QLD LEGAL FINANCE

QUICK ANSWER · TRUST ACCOUNTING

Unknown trust deposits — *what should the practice do?*

Keeping unidentified money conspicuous while you trace it, when it earns its own ledger, and why one suspense account is the wrong answer.

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An unidentified deposit is not just a nuisance on the bank reconciliation.

Until the practice knows who owns the money and why it was received, it cannot safely treat the amount as available client funds.

Queensland Law Society recognises unknown deposits as a common occurrence and sets out a practical approach: keep the amount visible while enquiries are undertaken, then, if it remains unresolved, account for it separately rather than hiding it in a general suspense balance.

> **QLF PERSPECTIVE**
> The control objective is visibility. Unknown money should remain conspicuous until its ownership and purpose are resolved.

1. Do not guess the client or matter

A payment reference may look familiar, but an assumption is not enough to allocate trust money.

Before receipting to a client ledger, the practice should have a reasonable basis for identifying:

- the remitter;
- the client;
- the matter;
- the purpose for which the money was received.

> **RED FLAG**
> Money is posted to the 'most likely' matter merely to clear the bank reconciliation.

2. Keep the deposit visible on the monthly reconciliation while enquiries continue

QLS states a preference for an unknown deposit to remain as a reconciling item while the practice undertakes enquiries with staff and clients and, where appropriate, bank tracing.

QLS indicates that this investigation period could extend for around three to four months.

The important point is that the item remains separately identifiable rather than being absorbed into another balance.

> **GOOD CONTROL**
> Every unidentified deposit should have an owner, an investigation history and a next action.

3. Investigate systematically

The investigation should create a short evidentiary trail rather than relying on informal recollection.

- Check the bank narration and remitter details.
- Compare expected deposits and recent trust requests.
- Ask the responsible lawyer and relevant staff.
- Check client communications and settlement records.
- Contact the bank for tracing information where useful.
- Record each enquiry and the outcome.

> **IN PRACTICE**
> If the same question has to be asked again next month, the investigation record was not good enough.

4. Do not issue a normal client receipt until enough information is known

QLS notes that a law practice may be unable to issue a trust receipt as soon as practicable for an unknown provider because it does not yet have the information needed to complete the receipt properly.

That is different from ignoring the money. The deposit should still be visible and actively investigated.

> **CONTROL QUESTION**
> Can the practice distinguish between 'unreceipted because unknown' and 'unreceipted because nobody noticed it'?

5. If it remains unresolved, create a separate individual trust ledger

QLS says that after the investigation period — which it puts at around three to four months — an unresolved deposit may be receipted to its own individual trust ledger account, opened **in the name of the law practice** rather than in the name of any client. That matters: the practice is not asserting that the money belongs to anyone in particular, and the ledger name should not imply that it does.

The account should use a description such as:

Unidentified Deposit/Funds received [date/details]

The description should preserve the date the funds arrived and any available identifying information associated with the deposit.

6. Do not use one generic suspense ledger for multiple unknown deposits

QLS specifically states that each unknown deposit represents a separate transaction for an unknown client.

Accordingly, unidentified deposits should not be accumulated in an amalgamated suspense or unknown-deposits ledger.

RED FLAG

A single 'suspense' trust ledger contains several unrelated unidentified deposits and nobody can readily trace an individual amount.

7. Keep investigating after the accounting entry is created

Moving an unresolved amount from the reconciliation into an individual unidentified-funds ledger is an accounting treatment. It does not resolve beneficial ownership.

The practice should continue to review the balance and maintain evidence of tracing activity until the money can be dealt with appropriately — which, if the owner is never found, means the statutory route set out below rather than an indefinite balance.

QLF PERSPECTIVE

Moving an item off the reconciliation should never mean moving it out of management attention.

The endpoint: the return to the Public Trustee

Tracing does not go on forever, and the point at which it stops is fixed by statute rather than by judgement. Under sections 258(1)(c) and 713 of the Act, if on **1 April** in any year the practice holds trust money for a person who has been absolutely entitled to it for the preceding twelve months and who is not known to, or cannot be found by, the practice — which is precisely the position an unidentified deposit reaches if enquiries fail — the practice must lodge a return with the Public Trustee by **1 June** in that year. The same obligation applies where the practice has been unable for two years to determine who is legally entitled, considers legal proceedings would be needed to resolve it, and nobody has started them.

The return is signed by a principal or legal practitioner director and sets out full details of the money, any lien the practice claims, and the reasons the money is still held. The maximum penalty is 50 penalty units.

WHY THE INVESTIGATION RECORD MATTERS LATER

The return has to explain why the money is still held. A practice that kept an enquiry trail can answer that in a paragraph. A practice that moved the item to an unidentified-funds ledger and stopped looking has to reconstruct two years of nothing.

The unknown-deposit control sequence

STEP	CONTROL
☐ 1. Detect	Identify the unexplained bank credit promptly
☐ 2. Preserve visibility	Leave it as a separate reconciling item
☐ 3. Investigate	Check staff, client and bank information
☐ 4. Record	Keep an enquiry trail and next action
☐ 5. Escalate if unresolved	Create a separate individual unidentified-funds ledger where appropriate
☐ 6. Do not amalgamate	Keep each unknown transaction separately identifiable
☐ 7. Continue review	Do not treat the ledger entry as resolution of ownership

What should the principal see at month end?

Unidentified money should be an exception item, not a footnote buried in the reconciliation.

A useful month-end view should show:

- amount;
- date received;
- bank narration or remitter information;
- age;
- investigation completed;
- next action;
- person responsible.

DIRECTOR QUESTION

What is the oldest unidentified deposit, and what has actually been done since last month to resolve it?

THE COMPANION GUIDE

This guide covers money the practice cannot identify. Where the deposit *can* be identified, the receipting, cleared-funds and timing questions are covered in *A client pays money directly into trust — what happens next?*, which sits alongside this one in the library.

Where QLD Legal Finance fits

QLD Legal Finance can monitor trust-bank activity, identify unexplained deposits, maintain the reconciliation trail, document tracing enquiries and keep unresolved amounts visible until they can be properly allocated or otherwise dealt with.

The aim is not to make the reconciliation look cleaner. It is to make sure unknown money never becomes invisible money.

Important information

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

Law practices should refer to the Legal Profession Act 2007 (Qld), the Legal Profession Regulation 2017 (Qld) and current Queensland Law Society guidance when dealing with unidentified trust money.

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

Where the practice remains unable to identify the owner or determine the correct legal treatment of trust money, appropriate professional advice or Queensland Law Society guidance should be obtained.

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 unknown deposits.

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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