

# Accountant's Report

## Rule 119.38

### Instructions

The Accountant's Report must be completed if the Law Firm does not upload trust accounting data to the Law Society of Alberta.

1. **Filing Deadline:** The mandatory designated filing date ("year-end") for all law firms is December 31 and the annual report is due three months after the designated filing date. The completed report must be submitted by March 31 ("due date") as per Rule 119.38.
2. **Late Filings:** Escalating late filing fees will begin after the due date (March 31) up to a maximum of \$1,500 and can result in the Responsible Lawyer being administratively suspended on July 1; as per Rule 119.63.
3. **Reporting Period** means the one-year period that begins on January 1 and ends on December 31.
4. **Test Month** means the one-month period within the reporting period and test month must differ from prior year.
5. If space is insufficient, please attach supplementary schedules.
6. This Report must be signed by a partner of the Accounting Firm.
7. This Report must include monthly **Trust and General Account reconciliations** for the test month including the following:
  - **Bank account reconciliation:**
    - i. Outstanding receipts/disbursements
    - ii. Detailed Adjustments
  - **Trust bank statements:**
    - i. Images of the negotiated cheques
  - **Client trust listing**
  - **Trust bank journal**
  - **Matter-matter transfer journal**
8. Please submit this form through the [PwC Connect Tool](#). If the Responsible Lawyer wishes to grant their accountant access to the Connect Tool, the Responsible Lawyer must email [trust.safety@lawsociety.ab.ca](mailto:trust.safety@lawsociety.ab.ca) with accountant's name and email.

### Additional Information

1. In this Report, "Rules" mean the Rules of the Law Society of Alberta and all expressions defined in the Rules have the same meaning in this Report.
2. A member practising as sole practitioner is a "Law Firm" as defined in the Rules.
3. Two or more law firms practising from the same premises, sharing common letterhead, and sharing a trust account or a general account are a "law firm" for purposes of this Report.

## SECTION A – GENERAL INFORMATION

1. Law Firm: \_\_\_\_\_

2. Responsible Lawyer: \_\_\_\_\_

3. Reporting Year: \_\_\_\_\_

4. Test Month: \_\_\_\_\_  
(Prior year)

5. Test Month: \_\_\_\_\_  
(Current year)  
(The test month must differ from prior year)

The information provided in this form will be used by the Law Society of Alberta for one or more purposes contemplated by the *Legal Profession Act*, the Rules of the Law Society, the Code of Conduct, or a resolution of the Benchers and will be accessible to all departments of the Law Society, including the Alberta Lawyers Insurance Association. The information may be used or disclosed by the Law Society of Alberta, now or in the future, for regulatory purposes, including Law Society of Alberta investigations and proceedings. We may contact you to obtain additional information, or to obtain clarification on the information you provided. Should you have any questions about this, please contact the Privacy Officer at 403-229-4700.

**SECTION B - REPORT**

TO: The Executive Director  
 The Law Society of Alberta

I, \_\_\_\_\_, the undersigned, make this report on behalf of the Accounting Firm (hereinafter called the "Accounting Firm") and at the request of the law firm identified in Section A (hereinafter called the "Law Firm"):

Our Accounting Firm has conducted certain procedures on the prescribed financial records maintained by the Law Firm. We have conducted the agreed-upon procedures engagement in accordance with the Canadian Standard on Related Services (CSRS) 4400, Agreed-Upon Procedures Engagements. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the Law Firm, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures. In order to make this report, our Accounting Firm has:

1. Read Part 5 of the Rules of the Law Society of Alberta;
2. Obtained a copy of the completed Law Firm Self-Report for the Reporting Period.
3. Obtained a copy of the completed Trust Bank Account Report for the Reporting Period.
4. Obtained an engagement letter (a copy of which is attached hereto), and
5. Performed the procedures necessary to complete this Report.

We have complied with the ethical requirements in the Chartered Professional Accountants of Alberta's Code of Professional Conduct.

The procedures performed do not constitute an audit, therefore, our Accounting Firm does not express an opinion on the accuracy or completeness of the Law Firm's prescribed financial records and the financial information provided, or as to whether there were any irregularities during the Reporting Period which were not disclosed to us. However, our Accounting Firm does report on the results of applying specific procedures.

In completing this Report, certain procedures were carried out on a "Test Month" selected by us within the Reporting Period (a different month than the Test Month on the prior Accountant's Report was selected).

**SECTION C - REVIEW OF LAW FIRM SELF-REPORT**

1. We have reviewed the completed Law Firm Self-Report and the Trust Bank Account Report. Yes  No

If no, you cannot complete this Accountants Report and must contact the Law Society of Alberta immediately.

2. We have reviewed the financial information contained in the Trust Bank Account Report and compared it with the information in the accounting and bank records for consistency.  Yes  No

If no to Question 2 or if the Trust Bank Account Report was not completed, please explain in detail the inaccuracies and attach a revised schedule showing the revised amounts:

**SECTION D – TESTING DETAILS**

1. Trust Bank Accounts in existence during the test period:

Name of Financial Institution (include all separate interest-bearing accounts)	Account Number	Account Type
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Prepare a separate schedule if more than five trust bank accounts.

**REVIEW OF REPORTING PERIOD TRANSACTIONS**

**SECTION E – REVIEW OF CASH RECEIPTS**

**Review the trust deposit slips of the law firm for the reporting period (or trust journal if deposit slips are not practical to review) and answer the following questions.** Rule 119.56 “cash” means coins referred to in section 7 of the Currency Act, notes issued by the Bank of Canada pursuant to the Bank of Canada Act that are intended for circulation in Canada and coins or bank notes of countries other than Canada.

1. Was any cash noted in the trust deposit slips?  Yes  No  
 If yes, were any cash receipts noted that were greater than \$7,500?  Yes  No  
 If yes, please complete the following for any receipts over \$7,500:

Bank Account	Deposit Date (mm/dd/yyyy)	Amount	Client	Reason Cash was received
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

If necessary, prepare a separate schedule using the same information as listed above.

2. Were all cash receipts recorded in the separate cash receipt book?  Yes  No  
 If no, attach a copy of the trust ledger card to this report.
3. Were any refunds issued for cash received greater than \$7,500?  Yes  No  
 If yes, was the refund issued in cash?  Yes  No

**SECTION F – REVIEW OF RECONCILIATIONS**

For each trust reconciliation in the reporting period, please answer the following questions.

1. Were these reconciliations prepared within one month of the month end?  Yes  No  
 (For computer generated reconciliations, review the print date; if manual reconciliations, enquire of the law firm.)

**NOTE** – Monthly trust bank reconciliations must be prepared for all open trust bank accounts regardless of activity or balance.

If no, please note the date prepared:

Bank Account	Month	Date Prepared (mm/dd/yyyy)	Explanation
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Prepare a separate schedule if more than three.

2. Does the reconciled bank balance equal the client trust listing by trust bank account?  Yes  No  
 If no, please document the explanation recorded on the reconciliation or enquire of the law firm:

Bank Account	Month	Difference (\$)	Explanation (documented or enquiry)
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Prepare a separate schedule if more than three.

If a difference exists, has it been resolved on the subsequent reconciliations?  N/A  Yes  No

If no, please have the law firm resolve immediately and provide an explanation on how the difference was resolved:

3. Are all outstanding receipts listed on the trust bank reconciliation cleared by the next banking day?  Yes  No  
 If no, please list all outstanding receipts that did not:

Bank Account	Amount	Source	Client	Date Received (mm/dd/yyyy)	Date Deposited (mm/dd/yyyy)
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

4. Are there any outstanding cheques that have been outstanding in excess of 6 months (stale dated)?  Yes  No

Total number of stale dated cheques: \_\_\_\_\_

Total dollar value of stale dated cheques: \_\_\_\_\_

If yes, please complete the following:

Date Cheque Issued (mm/dd/yyyy)	Cheque Amount	Payee	Explanation
_____	_____	_____	_____
_____	_____	_____	_____

5. Were there any other adjustments apart from outstanding deposits and outstanding cheques listed on the bank reconciliation?  Yes  No

If yes, please complete the following table:

Bank Account	Amount	Adjustment Description	Date Occurred (mm/dd/yyyy)	Date Corrected (mm/dd/yyyy)
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Prepare a separate schedule if more than three.

6. Is the bank reconciliation arithmetically correct?  Yes  No

If no, please explain why it does not add up:

Bank Account	Explanation of Calculation Issues
_____	_____
_____	_____
_____	_____

**SECTION G – REVIEW OF CLIENT TRUST LISTING**

For each client trust listing in the reporting period, please answer the following questions.

1. Does the total trust liability reflected on the client trust list agree to the trust liability in the General Ledger, Trial Balance or Trust Bank Journal?  Yes  No

2. If the law firm has manual records, do the individual client trust ledger account balances agree to the corresponding balances on the client trust list for the month ending the inspection period?  Yes  No

If no, please complete the following:

Balance on Client Trust Ledger	Balance per Trust List	Explanation
_____	_____	_____
_____	_____	_____
_____	_____	_____

3. Is the detailed client trust listing arithmetically correct?  Yes  No

If no, please explain why it does not add up:

Bank Account	Explanation of Calculation Issues
_____	_____
_____	_____
_____	_____

Prepare a separate schedule if more than three.

4. Are there any shortages (debit balances or overdrawn client accounts) listed on the detailed client trust listing?  Yes  No

If yes, please complete the following table:

Bank Account	Amount	Client	Date Occurred (mm/dd/yyyy)	Date Corrected (mm/dd/yyyy)	Explanation
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

If necessary, prepare a separate schedule using the same information as listed above.

5. Do the amounts on the client listing agree to the client trust ledger card?  Yes  No  
(Test all to a maximum of six clients listed on the trust listing each month for a total of 72 clients)

Client #	(\$ ) Client Trust Listing	(\$ ) Client Trust Ledger Card	Explanation for Difference
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

If necessary, prepare a separate schedule using the same information as listed above.

**SECTION H – INACTIVE MATTERS**

For each client trust listing in the reporting period, please answer the following questions.

1. Does the last transaction for any client exceed two years?  Yes  No

Total number of inactive accounts: \_\_\_\_\_

Total dollar value of inactive accounts: \_\_\_\_\_

Date of Last Activity (mm/dd/yyyy)	Balance in Trust	Detailed Explanation - if "ongoing", also describe the nature of the file
_____	_____	_____
_____	_____	_____

**SECTION I – REVIEW OF TRUST BANK STATEMENTS**

**For each trust bank account in the reporting period, please answer the following questions.**

- 1. Were the trust bank statements retained for each month the trust bank account was open?  Yes  No

If no, please complete the following:

Bank Account	Month Missing	Reason
_____	_____	_____
_____	_____	_____
_____	_____	_____

If necessary, prepare a separate schedule using the same information as listed above.

- 2. Do any of the trust bank statements indicate an overdraft?  Yes  No

If yes, was the overdraft immediately reported to the Executive Director including a detailed explanation of how it occurred?  Yes  No

If yes, please complete the following table:

Bank Account	Overdraft (\$)	Date of Overdraft (mm/dd/yyyy)	Date Corrected (mm/dd/yyyy)	Explanation for Overdraft
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Please use this space to add any additional comments related to the above questions:

**NOTE** - If the law firm is unable to provide proof that all overdrafts are resolved, contact the Law Society of Alberta immediately.



**SECTION J – REVIEW OF LAW FIRM BOOKS & RECORDS**

**The law firm maintained the following books and records for the entire reporting period:**

1. A trust journal which shows as applicable for each transaction:  
(Select all that apply) *Rule 119.36*
  - All receipts, withdrawals and transfers between files regardless of transaction type in chronological order
  - Date of receipt or withdrawal
  - Source of the money received
  - Form in which the money is received, such as cash, cheque, direct deposit, etc.
  - Payee of each withdrawal
  - Client name and/or file number
  - Receipt or cheque number
  - File numbers or names (source and destination of any transfers)
  - Amount
  - Continual running balance
  
2. A trust ledger for each client matter showing:  
(Select all that apply) *Rule 119.37*
  - Client name, matter description and file number
  - Date of receipt or withdrawal
  - Source of the money received
  - Payee of each withdrawal
  - Receipt or cheque number
  - Description of the nature of the deposit or withdrawal
  - Amount
  - Continual running balance
  
3. A journal showing all transfers of money between trust ledger accounts (or chronological file of copies of all documents by which transfers of money between TLC were effected). *Rule 119.37*

N/A     Yes     No
  
4. A general journal which shows:  
(Select all that apply) *Rule 119.37*
  - Date of receipt or withdrawal in chronological order
  - Source of the money received
  - Payee of each withdrawal
  - Client name and/or file number (if applicable)
  - Receipt or cheque number
  - Amount
  - Continual running balance

5. A billing journal which shows:  
(Select all that apply) Rule 119.35
- All fees and charges to the client
  - Dates
  - Amounts
  - Names of the clients
6. A chronological, accounts receivable subledger which shows for each client:(Select all that apply) Rule 119.35
- Statements of account rendered (date and amount)
  - Payments (date and amount)
  - Continual running balance
7. A separate duplicate receipt book that records only cash received by the law firm showing:  N/A  
(Select all that apply) Rule 119.56
- Date cash received
  - Person from whom the cash was received
  - Amount of cash received
  - Client for whom cash was received
  - File number
  - Signature of the law firm representative
  - Signature of the person from whom the cash was received
8. A cash payment journal that records when cash is returned to a person showing:  N/A  
(Select all that apply) Rule 119.56
- Date cash paid
  - Amount of cash paid
  - Client for whom cash was paid
  - File number
  - Name and signature to whom the cash was paid
9. General bank account has been reconciled by the end of the following month? Rule 119.36  Yes  No

Please explain any and all no responses to the above questions (1-9):

**REVIEW OF TEST MONTH TRANSACTIONS**

**SECTION K – TESTING OF PAYMENTS FROM THE TRUST BANK ACCOUNT**

Review the trust bank account of the law firm for the test month and answer the following questions.

- 1. Were there any questionable payments from trust without reasonable explanations?
  - Payments to the Law Firm from the trust bank accounts that were not deposited to the general account  Yes  No
  - Payments to the Law Firm not supported by corresponding fee bill  Yes  No
  - Cheques payable to clients which were endorsed back to the Lawyer  Yes  No
  - Cheques payable to cash  Yes  No
  - Cheques not signed by at least one Lawyer within the Law Firm  Yes  No
  - Payments to members of the Lawyer's family (look for same last name)  Yes  No
  - Personal expenses (Visa, car, office, etc.)  Yes  No

If yes, please provide explanation below:

Date (mm/dd/yyyy)	Amount	Explanation
_____	_____	_____

**SECTION L – TESTING OF TRANSFERS**

Review the trust transfer journal of the law firm for the test month and answer the following questions.

**NOTE** - If there are no transfers recorded in the test month, extend testing to the two prior or subsequent months.

- 1. Were any transfers recorded in the trust transfer journal?  Yes  No
- If yes, for transfers that did not involve the same client, please complete the following:

Transfer Date (mm/dd/yyyy)	Amount	Client To	Client From	Reason for Transfer
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

If more than five transfers, please record only the five largest transfers.

- 2. For any transfers listed above between non-related clients where the reason does not appear to have supporting documentation provided by the law firm (such as purchaser to vendor on a real estate transaction), please attach a copy of the trust ledger cards to this report.

**SECTION M – TESTING OF DEPOSITS TO THE GENERAL BANK ACCOUNT**

Review the general deposit slips of the law firm for the test month and answer the following questions.

- 1. Select five deposits from the general deposit slips.

If less than five are chosen, please advise why:

If deposit slip is comprised of multiple receipts, select the largest receipt of each deposit.

- 2. Was a statement of account issued to support each receipt tested?  Yes  No

(a) If no, please explain the nature of the deposit:

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- (b) If yes, was the statement of account rendered the same day or prior to the deposit and was for actual services performed (not estimated or future services)?  Yes  No

If no to question 2(b), please complete the following:

Deposit Date (mm/dd/yyyy)	Amount	Client	Date of Account (mm/dd/yyyy)
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

If necessary, prepare a separate schedule using the same information as listed above.

**SECTION N – ACCOUNTING FIRM INFORMATION**

1. We have forwarded a copy of this Accountant's Report to the Law Firm and have discussed the contents of this Report with the Law Firm.

Our Accounting Firm is registered as a Professional Accounting Firm with the Chartered Professional Accountants of Alberta (CPA Alberta).

Please select the designation of the responsible accounting firm partner.

- Chartered Professional Accountant
- Chartered Professional Accountant, Certified Management Accountant
- Chartered Professional Accountant, Certified General Accountant
- Chartered Professional Accountant, Chartered Accountant

This report is prepared solely for submission to the Law Society of Alberta and is not to be referred to or distributed to any person other than in accordance with the *Legal Profession Act* and the Rules of the Law Society of Alberta.

Date (mm/dd/yyyy)	Signature of Responsible Accounting Firm Partner
	Name of Responsible Accounting Firm Partner

2. Accounting Firm Name: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Street Address: \_\_\_\_\_  
(if different)

City: \_\_\_\_\_ Province: \_\_\_\_\_ Postal Code: \_\_\_\_\_

Telephone Number: \_\_\_\_\_ Fax Number: \_\_\_\_\_

Email Address: \_\_\_\_\_

# ENGAGEMENT LETTER BETWEEN ACCOUNTANT AND LAW FIRM FOR ACCOUNTANT'S REPORT COMPLETION

**ATTENTION:**

This letter sets the terms of our engagement as accountants for the purpose of reporting under Rule 119.30(3) of the Rules of the Law Society of Alberta. In this letter all reference to "Rules" are to Rules of the Law Society of Alberta and all expressions used in this letter have the meanings given to them in the Rules.

You have requested that we perform an agreed-upon procedures engagement on the Law Firm books and records. This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services that we will provide. Our engagement will be conducted in accordance with the Canadian Standard on Related (CSRS) 4400, Agreed-Upon Procedures Engagements. In performing the agreed-upon procedures engagement, we will comply with Chartered Professional Accountants of Alberta's Rules of Professional Conduct.

An agreed-upon procedures engagement performed under (CSRS) 4400 involves our performing the procedures agreed with you and communicating the findings in the agreed-upon procedures report. Findings are the factual results of the agreed-upon procedures performed. You acknowledge that the procedures are appropriate for the purpose of the engagement. We make no representation regarding the appropriateness of the procedures. This agreed-upon procedures engagement will be conducted on the basis that your Law Firm is responsible for the subject matter on which the agreed-upon procedures are performed. Further, this agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Furthermore, our engagement cannot be relied upon to prevent or detect defalcations or disclose irregularities, which may have occurred during the Reporting Period. However, we will report on the results of applying the specific procedures.

The procedures that we will perform are solely for the purpose of assisting the Law Society of Alberta in determining whether your books and records are compliant with the Rules. Accordingly, our report will be addressed to the Law Society of Alberta and our report may not be suitable for another purpose.

The members of your law firm to be reported upon are listed in the attached schedule or letterhead or are as follows:

_____	_____
_____	_____
_____	_____
_____	_____

This engagement, for the period from \_\_\_\_\_ to \_\_\_\_\_ (hereinafter referred to as the "Reporting Period") will be limited to the following procedures except where these procedures are extended as directed by your Law Firm in writing. Such additional procedures shall be attached to this letter and become an integral part of the engagement.

In completing the Accountant's Report, we will select a month ("Test Month") of our choice within the fiscal period and we will perform certain procedures on the Test Month.

**The procedures we will perform are as follows:**

1. Obtain and read Part 5 of the Rules of the Law Society of Alberta.
2. Obtain a copy of your completed Law Firm Self-Report for the Reporting Period
3. Obtain a copy of your completed Trust Bank Account Report for the Reporting Period
4. Check the information recorded in the Trust Bank Account Report
5. Review your cash receipts recorded in the reporting period
6. Review your trust reconciliations for the reporting period
7. Review your trust bank statements for the reporting period.
8. Determine if the books and records as required by the Rules comply with Law Society of Alberta requirements
9. Review your trust transfers recorded in the test month and/or the two preceding or subsequent months.
10. Review your general deposits recorded in the test month.
11. Forward a copy of our Accountant's Report to your Law Firm and we will discuss the contents of the Report with your Law Firm prior to forwarding it to the Law Society of Alberta.

In order that we may carry out this engagement, you will make available to us all prescribed financial records pertaining to your Law Firm's practice for the Reporting Period. Your Law Firm will also provide us with the following:

1. Your Law Firm Self-Report duly completed and signed for the Reporting Period.
2. Your Law Firm Trust Bank Account Report duly completed for the Reporting Period.
3. A blank Accountant's Report for our completion.
4. Monthly Trust and General Account reconciliations for the test month.

We shall discuss the details of the completed Accountant's Report with you, but it is mutually understood and agreed that, at the conclusion of the engagement, the Accountant's Report shall be forwarded on your behalf to the Executive Director of the Law Society of Alberta. You will be provided with a copy of the Report pursuant to the Rules of the Law Society of Alberta.

Our Accounting Firm is registered as a Professional Accounting Firm with the Chartered Professional Accountants of Alberta (CPA). Please review this letter carefully, sign and date a copy of it and return it to us.

Yours sincerely,

Per: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**The terms set out in the foregoing letter are hereby agreed to:**

Law Firm: \_\_\_\_\_ Per \_\_\_\_\_

Date: \_\_\_\_\_  
 \_\_\_\_\_  
 Name (please print or type)