Law Society tools

To enhance competence and reduce risk

"Having one's financial house in order is key to maintaining a viable and competent practice and essential to managing risk," says Diana Miles, Director of Professional Development and Competence for the Law Society of Upper Canada. "It's also mandatory."

"Whether you're starting up your practice or winding it down, it is critical to keep and maintain adequate books and records. Ontario lawyers are required to do so under By-laws 18 and 19 of the *Law Society Act*."

"That is why we are here to help," explains Miles. "Our objective is to support members in fulfilling their statutory obligations. Recognizing that small firms and sole practitioners do not always have the resources easily available to assist them in their practice, we want to work with all members to help prevent them from running into problems."

For example, poor financial management can lead to revenue loss, as well as complaints. Statistics demonstrate that almost 40% of all complaints received by the Law Society in 2001 that resulted in investigations, related to records and financial issues.

According to Miles, the Law Society has a number of resources available to assist lawyers in the management and maintenance of a financially viable and competent practice, to manage risk and to avoid the errors commonly seen in the Society's discipline stream.

Practice Management Guidelines

The *Practice Management Guidelines* provide a general framework for conducting various aspects of legal work. They focus on eight practice management issues: Client Service and Communication, File Management, Financial Management, Personal Management, Professional Management, Time Management, Technology, and Closing Down Your Practice.

The Financial Management Guideline is a practical checklist for setting up, or checking up on a firm's accounting system to ensure compliance with Law Society directives. The Guideline sets out Law Society requirements, offers suggestions on a variety of billing practices and provides links to other sources of billing information for lawyers. It is a practical resource with tools such as a template for the development of a comprehensive firm billing policy, a checklist of terms to incorporate in a 'fees and disbursements letter' to clients, as well as links to sample fee and retainer letters.

To assist lawyers in managing risk, the Guideline offers suggested internal control strategies that are inexpensive and easy to implement, such as staffing policies, computer controls and procedures to manage the issuance of cheques.

Lawyers are encouraged to consult the other seven Guidelines in conjunction with the Financial Management Guideline. The Guidelines are available at http://www.lsuc.on.ca/services/pmg_summary.jsp.

Professional Development and Competence Online Resource Centre

Available on the Law Society's Web site, the resource centre provides centralized access to a selection of articles, practice tips and frequently asked questions on a range of current practice management issues. Some of the financial topics covered include:

- Fees & Billings
- Credit Cards in the Legal Practice
- Flat Fee Disbursement Billings
- Law Office Accounting Systems and the GST
- Improving Profitability
- Books and Records

There are links to these articles from the *Practice Management Guidelines*, which can act as a gateway to further information on financial management. The resource centre is available at http://www.lsuc.on.ca/services_en.jsp.

Spot Audits

The Spot Audit program supports and promotes high quality law firm record keeping practices that comply with Law Society By-laws. Designed as a proactive compliance measurement and problem detection tool, the program:

- provides on-site and ongoing guidance and recommendations;
- addresses members' questions and concerns;
- shares information, knowledge, and best practices with members; and
- provides members with resources to assist in understanding and complying with By-laws 18 and 19.

Spot auditors take a remedial approach by providing on-site guidance to members, aimed at helping law firms correct minor deficiencies with record-keeping practices before they lead to serious non-compliance or misconduct issues.

For questions on the maintenance and preparation of law firm financial records, or interpretation of By-laws 18 and 19, e-mail lawsociety@lsuc.on.ca or call 416-947-3300 or toll free at 1-800-668-7380.

Continuing Legal Education – Publications

The Law Society produces a number of Continuing Legal Education (CLE) publications for purchase to help lawyers enhance their knowledge and skills, including effective financial management. Related topics include 'Practice Essentials' and 'Buying and Selling a Law Practice.' The full list of offerings can be found in the CLE publications catalogue, available at http://www.lsuc.on.ca/services/services_cle_en.jsp.