



Compliance Audit

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Frequently Asked Questions

The Compliance Audit Program is a proactive process that is designed to be a more effective means by which the Law Society can fulfill its duty to ensure compliance with the trust accounting rules. It allows the Law Society to detect problems with trust reporting and to identify serious misconduct related to financial matters. In addition to the compliance audit, the Law Society's auditor will be available to answer any questions lawyers and their staff may have about trust accounting.

1. What is a compliance audit?

A "compliance audit" is defined in Rule 3-53 as "an examination of a lawyer's books, records and accounts and the answering of questions by lawyers." Rule 3-85 authorizes the Law Society to perform the audit. A primary goal of the compliance audit is to provide on-site guidance to help law firms correct minor problems with record-keeping before they lead to serious issues of non-compliance and possible professional conduct issues.

2. Why was I selected for a compliance audit?

All law firms in BC that handle trust funds will be subject to a compliance audit to ensure their books, records and accounts comply with the requirements of the *Legal Profession Act*, the Law Society Rules and the *Code of Professional Conduct for British Columbia* (the *BC Code*). The goal is to audit each firm at least once every six years.

The audits are generally selected at random. Some indicators may, however, trigger an audit. Some examples are:

- failure to file a trust report;
- information on a trust report that indicates non-compliance with the trust accounting rules and procedures;
- referral from other departments of the Law Society; and
- inadequacies that were identified during a previous compliance audit

3. Who will conduct the audit?

An auditor from the Trust Assurance department at the Law Society will normally conduct the audit at your premises. If your firm has a large volume of trust transactions, we may send more than one auditor.

4. How long will the audit take?

Depending on the complexity of the law practice we are anticipating between 3-5 days. A practice with very few trust transactions may take less than three days. If you have a scheduling conflict with the date specified in the letter, you will need to inform the auditor immediately upon receiving the letter.

The audit may be rescheduled if enough notice is provided, but it will not be cancelled. If you must reschedule your audit, please contact the assigned auditor as indicated in the last paragraph of your introduction letter.

5. How do I prepare for the audit?

To ensure minimal disruption to your practice, please have all records set aside for the auditor's arrival on the first day of the audit. *The Compliance Audit Books & Records Checklist*, included with your introduction letter, lists the records that must be provided. The auditor will also be requesting a sample of client files to review while onsite.

We will normally work from 9:00 am to 5:00 pm but we can adjust our working hours to suit your office arrangements. We ask that you set aside an adequate work space with access to an electrical outlet for the auditor. If adequate space is not available at your practice, please contact the auditor to discuss the option of delivering your records to the Law Society for an in-office audit.

6. Do I need to have my bookkeeper or external accountant present?

In most cases, we will require the individual responsible for preparing the books and records, most commonly the bookkeeper, to be available to answer our questions. You need not ask your external accountant (i.e. the preparer of your Section C: Accountant's Report) to be present.

7. Do you need access to my computer system?

No, we do not access your accounting records through your computer system. In order to ensure the integrity of your system, we may ask for copies or printouts of specific accounting records. (Refer to the *Compliance Audit Books & Records Checklist*). *Each of our auditors is equipped with a laptop to use during the audit.*

8. Will you advise me what you find?

A review of the findings and recommendations will be discussed with you at the conclusion of the audit and you will receive a copy of the preliminary summary report during our review. In addition, the final summary report and a results letter will be sent to you outlining our findings. The results letter may ask for a written response with information and/or confirmation that steps have been taken to ensure compliance with specific rules. If the deficiencies in the trust accounting records are serious, we will arrange a follow-up visit to ensure corrections to the records have been made and procedures have been put in place so that these errors do not happen in the future.

9. Do I still need to file a trust report after the audit is completed?

Yes, a trust report will still need to be filed every 12 months, regardless of a compliance audit. A filing notice with instructions will be sent to you at your year-end. Your filing notice will advise whether you are required to file a Self Report or an Accountant's Report for that year.

10. Will I have to pay for this compliance audit?

No, the Compliance Audit Program is funded by the Trust Administration Fee and as such, is at no cost to lawyers.

Further Questions?

Contact the Trust Assurance Department at: trustaccounting@lsbc.org or call 604.697.5810, Toll Free in BC: 1.800.903.5300 (ext. 5810)