



Law Society  
of Saskatchewan

**Frequently Asked Questions  
Annual Report and  
Accountant's Report (TA-5 and TA-5R) Completion**

**Questions and Answers**

**This listing will be updated periodically based on inquiries by members regarding completion of Annual Report, TA-5 and TA-5R forms. Refer to Law Society of Saskatchewan website for updates.**

**A. ANNUAL REPORT**

**1. QUESTION: (#4(a))**

This question requires me to formalize the succession plan for my practice. Why is so much emphasis being placed on this issue? Is there a Rule stating that I must have a succession plan?

**ANSWER:**

The costs of a trusteeship (if required) may be the responsibility of the member's estate. If there is no succession plan and/or there has not been adequate planning done, these costs may escalate substantially and result in a greater expenditure than necessary from your estate. Also, this gives you (the member) some control over the process and how your affairs are handled rather than depending on a Law Society appointed Trustee.

Also, the average age of our membership is increasing and accordingly the potential for problems in this area is also increasing. Effective July 1, 2014, maintaining a succession plan became a requirement for all members who practice with a firm (Rule 2302).

**2. QUESTION: (#4(a))**

Why must I take my succession plan to the bank to ensure it meet's their requirements?

**ANSWER:**

This is a new requirement for 2019 and is replacing the previous suggestion of the firm having Power of Attorney in place. We have noted that the Power of Attorney and succession plan were not always sufficient for the bank's purposes which led to successors having trouble obtaining access to the bank accounts. The Law Society would have to get a court order for the successor to gain access to the accounts, which takes additional time and makes client funds inaccessible during that time. In order to ease the process, we would like members to review their agreement with a senior staff member at the bank and obtain written confirmation that the agreement is sufficient for their purposes if required to be implemented. If the agreement is not sufficient, the member should work with the bank to amend the agreement so that it is sufficient. This agreement should be reviewed with the bank on a biennial basis as the bank's requirements may change during that time.

3. **QUESTION: (#6(c)(i), 6(c)(ii) and #7(b))**

These questions refer to requirements regarding the Canadian Deposit Insurance Corporation (CDIC). I have discussed the annual reporting requirements with my bank and they were not familiar with these requirements. What is the correct procedure?

**ANSWER:**

Although annual reporting of client trust amounts has been a requirement of CDIC and the Law Society of Saskatchewan and other provinces for many years, many firms have not been meeting this requirement. Accordingly, some bank branches are not familiar with the requirements. A brief summary of these requirements along with a suggested sample reporting letter and format follows. Please keep in mind that the reporting format is the responsibility of each bank so that the format shown below should only be used if your bank cannot or will not provide a specific form or formatting requirements.

**CANADA DEPOSIT INSURANCE CORPORATION (CDIC)**

CDIC provides insurance to depositors in the event that a member financial institution is unable to meet its debt obligations. The depositor is generally covered for up to \$100,000.00. Although all financial institutions may not be CDIC insured, major banks are covered whereas credit unions have their own guarantee mechanism. Deposits with credit unions are 100% guaranteed by Credit Union Deposit Guarantee Corporation.

Law firms holding trust funds on behalf of clients must remit an annual client listing to the financial institution (except for credit unions - no report required). This is to ensure that each client is eligible for the \$100,000.00 insurance coverage. If a listing is not provided, the \$100,000.00 coverage must be shared amongst the clients within the trust bank account. The listing must be prepared as of April 30 and sent by the law firm to the financial institution by May 30 each year.

In the event that a law firm commences practice after April 30, the law firm should send the listing to the financial institution after the first trust reconciliation has been completed. Some points to remember when preparing the client listing for CDIC coverage purposes:

1. The client listing must be as of April 30, and must be remitted within 30 days of that date (by May 30).
2. The client listing should include a client number and a dollar amount. The client name is not required to be disclosed under *The CDIC Act* and cannot be disclosed under the *Code of Professional Conduct*.
3. The onus is on the law firm to remit the client listing to the financial institution.
4. The client listing is to be sent to the financial institution not the CDIC.
5. Separate interest-bearing accounts (SIBA) should also be included in the listing submitted to the financial institution as the client may be eligible for additional coverage. If the client has funds in the mixed trust bank account and in a SIBA, both deposits could qualify for the \$100,000.00 coverage. To be eligible, the law firm must demonstrate that more than one "distinct trust arrangement" exists. Otherwise, the trust funds for the client will be aggregated and coverage limited to \$100,000.00.
6. SIBA deposits with a maturity of greater than five years are not eligible for coverage under the CDIC Act.
7. U.S. dollar and all other foreign currency accounts are not eligible for coverage under the CDIC Act.

May 15 20\_\_\_\_\_

Bank of \_\_\_\_\_  
Anywhere, Saskatchewan

Dear Sirs:

**Re: Annual CDIC Report**

In accordance with CDIC reporting requirements and as set out in the Rules of the Law Society of Saskatchewan (Rule 1531), I am attaching a listing of client trust amounts on deposit with your branch as at April 30, 20\_\_\_\_\_.

If any further information is required, please contact me.

Signed \_\_\_\_\_  
Member

<b>LAW FIRM</b>		
<b>Client Trust Listing</b>		
<b>April 30, 20____</b>		
Client		Amount in Trust
#603		\$ 500.00
#894		\$ 1,000.00
#897		800.00
#901		200.00
#902		600.00
#903		400.00
#904		<u>500.00</u>
Balance Mixed Trust Account - April 30, 20____		\$ 4,000.00
Separate Interest Bearing Accounts (SIBA's)		
#894		\$ 50,000.00
#903		<u>46,000.00</u>
Total - April 30, 20____		<u>\$100,000.00</u>
Date: _____	Signed: _____	
	Member	

**4. QUESTION: (#6(c)(i), 6(c)(ii) and #7(b))**

I did not have more than \$100,000.00 in my trust account last year and I do not expect to have more than \$100,000.00 in this trust account at any time in the coming year. Must I provide the annual CDIC report to the financial institution?

**ANSWER:**

Yes. Report is required by the Rules regardless of the balance in trust. This provides coverage just in case more trust activity is experienced than anticipated.

**5. QUESTION: (#13(b))**

The form asks questions regarding cash transactions. Why?

**ANSWER:**

Rules governing cash transactions were developed by the Federation of Law Societies and adopted by Saskatchewan (Rule 1503). Questions have been included to assist members in meeting requirements as well as to ensure requirements are met.

**6. QUESTION: (#15(f))**

What is meant by "are restore procedures in place"?

**ANSWER:**

If your system should go down, does someone know exactly how to restore the information back on your computer system from the backup (i.e. has procedure been tested)?

**7. QUESTION: (#16(f))**

What is a "double entry system"?

**ANSWER:**

This is an accounting practice whereby each financial transaction is recorded as both a "debit" and a "credit" entry. Accordingly, total "debits" must equal total "credits" and the books must always be in "balance".

**8. QUESTION: (#16(q) and 16(r))**

What is meant by depositing trust monies received including trust monies received via credit card or debit card “directly and firstly” to the pooled trust account?

**ANSWER:**

All **trust** funds received (including debit and credit card receipts) must be deposited directly to a pooled trust account. They cannot be deposited to another account (i.e. the general account) and then transferred or paid over to trust, even if the transfer or payment is done immediately.

**9. QUESTION: (#16(ff))**

What is meant by the term “electronic transfer”?

**ANSWER:**

Electronic transfer includes all electronic deposit such as: wire transfers, email money transfers, etc. deposited into the trust account.

**10. QUESTION: (#17)**

Does this question refer to family members as well as regular clients of the member/firm?

**ANSWER:**

Yes. It is suggested that if it is a family member that a note to that effect explaining the relationship be included in the package and referenced to the question.

**11. QUESTION: (#18)**

Do we list **only** estate files the member is executor for?

**ANSWER:**

No. You must list all estate files whether member is executor or not.

**12. QUESTION: (#19)**

Who should be included in the definition of a “related party”?

**ANSWER:**

Related party is defined as the member’s spouse and the children, parents and siblings of the member or their spouse or any relative of the member or their spouse living under the same roof.

**15. QUESTION: (GENERAL)**

I was not aware that there was an accounting rule in regard to some questions included on the Annual Report.

**ANSWER:**

In some cases, there is no rule that pertains directly to the question. These questions have been included as “reminders” for the member and/or are based on good business practice.

**B. ACCOUNTANT’S REPORT (TA-5 or TA-5R)**

**16. QUESTION: (TA-5 - #6 and TA-5R- #4)**

In prior years, I only took my trust accounting records to my accountant for his review. Will I now have to take my general account records as well?

**ANSWER:**

Yes.

**17. QUESTION: (TA-5 - #8)**  
**(Note - No similar requirement for TA-5R)**

My accountant is in a different location from my practice and historically I have taken my accounting records to him to facilitate his completion of the Accountant's Report. Does #8 require that I transport my legal files to him for review?

**ANSWER:**

**No. Legal files must not be removed from the member's office.**

The accountant must review the files on site. If you receive a TA-5, a site visit by the accountant is required unless a written exemption from the Law Society is received.

**18. QUESTION: (TA-5R #5 and TA-5 - #8(d))**  
**(Note: Questions are different but similar between the TA-5 and the TA-5R forms)**

To respond to the TA-5R question #5, please determine through discussion with the member/firm if a system to identify and verify the identification of all clients (not just real estate clients) is in place. It is not necessary to examine any files to verify if the system described to you by the member/firm is actually in use.

To respond to the TA-5 question #8(d) however, please perform the above step and also review each client file selected for an indication that a reliable identification and verification (where required) process is actually being followed for all types of files. It is not a requirement to verify the accuracy or adequacy of the system, only to verify that there appears to be a system in place.