The Law Society of Manitoba
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Monthly Restricted Trust Account Reconciliation Review Checklist

As a Trust Account Supervisor, you are responsible for the restricted trust account. Even if you have delegated preparation of the monthly trust account reconciliations to support staff or an external accountant, you still have **ultimate responsibility** for the operation and management of the restricted trust account. At a minimum, you must ensure the reconciliation has been prepared on time, as well as review the reconciliation and related documents to ensure all Law Society Rules and requirements have been met.

The Law Society has developed the below checklist to assist you in complying with your professional obligations for monthly restricted trust account management.[1] At a minimum, you should perform or confirm the following:

Month _____

Account # _____

1. Has the reconciliation been completed prior to the last day of the subsequent month? (e.g. the May reconciliation must be completed before June 30) Yes ☐ No ☐

2. Confirm all necessary components have been prepared.

   The reconciliation process should result in the production of a three-way reconciliation, often using a **cover sheet** to demonstrate a comparison of three balances, found on three separate reports ("supporting reports") as follows:

   - **Book of original entry** [2] – A chronological detailed list, maintained on a current basis, of all transactions in and out of the pooled trust account for the month.
   - **Bank reconciliation –** A report that starts with the ending balance from monthly bank statement, less any outstanding cheques and plus any outstanding deposits, with any other differences such as bank errors noted, to produce the reconciled bank balance.
   - **Client trust listing** – A list of the balances at the end of the period for all client trust ledgers.

   a) Has a three-way reconciliation ("cover sheet") been produced? Yes ☐ No ☐

   b) Are all three supporting reports with the cover sheet? Yes ☐ No ☐

   c) Are all reports, including the cheque images that accompany the bank statement, in paper or printed form, or saved in a "Universally Readable Format" if retained in electronic storage? Yes ☐ No ☐

[1] There are different checklists available for pooled, restricted, and specific trust investment accounts.
[2] A book of original entry may go by other names in various accounting software programs.

3. Compare the ending balances on each supporting report with the cover sheet. Are they all the same? Yes ☐ No ☐

4. Has the ending balance on the bank statement been recorded correctly on the bank reconciliation? *(Hint: they should be the same number)* Yes ☐ No ☐

5. Look at the bank reconciliation. Is each reconciling item:

   a) Documented with full details? [3] Yes ☐ No ☐

   b) Already resolved or being addressed? [4] Yes ☐ No ☐

6. Look at the book of original entry. Yes ☐ No ☐
   a) Does it include the form of receipt? [5]

   b) Are eRegistration withdrawals being recorded based on the Teranet Confirmation Number? Yes ☐ No ☐

   c) Did all receipts originate from the pooled trust account? Yes ☐ No ☐

7. Look at the client trust listing report.

   a) Are there any overdrawn matters? Yes ☐ No ☐
   If so, have they all been corrected? Yes ☐ No ☐

   b) Are there any matters with no trust activity for an unreasonable length of time ("inactive matters")? [6] Yes ☐ No ☐
   If so, have you initiated follow up? Yes ☐ No ☐

8. Look at the bank statement.

   a) Are there any unauthorized withdrawals, bank fees, etc.? Yes ☐ No ☐

   b) Have they already been corrected or arrangements been made to have them corrected forthwith? Yes ☐ No ☐

[3] Full documentation for each reconciling item will vary based on the nature of the item (e.g. outstanding cheques should list each cheque number, payee, file or matter number, dollar amount, and date of issue; bank errors should fully describe each error and include the related date; outstanding deposits should list date, file or matter number and amount).

[4] Each reconciling item should be reviewed to ensure those that require action are addressed in a timely fashion to investigate and/or correct the difference(s). See the Trust Accounting Fundamentals education materials regarding "Reconciling Items" in the "Monthly Trust Reconciliations" section for further details.

[5] "Form" of receipt is the form in which the money deposited to the account has been received (e.g. cheque).

[6] What is unreasonable for a restricted trust account will depend if the eRegistration is completed yet or not. If it is not yet completed and still planned, the money can remain in the restricted trust account. If the related conveyancing is no longer to be completed or the eRegistration is complete, any related excess money in the restricted trust account is to be returned forthwith to the pooled trust account. (Rule 5-47(2)).

c) Review the cheques attached to the bank statement. [7] Are all cheques reasonable? [8] Yes ☐ No ☐

d) For transactions in accordance with Practice Direction 03-02 [9], has the supporting documentation been filed with the monthly accounting records? Yes ☐ No ☐

9. Have you obtained satisfactory explanations for any unusual items or variances from your savings institution or support staff? Yes ☐ No ☐

10. Are eRegistration submission confirmations and eReceipts printed or saved in a "Universally Readable Format" and attached to the reconciliation? Yes ☐ No ☐

You should generally be alert to the 'unusual', based on your firm practices, as well as the experience you will have in applying these procedures over time. Contact the audit department to discuss any concerns you may have in conducting your review, or questions regarding these procedures.

If everything looks fine after the above review, sign and date the cover sheet.

You may also wish to append the completed copy of this or a similar short form checklist (See Appendix 1) to the cover sheet to document your review.

[7] If you are a sole practitioner, all cheques issued should all be familiar since you are the only one with signing authority on the restricted trust account.

[8] All withdrawals from a restricted trust account must be either electronic funds withdrawal by Teranet via pre-authorized debit, or trust cheque to the firm's pooled trust account only (unless the firm has blanket approval from the audit department for electronic funds transfer (Law Society Rule 5-41), in which case account to account transfer becomes a third option, and supporting documentation in accordance with Practice Direction 03-02 is to be kept with the accounting records).

[9] Practice Direction 03-02: Manual Wire Transfers and Electronic Funds Transfers.

Appendix 1:
Short Form Monthly Restricted Trust Account Reconciliation Checklist

1. Has the reconciliation been completed on time? Yes ☐ No ☐
2. Has a three-way reconciliation ("cover sheet") been produced? Yes ☐ No ☐
3. Are all three supporting reports with the cover sheet? Yes ☐ No ☐
4. Are all reports, incl. cheque images, in paper or printed form, or in a "Universally Readable Format" if electronic storage is being used? Yes ☐ No ☐
5. Are the ending balances on each supporting report the same as the cover sheet? Yes ☐ No ☐
6. Has the ending balance on the bank statement been recorded correctly on the bank reconciliation? Yes ☐ No ☐
7. Is each reconciling item documented with full details? Yes ☐ No ☐
8. Is each reconciling item already resolved or being addressed? Yes ☐ No ☐
9. Does the book of original entry include the form of receipt? Yes ☐ No ☐
10. Did all receipts in the book of original entry originate from the pooled trust account? Yes ☐ No ☐
11. Are all eRegistration withdrawals recorded based on the Teranet Confirmation Number? Yes ☐ No ☐
12. Are there any overdrawn matters on the client trust listing? Yes ☐ No ☐
    If so, have they all been corrected? Yes ☐ No ☐
13. Are there any inactive matters on the client trust listing? Yes ☐ No ☐
    If so, have you initiated follow up? Yes ☐ No ☐
14. Are there any unauthorized withdrawals, bank fees, etc. on the bank statement? Yes ☐ No ☐
    If so, have they all been corrected? Yes ☐ No ☐
15. Are all the cheques attached to the bank statement reasonable? Yes ☐ No ☐
16. If any transactions in accordance with Practice Direction 03-02, are supporting documents with the reconciliation? Yes ☐ No ☐
17. Have you obtained satisfactory explanations for any unusual items or variances from your savings institution or support staff? Yes ☐ No ☐

Signature	Date