QLD LEGAL FINANCE

FIELD GUIDE · SYSTEMS & SETUP

Setting up a law firm trust account *in Queensland.*

The control architecture to get right before the first trust transaction — account, authority, access, records and the obligations that start on day one.

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QLD Legal Finance Pty Ltd

ABN 44 697 013 906 · ACN 697 013 906
PO Box 25, Bald Hills QLD 4036 · 07 3261 2833 · enquiries@qldlf.com.au · qldlf.com.au

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Opening the bank account is the easy part.

The more important task is designing the control environment that will sit around it once client money starts moving.

A new law practice has one significant advantage: there is no legacy trust process to unwind. Authority, banking access, software, payment evidence, month-end review and record retention can all be designed properly from the outset.

The aim is not to build an elaborate compliance machine. It is to create a trust accounting environment that remains intelligible, controlled and examinable as the practice grows.

> **QLF PERSPECTIVE**
> The first trust transaction should enter a system that has already been designed. It should not be the event that causes the practice to start designing one.

1. Start with the transaction profile, not the bank

Before selecting software or configuring banking, map the types of trust transactions the practice expects to encounter.

- money in advance for legal costs;
- settlement or completion funds;
- controlled money;
- transit money;
- property or estate-related trust transactions;
- other trust categories relevant to the practice's areas of work.

The purpose is not to predict every scenario. It is to make sure the accounting system, payment workflow and escalation rules are designed around the work the firm actually expects to do.

> **DIRECTOR QUESTION**
> Which anticipated transaction types fall outside the routine general-trust workflow, and who makes the classification decision when they arise?

2. Establish the account correctly — but do not confuse account opening with implementation

The general trust account must satisfy four cumulative conditions under section 33(3) of the Regulation: it is established in Queensland with an approved ADI; it is kept in Queensland; it is of a kind the Society has approved; and its name includes the practice's name or business name together with the words “law practice trust account” or “law practice trust a/c”. Note where each approval comes from — the ADI is approved by the chief executive under section 280 of the Act, while it is the *kind of account* that the Society approves. Ask the

bank to confirm the product is on the Society's approved list before opening it. The practice should separately maintain its office banking for its own money.

Those steps are foundational, but they do not by themselves create a working trust environment.

The implementation file should also capture the account-opening date, QLS notification, banking authorities, EFT approval where applicable, and supporting evidence.

> **RED FLAG**
> An ordinary business account opened first with the intention of 'sorting out the trust side later'. The account structure should be right before trust money is received.

3. Design the authority architecture before granting access

The strongest setup decision is often not who will do the bookkeeping. It is who can actually move client money.

Before banking access is granted, determine:

- who may prepare trust payments;
- who may authorise or release them;
- whether authority is sole or joint;
- who can add or amend payees;
- who has read-only access;
- what happens when the principal is unavailable;
- how access is removed when roles change.

The practice's internal authority, bank permissions and QLS records should tell the same story.

> **DIRECTOR QUESTION**
> If the principal is unavailable for two weeks, is the fallback authority model already clear — or would it be invented under pressure?

> **THE NOTICE PEOPLE MISS**
> Section 46 of the Regulation sets two duties, not one. Written notice must reach the Society either before, or within **14 days** after, an authorisation event — someone becoming, or ceasing to be, authorised to sign trust cheques or otherwise effect, direct or authorise withdrawals. Separately, during **July each year** the practice must give written notice of everyone authorised as at 1 July. That July notice is not required if the external examiner’s report for the period ending that 31 March has already been given to the Society under section 274 of the Act.

4. Separate preparation from release wherever practicable

Small practices cannot always achieve textbook segregation of duties. They can still avoid giving one person unchecked end-to-end control.

A sensible model is:

Preparation

- check the client ledger;
- assemble the supporting authority;
- verify the payment particulars;
- prepare the transaction;
- retain the evidence.

Release

- review the supporting basis;
- confirm the payee and amount;
- consider any change in bank details;
- authorise and release the payment.

> **QLF PERSPECTIVE**
>
> An outsourced finance provider can maintain the accounting and control environment without holding unrestricted authority to move client money. Processing access and payment authority are different design decisions.

5. Obtain the right EFT authority before relying on electronic banking

The fact that the bank platform can make an EFT does not mean the law practice is ready to use EFT from trust.

Where the practice intends to use EFT or relevant direct-debit platforms, obtain the required QLS authorisation and configure the banking workflow around the approved authority model.

The same setup should establish how the practice will retain the required EFT record: transaction reference, amount, payee, destination details where applicable, client, matter, ledger and purpose.

> **RED FLAG**
>
> Bank capability being treated as a substitute for trust-account authority.

6. Build payment evidence into the workflow, not after it

The payment record should be a product of the transaction process, not a document reconstructed later.

A robust workflow is:

Instruction → ledger check → bank-detail verification → preparation → authorisation → release → accounting entry → retained evidence

That sequence gives the practice an evidentiary trail that can be understood without relying on institutional memory.

> **IN PRACTICE**
> If the practice routinely has to search email after the payment to work out why it was made, the workflow is not capturing enough at the point of decision.

7. Treat changed bank details as a control event

Payment fraud risk should be designed into the trust workflow from day one.

The practice should decide in advance:

- when independent verification is mandatory;
- who performs it;
- how the recipient is contacted;
- what contact information is relied upon;
- how the verification is recorded;
- what happens where details change shortly before payment.

> **GOOD CONTROL**
> A changed BSB or account number should trigger a stronger process, not simply a data update.

8. Choose the trust system for its control capability, not its brochure

Practice management software may be selected for many reasons: matter management, time recording, billing, document workflows and client experience.

If the firm will hold trust money, the trust module deserves a separate assessment.

The system should support the required trust records and controls, including month-end reporting, audit trails, debit-ledger reporting, transaction amendment controls, ledger deletion restrictions and backups.

> **QLF PERSPECTIVE**
> The relevant question is not 'Does the software have trust accounting?' It is 'Can the system support the trust control environment this practice intends to operate?'

9. Standardise the data architecture before transactions accumulate

Poor naming conventions are easy to tolerate when the firm has ten matters and expensive to fix when it has a thousand.

Decide how the practice will record:

- client names;
- matter references;
- matter descriptions;
- trust ledger names;
- receipt purposes;
- payment descriptions;
- transaction references.

Consistency matters because these fields later appear across trust ledgers, reconciliations, statements, searches and external examination records.

> **RED FLAG**
> Multiple naming conventions for the same client or matter because each user enters descriptions differently.

10. Design the incoming-funds process before clients receive the account details

Direct deposits create one of the most common operational friction points: money arrives before the practice can identify it.

Before distributing trust banking details, decide:

- what payment reference clients should use;
- who monitors the account;
- how quickly deposits are identified;
- how unidentified money is escalated;
- what tracing enquiries are made;
- how unresolved deposits remain visible on the reconciliation.

GOOD CONTROL

A clear matter-specific payment reference is a simple upstream control that can eliminate a large amount of downstream investigation.

11. Make the first month-end close deliberate

The first reconciliation establishes the operating standard for every month that follows.

Before the first month end, allocate ownership for:

- transaction cut-off;
- bank reconciliation;
- trust trial balance;
- reconciling-item investigation;
- controlled-money review where relevant;
- principal review;
- month-end record retention.

Do not allow the first month to drift because the practice is busy establishing itself. That is exactly how a permanent backlog begins.

DIRECTOR QUESTION

On what date each month should the trust close be complete, and who is accountable if it is not?

12. Principal review should interrogate exceptions, not certify arithmetic

Principal review is most valuable when it focuses on what remains unresolved.

The review should ask:

- Are any ledgers in debit?
- What reconciling items remain?
- How old are they?
- Are there unidentified deposits?
- Were there unusual payments or journals?
- Are any access or authority changes outstanding?
- Is anything requiring escalation?

QLF PERSPECTIVE

A principal should receive a position and an exceptions list, not merely a reconciliation waiting for a signature.

13. Appoint the external examiner early enough that it is part of the system

The external examiner should be identified within the required timeframe once the trust provisions apply to the practice, with the corresponding QLS notification completed.

Record the appointment, notification date, contact details and expected annual process as part of the trust setup file.

The examiner is not part of the monthly finance function, but the annual examination is much easier when the monthly system has been designed with examinability in mind.

> **GOOD CONTROL**
> The practice should know who the examiner is before it has accumulated a year of trust records.

14. Build the evidence architecture while the file structure is still empty

Trust records have long retention periods. The best time to decide where those records live is before they exist.

Establish a consistent structure for:

- monthly reconciliations and trial balances;
- bank statements;
- receipt records;
- EFT and payment authorities;
- trust-to-office support;
- controlled-money records;
- trust statements;
- QLS notifications;
- external examination records;
- exception and irregularity records.

> **IN PRACTICE**
> A coherent record structure is much cheaper to build at commencement than to reconstruct after years of growth.

The implementation sequence

The setup can be reduced to five design stages.

STAGE	DECISION	OUTPUT
1. Transaction profile	What trust activity will the practice actually undertake?	Expected transaction map and escalation points
2. Authority architecture	Who prepares, reviews, releases and oversees?	Banking/access matrix and fallback authority
3. System design	How will transactions, ledgers and evidence be recorded?	Configured trust system and standard workflows
4. Monthly control	Who closes, reviews and resolves exceptions?	Month-end calendar and principal review process
5. Evidence & examination	Where do records live and how are they retrieved?	Record structure and external-examination readiness

First 30 days — director checklist

- ☐ Trust transaction profile mapped.
- ☐ Approved trust account established and notified as required.
- ☐ Banking and withdrawal authority structure documented.
- ☐ EFT authorisation obtained where required.
- ☐ Individual banking access and MFA configured.
- ☐ Preparation and release roles separated as far as practicable.
- ☐ Payment-record and bank-detail verification workflows tested.
- ☐ Trust software configured and control features confirmed.
- ☐ Naming and matter-reference conventions agreed.
- ☐ Incoming-funds and unidentified-deposit process established.
- ☐ First month-end close date diarised.
- ☐ Principal review process documented.
- ☐ External examiner appointment/notification addressed when applicable.
- ☐ Trust record-retention structure established.
- ☐ Signatory notice given to the Society before, or within 14 days after, each authorisation event.
- ☐ AML/CTF position determined in writing; where a designated service is provided, AUSTRAC enrolment lodged within 28 days, compliance officer appointed and the risk assessment and programme written.

AML/CTF: the obligation that started on 1 July 2026

Amendments to the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) brought legal practitioners into the regime from 1 July 2026. It is a separate regime with its own regulator, and nothing in it changes an obligation under the Legal Profession Act — but the two meet at the trust account, because the money coming into trust is the money AUSTRAC is interested in.

The trigger is the service, not the firm. Designated services include assisting in the planning or execution of a transaction to buy, sell or transfer real estate; creating or restructuring a body corporate or legal arrangement; receiving, holding, controlling or managing a person's property to help plan or execute a transaction; and acting as, or arranging for someone to act as, a director, trustee or nominee shareholder. A practice becomes a reporting entity the first time it provides one, and must enrol with AUSTRAC within **28 days** of doing so.

What follows enrolment is a programme, not a form: a governing body decision, a nominated AML/CTF compliance officer, a written AML/CTF programme with a money laundering and terrorism financing risk assessment, customer due diligence before the service is provided, ongoing monitoring, suspicious matter and threshold transaction reporting, record keeping, staff training and a periodic independent evaluation.

> **WHERE IT TOUCHES THE TRUST ACCOUNT**
>
> Customer due diligence belongs at file opening, before the money arrives; a receipt in the trust account is not the moment to start identifying the client. And the patterns the programme asks you to notice — funds from a third party with no evident connection to the matter, an overpayment followed by a request to refund to a different account, a transaction abandoned after money is received — are the same items that surface as exceptions on a trust reconciliation. Suspicious matter reporting carries a tipping-off prohibition, so how you handle one matters as much as whether you report it. Queensland Law Society publishes a practitioner checklist; start there.

Five setup failures worth avoiding

1. Treating the bank account as the project

The account is infrastructure. The control architecture is the project.

2. Granting access before designing authority

Permissions are harder to unwind once they have become operational habits.

3. Choosing software without testing the trust control model

A trust module is only useful if it supports the records and controls the practice intends to rely upon.

4. Allowing month one to run late

Backlog is usually a process design problem before it becomes a workload problem.

5. Building records around individual memory

The system should remain intelligible when staff change, the principal is absent or the examiner asks for evidence.

Where QLD Legal Finance fits

A new law practice has a rare opportunity to establish its finance and trust environment without legacy process, legacy data or inherited workarounds.

QLD Legal Finance can support the financial and operational design of that environment, including:

- trust accounting workflow design;
- monthly reconciliation and close processes;
- payment-control procedures;
- trust record structures;
- software and reporting setup support;
- principal exception reporting;
- ongoing trust accounting and financial-control support;
- external-examination readiness from the outset.

QLD Legal Finance does not replace the principal's responsibility for the law practice.

The objective is to give the principal a trust accounting environment that is structured, visible and controlled from the first transaction.

Instead of asking six months later:

“Have we set this up properly?”

the practice should be able to show, from month one, how the system is intended to work and what evidence demonstrates that it does.

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.

Law practices should refer to the Legal Profession Act 2007 (Qld), the Legal Profession Regulation 2017 (Qld), current Queensland Law Society guidance and current approved forms when establishing or operating a trust account.

Banking products, software functionality, forms and administrative requirements can change. Current requirements should be confirmed before implementation.

Where there is uncertainty about the classification or treatment of trust money, withdrawal authority, irregularities or other legal obligations, 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 and the QLS Electronic Funds Transfers — Guidelines for trust account operations.

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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