

SOLICITORS AUDIT

Summary

A solicitors audit is a Compliance audit. We verify various statements and documents maintained by the Solicitors to assess whether it complies with of Legal Profession Uniform Law [LPUL] Application Act 2014 and the Legal Profession Uniform Rules [LPUR] 2015.



14 Divisions

- Trust Money
- General Trust Account
- Control Money
- Transit Money
- Power Money
- Written Direction
- Register of Power and Estates
- Investment of Trust Money
- Register of Investments
- Matter Files and Registers
- Mortgage Money
- Borrowing from Clients or Former Clients
- Statutory Deposit
- Matter Files & Trust Records

Division 1 - Trust Money

Trust monies are the monies entrusted to a law practice in the course of or in connection with the provision of legal services by the law practice, and include

- money received by the law practice on account of legal costs in advance of providing the services
- Controlled money received by the Law practice
- Transit money received by the Law practice
- money received by the law practice, that is the subject of a power exercisable by the law practice or an associate of the law practice, to deal with the money for or on behalf of another person.

Ensure

- law practice has maintained records in accordance with the LPUL Application Act 2014 and the LPUR 2015 and the law practice keeps trust records as defined in permanent form and readily available to the examiner.
- that the law practice's Computerized accounting systems comply with the requirements of the rules.
- statements are given for all trust money (other than transit money and written direction money) held or controlled.
- **law practice must not withdraw trust money from a general trust account otherwise than by cheque or electronic funds transfer (EFT).**

Obtain matters files register, and randomly select samples of completed matters &/ or open matters. **Review the statements** that are generated and ensure that all statements contain matter, matter description, client name, and all transactions show date, amount, description, and reference.

Ensure that **only authorized persons** (authorised Principal or authorised legal practitioner associate) sign trusted cheques, sign-controlled money withdrawals or effect electronic fund transfers from the generated trust account or controlled money.

Division 2 - General Trust Account

A Law practice must maintain a general Trust account with **ADI (Authorised Deposit-taking Institution)** to deposit all Trust money received **(other than controlled money, which has to be maintained in a separate controlled money account)** to disburse it, only in accordance with a direction given by the person from whom, it has been received.

Enquire if a new trust account had been opened or closed during the year. Gain moderate assurance that the trust account reconciliation is done monthly and dated and signed **within 15 working days** in accordance with the LPUL Application Act 2014 and the LPUR 2015.

Gain confidence that the bank reconciliation is performed frequently and accurately and review bank reconciliations for trust accounts and note the periods that they cover and the frequency with which they are performed.

Obtain understanding and information regarding the monthly reconciliation process, receipt process, payment process, and journal process from the client.

To gain comfort over the trust receipts and trust payments in accordance with the LPUL application act 2014 and the LPUR 2015, we select 5 samples each from the trust account cash receipt book and cash payment book and verify them with supporting documents.

Division 3 - Controlled Money

Controlled Money is the money received or held by a law practice in respect of which the law practice has a **written direction to deposit the money in an account (other than a general trust account)** with an ADI over which the law practice has or will have exclusive control.

Compare a list of controlled money at the year end to that of the prior year and ensure that all new accounts can be traced to the receipts / payments during the year. Review controlled money register during the year to ensure they are prepared monthly or signed and dated by the **15th of the next month**.

Division 4 - Transit Money

Transit Money is the money received by a law practice **subject to instructions to pay or deliver it to a third party, other than an associate of the law practice**, in which case the law practice must pay or deliver the money within the period specified in the instructions (if any) or as soon as practicable. Ensure that the money is treated properly from receipt to payment, to the correct persons. Review the transit money register, if applicable.

Division 5 - Power Money

Power given to the Law practice or an associate of the practice to deal with the trust money in accordance with the power relating to the money for or on behalf of another person. Ascertain if the law practice has given a power to deal with trust money (whether alone or jointly with another person and has accounted for money and kept appropriate record of all dealings (Excluding PEXA). Review the Power money Register, if applicable.

Division 6 – Written Direction

Ascertain if the law practice has received written direction to deal with trust money (Other than cash) in a particular way. Inquire if the law practice has received instructions to invest money on behalf of clients.

Division 7 – Register of power and estates

Ascertain if the law practice has maintained appropriate records and review the register of power and estates, if applicable.

Division 8 & 9 – Investment of Trust money and its Registers

Ascertain if the law practice has maintained appropriate records and inquire if the law practice has received instructions to invest money on behalf of clients.

Division 10 – Matter Files & Registers

Inquire if the law practice maintains the register of files opened, safe custody of documents, and register of financial interest, if yes obtain those registers and confirm the register has required all the particulars – Full name / Address of the client, date the instructions received, description of the service, identifier.

Division 11 – Mortgage Money

Ensure that the law practice is not negotiating the making of or valuation of a mortgage.

Division 12 – Borrowing from Clients or former clients

Ensure that no solicitor or associate of law practice has borrowed money from a client, or, in certain circumstances, from a former client.

Division 13 – Statutory Deposit

Ensure quarterly calculation of statutory deposit has been conducted and maintained in accordance with LPUL application act 2015. Request for quarterly calculation of statutory deposit. Agree statutory deposit calculations to bank statements / letter of credit.

Division 14 – Matter Files & Trust Records

To provide an overview of examination in respect of matter files and records.

External Examiner's Report

A Law practice must have its trust records externally examined once each financial year by an external examiner.

An external examiner may require the law practice or any person who has or had control of documents relating to the affairs of the law practice to give the examiner either or both of the following:

- access to the documents relating to the affairs of the law practice the examiner reasonably requires.
- information relating to the affairs of the law practice the examiner reasonably requires (verified by statutory declaration if requested).

The External Examiner must give the Law Society Council a written report (**in accordance with the standard form published**) of the examination at a time or within a period determined by the Legal Services Council and published on the Council's website.

The standard form known as the External Examiner's Report, together with the forms for Parts A and B of the Law Practice Confirmation and Trust Money Statement, are made available via an online lodgement system in late March each year on the Law Society website.

The report must include an examination of all general trust accounts and other accounts where trust money was held or received (e.g. controlled money accounts, accounts subject of a power excluding power money pursuant to an electronic lodgement network operator's settlement scheme (such as PEXA)) by the law practice during the reporting period.

Thank You