



**Law Society**  
of Ontario

**Barreau**  
de l'Ontario

# Preparing for a Practice Review for Paralegals

## CHAIR

**Dwight Williams, Counsel, Practice Review**  
*Law Society of Ontario*

April 4, 2024





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# Preparing for a Practice Review for Paralegals

CHAIR: **Dwight Williams**, Counsel, Practice Review, *Law Society of Ontario*

**April 4, 2024**

**9:00 a.m. to 10:30 a.m.**

**Total CPD Hours = 1 h 30 m Professionalism **

**Webcast only  
Law Society of Ontario**

**SKU CLE24-00411**

## **Agenda**

<b>9:00 a.m.- 9:05 a.m.</b>	<b>Welcome and Opening Remarks</b>  <i>Dwight Williams, Counsel, Practice Review, Law Society of Ontario</i>
<b>9:05 a.m. – 9:10 a.m.</b>	<b>Practice Review – Who Are We?</b>  <i>Dwight Williams, Counsel, Practice Review, Law Society of Ontario</i>
<b>9:10 a.m. – 9:15 a.m.</b>	<b>Getting “The Call”</b>  <i>Dwight Williams, Counsel, Practice Review, Law Society of Ontario</i>
<b>9:15 a.m. – 9:20 a.m.</b>	<b>How to Prepare for the Day of the Review</b>  <i>Dwight Williams, Counsel, Practice Review, Law Society of Ontario</i>

<b>9:20 a.m. – 9:25 a.m.</b>	<b>What to Expect on the Day</b>  Dwight Williams, Counsel, Practice Review, <i>Law Society of Ontario</i>
<b>9:25 a.m. – 9:50 a.m.</b>	<b>Common Observations</b>  Dwight Williams, Counsel, Practice Review, <i>Law Society of Ontario</i>
<b>9:50 a.m. – 10:15 a.m.</b>	<b>Books and Records</b>  Lidia Angelovski, CPA, CMA, Auditor, Spot Audit, <i>Law Society of Ontario</i>
<b>10:15 a.m. – 10:20 a.m.</b>	<b>Possible Outcomes and What to Expect from the Report</b>  Dwight Williams, Counsel, Practice Review, <i>Law Society of Ontario</i>
<b>10:20 a.m. – 10:30 a.m.</b>	<b>Questions and Answers</b>
<b>10:30 a.m.</b>	<b>Program Ends</b>

# Preparing for a Practice Review for Paralegals

April 4, 2024

SKU CLE24-00411

## Table of Contents

<b>TAB 1</b>	<b>Preparing for a Practice Review for Paralegals (PowerPoint) ..... 1 - 1 to 1 - 28</b>
	Dwight Williams, Counsel, Practice Review, <i>Law Society of Ontario</i>
<b>TAB 2</b>	<b>Books and Records (PowerPoint) ..... 2 - 1 to 2 - 16</b>
	<b>Appendix – How to Complete a Trust Bank Reconciliation and Comparison (PowerPoint) ` .....2 - 17 to 2 - 26</b>
	<b>Books and Records (Handout) .....2 - 27 to 2 - 37</b>
	<b>Appendix – How to Complete a Trust Bank Reconciliation and Comparison .....2 - 38 to 2 - 45</b>
	Lidia Angelovski, CPA, CMA, Auditor, Spot Audit, <i>Law Society of Ontario</i>



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**TAB 1**

# **Preparing for a Practice Review for Paralegals**

Preparing for a Practice Review for Paralegals  
(PowerPoint)

**Dwight Williams, Counsel, Practice Review**  
*Law Society of Ontario*

April 4, 2024



# Preparing for a Practice Review for Paralegals

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Presentation for the Law Society of Ontario  
April 4, 2024

Dwight C. Williams, Counsel, Practice Review  
The Law Society of Ontario



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# AGENDA

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- Practice Review – Who Are We?
- Getting “The Call”
- How to Prepare for the Day of the Review
- What to Expect on the Day
- Common Observations
- Books and Records
- Possible Outcomes and What to Expect from the Report
- Questions and Answers?

# PRACTICE REVIEW – WHO ARE WE?

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- LSO identified need for proactive approach to quality assurance
- Random Practice Management Reviews for lawyers started in January 2007
- Random Practice Audits for paralegals started in 2008

# WHO ARE WE? – cont'd

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- Conducted pursuant to sections 41 and 42 of the *Law Society Act*, R.S.O. 1990 c.L.8
- Over 6341 lawyer Reviews conducted to date
- Over 1954 paralegal Reviews conducted to date
- 97.4% of all lawyer and 98.5% of all paralegal survey responses indicate that the Report provided to licensees is useful

# WHO ARE WE? – cont'd

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- Random selection – Lawyers one to eight years from the call to the Bar
- Random selection – all Paralegals
- In private practice only
- Other types of Reviews – Re-entry, Focused

# GETTING “THE CALL”

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- Once selected, your Reviewer will call you
- Timing of attendance, generally 3 – 6 weeks from call
- Set aside a full day – need to be available for questions/discussions during the entire Practice Review, including:
  - Face-to-face discussion
  - File review
  - de-brief

# GETTING “THE CALL” – CONT’D

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- Formal letter/email from LSO through the NEW LSO Connects!
  - The LSO will be communicating with licensees through a new, secure, online communications channel
- The Basic Management Checklist
  - No longer mandatory, but a helpful look into the kinds of issues/questions covered on the day of the Practice Review

# HOW TO PREPARE FOR THE DAY OF THE REVIEW

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- Copies of precedent documents gathered and available for review, such as
  - retainer agreements
  - non-retainer agreements
  - client intake forms
  - client identification/verification forms
  - checklists used in the practice
  - Contingency Plan / Office Policies
- For remote reviews and electronic practices (if documents cannot be printed for review), documents for review to be sent through LSO Connects generally 1-2 weeks in advance of Review
- Financial books and records
- In a firm setting – obtain information regarding firm-wide policies and procedures from the principle of the firm, office manager and/or bookkeeper

# WHAT TO EXPECT ON THE DAY OF THE REVIEW

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- Licensee should be prepared to speak to and sometimes demonstrate practice management systems and knowledge of firm-wide processes
- File review
- Review of specified financial books and records – high level
- Reviewer may also speak with staff or bookkeeper



# COMMON OBSERVATIONS

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- Today We Will Review Common Observations in:
  - Contingency Planning
  - Retainer Agreements
  - Conflict Management
  - Client Identification and Verification
  - Books and Records
  - Time Management
  - File Management
  - Client Communications

# COMMON OBSERVATIONS – Contingency Planning

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## Common Observations:

- Failure to make plans to ensure continuous delivery of service to clients in the event of:
  - Short term absences (vacations, short term illness, etc.)
  - Long term absences (serious illness, family emergencies requiring extended time away from the practice) or death
    - If an associate or partner – can someone step in?
    - If a sole – who would know to take action and how?
  - Loss of the office premises and business equipment (due to theft, fire, or other cause)
  - Departure of key personnel
- Inadequate electronic data backup (is there any and where is it kept)?
- Failure to reduce plan to writing?
- **“Hope for the best, but prepare for the worst”**

# COMMON OBSERVATIONS – Contingency Planning – Cont'd

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## Two Main Themes to Contingency Planning:

- Emergency Preparedness
  - Focused on events impacting premises, files, electronic data and could jeopardize client service
    - Need a plan to get practice “back up and running”
    - Plan should be in writing and discussed with staff members
    - Plan should be reviewed periodically to ensure reflects current practice risks
    - Backup of all electronic data is essential
- Unexpected Absences
  - Focused on short or longer term loss of a paralegal or other key person in practice (e.g., bookkeeper)
    - In Firms – absences may be able to be covered by another member of the firm
    - For Sole Practitioners – not having arrangements in place for absences can have serious consequences
    - A Practice Memorandum is important to provide guidance to substitute licensee re: specific file/practice management issues
  - Long term absences (serious illness, family emergencies requiring extended time away from the practice) or death
    - If an associate or partner – can someone step in?
    - If a sole – who would know to take action and how?
- **LSO Contingency Planning Guide:**  
<https://lso.ca/paralegals/practice-supports-and-resources/topics/opening,-operating-or-closing-a-practice/contingency-planning-for-paralegals>

# COMMON OBSERVATIONS – Retainer Agreements

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## Common Observations:

- Practices not using a retainer agreement at all
- Paralegals who believe no retainer agreement needed because
  - No collection of monetary retainers
  - Bill on a block fee basis
  - Work done on a *pro bono* basis
    - ALL fee structures, or lack thereof, should be reflected in the retainer... along with all other terms of the engagement
- Template retainers taken from an online source with no/inadequate modification to suit a particular area of practice or nature of the firm (e.g., references to fees for staff that does not exist or paralegal firm agreements referring to services provided by lawyers)
- Retainers that do not clarify what client may expect in terms of billing
- Retainer agreements not matching invoices sent to client
- **Always use a retainer agreement or other method of confirming the terms of the engagement in writing!**

# COMMON OBSERVATIONS – Retainer Agreements – Cont’d

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## What to Include:

- Thanking the client for their business
- Description of services to be provided
- Description of services not included (e.g., appeal)
- Obligations of the client
- The timelines expected
- Fees and disbursements and upfront payment required
- A statement that success is not guaranteed
- The basis on which fees will be determined
- Interest calculations
- Billing frequency
- Personnel assigned and their billing rates
- Use of agents and experts
- Withdrawal or termination of services
- Acknowledgement of conflicts of interest, as applicable
- Acknowledgment of business arrangements and any consents applicable to those arrangements relating to confidentiality or conflicts
- Solicitor-client/Paralegal-client confidentiality
- Means of communication expected
- Consent to use email as a means of communication
- Any other issues specific to the mandate
- **Retainer Agreement Assistance:**  
<https://lso.ca/paralegals/practice-supports-and-resources/topics/the-paralegal-client-relationship/retainer-or-non-engagement>

# COMMON OBSERVATIONS – Conflict Checking System

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## Common Observations:

- Paralegals who do not check for conflicts because they:
  - Are a sole / small firm practitioner and believe they can remember ALL client names
  - Only deal with one-sided (e.g., POA, WSIB, SABS) or one side of (e.g., Plaintiffs only, Landlords only) matters
  - Practice in areas of law where the possibility of a conflict is more remote
- Paralegals who do not search conflicts in advance of the receipt of confidential information
  - Complete conflicts check in advance / at outset of initial consultation where confidential information COULD be discussed/received
- Paralegals not documenting conflict-checking efforts to file, including where software used and paralegal not familiar with how to check/recall completed auto-checks
- Paralegals who only consider retained clients in their conflicts searching database, instead of all relevant names
- **Rules impose a POSITIVE DUTY on every licensee to consider existence/potential of conflict of interest in any matter**

# COMMON OBSERVATIONS – Conflict Checking System – Cont'd

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## Considerations:

- A conflict of interest can arise in any area of practice and exists where there is a substantial risk that a licensee's loyalty to or representation of a client would materially and adversely affect the client's own interest (personal conflict) of the licensee's duties to another client, a former client or a third party
- To effectively manage for conflicts, a searchable database should be maintained, that includes at least:
  - The full names of all current and former clients (including other names used such as trade names and aliases)
  - The names of all opposing parties or parties with adverse interests
  - The names of all persons connected to the matter (e.g., co-plaintiffs, co-defendants, witnesses, experts)
  - Members of the law or legal services firm and any organizations in which they have a major interest
  - The names of all parties involved in agency matters
- Specific practice areas may require additional searchable database criteria, for example:
  - Litigation – insured and insurer, litigation guardians, spouses
  - Landlord and Tenant – municipal address of rental unit in dispute
- Personal conflict may be the only issue in one-sided matters (e.g., WSIB, SABS, POA, Property Tax) and must be considered
- **Conflicts Management Assistance:**  
<https://lso.ca/paralegals/practice-supports-and-resources/topics/the-paralegal-client-relationship/conflicts-of-interest>

# COMMON OBSERVATIONS – Client Identification and Verification

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**Common Observation** - Paralegal belief that obtaining copy of client's driver's licence is sufficient to comply with By-Law 7.1... confused?

- With limited exception, you must identify ALL clients, while verification, source of funds and monitoring action is required sometimes
- Verification, source of funds and monitoring action is required where the licensee is engaged in or giving instructions in respect of the receipt, payment or transfer of funds, unless an exemption applies (for example, receiving Trust funds from a client to pay your fees and/or disbursements or for the payment of a client's fine)
- To identify an individual client, you need to record the client's:
  - Name
  - Home and business address
  - Home and Business Telephone number
  - Occupation
- To identify a client that is an organization, you need to record the organizations:
  - Full name
  - Business address and telephone number
  - For organizations other than a financial institution, public body or reporting issuer:
    - Incorporation or business identification number
    - Place of issuance of the number
    - Nature of the organization's business
  - Name, position and contact information of individual giving you instructions on behalf of organization
- Photo identification is less relevant at the identification stage, but is rather meant for the purpose of verification



# COMMON OBSERVATIONS –

## Client Identification and Verification – Cont’d

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### LSO Website Resources:

- Client Identification and verification requirements, Part III of By-Law 7.1  
<https://lso.ca/about-lso/legislation-rules/by-laws/by-law-7-1>
- Frequently asked questions, precedents and resources  
<https://lso.ca/lawyers/practice-supports-and-resources/topics/the-lawyer-client-relationship/identification-and-verification>
- Client identification and verification flow-chart  
[https://lawsocietyontario.azureedge.net/media/lso/media/lawyers/practice-supports-resources/client-identification-and-verification-flowchart\\_en2024-aoda-compliant.pdf](https://lawsocietyontario.azureedge.net/media/lso/media/lawyers/practice-supports-resources/client-identification-and-verification-flowchart_en2024-aoda-compliant.pdf)
- Client identification/verification forms:  
[Client Identification Form \(individual or organization\)](#)  
[Client Verification Form \(individual\)](#)  
[Client Verification Form \(organization\)](#)  
[Sample Monitoring Record](#)
- Virtual Verification with Authentication  
<https://lso.ca/lawyers/practice-supports-and-resources/topics/the-lawyer-client-relationship/identification-and-verification/virtual-verification-of-client-identity>

# COMMON OBSERVATIONS – Time Management

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## Common Observations:

- Failure to properly document important dates in the practice (**tickler system**)
- Failure to monitor statutory deadlines
- Failure to ensure that outstanding issues addressed, and matters moved forward in an appropriate time frame (**bring forward system**)
- Failure to ensure that all files progress and are regularly monitored (**file review**)

## Considerations:

- Court and meeting dates should be recorded in an agenda or electronic calendar, as well as the client file
- In the tickler system, it is important to monitor deadlines, such as for filing and appeals, as well as statutory limitation periods
- A bring-forward system should be used to track delay on the part of the client, parties opposite and the tribunal/board/court
- All open matters should be periodically reviewed to ensure that all files can be accounted for, all dates diarized and no inordinate delays exist
- A backup should be maintained of the calendaring/tickler/bring-forward systems
- **NOTICE – ADMINISTRATIVE DISMISSALS WILL RESUME MAY 13, 2024, including Small Claims Court**
  - If applicable, be sure to add date to tickler system, with necessary bring-forward items diarized for completion prior to the date
- **Time Management Assistance – Paralegal Practice Review Resource List (C9 and C10):**  
<https://lso.ca/paralegals/about-your-licence/practice-reviews/paralegal-practice-review-resource-list#c9---tickler-system-6>

# COMMON OBSERVATIONS – File Management

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## Common Observations:

- Files are disorganized
- File contents are not easily identified, so not easily retrievable – for example for hearing purposes
- File are not properly identified
- And, most frequently:
  - Files are not a full and accurate record of all work performed in the matter and all lawyer/paralegal and client communications and other communications in the matter

## Considerations:

- Organize files using:
  - Templates (e.g., intake forms)
  - Subfiles/Subcategories
  - Chronological/Reverse Chronological ordering
  - An established file opening routine – write it down!
  - Securing methods for file contents (e.g., binder clips, brad fasteners, elastic bands)
- **File Management Assistance:**  
<https://lso.ca/paralegals/practice-supports-and-resources/topics/managing-files>

# COMMON OBSERVATIONS – Client Communication

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## Common Observations:

- Failing to keep clients regularly informed
- Failing to confirm important advice and instructions with the client in writing, for example concerning:
  - Difficult issues
  - Settlement instructions
  - Trial instructions
- Failing to fully and accurately document client communications to the client file for future reference
- **Best practice for client communication = document, document, document!**

# COMMON OBSERVATIONS – Client Communication – Cont’d

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## Considerations:

- Make a detailed note to file of all telephone and in-person contact with client and third parties
- A written record of communication is essential to respond to any question concerning your conduct in a matter, either by the client, instructing licensee in an agency file, the LSO or your insurer
- Your file should be a complete and accurate record of all paralegal and client interaction
- Client communication is the basis for many, many complaints to the LSO!
- **Client Communication Assistance – Paralegal Practice Review Resource List (B8/9):**  
<https://lso.ca/paralegals/about-your-licence/practice-reviews/paralegal-practice-review-resource-list#b8-9---client-service-and-communication-6>

# COMMON OBSERVATIONS – Books and Records

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- **Common Observations:**
  - Complete absence of any Books and Records in the practice
  - Books and Records that do not contain all the information required under the By-Law
  - Lack of an invoicing system
- Books and records deficiencies can be more serious... so we brought out the big guns!
- An accountant from our Spot Audit Department is here to provide a deeper dive into the world of books and records!

# POSSIBLE OUTCOMES

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- Close file
- Recommendations made and possible written response or production of documentation required
- Follow-up attendance(s)
- Proposal for an Order
- Referral for regulatory action where misconduct

# WHAT TO EXPECT FROM THE REPORT

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- Confidential Report is delivered approximately 3 months after attendance, and a written response may be required
- Firm will be given feedback on firm-wide issues and a written response may be required



# RESOURCES

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- [www.iso.ca](http://www.iso.ca) >> Paralegals >> About Your Licence >> Practice Reviews
  - FAQs – Practice Reviews for Paralegals
  - Paralegal Practice Review Resource List
  - Paralegal Basic Management Checklist
- The Contingency Planning Guide for Paralegals  
[https://lawsocietyontario.azureedge.net/media/Iso/media/paralegal/contingency-planning-guide-paralegal\\_accessible.pdf](https://lawsocietyontario.azureedge.net/media/Iso/media/paralegal/contingency-planning-guide-paralegal_accessible.pdf)
- The Bookkeeping Guide  
<https://iso.ca/lawyers/practice-supports-and-resources/topics/managing-money/bookkeeping>
- Practice Management Helpline – 1 800 668 7380 x 3315  
<https://iso.ca/lawyers/practice-supports-and-resources/practice-management-helpline>
- Coach and Advisor Network (CAN)  
<https://iso.ca/lawyers/practice-supports-and-resources/coach-and-advisor-network>

# QUESTIONS?

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**TAB 2**

# **Preparing for a Practice Review for Paralegals**

Books and Records (PowerPoint)

Appendix – How to Complete a Trust Bank Reconciliation and Comparison

**Lidia Angelovski, CPA, CMA, Auditor, Spot Audit**  
*Law Society of Ontario*

April 4, 2024



Lidia Angelovski

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# Books and Records



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# Why Keep Books and Records?

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There are several reasons:

- **It is a by-law requirement.** The Law Society sets out in **By-Law 9**, the minimum mandatory requirements for books and records to be maintained by licensees. The minimum mandatory requirements are aimed at protection of the public.
- **It is in your best interest.** Benefits of maintaining complete and accurate books and records:
  - helps you be more efficient and allows for sound financial decisions.
  - helps you meet your statutory obligations in a timely manner such as Income Tax and HST filings.
  - well-documented and transparent records provide the evidence necessary to defend negligence or other claims.

# Distinguishing Between Trust and General Funds

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## Trust Funds:

These are clients' funds; money that belongs to a client or is to be held on behalf of a client related to the provision of legal services. Do not hold money in trust if it is not directly related to the legal services being provided to the client.

Most common examples of trust funds:

- money received as a retainer for your future legal services or future disbursements in providing the client's legal services.
- money received to be paid out to a 3<sup>rd</sup> party such as payment of a client's fine.

## General Funds:

These are operating funds to run your firm. Do not deposit client trust money to the general account.

Most common examples of general funds:

- payments from clients **for services already provided and billed.**
- capital infusions.

# Distinguishing Between Trust and General Funds continued

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## Misconceptions:

- Block Fees (also known as fixed or flat fees) can be directly deposited to the general account. **Unless (1)** services are already rendered, **and (2)** the fee bill has been sent to the client, **fees cannot be deposited directly to general** – regardless of the type of fee arrangement.
- Credit card receipts can be deposited to one account and then transferred to the correct account. If you accept credit card payments from clients, you must make arrangements with your financial institution to have **retainers deposited directly into your trust account** and **earned fees directly into your general account**.



# Examples of Accounting Records Maintained

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- Trust Receipts and Disbursements Journals (or one combined **Trust Bank Journal** that includes both receipts and disbursements in one journal)
- Client Trust Ledger, with a separate account for each client
- Monthly Trust Reconciliation and Comparison
- Monthly Trust Listing
- General Receipts and Disbursements Journals (or one combined **General Bank Journal** that includes both receipts and disbursements in one journal)
- Fees Book and/or Chronological Billings File
- Source documents such as:
  - Bank Statements for both trust and general accounts along with Images of Cashed Cheques of both front and back of cheque
  - Detailed Duplicate Deposit Slips
  - Duplicate Cash Receipts (if you receive payments in cash)
  - Form 9As and Bank Confirmations (if you make online transfers from trust)

For a complete list of records please refer to sections 18 and 19 of By-Law 9 and The Bookkeeping Guide.

# Trust Bank Journal

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Each trust receipt on behalf of a client and each disbursement you make from trust, must be recorded in the Trust Bank Journal. This document provides a global overview of all the "ins and outs" of the trust account.

For each transaction, you must record:

- Date (when funds were received/disbursed – not when they cleared the bank)
- Method (i.e., cash, cheque, bank draft, EFT)
- Document# – required for disbursement only (i.e., cheque #, bank draft # Form 9A requisition #)
- Name of person from whom funds are received or to whom funds are paid
- Purpose of each receipt/disbursement
- Client's name

Must be maintained on a current basis.

**Note:** Do not record bank errors in the trust bank journal. Bank errors are reconciling items that you record on the monthly trust bank reconciliation (per sample in Appendix).

# Client Trust Ledger

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The Client Trust Ledger captures all the trust receipts and trust disbursements for your clients in a separate account for each client.

Therefore, every time you record a trust receipt or disbursement in the Trust Bank Journal, that same transaction must be recorded in the appropriate client account in the Client Trust Ledger.

If a client has more than one matter, it is recommended that you maintain a separate Client Trust Ledger for each matter (think of each matter as you would your own bank account – if you have 2 different accounts with the same bank, you expect the bank to provide you with a bank statement for each of the 2 accounts).

For each transaction, the following is required to be recorded:

- Amount of money received.
- Amount of money disbursed.
- Running balance.

# Client Trust Ledger continued

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Although not required, it is best practice to include the date and the reason for each receipt and disbursement.

**Note:** Client Trust Ledger Accounts must be in clients' names only and must only contain client trust funds. Do not put any of your, or your firm's money, such as a float to cover bank charges, in your trust account. There should be no client trust ledger in your name, your firm name, or any other name such as "miscellaneous", "suspense", or "unknown", that is not a client's name.

Client Trust Ledger Accounts must be maintained on a current basis.

# Differences Between Trust Bank Journal and Client Trust Ledger

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- **Trust Bank Journal** is a global overview in chronological order of all the receipts and disbursements of the trust account, **irrespective of the client**.
- **Client Trust Ledger Accounts** are all the receipts and disbursements for that **specific client**. Each client trust ledger contains only the transactions for that specific client.

Think of the bank journal as the bank's overall deposits and withdrawals and the client trust ledger as your specific bank account containing only your transactions. They both serve a different purpose.

# Trust Bank Reconciliations and Comparisons

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**A Trust Bank Reconciliation** reconciles the trust liability according to your trust bank statement (external records) with the trust liability according to your accounting records (internal records). Differences between the bank and the accounting records (reconciling items) are explained under one of the three categories:

- **Outstanding cheques** (outstanding cheques are timing differences between your bank statement and your internal accounting records; as an example, you issued a cheque to your client to refund their unused retainer and recorded that payment in your accounting records, but the client hasn't yet cashed the cheque and therefore, it is not reflected in the bank statement).
- **Outstanding deposits** (outstanding deposits are timing differences between your bank statement and your internal accounting records; as an example, you deposited a cheque on the last day of the month and the bank has not yet cleared that deposit, and therefore it is not reflected in your bank statement).
- **Bank/posting errors** (these are *not* caused by a timing difference, these are errors that need to be corrected; as an example, the bank charged the trust account for bank fees, or you issued a cheque for \$600 but incorrectly posted an amount of \$700 in your accounting records).

# Trust Bank Reconciliations and Comparisons continued

---

**A Trust Comparison** compares the **reconciled trust bank balance** (per Trust Bank Reconciliation above) with the **client trust listing total** (the amount of money recorded in your client trust ledger accounts by client as at the same date as the trust bank reconciliation).

The Trust Bank Reconciliation and Comparison is one of your most important financial records and must be completed by the 25<sup>th</sup> of the following month.

Section 22(2) of By-Law 9 provides that the Trust Comparison must be completed within 25 days of month's end. For example, the January Trust Reconciliation and Comparison should be for the period **Jan 1-31** and should be prepared by no later than **Feb 25**.

**The Appendix contains sample documents and shows how to complete a Trust Bank Reconciliation and Comparison.**

# General Bank Journal

---

Each receipt and each payment for the purpose of running your firm must be recorded in the General Bank Journal.

For each transaction, you must record:

- Date (when you received/disbursed the funds – not when they cleared the bank)
- Method (i.e., cash, cheque, bank draft, EFT)
- Document# – required for disbursement only (i.e., cheque#, bank draft#)
- Name of person from whom funds are received or to whom funds are paid.

Must be maintained on a current basis.



# Fees Book and/or Chronological Billings File

---

For all invoices issued to clients, you must either:

- record the information in a **Fees Book** (sometimes referred to as a Fees Journal), or
- keep a copy of each invoice in chronological (date) order in a billings file.

If you keep a Fees Book, record the following information:

- fees charged to the client
- other billings charged to the client, *e.g.*, client disbursements.
- date of billing
- client who is billed.

Must be maintained on a current basis.

# Source Documents

---

## Why are they important:

- they provide an audit trail – meaning they serve as evidence that a financial transaction actually occurred.
- if you have to reconstruct your financial records, your source documents contain the information to allow you to do so.

# Source Documents continued

---

## Type of Source Documents:

- Bank Statements (not just a printout of your online activity report), and legible images of the front and back of all Cashed Cheques
- Detailed Duplicate Deposit Slips
- Duplicate Cash Receipts (required to be maintained if you receive funds in cash). A **duplicate** cash receipt means the original is provided to the client and a copy is maintained by your firm as part of your accounting records.
- Form 9As and Bank Confirmations – required for online transfers from trust.

Source documents are required for both your trust and general accounts. Please refer to The Bookkeeping Guide for the information required to be recorded in each of the source documents.

## APPENDIX

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# How to Complete a Trust Bank Reconciliation and Comparison



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# Table of contents

## (Sample Documents and Instructions)

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- Trust Bank Reconciliation and Comparison (Page 1)
- Bank Statement (Page 2)
- Trust Bank Journal (Page 3)
- Client Trust Ledger (Page 4)
- Client Trust Listing (Page 5)
- Instructions (Page 6)

# Trust Bank Reconciliation and Comparison

Page 1

## Lidia Angelovski Trust Bank Reconciliation and Comparison

### Trust Bank Reconciliation as at March 31, 2024

<b>Line 1</b>	Balance per Bank Statement ( <i>ending balance on bank statement as at Mar 31/24</i> )	\$	19,995.00	(from pg 2)
	Less: Outstanding Cheques:			
<b>Line 2</b>	Mar 15/24 Chq#6, City of Toronto	-	325.00	(from pg 3)
<b>Line 3</b>	Mar 30/24 Chq#7, Minister of Finance	-	500.00	(from pg 3)
	Plus: Outstanding Deposits:			
<b>Line 4</b>	Mar 31/24 (cleared bank on Apr 2)	+	1,000.00	(from pg 3)
	Plus/Minus: Bank/Posting Errors:			
<b>Line 5</b>	Mar 31/24 trust account was charged for account fees in error (corrected Apr 5)	+	5.00	(from pg 2)
<b>Line 6</b>	Reconciled Balance (line 1 - line 2 - line 3 + line 4+ line 5)	\$	20,175.00	(to line 7)

### Trust Comparison as at March 31, 2024

<b>Line 7</b>	Total Reconciled Trust Bank	\$	20,175.00	(from line 6 above)
<b>Line 8</b>	Total of unexpended balances per Client Trust Listing (must agree with line 7)	\$	20,175.00	(from pg 5)

# Bank Statement

Page 2

LIDIA ANGELOVSKI  
TRUST ACCT  
10 JUNIPER RD  
TORONTO ON M1R 2B2



Statement of Account		Account Type		Statement From - To	
Branch No.	Account No.	CURRENT ACCOUNT		MAR 1/24 - MAR 31/24	
0111	0155-555555			Page 1 of 1	
DESCRIPTION	CHEQUE/DEBIT	DEPOSIT/CREDIT	DATE	BALANCE	
BALANCE FORWARD				15,000.00	
E-TRANSFER R***8		✓ 2,000.00	Mar 5	17,000.00	
E-TRANSFER B***1R		✓ 1,500.00	Mar 7	18,500.00	
Cheque 005	✓ 500.00		Mar 15	18,000.00	
Transfer to Account - 3333	✓ 3,000.00		Mar 16	15,000.00	
Deposit		✓ 5,000.00	Mar 21	20,000.00	
Account Fees	to line 5, pg 1 ✗ 5.00		Mar 31	19,995.00	To line 1 on pg 1

✓ agrees with Trust Bank Journal

✗ does not agree with Trust Bank Journal

# Trust Bank Journal

Page 3

Lidia Angelovski  
Trust Bank Journal

Date:	Received From / Paid To:	Client Name:	Purpose:	Method	Doc # (for disbursements only)	Amt Received	Amt Disbursed	Running Balance
	<i>Balance Forward (ending bal as at Feb 29/24)</i>							\$15,000.00
Mar 5/24	Leo Piper	Leo Piper	retainer	EFT		✓ \$2,000.00		\$17,000.00
Mar 7/24	Viona Smith	John Smith	retainer	EFT		✓ \$1,500.00		\$18,500.00
Mar 15/24	Leo Piper	Leo Piper	return of partial retainer	Chq	005		✓ \$500.00	\$18,000.00
Mar 15/24	City of Toronto	Sarah Silver	set fine (re traffic)	Chq	006	to line 2, pg1	✗ \$325.00	\$17,675.00
Mar 16/24	Transfer to General	Mara Mishev	fees - inv # 202	EFT	195		✓ \$3,000.00	\$14,675.00
Mar 21/24	Sam Snow	Sam Snow	retainer	Chq		✓ \$5,000.00		\$19,675.00
Mar 30/24	Minister of Finance	Ali Said	set fine (re summary charge)	Chq	007	to line 3, pg1	✗ \$500.00	\$19,175.00
Mar 31/24	John Smith	John Smith	retainer	Cash		to line 4, pg1	✗ \$1,000.00	\$20,175.00

✓ agrees with bank statement (pg 2)

✗ does not agree with bank statement



# Client Trust Ledger

Page 4

## Client Trust Ledger

John Doe (small claims court):

Date:	Particulars	Receipts	Disbursements	Balance
26-Feb-23	retainer	\$ 5,000.00		\$ 5,000.00

highlighted items are balances  
as at Mar 31, and are recorded  
in the trust listing, pg 5

Joe Martin (small claims court):

Date:	Particulars	Receipts	Disbursements	Balance
10-Jan-24	retainer	\$ 5,000.00		\$ 5,000.00
31-Jan-24	filing defendant claim		\$ 100.00	\$ 4,900.00
3-Apr-24	partial fees		\$ 900.00	\$ 4,000.00

Joe Martin (traffic):

Date:	Particulars	Receipts	Disbursements	Balance
4-Feb-24	retainer	200.00		200.00

Ali Said (small claims court):

Date:	Particulars	Receipts	Disbursements	Balance
15-Feb-24	retainer	\$ 3,000.00		\$ 3,000.00
17-Feb-24	consultation		\$ 100.00	\$ 2,900.00
20-Mar-24	filing claim		\$ 500.00	\$ 2,400.00

Mara Mishev (small claims court):

Date:	Particulars	Receipts	Disbursements	Balance
10-Feb-24	retainer	\$ 1,600.00		\$ 1,600.00
16-Mar-24	fees (inv #202)		\$ 3,000.00	-\$ 1,400.00

# Client Trust Ledger continued

Sarah Silver (traffic):

Date:	Particulars	Receipts	Disbursements	Balance
5-Feb-24	retainer	\$ 400.00		\$ 400.00
15-Mar-24	set fine (City of Toronto)		\$ 325.00	\$ 75.00

Leo Piper (small claims court):

Date:	Particulars	Receipts	Disbursements	Balance
5-Mar-24	retainer	\$ 2,000.00		\$ 2,000.00
15-Mar-24	return of partial retainer		\$ 500.00	\$ 1,500.00
				(bal to be billed)

John Smith (small claims court):

Date:	Particulars	Receipts	Disbursements	Balance
7-Mar-24	retainer	\$ 1,500.00		\$ 1,500.00
31-Mar-24	retainer	\$ 1,000.00		\$ 2,500.00

Sam Snow (small claims court):

Date:	Particulars	Receipts	Disbursements	Balance
21-Mar-24	retainer	\$ 5,000.00		\$ 5,000.00



# Client Trust Listing

Page 5

## Client Trust Listing as at Mar 31, 2024

*(from client trust ledger, pg 4)*

File Name:	Last Activity Date	Amount	
John Doe (small claims court)	26-Feb-23	\$ 5,000.00	inactive account (no activity for more than 12 months)
Joe Martin (small claims court)	31-Jan-24	4,900.00	
Joe Martin (traffic)	4-Feb-24	200.00	
Ali Said (small claims court)	20-Mar-24	2,400.00	
Mara Mishev (small claims court)	16-Mar-25 -	1,400.00	overdrawn trust balance - must be corrected asap
Sarah Silver (traffic)	15-Mar-24	75.00	
Leo Piper (small claims court)	15-Mar-24	1,500.00	
John Smith (small claims court)	31-Mar-24	2,500.00	
Sam Snow (small claims court)	21-Mar-24	5,000.00	
<b>Total trust liabilities to clients at Mar 31, 2024</b>		<u>\$ 20,175.00</u>	to pg 1, line 8

# Instructions

---

1. Enter the ending balance on the bank statement in line 1.
2. Agree the transactions on your bank statement to those in your Bank Journal. Enter the items that do not agree as a reconciling item under the appropriate heading (Outstanding Cheques, Outstanding Deposits, Bank/Posting Errors). There is specific information that is required under each of the categories as follows:
  - Outstanding Cheques: date of cheque, cheque#, payee, and amount.
  - Outstanding Deposits: date of receipt, and date the receipt cleared the bank.
  - Bank/Posting Errors: date of the error, explain the cause of the error, and the date the error was corrected.
3. Calculate your reconciled trust bank balance: from the trust bank statement ending balance (line 1 on the reconciliation report sample), subtract the amount of the outstanding cheques, add any outstanding deposits, and add/deduct the bank/posting errors.
4. Using your Client Trust Ledgers, prepare the Client Trust Listing. For each client that had a balance in their trust ledger as at the date of reconciliation, record in the Client Trust Listing:
  - client's name
  - date of their last trust activity
  - trust ledger balance as at the date of reconciliation

# Instructions continued

---

5. Enter the total of the Trust Listing under the “Trust Comparison” and ensure it agrees with the reconciled balance.
6. If the Trust Listing Total does not agree with the Reconciled Balance, you must go back and find the error.
7. Correct the reconciling items (i.e. to clear the bank error in the example provided, transfer \$5 from general to trust and follow-up with your bank to ensure that going forward they charge bank fees to your general account and not to the trust account).
8. Review the Trust Listing for:
  - a. Any negative (overdrawn) trust balance and correct immediately by replenishing the trust shortage from your general account.
  - b. Inactive balances (trust balance with last activity date of 12 months or older); review the client ledger and ensure that the funds still belong in trust (the matter is still active and ongoing), and whether you should be issuing an interim fee bill.



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de l'Ontario

**TAB 2**

# **Preparing for a Practice Review for Paralegals**

Books and Records (Handout)

Appendix – How to Complete a Trust Bank Reconciliation and Comparison

**Lidia Angelovski, CPA, CMA, Auditor, Spot Audit**  
*Law Society of Ontario*

April 4, 2024



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# Books and Records

## Why Keep Books and Records?

There are several reasons:

- **It is a by-law requirement.** The Law Society sets out in **By-Law 9**, the minimum mandatory requirements for books and records to be maintained by licensees. The minimum mandatory requirements are aimed at protection of the public.
- **It is in your best interest.** Benefits of maintaining complete and accurate books and records:
  - helps you be more efficient and allows for sound financial decisions.
  - helps you meet your statutory obligations in a timely manner such as Income Tax and HST filings.
  - well-documented and transparent records provide the evidence necessary to defend negligence or other claims.



## Distinguishing Between Trust and General Funds

### Trust Funds:

These are clients' funds; money that belongs to a client or is to be held on behalf of a client related to the provision of legal services. Do not hold money in trust if it is not directly related to the legal services being provided to the client.

Most common examples of trust funds:

- money received as a retainer for your future legal services or future disbursements in providing the client's legal services.
- money received to be paid out to a 3<sup>rd</sup> party such as payment of a client's fine.

### General Funds:

These are operating funds to run your firm. Do not deposit client trust money to the general account.

Most common examples of general funds:

- payments from clients **for services already provided and billed**.
- capital infusions.

### Misconceptions:

- Block Fees (also known as fixed or flat fees) can be directly deposited to the general account. **Unless (1)** services are already rendered, **and (2)** the fee bill has been sent to the client, **fees cannot be deposited directly to general** – regardless of the type of fee arrangement.
- Credit card receipts can be deposited to one account and then transferred to the correct account. If you accept credit card payments from clients, you must make arrangements with your financial institution to have **retainers deposited directly into your trust account** and **earned fees directly into your general account**.

## Examples of Accounting Records Maintained

- Trust Receipts and Disbursements Journals (or one combined **Trust Bank Journal** that includes both receipts and disbursements in one journal)
- Client Trust Ledger, with a separate account for each client
- Monthly Trust Reconciliation and Comparison
- Monthly Trust Listing
- General Receipts and Disbursements Journals (or one combined **General Bank Journal** that includes both receipts and disbursements in one journal)
- Fees Book and/or Chronological Billings File
- Source documents such as:
  - Bank Statements for both trust and general accounts along with Images of Cashed Cheques of both front and back of cheque
  - Detailed Duplicate Deposit Slips
  - Duplicate Cash Receipts (if you receive payments in cash)
  - Form 9As and Bank Confirmations (if you make online transfers from trust)

For a complete list of records please refer to sections 18 and 19 of By-Law 9 and The Bookkeeping Guide.

## Trust Bank Journal

Each trust receipt on behalf of a client and each disbursement you make from trust, must be recorded in the Trust Bank Journal. This document provides a global overview of all the "ins and outs" of the trust account.

For each transaction, you must record:

- Date (when funds were received/disbursed – not when they cleared the bank)
- Method (i.e. cash, cheque, bank draft, EFT)
- Document# – required for disbursement only (i.e., cheque #, bank draft # Form 9A requisition #)
- Name of person from whom funds are received or to whom funds are paid
- Purpose of each receipt/disbursement
- Client's name

Must be maintained on a current basis.

**Note:** Do not record bank errors in the trust bank journal. Bank errors are reconciling items that you record on the monthly trust bank reconciliation (per sample in Appendix).

## Client Trust Ledger

The Client Trust Ledger captures all the trust receipts and trust disbursements for your clients in a separate account for each client.

Therefore, every time you record a trust receipt or disbursement in the Trust Bank Journal, that same transaction must be recorded in the appropriate client account in the Client Trust Ledger.

If a client has more than one matter, it is recommended that you maintain a separate Client Trust Ledger account for each matter (think of each matter as you would your own bank account – if you have 2 different accounts with the same bank, you expect the bank to provide you with a bank statement for each of the 2 accounts).

For each transaction, the following is required to be recorded:

- Amount of money received.
- Amount of money disbursed.
- Running balance.

Although not required, it is best practice to include the date and the reason for each receipt and disbursement.

Note: Client Trust Ledger Accounts must be in clients' names only and must only contain client trust funds. Do not put any of your, or your firm's money, such as a float to cover bank charges, in your trust account. There should be no trust ledger accounts in your name, your firm name, or any other name such as "miscellaneous", "suspense", or "unknown", that is not a client's name.

Client Trust Ledger Accounts must be maintained on a current basis.

## Differences Between Trust Bank Journal and Client Trust Ledger

- **Trust Bank Journal** is a global overview in chronological order of all the receipts and disbursements of the trust account, **irrespective of the client**.
- **Client Trust Ledger Accounts** are all the receipts and disbursements for that **specific client**. Each client trust ledger account contains only the transactions for that specific client.

Think of the bank journal as the bank's overall deposits and withdrawals and the client trust ledger as your specific bank account containing only your transactions. They both serve a different purpose.

## Trust Bank Reconciliations and Comparisons

**A Trust Bank Reconciliation** reconciles the trust liability according to your trust bank statement (external records) with the trust liability according to your accounting records (internal records). Differences between the bank and the accounting records (reconciling items) are explained under one of the three categories:

- **Outstanding cheques** (outstanding cheques are timing differences between your bank statement and your internal accounting records; as an example, you issued a cheque to your client to refund their unused retainer and recorded that payment in your accounting records, but the client hasn't yet cashed the cheque and therefore, it is not reflected in the bank statement).
- **Outstanding deposits** (outstanding deposits are timing differences between your bank statement and your internal accounting records; as an example, you deposited a cheque on the last day of the month and the bank has not yet cleared that deposit, and therefore it is not reflected in your bank statement).
- **Bank/posting errors** (these are *not* caused by a timing difference, these are errors that need to be corrected; as an example, the bank charged the trust account for bank fees, or you issued a cheque for \$600 but incorrectly posted an amount of \$700 in your accounting records).

**A Trust Comparison** compares the **reconciled trust bank balance** (per Trust Bank Reconciliation above) with the **client trust listing total** (the amount of money recorded in your client trust ledger accounts by client at the same date as the trust bank reconciliation).

The Trust Bank Reconciliation and Comparison is one of your most important financial records and must be completed by the 25<sup>th</sup> of the following month.

Section 22(2) of By-Law 9 provides that the Trust Comparison must be completed within 25 days of month's end. For example, the January Trust Reconciliation and Comparison should be for the period Jan 1-31 and should be prepared by no later than Feb 25.

**The Appendix contains sample documents and shows how to complete a Trust Bank Reconciliation and Comparison.**

## General Bank Journal

Each receipt and each payment for the purpose of running your firm must be recorded in the General Bank Journal.

For each transaction, you must record:

- Date (when you received/disbursed the funds – not when they cleared the bank)
- Method (i.e. cash, cheque, bank draft, EFT)
- Document# – required for disbursement only (i.e. cheque#, bank draft#)
- Name of person from whom funds are received or to whom funds are paid.

Must be maintained on a current basis.

## Fees Book and/or Chronological Billings File

For all invoices issued to clients, you must either:

- record the information in a **Fees Book** (sometimes referred to as a Fees Journal), or
- keep a copy of each invoice in chronological (date) order in a billings file.

If you keep a Fees Book, record the following information:

- fees charged to the client
- other billings charged to the client, *e.g.*, client disbursements.
- date of billing
- client who is billed.

Must be maintained on a current basis.



## Source Documents

### Why are they important:

- they provide an audit trail – meaning they serve as evidence that a financial transaction actually occurred.
- if you have to reconstruct your financial records, your source documents contain the information to allow you to do so.

### Type of Source Documents:

- Bank Statements (not just a printout of your online activity report), and legible images of the front and back of all Cashed Cheques
- Detailed Duplicate Deposit Slips
- Duplicate Cash Receipts (required to be maintained if you receive funds in cash). A **duplicate** cash receipt means the original is provided to the client and a copy is maintained by your firm as part of your accounting records.
- Form 9As and Bank Confirmations – required for online transfers from trust.

Source documents are required for both your trust and general accounts. Please refer to The Bookkeeping Guide for the information required to be recorded in each of the source documents.

# Appendix

## HOW TO COMPLETE A TRUST BANK RECONCILIATION AND COMPARISON

Table of Contents  
(Sample Documents and Instructions)

Trust Bank Reconciliation and Comparison	Page 1
Bank Statement	Page 2
Trust Bank Journal	Page 3
Client Trust Ledger	Page 4
Client Trust Listing	Page 5
Instructions	Page 6

## Lidia Angelovski

### Trust Bank Reconciliation and Comparison

#### Trust Bank Reconciliation as at March 31, 2024

<b>Line 1</b>	Balance per Bank Statement ( <i>ending balance on bank statement as at Mar 31/24</i> )	\$	19,995.00	(from pg 2)
	Less: Outstanding Cheques:			
<b>Line 2</b>	Mar 15/24 Chq#6, City of Toronto	-	325.00	(from pg 3)
<b>Line 3</b>	Mar 30/24 Chq#7, Minister of Finance	-	500.00	(from pg 3)
	Plus: Outstanding Deposits:			
<b>Line 4</b>	Mar 31/24 (cleared bank on Apr 2)	+	1,000.00	(from pg 3)
	Plus/Minus: Bank/Posting Errors:			
<b>Line 5</b>	Mar 31/24 trust account was charged for account fees in error (corrected Apr 5)	+	5.00	(from pg 2)
<b>Line 6</b>	Reconciled Balance (line 1 - line 2 - line 3 + line 4+ line 5)	\$	20,175.00	(to line 7)

#### Trust Comparison as at March 31, 2024

<b>Line 7</b>	Total Reconciled Trust Bank	\$	20,175.00	(from line 6 above)
<b>Line 8</b>	Total of unexpended balances per Client Trust Listing (must agree with line 7)	\$	20,175.00	(from pg 5)

LIDIA ANGELLOVSKI  
TRUST ACCT  
10 JUNIPER RD  
TORONTO ON M1R 2B2



Statement of Account		Account Type		Statement From - To	
Branch No.	Account No.	CURRENT ACCOUNT		MAR 1/24 - MAR 31/24	
0111	0155-555555			Page 1 of 1	
DESCRIPTION	CHEQUE/DEBIT	DEPOSIT/CREDIT	DATE	BALANCE	
BALANCE FORWARD				15,000.00	
E-TRANSFER R***8		✓ 2,000.00	Mar 5	17,000.00	
E-TRANSFER B***1R		✓ 1,500.00	Mar 7	18,500.00	
Cheque 005	✓ 500.00		Mar 15	18,000.00	
Transfer to Account-3333	✓ 3,000.00		Mar 16	15,000.00	
Deposit		✓ 5,000.00	Mar 21	20,000.00	
Account Fees	to line 5, pg 1 ✗ 5.00		Mar 31	19,995.00	To line 1 on pg 1

✓ agrees with Trust Bank Journal

✗ does not agree with Trust Bank Journal

Lidia Angelovski  
Trust Bank Journal

Date:	Received From / Paid To:	Client Name:	Purpose:	Method	Doc # (for disbursements only)	Amt Received	Amt Disbursed	Running Balance
	<i>Balance Forward (ending bal as at Feb 29/24)</i>							<i>\$15,000.00</i>
Mar 5/24	Leo Piper	Leo Piper	retainer	EFT		✓ \$2,000.00		\$17,000.00
Mar 7/24	Viona Smith	John Smith	retainer	EFT		✓ \$1,500.00		\$18,500.00
Mar 15/24	Leo Piper	Leo Piper	return of partial retainer	Chq	005		✓ \$500.00	\$18,000.00
Mar 15/24	City of Toronto	Sarah Silver	set fine (re traffic)	Chq	006	to line 2, pg1	✗ \$325.00	\$17,675.00
Mar 16/24	Transfer to General	Mara Mishev	fees - inv # 202	EFT	195		✓ \$3,000.00	\$14,675.00
Mar 21/24	Sam Snow	Sam Snow	retainer	Chq		✓ \$5,000.00		\$19,675.00
Mar 30/24	Minister of Finance	Ali Said	set fine (re summary charge)	Chq	007	to line 3, pg1	✗ \$500.00	\$19,175.00
Mar 31/24	John Smith	John Smith	retainer	Cash		to line 4, pg1	✗ \$1,000.00	\$20,175.00

✓ agrees with bank statement (pg 2)

✗ does not agree with bank statement

John Doe (small claims court):

Date:	Particulars	Receipts	Disbursements	Balance
26-Feb-23	retainer	\$ 5,000.00		\$ 5,000.00

highlighted items are balances  
as at Mar 31, and are recorded  
in the trust listing, pg 5

Joe Martin (small claims court):

Date:	Particulars	Receipts	Disbursements	Balance
10-Jan-24	retainer	\$ 5,000.00		\$ 5,000.00
31-Jan-24	filing defendant claim		\$ 100.00	\$ 4,900.00
3-Apr-24	partial fees		\$ 900.00	\$ 4,000.00

Joe Martin (traffic):

Date:	Particulars	Receipts	Disbursements	Balance
4-Feb-24	retainer	200.00		200.00

Ali Said (small claims court):

Date:	Particulars	Receipts	Disbursements	Balance
15-Feb-24	retainer	\$ 3,000.00		\$ 3,000.00
17-Feb-24	consultation		\$ 100.00	\$ 2,900.00
20-Mar-24	filing claim		\$ 500.00	\$ 2,400.00

Mara Mishev (small claims court):

Date:	Particulars	Receipts	Disbursements	Balance
10-Feb-24	retainer	\$ 1,600.00		\$ 1,600.00
16-Mar-24	fees (inv #202)		\$ 3,000.00	-\$ 1,400.00

Sarah Silver (traffic):

Date:	Particulars	Receipts	Disbursements	Balance
5-Feb-24	retainer	\$ 400.00		\$ 400.00
15-Mar-24	set fine (City of Toronto)		\$ 325.00	\$ 75.00

Leo Piper (small claims court):

Date:	Particulars	Receipts	Disbursements	Balance
5-Mar-24	retainer	\$ 2,000.00		\$ 2,000.00
15-Mar-24	return of partial retainer		\$ 500.00	\$ 1,500.00

(bal to be billed)

John Smith (small claims court):

Date:	Particulars	Receipts	Disbursements	Balance
7-Mar-24	retainer	\$ 1,500.00		\$ 1,500.00
31-Mar-24	retainer	\$ 1,000.00		\$ 2,500.00

Sam Snow (small claims court):

Date:	Particulars	Receipts	Disbursements	Balance
21-Mar-24	retainer	\$ 5,000.00		\$ 5,000.00

## Client Trust Listing as at Mar 31, 2024

*(from client trust ledger, pg 4)*

File Name:	Last Activity Date	Amount	
John Doe (small claims court)	26-Feb-23	\$ 5,000.00	inactive account (no activity for more than 12 months)
Joe Martin (small claims court)	31-Jan-24	4,900.00	
Joe Martin (traffic)	4-Feb-24	200.00	
Ali Said (small claims court)	20-Mar-24	2,400.00	
Mara Mishev (small claims court)	16-Mar-25	- 1,400.00	overdrawn trust balance - must be corrected asap
Sarah Silver (traffic)	15-Mar-24	75.00	
Leo Piper (small claims court)	15-Mar-24	1,500.00	
John Smith (small claims court)	31-Mar-24	2,500.00	
Sam Snow (small claims court)	21-Mar-24	5,000.00	
<b>Total trust liabilities to clients at Mar 31, 2024</b>		<b><u>\$ 20,175.00</u></b>	<b>to pg 1, line 8</b>



## Instructions

1. Enter the ending balance on the bank statement in line 1.
2. Agree the transactions on your bank statement to those in your Bank Journal. Enter the items that do not agree as a reconciling item under the appropriate heading (Outstanding Cheques, Outstanding Deposits, Bank/Posting Errors). There is specific information that is required under each of the categories as follows:
  - Outstanding Cheques: date of cheque, cheque#, payee, and amount.
  - Outstanding Deposits: date of receipt, and date the receipt cleared the bank.
  - Bank/Posting Errors: date of the error, explain the cause of the error, and the date the error was corrected.
3. Calculate your reconciled trust bank balance: from the trust bank statement ending balance (line 1 on the reconciliation report sample), subtract the amount of the outstanding cheques, add any outstanding deposits, and add/deduct the bank/posting errors.
4. Using your Client Trust Ledgers, prepare the Client Trust Listing. For each client that had a balance in their trust ledger as at the date of reconciliation, record in the Client Trust Listing:
  - client's name
  - date of their last trust activity
  - trust ledger balance as at the date of reconciliation
5. Enter the total of the Trust Listing under the "Trust Comparison" and ensure it agrees with the reconciled balance.
6. If the Trust Listing Total does not agree with the Reconciled Balance, you must go back and find the error.
7. Correct the reconciling items (i.e. to clear the bank error in the example provided, transfer \$5 from general to trust and follow-up with your bank to ensure that going forward they charge bank fees to your general account and not to the trust account).
8. Review the Trust Listing for:
  - Any negative (overdrawn) trust balance and correct immediately by replenishing the trust shortage from your general account.
  - Inactive balances (trust balance with last activity date of 12 months or older); review the client ledger and ensure that the funds still belong in trust (the matter is still active and ongoing), and whether you should be issuing an interim fee bill.