QLD LEGAL FINANCE

BRIEFING · TRUST ACCOUNTING

Preparing for a QLS trust account *external examination.*

How to make the annual examination a confirmation exercise rather than a reconstruction project — what the examiner tests, what to assemble, and what to do if you find a problem first.

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A smooth external examination is largely won before 31 March.

For Queensland law practices that receive or hold trust money, the annual examination should confirm a control environment that has already been operating throughout the year.

If the practice reaches March needing to rebuild reconciliations, locate missing authorities, resolve old reconciling items or reconstruct signatory history, the examination has already exposed a weakness in the underlying trust process.

> **QLF PERSPECTIVE**
> The objective is not to make the records look good for the examiner. It is to ensure they have been good all year.

1. Know the annual cycle — and which pathway applies

The examination period runs from 1 April to 31 March. QLS distinguishes between practices that held or received trust money during the period and those that did not, and the two pathways carry *different deadlines* — which is the single most common way a compliant practice ends up late.

If the practice held or received no trust money, there is still something to lodge: the Form 4 Part A law practice declaration, due by **30 April**. Section 62 of the Regulation separately exempts a practice whose only trust money in the period was transit money or money in a PEXA source account.

If an external examination is required, the practice gives its appointed examiner the Form 4 — Part A, the law practice declaration, and Part B, the trust money statement — and the examiner completes **Form 5, the External Examiner's Report**, with its schedules. Form 5, the Form 4 and the schedules must reach QLS within 60 days of 31 March, that is by **30 May**. The examiner lodges; the practice remains responsible for seeing that lodgement happens on time.

Both forms are currently at Version 13, published in March 2025. QLS accepts lodgement only on the current version, and that version does not change every year — check it at the time of lodgement rather than assuming a new one has been issued.

The appointment is to an individual, not an accounting or audit firm.

> **DIRECTOR QUESTION**
> Does the practice know which annual reporting pathway applies before the period closes?

2. Confirm the examiner before the year closes

The examiner should not become an administrative issue in late March.

- Confirm the appointed examiner is still acting.
- Confirm QLS holds the correct appointment details.
- Agree the fieldwork timetable.
- Confirm the current form versions and schedules.

- Identify any known trust issues before the examiner starts.

> **RED FLAG**
> Discovering late in the process that the appointed examiner has retired, moved or is unavailable.

3. The examination file should already exist month by month

For a full examination year, the practice should already have twelve month-end control packs.

Each month should be capable of standing on its own: bank reconciliation, trust trial balance, reconciling-item schedules and evidence of principal review.

- bank reconciliation;
- trust trial balance or ledger listing;
- unpresented cheque and outstanding deposit schedules;
- unidentified deposit and other reconciling-item schedules;
- evidence of principal review.

> **QLF PERSPECTIVE**
> The annual examination pack should be assembled from completed monthly work, not created retrospectively.

4. Review the exceptions, not just the nil balance

A reconciliation can balance and still contain weak control information.

Before fieldwork, review the year for:

- aged reconciling items;
- unexplained adjustments;
- old unpresented cheques;
- unresolved outstanding deposits;
- unidentified money;
- bank entries not promptly reflected in the records;
- debit trust ledgers.

> **DIRECTOR QUESTION**
> Which month had the most unusual reconciliation items — and what caused them?

5. Understand every debit-ledger event

The current position at 31 March is not the whole story. If a trust ledger went into debit during the year, the history matters.

- when it arose;
- why it arose;
- how long it remained;
- whether a deficiency occurred;
- how it was corrected;
- what supporting records were retained;
- whether any applicable notification obligation was addressed.

> **RED FLAG**
> “There are no debit ledgers now.” The examination concerns the period, not only the closing position.

6. Test trust-to-office transfers before the examiner does

Transfers for legal costs should be capable of being supported by the applicable withdrawal basis and the required record trail.

Where volumes are manageable, review the full population. Otherwise, perform a deliberate pre-examination sample.

- the bill, agreement, instruction or other supporting authority;
- any applicable request or notice;
- the amount and date;
- the corresponding trust payment record;
- the relevant ledger entry.

> **IN PRACTICE**
> Where the process requires authority or notice before withdrawal, documentation created afterwards does not change the sequence of what actually occurred.

7. Receipt records should tell an uninterrupted story

Receipt control is easy to overlook until the examiner tests the sequence.

- missing receipt numbers;
- cancelled receipts;

- manual receipt books;
- out-of-sequence receipts;
- direct deposits identified later;
- differences between the date money arrived and the date the receipt was issued.

> **RED FLAG**
> “That receipt number was probably cancelled.” Probably is not evidence.

8. Reconcile authority, banking access and QLS records

The current access model should reflect the practice's intended authority structure.

Compare:

1. the practice's internal authority records;
2. the bank mandate and online banking users;
3. the relevant information notified to or held by QLS.

Look particularly for departed users, role changes, old signatories and banking access that has outlived the authority supporting it.

> **DIRECTOR QUESTION**
> Who could release a trust payment today — not who should be able to, but who actually could?

9. Do not let lower-volume trust categories escape review

General trust often dominates the accounting workload, which can leave lower-volume categories under-documented.

Where applicable, the file should cover controlled money, transit money, investment records and power money.

> **TEST**
> Can each category be traced from the original instruction through to the final transaction and balance?

10. Test the year-end housekeeping that is easy to defer

Trust account statements

Check the annual statement process, completed matters, exemptions relied upon and evidence that required statements were furnished.

Dormant balances

Review balances unchanged for more than 12 months and identify what action remains outstanding.

Record retention

Do not simply confirm that the practice has a seven-year policy. Confirm that the records can actually be produced.

> **GOOD CONTROL**
> A retention policy is useful. Retrievability is the real test.

11. If preparation finds a problem, deal with the problem

Finding an issue during preparation is not a failure of preparation. It is the point of preparation.

1. Preserve the records.
2. Establish the facts.
3. Quantify the amount and period affected.
4. Stop any affected process where appropriate.
5. Restore any deficiency appropriately where required.
6. Escalate to the principal.
7. Determine and satisfy applicable reporting obligations.
8. Brief the external examiner appropriately.
9. Address the control failure that allowed the issue to arise.

> **RED FLAG**
> Do not attempt to cure one client's deficiency by moving money from another client's trust ledger.

External examiners also have their own reporting obligations where certain breaches, irregularities or material matters come to their attention during the examination.

12. Give the examiner one coherent pack

A predictable examination file reduces unnecessary requests and makes the control environment easier to evidence.

FOLDER	CONTENTS
01 — Appointment & QLS	Examiner appointment, correspondence, authority/signatory records

FOLDER	CONTENTS
02 — Annual forms	Current Form 4 Parts A and B, the examiner's Form 5 and supporting schedules
03 — Reconciliations	April-March reconciliations, trial balances and reconciling-item schedules
04 — Bank records	ADI statements for the full period
05 — Receipts & cash books	Receipt records, cancelled receipts, receipts and payments cash books
06 — Trust-to-office	Bills, authorities, notices or requests and payment records
07 — Other trust money	Controlled money, transit money, investments and power money where applicable
08 — Trust statements	Annual/completed-matter statements and exemption evidence
09 — Exceptions	Debit ledgers, unidentified deposits, aged items, irregularity records and corrective action

A practical 60-day timetable

Around 60 days before 31 March

- Confirm the examiner, dates and QLS details.
- Confirm current forms and schedules.
- Review whether all monthly reconciliations are complete.
- Run the QLD Legal Finance 24-Point Trust Account Health Check.

Around 30 days before 31 March

- Resolve aged reconciling items and old unpresented cheques.
- Review unidentified deposits, debit-ledger history and dormant balances.
- Reconcile signatories and banking access.
- Identify missing trust statements or supporting records.

Around 14 days before 31 March

- Assemble the examination pack.
- Check bank statements, trial balances, authorities and other trust records.

- Brief the principal and accounting contact on known exceptions.

At and after 31 March

- Close the period cleanly and prepare the March reconciliation within the normal statutory period.
- Complete the relevant annual documentation.
- Respond to examiner queries promptly.
- Retain copies of correspondence and final reports.
- Confirm the required lodgement has occurred.

External examination readiness test

A principal should be able to answer Yes to each of these:

☐ Yes ☐ No ☐ Not Sure All monthly reconciliations are complete and reviewed.

☐ Yes ☐ No ☐ Not Sure Every aged reconciling item can be explained.

☐ Yes ☐ No ☐ Not Sure Any debit-ledger event during the year is documented.

☐ Yes ☐ No ☐ Not Sure Trust-to-office transfers have supporting records.

☐ Yes ☐ No ☐ Not Sure The receipt sequence is complete.

☐ Yes ☐ No ☐ Not Sure Required trust statements are up to date.

☐ Yes ☐ No ☐ Not Sure Banking access matches the practice's authority structure.

☐ Yes ☐ No ☐ Not Sure Controlled-money and other applicable records are complete.

☐ Yes ☐ No ☐ Not Sure Required retained records can be produced.

☐ Yes ☐ No ☐ Not Sure Any irregularity identified during the year was dealt with appropriately and documented.

> **READINESS RULE**
> Several No or Not Sure answers mean the practice is not ready. Fix the underlying control issue rather than simply improving the presentation of the file.

What good preparation looks like

A good examination is not one where the examiner asks no questions.

It is one where the practice can answer those questions without reconstructing history.

- The records are available.
- The reconciliation trail is clear.

- Supporting authority exists.
- Exceptions have been identified.
- Old items have owners.
- The principal understands the position.
- Where something went wrong, the practice can show what happened, what it did and what control changed afterwards.

Where QLD Legal Finance fits

QLD Legal Finance does not act as the law practice's external examiner.

QLD Legal Finance supports the trust accounting and financial-control environment the examiner will ultimately examine.

- maintaining trust accounting records during the year;
- completing monthly reconciliations and month-end reports;
- identifying and following up reconciling items;
- reviewing debit balances and exceptions;
- maintaining payment evidence and trust-to-office support;
- reviewing dormant balances and trust statements;
- keeping the examination record pack organised;
- liaising with the appointed external examiner on accounting queries.

The value is not in getting ready in March. It is in being ready because the work has been done properly every month.

Instead of:

“The examiner is coming — we need to get the trust account ready.”

the position becomes:

“The records are ready — let's give the examiner what they need.”

Important information

This guide is general information only and does not take account of the circumstances of any particular law practice. It is not legal advice and it is not an external examination.

Law practices should refer to the Legal Profession Act 2007 (Qld), the Legal Profession Regulation 2017 (Qld), current Queensland Law Society forms and current QLS guidance when determining their obligations.

Forms, administrative practices and lodgement requirements can change. Practices should confirm current QLS requirements before relying on dates or forms referred to in this resource.

Where an irregularity, deficiency or uncertainty about trust money is identified, appropriate professional advice or guidance from Queensland Law Society should be obtained.

QLD Legal Finance supports Queensland law practices with trust accounting, financial control and advisory services. It does not act as an external examiner and is not affiliated with or endorsed by Queensland Law Society.

Source basis

This draft has been prepared by reference to Queensland Law Society material supplied for the QLD Legal Finance resource project, including the QLS Trust Accounting Guide — Trust Money and Trust Accounts, current QLS external examiner guidance and the external-examination example supplied for review.

WHERE THIS CAME FROM

This guide is part of the QLD Legal Finance resource library — practical material written for the people who run Queensland law practices, not for other accountants. If something here raises a question about your own firm, write to **enquiries@qldlf.com.au** or call **07 3261 2833**. A director will answer personally.

General information only. This document is general in nature and does not take account of your firm's circumstances. It is not legal advice, income tax advice or financial product advice, and it is not a substitute for the *Legal Profession Act 2007* (Qld), the *Legal Profession Regulation 2017* (Qld) or current Queensland Law Society guidance. Rates, thresholds and lodgement dates change — confirm them before you rely on them. QLD Legal Finance Pty Ltd supports law practices with trust accounting, financial control and advisory services; it does not act as an external examiner and is not endorsed by, or affiliated with, the Queensland Law Society. Current as at September 2026.