

---

## Frequently Asked Questions on the Accountant's Report

Revised Part 5 Rules - Duties of Law Firms were approved by the Law Society effective January 1, 2011. These new rules introduced a variety of changes including enhancing the Accountant's Report and including a provision for law firms to dispense with the requirement to even file an Accountant's Report.

Law firms must submit either the Accountant's Report or the Electronic Data Upload.

The mandatory designated filing date (year-end) for all law firms is December 31 and is due three months after the designated filing date. The completed report must be submitted by March 31 (due date).

The Accountant's Report replaced the old Form T as of January 1, 2011.

Law firms also have the option of uploading their trust accounting data to the Law Society in lieu of submitting an Accountant's Report so long as they are using the approved software that has the upload capability. The upload must be submitted annually by March 31 (due date). Please refer to Rule 119.30(5).

### General

#### 1. What is a Responsible Lawyer?

All law firms in Alberta must designate a lawyer in the firm who must be accountable for inter alia the controls and operations of the law firm trust and general bank accounts. This person is the Responsible Lawyer. The law firm will be able to produce a letter from the Law Society showing the approval of the Responsible Lawyer. If in doubt, please contact the Law Society.

#### 2. Can the law firm's prescribed financial records be taken off-site for the purposes of completing the Accountant's Report?

No. Rule 119.35 states that all of the law firm's prescribed financial records must be maintained at the law firm's office at all times; however, copies can be taken offsite.

### Test Month Review

#### 3. Can the test month be the same as the month tested in the prior year?

No. A different test month must be chosen from the prior year.

#### 4. Does 100 per cent testing need to be performed for Section E – Review of Test Month Reconciliations?

Yes. 100 per cent testing needs to be performed in the test month, including testing 100 per cent of the individual client balances on the client trust listing to the client trust ledger cards for all bank reconciliations in the test month.

No distinction is made between manual and computerized systems.

The intent of this change is to provide the Law Society with increased assurance as to the accuracy of the trust ledger cards. The expectation is that law firms with approved software will upload their trust accounting data to the Law Society.

### **Reporting Period Review**

5. How many client listing balances need to be agreed to the client trust ledger cards for Section I – Review of Reporting Period Reconciliations?

Between one and six client listing balances per month need to be agreed to the individual client trust ledger cards. Within the requirement of one and six per month, the number tested per month is discretionary and should be based on professional judgment as per the results of the test month trust reconciliation review.

6. Does an online print out of the bank statements suffice?

Yes, so long as the negotiated cheques (front and back) for that month are also obtained and maintained. Cheque imaging of both the front and back of the cheques is acceptable in lieu of the actual cheques.

### **Books & Records Review**

7. What would be considered an adequate source of funds received or an adequate payee?

The source of funds or the payee must be a full and proper name. Generic terms, abbreviations and uncommon acronyms are not adequate sources or payees.

8. What is the correct source for bank drafts received from a client?

The correct source of funds is always the person or entity from whose bank account the funds were withdrawn to provide the funds or financial instrument that the firm has received. In this circumstance, (a bank draft received from a client) the correct source of funds is the person from whom the draft was received.

There are situations where the firm cannot, with absolute certainty, be sure of the source of funds. However the amount required was provided by a person or entity, so unless known otherwise, it can be assumed that that person or entity is the source of the funds.

9. Are separate receipt and disbursement journals still considered compliant under the new rules?

No. The trust and general bank journals must now be combined journals, showing all receipts and disbursements, in chronological order (regardless of type of transaction), and showing the running bank balance. All file-to-file transfers must also be recorded in the journal.

10. What would be considered an adequate client name and matter description on the client trust ledger cards?

The client name must be displayed as a full and proper name (no abbreviations). The matter description must be displayed as a full description (for example, "123 Juniper Way – Sale to Smith").

11. A description now has to be provided on the client trust ledger card for all receipts and withdrawals?

Yes. A full description as to why the funds were received, transferred or withdrawn must be displayed, in addition to the source of each receipt or the payee, whichever applies.

12. Is a binder of copies of Statements of Account a sufficient billing journal (as under the old rules)?

No. Under Rule 119.36(4)(f) the Billing Journal must be a listing of all Statements of Accounts (SOA) issued in the month, showing the name of the client, all fees and charges to the client, the dates of the SOA for those fees and charges, and the amount. This journal must be double-entry.

13. What is considered an adequate accounts receivable system?

The accounts receivable system must be a chronological ledger capable of showing the statements of accounts rendered, the payments on those statements of account, and the running balance in accounts receivable. The system must also be capable of showing the individual client history and identifying credit balances. This system must be double-entry.

14. Can the cash receipt book contain receipts for both cash and other forms of receipt?

No. The cash receipt book must be dedicated to cash receipts only. However, general and trust cash receipts can be included in the same receipt book provided they are easily distinguished.

15. Is there testing of the general bank account?

Yes. Deposits to the general bank account now need to be tested (five deposits) and verified to a statement of account. In cases where a deposit is comprised of multiple clients, just select one amount from that deposit. In some cases, there may not be a statement of account to support the deposit such as a shareholder contribution, bank loan, asset sale, etc. In that case, please explain the nature of the deposit.

16. The general bank account now has to be reconciled monthly?

Yes. The general bank account always had to be entered and posted currently. Rule 119.40 now states explicitly that the general bank must be reconciled by the following month-end.