QLD LEGAL FINANCE

QUICK ANSWER · TRUST ACCOUNTING

Before a principal signs the *trust reconciliation*.

What the review is actually for, what has to be on the statements, and the fifteen working days you have to do it in.

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The principal review should be more than a signature at the bottom of a balanced report.

Queensland Law Society's Trust Accounting Guide restates it, but the duty sits in section 44(3) of the Legal Profession Regulation 2017 (Qld): the monthly reconciliation and trust trial balance must be prepared within 15 working days after the end of the month, reviewed by a principal of the law practice and annotated in a way that evidences completion of that review.

That makes the review itself part of the control environment. The principal does not need to reperform the bookkeeping, but should be able to understand the month-end position, challenge exceptions and identify anything that requires action.

> **QLF PERSPECTIVE**
> The preparer proves the numbers reconcile. The principal review should test whether the position makes sense.

1. Confirm both reconciliations balance

The principal should first confirm that:

- the approved ADI balance reconciles to the trust account cash book;
- the trust trial balance reconciles to the trust account cash book;
- the resulting variances are nil.

If either side does not reconcile, the review should stop there until the difference is explained and corrected.

> **RED FLAG**
> The principal signs because the report says 'reconciled' without looking at the actual variance.

2. Read every reconciling item

A reconciliation may balance because valid reconciling items have been included. Those items should still be understood.

The principal should look for:

- unpresented trust cheques;
- direct deposits not yet receipted;
- outstanding deposits or receipts;
- approved ADI errors;
- other adjusting items.

> **DIRECTOR QUESTION**
> What is this item, why is it still here, and what will make it clear next month?

3. Look at the age of exceptions

An exception becomes more significant when it persists.

The principal should identify items that have carried forward from prior months and ask whether the explanation and follow-up remain adequate.

Old unpresented cheques, unidentified deposits and unresolved ADI errors should not simply roll forward because the arithmetic still balances.

> **GOOD CONTROL**
> The month-end pack should make old exceptions obvious without requiring the principal to compare several prior reports manually.

4. Scan the trust trial balance for unusual ledgers

The trust trial balance is not just a total.

The principal should scan for:

- any debit ledger event;
- dormant or stagnant balances;
- unusually large balances;
- old balances on completed or nearly completed matters;
- matter descriptions that do not explain why funds remain held.

> **RED FLAG**
> The trial balance totals correctly, but one individual ledger position is plainly unusual and nobody has commented on it.

5. Ask about anything that changed materially

The review should also consider material movements in trust during the month.

Examples may include:

- large receipts or payments;
- high-value settlements;
- unusual trust-to-office transfers;
- significant journal transfers;
- new payment methods or banking arrangements;
- one-off corrective entries.

QLF PERSPECTIVE

Material movement deserves context even when it is completely correct.

6. Check that known irregularities have been escalated

If the month included a debit ledger, suspected deficiency, unexplained payment or other irregularity, the principal should confirm that the issue has been separately investigated and that any reporting obligation has been addressed.

A monthly reconciliation should not become the place where an irregularity is quietly absorbed into a corrected balance.

DIRECTOR QUESTION

Did anything happen this month that should exist as an incident record rather than only as an accounting adjustment?

WHAT MUST BE ON THE STATEMENTS

Section 44(2) also prescribes content, not just arithmetic. Each of the two statements must show the date it was prepared, and the trial-balance statement must list every trust ledger account by name, identifying reference, balance and a short description of the matter. A statement that balances but omits those particulars is still deficient.

7. Make sure the review is evidenced

Section 44(3) of the Regulation requires the reconciliation and trust trial balance to be reviewed by a principal and annotated in a way that evidences completion of the review.

The evidence should clearly show:

- who reviewed the records;
- the date of review;
- any exceptions or questions raised;
- how those exceptions were resolved or allocated for follow-up.

A signature or electronic approval can evidence the review, but the surrounding process should also show that the review had substance.

QLF PERSPECTIVE

The strongest sign-off is one where the principal can explain what they reviewed, not merely confirm that they signed it.

The principal's month-end review test

Review point	Principal should be satisfied that
☐ 1. Bank reconciliation	ADI to cash book variance is nil
☐ 2. Ledger reconciliation	Trust trial balance to cash book variance is nil
☐ 3. Reconciling items	Every item is understood and supported
☐ 4. Ageing	Old exceptions have current action
☐ 5. Ledger scan	No unexplained debit, dormant or unusual balances
☐ 6. Irregularities	Any incident has been escalated and dealt with separately
☐ 7. Review evidence	The principal's review and follow-up are documented

What the principal should not need to do

A well-designed month-end process should not require the principal to:

- reperform the bank reconciliation;
- recalculate every ledger balance;
- search through raw bank statements for unexplained items;
- work out which exceptions are old;
- ask the preparer what every report means.

Those are preparation and presentation failures.

> **QLF PERSPECTIVE**
> The principal's time should be spent on judgement and exceptions — not reconstructing the bookkeeping.

Where QLD Legal Finance fits

QLD Legal Finance can prepare the monthly trust reconciliation, trust trial balance and supporting exception schedule so the principal receives a concise review pack rather than a collection of raw accounting reports.

The principal remains responsible for completing the required review.

The objective is to make principal oversight practical: the important issues should be visible before the signature is applied.

Important information

This guide is general information only and is not legal advice.

Law practices should refer to section 44 of the Legal Profession Regulation 2017 (Qld) and current Queensland Law Society guidance when preparing and reviewing trust reconciliations and trust trial balances.

Queensland Law Society's current Regulation requires each reconciliation and trust trial balance to be reviewed by a principal and annotated in a way that evidences completion of the review.

The principal-review test in this guide is a QLD Legal Finance operational control framework. It is not a separate statutory checklist issued by Queensland Law Society.

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

Source basis

Prepared by reference to Queensland Law Society, Trust Accounting Guide — Trust Money and Trust Accounts, Version 12, April 2024, including the sections dealing with monthly trust reconciliations and principal 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.

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