Preparing for a SPOT AUDIT

CHAIR

Rimpal Hinduja
Supervisor, Spot Audit
The Law Society of Upper Canada

January 10, 2017

cpd Continuing Professional Development

Continuing
Professional
Development

PREPARING FOR A SPOT AUDIT

Chair: **Rimpal Hinduja, Supervisor, Spot Audit,**
Law Society of Upper Canada

January 10, 2017
12:00 p.m. to 1:30 p.m.
Total CPD Hours = 1 h 30 m Professionalism Ⓟ

Don Lamont Learning Centre
130 Queen St West
Toronto

Webcast Only

SKU CLE17-00102

APPROVED FOR

LawPRO®

RISK MANAGEMENT
CREDIT

Agenda

12:00 p.m. – 12:02 p.m.   **Welcome and Opening Remarks**

12:02 p.m. – 12:20 p.m.   **How do you prepare for a spot audit?**

12:20 p.m. – 12:38 p.m.   **What should you expect during the audit process?**

12:38 p.m. – 12:48 p.m. **Question and Answer**

12:48 p.m. – 1:06 p.m. **What are the common accounting and bookkeeping deficiencies?**

1:06 p.m. – 1:24 p.m. **How you can resolve common accounting and bookkeeping deficiencies and manage your books and records more effectively**

1:24 p.m. - 1:30 p.m. **Question and Answer**

1:30 p.m. **Program Ends**

This program qualifies for the 2018 LAWPRO Risk Management Credit

What is the LAWPRO Risk Management credit program?

The LAWPRO Risk Management Credit program pays you to participate in certain CPD programs. For every LAWPRO-approved program you take between September 16, 2016 and September 15, 2017, you will be entitled to a $50 premium reduction on your **2018 insurance premium** (to a maximum of $100 per lawyer). Completing 3 new modules of the Online COACHING Centre or one Members Assistance Program e-Course from Homewood Health also qualifies for the credit.** Access the OCC at www.practicepro.ca/occ and Homewood Health at www.myassistplan.com

Why has LAWPRO created the Risk Management Credit?

LAWPRO believes it is critical for lawyers to incorporate risk management strategies into their practices, and that the use of risk management tools and strategies will help reduce claims. Programs that include a risk management component and have been approved by LAWPRO are eligible for the credit.

How do I qualify for the LAWPRO Risk Management Credit?

Attendance at a qualifying CPD program will NOT automatically generate the LAWPRO Risk Management Credit. To receive the credit on your 2018 invoice, you must complete the online Declaration Form.

STEP 1:	STEP 2:
• Attend an approved program in person or via webcast; and/or • Self-study a past approved program; and/or • Complete 3 new modules on the Online COACHING Centre* and/or • Completing a Homewood Health e-Course*	Complete the online Declaration form at www.lawpro.ca/RMdec by Sept. 15, 2017. The credit will automatically appear on your 2018 invoice.

You are eligible for the Risk Management Credit if you chair or speak at a qualifying program provided you attend the entire program. You can claim credit for an approved program on an archived webcast, CD-ROM, audio tape or video replay, provided you watch or listen to the entire program and have a copy of the program materials. In this case, you should claim credit for a self-study review on the CPD declaration form.

Where can I access a list of qualifying programs?

See a list of approved programs at www.lawpro.ca/RMcreditlist

Whom do I contact for more information?

Contact practicePRO by e-mail: practicepro@lawpro.ca or call 416-598-5899 or 1-800-410-1013.

*Three modules of the Online Coaching Centre courses can be redeemed for one $50 credit once per year. In addition, one Homewood Health e-Course is eligible for the credit on a yearly basis.

LawPRO ®
Lawyers' Professional Indemnity Company

Rimpal Hinduja
Supervisor, Spot Audit Program

Rimpal is a CPA, CGA, joined the Law Society in the Spot Audit department in 2001 as a Spot Auditor. He has been with the department for over 15 years and has conducted hundreds of audits throughout the entire province in which he reviews the Membership's books and records, private mortgage files and estate files. In this capacity, Rimpal provided measures to guide and teach the Membership on how to comply with our By-Laws and Rules of Professional Conduct. In January of 2014 Rimpal accepted the position of supervisor in the Spot Audit Department in which he manages a team of auditors. Additionally, Rimpal continues to conduct some audits in Northern Ontario.

LAW SOCIETY OF UPPER CANADA SPOT AUDIT PROGRAM PRESENTATION – JANUARY 10, 2017

Rimpal Hinduja, CPA, CGA
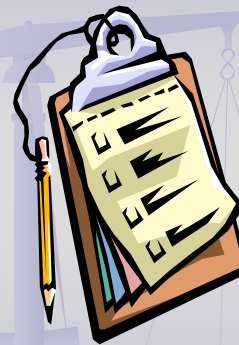Supervisor - Spot Audit Program

The Law Society of Upper Canada

Barreau du Haut-Canada

Objectives of this Session

1. Overview of Spot Audit Program

2. Identify common financial record-keeping problems & causes

Authority

- Section 49.2 of the Law Society Act

- Frequency – every 5 to 10 years – applies to ALL firms large and small

Overall goal: Assess compliance with By-laws and Rules of Professional Conduct and to educate practitioners on those requirements

Specific Areas of Focus

- By-Law 9 – Financial Records, Handling of Cash and Client Property

- Rule 3.4 - Avoidance of conflicts of interest:
  - 3.4-12 - acting for borrower and lender
  - 3.4-16 - Two Lawyer Rule for real estate transactions
  - 3.4-5 to 3.4-9 - the Joint Retainer rule

- By-Law 7.1
  - assignment of tasks to non-lawyers (re: Teranet USB)
  - Compliance with Client ID/Verification Requirements

Specific Areas of Focus

- Rule 6.1 - electronic registration of title documents

- By-Law 8 – consistency of information reported in the Lawyer's Annual Report

- By-Law 6 - LawPRO transaction levies

What is required from you?

1. Production of all financial records required under By-Law 9 section 18

2. Review of :
   - Trust reconciliations, bank statements trust listings
   - List of Private Mortgage files where you acted for lender
   - List of Estate/POA files
   - LPIC transaction levy filings/confirmation of payment

Period of Review

- Primarily 12 months from the date of contact for all financial records

Plus

- Review of records to support reporting on Lawyer's Annual Report (financial information, private mortgages, estates and POAs

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What happens after the audit is complete?

1. Audit Report to Licensees – Findings & Recommendations

2. Review and Disposition:

   - Close - Little or no findings
   - Letter and Close – Issues not significant, not noted during audit or unclear
   - Monitoring – Issues need to be cleared before close
   - Re-audit – Significant number of books and records issues
   - Escalation/Referral – Significant conduct issues identified

HOW TO REDUCE AUDIT DEFICIENCIES

1. Maintain adequate source documents
2. Maintain complete Journals and Ledgers
3. Back Up Data / Print Hardcopies / Offsite Storage
4. Records are to be posted to current
5. Implement signing authority /access controls
6. Reconcile ALL trust accounts
7. Inactive trust balances and stale dated cheques → Properly Identified w/ plan of action to avoid Unclaimed Trust Funds
8. Disburse trust funds once services performed and fee bill delivered

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Resources

- Law Society of Upper Canada:
  - http://www.lsuc.on.ca/
  - 416-947-3300

- Guide to Opening Your Practice for Lawyers:
  - http://www.lsuc.on.ca/with.aspx?id=2147499495

- Bookkeeping Guide for Lawyers:
  - http://www.lsuc.on.ca/with.aspx?id=2147499736

- How to Open and Operate a Trust Account:
  - http://rc.lsuc.on.ca/jsp/ht/openOperateTrustAccounts.jsp

- How to Reconcile a Trust Account:
  - http://rc.lsuc.on.ca/jsp/ht/reconcileYourTrustBankAccount.jsp

Resource Documents

Rules of Professional Conduct

By-Laws

Practice Management Guidelines

Bookkeeping

Fees and Disbursements

Harmonized Sales Tax (HST)

Cash and Money Laundering

Private Mortgages

Trust Accounts

Overdue Accounts and Collections

[LAW FIRM NAME]

VERIFICATION OF IDENTITY
(*For use where the client or the third party is an individual*)

Name: _____

Address: _____

Phone No: _____

Business Address: _____

Business Phone No: _____

Occupation(s) _____

Original Document Reviewed – Copy Attached

- ❑ Driver's Licence
- ❑ Birth Certificate
- ❑ Passport
- ❑ Other (specify type)

Meeting Date Identity Verified: _____

Identity Verified By: _____

Date File Reviewed by Lawyer: _____

Name of Lawyer: _____

[LAW FIRM NAME]

VERIFICATION OF IDENTITY
(*For use where the client or the third party is an organization*)

Name: _____

Business Address: _____

Business Phone No: _____

Incorporation or
Business Identification No: _____

Place of Issue of No: _____

Type of Business or
Activity: _____

Person Authorized to Instruct

Name: _____

Position: _____

Phone No: _____

Original Document Reviewed – Copy Attached

- ❑ Driver's Licence
- ❑ Birth Certificate
- ❑ Passport
- ❑ Other (specify type)

Names and Occupation(s) of Directors

_____

_____

_____

_____

Names, Addresses   and Occupation(s) of Owners or Shareholders owning a 25% interest or more of the organization or shares in the organization

_____

_____

_____

_____

Original Document Reviewed – Copy Attached

❑ Certificate of Corporate Status

❑ Annual Filings of the Organization (specify type)

❑ Partnership Agreement

❑ Trust Agreement

❑ Articles of Association

❑ Other (specify type)

Meeting Date Identity Verified: _____

Identity Verified By: _____

Date File Reviewed by Lawyer: _____

Name of Lawyer: _____