions in place. Companies should implement clear disclosure policies related to all heavy AI use so that when appropriate consumers can see which material was generated and use AI technology to support their claims/arguments.¹⁵

The general principle of the broader lesson of AI governance is that it must be formalised (i.e., have formal policies, training, audits, escalations and board oversight). The Deloitte example demonstrates that even large sophisticated companies are capable of flawed work if they have weak processes to review outcomes. Thus, AI Governance should be incorporated into the actual governance structure.¹⁶

¹⁴ *Deloitte Was Caught Using AI in \$290,000 Report to Help the Australian Government Crack Down on Welfare After a Researcher Flagged Hallucinations*, Fortune (Oct. 7, 2025), <https://fortune.com/2025/10/07/deloitte-ai-australia-government-report-hallucinations-technology-290000-refund/>.

¹⁵ *Deloitte's AI Fallout Explained: The \$440,000 Report That Backfired*, NDTV (Oct. 7, 2025), <https://www.ndtv.com/world-news/deloittes-ai-fallout-explained-the-440-000-report-that-backfired-9417098>.

¹⁶ *Deloitte Dolittle: Stop Treating AI Like a Magic Wand*, Horses for Sources (Oct. 7, 2025), https://www.horsesforsources.com/deloitte-dolittle_100725/.

Proposed Policy Framework

1. Board-level AI Oversight

The board is capable of overseeing AI governance directly. Board or committee level AI usage reviews should be conducted with respect to the level of reporting, level of compliance, public submissions and level of strategic decisions impact due to the use of AI. A designated board member or committee size can oversee the monitoring of AI risk and provide periodic reports to the board at large. This facilitates an assignment of governance accountability for the use of AI at the highest level.¹⁷

2. Formal AI use policy

An organisation should have an approved AI policy that clearly describes permitted and prohibited uses, approval limits, and the consequences of misuse. The organisation must have established safeguards if they wish to input sensitive data into any publicly available AI system (i.e., public cloud-based). Verification of any and all citations, quotations, and legal authority should also be included in the policy.¹⁸

3. Human in the loop verification

AI generated content cannot be utilised in a legal, financial, regulatory or client front (meaning where clients are present) context without recommended human approval after substantive review. Human verification should consist of fact checking, citing, and assessing context rather than just giving a 'yes' based on surface level approval.¹⁹ This provides the most direct protection from similar failures to that seen with Deloitte and provides a measure of professional accountability.

4. Risk classification of AI use

AI uses can be ranked low, moderate, and high-risk. Examples of low-risk uses include formatting and brainstorming, while examples of high-risk uses include producing reports,

¹⁷ *Board Oversight of AI*, Harv. L. Sch. Forum on Corp. Governance (Sept. 17, 2024), <https://corpgov.law.harvard.edu/2024/09/17/board-oversight-of-ai/>.

¹⁸ *Deloitte Was Caught Using AI in \$290,000 Report to Help the Australian Government Crack Down on Welfare After a Researcher Flagged Hallucinations*, Fortune (Oct. 7, 2025), <https://fortune.com/2025/10/07/deloitte-ai-australia-government-report-hallucinations-technology-290000-refund/>.

¹⁹ *Deloitte's AI Fallout Explained: The \$440,000 Report That Backfired*, NDTV (Oct. 7, 2025), <https://www.ndtv.com/world-news/deloittes-ai-fallout-explained-the-440-000-report-that-backfired-9417098>.

legal work, creating financial analyses, and communicating with the public.²⁰ High-risk uses require additional checks, approval, and subsequent documentation as part of the creation process. Using a risk-based system creates a system of governance where the level of governance is appropriate to the amount of risk involved

5. Training and AI literacy

To ensure ethical AI use, it is critical for employees to have ongoing learning opportunities related to AI hallucinations, bias, confidentiality and verify standards. Different types of training should be provided to different functional areas (legal, finance, compliance and consulting) based on their specific roles in relation to AI risks. A user will not be able to apply a policy if she/he does not know how to apply it. Therefore, training is the basis for ethical use of an AI system.

6. Audit trails and documentation

Any major tasks that have been aided by AI must be thoroughly documented by the company performing the task as well as the company using that task's results. The documented items regarding usage of task must include: what tools were used, what they were used for, who reviewed results before they're approved for secondary use and what changes were made to the output prior to final approval for use.²¹ Audit trails allow for accountability by creating a record of actions to support compliance review. Audit trails greatly reduced the possibility of unreported or unknown/ hidden AI usage.

7. Confidentiality and data controls.

Companies should not allow the use of public AI tools to access confidential, personal or propriety information unless there are sufficient approved safeguards in place. When AI is used for operational purposes, organisations should prefer to utilise secure enterprise systems and contracted services that have been contractually protected. Data governance must align with confidentiality, cybersecurity and privacy obligations so that there is a reduction in any separate associated legal risks.²²

²⁰ *Building a Responsible AI Framework: 5 Key Principles for Organizations*, Harv. DCE Prof. & Exec. Dev., <https://professional.dce.harvard.edu/blog/building-a-responsible-ai-framework-5-key-principles-for-organizations/#Meet-Our-Expert>.

²¹ *Responsible A.I.: Tackling Tech's Largest Corporate Governance Challenges*, Berkeley Haas Case Series, <https://cases.haas.berkeley.edu/2022/10/google/>.

²² *Responsible AI: Ethical Policies and Practices*, Microsoft AI, <https://www.microsoft.com/en-us/ai/responsible-ai>.

8. Independent monitoring and audit

Periodic audits of AI governance by independent or internal auditors are essential. Audits will measure compliance to policies; examine quality of outputs; assess data privacy; and track risks as they escalate. Independent monitoring of AI control systems provides companies with assurance that controls are more than just tokens, and allows companies to adapt to changes in technological advances and regulations as they develop.²³

9. Incident reporting and escalation

Reporting mechanisms for AI-related errors or misuse must conclusively exist; employees should have the ability to report suspected hallucinations, citations, or data problems without fear of repercussions²⁴. In the case of serious incidents, the appropriate department (legal, compliance, and senior management) should be notified in addition to the reporting employee as soon as possible so that appropriate action may be take (e.g., ratifying an internal investigation). Such mechanisms will help to ensure early detection of problems as well as facilitate resolution efforts should they occur.

10. Transparency and disclosure

Corporations should make use of disclosure when AI has an essential role in externally released work. Disclosure builds trust in stakeholders' ability to evaluate the trustworthiness of any work product.²⁵ The Deloitte case provides an example of the controversy caused by ineffective use of timely disclosure. Transparency is an ethical safeguard and a good governance practice.

11. Continuous board review

There must be a consistent schedule for review of AI Policy as new legislation, technology and risk elements evolve. Reports on incidents, compliance with the AI Policy, employee training and oversight results will be provided to the Board on a periodic basis. The ongoing review of the AI Policy will allow the policy to remain dynamic as opposed to being a fixed, static entity. AI governance will continue to evolve along with the evolution of AI

²³ *Responsible A.I.: Tackling Tech's Largest Corporate Governance Challenges*, Berkeley Haas Case Series, <https://cases.haas.berkeley.edu/2022/10/google/>.

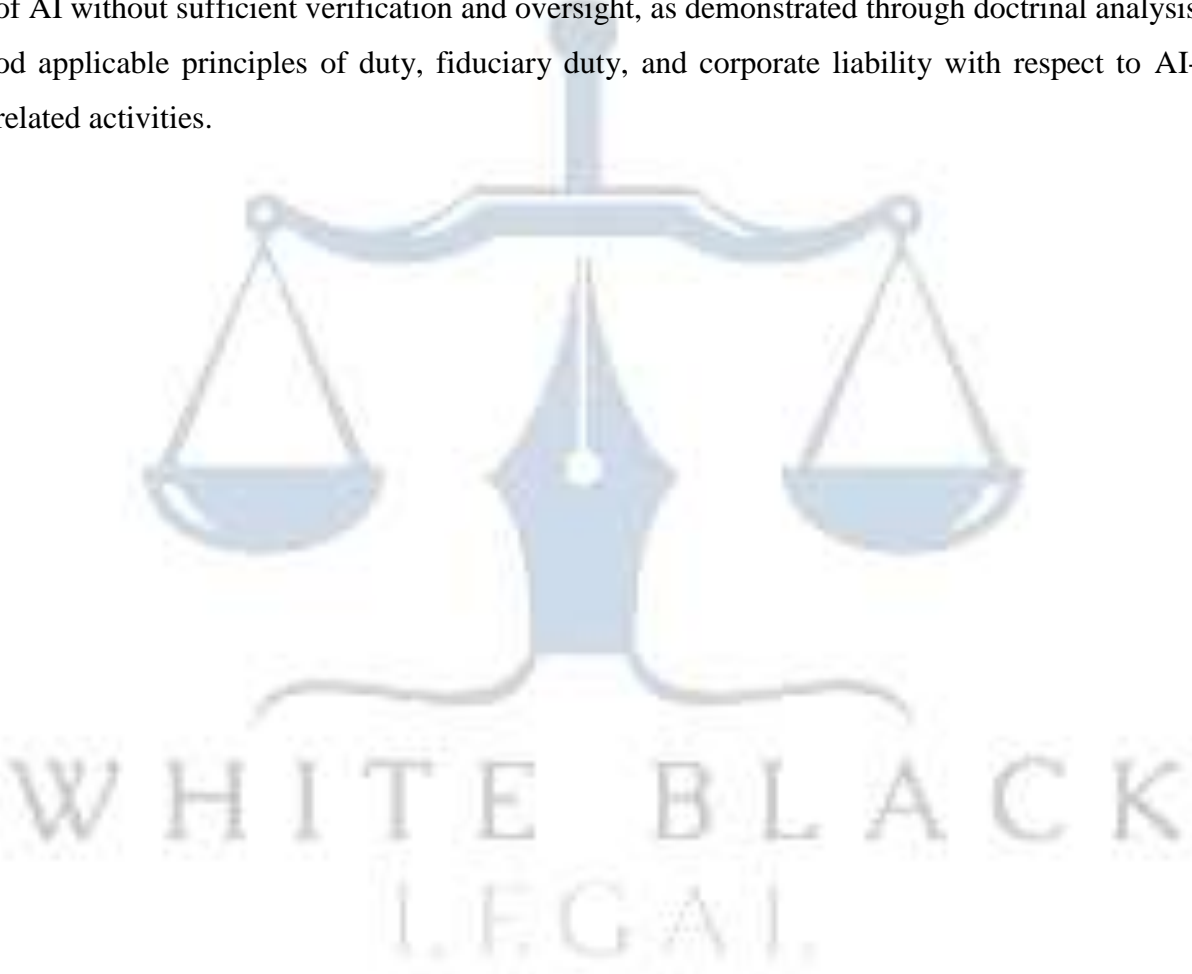
²⁴ *AI and the Role of the Board of Directors*, Harv. L. Sch. Forum on Corp. Governance (Oct. 7, 2023), <https://corpgov.law.harvard.edu/2023/10/07/ai-and-the-role-of-the-board-of-directors/>.

²⁵ *Deloitte Dolittle: Stop Treating AI Like a Magic Wand*, Horses for Sources (Oct. 7, 2025), https://www.horsesforsources.com/deloitte-dolittle_100725/.

Technology.²⁶

Conclusion

The Conclusion of this report is generative article intelligence (AI) will impact corporate governance through the introduction of inaccuracies, lack of accountability, and harm to companies' reputations. The Deloitte Australia incident shows the risks associated with the use of AI without sufficient verification and oversight, as demonstrated through doctrinal analysis of applicable principles of duty, fiduciary duty, and corporate liability with respect to AI-related activities.



²⁶ *Board Oversight of AI*, Harv. L. Sch. Forum on Corp. Governance (Sept. 17, 2024), <https://corpgov.law.harvard.edu/2024/09/17/board-oversight-of-ai/>.