QLD LEGAL FINANCE

QUICK ANSWER · TRUST ACCOUNTING

Trust transfer journals — *when can money move between matters?*

What regulation 43 permits, who may authorise a journal transfer, and the particulars that must be recorded.

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Moving money between two trust ledgers is not an internal bookkeeping tidy-up.

Regulation 43(1)(a) of the Legal Profession Regulation 2017 (Qld) permits a journal transfer between trust ledger accounts only where the law practice is entitled to withdraw the money and pay it to the other trust ledger account.

The practical reason sits underneath the Regulation: trust money is received for an identified purpose, and moving it from one matter to another changes that purpose. Whether the client's authority is needed for a particular transfer is a question of the retainer and the general law of trusts, not of regulation 43 — and it is a legal question rather than a bookkeeping one. Where entitlement to move the money is not obvious on the file, that is the point to take advice rather than post the journal.

> **QLF PERSPECTIVE**
> A trust journal moves no money at the bank. But it can still change whose matter the money supports and what purpose it is being held for. That is why it needs the same discipline as a payment.

1. Start with entitlement — not convenience

The first question is not whether the two matters belong to the same client.

The question is whether the practice is entitled to transfer the funds from the source matter to the destination matter.

Regulation 43 does not itself impose a client-authority requirement; what it requires is that the practice be *entitled* to withdraw the money and pay it to the other ledger. In practice that entitlement usually rests on the client's authority or on the terms of the retainer, so the practical question is the same: can the practice show why it was entitled to move this money.

> **RED FLAG**
> The same client has money on Matter A and owes money on Matter B, so the practice journals it across without obtaining authority.

2. Check the purpose for which the money was originally received

Before preparing the journal, establish why the source ledger holds the funds.

Money held for a specific purpose should not be repurposed simply because another matter has a need for funds.

The ledger narrative, file instructions and original receipt should make that purpose clear.

> **CONTROL QUESTION**
> If the money was originally received for Matter A, what document authorises the practice to use it for Matter B?

3. Obtain client authority for the change of matter

The client authority should identify enough information to make the proposed transfer unambiguous.

Operationally, the record should make clear:

- the client;
- the matter the money is moving from;
- the matter the money is moving to;
- the amount;
- the reason for the transfer.

The authority should be retained with the trust journal evidence.

> **GOOD CONTROL**
> The accounting entry should never be the first document that tells the story of why the money changed matters.

4. The trust journal itself requires written authorisation

Regulation 43(2) requires the journal transfer to be authorised in writing. The list is not a menu — the alternatives below the principal apply only *if an authorised principal is not available*:

- the principal; or
- an authorised legal practitioner associate; or
- two or more authorised associates jointly.

The journal entry should therefore not be posted simply because a bookkeeper or administrator has been asked to move the balance.

> **RED FLAG**
> The finance team has system access to post journals, so trust transfers are processed without separate written authorisation.

5. Record the prescribed particulars

The trust transfer journal must contain enough information to identify both sides of the transfer and its purpose.

Regulation 43(4) prescribes the particulars the transfer must record. These are a statutory minimum, not a suggested list:

- date of transfer;
- source trust ledger and identifying reference;

- destination trust ledger and identifying reference;
- amount transferred;
- particulars sufficient to identify the purpose, matter reference and short matter description.

Journal pages or entries are also required to be consecutively numbered.

> **QLF PERSPECTIVE**
> A description such as 'transfer balance' is not good enough if it does not explain why the transfer was permitted.

6. Check both ledgers before posting

Before effecting the journal, review both ledger accounts and make certain which account the money is moving from and which it is moving to. Regulation 43(6) also requires the practice to keep particulars of the authorisation for each journal transfer — in the transfer journal or in some other way — so the authority is part of the record, not a file note.

That sounds simple, but it addresses two common risks:

- reversing the debit and credit direction; and
- transferring from the wrong client or matter ledger.

> **GOOD CONTROL**
> Prepare the journal from a verified source-and-destination pair, not from memory or a matter number typed into an email.

7. Preserve the journal as a trust record

Trust transfer journals are trust records and form part of the practice's permanent accounting trail.

QLS notes that computerised systems commonly use a trust journal requisition as the source document, accompanied by the legal practitioner's authorisation and the reason for transfer.

The complete record should therefore allow a reviewer to see both the accounting movement and the authority behind it.

> **DIRECTOR QUESTION**
> Could an external examiner understand why this money moved between matters without having to ask the person who posted the journal?

The trust-journal release test

BEFORE POSTING	CONFIRM
☐ 1. Entitlement	The practice is entitled to transfer the money
☐ 2. Client authority	Authority exists to move funds between the matters
☐ 3. Source ledger	The correct ledger and available balance have been checked
☐ 4. Destination ledger	The correct receiving matter has been verified
☐ 5. Written journal authority	The required authorised person(s) have approved the journal in writing
☐ 6. Particulars	Date, amount, both ledgers and purpose are fully recorded
☐ 7. Evidence	The authority and journal record are retained together

A common trap: same client, different purpose

A client may have several matters with the same practice. That does not make the balances interchangeable.

If $20,000 is held for a property settlement on one matter and another matter requires $3,000, the common client name does not itself authorise the practice to transfer $3,000 between the ledgers.

The purpose of the funds and the client's authority remain central.

> **QLF PERSPECTIVE**
> Same client does not mean same trust purpose.

> **WHO MAY AUTHORISE, IN FULL**
> Regulation 43(2) names more people than most internal procedures do. An **authorised principal** comes first. Only *if that principal is not available* may the authorisation come from an authorised legal practitioner associate; an authorised Australian legal practitioner who holds an unrestricted practising certificate authorising the receipt of trust money; or two or more authorised associates jointly. An external intervener for the practice may also authorise. “Authorised” has the specific meaning given by regulation 43(7).

Where QLD Legal Finance fits

QLD Legal Finance can prepare trust journal requisitions, verify the source and destination ledgers, maintain the supporting accounting record and ensure the journal is not posted until the required authority is available.

The law practice remains responsible for determining whether it is entitled to transfer the money and for obtaining the appropriate client and practitioner authority.

The objective is that every journal transfer changes a ledger because the authority changed — not merely because someone wanted the numbers moved.

Important information

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

Law practices should refer to section 43 of the Legal Profession Regulation 2017 (Qld) and current Queensland Law Society guidance when transferring trust money between trust ledger accounts.

Regulation 43 of the Legal Profession Regulation 2017 (Qld) requires the practice to be entitled to withdraw the money and pay it to the other trust ledger account, and requires the transfer to be authorised in writing by a person within the categories that regulation prescribes. Whether the client's authority is needed for a particular transfer depends on the retainer and the general law, and is a legal question for the practice.

The seven-point release 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 section dealing with trust transfer journals.

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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