

LAW SOCIETY OF UPPER CANADA SPOT AUDIT PROGRAM

HOW TO PREPARE FOR A SPOT AUDIT

Rimpal Hinduja, CPA, CGA
Supervisor - Spot Audit Program

Deborah Loh, CPA, CA, MAcc
Auditor – Spot Audit Program



The Law Society of
Upper Canada

Barreau
du Haut-Canada

Objectives of this Session

1. Overview of Spot Audit Program
2. Tips for getting ready for a Spot Audit





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

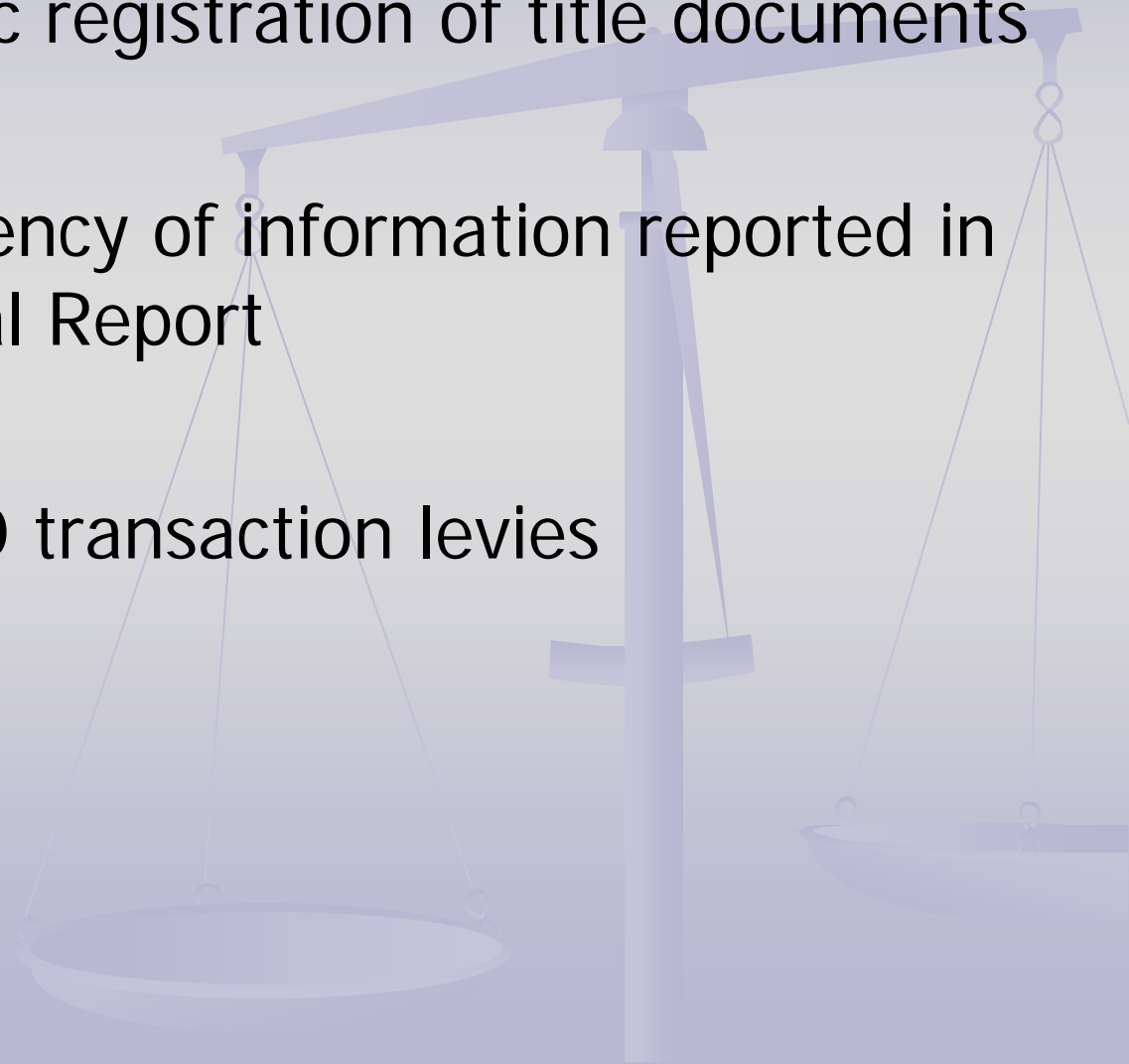
Specific Areas of Focus



- 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

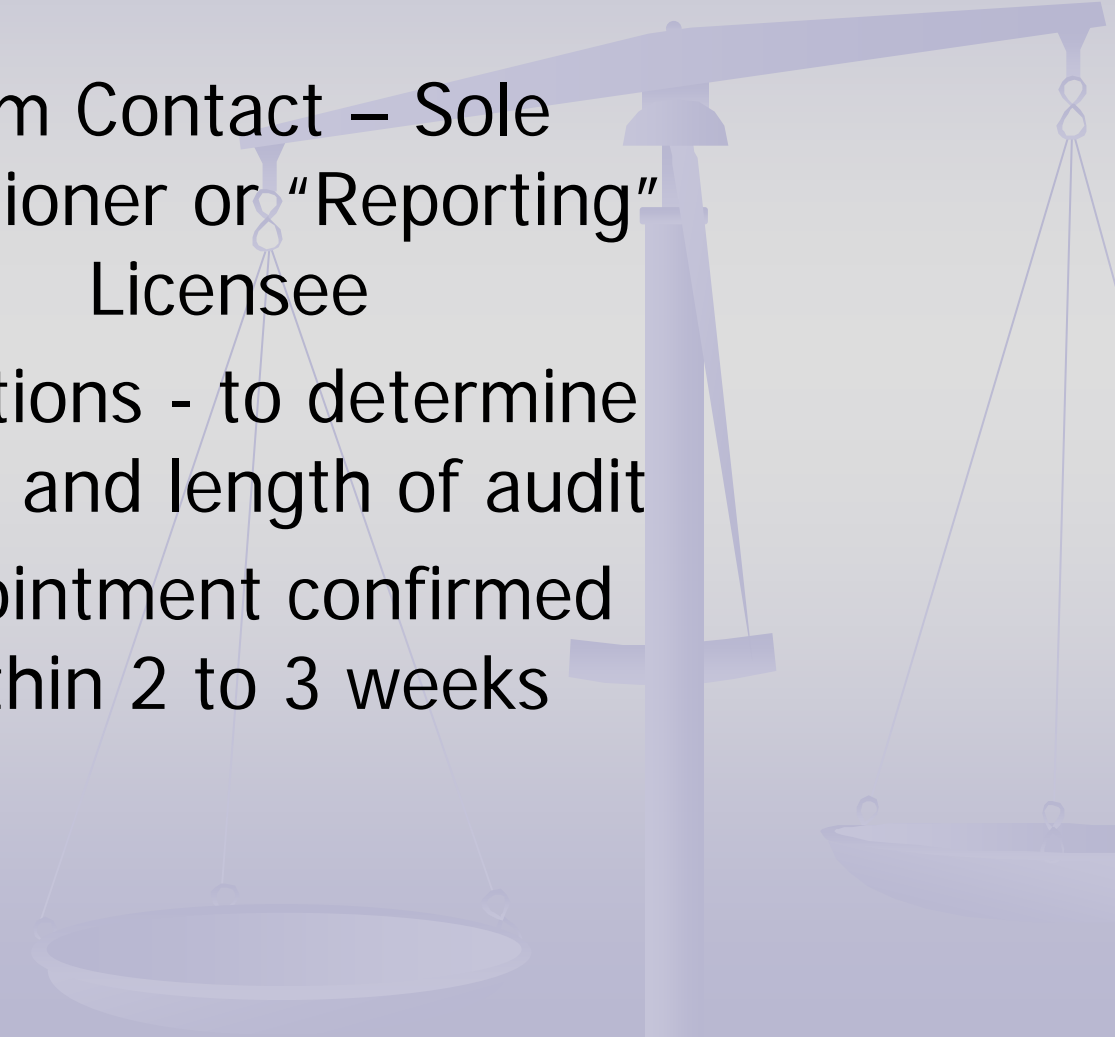


How are firms selected?

- Random
- Newly Formed Law Practice
- Re-Audits
- Referrals from other LSUC departments (Professional Regulation, Practice Review)
- Lawyer Annual Report (LAR) indicators (Other Items of Concern)



How you are notified

- Firm Contact – Sole Practitioner or “Reporting” Licensee
 - Questions - to determine scope and length of audit
 - Appointment confirmed within 2 to 3 weeks
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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)

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

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>

