Presented to Parliament pursuant to the Oil and Pipelines Act 1985, Schedule 3 paragraph 9(8)

The Oil and Pipelines Agency Account 2010-2011

LONDON: The Stationery Office
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The National Audit Office scrutinises public spending on behalf of Parliament.

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He is the head of the NAO, which employs some 880 staff.
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He certifies the accounts of all government departments
and a wide range of other public sector bodies;
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Contents

Chairman's Statement

The Agency manages the Government Pipeline and Storage System (GPSS), a substantial defence facility, on behalf of its Stakeholder, the Ministry of Defence. The Agency maintains it to a high standard, in accordance with best practice in respect of health, safety, and the environment and generates a revenue cash surplus.

The year saw the departure of Tony Nicholls, the Chief Executive to further his career in the utilities business.

Tony made a significant contribution to the Agency and we wish him well. We welcome Charles Price as the new Chief Executive. Charles has had a successful career in energy and chemicals, in the UK and abroad, and has already started to make a positive impact. He is Accounting Officer and a member of the Agency.

Jonathan Randall retired after 31 years as Commercial Manager. During his career he built up GPSS's commercial income and made a huge contribution to the Agency. We wish him well in retirement. Mike Genge has taken up the role which now embraces both the marketing activity and the contracting processes and policies of the Agency.

The work of the Operational Efficiency programme continues and the Agency co-operates fully with the efforts to optimise the benefit to the taxpayer that is derived from our activities. We continue to play a vital part in the energy security of the nation, transporting aviation fuel in an environmentally friendly way.

The Agency continued its informal and formal consultation with the Regulatory Authorities in relation to the risks associated with the operation of facilities, both pipelines and terminals, that transport or store refined liquid hydrocarbons and remains committed to ensuring a safe, cost-effective regime of regulation of such facilities. The Agency leads a joint industry containment review for semi-buried storage tanks and contributed to the findings of the Process Safety Leadership Group report.

The Agency has in-sourced some key activities and is looking to expand its field of operation to further enhance its critical mass so that staff succession and career planning can be improved and a greater contribution made to the public purse.

Finally, I must pay tribute to the Agency's staff for their hard work, commitment, skill and expertise, without which the Agency could not function. They have ensured that the Government Pipeline and Storage System has continued to meet the requirements of its stakeholder and customers whilst remaining self-funding.

Francis Dobbyn 20 June 2011
Chairman

Report of the Agency

Introduction

The Oil and Pipelines Agency is a public corporation, formed at the end of 1985 by virtue of The Oil and Pipelines Act 1985. Its duties, powers and general functions are prescribed by this Act. Its task is to provide for the safe, efficient, economic and effective management of the Government Pipeline and Storage System (GPSS). This task includes the maximum development of private sector usage of the GPSS provided this does not impinge upon its primary purpose of supplying the required fuel for defence purposes and where capital investment is required for commercial purposes, public funds are not used. The Agency is the Ministry of Defence's professional expert on bulk fuels storage and transportation by pipeline. The GPSS, a strategic defence asset, is the responsibility of the Secretary of State for Defence and the Ministry of Defence (MoD) sponsors the Agency as its Managing Agent through the Defence Equipment and Support Commercial Directorate.

The GPSS

The GPSS consists of some 2,500 kilometres of underground cross-country pipelines of differing diameters, together with storage depots, salt cavities, associated pumping stations, receipt and delivery facilities and other ancillary equipment. An outline map of the GPSS is included on page 6. Most of the storage depots are connected to the pipeline ringmain, which in turn is supplied by the majority of the major refining centres and port areas in England. Other self-standing pipelines and depots are situated elsewhere in England and Scotland. The GPSS receives, stores, transports and delivers light oil petroleum products for military and civil users. GPSS assets are owned by the MoD and are accounted for in the MoD's Department Resource Account.

GPSS business activities

The GPSS continued to play a significant role in supplying major civil airports during the year. However, throughputs for the year remained at a reduced level as a result of the general reduction in aviation activity. The full military fuel movement requirement has also been delivered. Major maintenance works on pipelines and storage facilities have been completed on time and to budget.

GPSS technical and contractual activities

The Agency continued its programme of inspection and repair of bulk fuel storage tanks, terminal pipework and cross-country pipelines to ensure the operational integrity of these assets into the future. The Agency has also initiated a major review of the GPSS operation and maintenance contract strategy which shall be implemented in early 2012. The Agency has now completed the in-sourcing of staff previously employed by contractors who are responsible for Pipeline Control Centres, Scheduling, SCADA (Supervisory Control and Data Acquisition) and Pipeline Contravention activities. These changes have ensured that the Agency now has direct control of these key operational activities and enables us to make improvements in safety, quality and operational efficiency. As part of its commitment to ensure that there is in place a cost-effective regime to provide the necessary assurance that oil pipeline and terminal operations are safe, the Agency continues to work with regulatory authorities and other interested parties.

The on-line inspection of pipelines reduced this year due to the unavailability of the on-line inspection equipment, however, this work will be done in the current financial year. Tank inspection and repair continues at a high level with work on a total of some 22 tanks inspected and repaired in the year.

The Agency benefits from working within a number of industry bodies, including the United Kingdom Onshore Pipeline Operators' Association, Conservation of Clean Air and Water in Europe (CONCAWE), the Tank Storage Association and the Pipeline Industries Guild where industry initiatives and good practices are developed and shared. The Agency, with other members of the Linewatch group, works to promote the awareness of organisations involved in excavating to the risks of working without taking the necessary precautions in the vicinity of buried apparatus. The support that the Linewatch participants have given to a one-call system has ensured that an increasingly wide range of such organisations are now routinely taking the necessary precautions.

Crude oil supply and trading

There has been no activity in crude oil supply or crude oil trading since 1989 and none is anticipated in the future.

Members and principal officers

The following served as Members and as Principal Officers of the Agency during the year:

Members:	F Dobbyn	Chairman – Non-executive
	CJS Price	Appointed 13 December 2010
	L Mosco	Non-executive
	D Noble	Non-executive
	E Davies	Appointed 1 April 2010 Non-executive
	AR Nicholls	Resigned 17 August 2010
Principal Officers:	CJS Price	Chief Executive and
		Accounting Officer – Appointed 13 December 2010
	AR Nicholls	Chief Executive and
		Accounting Officer – Resigned 17 August 2010
Secretary to the Agency	JR Merrett	

Register of interests

The Agency maintains a Register of Interests and requires all Members and staff to sign annually a Conflict of Interest Declaration. There were no conflicts reported during the past year.

Agency employees

The Agency is an equal opportunity employer, fully committed to equal opportunity policies and aware of its statutory duty to support the employment of disabled persons where possible. The Agency's policy is that there should be no discrimination on any grounds whatsoever other than performance in the job. Employees are key to the ongoing performance of the Agency; access to opportunities within the Agency is based upon competence, knowledge and ability to do the work. An 'open door' policy is encouraged and employees meet regularly in various ways to encourage discussion and the dissemination of information across the Agency.

Agency administration

The total level of personnel, excluding non – executive members, required by the Agency as at 31 March 2011, was forty nine. The Agency has in-sourced twenty five personnel who were employed by GPSS Operations and Maintenance contractors. The personnel moved from these contractors to the Agency on 1 July 2010.

Retirement benefits pension schemes

Information on the Agency's pension schemes can be found in the Remuneration Report, Accounting Policies note 2 d) and note 14 to the accounts.

Accounts

These financial statements have been prepared in accordance with the 2010-11 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Accounting policy changes

Following HM Treasury direction, the non-cash notional cost of capital charge is no longer included in the accounts. Since the introduction of Resource Accounting in 2001-02 adjustments were made in the statement of comprehensive net expenditure however no amounts were transferred to reserves. The year ended 31 March 2010 statement of comprehensive net expenditure has been restated to exclude the non-cash notional cost of capital charges amounting to £172k. The operating cost statement has been replaced by the statement of comprehensive net expenditure.

Principal activities

The principal activity of the Agency is to manage the GPSS on behalf of the Secretary of State in accordance with the requirements and obligations of the agreement in place between them. The results of the GPSS are not included with those of the Agency, however, are included within MoD's Department Resource Account.

Agency result

The financial objective of the Agency to contain its normal operating and administrative expenses, before non-cash pension fund adjustments, within its allocated budget and to recover actual costs as a management fee from the Secretary of State for Defence, was materially achieved during the year. As a result of in-sourcing staff, previously employed by contractors and charged to the GPSS, Agency staff costs have increased with a corresponding decrease in operating costs suffered by the GPSS. The management fee has increased accordingly. After adjustment for non-cash pension fund adjustments the Agency's net result for the year was a net income in excess of expenditure and after taxation of £43,000 (2010: net expenditure over income after taxation £71,000).

Payment of trade and other payables

It is the policy of the Agency to negotiate terms with its suppliers and to ensure that they know the terms on which payment will take place when business is agreed. It is the Agency's policy to abide by the Better Payment Practice Code. The number of days of billings from suppliers outstanding at the end of the financial year was sixteen days (2010: ten days).

Personal data related incidents

In common with other government and public bodies, MoD agencies are now required to set out in their accounts a summary of any losses (or unauthorised disclosures, or insecure disposals) of protected personal data, whether formally reported to the Information Commissioner or not but recorded centrally by the Agency. The Agency had no such reportable incidents.

Auditors

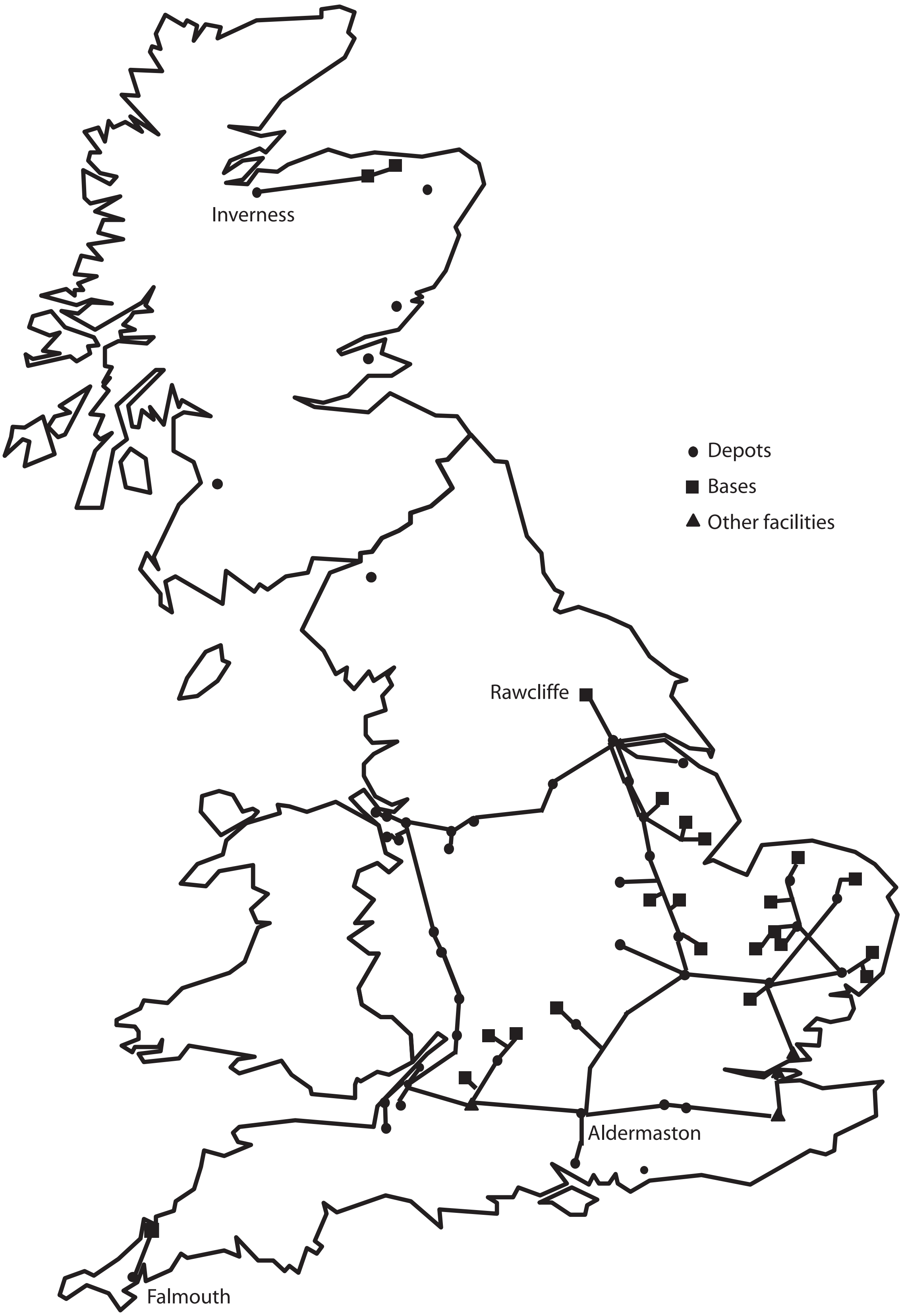
Further to the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003, which came into force on 23 May 2003, the Comptroller and Auditor General was appointed as the independent auditor to the Agency. The cost of the audit carried out by the National Audit Office (NAO) was £11,000. No further payments were made to the NAO for non-audit work. The Certificate and Report of the Comptroller and Auditor General is attached on pages 31 and 32.

Statement on disclosure to auditors

So far as I am aware there is no relevant information of which the Agency's auditors are unaware, and I have taken all appropriate steps to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.

CJS Price 20 June 2011
Chief Executive and Accounting Officer

General outline of the GPSS



Remuneration report

The Remuneration Committee

The members of the Remuneration committee are the Chairman, the Chief Executive and one non-executive Member of the Agency and the committee is responsible for reviewing the level of remuneration of employees of the Agency. It is not responsible for the remuneration of the non-executive directors. The Secretary of State determines the remuneration of the non-executive members on their appointment. The Chief Executive is not involved in setting his own remuneration.

Remuneration Policy

The Agency sets its remuneration policy for all employees, including the Chief Executive, by comparison with competitive market rates including by periodic review with external commercial entities in similar industries. The MoD is represented by its appointed Member.

Remuneration Details (section subject to audit)

Non-executive Members are appointed by the Secretary of State for a fixed term with no provision for compensation for early termination as follows:

		Appointed	**Appointed to**	**2011 Salary band £'000**	2010 Salary band £'000
F Dobbyn	Chairman	8 July 2005	7 July 2011	**15 – 20**	15 – 20
L Mosco	Member	18 November 2008	see below	**–**	–
D Noble	Member	18 November 2008	see below	**–**	–
E Davies	Member	1 April 2010	see below	**–**	–

Mr L Mosco, Director Commercial DE&S, Mr D Noble, Director Finance DE&S and Ms Davies, Head of Business Strategy & Governance, as employees of the MOD, are remunerated outside the Agency. The Agency has not made any pension contributions in respect of non-executive Members, who are not members of the pension schemes, nor did they receive any benefits in kind except for the reimbursement of actual expenses.

The remuneration during the year of Mr CPS Price, Chief Executive and executive Member from 13 December 2010 to 31 March 2011 was £37k and did not include a bonus and no taxable benefits were paid. Mr CPS Price is a member of the Oil and Pipelines Agency Group Pension Plan, the defined contribution pension scheme, and, during the period employer contributions of between £2.5k and £5k were made on his behalf. Mr Price's contract can be terminated at any time giving three months notice and includes a provision for a performance related bonus of between 0% and 10% of basic salary.

The remuneration during the year of Mr AR Nicholls, the Chief Executive and executive Member from 1 April 2010 to 17 August 2010 was £49k and did not include a bonus (2010: £139k including £12k bonus) and taxable benefits, derived from medical care and the use of a car, amounted to £2k (2010: £6k). Mr AR Nicholls is a member of the Oil and Pipelines Retirement Benefits Plan, a defined benefit pension scheme, and, during the period, accrued a real increase in pension payable of between £0k to £2.5k per annum and had a total accrued pension payable at normal retirement age of between £5k and £10k per annum. At 17 August 2010 his accrual of benefit in the Plan ceased and the cash equivalent transfer value increased from £81k at 31 March 2010 to £103k at 31 March 2011 representing a real increase after adjustment for inflation and changes in market investment factors of £8k.

Retirement Benefits Pension Schemes

The Agency operates a funded pension scheme providing benefits based on final pensionable pay, which is closed to new entrants, and a defined contribution scheme. The Defined Benefits scheme was closed to new entrants from 1 January 2010 and all new employees of the Agency are offered membership of the Defined Contribution pension scheme.

Defined Contributions Scheme

During the year ended 31 March 2010 the Oil and Pipelines Agency Group Pension Plan, a defined contribution scheme managed by the Agency, was opened and defined employer and employee contributions are paid into externally managed funds.

Defined Benefits Plan

The Oil and Pipelines Agency Retirement Benefits Plan is the Agency's defined benefits scheme and is managed by The OPA Pension Trustees Limited. Separate financial statements for the Plan are produced each year which show the movements on the fund account and the value of its assets. The constitution of the Plan and the powers and duties of the Board of the Trustee are set out in the Third Definitive Trust Deed and Rules dated 13 September 2010 (together hereinafter referred to as the Trust Deed). The Trust Deed replaced the Second Definitive Trust Deed and Rules dated 1 December 1992 as amended which in turn replaced the trust deed and rules dated 27 September 1982 (referred to in the Trust Deed as the First Definitive Trust Deed and Original Rules) as amended.

The Third Definitive Trust Deed and Rules was put in place to consolidate the Second Definitive Trust Deed and Rules with amendments to it and to ensure that the retirement benefits plan remained compliant with current pension legislation.

The assets of the scheme are held separately from those of the Agency and are invested in a separate trustee administered fund. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. An actuarial valuation of the Plan was carried out as at 5 April 2008 and indicated that the value of the assets was at 102% of the value placed upon the liabilities. A review of the options available, prompted by the valuation, resulted in the Agency and the Trustee deciding to maintain the existing defined benefits scheme and to increase the level of contributions of the Agency and employees from 20% and 5% to 32.8% and 8% respectively. Where employees opted to maintain the 5% level of contribution their ongoing benefit accrual rate was reduced. An actuarial valuation of the Plan is being carried out as at 5 April 2011 and is yet to be finalised.

Pension costs are accounted for under International Accounting Standard 19 (notes 2 (e) and 14 to the accounts), which required an independent qualified actuary, Mr J McCoy FIA of Capita Hartshead, to carry out an actuarial assessment of the pension scheme and, at the year end, the actuary has valued the pension scheme surplus before taxation at £448,000 (2010: £27,000). Separate financial statements for the Plan are produced each year.

CJS Price 20 June 2011
Chief Executive and Accounting Officer

Corporate governance

Best Practice

The Oil and Pipelines Agency (the Agency), as a public corporation, is governed according to The Oil and Pipelines Act 1985, Cabinet Office Guidelines and, where appropriate, best practice in corporate governance as represented by the revised Combined Code on Corporate Governance.

Responsibilities of the Agency and Agency Committees

Responsibility for assuring that high standards of corporate governance are observed at all times rests with Agency Members who are responsible for ensuring the maintenance of a control framework in which they can obtain assurance that risk is properly assessed and managed, appropriate internal controls are in place and complied with and business performance is properly monitored. Agency Members, who are appointed by the Secretary of State, set out the strategic framework within which the Agency operates and matters reserved to them include:

- establishing committees of the Agency, reviewing their activities and, where appropriate, ratifying their decisions.
- reviewing and approving the Agency's Annual Report and Accounts and the Government Pipeline and Storage System (GPSS) report and Financial Statements following review by the Audit committee.
- receiving and considering reports from the Audit committee on the control framework and risk management.

The Agency, which meets quarterly, has one executive Member and four non-executive Members, including the non-executive Chairman. The management of the Agency is delegated by the Agency to the Chief Executive, who is designated the Accounting Officer for the Agency by the Accounting Officer for the Ministry of Defence (MoD).

The Chairman

The Secretary of State appoints the Chairman of the Agency, who is responsible for the leadership of the Agency and ensuring that the Agency discharges the responsibilities set out above.

The Audit Committee

The Audit committee of the Agency is comprised of three appointed members, Dr E Libbey, Ms M Black and Mr G Ellis who are not Members of the Agency. The responsibility of the Audit committee, as set out in terms of reference approved by the Agency, is to provide advice to the Agency on:

- strategy for corporate governance, risk management and internal controls.

  statement of internal controls.
- accounting policies, financial statements, including the annual report and accounts, as well as matters arising from external audit.
- status of control framework with actions arising from the control framework questionnaire and any related issues.
- follow-up to external auditor's management letter and other external reviews including but not limited to quinquennial reviews of the Agency.

Dr Libbey attends Agency meetings as an observer. Ms Black and Mr Ellis are also members of the Defence Equipment and Support board.

The Chief Executive does not sit on the Agency's Audit committee which is chaired by Dr Libbey. However, he does attend meetings.

Statement of the Chief Executive and Accounting Officer's responsibilities

Under Schedule 3 paragraph 9 of The Oil and Pipelines Act 1985, the Agency is required to prepare a statement of accounts for each financial year, in the form and on the basis determined by the Secretary of State for Defence with the consent of the Treasury. The accounts are prepared to show a true and fair view of the state of the Agency's finances at the year end and of the comprehensive net expenditure and cash flows of the Agency for the financial year. In preparing these accounts, Agency Members are required to:

- observe the accounts direction issued by the Secretary of State, including relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis.
- make judgements and estimates that are reasonable and prudent.
- state whether applicable accounting standards have been followed and explain any material departures in the financial statements.
- prepare the financial statements on the ongoing concern basis unless it is inappropriate to presume that the Agency will continue in operation.

The Chief Executive, as Accounting Officer for the Agency, is also responsible for:

- the propriety and regularity of the public finances for which he is answerable.
- the keeping of proper accounts.
- prudent and economical administration.
- the avoidance of waste and extravagance and the effective and efficient use of all available resources.
- the maintenance of public service values within the Agency, and for the transparency and openness of its proceedings.
- the taking of appropriate action if Agency Members consider taking a course that would not comply with these requirements.

The responsibilities of the Accounting Officer are set out in the Non-Departmental Public Bodies' Accounting Officer's Memorandum, issued by the Treasury and published in "Managing Public Money".

Statement on Internal Control

Scope of responsibility

As Accounting Officer and Chief Executive, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Agency's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money. Such funds and assets include those relating to the GPSS, in respect of which the Agency exercises financial and technical control, within the constraints set by the Ministry of Defence, over its operation and maintenance in its capacity as Managing Agent for the Secretary of State. The Agency's Finance Manager assists me in this.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Agency's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Agency for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

The risk and control framework

The Agency has, during the year, developed and implemented formal Governance and Assurance Strategies which clearly set out the governance framework, roles, responsibilities and detailed internal controls.

The Agency's corporate governance framework consists of the following, together with effective information and communication systems:

- Code of conduct and accountability
- Roles and responsibilities
- Risk Management System
- Internal Financial Control
- Internal Control System
- Assurance System

The Agency's Internal Control Framework comprises:

- Committee Structure (Agency & Audit Committee)
- Business Planning Process
- Risk Management System
- Performance Management System
- Human Resources System
- Review
- Monitoring

Review of Effectiveness

I am responsible for reviewing the effectiveness of the system of internal control with the support and advice of the Agency's Audit committee. This review is informed by the work of external auditors and departmental managers within the Agency supported by the work of the Agency's Audit committee itself. Any anomalies or unexpected outputs are investigated and discussed with Members, where appropriate.

The review of internal controls governance and risk management for the current financial year conducted by the Defence Internal Audit (DIA) has yet to be completed. The outstanding audit programme has been included in the current year's revised programme.

As the incoming Chief Executive I have undertaken a personal review of internal controls and have implemented a management improvement plan within the Strategic Business Plan to strengthen the internal controls in place. The risk management system involves a monthly management review of the risk register which is then further reviewed at each meeting of the Audit Committee and the Agency.

The Sponsorship Agreement between the Agency and DE&S sets out the objectives, boundaries and expectations of both parties. In addition, a Customer Service Agreement with DFG is being developed.

The Remuneration Committee

The Remuneration committee has been constituted and empowered as described in the Remuneration report above.

Health, Safety and Environment and Quality Committee

The Agency has established a Health, Safety and Environment and Quality (HSEQ) Committee as a Committee of the Board to support them in their responsibilities for issues of Health, Safety and Environment and Quality. The role of the Committee is to consider the HS&E performance data, the outputs of the assurance process and any external audits and reports and provide the Board with assurance that an effective HSEQ management system is operated throughout the Agency and provide evidence to support that assurance. The Committee shall also provide the Board with assurance that a strong safety culture and leadership is in place within the Agency.

The HSE Committee is comprised of five members and is chaired by Mr G Ellis. The other four members are employees of the Agency.

The Annual Assurance Report of the HSEQ Committee concluded that it could give the Agency limited assurance with regard to the HSEQ Management System and the overall level of HSEQ performance of the Agency and recommended five areas for improvement for the current financial year.

CJS Price 20 June 2011
Chief Executive and Accounting Officer

Statement of comprehensive net expenditure for the year ended 31 March 2011

	Notes	**2011** **£'000**	2010 Restated £'000
Expenditure			
Staff costs	5	**(2,252)**	(1,564)
Depreciation	9 & 10	**(57)**	(65)
Other expenditures	6	**(867)**	(710)
		(3,176)	(2,339)
Income from activities	2 (b)	**3,095**	2,220
Net expenditure		**(81)**	(119)
Interest receivable from bank accounts		**97**	66
Other finance income	14	**52**	(33)
Net income (expenditure) after interest and other finance income		**68**	(86)
Tax on taxable net income (expenditure) after interest and other finance income	8	**(25)**	15
Net income (expenditure) after taxation		**43**	(71)

Other comprehensive expenditure

	Notes	**2011** **£'000**	2010 Restated £'000
Net (loss) gain on revaluation of property plant and equipment		**(8)**	3
Actuarial gain recognised in the pension scheme	14	**396**	1,506
Deferred tax arising on gain recognised in the pension scheme		**(83)**	(316)
Total comprehensive income (expenditure) for the year		**348**	1,122

The accompanying notes on pages 18 to 28 form part of these accounts.

Statement of financial position at 31 March 2011

	Notes	**2011 £'000**	2010 £'000	2009 £'000
Non-current assets				
Property, plant and equipment	9	**89**	75	130
Intangibles	10	**28**	10	–
Total Non-current assets		**117**	85	130
Current assets				
Trade and other receivables	11	**145**	128	122
Bank Short Term Deposit		**–**	1,000	3,000
Cash at bank and in hand		**5,543**	4,464	2,514
Deferred tax asset		**64**	82	46
Total current assets		**5,752**	5,674	5,682
Total assets		**5,869**	5,759	5,812
Current liabilities				
Corporation tax due		**(2)**	–	(43)
Trade and other payables	12	**(430)**	(337)	(198)
Total current liabilities		**(432)**	(337)	(241)
Total assets less current liabilities		**5,437**	5,422	5,571
Non-current assets (liabilities)				
Pension asset (liability)	14	**354**	21	(1,250)
Assets less liabilities		**5,791**	5,443	4,321
Reserves				
Contributed capital	1 (a)	**2,380**	2,380	2,380
General fund reserve	15	**3,411**	3,055	1,936
Revaluation reserve	16	**–**	8	5
		5,791	5,443	4,321

The accompanying notes on pages 18 to 28 form part of these accounts.

Francis Dobbyn 20 June 2011
CJS Price

Statement of Cash Flows for the year ended 31 March 2011

	2011	2010
		Restated
	£'000	£'000
Cash flows from operating activities		
Net expenditure after interest before other finance income and taxation	**16**	(53)
Depreciation charges	**57**	65
Loss on disposal of fixed assets	**22**	–
Revaluation of property, plant and equipment	**(4)**	–
Defined benefit pension fund charge (note 14)	**236**	302
Defined benefit pension contributions paid (note 14)	**(209)**	(438)
Taxation (paid) refunded	**–**	(42)
(Increase) decrease in trade and other receivables	**(17)**	(6)
Increase in trade and other payables	**93**	139
Net cash inflow (outflow) from operating activities	**194**	(33)
Cash flow from investing activities		
Purchase of non-current assets (note 18)	**(115)**	(17)
Increase (decrease) in cash and equivalents	**79**	(50)
Cash and equivalents at the beginning of the year	**5,464**	5,514
Cash and equivalents at the end of the year (note 19)	**5,543**	5,464

The accompanying notes on pages 18 to 28 form part of these accounts.

Statement of changes in taxpayers' equity for the year ended 31 March 2011

	Contributed Capital £'000	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 1 April 2009	2,380	1,936	5	4,321
Changes in taxpayers' equity for the year ended 31 March 2010				
Net gain on revaluation of property, plant and equipment		–	3	3
Net income	–	(71)	–	(71)
Actuarial gain recognised in the defined benefit pension fund	–	1,506	–	1,506
Deferred tax arising on gain recognised in the defined benefit pension fund	–	(316)	–	(316)
Balance at 31 March 2010	2,380	3,055	8	5,443
Changes in taxpayers' equity for the year ended 31 March 2011				
Net loss on revaluation of property, plant and equipment	–	–	(8)	(8)
Net income	–	43	–	43
Actuarial gain recognised in the defined benefit pension fund	–	396	–	396
Deferred tax arising on gain recognised in the defined benefit pension fund	–	(83)	–	(83)
Balance at 31 March 2011	2,380	3,411	–	5,791

The accompanying notes on pages 18 to 28 form part of these accounts.

Notes to the accounts for the year ended 31 March 2011

1. The agency

a) The Agency was created by The Oil and Pipelines Act 1985 and came into existence on 1 December 1985. The Agency's initial capital was established at £2,380,000.

b) The duty of the Agency is to manage the GPSS, under the terms of an agency agreement between the Agency and the Secretary of State for Defence.

c) The accounts have been prepared in accordance with Paragraph 9 of Schedule 3 to The Oil and Pipelines Act 1985 and with the most recent related Accounts Direction as to the form of the accounts given by the Secretary of State for Defence. This Accounts Direction is reproduced on page 26.

2. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2010-11 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where a FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of The Oil and Pipelines Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by The Oil and Pipelines Agency are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

a) Basis of preparation

The accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment to reflect their fair value to the business by reference to their current costs and in accordance with applicable accounting standards.

Since the Agency manages the GPSS only as an agent of the Secretary of State for Defence, the result of this activity is excluded from the Agency's accounts.

b) Operating Income

Operating income (exclusive of VAT) represents the Agency's fees received from the Secretary of State for Defence in respect of the management of the GPSS.

c) Property, plant and equipment

IAS 16 requires measurement of property, plant and equipment at fair value. Expenditure on property, plant and equipment of £1,000 or more is capitalised and is carried at original cost adjusted, annually, using appropriate price indices published by the Office for National Statistics.

d) Depreciation

Property, plant and equipment at cost or valuation, less estimated residual values, are depreciated on a straight line basis over their estimated useful economic lives, as follows:

	Estimated useful economic life – Years
Leasehold Improvements	Over the lesser of ten years and the life of the lease.
Other Office Furniture	10
Computers	3
Other electronic equipment	4
Motor Vehicles	4

e) Pension costs

Pension costs incurred in respect of the defined contribution pension fund are charged to the statement of comprehensive net expenditure.

Pension costs incurred in respect of the defined benefit pension fund are accounted for under IAS 19. The service costs of providing retirement benefits to employees, together with the cost of any benefits relating to past service, are charged to the statement of comprehensive expenditure. A credit equivalent to the expected return on scheme assets less a charge equivalent to the expected increase in the liabilities of the retirement benefits plan during the year is included in the statement of comprehensive expenditure as other finance income. Differences between actual and expected returns on assets during the year are recognised in the general reserves account in the year together with any differences arising from changes in assumptions.

f) Taxation

The charge for taxation is based on the taxable profit for the year and takes into account deferred taxation. Following IAS 12, Income Taxes, deferred tax has been recognised as a liability or an asset if transactions have occurred at the year end date that may give rise to an obligation to pay more, or a right to pay less, taxation in future. Deferred tax assets or liabilities are not discounted.

g) Leases

Operating lease rentals are charged to the statement of comprehensive net expenditure as incurred.

h) Staff costs

Under IAS 19 Employee Benefits legislation, all staff costs must be recorded as an expense as soon as the organisation is obliged to pay them. This includes the cost of any untaken leave as at the year end. The cost of untaken leave has been determined and charged to the statement of comprehensive expenditure.

i) Financial instruments

The Oil and Pipelines Agency does not hold any complex financial instruments. The only financial instruments included in the accounts are receivables and payables (notes 11 and 12). Trade receivables are recognised initially at fair value less provision for impairment. A provision for impairment is made when there is evidence that the Agency will be unable to collect an amount due in accordance with agreed terms.

j) Operating segments

The Agency reports its activities as a whole and does not have any sections of business which represent separate income streams as per the definition of operating segment under IAS 8.

3. Information required by paragraph 2 of the oil and pipelines agency accounts direction 2004

Statutory Borrowing Limit

The Secretary of State for Defence has given the Agency consent, under Paragraph 1(4) of Schedule 3 to The Oil and Pipelines Act 1985, to borrow, temporarily, from sources other than himself, up to the current limit of £20 million, which is specified in that Schedule. This limit may be raised to such greater amount, not exceeding £80 million, as the Secretary of State for Defence may specify by Order, made with the approval of the House of Commons. At no time during the year did the Agency borrow any amount.

4. Emoluments of members and chief executive

The aggregate emoluments of non-executive Members are as follows:

	2011	2010
	£'000	£'000
Aggregate emoluments of non-executive Members	**17**	17

The Agency has not made any pension contributions in respect of non-executive Members, who are not members of the pension schemes, nor did they receive any benefits in kind except for the reimbursement of actual expenses. Other emolument details are shown in the remuneration report.

The remuneration, excluding pension contributions, during the year of the Chief Executive and executive Member from 13 December 2010 to 31 March 2011 was £37k and did not include a bonus and no taxable benefits were paid. The remuneration, excluding pension contributions, during the year of the Chief Executive and executive Member from 1 April 2010 to 17 August 2010 was £49k and did not include a bonus (2010: £139k including £12k bonus) and taxable benefits, derived from medical care and the use of a car, amounted to £2k (2010: £6k). Other pension benefits are described in the remuneration report.

5. Staff costs

The average number of permanent employees, including Members and Committee Members, during the year was 45 (2010: 26) and the number of employees at 31 March 2011 was 52 (2010: 27). The average of whole-time equivalent non-permanent persons employed during the year was 3 (2010: 2). No early termination payments have been made during the year (2010: nil). In respect of these employees:

	2011	2010
	£'000	£'000
Wages and salaries – to permanently employed staff	**1,604**	947
– to other contract and temporary staff	**193**	221
Social security costs incurred by the Agency	**168**	93
Defined benefit pension costs (note 14)	**236**	302
Defined contribution pension costs	**51**	1
	2,252	1,564

6. Other expenditures

	2011	2010
	£'000	£'000
Office operating lease – buildings (note 13)	**204**	179
Other occupancy costs	**130**	98
Staff related costs	**118**	83
Travel, subsistence and hospitality	**94**	39
Recruitment and training	**45**	45
Professional fees	**113**	139
Auditors' Remuneration: Audit (NAO)	**11**	9
Office supplies and equipment	**69**	68
Other administration costs	**65**	50
Non-cash items		
Revaluation of property, plant and equipment	**(4)**	
Loss on disposal of property, plant and equipment	**22**	–
	867	710

7. Notional costs – cost of capital

Following HM Treasury direction, the non-cash notional cost of capital charge is no longer included in the accounts. Since the introduction of Resource Accounting in 2001-02 adjustments were made in the statement of comprehensive net expenditure however no amounts were transferred to reserves. The year ended 31 March 2010 statement of comprehensive net expenditure has been restated to exclude the non-cash notional cost of capital charges amounting to £172k.

8. Tax on net operating income on ordinary activities

The tax charge in the statement of comprehensive net expenditure is derived as follows:

	2011	2010
	£'000	£'000
Current tax		
UK corporation tax on taxable profits (losses) for the year	**2**	(37)
Adjustment in respect of prior period	**–**	–
Total current tax	**2**	(37)
Deferred tax	**23**	22
Total tax on net income (expenditure)	**25**	(15)

9. Tangible assets – property, plant and equipment

The movement in property, plant and equipment and accumulated depreciation during the year is shown below:

	Leasehold Improvements	Office Furniture	Computers & Office Equipment	Motor Vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation:					
At 1 April 2010	126	51	267	38	482
Revaluations	(1)	–	(16)	(2)	(19)
Additions	–	–	56	33	89
Disposals	(76)	–	–	(20)	(96)
At 31 March 2011	49	51	307	49	456
Depreciation:					
At 1 April 2010	71	48	253	35	407
Revaluations	(1)	–	(15)	(1)	(17)
Charge for year	13	1	17	16	47
Disposals	(51)	–	–	(19)	(70)
At 31 March 2011	32	49	255	31	367
Net Book Value:					
At 31 March 2011	**17**	**2**	**52**	**18**	**89**
At 31 March 2010	55	3	14	3	75

Note

IAS 16 requires measurement of property, plant and equipment at fair value. Management considers that original cost adjusted annually using appropriate price indices, published by the Office for National Statistics, to be the best available estimation of fair value.

9. Tangible assets – property, plant and equipment (continued)

The movement in property, plant and equipment and accumulated depreciation during the year ended 31 March 2010 is shown below:

	Leasehold Improvements	**Office Furniture**	**Computers & Office Equipment**	**Motor Vehicles**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost or valuation:					
At 1 April 2009	138	50	239	36	463
Revaluations	(12)	1	30	2	21
Additions	–	–	6	–	6
Disposals	–	–	(8)	–	(8)
At 31 March 2010	126	51	267	38	482
Depreciation:					
At 1 April 2009	64	45	197	27	333
Revaluations	(7)	1	22	2	18
Charge for year	14	2	42	6	64
Disposals	–	–	(8)	–	(8)
At 31 March 2010	71	48	253	35	407
Net Book Value:					
At 31 March 2010	**55**	**3**	**14**	**3**	**75**
At 31 March 2009	74	5	42	9	130

10. Intangible assets – computer software

Intangible net current assets comprise of purchased software licences and other software. The movement in computer software and accumulated amortisation during the year is shown below:

	At 1 April 2010	Revaluations	Additions	Charge for year	**Total at 1 April 2011**
	£'000	£'000	£'000	£'000	**£'000**
Cost or valuation:	11	(2)	30	–	**39**
Depreciation:	1	–	–	10	**11**
Net Book Value	10	(2)	30	10	**28**

11. Trade and other receivables

	2011	2010	2009
	£'000	£'000	£'000
Trade and other receivables falling due within one year comprise:			
Trade and other receivables	**12**	4	8
Accrued Income	**3**	16	10
Prepayments	**97**	75	71
Trade and other receivables falling due after more than one year comprise:			
Other receivables	**33**	33	33
	145	128	122

12. Trade and other payables

	2011	2010	2009
	£'000	£'000	£'000
Trade and other payables falling due within one year comprise:			
Trade and other payables	**52**	27	23
Accruals and deferred income	**235**	185	71
Other taxation and social security	**143**	125	104
	430	337	198

13. Commitments

a) Capital Commitments

At the end of the year there were no capital commitments authorised (2010: Nil).

b) Office Leasehold

The Agency occupies office premises under a lease that will expire in 2014 and contains an annual commitment to pay rent of £143k (2010: £143k) and a variable service charge. Rental amounts payable under the lease are due within 1 year and between 1 and 5 years and are £143k and £322k respectively.

c) Motor leases

The Agency operates five motor vehicles under leases that will expire between 2011 and 2014. Lease amounts payable under these leases are due within 1 year and between 1 and 5 years and are £24k and £32k respectively.

14. Retirement benefits pension schemes

The Agency operates a funded pension scheme providing benefits based on final pensionable pay, which is closed to new entrants, and a defined contribution scheme.

Defined Benefits Plan

The Oil and Pipelines Agency Retirement Benefits Plan is the Agency's defined benefits scheme and is managed by The OPA Pension Trustees Limited. The assets of the scheme are held separately from those of the Agency and are invested in a separate trustee administered fund. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. An actuarial valuation of the Plan was carried out as at 5 April 2008 and indicated that the value of the assets was at 102% of the value placed upon the liabilities. A review of the options available, prompted by the valuation, resulted in the Agency and the Trustee deciding to maintain the existing defined benefits scheme and to increase the level of contributions of the Agency and employees from 20% and 5% to 32.8% and 8% respectively. Where employees opted to maintain the 5% level of contribution their ongoing benefit accrual rate was reduced. An actuarial valuation of the Plan is being carried out as at 5 April 2011 and is yet to be finalised.

The Agency adopts the accounting requirements set out in IAS 19 Employee Benefits (previously FRS 17 Retirement Benefits).

Actuarial assumptions

A qualified independent actuary carried out an actuarial assessment as at 31 March 2011 and the major assumptions used were:

	2011	2010	2009
Inflation rate	**3.7%**	3.9%	3.30%
Rate of increase in salaries	**4.7%**	4.9%	4.30%
Rate of increase in pensions in payment	**3.7%**	3.9%	3.30%
Discount rate for liabilities	**5.5%**	5.5%	4.75%
Mortality birth table and cohort	**PXNA00 Long cohort**	PXNA00 Long cohort	PXNA00 Long cohort

Charge to the statement of comprehensive net expenditure

The statement of comprehensive net expenditure has been charged as follows:

	2011 £'000	2010 £'000
Current service cost	**(236)**	(302)
Past service cost	**–**	–
Amount (charged) to net expenditure (note 6)	**(236)**	(302)
Expected return on scheme assets	**436**	292
Interest on scheme liabilities	**(384)**	(325)
Amount credited (debited) to net expenditure before taxation as other finance income	**52**	(33)
Amount (charged) to net expenditure before taxation	**(184)**	(335)

14. Retirement benefits pension schemes (continued)

Defined Benefits Plan (continued)

General reserves include an actuarial gain which can be analysed as follows:

	2011	2010
	£'000	£'000
Actuarial return less expected return on assets	**46**	1,075
Experienced gains on liabilities	**93**	167
Changes in assumptions underlying liabilities	**257**	264
Actuarial gain	**396**	1,506

Statement of Financial Position Pension asset

The assets and liabilities in the scheme and the expected rate of return were:

	2011	**2011 £'000**	2010	2010 £'000
Equities	**8.5%**	**2,979**	8.5%	3,083
Government Debt	**4.5%**	**3,806**	4.5%	2,946
Corporate Bonds	**5.5%**	**255**	5.5%	146
Cash	**4.0%**	**251**	4.0%	741
Total fair value of assets		**7,291**		6,916
Present value of liabilities		**6,843**		6,889
Surplus in the scheme		**448**		27
Related deferred tax (liability) asset		**(94)**		(6)
Net pension asset		**354**		21

The total fair value of assets before taxation has moved over the year as follows:

	2011	2010
	£'000	£'000
Opening fair value of assets at 1 April	**6,916**	5,129
Expected return on assets	**436**	292
Employer contributions	**209**	438
Contributions by Members	**42**	39
Actuarial gains over those expected	**46**	1,075
Benefits (paid)	**(358)**	(57)
Total fair value of assets before taxation at 31 March	**7,291**	6,916

14. Retirement benefits pension schemes (continued)

Defined Benefits Plan (continued)

Changes in present value of defined liabilities over the year are as follows:

	2011	2010
	£'000	£'000
Opening fair value of liabilities at 1 April	**6,889**	6,711
Current service cost	**236**	302
Interest cost	**384**	325
Contributions by Members	**42**	39
Actuarial (gains):		
Change in assumptions	**(257)**	(264)
Liability experience (gains)	**(93)**	(167)
Benefits (paid)	**(358)**	(57)
Present value of defined liabilities before taxation at 31 March	**6,843**	6,889

Plan History

	2011	2010	2009	2008	2007
	£'000	£'000	£'000	£'000	£'000
Fair value of assets before taxation	**7,291**	6,916	5,129	5,786	5,532
Present value of defined liabilities before taxation	**6,843**	6,889	6,711	5,325	4,379
Surplus (deficit) before taxation	**448**	27	(1,582)	461	1,153

History of experience gains and losses

	2011	2010	2009	2008	2007
Actuarial return less expected return on assets:					
Amount (£'000)	**46**	1,075	(1,238)	(314)	75
Percentage of scheme assets (%)	**0.6**	15.5	(24.1)	(5.4)	1.4
Experienced gains and (losses) on liabilities:					
Amount (£'000)	**93**	167	116	1	(12)
Percentage of the present value of the scheme liabilities (%)	**1.4**	2.4	1.7	0.0	(0.3)
Changes in assumptions: (£'000)	**257**	264	(912)	(422)	(19)
Actuarial gains (losses)					
Amount (£'000)	**396**	1,506	(2,034)	(735)	44
Percentage of the present value of the scheme liabilities (%)	**5.8**	21.9	(30.3)	(13.8)	1.0

Defined Contributions Scheme

During 2009/10 a defined contribution scheme was opened and defined employer and employee contributions were paid into externally managed funds. During the year employer contributions amounted to £51k (2010: £1k).

15. General fund reserve

	Operating Cost account £'000	**Pension Reserve £'000**	**Total £'000**
At 31 March 2009	3,186	(1,250)	1,936
Changes to the general fund reserve for the previous year	(152)	1,271	1,119
At 31 March 2010	3,034	21	3,055
Changes to the general fund reserve for the year	23	333	356
At 31 March 2011	3,057	354	3,411

16. Revaluation reserve

	2011 £'000	2010 £'000	2009 £'000
At 1 April	8	5	4
Revaluation of property, plant and equipment for the year	(32)	17	4
Revaluation of depreciation for the year	24	(14)	(3)
At 31 March	–	8	5

17. Contingent liabilities

Under the terms of the agency agreement for the management of the GPSS, the Secretary of State for Defence indemnifies the Agency against any liabilities to third parties arising from the performance of its duties under the agreement.

At 31 March 2011 there were no contingent liabilities recorded (2010: Nil).

18. Gross cash flows

	2011 £'000	2010 £'000
Returns on investments and servicing of finance		
Interest received	**97**	66
Capital expenditure		
(Payments) to acquire tangible property, plant and equipment	**(89)**	(6)
(Payments) to acquire intangible computer software	**(30)**	(11)
Receipts from disposals of tangible property, plant and equipment	**4**	–
	(115)	(17)

19. Analysis of changes in net funds

	At 1 April 2010	Cash Flows	**At 31 March 2011**
	£'000	£'000	**£'000**
Cash at bank and in hand	4,464	1,079	**5,543**
Bank Short Term Deposit	1,000	(1,000)	**–**
Cash at bank and in hand	5,464	79	**5,543**

20. Related party transactions

The Agency is sponsored by the Ministry of Defence (MoD), through the Defence Equipment and Support Commercial Directorate, as its Managing Agent to manage the GPSS, a strategic defence asset, and in the MoD is regarded as a related party. The Agency receives a fee for the services it provides. Mr L Mosco, Director Commercial DE&S, Mr D Noble, Director Finance DE&S and Ms Davies, Head of Business Strategy & Governance, are employees of the MoD.

During the year none of the board members, members of staff or other related parties have undertaken any material transactions with the Agency.

21. Financial instruments

IFRS 7, Financial Instruments – Disclosures, requires disclosure of the role of financial instruments on performance during the period, the nature and extent of the risks to which the Agency is exposed and how these risks are managed.

As the duty of the Agency is to manage the GPSS and to charge a fee that materially covers its operating costs, including actual pension contributions but not non-cash pension asset charges or credits, it is not exposed to significant financial risk. The only financial instruments relate to debtors, creditors and cash balances and therefore liquidity and cash flow risk is very low. All assets and liabilities are denominated in sterling and therefore the Agency is not exposed to currency risk. The Agency has no embedded derivatives.

Interest Rate Risk Management

The Agency has its cash deposited with its bankers that is available on demand and attracts interest at a floating rate related to bank base rate. The Agency has no other deposits subject to market interest rate fluctuations, and is therefore subject to only limited interest rate risk.

Liquidity and Cash Flow Risk

The Agency has borrowing powers (note 3), however has not borrowed during the year. During the year the Agency had also placed a proportion of its funds on a short term fixed rate deposit with its bankers, however, at the year end nil was placed (2010: £1m). The remaining cash funds are deposited with its bankers which are available on demand and hence the Agency is not exposed to any significant liquidity risk or cash flow risk.

Credit Risk

The Agency is subject to some credit risk. The carrying amount of trade and other receivables, which is net of impairment losses, represents the Agency's maximum exposure to credit risk. Trade and other receivables are impaired where there is sufficient knowledge to indicate that recovery is improbable.

22. Events after the reporting date

The accounts were authorised for issue on 30 June 2011. There were no post balance sheet events that had an impact on these financial statements.

The Oil and Pipelines Agency accounts direction 2004

Accounts direction given by the Secretary of State for Defence, with the approval of the Treasury, in accordance with Schedule 3, Paragraph 9(3), to the Oil and Pipelines Act 1985 (the act)

1. The annual accounts shall give a true and fair view of The Oil and Pipeline Agency's profit or loss and cash flows for the financial year and the state of affairs as at the year-end. Subject to this requirement the Agency shall prepare accounts for the financial year ended 31 March 2004 and subsequent financial years in accordance with:

    a. the Executive Non-Departmental Public Bodies Annual Reports and Accounts Guidance, issued by the Treasury, in force for the financial year for which the accounts are prepared;

    b. other guidance which the Treasury may issue from time to time in respect of accounts which are required to give a true and fair view;

    c. any other specific disclosures required by the Secretary of State;

    except where agreed otherwise with the Treasury, in which case the exception shall be described in the notes to the accounts.

2. The notes to the accounts shall contain a statement of the position during the year and at the year-end in relation to the borrowing limit contained in the Secretary of State's consent given on 1 December 1985 pursuant to Paragraph 1(1)(b) of Schedule 3 to the Act.

3. This accounts direction supersedes The Oil and Pipelines Agency (Accounts) Notice 1992.

Signed by authority of the Secretary of State for Defence

Air Commodore AC Spinks 3 March 2004

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of The Oil and Pipelines Agency for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Agency, Chief Executive and Auditor

As explained more fully in the Statement of Chief Executive and Accounting Officer responsibilities**,** the Agency and Chief Executive is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with the government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to The Oil and Pipelines Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by The Oil and Pipelines Agency; and the overall presentation of the financial statements. In addition I read all the financial and non – financial information in the Annual Report of the Agency to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material mistatements or inconsistencies I consider the implications for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of The Oil and Pipeline's Agency's affairs as at 31 March 2011 and of the net comprehensive net income, for the year then ended; and
- the financial statements have been properly prepared in accordance with the Oil and Pipelines Act 1985 and directions issued thereunder by the Secretary of State.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with directions made by the Secretary of State under the Oil and Pipelines Act 1985; and

- the information given in the Report of the Agency for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

30 June 2011

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