

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

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# **Postgraduate Medical Education and Training Board (PMETB) Annual Report and Accounts 2005/06**

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

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## BOARD REPORT AND MANAGEMENT COMMENTARY

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### 1. Introduction

The Postgraduate Medical Education and Training Board (PMETB) is the independent statutory body that regulates postgraduate medical education and training in the UK. Our vision is to achieve excellence in postgraduate medical education, training, assessment and accreditation throughout the UK to improve the knowledge, skills and experience of doctors and the health and healthcare of patients and the public.

PMETB was established by the *General and Specialist Medical Practice (Education, Training and Qualifications) Order 2003* (Statutory Instrument 2003 No. 1250) and approved by Parliament on 4 April 2003 to develop a single, unifying framework for postgraduate medical education and training. PMETB formally assumed its statutory responsibilities in September 2005. The Order is applicable to all trainees; therefore PMETB standards and requirements are applicable to all trainees.

PMETB's responsibilities include:

- Establishing standards and requirements for postgraduate medical education and training;
- Making sure that these standards and requirements are met through quality assurance (QA);
- Developing and promoting postgraduate medical education and training across the UK.

The main objectives of PMETB are:

- To safeguard the health and well-being of persons using or needing the services of general practitioners or specialists;
- To ensure that the needs of persons undertaking postgraduate medical education and training in each of the countries of the UK are met by the standards it establishes, and to have proper regard to the differing considerations applying to the different groups of persons to whom the Order applies; and
- To ensure that the needs of employers and those engaging the services of general practitioners and specialists within the National Health Service and elsewhere are met by the standards it establishes.

The Postgraduate Medical Education and Training Board (PMETB) was established by the *General and Specialist Medical Practice (Education, Training and Qualifications) Order of 2003* (*The Order*).

During the period of April 2005 to March 2006, preparations for the introduction of PMETB as the competent regulator for postgraduate medical education and training were completed with the organisation going live on 30 September 2005.

This report sets out the principal developments for the year which includes work undertaken during PMETB's inaugural months.

### 2. Board and Senior Management Team Appointments

John Tuck joined the Senior Management Team as Director of Finance and Resources in April 2005. In September 2005, Lesley Hawksworth joined as Director of Certification having helped set up the process in the previous months and Katie Carter joined as Director of Quality. Luke Bruce joined as Director of Policy and Communications in March 2006.

After the reporting period, Patricia Le Rolland joined PMETB in September 2006 as the new Director of Quality, replacing Katie Carter who left PMETB at the end of March 2006.

Professor Peter Rubin joined PMETB as Chairman on 1 June 2005.

Ewen Sim left the Board at the end of November 2005 after two years of service as a medical member of the Board.

### **3. Preparing for Go-Live: Principal activities during the period 1 April 2005 to 29 September 2005**

It was important for PMETB to be operational from day one to be able to process any certification applications that it might receive. For this reason, during the first six months of this reporting period, much attention was focused on establishing a robust set of procedures to assess equivalence applications, and the other aspects of the requirements of the Order which differed from the activities that were undertaken, at that time, by the Royal Colleges, the Specialist Training Authority (STA) and the Joint Committee on Postgraduate Training for General Practice (JCPTGP).

PMETB began to accept applications under Article 11 (Certificate confirming Eligibility for General Practice Registration – CEGPR) and Article 14 (Certificate confirming Eligibility for Specialist Registration – CESR) of The Order from mid-July 2005 and well over 300 applications were received by the time PMETB went live on 30 September 2005. All applications were acknowledged but there were concerns over the completeness of the applications. These findings proved to be valuable learning opportunities for PMETB, the Royal Colleges and trainees and extra guidance was produced to improve the certification processes.

During the early months of 2005, Paul Streets, the new Chief Executive recruited in January 2005, met with the STA and JCPTGP to agree a staffing strategy for PMETB. PMETB were fortunate to be able to recruit staff from the STA and the JCPTGP to start on 30 September 2005 as they brought with them considerable experience and knowledge of the medical education and training sector. This important core of staff helped to complement the transition team that were already in place and the additional staff that were recruited from other areas, blending sector know-how with new views, opinions and experience.

As part of his induction, Paul Streets undertook a major piece of work meeting with PMETB's stakeholder groups to understand what PMETB would need to do to improve postgraduate medical education and training (PGME) in the United Kingdom and achieve its statutory objectives. An important agenda item during the early months of 2005/2006 was working with our partners in Scotland, Wales and Northern Ireland to understand how PMETB could work within the context of the devolution agenda.

Continuing with the stakeholder theme, PMETB staff attended a series of scheduled 'listening events'. These events gave PMETB staff valuable contact time with a wide range of doctors involved in PGME. This work eventually informed PMETB's five year strategy document which the Board approved in October 2005. The strategic options which informed the creation of the document were debated at a two day Board retreat in July 2005.

Prior to Go-Live, PMETB staff arranged a series of communication activities to promote the work of PMETB. This included promotional stands at a number of health service conferences and publication of promotional literature about the organisation.

### **4. Go-Live: Principal activities during the period 30 September 2005 to 31 March 2006**

PMETB went live on 30 September 2005. This section considers PMETB's activities during the organisation's inaugural months from October 2005 through to the end of March 2006, by regulatory function.

## Certification

On its first day of operation, PMETB issued 30 Certificates of Completion of Training (CCTs). On average 288 decisions were issued every month during the reporting period, with January being the busiest month.

The Certification team continued its discussions with the Royal Colleges and postgraduate deans to identify areas where the processes could be improved to ensure that a steady stream of certificates was issued.

During the reporting period, PMETB achieved the following:

- Made decisions on 2016 applications;
- Issued 1065 specialist CCTs;
- Issued 105 sub-specialty certificates;
- Issued 659 General Practitioner CCTs;
- Approved 17 CESRs;
- Rejected 1 CCSR; and
- Approved 158 CEGPRs.

## Quality

From Go-Live until the end of the financial year the Quality directorate focussed its attention on the approval of posts and programmes, arranging the first set of visits under the postgraduate deanery visit programme and consulting on a new set of standards for training.

By the end of the 2005/2006 year the Approvals team had approved well over 200 applications for post and programme approvals (90 legacy applications and 124 new applications). 14 post and programme approval panel meetings were convened during the reporting period to consider these applications.

Preparations for the launch of PMETB's deanery-wide visit programme began at the end of 2005. The visit programme that was put in place covered all 21 deaneries and ensured that all specialties would be visited at least once during the cycle of visits across the UK.

The first visit was made to the North Western deanery in March 2006. A visit team of 9 members examined the deanery's quality 'control' systems in general, testing these by looking in detail at the specialties of Anaesthetics, Intensive Care Medicine, Trauma & Orthopaedic Surgery and Emergency Medicine.

The consultation on PMETB's *Generic standards for training* began in December 2005 with the consultation closing in January 2006. PMETB's *Generic standards for training* were published on the website on 31 March 2006.

The Quality directorate also published the *Principles for entry to specialist training* in January 2006.

At the end of the reporting period the Quality directorate began its work on the approval of curricula against published standards and made preparations for the first ever UK-wide survey of PGME trainees.

## Policy and Communications

During PMETB's early months the small communications function arranged the organisational launch event on the 11 October 2005, issued a series of press releases drawing attention to

PMETB activities and achievements during the financial year and published a literature set which explained the different aspects of PMETB's work. Both the policy and communications functions were only lightly staffed during the period in anticipation of the arrival of the Director of Policy and Communication.

### **Appeals**

The Office of the Directorate of Appeals was established to adjudicate on appeals on behalf of PMETB: this was, and remains, a formal statutory process.

During the reporting period no PMETB appeals were received or heard between 1 October 2005 and 31 March 2006. However, appeals were received against decisions of the PMETB under the transitional arrangements on cases transferred from the STA, which, as PMETB's predecessor, dealt with applications from specialists prior to 30 September 2005.

Independent appeal panels heard four transitional appeals and in addition, several doctors who appealed under Article 9 of the previous STA legislation submitted further additional evidence which satisfied the PMETB and allowed them to gain entry onto the Specialist Register.

PMETB also defended six appeal applications made against the GP decisions of the JCPTGP to the Family Health Service Appeals Unit at the NHS Litigation Authority in Harrogate.

### **Other initiatives**

In October 2005, PMETB published its Strategy Document: 2006-2010 which set out what PMETB intended to achieve in the period to 2010. The Strategy Document is available on our website at: <http://www.pmetb.org.uk/index.php?id=841>

PMETB also agreed concordats with the Conference of Postgraduate Medical Education Deaneries (COPMeD), the NHS Confederation, the Academy of Medical Royal Colleges and the Healthcare Commissions of England and Wales. PMETB also agreed a Memorandum of Understanding with the General Medical Council (GMC).

## **5. Governance arrangements**

During the financial year, the Board continued the development of its governance arrangements. The Statutory Committees oversaw the continued development of the policies and processes for the principal operational activities of PMETB. As a result of the progress of this work, the Board was able to move from a monthly meetings cycle to one where it met quarterly to review and approve work carried out by its Committees.

The Board agreed to create a Resources Committee to carry out the preliminary review of all financial and organisational infrastructure issues on behalf of the Board and report to it wherever relevant.

The Audit and Risk Committee met regularly throughout the period and the focus of its work moved from issues primarily related to Go-Live to those arising from the need to develop and maintain an effective system of internal control for the new organisation.

## **6. Financial arrangements**

The Business Model for PMETB was reviewed and approved by the Board at its meeting in November 2005. The Model provided for progressive increases in fee levels for both Equivalence Applications and CCTs. The Model also provided the basis for the Board to move towards financial independence from funding by the Department of Health by the financial year 2009/10.

Medium term funding from the Department of Health was also agreed as part of the development of the Business Model and, as part of that, the Department agreed that it would make up any funding

shortfall that might arise from its decision not to fully support PMETB's request to increase the charge for CCTs from April 2006.

The Board had approved its Go-Live organisation structure in the previous accounting period and the principal cost elements of its future operations. It had 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. As noted above, certain expenditure – like appeals – remained difficult to predict accurately even when PMETB had gone live. All areas of expenditure remained under review, both internally and by key stakeholders.

The considerable delay in finalising the accounts to 31 March 2004 has led to the delays in the submission of accounts for later periods including those for the year to 31 March 2006.

## **7. 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.

## **8. 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.

## REMUNERATION REPORT

The Remuneration Sub Committee of the Resources Committee ensures that PMETB has remuneration policies that are fit for purpose and applied consistently.

The policy on termination of contracts is determined by the level of responsibility of the position. There is a notice period of one month for general staff, three months for senior staff and six months for the Chief Executive. Contracts are offered on a permanent basis, subject to certain requirements being met and successful completion of a probationary period. Contracts are occasionally offered on a fixed-term basis, generally to reflect the nature of, and context for, the work involved.

### *Senior Managers' contracts*

<b>Name</b>	<b>Title</b>	<b>Date of Contract</b>	<b>Unexpired Term</b>	<b>Notice Period</b>
Paul Streets	Chief Executive	24.01.05	Permanent Contract	6 months
John Tuck	Director of Finance and Resources	11.04.05	Permanent Contract	3 months
Lesley Hawksworth	Director of Certification	01.07.01*	Permanent Contract	3 months
Katie Carter	Director of Quality	21.03.97*	Permanent Contract	3 months

\* date applicable to contract with predecessor organisation.

### *Senior Managers' salaries*

<b>Name</b>	<b>Salary (£) 2005/06</b>	<b>Salary (£) 2005/06</b>	<b>Real increase in pension at age 60 (£)</b>
Paul Streets	123,400	22,959	1,338
John Tuck	73,076	N/A	N/A
Lesley Hawksworth	35,000	N/A	N/A
Katie Carter <i>See Note 1</i>	50,215	N/A	N/A

**Note 1:** Katie Carter- these fees include £17,933 paid directly to the Royal College of GP's.

No amounts were payable to third parties for the services of any of the above senior managers. During the year no awards or compensation payments were made to former senior staff.

None of the directors received any of the following types of remuneration in 2005/06 or 2004/05: allowances; expenses allowance; compensation for loss of office or termination of service.

## Pensions

The following Senior Managers are members of the NHS Pension Scheme:

Name	Title	Value of accrued pension (£'000)	Related lump sum (£'000)	Real increase in related lump sum (£'000)	Cash equivalent Transfer Value as at 1 April 2005 (£'000) See Note 2 below.	Cash equivalent Transfer Value as at 31 March 2006 (£'000) See Note 2 below.	Real increase in the cash equivalent transfer value during the reporting year (£'000). See Note 3 below.
Paul Streets	Chief Executive	2.5-5	7.5-10	2.5-5	22.5-25	42.5-45	12.5-15
John Tuck	Director of Finance and Resources	0-2.5	2.5-5	-	N/A	15-17.5	-
Lesley Hawksworth	Director of Certification	0-2.5	0-2.5	-	N/A	5-7.5	-
Luke Bruce	Director of Policy and Comms	0-2.5	0-2.5	-	N/A	0-2.5	-

### Note 2: Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment paid by a pension scheme or arrangement to secure pension benefits in another scheme or arrangement when a member leaves a scheme and chooses to transfer the benefit accrued in the former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The CETV figure, and from 2005/06 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS Pension Scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETV are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

### Note 3: Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another scheme or arrangement) and uses common market valuation factors for the start and end of the period.

## Board Members' Remuneration

Sir Peter Simpson resigned as Acting Chairman with effect from 1 June 2005. His total emoluments as chairman were £16,250. His remuneration as a Board Member for the period from July 2005 to March 2006 is disclosed in the table below.

Professor Peter Rubin became Chairman of PMETB from 1 June 2005 and received remuneration of £54,167 for the period.

Board Members' remuneration and the Chair's salary are not subject to superannuation. Board Members receive an annual remuneration of £9,000 (2004/05: £9,000).

Board members' remuneration during the year amounted to £370,081 (2004/05: £423,597), including social security costs. Payments to individual members are disclosed in the following ranges:

	Year ended 31 March 2006 £	Year ended 31 March 2005 £
Dr Ikechuku Anya (appointed 22 October 2006)	–	–
Professor Dame Carol Black * (resigned 18 July 2007)	9,000	9,000
Dr Chris Clough (appointed 22 October 2006)	–	–
Dr Angela Coulter * (resigned 31 May 2007)	9,000	9,000
Professor Sir Alan Craft (resigned 21 October 2006)	9,000	9,000
Mr Ian Cumming (Deputy Chair)	9,000	9,000
Professor Neil Douglas (appointed 22 October 2006)	–	–
Professor Stephen Field *	9,000	9,000
Mrs Susan Fox (Wales)	9,000	9,000
Mrs Frances Gawn (Northern Ireland)	9,000	9,000
Professor Janet Grant	9,000	9,000
Professor Sian Griffiths (resigned 23 March 2005)	–	9,000
Professor David Haslam	9,000	9,000
Professor Peter Hill *	9,000	9,000
Dr John Jenkins (Northern Ireland) *	9,000	9,000
Dr Hasmukh Joshi - See Note 4	9,000	9,000
Dr Namita Kumar *	9,000	9,000
Professor Stuart Macpherson (Scotland) *	9,000	9,000
Professor David Neal	9,000	9,000
Dr Trevor Pickersgill (Wales) *	9,000	9,000
Miss Jane Reynolds	9,000	9,000
Mrs Susanne Roff (Scotland)	9,000	9,000
Mr Finlay Scott *	9,000	9,000
Dr Ewen Sim (resigned 30 November 2005)	6,000	9,000

Sir Peter Simpson (resigned 21 October 2006)	6,750	3,000
Mr John Smith (appointed 13 January 2006)	750	–
Professor Dame Lesley Southgate (resigned 21 October 2006) - See Note 5	9,000	9,000
Dr Anita Thomas – See Note 6 *	9,000	9,000

**Note 4:** Dr Hasmukh Joshi succeeded Professor Southgate as Chair of the Assessment Committee on 1 January 2006 and received an additional £5,652 in respect of his role.

**Note 5:** Professor Dame Lesley Southgate received an additional amount of £25,024 in respect of her role as Chair of the Assessment Committee. She resigned as Chair on 1 January 2006.

**Note 6:** £53,100 was paid to Plymouth Hospitals Trust in respect of costs related to additional work carried out on behalf of 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 £85,705 (2004/05: £90,586) were reimbursed to Board Members.

Certain of the disclosures in the remuneration report are subject to audit. These include:-

- Salary and allowances, bonuses, expenses allowances, compensation for loss of office and non-cash benefits for each senior manager (this includes advisory and non-executive board members) who served during the year;
- Pensions for each senior manager who served during the year;
- Compensation payments to former senior managers; and
- Amounts payable to third parties for services of a senior manager

The disclosures summarised above have been audited.

**Paul Streets**  
Accounting Officer

## **STATEMENT OF THE BOARD'S AND THE ACCOUNTING OFFICERS RESPONSIBILITIES**

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### **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 net operating costs, 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 (replaced by Managing Public Money from October 2007).

## STATEMENT ON INTERNAL CONTROL

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### Background

I was appointed as Chief Executive of the Postgraduate Medical Education and Training Board (PMETB) on 24 January 2005. 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. (MPM from 1 October 2007)

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 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 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 2005/06, the focus of the Board's activities was both on preparing to "Go Live" on 30 September 2005 and subsequently to embed systems and processes in the new organisation. An important element of establishing organisational capability was the transition from a reliance on a team of contract staff to recruiting personnel who would enable PMETB to deliver its operational objectives. The transfer of staff from the Joint Committee on Postgraduate Training for General Practice (JCPTGP) and the Specialist Training Authority (STA) was a major contribution to building the new PMETB team. The system of internal control in place in PMETB for the year ended March 2006 reflected this dual focus: the issues to be addressed initially related primarily 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 would require significant further development in subsequent financial years.

Since March 2006, 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 up to 30 September 2005 was primarily on those risks that the organisation considered were most significant in terms of the preparations to "Go Live". A structured methodology had been put in place in 2004/05 to

identify and evaluate the principal risks to “Go Live”, reflecting the 18 workstreams that made up the “Go Live” programme.

Following the appointment of PMETB’s internal auditors, the Audit and Risk 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. Since April 2007, the Board has received a report at each Board Meeting, showing the risks related to the Operational Plan, an assessment of their significance and how these risks are being managed.

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

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer contributions and payments in to the Scheme are in accordance with Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the regulations.

The Head of Internal Audit provided a “satisfactory” level of assurance on the overall adequacy and effectiveness of PMETB’s risk management, control and governance processes (i.e. the system of internal control) for 2005/06, on the basis of the work undertaken by South Coast Audit.

The main areas of concern that were identified are set out below:

- The need to further develop risk management and assurance processes, through a formal Risk Management Strategy that succinctly defines how risks will be managed and detailing how risks will be identified, evaluated and managed.
- The reliance during the year on temporary solutions, both in terms of staffing and Information Technology, to manage the core business.
- Financial and corporate governance arrangements were in the process of development and remained to be embedded.
- Business continuity arrangements had not been established, in the event of the unavailability of core systems and resources.

Areas of particular achievement included:

- The effective implementation of the ‘Go Live’ programme.
- The development of core governance processes during the year, supported by a strengthening of the management team with appointments to key executive positions.

- Good processes for Article 11 and 14 certification, but acknowledging that development continues.
- Robust arrangements for the setting of fees, with appropriate engagement of the Board and other stakeholders, and soundly-based assumptions.

Since this report was received in October 2006, a substantial programme of work has been carried out to enhance the control environment within PMETB.

Amongst the improvements made are:

- The Board has made improvements to the risk management and assurance processes including agreement, by the Audit and Risk Committee, of a completely revised Risk Management Policy in September 2008.
- The Board has achieved a satisfactory balance between temporary and permanent staff consistent with the need to balance risk and flexibility.

### **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 2005/06 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

## **EXTERNAL AUDITOR'S REPORT**

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### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE POSTGRADUATE MEDICAL EDUCATION AND TRAINING BOARD**

We have audited the financial statements on pages 23 to 35. These financial statements have been prepared under the historic cost convention and the accounting policies set out on pages 26 to 28.

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 13, 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 Education 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 14 to 16) 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 12. 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**

### **Qualified opinion on regularity in respect of payments in advance of need**

The Board's operating cost statement includes payments, amounting to £281,000, made for the future provision of consultancy and agency staff. Government Accounting states that payments should be made in arrears except in exceptional circumstances where it can be demonstrated that the paying body secured value for money through making the advance payment.

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 Education and Training Board as at 31 March 2006 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
- except for the above payments which did not conform to the authorities which govern them, 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  
GU1 1UW

1 October 2008

**Postgraduate Medical Education and Training Board****THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL  
TO THE HOUSES OF PARLIAMENT**

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I certify that I have audited the financial statements of the Postgraduate Medical Education and Training Board for the period ended 31 March 2006 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 there under 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 there under 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 there under by the Secretary of State for Health, of the state of Postgraduate Medical Education and Training Board's affairs as at 31 March 2006 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 there under 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.

### **Qualified opinion on regularity in respect of payment in advance of need**

The Board's Operating Cost Statement includes advance payments of £281,000 relating to the future provision of consultancy and agency staff that was not properly due when the payments were made and did not meet Government Accounting requirements for making advance payments. Accordingly, I have concluded that the payments did not conform with the authorities which govern them.

In my opinion, except for the advance payment referred to above, 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.

My report setting out the reasons for my qualification is at page 21.

**T J Burr**  
Comptroller and Auditor General

7 October 2008

151 Buckingham Palace Rd  
Victoria  
London  
SW1W 9SS

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## **REPORT OF THE COMPTROLLER AND AUDITOR GENERAL**

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### **Introduction**

This report examines why the Annual Report and Accounts of the Postgraduate Medical Education and Training Board (the Board) for the period ending 31 March 2006 were not submitted to Parliament until October 2008. My opinion on the Annual Report and Accounts of the Board for the period ending 31 March 2006 is not qualified in this respect. This report also explains the circumstances surrounding qualification of my audit opinion on the Postgraduate Medical Education and Training Board's financial statements for 2005-2006.

### **Effect of delays in submitting previous years' accounts**

I previously reported on the reasons for delays in the presentation of the Board's Annual Report and Accounts for the year 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 the 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.

### **Basis for the qualified audit opinion**

I am required, under statute, to satisfy myself that in all material respects the expenditure and income shown in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In determining whether expenditure and income conform to the authorities which govern them, I have regard to:

- the authorising legislation;
- relevant regulations issued under the governing legislation;
- Parliamentary authorities; and
- appropriate HM Treasury authorities.

### **Advance payment to suppliers**

HM Treasury's Government Accounting sets out, for the period of account, the financial framework within which central government sector entities are required to operate. Government Accounting states that, as a general rule, entities should only make payments in arrears; that is, after the specified goods or services have been satisfactorily provided. In principle, therefore, entities should make advance payments only on an exceptional basis, and even then, only where they are able to demonstrate an appropriate value for money case for doing so.

In April 2005, the Board made advance payments of £281,000 to suppliers of temporary executives and consultancy services in respect of future services for ongoing work. Government Accounting (replaced by Managing Public Money in October 2007), states that advance payments should be the exception and that, where such payments may be desirable, the value for money case should be established. Additionally, Government Accounting normally requires entities making advance payments to seek HM Treasury approval. The Board did not seek or obtain HM Treasury approval at the time. The Board have subsequently decided not to seek retrospective approval from Treasury as there was no value for money business case which would support the decision to make the payments. There is no evidence that the Board received any discounts on the contracted rates by making the payments before the services were received.

I have therefore concluded that the payments do not conform to the authorities which govern them and I have qualified my opinion on the Board's financial statements for 2005-06 in this respect.

**T J Burr**  
Comptroller and Auditor General

151 Buckingham Palace Rd  
Victoria  
London  
SW1W 9SS

7 October 2008

**OPERATING COST STATEMENT FOR THE PERIOD ENDED 31 MARCH 2006**

	Note	Year ended 31 March 2006		Year ended 31 March 2005	
		£	£	£	£
<b>Gross Operating Costs</b>					
Staff Costs	4	2,426,073		938,225	
Board Members' Remuneration	3	370,082		440,475	
Other Operating Costs	6	1,537,312		1,604,177	
Abortive expenditure on systems development	12	378,563		0	
Depreciation	8	282,133		35,855	
Notional cost of capital	7	13,725		42,019	
			5,007,888		3,060,751
Operating Income			854,543		-
			4,153,345		3,060,751
Interest Receivable			17,569		39,046
Interest Payable			-		-
<b>Net Operating Cost for the year</b>			<u>4,135,776</u>		<u>3,021,705</u>

	Note	Year ended 31 March 2006		Year ended 31 March 2005	
		£	£	£	£
<b>Statement of Recognised Gains and Losses</b>					
Unrealised gains on fixed asset indexation	8		5,706		0

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 26 to 35 form part of these accounts

**BALANCE SHEET AS AT 31 MARCH 2006**

	<b>Note</b>	<b>2006</b>		<b>2005</b>	
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Fixed Assets</b>					
Tangible fixed assets			785,321		168,129
<b>Current Assets</b>					
Debtors	9	34,666		260,685	
Cash at bank and in hand	10	599,190		1,182,675	
		<u>633,856</u>		<u>1,443,360</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>1,470,714</u>		<u>775,681</u>	
<b>Net current (liabilities)/assets</b>			<u>(836,858)</u>		<u>667,679</u>
<b>Net (Liabilities)/Assets</b>			<u>(51,537)</u>		<u>835,808</u>
<b>Reserves</b>					
General Reserve			(56,502)		835,808
Revaluation Reserve			<u>4,965</u>		<u>-</u>
			<u>(51,537)</u>		<u>835,808</u>

The notes on pages 26 to 35 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 PERIOD ENDED 31 MARCH 2006**

	Note	Year ended 31 March 2006 £	Year ended 31 March 2005 £
<b>Net cash (outflow) from operating activities</b>	15	(2,918,865)	(2,722,896)
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets		(893,620)	(174,620)
<b>Net cash outflow before financing</b>		(3,812,485)	(2,897,516)
Financing received		3,229,000	2,250,191
(Decrease)/Increase in cash		(583,484)	(647,325)

The notes on pages 26 to 35 form part of these accounts

## NOTES TO THE ACCOUNTS

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### 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 with the consent of Treasury and HM Treasury's guidance *Financial Reporting Manual*. 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 as modified to account for the revaluation of tangible fixed assets at their value to the business by reference to their current cost.

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 and government grant reserve

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 are capitalised 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 on revaluation is credited to the revaluation reserve. A deficit on revaluation, to the extent that it is not covered by a previous revaluation surplus is debited to the income and expenditure account.

#### 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 following that in which the asset is acquired.

## NOTES TO THE ACCOUNTS

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### **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 income and expenditure account along with an equivalent notional income to finance the charge. The cost of capital charge is calculated at 3.5% (2004/05: 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.

### **g Value added tax**

Value added tax (VAT) on purchases is not recoverable, hence is charged to the income and expenditure account 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](http://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. These contributions are charged to the income and expenditure account 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 income and expenditure 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

### k Income

Operating income comprises fees for applicants to gain eligibility for entry: on the registers of specialists or general practitioners, or as medics who have completed training. Fees for appeals and the review process are also included.

This certification is made under Articles 10-14, 20 and 50 of the General and Specialist Medical Practice (Education, Training and Qualifications) Order 2003.

Operating income is recognised initially on receipt of the fee and completion of initial checks. However, the complexity of individual applications and hence the time to process them can vary considerably. Where applications span more than one accounting period the amount of income recognised in the accounting period is calculated to reflect, on average, the work performed to the end of the accounting period. The methodology for this is that the amount deferred, at the year end, is the element of the fee refundable to the applicant given the progress already made on their case. In addition, sufficient income is deferred in order to meet fees payable to Royal Colleges in respect of relevant applications.

The Order provides that PMETB set fees at levels to cover direct costs and a proportion of overheads as are reasonably attributable to the performance of this function without a profit element.

Note	Year ended 31 March 2006 £	Year ended 31 March 2005 £
<b>2 Reconciliation of Total Net Operating Cost to Financing Received from the Department of Health</b>		
Total Net Operating Cost for the period	(4,135,776)	(3,021,705)
Financing received from the Department of Health	<u>3,229,000</u>	<u>2,250,191</u>
(Overspend) against Financing received from the Department of Health	<u>(906,776)</u>	<u>(771,514)</u>
<b>3 Board costs</b>		
Note	Year ended 31 March 2006 £	Year ended 31 March 2005 £
Payments to Chair	70,417	83,213
Payment to Chair as compensation for loss of office	–	32,500
Payments in respect of additional responsibilities of Chairs of Statutory Committees	83,777	91,931
Fees	202,500	210,000
Social security costs	<u>13,388</u>	<u>22,831</u>
	<u>370,082</u>	<u>440,475</u>

## NOTES TO THE ACCOUNTS

### 4 Staff costs

	Note	Year ended 31 March 2006 £	Year ended 31 March 2005 £
Salaries		769,765	90,694
Social security costs		76,491	13,911
Superannuation costs		60,767	3,881
Agency/Temporary costs		1,519,050	634,408
Payments to employing organisations of Acting Chief Executive(s)		–	195,331
		<u>2,426,073</u>	<u>938,225</u>

### 5 Average number of staff

By 31 March 2005 only 2 permanent members of staff were in post, the first having joined only on 24 January 2005. By 31 March 2006 there were 33 permanent members of staff in post.

The average number of full time equivalent staff in the year to 31 March 2006 were as follows:

Permanent	20
Temporary	18
Total	<u>38</u>

## NOTES TO THE ACCOUNTS

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### 6 Other Operating Costs

Other operating costs include:

	<b>Year ended 31 March 2006</b>	<b>Year ended 31 March 2005</b>
	<b>£</b>	<b>£</b>
Professional fees	277,009	340,044
Rent and office accommodation	244,037	139,396
Training and recruitment	133,968	126,768
ICT costs, computer consumables and website costs	212,297	111,290
Printing and stationery	92,293	22,638
Board members' expenses	85,705	90,586
Room Hire	110,661	86,759
Board Development costs	–	12,455
Transition Team management costs	38,913	482,977
External audit fee	26,768	22,500
Support to Royal Colleges	10,500	–
Quality Assurance (formerly "Project costs")	73,888	33,643
Appeals costs	94,875	35,157
Committee costs	–	10,380
Other costs	136,398	87,586
Payments for administrative support for Chairman	–	1,998
<b>Total other operating costs</b>	<b><u>1,537,312</u></b>	<b><u>1,604,177</u></b>

## NOTES TO THE ACCOUNTS

### 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 2006 £	Year ended 31 March 2005 £
Capital employed as at beginning of period	835,808	1,565,303
Capital employed as at 31 March	(51,537)	835,808
Mean capital employed	392,135	1,200,555
Notional charge	<u>13,725</u>	<u>42,019</u>

### 8 Tangible Fixed Assets

	Furniture, Fixtures and Fittings – conversion costs £	ICT equipment £	Total £
<b>Valuation</b>			
At 1 April 2005	4,523	199,461	203,984
Additions	545,099	348,521	893,620
Revaluations	5,706	(18,185)	(12,479)
Impairments	–	–	–
At 31 March 2006	<u>555,328</u>	<u>529,797</u>	<u>1,085,125</u>
<b>Depreciation</b>			
At 1 April 2005	112	35,743	35,855
Charge for year	71,021	193,726	264,746
Revaluations	–	(798)	(798)
At 31 March 2006	<u>71,133</u>	<u>228,670</u>	<u>299,803</u>
<b>Net Book Value</b>			
At 31 March 2006	<u>484,195</u>	<u>301,126</u>	<u>785,321</u>
At 31 March 2005	<u>4,411</u>	<u>163,718</u>	<u>168,129</u>

**NOTES TO THE ACCOUNTS****9 Debtors**

	<b>Year ended 31 March 2006</b>	<b>Year ended 31 March 2005</b>
	<b>£</b>	<b>£</b>
Debtors	19,377	2,785
Prepayments	13,985	256,054
Interest receivable	1,304	1,846
	<u>34,666</u>	<u>260,685</u>

**10 Cash at Bank and in Hand**

	<b>Year ended 31 March 2006</b>	<b>Year ended 31 March 2005</b>
	<b>£</b>	<b>£</b>
At 1 April	1,182,675	1,830,000
(Decrease)/Increase in cash in year	<u>(583,485)</u>	<u>(647,325)</u>
At 31 March	<u>599,190</u>	<u>1,182,675</u>
Bank Accounts	599,190	1,182,675
Cash in Hand	<u>–</u>	<u>–</u>
	<u>599,190</u>	<u>1,182,675</u>

**11 Creditors: Amounts falling due within one year**

	<b>Year ended 31 March 2006</b>	<b>Year ended 31 March 2005</b>
	<b>£</b>	<b>£</b>
Trade Creditors	494,349	690,023
Deferred Income	791,300	–
Capital Creditors	40,862	29,364
Other Creditors	144,203	56,294
Accruals	<u>–</u>	<u>–</u>
	<u>1,470,714</u>	<u>775,681</u>

Other creditors at 31 March 2006 include an intra government balance of £84,625 due to the NHS Pensions Agency.

## NOTES TO THE ACCOUNTS

### 12 Abortive expenditure on systems development

	31 March 2006 £	31 March 2005 £
Expenditure in the year	<u>378,563</u>	<u>–</u>

In July 2005, PMETB entered into a contract with Computacenter (UK) Limited for the provision of a computer system intended to meet all PMETB's operational systems requirements. The system was due to be live from September 2005, PMETB's "Go Live" date, but it is PMETB's clear view that Computacenter (UK) Limited's sub contractor (Goss Interactive Limited) the contractor failed to supply a system capable of meeting the requirements that had been specified. After a number of abortive attempts to resolve the outstanding contractual issues, PMETB had no alternative but to terminate the contract in November 2007. The amount of abortive expenditure incurred in the year comprises:

Payments to supplier	327,336	–
Payments to consultants	51,227	–
	<u>378,563</u>	<u>–</u>

### 13 Reserves

	31 March 2006 £	31 March 2005 £
At 1 April 2005	835,808	1,565,303
Net Operating Cost	(906,776)	(3,021,705)
Notional cost of capital	13,725	2,250,191
Realised element of Revaluation Reserve	741	42,019
Balance as at 31 March 2006	<u>(56,502)</u>	<u>835,808</u>

### 14 Revaluation Reserve

	31 March 2006 £	31 March 2005 £
At 1 April 2005	–	–
Revaluation of kitting out costs in the year	5,706	–
Realised element transferred to General Reserve	(741)	–
Balance as at 31 March 2006	<u>4,965</u>	<u>–</u>

## NOTES TO THE ACCOUNTS

### 15 Reconciliation of Net Operating Cost to Net cash (Outflow) / Inflow from Operating Activities

	Year ended 31 March 2006 £	Year ended 31 March 2005 £
Net Operating Expenditure	(4,135,776)	(3,021,705)
<i>Adjustment for non-cash transactions:</i>		
Notional cost of capital	13,725	42,019
Depreciation	264,746	35,855
Permanent diminution in value of fixed assets	17,387	–
Increase in provisions for liabilities	–	–
<i>Adjustment for movements in working capital other than cash:</i>		
Increase in creditors	695,034	456,939
Decrease (increase) in debtors	226,019	(236,004)
Net cash (outflow)/inflow from operating activities	<u>(2,918,865)</u>	<u>(2,722,896)</u>

### 16 Contingent Liabilities

As detailed in Note 12 (above) PMETB has terminated a contract with a supplier following that supplier's failure to deliver a computer system in accordance with their contractual obligations to do so. PMETB made payments to the contractor in respect of two of the four phases of the contract (in respect of which it is considering its position to reclaim such sums) and does not consider that it has any liability in respect of the balance of the contract price (£164,729). The matter remains unresolved.

### 17 Capital Commitments

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

### 18 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 2006 the Department of Health made payments totalling £3,229,000 in respect of funding for PMETB for 2005/06.

In June 2004, PMETB contracted with Morecambe Bay NHS Trust for the provision of an accounts payment service. Ian Cumming was the Chief Executive of Morecambe Bay NHS Trust at the time the contract was in operation. £12,000 was paid to Morecambe Bay NHS Trust for the service in 2005/06.

## NOTES TO THE ACCOUNTS

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In July 2005, PMETB agreed Letters of Intent with a number of medical Royal Colleges and Faculties specifying how they would assist PMETB with various aspects of its activities. No payments were made in 2005/06 in respect of this assistance. The following Board Members were post holders of Royal Colleges and Faculties during 2005/06:

Professor Sir Alan Craft	President of the Royal College of Paediatrics and Child Health
Professor Stephen Field	Council Member of the Royal College of General Practitioners
Professor David Haslam	Council Member of the Royal College of General Practitioners
Dr Has Mukh Joshi	Council Member of the Royal College of General Practitioners
Professor David Neal	Council Member of the Royal College of Surgeons of England
Sir Peter Simpson	President of the Royal College of Anaesthetists
Mr John Smith	President of the Royal College of Surgeons of Edinburgh

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 2006 no Board member undertook any transaction with the Board in a personal capacity.

### 19 Losses and special payments

Other than the abortive expenditure on systems development (Note 12 above), there were no material losses or special payments made during the financial year.

### 20 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 2006 that would have a material effect on these financial statements.

These accounts are authorised to be issued on 7 October 2008.

### 21 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.

### 22 Commitments Under Operating Leases

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



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