

Presented to Parliament pursuant to section 27 (3) of Statutory Instrument
2003 No. 1250, The General and Specialist Medical Practice Order 2003

Postgraduate Medical Education and Training Board (PMETB) Annual Report and Accounts 2004/05

ORDERED BY HOUSE OF COMMONS TO BE PRINTED 29TH OCTOBER 2008

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ISBN: 978 0 10 295813 3

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BOARD REPORT AND MANAGEMENT COMMENTARY

1. Introduction

The Postgraduate Medical Education and Training Board (PMETB) was established by the General and Specialist Medical Practice (Education, Training and Qualifications) Order 2003 (The Order) and came into being on 22 October 2003.

The period from April 2004 to March 2005 was devoted to preparations for PMETB to be in a position to “Go Live”, which it eventually did on 30 September 2005. The principal developments during the year are set out below.

2. Board and senior management

The Board’s first Chair, Professor Clive Morton, resigned as Chair with effect from 1 August 2004: Dr Peter Simpson became Acting Chair on that date and remained in post for the remainder of the financial year.

Stuart Gray, the Acting Chief Executive, resigned in July 2004 and was replaced as Acting Chief Executive by Isabel Nisbet, who remained in post until Paul Streets became Chief Executive on 24 January 2005.

Professor Sian Griffiths resigned as a Board Member on 23 March 2005, but all other Board Members served throughout the financial year: their details are included in the Remuneration Report.

3. Preparations for “Go Live”

The Board had originally planned to “Go Live” in October 2004, but early in the financial year it became clear that this target would not be achievable. Following extensive discussions with the Department of Health, it was agreed to defer the “Go Live” date to September 2005 and more robust planning processes were implemented to ensure that this would be achieved.

18 different workstreams were identified and progress against each of these was monitored regularly by the Board, with input from senior management, the transition team that had been created to take forward each workstream and the Board’s Internal Auditors.

By the end of the financial year, a number of senior appointments had been made and the organisation structure for “Go Live” agreed. The position of staff from the two predecessor bodies (the Specialist Training Authority and Joint Committee on Postgraduate Training for General Practice) transferring into the new organisation structure had been discussed and agreed.

In March 2005, the Board considered a report from Paul Streets that identified the principal risks areas for “Go Live” and how these were being managed. The key risks identified were:

- Certification and Article 11/14 planning;
- The development of Service Level Agreements with the Medical Royal Colleges to cover all areas of future collaboration;
- The development of appropriate information systems for the new organisation; and
- Coping with the demands during the period between June and September 2005 without access to staff in the predecessor bodies, who would be fully engaged in “wind down” activities.

4. Governance arrangements

During the financial year, the Board continued the development of its governance arrangements. The Audit Committee held its first meeting in July 2004 and was responsible for the appointment of the Board’s internal auditors – South Coast audit – and its external auditors – Baker Tilly UK Audit LLP.

BOARD REPORT AND MANAGEMENT COMMENTARY

The Board considered the creation of a separate Finance Committee, but agreed that, given the significance of the future financial arrangements for the organisation, all financial matters should be discussed at the monthly Board Meetings. The Remuneration Committee developed a set of proposals for the payment of expenses, fees and allowances and also for supplementary payments for the Chairs of the Statutory Committees to recognise their additional time commitments: both were approved by the Board.

The Assessment Committee established the following Sub Committees to enable it to take forward its work:

- Standards and Outcomes;
- Workplace-based assessment;
- Examinations in Postgraduate Training; and
- Articles 11 and 14.

Other Sub Committees were created to take forward other significant aspects of PMETB's role regarding the Foundation Programme and Academic Medicine.

5. Location

The Board decided that PMETB should be based in London for at least the first five years of its operational life and that any premises occupied should be capable of allowing alternative options to be considered at that point. A range of possible office locations was identified and the Board remained in temporary accommodation throughout the period pending a final decision.

6. Financial arrangements

Considerable work was carried out during the period to determine the key elements of a future Business Model for PMETB, which included:

- Future funding from the Department of Health

Following prolonged discussions, funding for the Board for 2005/06 and 2006/07 was agreed with the Department of Health in February 2005. PMETB had been included within the remit of the Arms Length Body (ALB) Review – although the Board considered that it did not qualify as an ALB – and this had an impact on the context within which the discussions on future finance with the Department took place.

- PMETB fees

The Board agreed the level of fees that it proposed to charge applicants from “Go Live” in September 2005 and the consultation regarding these began in March 2005. The Board also committed to review these initial fee levels to ensure that a viable future income stream could be created to compensate for the reduction of departmental support in the medium term.

- Expenditure profile

As noted above, the Board approved its “Go Live” organisation structure and the principal cost elements of its future operations. The Board recognised that some of these, like the cost of future appeals activity, had a significant degree of inherent uncertainty and would need to be revisited in the light of future experience.

BOARD REPORT AND MANAGEMENT COMMENTARY

7. Principal activities during the period

As noted above, the principal focus for the Board during the period was the preparations for “Go Live”. In particular, significant work was carried out in the following areas:

- Producing “Principles for an Assessment System for Postgraduate Medical Training”, which were adopted by the Board in July 2004.
- Work on the equivalence application process

The Board considered the elements of the process that would be required for applicants under Articles 11 and 14 of the Order. In particular, substantial progress was made in defining:

- The application pack and accompanying guidelines;
 - The standards for a consultant in the NHS against which applicants would be assessed;
 - The criteria for assessing applicants’ experience; and
 - The definition of specialist qualifications.
- Planning for the anticipated “bulge” in applications up to and beyond the point at which PMETB went live.
 - Agreeing the basis for the development of the future Quality Assurance structure of the Board. The Board determined that this should be a two-stage process: maintaining some of the previously arranged visits activity, while designing the outline of the new system, which would be introduced in Spring 2006.
 - Work on drafting the rules required by the Order to provide a framework for PMETB’s work

The Board agreed draft rules for the four principal operational areas:

- Standards for postgraduate medical education and training;
- Approval of postgraduate medical education and training;
- Procedures for making and considering applications for certification;
- Visiting Panels.

In addition, rules were drafted to cover: fees; complaints and removal of Board Members.

8. External audit arrangements

The Board’s external audit arrangements are set out below.

Article 29(2) of the Order requires that:

“The annual accounts shall be audited by persons whom the Board appoints.”

And

Article 29(3) states that: “No person may be appointed as an auditor under paragraph (2) unless he is eligible for appointment as a company auditor under section 25 of the Companies Act 1989 ...or Article 28 of the Companies (Northern Ireland) Order 1990.”

Accordingly, PMETB has appointed Baker Tilly UK Audit LLP as its external auditors.

In addition, Article 29(5) states:

“The Comptroller and Auditor General shall examine, certify and report on the annual accounts.”

Neither The Comptroller and Auditor General nor Baker Tilly UK Audit LLP undertook any non-audit work during the year.

BOARD REPORT AND MANAGEMENT COMMENTARY

9. Disclosure of information to the auditors

I confirm that there is no relevant audit information or internal control issues of which the auditors are unaware and I have taken steps to ensure I am aware of such information and to establish that the auditors have been made aware of that information.

BOARD REPORT AND MANAGEMENT COMMENTARY

REMUNERATION REPORT

Chief Executive's Remuneration

Stuart Gray resigned as Acting Chief Executive with effect from July 2004. During the period, his remuneration of £81,547 was paid to Peterborough and Stamford NHS Trust in respect of his secondment to PMETB.

Isabel Nisbet was appointed as Acting Chief Executive with effect from July 2004 and fulfilled this role until the end of January 2005. Her remuneration of £113,784 for the period of her secondment was paid to the General Medical Council. In February, she was appointed as Director of Operations and received £11,374 in this capacity.

Paul Streets became Chief Executive on 24 January 2005 and his remuneration for the period was £14,841.

Board Members' Remuneration

Professor Clive Morton resigned as Chair with effect from 1 August 2004. He received total emoluments for the period of £72,379, including a termination payment of £32,500. The Remuneration Committee approved the terms of the settlement to Professor Morton.

Sir Peter Simpson became Acting Chair of PMETB with effect from 1 August 2004 and received remuneration of £43,333 for the period. His remuneration as a Board Member for the period April to July 2004 is disclosed in the table below.

Board Members' remuneration and the Chair's salary are not subject to superannuation. Board members' costs during the year amounted to £423,597, including social security costs. The remuneration of a number of Board members is paid to their employing organisation. Payments in respect of individual members are disclosed in the following table:

	Year ended 31 March 2005	Period ended 31 March 2004
Dr Ikechuku Anya (appointed 22 October 2006)	–	–
Professor Dame Carol Black **** (resigned 18 July 2007)	9,000	4,500
Dr Chris Clough (appointed 22 October 2006)	–	–
Dr Angela Coulter **** (resigned 31 May 2007)	9,000	4,500
Professor Sir Alan Craft (resigned 21 October 2006)	9,000	4,500
Mr Ian Cumming	9,000	2,250
Professor Neil Douglas (appointed 22 October 2006)	–	–
Professor Stephen Field ****	9,000	4,500
Mrs Susan Fox (Wales)	9,000	4,500

BOARD REPORT AND MANAGEMENT COMMENTARY

	Year ended 31 March 2005	Period ended 31 March 2004
Mrs Frances Gawn (Northern Ireland)	9,000	4,500
Professor Janet Grant	9,000	4,500
Professor Sian Griffiths (resigned 23 March 2005)	9,000	4,500
Professor David Haslam	9,000	4,500
Professor Peter Hill ****	9,000	4,500
Dr John Jenkins (Northern Ireland) ****	9,000	4,500
Dr Hasmukh Joshi	9,000	4,500
Dr Namita Kumar	9,000	4,230
Professor Stuart Macpherson (Scotland) ****	9,000	4,500
Professor David Neal	9,000	4,500
Dr Trevor Pickersgill (Wales) ****	9,000	4,500
Miss Jane Reynolds	9,000	4,500
Mrs Susanne Roff (Scotland)	9,000	4,500
Mr. Finlay Scott ****	9,000	4,500
Dr Ewen Sim (resigned 30 November 2005)	9,000	4,500
Sir Peter Simpson (Deputy Chair)* (resigned 21 October 2006)	3,000	4,500
Professor Dame Lesley Southgate ** (resigned 21 October 2006)	9,000	4,500
Dr Anita Thomas ***/****	9,000	4,500

* Sir Peter Simpson received £3,000 for services as a Board member during the year. His emoluments as acting Chair are disclosed separately.

** Professor Dame Lesley Southgate received an additional amount of £34,768 (2003/04 £5,000) in respect of her role as Chair of the Assessment Committee.

*** £57,163 was paid to Plymouth Hospitals Trust in respect of costs related to additional work carried out on behalf of PMETB by Dr Anita Thomas as Chair of the Training Committee.

**** Board members fees so denoted were paid directly to their ultimate employer.

In addition, expenses amounting to £90,586 were reimbursed to Board Members. No Board members received benefits in kind during the year.

The remuneration of the Chief Executive and Board members has been audited.

BOARD REPORT AND MANAGEMENT COMMENTARY

Pensions

PMETB was admitted as a member of the NHS Pension Scheme in August 2005. These accounts include the liabilities in respect of the two permanent staff members who were admitted to the scheme in 2005/06 and the pensions' disclosures that relate to those liabilities are included in the 2005/06 Annual Report and accounts. The amount of the pensions' liabilities is not material to these accounts.

Paul Streets

Accounting Officer

STATEMENT ON THE BOARD'S AND THE ACCOUNTING OFFICER'S RESPONSIBILITIES

The Board's responsibilities

Under the Cabinet Office's Guidance on Codes of Best Practice for Board Members of Public Bodies, the Board is responsible for ensuring propriety in its use of public funds and for the proper accounting of their use. Under Section 29 of The General and Specialist Medical Practice (Education, Training and Qualifications) Order 2003 (The Order), the Board is required to prepare a statement of accounts in respect of each financial year in the form and on the basis directed by the Secretary of State for the Department of Health, with the consent of the Treasury. The accounts are to be produced on an accruals basis and must give a true and fair view of the Board's state of affairs at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Board is required to:

- Observe the accounts direction issued by the Secretary of State, with the consent of the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards have been followed, and disclose and explain any material departures from them in the financial statements; and
- Prepare the statements on the going concern basis unless it is inappropriate to presume that the Board will continue in operation.

The Accounting Officer's Responsibilities

The Accounting Officer for the Department of Health has appointed the Chief Executive as the Board's Accounting Officer. His relevant responsibilities as the Accounting Officer of the Board, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum issued by the Treasury and published in Government Accounting.

STATEMENT ON INTERNAL CONTROL

Background

I was appointed as Chief Executive of the Postgraduate Medical Education and Training Board (PMETB) on 24 January 2005. During the period from the creation of PMETB on 22 October 2003 until my appointment, there were two Acting Chief Executives, neither of whom was designated as Accounting Officer. My letter of appointment as Accounting Officer is dated 5 February 2007 and followed a prolonged discussion of the content of the Management Statement and Financial Memorandum between PMETB and the Department of Health.

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Postgraduate Medical Education and Training Board (PMETB) policies, aims and objectives, whilst safeguarding the public funds and organisational assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

There is a funding agreement between PMETB and the Department of Health, which I signed on behalf of PMETB on 16 April 2007. PMETB reports directly to the UK Parliament and works closely with the Departments of Health in delivering its statutory obligations as well as the key objectives of its Strategic and Operational Plans. This includes identifying and responding appropriately to both internal and external risks.

The purpose of the system on internal control

The system on 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 organisational policies, aims and objectives;
- Evaluate the likelihood of those risks being realised and the impact should they be realised; and
- Manage them efficiently, effectively and economically.

During the financial year 2004/05, the focus of the Board's activities was preparing to "Go Live": 30 September 2005 was set as the date for "Go Live". The system of internal control in place in PMETB for the year ended March 2005 reflected this focus: the issues to be addressed primarily related to putting in place arrangements for the new organisation to become operational at 30 September 2005. It was recognised that the system of internal control put in place would require significant further development in subsequent financial years. Since March 2005, significant work has been undertaken to put in place the core elements of an effective system of internal control.

Capacity to handle risk

The focus of risk identification, recording and management during the period was primarily on those risks that the organisation considered were most significant in terms of the preparations to "Go Live". Following the deferral of "Go Live" from October 2004 to September 2005, a structured methodology was put in place to identify and evaluate the principal risks to "Go Live", reflecting the 18 workstreams that made up the "Go Live" programme.

STATEMENT ON INTERNAL CONTROL

Following the appointment of PMETB's internal auditors, the Audit Committee ensured that they focused on an evaluation of how these risks were being managed. I was able to report to the Board initially at its March 2005 meeting on the principal risks to the organisation in respect of the "Go Live" programme.

The risk and control framework

PMETB's risk management policy seeks to identify the risks facing the organisation and treat them according to established guidelines. The risk appetite is low and managers make sound decisions on the risks that the organisation retains, those it reduces through strategic or operational change, and those it transfers.

Since appointment, I have reported to the Board on progress against its agreed operational plans. These reports have included reference to risks attached to our operational and strategic plans and the wider context for our work. A Risk Register was created in 2006 and, from April 2007, the Risk Register defines clearly the risks associated with each of the Operational Plan priorities. Evaluation and control of risks is undertaken by defining the risk event and consequences and then assessing the controls.

The Board and its Audit and Risk Committee oversee the risk management process and receive regular updates on business and finance performance.

The Head of Internal Audit provided the following assurance on the effectiveness of the system of internal control for 2004/05, on the basis of the work that they have undertaken.

Their overall opinion is that internal controls reviewed as part of their planned work, subject to the limitations shown in this statement, were only partially in place and operating satisfactorily:

- Controls over the transitional work streams were, for the most part, in place and operating
- The core controls that form the basis of the system of internal control were only partially in place, and those controls that were in place were not all working satisfactorily.

In reaching this opinion, they took the following factors into particular consideration:

- The significant part of their work has related to the Go Live Set Up Programme, and they are able to give reasonable assurance that this has been an adequately controlled process overall.
- In terms of the overall governance arrangements in place, as noted from their review of the Governance work-stream within the Programme, there are significant deficiencies with the implementation of, and compliance with, Board Standing Orders and Standing Financial Instructions.
- The lack of a clear Scheme of Delegation and associated procurement procedures has meant that expenditure has been incurred without evidence of competition. The Board is thus unable to demonstrate that it has achieved value for money.
- Authorisation and approval of expenditure has been by one or two officers only, with no evidence of independent scrutiny of their action. On this basis they can only give very limited assurance that expenditure has been valid and accurate.
- The Board has operated during the year with a Transition Team predominantly comprising temporary, contract staff, whose services had not been secured through to the end of the key transition period. This risk of losing key staff and their unique accumulated knowledge has continued into the current financial year.
- The more recent appointment to the senior permanent structure reduces the level of risk across the range of governance and operational issues.

STATEMENT ON INTERNAL CONTROL

Since this report was received in June 2005, a substantial programme of work has been carried out to enhance the control environment within PMETB. In respect of this Annual Report and Accounts, the underlying accounting records were subject to a detailed review and reconstruction by the incoming Director of Finance and Resources to provide the basis for producing the Report and Accounts. A subsequent review was commissioned by the internal auditors who reported that significant assurance can be given that the methodology used for the analysis of the accounting records for 2004/05 and 2005/06 should provide a complete and accurate record of the receipts and payments of the Board up to 31 March 2006.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control in place during 2004/05 has been informed by the work of the internal auditors and the Senior Management Team, who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit and Risk Committee, and a plan to address weaknesses and assure continuous improvement of the systems is in place.

Paul Streets

Accounting Officer

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE POSTGRADUATE MEDICAL EXAMINATION AND TRAINING BOARD

We have audited the financial statements on pages 19 to 29. These financial statements have been prepared under the historic cost convention and the accounting policies set out on pages 22 and 23.

This report is made solely to the Board's members, as a body in accordance with the requirements established by the General and Specialist Medical Practice (Education, Training and Qualifications) Order 2003. Our audit work has been undertaken so that we might state to the Board's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board and the Board's members as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of the Board, the Chief Executive and the Auditor

As described on page 9, the Board and the Chief Executive (as the Accounting Officer) are responsible for the preparation of the financial statements in accordance with the above mentioned Order and as directed by the Secretary of State for the Department of Health with the consent of the Treasury and for ensuring the regularity of financial transactions. The Board and its Chief Executive are also responsible for the preparation of the other contents of the Annual Report. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the General and Specialist Medical Practice (Education, Training and Qualifications) Order 2003 and the Accounts Direction issued to the Postgraduate Medical Examination and Training Board by the Secretary of State for the Department of Health; and whether 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. We also report if, in our opinion the Management Commentary is not consistent with the financial statements, if the Board has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We review whether the Statement on Internal Control (pages 12 to 14) reflects the Board's compliance with Treasury's guidance on the Statement on Internal Control. We report if it does not meet the requirements specified by the Treasury or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the Accounting Officer's Statement on Internal Control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Board's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only, the reports on pages 4 to 10. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made

by the Board and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, 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. In forming our opinion we have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:-

- the financial statements give a true and fair view, in accordance with the General and Medical Specialist Practice (Education, Training and Qualifications) Order 2003 and the Accounts Direction issued by the Secretary of State for the Department of Health, of the state of affairs of the Postgraduate Medical Examination and Training Board as at 31 March 2005 and of the operating costs, income, grant in aid funding and cash flows for the period then ended and have been properly prepared in accordance with the General and Specialist Medical Practice (Education, Training and Qualifications) Order 2003 and directions made thereunder; and
- 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.

BAKER TILLY UK AUDIT LLP
Registered Auditor
The Clock house
140 London Road
Guildford
Surrey
GU11UW

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 Postgraduate Medical Education and Training Board for the period ended 31 March 2005 under the General and Specialist Medical Practice (Education, Training and Qualifications) Order 2003. These comprise the Operating Cost Statement, the Balance Sheet, the Cash Flow Statement 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 Chief Executive and auditor

The Chief Executive, as Accounting Officer, is responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the General and Specialist Medical Practice (Education, Training and Qualifications) Order 2003 and directions made thereunder by the Secretary of State for Health, and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the General and Specialist Medical Practice (Education, Training and Qualifications) Order 2003 and directions made thereunder by the Secretary of State for Health. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Board Report and Management Commentary, is consistent with the financial statements. I also report whether 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.

In addition, I report to you if the Postgraduate Medical Education and Training Board have not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Postgraduate Medical Education and Training Board's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Postgraduate Medical Education and Training Board's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Postgraduate Medical Education and Training Board's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that 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. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the General and Specialist Medical Practice (Education, Training and Qualifications) Order 2003 and directions made thereunder by the Secretary of State for Health, of the state of Postgraduate Medical Education and Training Board's affairs as at 31 March 2005 and of its net operating costs for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the General and Specialist Medical Practice (Education, Training and Qualifications) Order 2003 and directions made thereunder by the Secretary of State for Health; and
- information given within the Annual Report, which comprises the Board Report and Management Commentary, is consistent with the financial statements.

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.

Report

Effect of delays in submitting previous year's accounts

I previously reported on the reasons for delays in the presentation of the Board's Annual Report and Accounts for the period ending 31 March 2004 in my Report on the Board's Annual Report and Accounts 2003-04 (HC 423 2007-08). In my Report, I noted that accounts for subsequent financial years could not be finalised until the Board had established the state of affairs at 31 March 2004 and that this had led to delays in the submission of accounts for later periods. Those circumstances have led to the delay in the presentation of these accounts.

T J Burr
Comptroller and Auditor General
21 July 2008

National Audit Office
155 Buckingham Palace Road
London, SW1W 9SS

Operating Cost Statement for the year ended 31 March 2005

	Note	Year ended 31 March 2005		Year ended 31 March 2004	
		£	£	£	£
Gross Operating Costs					
Staff Costs	4	938,225		76,098	
Board Members' Remuneration	3	440,475		200,919	
Other Operating Costs	6	1,604,177		323,953	
Depreciation	8	35,855		–	
Notional cost of capital	7	<u>42,019</u>		<u>2,457</u>	
			3,060,751		603,427
Operating Income			<u>–</u>		<u>–</u>
			3,060,751		603,427
Interest Receivable			39,046		2,808
Interest Payable			<u>–</u>		<u>–</u>
Net Operating Cost for the year/period			<u>3,021,705</u>		<u>600,619</u>

All operations are continuing. There were no material acquisitions or disposals in the year.

There are no recognised gains or losses other than those in the above statement.

The notes on pages 22 to 29 form part of these accounts

Balance Sheet as at 31 March 2005

	Note	2005		2004	
		£	£	£	£
Fixed Assets					
Tangible fixed assets			168,129		–
Current Assets					
Debtors	9	260,685		24,681	
Cash at bank and in hand	10	1,182,675		1,830,000	
		1,443,360		1,854,681	
Creditors: amounts falling due within one year	11	<u>775,681</u>		<u>289,378</u>	
Net current assets/(liabilities)			667,679		1,565,303
Provisions for liabilities and charges			–		–
Net Assets/(Liabilities)			<u>835,808</u>		<u>1,565,303</u>
Reserves					
General Reserves			<u>835,808</u>		<u>1,565,303</u>
			<u>835,808</u>		<u>1,565,303</u>

The notes on pages 22 to 29 form part of these accounts

Signed on behalf of the Postgraduate Medical Education and Training Board

Paul Streets
Accounting Officer

Cash Flow Statement for the year ended 31 March 2005

	Note	Year ended 31 March 2005 £	Period ended 31 March 2004 £
Net cash (outflow)/inflow from operating activities	13	(2,722,896)	(333,465)
Capital expenditure			
Payments to acquire tangible fixed assets		(174,620)	—
Net cash outflow before financing		(2,897,516)	(333,465)
Financing received		2,250,191	2,163,465
(Decrease)/Increase in cash		<u>(647,325)</u>	<u>1,830,000</u>

The notes on pages 22 to 29 form part of these accounts

Notes to the Accounts

1 Accounting Policies

a Basis of preparation

These financial statements have been prepared in accordance with *The General and Specialist Medical Practice (Education, Training and Qualifications) Order 2003* and the Accounts Direction given by the Secretary of State thereunder with the consent of Treasury and the Financial Reporting Manual, issued by HM Treasury. The particular accounting policies adopted by the Board are described below. They have been applied consistently in dealing with items considered material in relation to these financial statements.

b Accounting convention

The financial statements have been prepared under the historical cost convention.

Without limiting the information given, the financial statements meet the accounting and disclosure requirements of the Companies Acts and accounting standards issued by the Accounting Standards Board so far as those requirements are appropriate.

c Grant in Aid

The Board receives Grant in Aid from the Department of Health, which is treated as financing of the Board's activities and credited to the General Fund Reserve. It is recognised when received.

d Tangible fixed assets

Fixed assets are valued in the balance sheet at their modified historic cost less depreciation. Assets are revalued at current replacement cost by using price index numbers for current cost accounting published by the Office of National Statistics.

Fixed assets other than computer software are capitalised as tangible fixed assets as follows:

- Equipment with an individual value of £1,000 or more
- Grouped assets of a similar nature with a combined value of £1,000 or more
- Refurbishment costs valued at £1,000 or more.

Any surplus or deficit on revaluation is credited or charged to the Revaluation Reserve.

e Depreciation

Depreciation is provided on a straight-line basis, calculated on the revalued amount to write off assets, less any estimated residual balance, over their estimated useful life. The useful lives of tangible fixed assets have been estimated as follows:

Refurbishment costs, furniture and fittings	5 years
Computer equipment	3 – 10 years

Depreciation is charged from the month in which the asset is acquired.

f Notional charges

In accordance with the 2007 Financial Reporting Manual published by HM Treasury, a notional charge for the cost of capital employed during the year is included in the operating cost statement along with an equivalent notional income to finance the charge. The cost of capital charge is calculated at 3.5% applied to the mean value of capital employed during the year, excluding non-interest bearing cash balances held with the Office of the Paymaster General.

Notes to the Accounts

g Value added tax

Value added tax (VAT) on purchases is not recoverable, hence is charged as part of the purchase price to the Operating Cost Statement and included under the heading relevant to the type of expenditure.

h Pension costs

The Board participates in the NHS Pension Scheme which is an unfunded multi-employer defined benefit scheme and the Board is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation of the NHS Pension Scheme was carried out at 31 March 2003. Details of this valuation and the benefits provided by the scheme are provided in the scheme's accounts which are available on the NHS Pensions Agency website www.nhspa.gov.uk

This is a statutory defined benefit scheme, the provisions of which are contained in the NHS Pension Scheme Regulation (SI 1995 No. 300). Under these regulations, the Board is required to pay an employer's contribution, currently 14% of pensionable pay, as specified by the Secretary of State. Employer's contributions are charged to the Operating Cost Statement as and when they become due. The Government Actuary reviews the employer contributions every four years following a full scheme valuation and sets contribution rates to reflect past experience and benefits when they are accrued, not when costs are actually incurred.

Employees pay 6% of pensionable pay. Employer and employee contributions are used to defray the cost of providing the scheme benefits. These are guaranteed by the Exchequer, with the liability falling to the Secretary of State, not to the Board. Index linking costs under the Pensions (Increase) Act 1971 are met directly by the Exchequer.

The scheme is notionally funded. Scheme accounts are prepared annually by the Department of Health and are examined by the Comptroller and Auditor General.

i Operating leases

Rentals payable under operating leases are charged to the Operating Cost Statement on an accruals basis.

j Provisions

PMETB provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms.

Notes to the Accounts

2 Reconciliation of Total Net Operating Cost to Financing Received from the Department of Health

	Year ended 31 March 2005 £	Period ended 31 March 2004 £
Total Net Operating Cost for the period	(3,021,705)	(600,619)
Financing received from the Department of Health	<u>2,250,191</u>	<u>2,163,465</u>
(Over)/Underspend against Financing received from the Department of Health	<u>(771,514)</u>	<u>1,562,846</u>

3 Board costs

	Year ended 31 March 2005 £	Period ended 31 March 2004 £
Payments to Chair	83,213	83,425
Payment to Chair as compensation for loss of office	32,500	–
Payments in respect of additional responsibilities of Chairs of Statutory Committees	91,931	5,000
Fees	210,000	105,480
Social security costs	<u>22,831</u>	<u>7,014</u>
	<u>440,475</u>	<u>200,919</u>

4 Staff costs

	Year ended 31 March 2005 £	Period ended 31 March 2004 £
Salaries	90,694	–
Social security costs	13,911	–
Superannuation costs	3,881	–
Agency/Temporary costs	634,408	13,917
Payments to employing organisations of Acting Chief Executive(s)	<u>195,331</u>	<u>62,181</u>
	<u>938,225</u>	<u>76,098</u>

5 Average number of staff

The first permanent member of staff joined PMETB on 24 January 2005 and at 31 March 2005 two permanent members of staff were in post. During the year, a transition team was created to carry out preparatory work for PMETB to “Go Live” and a number of temporary staff and staff on fixed term contracts were also employed.

Notes to the Accounts

6 Other Operating Costs

Other operating costs include:

	Year ended 31 March 2005	Period ended 31 March 2004
	£	£
Professional fees	340,044	74,826
Rent and office accommodation	139,396	57,326
Training and recruitment	126,768	330
ICT costs, computer consumables and website costs	111,290	31,203
Printing and stationery	22,638	–
Board members' expenses	90,586	36,718
Room Hire	86,759	13,902
Board Development costs	12,455	49,786
Transition Team management costs	482,977	–
External audit fees	22,500	16,000
Project costs	33,643	20,676
Appeals costs	35,157	–
Committee costs	10,380	–
Other costs	87,586	17,428
Payments for administrative support for Chairman	1,998	5,758
Total other operating costs	<u>1,604,177</u>	<u>323,953</u>

7 Notional Cost of Capital

The Financial Reporting Manual published by HM Treasury, requires that a notional charge for the cost of capital employed during the year is included in the Operating Cost Statement along with an equivalent notional income to finance the charge. The cost of capital charge of 3.5 per cent is applied to the mean value of capital employed during the year, excluding non-interest bearing cash balances held with the Office of the Paymaster General.

	Year ended 31 March 2005	Period ended 31 March 2004
	£	£
Capital employed as at beginning of period	1,565,303	–
Capital employed as at 31 March	835,808	1,565,303
Mean capital employed	<u>1,200,555</u>	<u>70,192</u>
Notional charge	<u>42,019</u>	<u>2,457</u>

Notes to the Accounts

8 Tangible Fixed Assets

	Furniture, Fixtures and Fittings – conversion costs £	ICT equipment and development £	Total £
Valuation			
At 1 April 2004	–	–	–
Additions	4,523	199,461	203,984
Revaluations	–	–	–
Impairments	–	–	–
At 31 March 2005	<u>4,523</u>	<u>199,461</u>	<u>203,984</u>
Depreciation			
At 1 April 2004	–	–	–
Charge for year	112	35,743	35,856
Revaluations	–	–	–
At 31 March 2005	<u>112</u>	<u>35,743</u>	<u>35,856</u>
Net Book Value			
At 31 March 2005	<u>4,411</u>	<u>163,718</u>	<u>168,129</u>
At 31 March 2004	<u>–</u>	<u>–</u>	<u>–</u>

9 Debtors

	31 March 2005 £	31 March 2004 £
Debtors	2,785	–
Prepayments	256,054	21,873
Interest receivable	1,846	2,808
	<u>260,685</u>	<u>24,681</u>

10 Cash at Bank and in Hand

	31 March 2005 £	31 March 2004 £
At 1 April	1,830,000	–
(Decrease)/Increase in cash in year	(647,325)	1,830,000
At 31 March	<u>1,182,675</u>	<u>1,830,000</u>
Bank Accounts	1,182,675	1,830,000
Cash in Hand	–	–
	<u>1,182,675</u>	<u>1,830,000</u>

Notes to the Accounts

11 Creditors: Amounts falling due within one year

	31 March 2005	31 March 2004
	£	£
Trade Creditors	690,023	289,378
Capital Creditors	29,364	–
Other Creditors	56,294	–
	<u>775,681</u>	<u>289,378</u>
Accruals	<u>775,681</u>	<u>289,378</u>

Other creditors at 31 March 2005 include an intra government balance of £5,544 due to the NHS Pensions Agency.

12 Reserves

	Year ended 31 March 2005	Period ended 31 March 2004
	£	£
At 1 April 2004/22 October 2003	1,565,303	0
Net Operating Cost	(3,021,705)	(600,619)
Department of Health Grant in Aid	2,250,191	2,163,465
Notional cost of capital	42,019	2,457
	<u>835,808</u>	<u>1,565,303</u>
Balance as at 31 March 2005	<u>835,808</u>	<u>1,565,303</u>

13 Reconciliation of Operating (Deficit)/Surplus to Net cash (Outflow)/Inflow from Operating Activities

	Year ended 31 March 2005	Period ended 31 March 2004
	£	£
Net Operating Expenditure	(3,021,705)	(600,619)
<i>Adjustment for non-cash transactions:</i>		
Notional cost of capital	42,019	2,457
Depreciation	35,855	–
<i>Adjustment for movements in working capital other than cash:</i>		
Increase in creditors	456,939	289,378
(Increase) in debtors	(236,004)	(24,681)
	<u>(2,722,896)</u>	<u>(333,465)</u>
Net cash (outflow)/inflow from operating activities	<u>(2,722,896)</u>	<u>(333,465)</u>

14 Contingent Liabilities

There were no contingent liabilities at 31 March 2005.

15 Capital Commitments

The Board has no capital commitments as at the balance sheet date.

Notes to the Accounts

16 Related Party Transactions

The Board is a Non-Departmental Public Body sponsored by the Department of Health.

The Department of Health is regarded as a related party. During the period to 31 March 2005 the Department of Health incurred expenditure of £206,191 on PMETB's behalf and made payments totalling £2,044,000 in respect of funding for PMETB for 2004/05.

The remuneration of Stuart Gray as Acting Chief Executive (£81,547) was paid to Peterborough and Stamford NHS Trust. The Chairman of the Trust was Professor Clive Morton, who was Chairman of PMETB at the time the remuneration was paid.

The remuneration of Isabel Nisbet as Acting Chief Executive (£113,784) was paid to the General Medical Council (GMC). Finlay Scott, the Chief Executive of the GMC, was a Board Member of PMETB at the time the remuneration was paid.

PMETB occupied premises owned by the GMC for part of the financial year and paid £5,000 rent. Finlay Scott, the Chief Executive of the GMC, was a Board Member of PMETB at the time the rent was paid.

In June 2004, PMETB contracted with Morecambe Bay NHS Trust for the provision of an accounts payment service. Dr Ian Cumming was the Chief Executive of Morecambe Bay NHS Trust at the time the contract was in operation. £12,060 was paid in 2004/05 to Morecambe Bay NHS Trust for the service.

In 2003/04, the Department of Health commissioned Professor Janet Grant of the Open University to carry out a project relating to hospital visiting. The cost of completing this project in 2004/05 was £22,730 (2003/04: £20,676). All payments in respect of this project were made to the Open University.

The Board maintains a register of interests for the Chair and Board Members, which is updated periodically by the Board Secretary to reflect any change in Board Members' interests. During the year ended 31 March 2005 no Board member undertook any transaction with the Board in a personal capacity.

17 Losses and special payments

There were no material losses or special payments made during the financial year.

18 Post Balance Sheet Events

On 28 February 2008, the Secretary of State for Health announced that PMETB would merge with the General Medical Council and that the merger should take place "not later than 2010". No adjustments are required to these financial statements as a result of this announcement.

There have been no significant events since 31 March 2005 that would have a material effect on these financial statements.

These accounts are authorised to be issued by the Accounting Officer on 21 July 2008

Notes to the Accounts

19 Financial Instruments

As permitted by FRS 13, this disclosure excludes short term debtors and creditors.

The Postgraduate Medical Education and Training Board has no borrowings and relied on departmental funding for its cash requirements and therefore was not exposed to any risk of liquidity. It also had no material deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate or currency risk.

20 Commitments Under Operating Leases

There were no commitments under operating leases at the balance sheet date.



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ISBN 978-0-10-295813-3



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