Presented to Parliament pursuant to the Oil and Pipelines Act 1985, as amended by Section 23(8) and (7) of the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003

The Oil & Pipelines Agency Account 2009-2010

LONDON: The Stationery Office
HC 371

£9.75

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Contents

Chairman's statement

The Agency manages the Government Pipelines and Storage System, 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 re-organisation of the Agency which took place in 2008-2009 has started to deliver real benefit in managing GPSS risk. We have been able to work more closely with our operating contractors to provide greater assurance in respect of safety, quality, on-time delivery and efficiency. The Agency has also initiated a full review and re-structure of its operating and maintenance contracts which will improve efficiency and assurance of delivery.

The asset management and sales work strand of the Operational Efficiency Programme launched by the Treasury in July 2008 and led by Gerry Grimstone has assisted the Agency in increasing the commercialisation of the GPSS. Further work is on-going with various Government Departments to ensure that the GPSS can make a broader contribution to enhancing the security of energy supply for the UK and to adding to the resilience of important parts of the nation's economic infrastructure.

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. As part of the post Buncefield drive to improve storage procedures and equipment the Agency continues to lead a joint industry containment review for semi-buried storage tanks.

Membership of the Agency has changed in the last year. Diana Davey was a Member of the Agency from 1st April 2009 to 31st March 2010 as a non-executive member replacing Huw Walters who resigned in March 2009. I would like to thank Diana, who, as a Member of the Agency for twelve months, made a positive contribution to the Agency's work. I welcome Emma Davies to the Agency and I look forward to working with her in the coming years.

The Agency's Audit Committee has done an excellent job in ensuring that appropriate governance and risk management are in place. The Health, Safety and Environment Committee (HS&E), has also done an excellent job in ensuring continuous improvement of HS&E standards.

Finally, I must pay tribute to the Agency's staff during this period of significant change. Without their hard work, commitment, skill and expertise, the Agency could not function. They have ensured that the Government Pipelines and Storage System has continued to meet the requirements of its stakeholder and customers whilst remaining self-funding.

Francis Dobbyn 5 July 2010
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 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 contracts and is insourcing staff currently employed by contractors who are responsible for Pipeline Control Centres, Scheduling, SCADA & Pipeline Contravention activities. These changes will ensure that the OPA has direct control of these key operational activities and enable 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 continues at a high level, with some 15 per cent of GPSS pipelines inspected in the year, and necessary repair works to assure the ongoing integrity of a number of key pipelines were completed with minimum disruption to operations. Tank inspection and repair continues at a high level with work on a total of some 26 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, 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 and 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
	AR Nicholls	
	L Mosco	
	D Noble	
	D Davey	Appointed 1 April 2009
		Resigned 31 March 2010
	E Davies	Appointed 1 April 2010
Principal Officers:	AR Nicholls	Chief Executive and Accounting Officer
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 2010, was twenty one. The Agency has in-sourced 26 personnel who were employed by GPSS Operations & Maintenance contractors. The personnel moved from the GPSS to the OPA on 1 July 2010.

Retirement benefits plan

Information on the Agency's pension scheme can be found in the Remuneration Report, Accounting Polices note 2 e) and note 14 to the accounts.

Accounts

These financial statements have been prepared in accordance with the 2009-2010 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.

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 achieved during the year. After adjustment for non cash pension fund adjustments and taxation the Agency's net result for the year was a net expenditure in excess of income of £71,000 (2009: net income over expenditure £154,000).

Payment of creditors

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 ten days (2009: ten days).

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 £8,490. During the year the NAO also carried out an audit of the year ended 31 March 2009 restated under IFRS which cost £750.

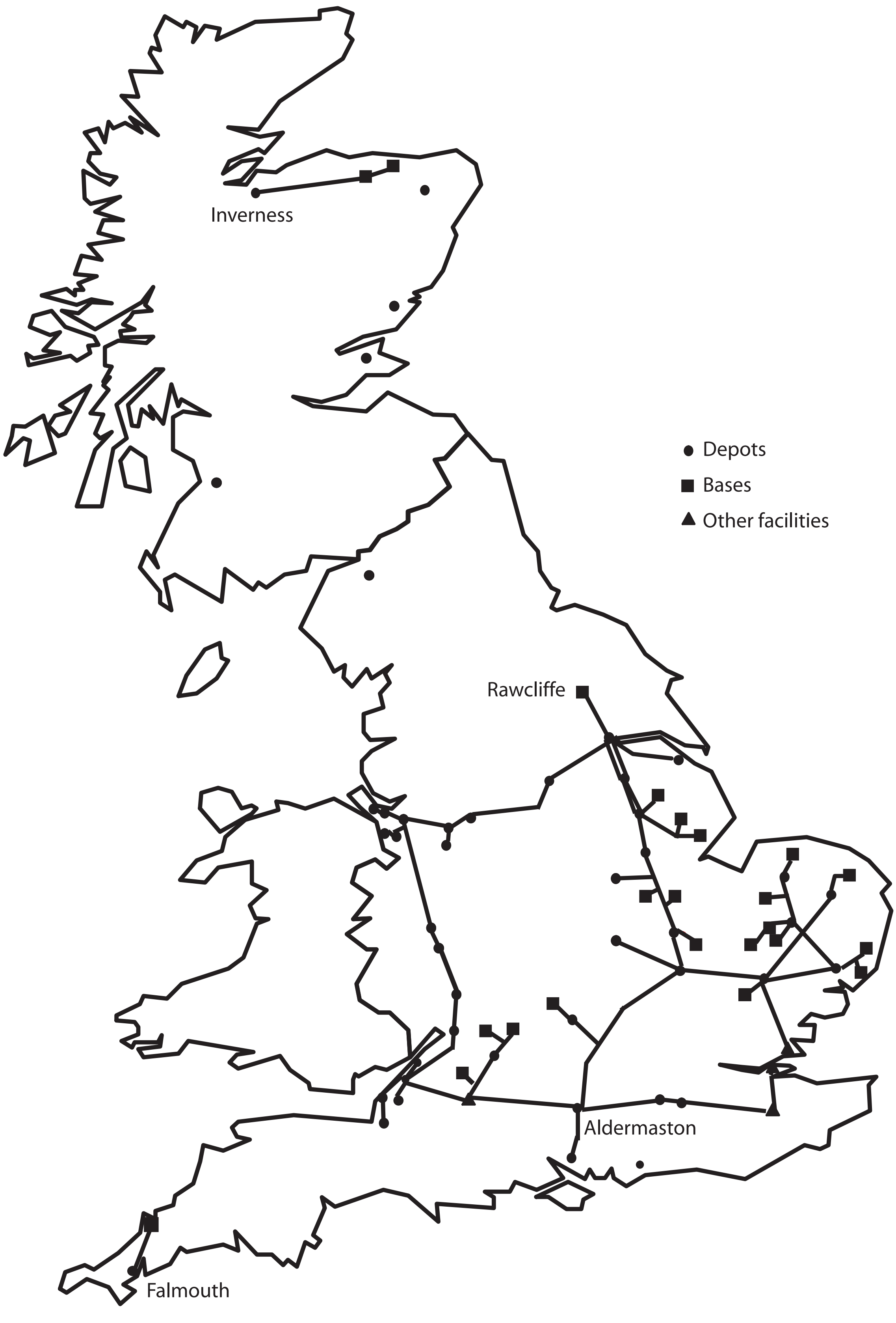
The Certificate and Report of the Comptroller and Auditor General is attached on pages 33 and 34.

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.

AR Nicholls 5 July 2010
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	**2010 Salary band £'000**	2009 Salary band £'000
F Dobbyn	Chairman	8 July 2005	7 July 2011	**15–20**	15–20
L Mosco	Member	18 November 2008	see below	**0**	0
D Noble	Member	18 November 2008	see below	**0**	0
E Davies	Member	1 April 2010	see below	**0**	0
D Davey	Member	1 April 2009	31 March 2010	**0**	0

Mr L Mosco, Director Commercial DE&S, Mr D Noble, Director Finance DE&S, Mrs D. Davey, Head of Financial Management Policy and Development and Ms Davies, Head of Business Strategy & Governance, as employees of the MOD, they were and 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 scheme, nor did they receive any benefits in kind except for the reimbursement of actual expenses.

The remuneration during the year of Mr AR Nicholls, Chief Executive, Accounting Officer and executive Member was £139,000 and included a bonus of £12,000 (2009: £124,000 and nil bonus) and taxable benefits, derived from medical care and the use of a car, amounted to £6,000 (2009: £6,000). Mr AR Nicholls is a member of the Oil and Pipelines Retirement Benefits Plan and, during the period, accrued a real increase in pension payable of between £0,000 to £2,500 per annum and had a total accrued pension payable at normal retirement age of between £5,000 and £10,000 per annum at 31 March 2010. His cash equivalent transfer value increased from £44,000 at 31 March 2009 to £81,000 at 31 March 2010 representing a real increase after adjustment for inflation and changes in market investment factors of £23,000.

Retirement Benefits Plan

The Agency operates a funded pension scheme providing benefits to employees based on final pensionable salary. The assets of the scheme are held separately from those of the Agency and are invested in a trustee administered fund.

All permanent employees were, up to 31 December 2009, invited to join the Agency's Defined Benefit pension scheme and, if they did so, contribute five percent of their pensionable salary to the scheme.

From the 1 January 2010 the employee contribution to the pension scheme increased to 8 per cent of their pensionable salary to maintain their previous accrual rate. Alternatively they could elect to continue with the 5 per cent contribution and have a lower accrual rate.

The Defined Benefits scheme was closed to new entrants from 1 January 2010 and all new employees of the Agency are now offered membership of a Defined Contribution pension.

The constitution of the Defined Benefits Plan and powers and duties of the Trustee were set out in a Trust Deed dated 27 September 1982 as amended. This was replaced by a Second Definitive Trust Deed and Rules dated 1 December 1992 as amended as of 13 December 1995. A Deed of Amendment dated 13 February 1996 was executed, the purpose of which was to make the Second Definitive Trust Deed compliant with the requirements of the Pensions Act 1995. A further Deed of Amendment dated 30 April 2002 was executed to make the Second Definitive Trust Deed compliant with the requirements of the Welfare Reform and Pensions Act 1999. A further Deed of Amendment dated 31 December 2009 was executed to give effect to closing the Plan to new entrants, adding a new accrual rate for members who chose not to increase their contribution rate and to revise the death in service arrangements. The Second Definitive Trust Deed and Rules, as amended, are being revised to ensure that the retirement benefits plan remains compliant with pension legislation.

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 per cent 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 per cent and 5 per cent to 32.8 per cent and 8 per cent respectively. This was achieved by increasing contributions from 1 January 2010 and by the Agency paying an additional contribution to cover the period 5 April 2008 to 31 December 2009. Where employees opted to maintain the 5 per cent level of contribution their ongoing benefit accrual rate was reduced. A next actuarial valuation of the Plan will be carried out as at 5 April 2011.

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 P Hardesty BSc 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 £27,000 (2009: liability £1,582,000).

*AR Nicholl*s 5 July 2010
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; and
- 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 Chief Executive and Accounting Officer

The Chief Executive, as Accounting Officer for the Agency, is 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; and
- 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'.

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; and
- 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 a member, independent of the Agency. However, he does attend meetings.

Statement of Members' accounting 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 on the Agency's finances at the year end and of the net operating cost, recognised gains and losses 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; and
- prepare the financial statements on the ongoing concern basis unless it is inappropriate to presume that the Agency will continue in operation.

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 2010 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 OPA 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.

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

During the financial year Defence Internal Audit (DIA) conducted a review of internal controls governance and risk management and concluded that the Agency had achieved Substantial Assurance.

An audit of Fuels Quality was undertaken in the year to review the level of compliance with laid down quality controls as undertaken by the contractors appointed by OPA to manage the Pipeline Storage Depots (PSDs). The audit, conducted by DIA, determined that there are no significant findings resulting in recommendations contained within the report and consequently DIA offered a FULL ASSURANCE that the processes in place and the governance of the said processes are good.

The Remuneration Committee

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

Health, Safety and Environment Committee

The Agency has established a Health, Safety & Environment (HSE) Committee as a Committee of the Board to support them in their responsibilities for issues of Health, Safety & Environment. 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 HS&E management system is operated throughout OPA 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 OPA.

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

AR Nicholls 5 July 2010
Chief Executive and Accounting Officer

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Operating Cost Statement for the year ended 31 March 2010

	Notes	**2010 £'000**	2009 £'000
Expenditure			
Staff costs	5	**(1,564)**	(1,431)
Other administration costs	6	**(775)**	(764)
		(2,339)	(2,195)
Operating income	2 (b)	**2,220**	2,100
Net operating cost		**(119)**	(95)
Notional costs – cost of capital	7	**(172)**	(178)
Interest receivable from bank accounts		**66**	203
Net expenditure after notional costs and interest before taxation		**(225)**	(70)
Other finance income	14	**(33)**	100
Tax on taxable net income after notional costs and interest	8	**15**	(54)
Net expenditure after taxation		**(243)**	(24)
Reversal of notional costs		**172**	178
Net expenditure after reversal of notional costs		**(71)**	154

All operations are continuing

The accompanying notes on pages 18 to 31 form part of these accounts

.

Statement of Financial Position at 31 March 2010

	Notes	**2010 £'000**	2009 £'000	2008 £'000
Non-current assets				
Property, plant and equipment	9	**75**	130	217
Intangibles	10	**10**	0	0
Total Non-current assets		**85**	130	217
Current assets				
Trade and other receivables	11	**128**	122	126
Bank Short Term Deposit		**1,000**	3,000	0
Cash at bank and in hand		**4,464**	2,514	5,190
Corporation tax refund	8	**0**	0	10
Deferred tax asset		**82**	46	47
Total current assets		**5,674**	5,682	5,373
Total assets		**5,759**	5,812	5,590
Current liabilities				
Corporation tax due	8	**0**	(43)	(4)
Trade and other payables	12	**(337)**	(198)	(187)
Total current liabilities		**(337)**	(241)	(191)
Total assets less current liabilities		**5,422**	5,571	5,399
Non-current liabilities				
Pension asset (liability)	14	**21**	(1,250)	369
Assets less liabilities		**5,443**	4,321	5,768
Reserves				
Contributed capital	1 (a)	**2,380**	2,380	2,380
General fund reserve	15	**3,055**	1,936	3,384
Revaluation reserve	16	**8**	5	4
		5,443	4,321	5,768

Francis Dobbyn *AR Nicholls*

Date of Approval 5 July 2010

The accompanying notes on pages 18 to 31 form part of these accounts.

Statement of Cash Flows for the year ended 31 March 2010

	2010 £'000	2009 £'000
Cash flows from operating activities		
Net expenditure after notional costs and interest before taxation	**(225)**	(70)
Depreciation charges	**65**	96
Pension fund charge (note 14)	**302**	286
Pension contributions paid (note 14)	**(438)**	(177)
Taxation (paid) refunded	**(42)**	5
Notional costs – cost of capital	**172**	178
(Increase) decrease in trade and other receivables	**(6)**	4
Increase in trade and other payables	**139**	11
Net cash (outflow) inflow from operating activities	**(33)**	333
Cash flow from investing activities		
Purchase of Non-current assets (note 18)	**(17)**	(9)
(Decrease) increase in cash and equivalents	**(50)**	324
Cash and equivalents at the beginning of the year	**5,514**	5,190
Cash and equivalents at the end of the year (note 19)	**5,464**	5,514

The accompanying notes on pages 13 to 31 form part of these accounts

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2010

	Contributed Capital £'000	General Fund £'000	Reserve Revaluation £'000	**Total Reserves £'000**
Balance at 31 March 2008	2,380	3,417	4	**5,801**
Changes in accounting policy				
Adoption of IFRS	0	(33)	0	**(33)**
Restated balance at 1 April 2008	2,380	3,384	4	**5,768**
Changes in taxpayers' equity for the year ended 31 March 2009				
Net gain on revaluation of property, plant and equipment	0	0	1	**1**
Net income after reversal of notional costs	0	154	0	**154**
Actuarial (loss) recognised in the pension fund	0	(2,034)	0	**(2,034)**
Deferred tax arising on loss recognised in the pension fund	0	432	0	**432**
Balance at 31 March 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	0	0	3	**3**
Net income after reversal of notional costs	0	(71)	0	**(71)**
Actuarial gain recognised in the pension fund	0	1,506	0	**1,506**
Deferred tax arising on gain recognised in the pension fund	0	(316)	0	**(316)**
Balance at 31 March 2010	2,380	3,055	8	**5,443**

Notes to the Accounts for the year ended 31 March 2010

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 32.

2 Statement of accounting policies

These financial statements have been prepared in accordance with the 2009-2010 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

2 Accounting policies (continued)

e Pension costs

Pension costs 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 operating cost account. 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 operating cost account 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 operating cost statement 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 operating cost account.

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 Oil and Pipelines Agency will be unable to collect an amount due in accordance with agreed terms.

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:

	2010 £'000	2009 £'000
Aggregate emoluments of non-executive Members	**17**	21

The Agency has not made any pension contributions in respect of non-executive Members, who are not members of the pension scheme, 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 was £139,000 and included a bonus of £12,000 (2009: £124,000 and nil bonus) and taxable benefits, derived from medical care and the use of a car, amounted to £6,000 (2009: £6,000). 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 26 (2009: 24) and the number of employees at 31 March 2010 was 27 (2009: 26). The average of whole-time equivalent non-permanent persons employed during the year was 2 (2009: 2). In respect of these employees:

	2010 £'000	2009 £'000
Wages and salaries – to permanently employed staff	**947**	957
– to other contract and temporary staff	**221**	100
Social security costs incurred by the Agency	**93**	88
Pension costs (note 14)	**302**	286
Other pension costs	**1**	0
	1,564	1,431

6 Other administration costs

	2010 £'000	2009 2010
Office operating lease – buildings (note 13)	**179**	194
Other occupancy costs	**98**	96
Staff related costs	**83**	78
Travel, subsistence and hospitality	**39**	48
Recruitment and training	**45**	11
Professional fees	**139**	121
Auditors' Remuneration: Audit (NAO)	**9**	8
Office supplies and equipment	**68**	55
Other administration costs	**50**	56
Non-cash items		
Depreciation	**65**	96
Devaluation of property, plant and equipment	**0**	1
	775	764

7 Notional costs – cost of capital

The Treasury Accounts Guidance requires a notional cost of capital to be included in the operating cost statement to represent the opportunity cost to HM Treasury of the assets employed by the Agency. Notional costs of capital have been calculated at the real rate set by HM Treasury, currently 3.5 per cent, on the average capital employed (2009: 3.5 per cent)

8 Tax on net operating income on ordinary activities

The tax charge in the operating cost statement is derived as follows:

	2010 £'000	2009 £'000
Current Tax		
UK corporation tax on taxable (losses) profits for the year	**(37)**	43
Adjustment in respect of prior period	**0**	3
Total current tax	**(37)**	46
Deferred Tax		
Pension asset (liability) adjustment	**22**	8
Total tax on net (expenditure) income on ordinary activities	**(15)**	54

The tax assessed for the year is different from the standard rate of small company corporation tax (21 per cent). The differences are explained below:

Net (expenditure) income on ordinary activities before taxation	**(258)**	30
Corporation Tax		
Net (expenditure) income on ordinary activities multiplied by small company rate of corporation tax of 21 per cent (2009: 21 per cent)	**(54)**	6
Effects of:		
Expenses not deductible for tax purposes	**2**	0
Non taxable notional charge	**36**	38
Non taxable pension asset costs less credit	**70**	39
Excess of depreciation over capital allowances for period	**3**	10
Reversal of provision non deductible for tax purposes	**0**	(2)
UK corporation tax on taxable profit for the year	**57**	91
UK corporation tax refund on pension contributions to pension asset	**(92)**	(37)
Timing difference on trading taxable loss added to (set against) deferred tax asset	**35**	(11)
UK corporation tax due within 12 months at 31 March	**0**	43

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 £'000	Office Furniture £'000	Computers & Office Equipment £'000	Motor Vehicles £'000	**Total £'000**
Cost or valuation:					
At 1 April 2009	138	50	239	36	**463**
Revaluations	(12)	1	30	2	**21**
Additions	0	0	6	0	**6**
Disposals	0	0	(8)	0	**(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	0	0	(8)	0	**(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**

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 2009 is shown below:

	Leasehold Improvements £'000	Office Furniture £'000	Computers & Office Equipment £'000	Motor Vehicles £'000	**Total £'000**
Cost or valuation:					
At 1 April 2008	137	55	312	34	538
Revaluations	1	1	(5)	2	(1)
Additions	0	1	8	0	9
Disposals	0	(7)	(76)	0	(83)
At 31 March 2009	138	50	239	36	463
Depreciation:					
At 1 April 2008	49	46	210	16	321
Revaluations	0	1	(4)	2	(1)
Charge for year	15	5	67	9	96
Disposals	0	(7)	(76)	0	(83)
At 31 March 2009	64	45	197	27	333
Net Book Value:					
At 31 March 2009	**74**	**5**	**42**	**9**	**130**
At 31 March 2008	88	9	102	18	217

10 Intangible assets – computer software

Intangible non 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 2009 £'000	Additions £'000	Charge for year £'000	**Total at 1 April 2010 £'000**
Cost or valuation:	0	11	0	**11**
Depreciation:	0	0	1	**1**
Net Book Value:	0	11	1	**10**

11 Trade and other receivables

	2010 £'000	2009 £'000	2008 £'000
Trade and other receivables falling due within one year comprise:			
Trade and other receivables	**4**	8	16
Accrued Income	**16**	10	0
Prepayments	**75**	71	77
Trade and other receivables falling due after more than one year comprise:			
Other receivables	**33**	33	33
	128	122	126

12 Trade and other payables

	2010 £'000	2009 £'000	2008 £'000
Trade and other payables falling due within one year comprise:			
Trade and other payables	**27**	23	15
Accruals and deferred income	**185**	71	77
Other taxation and social security	**125**	104	95
	337	198	187

13 Commitments

a Capital Commitments

At the end of the year there were no capital commitments authorised (2009: Nil).

b Office Leasehold

The Agency occupies office premises under a lease that will expire in 2014 and had a rent review or break clause in 2009. The break clause has not been exercised and the rent review has taken place and, accordingly, from July 2009, there is an annual commitment to pay rent of £143,000 (2008 and 2009: £133,000) and a variable service charge. Rental amounts payable under the lease and due within 1 year and due between 1 and 5 years are £143,000 and £465,000 respectively.

c Motor leases

The Agency operates two motor vehicles under leases that will expire in 2010 and 2011. Lease amounts payable under these leases due within 1 year and due between 1 and 5 years are £7,000 and £2,000 respectively.

14 Retirement benefits plans

The Agency operates a funded pension scheme providing benefits based on final pensionable pay. During the year this defined benefits plan was closed to new entrants and a defined contribution scheme was opened.

Defined Benefits Plan

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 per cent 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 per cent and 5 per cent to 32.8 per cent and 8 per cent respectively. This was achieved by increasing contributions from 1 January 2010 and by the Agency paying an additional contribution to cover the period 5 April 2008 to 31 December 2009. Where employees opted to maintain the 5 per cent level of contribution their ongoing benefit accrual rate was reduced.

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 2009 and the major assumptions used were:

	2010	2009	2008
Inflation rate	**3.9%**	3.30%	3.6%
Rate of increase in salaries	**4.9%**	4.30%	4.6%
Rate of increase in pensions in payment	**3.9%**	3.30%	3.6%
Discount rate for liabilities	**5.5%**	4.75%	5.5%
Mortality birth table and cohort	**PXNA00 Long cohort**	PXNA00 Long cohort	PXA92 Medium cohort

Charge to the operating cost account

The operating cost account has been charged as follows:

	2010 **£'000**	2009 £'000
Current service cost	**(302)**	(286)
Past service cost	**0**	0
Amount (charged) to net operating cost (note 6)	**(302)**	(286)
Expected return on scheme assets	**292**	401
Interest on scheme liabilities	**(325)**	(301)
Amount (debited) credited to cost before taxation as other finance income	**(33)**	100
Amount (charged) to net expenditure before taxation	**(335)**	(186)

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

	2010 **£'000**	2009 £'000
Actuarial return less expected return on assets	**1,075**	(1,238)
Experienced gains and (losses) on liabilities	**167**	116
Changes in assumptions	**264**	(912)
Actuarial gain (loss)	**1,506**	(2,034)

14 Retirement benefits plan (continued)

Statement of Financial Position Pension asset

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

	2010	**2010 £'000**	2009	2009 £'000
Equities	**8.5%**	**3,083**	7.70%	2,328
Bonds	**4.5%**	**3,092**	3.95%	2,251
Cash	**4.0%**	**741**	3.25%	550
Total fair value of assets		**6,916**		5,129
Present value of liabilities		**6,889**		6,711
Surplus (deficit) in the scheme		**27**		(1,582)
Related deferred tax (liability) asset		**(6)**		332
Net pension asset (liability)		**21**		(1,250)

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

	2010 £'000	2009 £'000
Opening fair value of assets at 1 April	**5,129**	5,786
Expected return on assets	**292**	401
Employer contributions	**438**	177
Contributions by Members	**39**	39
Actuarial gains (losses) over those expected	**1,075**	(1,238)
Benefits (paid)	**(57)**	(36)
Total fair value of assets before taxation at 31 March	**6,916**	5,129

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

	2010 £'000	2009 £'000
Opening fair value of liabilities at 1 April	**6,711**	5,325
Current service cost	**302**	286
Interest cost	**325**	301
Contributions by Members	**39**	39
Actuarial losses (gains):		
Change in assumptions	**(264)**	912
Liability experience (gains)	**(167)**	(116)
Benefits (paid)	**(57)**	(36)
Present value of defined liabilities before taxation at 31 March	**6,889**	6,711

14 Retirement benefits plan (continued)

Plan History

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Fair value of assets before taxation	**6,916**	5,129	5,786	5,532	4,960
Present value of defined liabilities before taxation	**6,889**	6,711	5,325	4,379	3,868
Surplus (deficit) before taxation	**27**	(1,582)	461	1,153	1,092

History of experience gains and losses

	2010	2009	2008	2007	2006
Actuarial return less expected return on assets:					
Amount (£'000)	**1,075**	(1,238)	(314)	75	809
Percentage of scheme assets (%)	**15.5**	(24.1)	(5.4)	1.4	16.3
Experienced gains and (losses) on liabilities:					
Amount (£'000)	**167**	116	1	(12)	(12)
Percentage of the present value of the scheme liabilities (%)	**2.4**	1.7	0.0	(0.3)	(0.3)
Changes in assumptions: (£'000)	**264**	(912)	(422)	(19)	(359)
Actuarial gains (losses)					
Amount (£'000)	**1,506**	(2,034)	(735)	44	438
Percentage of the present value of the scheme liabilities (%)	**21.9**	(30.3)	(13.8)	1.0	11.3

Defined Contributions Scheme

During the year a defined contribution scheme was opened and defined employer and employee contributions were paid into externally managed funds amounting to £1,000.

15 General fund reserve

	Operating Cost account £'000	Pension Reserve £'000	**Total £'000**
At 31 March 2008	3,048	369	**3,417**
Changes in accounting policy			
Adoption of IFRS	(33)	0	**(33)**
Restated balance at 1 April 2008	3,015	369	**3,384**
Changes to the general fund reserve for the previous year	171	(1,619)	**(1,448)**
At 31 March 2009	3,186	(1,250)	**1,936**
Changes to the general fund reserve for the year	(152)	1,271	**1,119**
At 31 March 2010	3,034	21	**3,055**

16 Revaluation reserve

	2010 £'000	**2009 £'000**	**2008 £'000**
At 1 April	**5**	4	2
Revaluation of property, plant and equipment for the year	**17**	4	5
Revaluation of depreciation for the year	**(14)**	(3)	(3)
At 31 March	**8**	5	4

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 2010 there were no contingent liabilities recorded (2009: Nil).

18 Gross cash flows

	2010 £'000	2009 £'000
Returns on investments and servicing of finance		
Interest received	**66**	203
Capital expenditure		
(Payments) to acquire tangible property, plant and equipment	**(6)**	(9)
(Payments) to acquire intangible computer software	**(11)**	0
Receipts from disposals of tangible property, plant and equipment	**0**	0
	(17)	(9)

19 Analysis of changes in net funds

	At 1 April 2009 £'000	Cash Flows £'000	At 31 March 2010 £'000
Cash at bank and in hand	2,514	1,950	**4,464**
Bank Short Term Deposit	3,000	(2,000)	**1,000**
Cash at bank and in hand	5,514	(50)	**5,464**

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.

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.

21 Financial instruments (continued)

Interest Rate Risk Management

The Agency has a proportion of 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. The Agency has also placed a proportion of its funds on a short term fixed rate deposit with its bankers, amounting to £1 million at the year end (2009: £3 million), but also has significant funds 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 by the Accounting Officer on 5 July 2010 being the date of despatch by the Agency, to the Comptroller and Auditor General, for laying before the Houses of Parliament. There were no post balance sheet events that had an impact on these financial statements.

23 First time adoption of International Financial Reporting Standards

	Contributed Capital £'000	General Fund £'000	Revaluation Reserve £'000
Taxpayers' equity at 31 March 2009 under UK Generally Accepted Accounting Practice	2,380	1,962	5
Adjustments for:			
IAS 19 Employee Benefits – Accrued untaken paid leave	0	(26)	0
Taxpayers' equity at 1 April 2009 under International Financial Reporting Standards	2,380	1,936	5
Net operating income for the year ended 31 March 2009 under UK Generally Accepted Accounting Practice		147	
Adjustments for:			
Movement in accrued untaken paid leave in the year		7	
Net operating income for the year ended 31 March 2009 under International Financial Reporting Standards		154	

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 Spink 3 March 2004

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Oil and Pipelines Agency for the year 31 March 2010 under the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003 . These comprise the Operating Cost Statement, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayer's 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 being audited.

Respective responsibilities of the Chief Executive and Auditor

As explained more fully in the Statement of Chief Executive's Responsibilities, the 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 applicable law and 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 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 transaction 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 Pipelines Agency's affairs as at 31 March 2010 and of the net operating cost, changes in taxpayers' equity and cash flows 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 for Defence.

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament (continued)

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 for Defence under the Oil and Pipelines Act 1985; and
- the information given in 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 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

7 July 2010

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