

# **Postgraduate Medical Education and Training Board (PMETB) Annual Report and Accounts 2003/04**

ORDERED BY HOUSE OF COMMONS TO BE PRINTED 20TH MARCH 2008

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# **Postgraduate Medical Education and Training Board (PMETB) Annual Report and Accounts 2003/04**

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## **BOARD REPORT AND MANAGEMENT COMMENTARY**

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### **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.

In the period from October 2003 to March 2004, the Board focused on putting in place a number of the fundamental elements that would be required for its future operation. A brief description of the principal activities during the period is set out below.

### **2. Board and senior management**

During this period, the Chairman and 24 other Board Members were appointed: their details are included in the Remuneration Report. In addition, an Interim Chief Executive was recruited, but no other permanent appointments were made during the period: operational support to the Board was provided by staff working for the Department of Health. The first Board Meeting was held in October 2003 and further meetings were held at monthly intervals throughout the period.

### **3. Vision and values**

The Board developed a statement of its Vision and Values and this was published in January 2004.

The Board's Vision was of;

“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.”

Its values were;

- Independence
- Collaboration and inclusiveness
- Consistency, transparency and responsiveness
- Diversity and opportunity for all

... And a readiness to tackle difficult issues

The Board's main aims were to;

- Set, promote, maintain and continuously improve the standards of postgraduate medical education, training, assessment and accreditation to secure appropriate educational outcomes;
- Fulfil the statutory competent functions fairly, effectively and efficiently;
- Provide a responsive and timely service for all trainees, trainers and others concerned with training;
- Ensure that trainees are equipped with the attitudes and skills to continue learning throughout their careers.

### **4. Scope of future work**

During the period, the Board identified the principal areas of focus for its future work and began to assess the likely resource implications of its activities.

## **BOARD REPORT AND MANAGEMENT COMMENTARY**

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The principal expected developments for the subsequent period included:

- Specifying the work needed in the pre “Go Live phase” to ensure that PMETB developed fully functioning systems and processes;
- Completing work on producing rules that would ensure that all requirements of The Order were fulfilled;
- Producing and agreeing a Business Model that would ensure that PMETB achieved financial independence in the medium term.

As a newly established organisation, PMETB faced a number of key risks. These included: the need to incorporate staff from two predecessor organisations; the challenge of recruiting and retaining a suitably qualified Transition Team and, subsequently, permanent staff; the development of efficient and effective operational systems; the uncertainty over the levels of demand for certification services and the need to develop an appropriate Quality Framework.

### **5. Governance arrangements**

The Board put in place key elements of the governance process. Standing Orders, Standing Financial Instructions, a Code of Conduct for Board Members and a Code of Conduct for Staff were produced and approved in March 2004. In addition, proposals for how Committees, Sub Committees and Working Groups should function were developed.

### **6. Financial arrangements**

During 2003/04, all PMETB expenditure was paid on its behalf by the Department of Health. The first tranche of funding for 2004/05 was received and funding arrangements for subsequent periods were agreed with the Departments of Health. An interim Finance Director was appointed and work began on establishing basic arrangements for banking and making payments.

### **7. Transitional arrangements**

Planning for the integration of the predecessor bodies (the Specialist Training Authority – “STA” – and Joint Committee on Postgraduate Training for General Practice – “JCPTGP”) began and preliminary discussions were held with the staff of both bodies.

### **8. Subsequent developments**

Since the end of the first accounting period, a number of significant developments have taken place. These include:

- Following the resignation of the first Chair, Professor Clive Morton, on 1 August 2004, Dr Peter Simpson became Acting Chair until the appointment of Professor Peter Rubin as Chair on 10 May 2005;
- Paul Streets was appointed as Chief Executive on 24 January 2005;
- PMETB became fully operational on 30 September 2005, when staff from the STA and JCPTGP transferred to PMETB;
- Rules for all areas of PMETB’s activities were drafted and approved by the Board for publication;
- A Business Model supporting PMETB’s progression towards financial independence was produced and approved by the Board in November 2005.

**BOARD REPORT AND MANAGEMENT COMMENTARY**

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**9. 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."

The National Audit Office carry out their work in conjunction with Baker Tilly UK Audit LLP to enable the Comptroller and Auditor General to fulfil this requirement.

**10. 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 was appointed as Acting Chief Executive on 3 November 2003. During the period to 31 March 2004, his remuneration of £62,181 was paid to Peterborough NHS Trust in respect of his secondment to PMETB.

#### Board Members' Remuneration

During the period, the Board's Remuneration Committee obtained external independent advice on the level of remuneration that should be paid to Board Members.

The Chair, Professor Clive Morton, received emoluments of £83,425, which were paid directly to The Morton Partnership. Board Members' remuneration and the Chair's salary are not subject to superannuation.

Board members' costs during the year amounted to £200,919 (See Note 3), including social security costs of £7,014. The remuneration of a number of Board members is paid to their employing organisations. Payments in respect of individual members are disclosed in the following table:

	<b>Date of appointment / (resignation)</b>	<b>Period ended 31 March 2004</b>
Dr Ikechuku Anya	22 October 2006	–
Professor Dame Carol Black	22 October 2003 / (18 July 2007)	4,500
Dr Chris Clough	22 October 2006	–
Dr Angela Coulter	22 October 2003 / (31 May 2007)	4,500
Professor Sir Alan Craft	22 October 2003 / (21 October 2006)	4,500
Mr Ian Cumming	16 February 2004	2,250
Professor Neil Douglas	22 October 2006	–
Professor Stephen Field	22 October 2003	4,500
Mrs Susan Fox (Wales)	22 October 2003	4,500
Mrs Frances Gawn (Northern Ireland)	22 October 2003	4,500
Professor Janet Grant	22 October 2003	4,500
Professor Sian Griffiths	22 October 2003 / (23 March 2005)	4,500
Professor David Haslam	22 October 2003	4,500
Professor Peter Hill	22 October 2003	4,500
Dr John Jenkins (Northern Ireland)	22 October 2003	4,500
Dr Hasmukh Joshi	22 October 2003	4,500
Dr Namita Kumar	22 October 2003	4,230
Professor Stuart Macpherson (Scotland)	22 October 2003	4,500
Professor David Neal	22 October 2003	4,500
Dr Trevor Pickersgill (Wales)	22 October 2003	4,500
Miss Jane Reynolds	22 October 2003	4,500
Mrs Susanne Roff (Scotland)	22 October 2003	4,500
Mr Finlay Scott	22 October 2003	4,500



**BOARD REPORT AND MANAGEMENT COMMENTARY**

	<b>Date of appointment / (resignation)</b>	<b>Period ended 31 March 2004</b>
Dr Ewen Sim	22 October 2003 / (30 November 2005)	4,500
Sir Peter Simpson (Deputy Chair)	22 October 2003 / (21 October 2006)	4,500
Mr John Smith	13 January 2006	–
Professor Dame Lesley Southgate*	22 October 2003 / (21 October 2006)	9,500
Dr Anita Thomas	22 October 2003	4,500

\* Professor Dame Lesley Southgate received an amount of £5,000 in respect of her role as Chair of the Assessment Committee.

In addition, expenses amounting to £36,718 were reimbursed to Board Members. No Board members received benefits in kind during the period.

**Paul Streets**

Accounting Officer

## **STATEMENT OF THE BOARD'S AND THE ACCOUNTING OFFICER'S 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 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, 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 OF 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. 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.

During the period covered by these financial statements, all administrative functions relating to PMETB were provided by the Department of Health and all financial transactions were processed through the Department's accounting system. PMETB has received copies of documentation relating to all transactions processed by the Department and the Department has confirmed the completeness and accuracy of the information that has been supplied to PMETB.

In producing the Statement on Internal Control for these financial statements, I am relying on assurances obtained from the Department of Health that the control environment in operation in the Department during the period was effective and that all information required to produce the financial statements has been provided to PMETB.

### Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of 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 the four nations 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.

As noted above, in fulfilling my responsibilities in respect of these financial statements, I am relying on assurance obtained from the Department of Health.

### The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives: it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of 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.

As noted above, in producing the Statement on Internal Control for these financial statements, I am relying on the effectiveness of the system of internal control in operation in the Department of Health during the period.

**STATEMENT OF INTERNAL CONTROL**

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**Capacity to handle risk**

As noted above, in producing the Statement of Internal Control for these financial statements, I am relying on the effectiveness of the risk management processes in operation in the Department of Health during the period.

**The risk and control framework**

As noted above, in producing the Statement of Internal Control for these financial statements, I am relying on the effectiveness of the risk and control framework in operation in the Department of Health during the period.

**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 for this period is informed by the assurances that I have received from the Department of Health about the system in operation in the Department of Health during the period.

**Paul Streets**

Accounting Officer

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

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We have audited the financial statements on pages 18 to 26. These financial statements have been prepared under the historic cost convention and the accounting policies set out on pages 21 to 22.

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 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 10 and 11) 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 8. 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 2004 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.
- 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 and  
Chartered Accountants  
The Clock house  
140 London Road  
Guildford  
Surrey  
GU1 1UW

## **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 2004 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 2004 and of its net operating costs for the period 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.

### **Audit 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.

**John Bourn**  
Comptroller and Auditor General

15 January 2008

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP



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

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### **Delay in the submission of Annual Report and Accounts**

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 2004 will not be submitted to Parliament until March 2008. My opinion on the Annual Report and Accounts of the Board for the period ending 31 March 2004 is not qualified in this respect.

The accounts for subsequent financial years could not be finalised until the Board had established the state of affairs at 31 March 2004 and this has led to delays in the submission of accounts for later periods.

### **Determining the period for which accounts should be produced**

The Board was formally established on 22 October 2003 by the Secretary of State under powers conferred by the General and Specialist Medical Practice (Education, Training and Qualifications) Order 2003 (the Order). Prior to this date a number of stakeholders considered issues in preparation for the Board's first meeting on 22 October 2003.

Under Article 29 (9) of the Order, the Board were required to prepare accounts from the date of establishment to the following 31 March and for each financial year ending 31 March thereafter. However, commencement of parts of the Order relating to certain functions was postponed until the Board was ready to undertake them. It was not until 30 September 2005 that Article 29 of the Order covering the periods of account and form of accounts came into force. The Department of Health, acting on behalf of the Secretary of State, issued a direction to the Board under the provisions of Article 29 (1) of the Order on the form of accounts to be produced. The accounts direction required that the first set of annual accounts should be for the period ended 31 March 2005. That accounts should be produced for the part year period 22 October 2003 to 31 March 2004 in accordance with Article 29 (9) of the Order was not pursued at that time, although the Board's functions in this regard were clearly set out in the Order.

In May 2006, when a review of the legislative requirements relating to the financial statements took place as part of my audit examination, the Board became aware that accounts for the initial period to 31 March 2004 needed to be prepared. A new accounts direction was issued by the Department of Health in September 2007 requiring accounts to be produced for the period to 31 March 2004 and updating the form of the financial statements to take account of current guidance.

### **The appointment of the Accounting Officer**

The permanent Chief Executive took up post in January 2005. Under government accounting rules the departmental Accounting Officer formally designates the Chief Executive of a non-departmental public body sponsored by the department as the body's Accounting Officer. The Accounting Officer is responsible for the preparation of the Board's Annual Report and Accounts.

An Accounting Officer appointment letter, which included a management statement and financial memorandum setting out the relationship between the Board and the Department of Health, was first issued to the Chief Executive by the Department of Health on 27 April 2006. The Chief Executive, with the support of the Board, did not accept the terms of the original appointment letter and entered into protracted discussions with the Department of Health on the management arrangements which the Board would be subject to. It was not until 2 February 2007 that a final agreed version of the appointment letter was issued by the Department which the Accounting Officer countersigned on 16 April 2007. Until the Accounting Officer appointment letter was agreed there was no officer with responsibility for the preparation of the statutory accounts.

### **Accounting arrangements with the Department of Health**

The Board did not have permanent staff between the 22 October 2003 and 31 March 2004 and relied on the Department of Health for administrative support. The Board had no financial systems in place and transactions were dealt with through the Department of Health's ledgers; this was a practical solution at that time as all transactions by the Board would in any case be financed by the Department through grant-in aid to the Board. However, no arrangements were put in place at that time to provide the Board with details of the transactions undertaken by the Department on the Board's behalf and no controls were exercised by the Board over individual payments to be made by the Department.

When it became apparent that the Board should produce accounts for the period, the Board with the assistance of the Department of Health worked to establish the relevant transactions which should be disclosed in the financial statements and the assets and liabilities of the Board at 31 March 2004.

Further investigation of departmental transactions in the 2004-05 financial year was necessary when it became clear that the Department had continued to make some payments on the Board's behalf to meet liabilities arising in 2003-04 after the Board had established its own financial systems and banking arrangements from 1 April 2004.

I am satisfied that the work undertaken by the Board and the Department has identified relevant transactions and there are no material omissions from these financial statements, but the lack of readily available records which could be easily reconciled to the financial data significantly hindered production of the financial statements.

### **Conclusion**

As described above the delays in the production of accounts were caused by a number of factors relating to the exercise of the Board's and the Department of Health's responsibilities.

**John Bourn**  
Comptroller and Auditor General

15 January 2008

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

### Operating Cost Statement for the Period Ended 31 March 2004

	Period ended 31 March 2004		
	Note	£	£
<b>Gross Operating Costs</b>			
Staff Costs	4	76,098	
Board Members' Remuneration	3	200,919	
Other Operating Costs	6	323,953	
Depreciation		–	
Notional cost of capital	7	2,457	
			603,427
Operating Income			–
Net operating cost before interest			603,427
Interest Receivable			–2,808
Interest Payable			–
<b>Net Operating Cost for the period</b>			<b>600,619</b>

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

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

The notes on pages 21 to 26 form part of these accounts.

**Balance Sheet as at 31 March 2004**

	<b>Note</b>	<b>2004</b>	
		<b>£</b>	<b>£</b>
Fixed Assets			
Tangible Fixed Assets			–
<b>Current Assets</b>			
Debtors	9	24,681	
Cash at bank and in hand	10	1,830,000	
		<u>1,854,681</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>289,378</u>	
<b>Net current assets</b>			1,565,303
<b>Provisions for liabilities and charges</b>			–
<b>Net Assets</b>			<u>1,565,303</u>
<b>Reserves</b>			
General Reserves			<u>1,565,303</u>
			<u>1,565,303</u>

The notes on pages 21 to 26 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 2004**

		Period ended 31 March 2004	
	Note	£	£
<b>Net cash (outflow)/inflow from operating activities</b>	13		-333,465
<b>Capital expenditure</b>			<u>-</u>
<b>Net cash outflow before financing</b>			-333,465
<i>Financing received:</i>			
For 2003/04		<b>333,465</b>	
For 2004/05		<b><u>1,830,000</u></b>	
			<u>2,163,465</u>
Increase in cash			<u>1,830,000</u>

The notes on pages 21 to 26 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 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

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### **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](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. 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 Expenditure to Financing Received from the Department of Health

Period ended 31 March 2004

£

Total Net Operating Expenditure for the period	600,619
Financing received from the Department of Health	<u>2,163,465</u>
Underspend against Financing Received from the Department of Health	<u>1,562,846</u>

### 3 Board costs

Period ended 31 March 2004

£

Payments to Chairman	83,425
Board Members' Fees	110,480
Social Security costs	<u>7,014</u>
	<u>200,919</u>

### 4 Staff costs

Period ended 31 March 2004

£

Salaries	–
Social security costs	–
Superannuation costs	–
Agency/Temporary costs	13,917
Payments to employing organisation of Acting Chief Executive	<u>62,181</u>
	<u>76,098</u>

### 5 Average number of staff

During the period, no permanent staff members were employed by PMETB. The Acting Chief Executive was employed by an NHS Trust and payments were made to it for his services as Chief Executive. A temporary member of staff was supplied by an agency to provide administrative support and payments were also made to The Morton Partnership for administrative support for the Chair.



## Notes to the Accounts

### 6 Other Operating Costs

Other operating costs include:

Period ended 31 March 2004

£

Professional fees	74,826
Rent and office accommodation	57,326
Training and recruitment	330
ICT costs, computer consumables and website costs	31,203
Board members' expenses	36,718
Room Hire	13,902
Board Development costs	49,786
External audit fee	16,000
Project costs	20,676
Other costs	7,424
Payments for administrative support for Chairman	5,758
Postage costs	10,005
Total other operating costs	<u>323,953</u>

### 7 Notional Cost of Capital

Period ended 31 March 2004

£

Notional Cost of Capital	<u>2,457</u>
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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.

### 8 Tangible Fixed Assets

No fixed assets were acquired during the period.

### 9 Debtors

31 March 2004

£

Interest receivable	2,808
Prepayments	<u>21,873</u>
	<u>24,681</u>

## Notes to the Accounts

### 10 Cash at Bank and in Hand

31 March 2004

£

At 22 October 2003	–
Increase in cash in year	1,830,000
At 31 March 2004	<u>1,830,000</u>

Bank Accounts	1,830,000
Cash in Hand	–
	<u>1,830,000</u>

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

31 March 2004

£

Trade Creditors	–
Capital Creditors	–
Other Creditors	–
Trade Accruals	289,378
	<u>289,378</u>

### 12 General Reserves

£

At 22 October 2003	–
Net Operating Cost	–600,619
Payments made by Department of Health in 2003/04	333,465
Financing from Department of Health for 2004/05	1,830,000
Notional cost of capital	2,457
Balance as at 31 March 2004	<u>1,565,303</u>

### 13 Reconciliation of Operating Deficit to Net cash Outflow from Operating Activities

Period ended 31 March 2004

£

Net Operating expenditure for the period	–600,619
<i>Adjustment for non-cash transactions:</i>	
Notional cost of capital	2,457
<i>Adjustments for movements in working capital other than cash:</i>	
(Increase) in debtors	–21,873
Increase in creditors	289,378
Net cash outflow from operating activities	<u>–330,657</u>

## Notes to the Accounts

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### 14 Contingent Liabilities

There were no contingent liabilities at 31 March 2004.

### 15 Capital Commitments

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

### 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 2004 the Department of Health incurred expenditure of £333,465 on PMETB's behalf and made a payment of £1,830,000 on 17 March 2004 in respect of funding for PMETB for 2004/05.

As disclosed in Note 5 (above), payments of £62,181 were made for the services of the Acting Chief Executive to his employer, Peterborough NHS Trust. The Chairman of the Trust was Professor Clive Morton, the Chairman of PMETB during the period.

As disclosed in Note 6 (above), payments of £5,758 were made for administrative services for Professor Clive Morton, the Chairman of PMETB during the period. The payments were made to The Morton Partnership.

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 period ended 31 March 2004, Professor Janet Grant was commissioned by the Department of Health to carry out a project relating to hospital visiting: the cost of this work was £20,676.

### 17 Losses and special payments

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

### 18 Post Balance Sheet Events

There have been no significant events since 31 March 2004 that would have a material effect on these financial statements.

These accounts are authorised to be issued on 15 January 2008.

### 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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