

# Alternative to Random Spot Audit

## • Information and Election Form

### SPOT AUDITS

Section 49.2(1) of the *Law Society Act* provides that the Secretary may require a spot audit to be conducted of the financial records of a member or firm to determine whether the records comply with the Law Society By-Laws. These “spot audits” are designed to measure the integrity of law firm financial filing, assess ongoing compliance with financial record-keeping requirements and identify misconduct related to financial matters. A primary goal of the spot audit is to provide on-site guidance aimed at helping the member or firm correct deficiencies before they lead to more serious non-compliance issues.

Although referred to as a spot “audit”, a spot audit involves the application of compliance procedures, and does not constitute an audit conducted in accordance with generally accepted auditing standards.

The majority of spot audits are selected at random, with the expectation that each member or firm will be subject to a spot audit once every five years. However,

the Law Society may choose to conduct a spot audit for any reason, including but not limited to:

- failure to file the Member’s Annual Report (MAR) with the Law Society;
- identification of inadequacies during a spot audit, which suggest a follow-up spot audit is prudent to ensure continued compliance;
- information on the MAR which suggests non-compliance with the Law Society’s By-Laws or Rules of Professional Conduct; and
- referral of the member/firm from another Law Society department.

**This election form, if accepted by the Law Society, constitutes an exemption from a random spot audit only. This election form does not exempt any member or firm from a spot audit conducted by the Law Society for any reason other than a random spot audit.**

### ALTERNATIVE TO RANDOM SPOT AUDIT

A member or firm who engages a public accountant to prepare **audited financial statements** may elect to expand the public accountant’s engagement to include completing the Law Society’s spot audit procedures, in which case the member or firm will be excluded from

the random spot audit pool for the year the election is made and accepted by the Law Society. The spot audit can be completed by the public accountant when the year end audit of the member or firm is being conducted.

### HOW TO ELECT

For a member/firm to elect to be removed from the 2004 random spot audit pool, the member and his/her public accountant must complete this form and deliver it to the Law Society by March 31, 2006. The Law Society has the sole discretion to accept or reject any election form. The Law Society will confirm whether the election has been accepted by completing section C

(“Acceptance of Election Form”) as applicable and returning a copy of this form to the member/firm and to the public accountant. If accepted, the spot audit procedures to be performed and instructions for conducting the spot audit will be provided directly to the public accountant by the Law Society.

The member/firm hereby agrees that:

1. All costs of conducting the spot audit and any follow-up required by the Law Society to complete or clarify the report to be provided by the public accountant (the "Spot Audit Program and Report") are the sole responsibility of the member/firm and not the responsibility of the Law Society.
2. The public accountant will receive the procedures to be performed and instructions for conducting the spot audit directly from the Law Society and will take direction from the Law Society with respect to the spot audit.
3. The "Spot Audit Program and Report" is the property of the Law Society and is not to be disclosed to the member/firm by the public accountant without the express written consent of the Law Society. The public accountant will be instructed by the Law Society to leave with the member/firm a copy of the "Audit Report to Members", which is intended to summarize the results of the spot audit and identify any deficiencies found.
4. If the completed "Spot Audit Program and Report", "Audit Report to Members" and "Public Accountant's Statement" are not received by the Law Society by November 30, 2006, the Law Society is entitled to conduct a spot audit in accordance with section 49.2(1) of the *Law Society Act*.
5. This election form, if accepted by the Law Society, constitutes an exemption from the 2006 random spot audit pool only. This election form does not constitute an exemption from a spot audit conducted by the Law Society for any reason other than a random spot audit.

DATED: ....., 200 .....,  
Signature

Name of Member: .....  
(or Name of Member filing on behalf of Firm)

Membership Number: .....

Firm Name: .....

Address: .....

Telephone No.: .....

Fax No.: .....

**B****AGREEMENT OF PUBLIC ACCOUNTANT**

The public accountant hereby agrees that:

1. I am a licensed public accountant in Ontario engaged in the practice of public accounting as (choose one of (a) or (b) below):  
 (a) a sole practitioner carrying on practice under the name ..... ; or  
 (b) a partner of the accounting firm .....
2. I have been engaged continuously in the practice of public accounting since ..... and have been engaged to conduct audits of the member/firm since .....
3. I will conduct an audit of the member/firm in accordance with generally accepted auditing standards as at ..... and for the year then ended.
4. I will conduct a spot audit of the member/firm in accordance with the procedures and instructions provided by the Law Society and file the "Spot Audit Program and Report" in the detail and form required with the Law Society within one month after completion of the spot audit.
5. I will complete a report to the member/firm of the spot audit (the "Audit Report to Members") in the detail and form required by the Law Society, review it with the member/firm, leave a copy of it with the member/firm and file the original with the Law Society within one month after completion of the spot audit.
6. I understand that all costs of conducting the spot audit and any follow-up required by the Law Society to complete or clarify the "Spot Audit Program and Report" are the sole responsibility of the member/firm and not the responsibility of the Law Society.
7. I understand that the "Spot Audit Program and Report" is the property of the Law Society and I will not disclose it to anyone (including, without limitation, the member/firm) without the express written consent of the Law Society.
8. The completed "Spot Audit Program and Report" and "Audit Report to Members" are to be accompanied by my/my firm's statement (the "Public Accountant's Statement") to the following effect:  
 As specifically agreed, we have performed the procedures set out in the Spot Audit Program and Report for ..... as at ..... and for the ..... month period then ended.  
 The results of applying the procedures specified, including exceptions found, are detailed in the Spot Audit Program and Report. However these procedures do not constitute an audit of the member/firm's trust account, general account or financial statements and therefore we express no opinion on the Spot Audit Program and Report for ..... as at ..... and for the ..... month period then ended.  
 This report is for use solely by The Law Society of Upper Canada to satisfy the requirements of Section 49.2(1) of the *Law Society Act*.

City ..... Date ..... Signed .....

DATED: ....., 200\_\_ .....  
 Signature

Name of Public Accountant: .....

Licence Register Number: .....

Name of Public Accounting Firm: .....

Firm Address: .....

Telephone No.: .....

Fax No.: .....

**ACCEPTANCE OF ELECTION FORM**

The Law Society has read and reviewed the information provided by the member and the public accountant in this election form and hereby:

- accepts the election of the member to be removed from the 2006 random spot audit pool
- does not accept the election of the member to be removed from the 2006 random spot audit pool (the member will continue to be included in the 2006 random spot audit pool)

If accepted, this election form constitutes an exemption from the 2006 random spot audit pool only. This election form does not constitute an exemption from a spot audit conducted by the Law Society for any reason other than a random spot audit.

The spot audit procedures to be performed and instructions for conducting the spot audit will be provided directly to the public accountant by the Law Society.

If the completed “Spot Audit Program and Report”, “Audit Report to Members” and “Public Accountant’s Statement” are not received by the Law Society by November 30, 2006, the Law Society is entitled to conduct a spot audit of the member in accordance with section 49.2(1) of the *Law Society Act*.

The Law Society of Upper Canada

DATED: ....., 200\_

By: .....

Name: .....

Title: .....