
Law Office Accounting in Alberta

(Updated November 2017)

- Lawyers' accounting obligations derive from the Legal Profession Act, the Rules of the Law Society and the Code of Conduct.
- The Law Society Rules apply to all aspects of trust accounting; they also apply to many aspects of General Ledger (GL) accounting.
- The accounting rules are found in Part 5 of the Law Society of Alberta Rules. The full rules can be accessed on the Law Society web-site at <https://www.lawsociety.ab.ca/regulation/act-code-and-rules/>
- The Law Society conducts spot audits; it also conducts investigations where there is reason for concern about how a lawyer or firm is carrying out its accounting. The most common audit exceptions are listed in Schedule 11.
- A law firm shall, before commencing the carrying on of its law practice in Alberta, obtain and at all times thereafter maintain, the following approvals (subrule 119.1):
 - Designation of a responsible lawyer; and
 - Authorization to maintain a trust account.
 - The rules governing the designation of a responsible lawyer are contained within subrules 119.3 through 119.7.
 - The rules governing authorization to maintain a trust account are contained with subrules 119.8 through 119.10
- The first step is to complete the [Application to Designate a Responsible Lawyer and/or Operate a Trust Account](#), which is completed by the lawyer who will be designated as the firm's Responsible Lawyer. Once the application has been approved, with or without conditions, the law firm can then establish a trust bank account.

Note: A law firm only needs a trust bank account if it is receiving or disbursing client trust funds. A lawyer who provides legal advice to clients but does not request a retainer from the client and instead bills the client at the conclusion of the matter may not need a trust bank account. In these cases, the lawyer must file an [Application for Exemption](#) from operating a trust bank account. Once approved, the law firm must then submit annually a [Law Firm Self-Report](#) within three months of the Designated Filing Date.

- When you open a new practice you must, within four months of being approved to operate a trust account, retain an accountant to complete a Start Up Report and provide a copy to the Executive Director. The form must include a designated filing date for the law firm. [Subrule 119.30(1) & (2)].

[Return to Top](#)

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- A law firm must, annually and within three months after the Designated Filing Date, provide to the Executive Director a completed Law Firm Self-Report and provide a copy of it to the law firm's accountant.
 - A law firm must, annually and within four months after the designated filing date of the law firm, have the law firm's prescribed financial records reviewed by an accountant, and cause an Accountant's Report to be completed by an accountant and filed with the Executive Director by the accountant responsible for the review. [119.30(4)]
 - A law firm is not required to comply with subrule 119.30(4) if the law firm uses approved accounting software, and the law firm submits automated data to the Executive Director within 1 month after the designated filing date of the law firm. Refer to the Law Society website for a list of approved accounting software. [Subrule 119.30(5)]
 - The forms mentioned above are available on the Law Society website ([Accountant's Report](#))
 - A law firm is required to maintain all of its prescribed financial records at its offices in Alberta unless exempted by the Executive Director (Subrule 119.35). This means that none of the prescribed financial records (journals, client ledgers, bank source documents, etc. may be removed from the law office location).
 - Independent practitioners who practice from the same premises and share a letterhead can share a trust and/or a general account as if they were a law firm for purposes of the accounting rules (Rule 119(1)(f.1)).
 - All accounting records and supporting information must be [(119.37(1))]:
 - Maintained in a safe and secure location
 - Maintained at its principle place of practice in Alberta for its most recent 2-years of financial records
 - Upon completion and closing of a client file, a copy of the client ledger placed on the client file
 - Retained for at least the 10 year period following the fiscal year in which the records came into existence.
 - Undisbursable funds (whereby you cannot locate the client) can be turned over to the Law Society, but only after all reasonable efforts have been made to locate the client. To remit undisbursable funds to the Law Society, an application must be made in:
 - A short form application as designated by the Executive Director, if the subject amount is under \$50, or
 - A long form application as designated by the Executive Director, if the subject amount is \$50 or more.
 - These forms are available on the Law Society web-site.

[Return to Top](#)

Help is available. The Law Society's Trust Safety Department is available to answer questions

on the Law Society Rules relating to accounting and the accounting procedures. The Practice Advisors and practice management consultants can provide confidential assistance on any matter relating to your practice.

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[Return to Top](#)