



LAW SOCIETY

OF THE NORTHWEST TERRITORIES

Trust Account Reconciliation Overview

Regular reconciliation of trust account(s) is one of the most important obligations under the Law Society's trust accounting rules. **Rule 107** requires you to reconcile all trust accounts monthly.

How to perform a trust account reconciliation

The reconciliation process is a simple procedure that involves comparing all entries on the trust bank statements with the entries in your trust journal and client trust ledgers. If you have more than one trust account you must reconcile each account separately.

If you are using accounting software, there may be a reconciliation module to assist with the process described below:

- review the trust bank statement and check off all negotiated cheques, other withdrawals and receipts that have been processed that month noting any discrepancies with the entries in your trust journal
- identify any cheques that you have issued, but have not cleared the financial institution, from your trust journal
- list the outstanding cheques including cheque number, date of issue, amount, payee, and client file reference. Total the listing of outstanding cheques; these are your outstanding cheques to note on your trust account reconciliation
- identify any deposits that do not appear on the bank statement that you have recorded in your trust journal; list the outstanding deposits, by date and the amounts that are not recorded on the bank statement; these are your outstanding deposits to note on your trust account reconciliation
- investigate any transactions on your bank statement that are not in your trust journal; list any errors individually by date of occurrence and provide a detailed explanation; attach a copy of any supporting documents to your reconciliation
- enter the ending balance from the trust bank statement on your trust reconciliation form
- calculate your reconciled trust bank balance by subtracting the outstanding cheques, adding the outstanding deposits from the ending balance on the trust bank statement - *bank balance + outstanding deposits – outstanding cheques = reconciled trust account balance* – this figure should agree with the total recorded in your trust journal

- if the amounts don't agree, look for errors in your records or the bank statement such as transposed numbers (e.g. a cheque for \$197 entered by the bank as \$179) and entry errors (e.g. a client cheque for \$100 recorded as \$1000 in the trust journal); record any such errors as reconciling items and contact the bank to correct any errors on its end

Compare the reconciled trust account balance with the total client trust listing

- from the client trust ledgers, identify and list the clients for whom you hold trust funds at the month end
- list the client names, client matter number, pooled trust account balances and separate interest-bearing trust account balances, if any, for each client trust ledger with an unexpended balance at month end; this is your client trust listing
- total the client trust listing and enter the total on your trust reconciliation form; this amount should agree with the reconciled trust account balance

Action Items

All reconciling items that require action on your part must be listed on your trust reconciliation form with full details. The action needed to investigate and correct the difference must be taken in a timely fashion.

All discrepancies in the totals must be addressed even when the amounts are very small. The trust account must be reconciled to the penny.