



NOVA SCOTIA  
BARRISTERS' SOCIETY  
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**ENGAGEMENT FOR ACCOUNTANTS  
TRUST ACCOUNT REPORT**

**ENGAGEMENT** – The accountant’s engagement for completing the Accountant’s Report on the Trust Account Report must be in writing. A sample engagement letter is available on the Society’s website (nsbs.org).

**PUBLIC ACCOUNTANT**

*Only a public accountant licensed by the Chartered Professional Accountants of Nova Scotia may complete the Accountant’s Report on the Trust Account Report. The accountant must have an Audit or Review Licence, and be listed on the Public Accounting Licence Holders directory on the Chartered Professional Accountants of Nova Scotia website (cpans.ca).*

**PURPOSE**

The Accountant’s Report on the Trust Account Report is the means by which the Nova Scotia Barristers’ Society may determine whether or not:

1. The lawyer or law firm has an adequate system for recording all financial transactions of the law practice in order to comply with the Regulations of the Nova Scotia Barristers’ Society;
2. The system referred to in (1) is being properly used by the lawyer or law firm;
3. There were no contraventions of Sections 29 – 31 of the *Legal Profession Act* or Parts 4 and 10 of the Regulations made pursuant to the Act;
4. The lawyer or law firm has properly maintained trust accounts for the law practice in accordance with the requirements of Sections 29-31 of the Act and Part 10 of the Regulations.

**FORM**

The computer-generated version of the Accountant’s Report on the Trust Account Report (ARTAR) you received via email from the Society must be used. A working copy of the ARTAR may be downloaded from the [Forms page](#) of the Society’s website but may not be used for submission. If space on the form is insufficient, a reference on it should be made to accompanying remarks. Where appropriate, read “we” for “I” throughout.

**SPECIFIED PROCEDURES**

The scope of your engagement with respect to the ARTAR reporting period must include at least the following:

1. Confirm whether all trust accounts are maintained in Nova Scotia and if not, confirm there are written instructions to the lawyer from the client regarding their location outside of NS.
2. Inquire about the maintenance of their books and records, deposit and withdrawal processes for trust funds, and any instances of overdrafts or other trust account exceptions noted during the year. Make note of any unusual items or processes in the narrative part of the form.
3. Inquire about online access to the lawyer or law firm’s trust account and observe access to the account by the lawyer or law firm’s staff. Note whether staff have the ability to initiate transactions. Make note of any improper staff access in the narrative part of the form.
4. If the lawyer or law firm maintains computerized trust accounts, confirm that:



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- a) an audit trail is created for all changes or corrections to accounting transactions; and
  - b) the records are maintained on backup storage if the client's trust ledger is not printed monthly.
5. Inspect all month-end general trust client balances for the period under review and, in particular, identify and note any client overdrafts. If applicable, note whether any overdrafts were reported to the Executive Director as required by the Regulations.
  6. Inspect all general trust bank statements noting any overdrafts, or other unusual entries in the narrative part of the form.
  7. Inspect all month-end general trust bank reconciliations. Determine if the reconciliation was prepared in a timely manner. Make note of any unusual reconciling items in the narrative part of the form.
  8. Inspect all general trust cash/deposit books for the period under review. Determine if any lawyer in the law firm received or accepted cash in an aggregate amount of greater than \$7,500 Canadian in respect of any one client matter. Make note of any instances in the narrative part of the form.
  9. Inspect in detail one month's bank reconciliation and trust listing for all general trust accounts, ensuring the reconciliation is properly prepared and, in particular:
    - a) compare outstanding cheques to copies of returned cashed cheques and to invoices or receipts for large or unusual disbursements;
    - b) compare outstanding deposits to stamped deposit slips, confirmations or faxes;
    - c) check mathematical accuracy;
    - d) ensure other reconciling items are adequately explained;
    - e) inspect the cashed cheques, which may include a digital image provided by the practising lawyer's financial institution showing both the front and back of the cheque;
    - f) inspect the trust listing, watching for unusual and significant items which may require further review;
    - g) inspect the trust listing to determine if the cumulative balance of client accounts in the trust ledger agrees with the control account balance; and
    - h) inspect the trust listing and note any amount greater than \$10,000 held for a period longer than 90 days. If any are identified, inquire about the legal purpose of the funds and if the client was offered an interest bearing account. Make note of any unusual items in the narrative part of the form.
  10. Inspect the last specific trust account listing(s) and bank reconciliation(s) of the year. Ensure that the Society requirements respecting the treatment of interest on clients' invested funds are satisfied. Make note of any unusual reconciling items in the narrative part of the form.
  11. Inspect the last general trust account listing(s) and bank reconciliation(s) of the year. Make note of any stale dated cheques and balances held for more than three years with no activity.
  12. Select a random sample of client ledger cards for inspection. Determine the sample size using the following guidance:
    - a) five files in the case of a firm of 10 or fewer lawyers; or
    - b) 10 files in the case of a firm of 11 or more lawyers.

The random sample of client ledger cards should be selected from the general trust account(s), specific trust account(s), and lawyers of the firm acting in a representative capacity. This procedure should determine adherence to Regulations 10.1 *Definitions*, 10.2 *Receipt of Trust Property*, 10.3 *Withdrawal from a Trust Account*, 10.4 *Maintenance of Records*, 4.13 *Client Identification* and, in particular, you should:

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- a. compare the supporting documentation with the client's ledger to ensure that at all times a balance on deposit was maintained, which together with undeposited trust money or outstanding cheques, was sufficient to meet all obligations with respect to monies held in trust for the client;
- b. compare disbursements and payments to returned cashed cheques and, if required, to client authorizations;
- c. vouch receipts to dated deposit slips;
- d. inspect client billings to determine that fee transfers from trust are not made before rendering the account to the client, and that fees are reasonably promptly withdrawn as earned and not permitted to accumulate in a trust account;
- e. if the file has been completed, inspect the statement of account to verify that an accurate accounting for receipts and disbursements has been provided to the client; and
- f. ensure compliance with client identification regulations.

13. Discuss the results of the Accountant's Report on the Trust Account Report with the Designated Lawyer.

#### **MATERIALITY**

With respect to a lawyer or law firm's trust accounts, there is **no materiality** allowance. The amount of money involved in any matter under review ought not to be a concern for you. Your responsibility is to report to the Society **all exceptions** that you discover in the course of your engagement.

#### **EXCEPTIONS**

If there are numerous minor exceptions of a similar nature, it is only necessary to report on the general situation. For trust debit balances of less than \$10, only the number of times the situation has arisen need be noted.

Provide as much detail as possible about exceptions, including the date of occurrence, the nature of the transaction, and the date and nature of the corrective action taken by the lawyer or law firm.

In certain cases, you may wish to expand your work and examine additional material concerning transactions you consider to be exceptions or areas where you believe exceptions could exist. If independent verification from third parties is desirable, authorization from the lawyer or law firm should be obtained in order to ensure confidentiality is maintained on client accounts. Any refusal to allow independent verification or other concerning information you may discover should be reported promptly to the Society.