



## CUSTOMER

Johnston Carmichael

## CHALLENGE

Johnston Carmichael identified it needed a tool to help manage a growing number of interest rate swaps and maintain the quality of its audit evidence.

## SOLUTION

Implementing Hedgebook Audit and training two people in each of its key offices.

## OUTCOME

Hedgebook enabled Johnston Carmichael to audit interest rate swaps and valuations far more efficiently with a better quality of audit evidence. It's improved the quality of customer conversations and is now being used to value foreign currency forward contracts for clients that trade internationally.

Johnston Carmichael is a leading Chartered Accountants and Business Advisory firm. From humble beginnings in rural Moray in 1936, it is now an award-winning professional services firm with a network of offices across Scotland and beyond. It is seen as a leader in its field acting as trusted advisors across audit, corporate and private client tax, and other key areas of business.

The firm has recently experienced significant growth in the Infrastructure sector of its business with an audit and compliance team acting for around 20 private sector shareholders, with over 160 public sector assets. These projects cover the full spectrum of infrastructure categories including education, health, emergency services and roads.

## Hedgebook independence valued

"The Infrastructure sector involves private funding for a range of public asset projects, funded through significant external loans with third party vendors," explains Grant Roger, Audit Partner. "As part of these projects, management often manage their exposure to interest rate variations by hedging the exposure through long-term interest rate swaps against the external debt."

"We quickly recognised we needed a tool to help us manage the growing number of interest rate swaps and the quality of our audit evidence and turned to our technical team."

The result was the start of a long-term relationship with Hedgebook:

"Hedgebook has enabled us to audit interest rate swaps and valuations for our Infrastructure projects far more efficiently and provide a better quality of audit evidence. We were relieved to find a tool to do this for us that was both third party independent and ensures we are compliant with the auditing standards."

Johnston Carmichael initially trained two people in each of its key offices and, according to Grant, this upfront investment is now paying dividends; "Year one took a bit of commitment to set up the system and train everyone on it. But once up and running there was at least an hour saved on each audit file with a swap valuation which mounts up to over a hundred hours saved in year one of using Hedgebook Audit."

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Grant Roger, Audit Partner

**“I love the ease of using Hedgebook. It is quick and easy for our team to implement, and the output is easy for a reviewer to read. You can easily match the impact of the output, over input, and identify if there are any issues. This extends to using Hedgebook in the financial services sector of the business as well, for valuing foreign currency forward contracts for companies that trade internationally.”**

Louise Mair, Audit Senior Manager

## Easy to use and implement

Hedgebook has now caught on across the company with 30 users in total. All of the Senior Audit team in the Edinburgh office are proficient in using Hedgebook to either input or review - and not just for infrastructure projects as Louise Mair, Audit Senior Manager explains:

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“The old way of doing all of this was to use a spreadsheet. It was difficult to keep updated, kept information in silos and there was a greater risk of something going wrong. I don't think it could do any better on ease of input or getting information out.”

## Improved client conversations

It is the ability to share information in an easily understood format that is assisting conversations with clients as well. Grant Roger highlighted the importance of being able to have conversations with clients backed by fact-based independent data.

“There is no need to talk to clients if Hedgebook's valuation is within an acceptable threshold of variation to that of the third-party bank valuation. We only comment if the variance is outside an acceptable range,” he says. “Because it is a third-party tool, clients are much happier to go back to the bank than if it was us, as the auditor, raising the issue from our own calculations. It gives everyone the ability to have a really good conversation in getting any potential valuation issues addressed.”

## Driving improvement

“From an audit perspective there is an ongoing increase in regulation and expectation of accuracy. The fact we have Hedgebook as a third-party tool and can provide documentation over the controls, it makes a big difference. If we are asked by a regulator or client to validate the results, this isn't something we have conjured up in a spreadsheet. We have a better quality of audit evidence and a much easier conversation with the client.”

Whilst Johnston Carmichael are very much established Hedgebook users, there are always improvements on the horizon. “Time saving is on a recurring basis, particularly as things don't generally change year-on-year once an account is set up,” explains Louise. “However, the LIBOR / SONIA changes are having an impact on us and we are proactively making adjustments for this.”

Grant is also on a mission to get RPI swaps included in Hedgebook, a request he has already put through to the product team in the knowledge it will be considered in line with a growing list of other priorities.

## About Hedgebook

Hedgebook is an intuitive and easy-to-use treasury management system that helps treasurers and finance departments improve the way they record, report and proactively manage foreign exchange risk. Simple and intuitive, Hedgebook provides real-time visibility and insights of hedge positions for better hedging decisions and eases the burden of management and compliance reporting.

