



Use for year ends between
Dec. 1/11 and Nov. 30/12

**ACCOUNTANT'S INSTRUCTIONS
COMPLETION OF ACCOUNTANT'S REPORT
(TA-5 and TA-5S)**

REMINDER

There are two types of Accountant's Report Forms:
- TA-5
- TA-5S

The firm/member may also be exempt from filing an Accountant's Report for the current year. Ensure the correct form is used for the current year based on annual approval by the Law Society of Saskatchewan.

An Accountant's Report, either a TA-5 or a TA-5S (Short Form), is required to be completed annually by an accountant on behalf of the member/firm unless a written exemption from the Law Society of Saskatchewan is received by the member/firm. The type of form required to be completed by a particular member/firm is determined annually by the Law Society. The member/firm is advised in writing of which form is required to be filed for his/her firm for the upcoming year end. The type of form required to be filed by the member may change annually. If there is any question about which form is required for a particular year, please contact the member/firm or the Law Society of Saskatchewan.

The following information is provided to assist the independent accountant in completing the Accountant's Report (TA-5 or TA-5S) if required to be submitted to the Law Society of Saskatchewan:

1. Annually within 3 months of the fiscal year end of the practice for each member/firm in private practice in Saskatchewan which handles trust funds; or
2. Within 3 months of termination of such a practice.

Only one Accountant's Report need be filed for a firm, however, each lawyer practicing as a sole practitioner under the name of a firm must file on his or her own behalf.

The independent accountant must have a professional designation as a CA, CMA or CGA and be registered as a practicing office in Saskatchewan with the appropriate professional accounting body.

Purpose

The Accountant's Report provides the Law Society of Saskatchewan with independent verification that members/firms are operating in accordance with Law Society Rules governing their financial activities as well as providing the Society with some assurance that good business practices are being followed.

Process

1. The member/firm is required to complete and sign a Practice Declaration (Form TA-3) prior to the commencement of the accountant's review. This form provides the accountant with basic information regarding the member/firm as well as financial records maintained.

The TA-3 is also used as a mechanism to remind the member/firm of certain requirements (i.e. annual CDIC filing requirements) or certain good business practices (i.e. regular back up of computer data) that otherwise may be overlooked.

2. Upon completion, the TA-3 is signed by the accountant/bookkeeper (if applicable) and the member/firm and provided to the independent accountant.

The accountant is responsible for forwarding both the TA-3 and the TA-5 or TA-5S (each with original signatures) to the Law Society within 3 months of the fiscal year end or termination date of the firm.

The member/firm remains responsible for the provision of completed TA-3 and the TA-5(S) forms to the Law Society of Saskatchewan within specified time limits and remains subject to late filing penalties as set out in the Rules.

3. Unless an exemption letter has been received from the Law Society, the review and the appropriate TA-5 or TA-5S (Accountant's Report) is to be completed by the accountant using his/her professional judgment and in accordance with instructions contained herein and/or within the TA-5 or TA-5S itself.

4. Upon completion of the review and the form, the accountant will:

- (a) complete and sign the Accountant's Report section of the form;
- (b) discuss findings with and facilitate the completion and signature of the Member/Firm Certification section of the TA-5 or TA-5S Form by the member/firm;
- (c) attach copies of the trust account bank reconciliation(s), a copy of the client trust listing(s) and, where there are numerous accounts, a summary showing trust amounts on deposit and trust balances owing for the end of the reporting period;
- (d) submit completed TA-3 and appropriate TA-5 or TA-5S forms with attachments and original signatures to:

The Law Society of Saskatchewan
1100 - 2002 Victoria Avenue
Regina, SK S4P 0R7

Reminder

The member/firm will be assessed late charges and penalties if deadlines are not met. Refer to Rule 1205(2).

Accountant's Report Completion/Review

1. Read Part 13 of the Law Society Rules available on the Law Society website - www.lawsociety.sk.ca/lawyerregualtion/lawsociety-rules and click on current consolidation. Other information, including *The Legal Profession Act* and complete Rules, is also available on the website.

2. Receive the signed ~~%Practice Declaration+~~ form from the member/firm prior to commencing your review and completing the Accountant's Report (TA-5 or TA-5S). The type of form required to be filed for a particular member/firm may change annually so please ensure correct form is used. The member/firm is advised in writing by the Law Society of Saskatchewan of which form is required to be completed each year or if the member/firm is exempt from filing a TA-5 or TA-5S for a particular year.
3. Review the Practice Declaration with a view to noting issues requiring further explanation, verification or follow up during your review process.
4. Using the TA-5 or TA-5S as a guide, complete your review. Note that the form is intended to be a guide and is not intended to limit your professional judgement. For example, if an issue, item or practice is noted which is not addressed or which, in your opinion, is not addressed adequately by the forms or instructions, the accountant is expected to conduct tests/procedures to reach a conclusion (positive or negative) in regard to that issue, item or practice and report any non-compliance findings to the Law Society.
5. In general, in order to complete the TA-5 or TA-5S, the accountant is expected to select a test month or period (i.e. part of a month) at random during the fiscal year and perform tests/procedures on transactions relating to that month/period. In addition, certain procedures are required regarding year end trust reconciliations including, but not limited to:
 - (a) verifying existence of trust bank balances by examining bank statements, passbooks or other externally prepared documents (consider confirmation of balances by the bank if adequate external documentation is not available);
 - (b) reviewing subsequent bank transactions and clearing bank reconciliations;
 - (c) scrutinizing any reconciling items and clearing those items to your satisfaction;
 - (d) comparing trust deposit amounts to trust liabilities as per client trust listings.
6. Any trust shortage in excess of \$1,000.00 or any indication of fraud or misappropriation **must** be reported directly to the Law Society of Saskatchewan immediately.
7. Complete and sign the ~~%Accountant's Report+~~ section of the form identifying any non-compliance issues noted during the review.
8. Attach copies of trust bank reconciliations and client trust listings for the end of the reporting period to the TA-5 or TA-5S. If numerous accounts are involved, please attach a summary balancing trust bank balances with trust liabilities (client trust listings). This can be a copy of the firm's trial balance.
9. Review the Accountant's Report, your findings and any non-compliance issues with the member/firm and request the member complete and sign the Member/Firm Certification.
10. Provide the member/firm with a copy of your completed TA-5 or TA-5S report and attachments, including non-compliance issues.
11. If the member/firm disagrees with any findings or issues included in the Accountant's Report, the member/firm has 10 working days from the date of the Accountant's Report or the Member/Firm Certification (if later) to provide the Law Society of Saskatchewan with comments (in writing) regarding the disagreement. It is suggested that the member/firm provide a copy of any such correspondence to the accountant.
12. The TA-5 and TA-5S forms refer to both ~~%reporting period+~~ and ~~%test month/period+~~. References to reporting period refer to the period covered by the report (usually one year) whereas references to ~~%test month/period+~~ refer to the test month or period selected in 5 above.

13. **TA-5 ONLY (Excludes TA-5S) Client Files (TA-5 - #8)**

The intent of this section is to determine if:

- (a) financial information in the client files supports information contained in the accounting records and, in particular, the client trust ledger; and
- (b) the client is provided with timely information regarding trust activity.

The intention is not to have accountants review file contents from a legal perspective.

CLIENT FILES MUST NOT BE REMOVED FROM THE MEMBER'S OFFICE

14. The following information is provided for further clarification regarding completion of the TA-5 or TA-5S forms:

TA-5 - 2(c) This is a general question, i.e. general in nature and is intended as an independent
TA-5S - 2(c) opinion regarding the accounting records maintained by the legal firm. Do they exist? Are they up to date? Are they in good form?

Sections (i) to (vii) can be completed based on accounting records maintained for the test month or period. No sample is required, just a look at the records referenced to determine if they exist and contain the information referenced.

TA-5 - 2(d) ~~No~~ trust wording is used in the Rules and is the same as ~~general account~~
TA-5S - 2(d)

TA-5 - 2(e) The selection of test month/period should be random. Period in this case is meant to
TA-5S - 2(e) refer to any sample other than a test month not the reporting period. This question does not mean that all transactions for a complete month must be checked in order to respond to the questionnaire. This may, however, be the case in firms with a small number of transactions. Consideration should be given to increasing the number of transactions checked if the reliability of the records is in question.

In many cases, particularly where there are a large number of transactions, the records are in ~~good form~~ and internal controls (i.e. division of duties) are in place, only a small portion of one month's transactions may be reviewed to respond to questions on the TA-5 and TA-5S.

Based on the above, possible examples of responses for item 2(e) are:

- (1) full month(s), i.e. June 2011;
- (2) partial month, i.e. June 22 to 25, 2011;
- (3) sample size was limited to _____ transactions selected from June 2011.

Please limit sample size where possible.

TA-5 - 3(c)(i) Bank balances need only be confirmed if other external evidence supporting the
TA-5S - 3(c)(i) existence of the balance is not available (i.e. bank statement, passbook, bank account inquiry, etc.)

TA-5 - 3(d) To answer this question, determine whether original cancelled cheques or hard copies of cheque images were received for the last month of the fiscal period.

If original cancelled cheques were obtained, the requirement is considered to have been met.

If original cancelled cheques were not obtained:

1. Were hard copies of cheque images obtained?
2. Were these copies reviewed immediately upon receipt by the member/firm to ensure readability? If images were found not to be readable, were replacement copies requested and received immediately from the financial institution?
3. Did hard copy include images of both front and back of cheques?
4. Were there no more than 8 images (4 fronts and 4 backs) on one side of 8½ x 11 paper?
5. Were the above requirements met for the first month in which cheque images were received for each account?

Please advise the Law Society immediately by phone (John Allen or Stephanie Yakimowski @ 569-8242) if member/firm has not met or is not meeting all cheque imaging requirements.

TA-5 - 3(e)
TA-5S - 3(e) This question corresponds to question 12(u) of the TA-3 (Practice Declaration) completed by the law firm. In order to respond to this question, refer to at least one separate interest bearing bank account (SIBA) and determine if funds deposited come from the mixed trust account or from another source. The SIBA deposit may not necessarily be in the test month or period selected.

TA-5 - 3(g)
TA5S - 3(f) The purpose of this question is to determine that the member is not leaving earned funds in trust for some reason (i.e. to protect personal monies from creditors, avoid tax, etc.) The trigger for payment of funds from trust to general for purposes of this review is preparation of an invoice but a scan of client trust ledger accounts should also be done to provide a response to this question. ***If during this scan all other or most other trust amounts are paid out with invoicing and payment to the firm not being completed until a later date, it would indicate that monies may be being left in trust contrary to Rule 942(4).*** If this is the case, the issue should be discussed with the firm/member to obtain an explanation and the issue ***noted*** in the TA-5 or TA-5S.

TA-5 - 3(o) and 3(q)
TA-5S - 3(n) and 3(p) The process involves the law firm outlining corrective action in a letter or letters to the Law Society. The Law Society indicates its agreement or disagreement with the action outlined. The process is concluded with a letter from the Law Society indicating the action outlined is satisfactory, however, the Law Society does not know for sure if the action described has been implemented. The requirement here is to determine if action outlined by the member/firm in the letters has actually been implemented. Please review corrective action committed to by the firm and agreed to by the Law Society and determine if the action was implemented. ***Simply examining correspondence from the Law Society stating “action taken is considered appropriate” is not sufficient to respond to these questions.***

- TA-5 - 4(a) Accounting systems currently approved by the Law Society of Saskatchewan are:
TA-5S- 4(a) - PCLaw
- ESILaw
- Legal Vision
- Thomson Elite
- TA-5 - 6(a) A scan of a sample of duplicate deposit slips and receipts (if available) should be done to respond to this question. Any items marked ~~retainer~~ should be questioned as to why the deposit is being made to the general account and not to the trust account. If an invoice cannot be located, the reason for it being deposited to the general account should be questioned and the response considered for reasonableness. If there is still some doubt, refer to the client file and/or time records to obtain some level of confidence that the work corresponding to the amount was complete when monies were deposited into the general account. Please REPORT ALL exceptions to the Law Society of Saskatchewan.
- TA-5 - 8 **(Note - No similar requirement for TA-5S)**
If the member will not permit access to client files required to respond to this question, please request the member contact the Law Society.