



E-MAIL TRANSMISSION PRE-AUDIT LETTER

Attention: Licensee
Business Name

E-mail Address: Licensee's E-mail Address

Date: Date

From: Auditor

Auditor's E-mail: Auditor's E-mail Address

Direct dial: 416-947-3300 ext. xxxx or 1-800-668-7380 ext. xxxx

Spot Audit Fax #: 416-947-3485

Total # of pages: 9
(including Cover Sheet)

RE: Spot Audit #xxxxxxxx (B#xxxxxx xxx)

The Spot Audit of your firm is scheduled for **Date @ Time**.

On page 3 you will find questions regarding a list of all licensees associated with your firm and their statuses on file with the Law Society. Please respond to these questions by DDMMYY.

Please review the following pages for additional details and instructions upon receipt.

Legal information and support designed for you.

NOTICE: THIS COMMUNICATION IS INTENDED TO BE RECEIVED BY THE INDIVIDUAL OR ENTITY TO WHOM OR TO WHICH IT IS ADDRESSED. IT MAY CONTAIN INFORMATION THAT IS PRIVILEGED OR CONFIDENTIAL. ANY UNAUTHORIZED USE, COPYING, REVIEW, OR DISCLOSURE IS PROHIBITED. PLEASE NOTIFY THE SENDER IMMEDIATELY BY TELEPHONE (COLLECT, IF NECESSARY) IF YOU HAVE RECEIVED THIS COMMUNICATION IN ERROR SO THAT ARRANGEMENTS CAN BE MADE FOR ITS RETURN. THANK YOU FOR YOUR CO-OPERATION.

Spot Audit Division, Professional Development and Competence Department, Law Society of Ontario
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Spot Audit Program
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M5H 2N6

tel (416) 947-3315
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(Date)

Dear Licensee(s):

This letter introduces a member of the staff of the Law Society of Ontario who has been instructed to conduct a spot audit under the authority of section 49.2 of the *Law Society Act*, R.S.O. 1990, c.L.8 as amended. The spot audit will include an examination of books, records and client files to assess compliance with various By-Laws and Rules of Professional Conduct which, upon request, you or your staff are required to produce. Your compliance with our request for information will reduce the time required to conduct the audit and will limit any disruption to the normal course of business of your firm.

The audit of your firm is scheduled for **date. We expect the audit to last **x** days.**

We recommend that you have your bookkeeper, and/or any other individual(s) responsible for the day-to-day record keeping, attend at your office on the day of the audit.

We ask that you provide the auditor with all of the information and documents set out in the remainder of this letter (where applicable). Please be aware at what stage each item is to be presented to the auditor, **before** or at the **start** of the audit, as well as the period of review to which each item applies. *Note:* If any of the photocopy requests is onerous, please contact the auditor.

If you would like more information on the spot audit process, we suggest you review the document “*Spot Audits and You*” which provides an overview of the Spot Audit process from the selection of your firm to the closure of your file. A copy of this article can be found on the Law Society’s website (www.lso.ca) at the following link: [Spot Audits & You](#)

A copy of The Bookkeeping Guide which outlines the books and records to be maintained as required by By-Law 9 can also be found on the Law Society’s website: [Bookkeeping Guide](#)

You will also find additional resources to assist you in managing your practice on the Law Society’s website: [Practice Management Review Resource List](#)

If you have any questions concerning this letter or the Spot Audit process, please call us at (416) 947-3315 or 1-800-668-7380 ext.3315.

QUESTIONS TO BE ANSWERED PRIOR TO THE AUDIT

Please provide the Auditor with your answers to the following questions by DDMMYY

1) Please review the list below and advise the Auditor of any errors and have the applicable licensee update his/her information through the Portal on the Law Society website:

<https://www.lso.ca/>

Please note the definition of status is as follows:

A = Sole Practitioner; B = Partner; C = Employee; D = Associate

Name of firm:

Business address:

Number	Status	Last Name, First Name
78912E	1B	Smith, John
22232K	1C	Doe, Jane

FINANCIAL RECORDS

The following table outlines the books and records to be produced for the auditor's review as well as relevant photocopies to be made. Please ensure that the books, records and photocopies are ready prior to our auditor's attendance.

Books and Records to be Ready for Review for the period: X to X (one complete year) <u>(PLEASE DO NOT PHOTOCOPY)</u>	Photocopies or Printouts <u>(REQUIRED AT START OF AUDIT)</u>
Trust Receipts and Disbursement Journals	From: To:
Client Trust Ledgers	
Trust Transfer Journal	From: To: (Full Audit Period)
General Receipts and Disbursements Journals	From: To:
Fees Book and/or Chronological Billings File	
<u>All Monthly:</u> <ul style="list-style-type: none"> • Trust Bank Reconciliations (for mixed, separate, estate accounts etc.) • Original Trust Bank Statements/Confirmations * • Client Trust Listings <p>*Confirmations of all funds held in trust (GIC, Term Deposits, Passbooks, etc.)</p>	<p>December 31, 201X Current Month</p> <p>(With explanations for stale-dated trust cheques and errors, and date that outstanding deposits have been deposited.)</p>
Valuable Property Record	
Original Trust Cashed Cheques/Micro Images (including certified trust cheques)	
Trust Deposit Slips and/or ATM Receipts	
Original General Bank Statements	
Original General Cashed Cheques/Micro Images	
General Deposit Slips and/or ATM Receipts	
<u>For Electronic Transfers from Trust Bank Account(s):</u> <ul style="list-style-type: none"> • Form 9A – Electronic Trust Transfer Requisition • Printed confirmations of electronic trust transfers 	
<u>For Real Estate Transactions where Teranet Withdrawals are made from the Special Trust Account:</u> <ul style="list-style-type: none"> • Form 9B – Authorizations of Withdrawals by Teranet • Printed copies of confirmations of withdrawals by Teranet 	
Duplicate Cash Receipts Book	
Referral Fee Journal	

Other Documentation to be Available for Review	Photocopies or Printouts
Current Trust and General Cheque Books	
Client trust ledger accounts where the balance of funds is unchanged for 12 months or longer as of the audit date.	Client Trust Listing as at the audit date with detailed explanations for all inactive trust ledger account balances.
LAW PRO Real Estate and Civil Litigation Transaction Levy Ledger.	<p>1) LawPRO on line Transaction Levy Filings printout:</p> <ul style="list-style-type: none"> a) log in at http://www.lawpro.ca/ with Law Society number and password b) select “Transaction Levy Filings” tab c) select “Transaction Levy Exemption Filing” d) select “Transaction Levy Surcharge Quarterly Filing” e) print page <p>2) If you file your Transaction Levy Filings on line:</p> <ul style="list-style-type: none"> a) select E-filing History tab b) print page <p>3) If you do <u>not</u> file your Transaction Levy Filings on line:</p> <ul style="list-style-type: none"> a) i) Four most recent quarterly filings for Real Estate files <u>and</u> confirmation of payment or ii) Most recent annual exemption filing for Real Estate files b) i) Four most recent quarterly filings for Civil Litigation files <u>and</u> confirmation of payment or ii) Most recent annual exemption filing for Civil Litigation files
Teranet Electronic Activity Reports for the most recent 4 months (additional reports may be requested during the audit depending on the volume of real estate transactions).	

CLIENT FILES ARE TO BE AVAILABLE FOR REVIEW THROUGHOUT THE AUDIT PROCESS

PRIVATE MORTGAGE FILES AND PHOTOCOPIES REQUIRED

By **(date)**, please e-mail to the attention of **(auditor)** at **(e-mail address)** the information in the format of the table below as it applies to the period **January 1, 20XX** to the date of the audit.

This table is to include information concerning **all private mortgage files** (*i.e.* mortgage files that are not excepted by By-Law 9 section 24(2)(a) where you (or a lawyer in your firm) acted for or received money from the lender, including mortgages arranged through mortgage brokers and RRSPs. (Please see definitions below.)

Prior to the audit, if the number of private mortgage files exceeds 5, **the auditor will confirm with you** the private mortgage files that have been selected for review, for which photocopies are required.

Information Required BEFORE the Audit:					
File Name/Number	Mortgage Registration Date	Name of Lender/ Name of Lawyer representing Lender	Name of Borrower/ Name of Lawyer representing Borrower	Mortgage Amount	Discharge Date (if applicable)

For the morning of the audit, we ask that you have the selected private mortgage files available for review as well as **photocopies of the following documents:**

PHOTOCOPIES required <i>only for selected files</i> , at start of audit:
<ul style="list-style-type: none"> • Form 9D • Form 9E • Registered Mortgage and any Assignments • Abstract/Search confirming ownership and mortgage priority (if the title search is a lengthy registry search, please contact the auditor for direction) • Client ledger • Any client ledger(s) where funds have been transferred to or from the mortgage ledger • Registered Discharge (if applicable)

Definitions of Private Mortgages

A “private” mortgage is any mortgage *not* excepted by section 24(2) of By-Law 9. It includes funds advanced usually from an individual, a corporate client or group of clients, rather than funds advanced by a financial institution.

The following may help you to determine if the transaction is classified as a “private” mortgage:

- Do you *act* for private lenders?
- Do you receive money from private lenders?
- Do you act on mortgages *arranged* through mortgage brokers or other third parties?
- Do you act for lenders on mortgages where the lender is not a financial institution?
- Do you act for RRSP lenders?

NOTE: Mortgage loans through RRSPs are *not* loans provided by a financial institution; the lender is the plan holder.

‘Acting’ is the preparation and registration of documents pursuant to client instructions, certifying title, reporting, charging a legal fee, etc.

‘Arranging’ is being involved in the negotiations between the lender and borrower. Merely giving the name, address and telephone number of a lender to a borrower by itself does not constitute arranging a mortgage.

ESTATE AND POWER OF ATTORNEY FILES AND PHOTOCOPIES REQUIRED

By **(date)**, please e-mail to the attention of **(auditor)** at **(e-mail address)** the information in the format of the table below **along with copies of the supporting estate ledger accounts** as it applies to the period **January 1, 20XX** to the date of the audit.

Include information concerning **all** Estate and/or Power of Attorney files where you (or a lawyer in your firm) acted as Estate Trustee, Co-Estate Trustee and/or Solicitor in control of estate assets or power of attorney assets. (Please see definition of 'solicitor in control of estate assets' below.) **Please ensure that estates controlled through your mixed trust account are also included in the list provided.**

Prior to the audit, if the number of estate and power of attorney files exceeds 5, the auditor will confirm with you the files that have been selected for review, for which photocopies are required.

Information Required BEFORE the Audit:

- Estate or Power of Attorney Name/File #
- Date of Death/Date POA first exercised
- Date of Certificate of Appointment
- Name(s) of Trustee(s) or POA Attorney
- Category of Estate Beneficiaries (e.g. minors, charities, out of country, life beneficiary)
- Value of Estate at Date of Death – or when POA exercised
- Current Value of Estate/POA (assets in firm's control)
- Amount of legal fees paid to Lawyer/Law Firm to date
- Amount of executor's fees paid to Lawyer/Law Firm to date
- Amount of executor's fees paid to executor (if the Lawyer is not the executor) to date
- Type of Investments held by Estate/POA
- Individual(s) with Effective Control of Estate/POA Assets
- Role of Solicitor/Attorney in Estate/POA file
- Explanation for Estate files over 2 years old

For the morning of the audit, we ask that you have the selected estate/power of attorney files available for review as well as **photocopies of the following documents:**

PHOTOCOPIES required *only for selected files*, at **start** of audit:

- The Will and any Codicils
- Certificate of Appointment of Estate Trustee
- List of Original Assets
- Client Trust Ledger or Equivalent Record Keeping
- Support for Current Value of Assets (investment statements etc.)
- Billings for Executor Compensation and/or Legal Fees
- Calculation for Executor Compensation Claimed and/or paid

We also ask that you have cashed cheques and supporting documentation for all disbursements > \$1,000.00 *available* for review.

Definition of 'Solicitor in Control of Estate Assets'

- A solicitor is considered in control of estate assets when:
 - i) The estate trustee has delegated the collection and distribution of the estate assets to the solicitor.
 - ii) The solicitor, who is not an estate trustee, has sole signing authority over the estate assets.

- Exclusion Note:
 - i) A solicitor who acts on the sale of the deceased's real estate and transfers the net sale proceeds to the control of the estate trustee is not considered a solicitor in control of estate assets.
 - ii) A solicitor who solely provides legal services to the Estate such as applying for the Certificate of Appointment (probate of the Will) is not considered a solicitor in control of the estate assets. Also solely representing the estate in litigation matters would not be considered control of estate assets.