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**From:** Stewart McGarrity  
**Sent:** 27 September 2010 11:21  
**To:** Gregor Roberts  
**Cc:** Alan Coyle - CEC  
**Subject:** FW: Audit Scotland Statements  
**Attachments:** CEC Significant Events.pdf; TS IAS 260 09-10.pdf

fyi

**Stewart McGarrity**  
*Finance Director*  
**Edinburgh Trams**  
[REDACTED]

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**From:** Alan Coyle [<mailto:Alan.Coyle@edinburgh.gov.uk>]  
**Sent:** 24 September 2010 09:00  
**To:** Lynn McMath  
**Cc:** Mandy Haeburn-Little; Stewart McGarrity; Ailie Wilson; Richard Jeffrey  
**Subject:** Audit Scotland Statements

Lynn,

Hopefully, the various tram botherers will not pick up on this, however, if they do, we should be prepared.

I have had a confidential heads up on the IAS (International Standard on Auditing) 260 statement that Audit Scotland will include in TS Final Accounts.

I've attached an extract from the statement which basically says TS are in breach of the grant terms. This is basically as a result of the Conditions Precedent that is in the grant agreement which states, inter-alia, that Phase 1a (Full Scope) must be delivered for a max capital cost of £545m. Given we have said that this is now unachievable, technically, there is a breach. I am aware that Alison Bourne has made an FOI request to TS for a copy of the grant agreement.

Should we be asked, any answer should include that there is still commitment for delivering the full scope of phase 1a, albeit in incremental stages, which satisfies the scope issue in the Conditions Precedent. We should also state that while there is a technical breach, we are in discussion with the Scottish Government over amending the terms.

I have, hopefully, satisfied CEC's auditors, I've attached the statement of significant events that they will include in CEC's accounts, which isn't controversial.

Regards

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