

What's possible with AI in legal and compliance

Evidence current to mid-2026.

A clear breakdown of where AI does and does not fit across the core tasks of a legal and compliance team. A practical starting point, not the last word.

Where AI is mature: strong fit today

Proven and available today. AI does the bulk of the work and a lawyer reviews it.

Function	The job today	With AI
Contract drafting from templates	Turn a brief or template into a first-draft non-disclosure agreement (NDA), services agreement or employment contract	AI drafts from the template and your instructions; a lawyer checks the terms and owns the final words
Policy and procedure drafting	Write or update internal policies, compliance frameworks and codes of conduct	AI drafts from the brief and your existing policies; a lawyer checks the legal accuracy and signs off
Document summarising	Summarise contracts, pleadings, legislation, regulatory guidance and board packs	AI extracts the key terms and issues; a lawyer checks the summary is accurate and complete
Contract data extraction	Pull key dates, obligations, termination rights and liability caps from a large contract set	AI extracts to a structured table; a lawyer spot-checks and owns the obligations register
External counsel briefing	Draft instructions to external counsel, matter summaries and chronologies	AI drafts from notes and documents; a lawyer checks the accuracy and owns the brief

Where AI is emerging: consider piloting with a human gate

Promising but not yet proven at this scale. AI assists and a lawyer stays in the loop, so trial it on a contained scope first.

Function	The job today	With AI
Legal research (with citation checks)	Find relevant cases and legislation, summarise the position, check whether the law has moved	AI finds and summarises; a lawyer independently checks every citation in a primary source before it goes anywhere
Document review and discovery triage	Classify a large document set for relevance and privilege	AI triages; a lawyer reviews the privilege calls and owns the final set
Due diligence on standard documents	Review data rooms and extract issues from NDAs, supply agreements and standard contracts	AI extracts issues on standard provisions; a lawyer checks novel or negotiated terms
Contract review and redlining (third-party paper)	Review a counterparty's contract against your standard positions, mark up the deviations, propose fallback wording	AI marks up against your playbook and drafts the redlines; a lawyer owns the materiality calls, the negotiation strategy and the unfair-contract-terms risk
Regulatory monitoring	Track changes to the laws and regulations that apply to the business	AI surfaces changes; a lawyer assesses the impact and directs the response
AML/CTF compliance	Track customer identity verification, risk assessments and AUSTRAC reporting obligations under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act), which	AI helps compile verification records, draft the compliance programme and surface monitoring alerts; the risk

Function	The job today	With AI
	applies to legal practices providing designated services (including conveyancing, entity structuring and business financing) from 1 July 2026	assessment, client due diligence judgement and reporting decisions stay with the practice
Compliance reporting and board packs	Draft compliance status reports and board papers from data and notes	AI drafts; a lawyer traces every claim, checks the accuracy and owns what goes to the board
Employment matter correspondence	Draft show-cause letters, investigation notices and procedural fairness correspondence	AI drafts from the brief; a lawyer checks the legal basis and the procedural fairness
Privacy impact assessments	Draft privacy impact assessments (PIAs) and privacy governance documents from a brief of the processing activity, including assessment of exposure under the statutory tort for serious invasions of privacy (in force 10 June 2025)	AI drafts from the template; a lawyer checks the privacy analysis, the tort exposure and the obligations

Where AI is not ready or suitable today: keep with people

These stay with people, either because the tooling is not reliable enough or because professional obligations rule it out.

- **Legal advice and opinions.** AI can draft a working document; the advice and the final call are a professional judgement that must come from a qualified lawyer. AI is not a lawyer.
- **Court submissions with unverified authorities.** A lawyer must independently verify every citation in a primary source before filing. More than 60 published Australian decisions involving AI-generated citations in court filings have been documented through mid-2026, with consequences including formal referral to professional disciplinary bodies and restriction to supervised practice. The rule from every Australian court that has addressed this: independent verification, not AI verification.
- **Privileged material in public AI tools.** Public AI tools are incompatible with legal professional privilege. The Federal Court (GPN-AI, April 2026), the Federal Circuit and Family Court of Australia (FCFCOA) (PD-AI, May 2026) and every major Australian professional body have said so. Use only enterprise tools with contractual data isolation.
- **Employment decisions.** Hiring, termination, disciplinary findings and workplace investigation outcomes stay with the decision-maker. AI may help draft correspondence; the decision and the procedural fairness steps are human.
- **Signing, filing and lodging.** AI does not execute documents or lodge filings. The relevant director, company secretary or authorised signatory signs and lodges.
- **Novel or unsettled law.** AI answers confidently from training data that may be outdated or jurisdiction-poor. Independent research found Sydney legal queries hallucinate at 61% in general-purpose AI, with some specialist Australian legislation at 100%.
- **Risk and commercial judgement calls.** Whether to settle, what position to take, how hard to push: that is strategy and judgement. AI can draft options; the lawyer or business owner decides.

Worth weighing: for any of these, the upfront setup (building template libraries, defining the clause checklist, connecting the approved enterprise tools with the right contractual controls) is a one-off, separate from the ongoing effort, which on the strong-fit items is mostly verification and review. The time reclaimed from first-pass drafting and document reading goes back to the advice, the strategy and the client relationships that require a qualified lawyer's judgement: exactly where the value lies and where AI is not a substitute.