

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESSEX COUNTY COUNCIL

Issue of audit opinion on the financial statements

In our audit report for the year ended 31 March 2016 issued on 21 September 2016 we reported that, in our opinion, the financial statements:

- gave a true and fair view of the financial position of Essex County Council and group as at 31 March 2016 and of its expenditure and income for the year then ended; and
- had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Issue of value for money conclusion on Essex County Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

In our audit report for the year ended 31 March 2016 issued on 21 September 2016 we reported that, in our opinion, in all significant respects, Essex County Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016.

Issue of qualified value for money conclusion

In our audit report for the year ended 31 March 2016 issued on 21 September 2016 we reported a qualified value for money conclusion in the following terms:

Basis for qualified conclusion

In considering the Authority's arrangements for securing financial resilience, and for challenging how it secures economy, efficiency and effectiveness we identified the following:

- The Authority have disclosed in the 'Revenue Spending plan for 2016/17' section of the Narrative Report that whilst a balanced budget was set for 2016/17, the Authority forecasts a budget gap of approximately £273m over the period to 2018/19 (£101 million in 2017/18, increasing to £172 million by 2018/19).
- The Authority, in line with previous years, is undertaking a review of budget proposals (savings and income generating opportunities) to bridge the gap. At this stage, the 2017/18 year savings are substantially identified, although not exacted, but the following years remain challenging.
- Unless the budget gap forecast in the Medium Term Financial Strategy is closed the Authority would have almost completely exhausted its usable revenue reserves by the end of 2018/19.

In our view, despite the commencement of a significant reorganisation project to identify the required savings, the Authority has not yet been able to make sufficient progress in identifying the savings required to demonstrate its ability to secure a stable financial position over the medium term.

Qualified conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, with the exception of the matter reported in the basis for qualified conclusion paragraph above, we are satisfied that, in all significant respects, Essex County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

In our report dated 21 September 2016, we explained that we could not formally conclude the audit on that date until we had completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We have now completed this work.

Also, we had not issued our opinion on the consistency of the financial statements of the pension fund included in the Pension Fund Annual Report of Essex Pension Fund. We have now issued our opinion.

No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion and value for money conclusion.

We certify that we have completed the audit of the accounts of Essex County Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.




Andrew Clewer
for and on behalf of Ernst & Young LLP, Appointed Auditor
London
30 November 2016