



Victorian Cytology Service Incorporated

ANNUAL REPORT

1992

For the year ended 30 June

TABLE OF CONTENTS

	Page
1. Historical Background of VCS	2
2. 1991-92 Activity	4
3. Board of Management	6
4. Senior Officers of VCS	8
5. Diagnostic Activities	10
6. Financial Activities	12
7. Space & Equipment	12
8. Staff	12
9. Training and Education	13
9.1 Cytopathologists	13
9.2 Scientists	14
10. Victorian Cytology Cervical Registry	15
11. Publications for VCS during 1991/92	17
12. Other Activities	18
13. Conclusion	19

Appendix A

Financial Statements of VCS

Appendix B

Auditors Report

1. Historical Background of VCS

The Victorian Cytology Service was founded by an "Order to establish a Benevolent Society" under the Hospital and Charities Act 1958 (gazetted 9 December 1964). The Minister of Health invited a group of persons to form a Board, under the chairmanship of Professor Sydney Lance Townsend. The Service was to operate with the following objectives:

- i) to provide in Victoria facilities for research and investigation with respect to the cytological examination of gynaecological specimens associated with cancer detection and to undertake such research and investigation;
- ii) to provide a free laboratory service for examination of specimens submitted;
- iii) to provide for collection of material for examination and the notification of results of such examinations through the legally qualified medical practitioner submitting such material;
- iv) to make arrangements as are necessary with any public or private hospital or the Cancer Institute or any other body or any person having a similar or allied purpose.

The Service was hosted by Prince Henry's Hospital under an agreement by which the Director of VCS was also Director of the Hospital's Department of Cytology. The two services operated in an integrated way such that the predominantly non-gynaecological requirements of the hospital provided training opportunities and a variety of work for VCS staff, features which are essential to develop and maintain a high level of skill in the discipline of cytology. In return, VCS provided the opportunity for Prince Henry's Hospital scientific staff and pathologists to develop skills in gynaecological cytology. A resource of pathologists who shared the autopsy and surgical pathology duties of the department of Anatomical Pathology to the mutual advantage of all parties was thus created.

During the first fifteen years of operation in excess of 90% of the smears performed in Victoria were reported by VCS. This proportion has decreased since the early 1980s due to the expansion of private pathology services. The decline was assisted by the under-resourcing of VCS over this period resulting in delays in reporting smears of up to three weeks. However since 1989, when VCS was once again resourced appropriately, it has retained approximately 55% of all smears in Victoria despite very active marketing by private sector laboratories. This has been achieved by a programme of continuing productivity and workflow improvement so that there has been a "mean internal turnaround period" which varied between 1.9 to 2.8 days throughout the year, resulting in greater than 99% of all smears being reported within 5 working days.

1. Historical Background of VCS (contd)

There has also been implementation of a courier service to most metropolitan and some country centre practitioners, freepost envelopes for other users, regular publication of Newsletters and statistical profiles to individual practitioners and upgrade of sampling equipment. The appointment of a liaison physician who visits practitioners to discuss issues related to sampling procedures, interpretation of reports and other matters has also been a valuable addition to the service profile of VCS.

Since its inception, VCS has been the only training institution for cytologists (scientists specialising in cytology) and cytopathologists in Victoria. The cytology component of the Bachelor of Applied Science (Medical Laboratory Science) from RMIT has been coordinated and taught by VCS staff. Scientists and pathologists from interstate and overseas have visited the Service for initial and refresher training. Staff of VCS have a high profile in the professional framework of cytology in Australia, as evidenced by publications in the Australian and overseas medical literature from the combined epidemiology and scientific arms of the Service.

2. 1991-92 Activity

This year has been a year of change for VCS. On 3 September 1991 Incorporation occurred. It is a cause for satisfaction that the process was managed entirely "in-house" and it is a tribute to the senior executive staff that no legal costs were incurred. VCS Incorporated owes thanks to Mr Alex Cole of Health Department Victoria for his considerable assistance in the negotiations.

The first half of the 1991/92 year was spent in the difficult environment of the progressive winding down of the Prince Henry's Campus of the Monash Medical Centre. However the sadness and potential disaffection of this process was much ameliorated by the exciting process of planning and construction of the new facility at the Royal Women's Hospital site. Staff morale was supported by a programme of involvement of all levels of staff in the relocation process, as well as the introduction of a number of strategic workplace improvements and specific pleasant but inexpensive "treats" to punctuate the difficult period when VCS was one of a very few remaining services at the ever more deserted Prince Henry's site.

The move itself occurred on the weekend commencing 6 December 1991. The architects, building contractors and liaison staff of the Royal Women's Hospital are to be congratulated on achieving this effective completion date which was in fact the date specified at the commencement of the project. Work ceased at the Prince Henry's site at 4.00 pm on Friday 6 December and following a meticulously planned and executed operation, all services were in place and work resumed at 9.00 am on Monday 9 December with virtually no disruptions to the smooth flow of the screening process.

The staff of VCS operated as a highly efficient team to perform this feat and there was a great sense of achievement shared by all members of staff and those who supported them by providing ancillary services. Although some aspects of the building required further attention there was a general sense of happiness and wellbeing with an appreciation of the considerable improvement in working environment, and the high quality of the space and the amenities provided. The specific policy of refurbishing equipment, for example respraying the motley array of filing cabinets and bins, and reupholstering functional chairs instead of purchasing new ones, enabled VCS within its limited resources to replace completely unserviceable items with new technology and to purchase a limited number of decorative items which have created a very attractive ambience in the workplace.

The sense of being "settled" was accelerated by the courtesy and hospitality extended by the Royal Women's Hospital staff to VCS staff and the invitation to share the intellectual, domestic and social resources of the hospital.

2. 1991-92 Activity (contd)

Since the move there has been a period of consolidation with some modification of workflow related to the much improved geographical arrangement of the new facility. There have also been modifications of staff structure to put in place protocols for improved staff productivity and to augment quality assurance protocols that will be progressively implemented. It is anticipated that the new programme will be more responsive to an ongoing process of performance monitoring and that such monitoring will enable interventions to be assessed on the basis of measurable performance improvement.

There has been some disappointment that the non-gynaecological component of the scientific workload has been extremely small since departing from a general hospital with a mixed cytological workload. Attempts to recruit work of this type from other hospitals in Victoria have had limited success, with one country hospital now referring all its cytology to VCS. Other hospitals refer such specimens from time to time and this will continue to be encouraged.

In February VCS took over the reporting of the gynaecological specimens of the Royal Women's Hospital and the clinical staff of the hospital have expressed a high level of satisfaction with the quality of the service delivered.

The targets set for the number of smears and the turnaround time of smears have both been achieved despite the potential disruption of the relocation process, and despite the Australia-wide reduction in cervical smears that has been monitored by both private and public laboratories between October 1991 and June 1992.

3. Board of Management

Ms Dorothy Reading - Chairperson

Dr Elizabeth Banks

Ms Nita Cherry

Mrs Katharina Dimtscheff

Dr Nigel Gray

Dr Sonia Grover

Mr Gary Henry

Ms Heather Jarman

Mrs Nina Kaylock

Ms Jenny Keys

Mr Matthew J O'Neill

Associate Professor Michael Quinn

Dr Julia Shelley

During this year three members have resigned from the Board of Management. Dr Sandra Gifford, formerly representative of users/clients and latterly filling the position of an epidemiologist, resigned during 1991. Ms Eileen Sims who represented the Monash Medical Centre resigned on relocation and Ms Meredith Kefford who represented the Community Health Sector resigned at the end of 1991. VCS is most grateful to these women who each contributed generously of their time and expertise whilst members of the Board.

During this year there have been six appointments to the Board of Management, completing the Full Board specified in the Rules of Incorporation.

Ms Nita Cherry is a management consultant with over twenty years experience as a personnel specialist, line manager, organisation consultant and practising organisational psychologist. Her skills will be invaluable in the ongoing process that VCS has undertaken to become even more efficient both in the implementation of its tasks and the marketing of its services.

Mrs Katharina Dimtscheff is a lawyer with an extensive experience of management in health and the commercial sector and currently chairman of the Criminal Inquiries Compensation Tribunal and Deputy President of the Administrative Appeals Tribunal.

Dr Sonia Grover is an Obstetrician and Gynaecologist who is Senior Lecturer in the Department of Obstetrics and Gynaecology of the University of Melbourne. She is a nominee of the Royal Women's Hospital.

Mrs Nina Kaylock, by training a midwifery nurse, has had many years of rural community involvement in business, health and educational matters and has been a member of the State Executive of the Country Women's Association. She represents the client/user base with emphasis on rural women's needs.

3. Board of Management (contd)

Ms Jennifer Keys is the Coordinator of the Coburg Community Health Centre and brings skills and experience which enable very appropriate representation of the Community Health Sector.

Dr Julia Shelley is an epidemiologist who has a specific interest and expertise in the area of cervical cancer screening. She is currently working at the Key Centre for Women's Health in Society at the University of Melbourne.

VCS is confident that the experience and skills of the Board of Management will enable the Service to build its image and performance in the difficult and competitive market in which it operates.

Members of the Board of Management and Senior Management are not required to lodge declarations of pecuniary interest.

4. Senior Officers of Victorian Cytology Service Incorporated

Director & Public Officer

Gabriele Medley MB, BS, FRCPA, FIAC

Deputy Director, Epidemiologist, and

Administrator of the Victorian Cervical Cytology Registry

Heather Mitchell MB, BS, MD, M Sc, FRACP, FAFPHM

Business Manager

Brian Salter

Pathologists

Valerie Maru Surtees BSc, MB, ChB, PhD, FRCPA

Jan Pyman MB, BS, FRCPA

Chief Scientist

Mary Seyfang DipAppSc, BAppSc

Coordinator of the Victorian Cervical Cytology Registry

Vicky Higgins MRA

Teaching Coordinator

Debbie Reich DipMedLabSc

Acting Teaching Coordinator

Diana Stockman BAppSc CT(ASC)

Dr Leila Cavanagh who had been a pathologist with VCS for eleven years, left the Service at the beginning of 1992. She has retired to France and will be much missed by all members of staff.

Dr John Vattuone left the Service after five years to work in England in April 1992.

4. Senior Officers of Victorian Cytology Service Incorporated (contd)

Recruitment of pathologists to VCS has been an extremely difficult problem due to an Australia-wide and indeed worldwide shortage of specialist cytopathologists. We have been extremely fortunate to recruit Dr Jan Pyman who has experience in gynaecological pathology from the Mercy Hospital for Women, who commenced sessional duties in May 1992. We have also been very fortunate to recruit an experienced surgical pathologist and cytopathologist Dr William Murray who is currently at the Austin Hospital and will commence at VCS late in August 1992.

As a result of these changes there has been an extremely heavy load on Dr Surtees and Dr Medley to maintain the important pathological component of VCS but it is anticipated that this will stabilise during the second half of 1992.

5. Diagnostic Activities

The number of tests received during the year was 255,243, an excess of 5243 over the specified target of 250,000. Although this represents a drop of 2704 (1%) from the previous year, this compares very favourably with the 15-20% drop in Pap smears across Australia over the same period. The monthly test totals were:

July 1991	24082
August 1991	22007
September 1991	19005
October 1991	22253
November 1991	19337
December 1991	17750
January 1992	18195
February 1992	22577
March 1992	23432
April 1992	20043
May 1992	23051
June 1992	23511

99.2% of smears were reported within 5 working days and 94% within 4 working days.

A continuing process of active marketing supported by a high level of performance in both quality of service and presentation of information to referring practitioners, remain vital in maintaining and even increasing the market share held by VCS in an intensely competitive climate in pathology practice.

Particular areas of attention are:

- i) Continuous monitoring of workflow and work practices.
- ii) Increasing the courier network to include large country towns where our practice has been threatened by direct specific marketing by the private sector.
- iii) Providing practitioners with a report of statistics of their own practice with average for the whole of VCS for comparison.
- iv) Formalisation of the Quality Control Program so that it forms a quality assurance circuit which results in measurable improvement in performance.

5. Diagnostic Activities (contd)

- v) Involvement of scientific staff in the process of workflow improvement, quality of service issues and educational programs by a restructure of the body of scientists to specific responsibilities and an increase in the number of graded positions to provide greater motivation of experienced staff.
- vi) Active participation in the negotiations resulting from the Kearney Report of the Review of Pathology Service in Inner North and West Melbourne. It is possible that some rationalisation of cytology services may occur and VCS will hope to increase the diversity of its workload if other hospitals choose to transfer some services.
- vii) VCS has sent an expression of interest to the Victorian Early Detection Breast Cancer Program with respect to provision of specific pathological services to Breast Screening Assessment Centres. This would provide some diversity of scientific activity for scientific staff. A similar expression of interest for provision of the Mammography Register has also been forwarded. It is anticipated that these matters will be determined before the end of 1992.

In February 1992 VCS took over the public gynaecological cytology of the Royal Women's Hospital. As the transfer occurred rather precipitously due to staff moves within the hospital department, there was considerable challenge to provide a highly responsive service to the hospital community with the attendant staff and data management requirements. It has been reported that the initiative has been successful and VCS will work hard to achieve a harmonious productive relationship with the Royal Women's Hospital Department of Pathology and Clinical Staff.

6. Financial Activities

These are considered in detail in the attached papers. Resource savings have been made, as stated elsewhere in this report, by improved efficiency, by self funding initiatives and by a program of refurbishment of furniture and file storage equipment in preference to replacement wherever possible. Serious staff shortage in specific areas has been covered by the unremunerated goodwill of staff, an effective short term but not long term measure. As a result VCS completed the year with a cash surplus, a result which was unexpected in the face of the resource limitation imposed on all elements of the health industry.

7. Space and Equipment

The new facility, as mentioned elsewhere in the report, was occupied on 6 December 1991. Although some structural problems persist there has been a program of problem solving in which the Royal Women's Hospital has played a much appreciated role. Such difficulties are anticipated in a new construction and have not marred the delight of staff at the provision of such a pleasing work environment. VCS acknowledges with gratitude the participation and cooperation of Health Department Victoria, and particularly Region 6, the architects and building consultants, and the staff of the Royal Women's Hospital in the relocation process. The new facility was opened by the Minister of Health on 11 March 1991 at a very pleasant ceremony held in the mezzanine area of the Service.

8. Staff

We would like to thank the entire staff of VCS for the successful outcome of the past year. As mentioned elsewhere it has been a year marked by serious difficulties and pleasing rewards. There has been loss of experienced senior staff as a result of the relocation agreement negotiated by Monash Medical Centre and resultant incentives for redeployment and early retirement.

Unfortunately relocation to a gender specific institution has resulted in a marked reduction in diversity of scientific activity, which has been very disappointing to staff. However several efforts, mentioned previously, have been initiated to solve this problem in the medium to long term. A small number of non-gynaecological cytology specimens have already been recruited from some country hospitals. The possibility of using the VCS resource of skill in the discipline of cytology as a central facility which can provide a variety of outreach services tailored to the specific requirements of other institutions appears attractive from financial, scientific and educational viewpoints.

9. Training and Education

The Victorian Cytology Service Training and Continuing Education Centre has mounted several initiatives this year.

9.1 Cytopathologists

Internal program of continuing staff education. Regular meetings and review of cases at the nine-head microscope are an ongoing element of the quality assurance process. All follow-up of smears received is correlated with smears and returned for review to scientists and cytopathologists. Computerised data revealing reporting profiles is generated and elements of inconsistency are discussed and addressed by microscopy reviews. Smear follow-up suggesting false-negative or false-positive reports generates requests for biopsy material from pathology laboratories. Smears and biopsy slides are then reviewed together. Pathologists are encouraged to meet with peers from other laboratories to exchange information. Attendance and participation in meetings of learned societies is encouraged.

External Initiatives. The first in-depth practical course for pathologists wishing to report cytology was conducted for four weeks from 1 - 26 July 1991. The course was fully subscribed with five pathologists mainly from interstate. All participants were extremely pleased with the course and another similar activity has been scheduled for July 1992. It will have two separate components, a gynaecological and non-gynaecological section and both have been oversubscribed drawing Victorian, Interstate and New Zealand applications. These courses, designed and coordinated by Dr Valerie Surtees, are self funding and utilise the extensive teaching resources of VCS and external lecturers who give segments of the program related to their individual field of expertise.

9. Training and Education (contd)

9.2 Scientists

The *internal* program continues to have three elements, viz:

- i) Training of scientists who are mainly graduates in Medical Laboratory Science who wish to work in cytology. Three such persons were trained during 1990-91 and are now working as cytotechnologists with VCS after an intensive six months of totally supervised training. Although no course has been conducted during this year, the difficulty experienced recruiting trained staff has led us to schedule a training pool to commence in October 1992 to train four scientists. Three of these will be on a contract for six months only and the offer of a permanent position for these scientists will depend on the anticipated workload for 1993-94 and resources available. A cytotechnologist from Greece will also join this group. She will be funded from her employing institution in Greece.
- ii) In-service continuing staff education, which is designed to communicate scientific advances to staff and to ensure that there is feedback and remedial education as a result of data generated by the computer in the areas of diagnosis and productivity of screeners.
- iii) Scientists are encouraged to attend and participate in meetings of learned societies. Reference material is available and facilities provided for photography and preparation of presentations. Financial support for registration expenses for participants in scientific meetings is offered.

The *external* program of teaching cytology as a component of the Bachelor of Applied Science (Medical Laboratory Science) at RMIT continues. The Director is a member of the Advisory Committee for this course and is involved in curriculum review, staff selection and ongoing planning of appropriate courses. It is considered that this an important initiative by which VCS has continuing input into the recruitment and training of cytologists statewide and thus has a significant role in the setting and maintenance of cytology standards.

Two two week courses for scientists, similar to those for cytopathologists are also now in place. The first was over-subscribed and took place in April 1992. The second will be held in October 1992. These are also self-funding.

10. Victorian Cervical Cytology Registry

A total of 545,000 cytology reports were registered during 1991. These reports came from 29 laboratories, 17 of which were non-hospital based laboratories and 12 of which were laboratories located within hospitals. More than 7,500 results of cervical biopsies or colposcopies were registered. These investigations predominantly occur as a result of a woman receiving an abnormal Pap smear report.

In addition to making available a woman's previous screening history at the time of reporting her current smear, the Registry continued to provide two other services to women. First, the follow-up of women with abnormal Pap smear reports continued with the aim of ensuring that all women with significant abnormalities were made aware of their Pap smear report and given the opportunity to seek appropriate medical care. Second, reminder notes were sent to women who were due for an early repeat Pap smear.

The overwhelming impression formed by the Registry staff is that women welcome the services which are offered by the Registry. During the 1991/92 financial year, four women asked that their details be removed from the Registry. This number is exceedingly small in comparison to the number of women who had Pap smears registered (approximately 500,000 during a financial year).

A second Statistical Report of the Registry's operation was completed by March 1992. This report covered the 1991 calendar year. As in the previous year, this report was widely distributed and well received. Each doctor who had smears listed on the Registry during 1991 received a copy as did relevant government and non-government organisations. The 29 participating laboratories receive additional statistical feedback on a half-yearly basis.

Because of continuing wide variation between laboratories in the profile of how smears are reported, a research project was commenced with participating laboratories to identify the types of slides which are associated with the greatest variation in reporting. A funding application to the Commonwealth Department of Health, Housing and Community Services for this project was successful. The project will be completed during 1992/93 and will result in a manual of photomicrographs which will accompany the coding schedule used by the Registry.

10. Victorian Cervical Cytology Registry (contd)

During 1991/92, relevant health personnel from all Australian States and Territories and New Zealand visited the Registry to inspect its operations. A number of similar Registries are in the process of being established with consequent interest in the Victorian experience.

The Management Committee of the Registry met on three occasions. The major areas of work were ensuring an adequate system for follow-up of women with significantly abnormal Pap smear reports and maximising the participation of laboratories in the Registry.

11. Publications from VCS during 1991/92

Mitchell H, Giles G, Medley G

Accuracy and survival benefit of cytological prediction of endometrial carcinoma on routine cervical smears

International Journal of Gynaecological Pathology accepted for publication

Mitchell H, Medley G

Influence of endocervical status on cytological prediction of cervical intraepithelial neoplasia

Acta Cytologica accepted for publication

Mitchell H, Hoy J, Temple-Smith M, Quinn M

A study of women who appear to default from management of an abnormal Pap smear

Australia and New Zealand Journal of Obstetrics and Gynaecology 1992;32:54-56

Mitchell H

The potential for the prevention of cancer in Australia

Australia and New Zealand Journal of Medicine 1991;21:764-768

Mitchell H, Irwig L

Screening as a strategy for disease control

Medical Journal of Australia 1991;155:237-242

Mitchell H, Medley G

Reporting of an endocervical component after a previous cervical biopsy

Cytopathology 1991;2:177-80

12. Other Activities

The Director acts as an assessor in the process of registration of cytology laboratories by NATA. Participation in this process requires familiarity with the changing requirements of accreditation of laboratories and allows a useful interchange of information between major cytology centres.

The Director is also an invited member of the Committee on Quality Assurance in the Cervical Cancer Screening Programme which is a committee convened by the Health Strategies Branch of the Commonwealth Department of Community Services and Health to address the issues of quality assurance in all aspects of the programme and to prepare recommendations and strategies for implementation of such recommendations.

Both the Director and Deputy Director are invited members of the National Health and Medical Research Council Working Party on the Management of Abnormalities Detected in Women by Cervical Screening. This working party has the task of creating guidelines for the development of uniform reporting and management protocols for "the abnormal Pap smear."

In April 1992 the Director, a gynaecologist from the Royal Women's Hospital, and a senior educator from the Anti-Cancer Council of Victoria travelled to Nauru, at the invitation of the Nauruan Government to obtain information to design a program to screen women for the prevention and early detection of cervical cancer. There is an impression that the incidence of cervical cancer in Nauru is rather higher than in Australia and it is envisaged that Victorian skills can be exported to tackle this problem. Implementation of the program developed will have many difficulties but it is anticipated that the initial phase will commence late in 1992, and it is anticipated that VCS will contract to report the smears taken.

In early May 1992 the 11th International Congress of Cytology was held in the Melbourne Congress Centre. Approximately 800 registrants from over forty countries participated in what was a successful meeting. The Director was co-chairman of the Organising Committee and the Scientific Program Committee. The congress was opened by the Governor of Victoria and the Minister of Health gave a welcoming address. Dr Gabriele Medley chaired the opening session on Cervical Cancer Screening and Dr Heather Mitchell was a participant in the panel for this session together with experts from the United States, Iceland, Japan and Czechoslovakia.

At the Annual Meeting of the Australian Society of Cytology in May 1992 Dr Medley was elected President of that Society.

13. Conclusion

VCS, with relocation to an appropriate facility looks forward to a bright future as an important participant in the ever more important field of preventive health care for the women of Victoria. The continuing development of the Service is of course dependent on a realistic funding base. VCS is committed to the concept of a "free" service to women. By virtue of the efficiency of its service delivery and its wider usefulness to government as an epidemiologic facility central to the monitoring of screening programs in Victoria, it is much more cost effective than private or bulk billing alternatives. The cost per smear under the current funding methods is significantly less than it would be under alternative systems. Experience in other states has shown that to privatise a public sector screening facility that is performing well in a competitive setting will result in the fragmentation of service delivery, a deterioration in capacity to deliver training and epidemiological initiatives and the destruction of a valuable Australian health resource.

VCS should retain the opportunity to maintain a business-like approach to its task as an important participant in the Victorian Screening Program for the Prevention of Cervical Cancer. Constant watchfulness on standards of scientific achievement and service to consumers must be accompanied by initiatives to develop markets that will maximise performance and cost effectiveness for itself and for the community in the highly competitive prevailing commercial climate.

04-022

APPENDIX A

Financial Statements

of

Victorian Cytology Service Incorporated

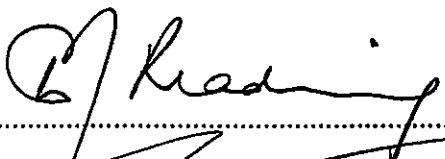
VICTORIAN CYTOLOGY SERVICE INCORPORATED

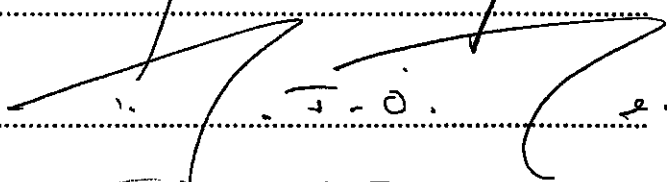
CERTIFICATION

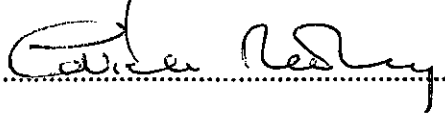
In our opinion the consolidated financial statements of the Victorian Cytology Service comprising statement of cash flows, balance sheet, consolidated statement of changes in equity, revenue and expense statement and notes to the financial statements have been prepared in accordance with the provisions of the Annual Reporting Act 1983 and the Annual Reporting (Contributed Income Sector) Regulations 1988 as amended.

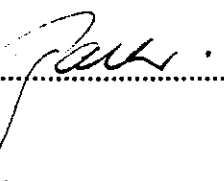
In our opinion the consolidated financial statements present fairly the financial transactions for the year ended 30 June 1992 and the financial position as at that date of the Victorian Cytology Service Incorporated.

At the date of signing the consolidated financial statements we are not aware of any circumstances which would render any particulars included in the statements to be misleading or inaccurate.


..... Chairperson


..... Member


..... Chief Executive Officer


..... Principal Accounting Officer

Dated 25th day of SEPTEMBER 1992

VICTORIAN CYTOLOGY SERVICE INCORPORATED

REVENUE AND EXPENSE STATEMENT FOR THE YEAR ENDED 30 JUNE 1992

	NOTES	TOTAL 1991/92	TOTAL 1990/91
		\$	\$
Operating Revenue Providing Fund Inflows			
Health Service Agreement/Budget Sector			
Government Grants	2	3,708,711	3,578,610
Indirect Contributions by Health Dept Victoria	3	29,367	23,568
Bank Interest	4	24,155	27,107
Sale of Equipment		11,043	8,021
Car Parking		50	280
TOTAL OPERATING REVENUE PROVIDING FUNDS		3,773,326	3,637,586
Operating Expenses Requiring Fund Outflows			
Health Service Agreement/Budget Sector			
Diagnostic and Medical Support Services		2,638,008	2,495,461
Administration and Quality Assurance		783,210	694,777
Engineering and Maintenance		67,380	24,482
Domestic and Catering Services		10,742	12,742
Corporate Costs Funded by Health Dept Victoria		29,367	23,568
Workcare and Superannuation		141,512	96,076
Teaching and Research		9,826	4,659
TOTAL OPERATING EXPENSES REQUIRING FUNDS		3,680,045	3,351,765
Operating Surplus (Deficit) Providing Fund Inflows		93,281	285,821
Operating Expenses Not Requiring Fund Outflows			
Depreciation		140,137	114,712
Employee Entitlements		<u>246,712</u>	<u>31,234</u>
		386,849	145,946
Operating (Deficit) Surplus for the Year		<u>(293,568)</u>	<u>139,875</u>

The accompanying notes form part of these financial statements.

VICTORIAN CYTOLOGY SERVICE INCORPORATED
BALANCE SHEET FOR THE YEAR ENDED 30 JUNE 1992

	NOTES	TOTAL 1991/92 \$	TOTAL 1990/91 \$
Equity			
Capital			
Contributed Capital		591,939	400,329
Funds held for Restricted Purposes	10	133,468	64,084
Reserves			
Retained Surplus/(Accumulated Deficit)		(190,919)	102,649
Total Equity		<u>534,488</u>	<u>567,062</u>
Current Liabilities			
Bank Overdraft		121,092	56,727
Creditors		13,548	3,828
Accrued Expenses		66,900	69,295
Provision for Employee Entitlements	5	427,956	328,719
Total Current Liabilities		<u>629,496</u>	<u>458,569</u>
Non Current Liabilities			
Provision for Employee Entitlements	5	147,475	-
Total Liabilities		<u>776,971</u>	<u>458,569</u>
Total Equity and Liabilities		<u>1,311,459</u>	<u>1,025,631</u>
Current Assets			
Cash at Bank and on Hand		20,239	23,408
Stores	6	75,839	68,061
Debtors and Accrued Revenue	7	51,937	79,897
Short-term Investments	8	570,066	313,185
Total Current Assets		<u>718,081</u>	<u>484,551</u>
Non Current Assets			
Plant and Equipment	9	437,054	432,085
Motor Vehicles	9	156,324	108,995
Total Non Current Assets		<u>593,378</u>	<u>541,080</u>
Total Assets		<u>1,311,459</u>	<u>1,025,631</u>

The accompanying notes form part of these financial statements.

VICTORIAN CYTOLOGY SERVICE INCORPORATED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 1992

	Notes	Contributed Capital	Funds Held for Restricted Purposes	Retained Surplus/ Accumulated Deficit	Total 1991/92	Total 1990/91
		\$	\$	\$	\$	\$
Balance at beginning of year		400,329	64,084	102,649	567,062	374,436
Surplus/(Deficit) for year				(293,568)	(293,568)	139,875
Capital Contribution	2	191,610			191,610	39,334
Funds transferred for restricted purposes			69,384		69,384	13,417
Balance at end of year		<u>591,939</u>	<u>133,468</u>	<u>(190,919)</u>	<u>534,488</u>	<u>567,062</u>

VICTORIAN CYTOLOGY SERVICE INCORPORATED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 1992

	NOTES	1992 \$	1991 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Government Grants		3,736,671	3,625,613
Interest		24,155	27,107
Payments			
Salaries & Wages		(2,631,098)	(2,495,461)
Other		(1,019,983)	(834,864)
		<hr/>	<hr/>
NET CASH GENERATED FROM OPERATING ACTIVITIES	13	109,745	322,395
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for purchase of plant & equipment		(253,053)	(212,250)
Proceeds from disposal of plant & equipment		71,661	36,865
Increase in Funds held for Restricted Purposes		69,384	13,417
CASH FLOW FROM GOVERNMENT			
Capital		191,610	39,334
		<hr/>	<hr/>
NET INCREASE IN CASH HELD		189,347	199,761
CASH AT 1 JULY 1991		279,866	80,105
		<hr/>	<hr/>
CASH AT 30 JUNE 1992	12	469,213	279,866
		<hr/>	<hr/>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 1992

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

The financial statements of the service have been prepared in accordance with the provisions of the **Annual Reporting Act 1983** and the **Annual Reporting (Contributed Income Sector) Regulations 1988** as amended. The Accounting Standards issued jointly by the Institute of Chartered Accountants in Australia and the Australian Society of Accountants have been complied with where applicable.

a. Accrual basis

The accrual basis of accounting has been used with revenues and expenses being recognised as they are earned or incurred, and brought to account in the period to which they relate.

b. Historical cost

The financial statements have been prepared on a historical cost basis whereby assets are recorded at cost and do not take into account changing money values nor the current cost of non-current assets (unless specifically stated).

c. Rounding off

All amounts shown in the financial statements are expressed to the nearest dollar.

d. Investments

Investments are valued at cost. Interest revenue from investments is brought to account where it is earned.

e. Depreciation

Depreciable assets with a cost in excess of \$1,000 are brought to account and depreciation has been provided over their estimated useful lives using the straight line method.

f. Stores

Inventories are stated in the Balance Sheet at the lower of cost and net realisable value. Cost is determined principally by first-in, first-out method.

g. Employee Entitlements

Long Service Leave

Provision for long service leave in 1991/92 Statements is made on a pro rata basis for all employees who have completed five or more years service. Generally, the entitlement under various awards becomes payable upon completion of 10 years service. This is a change from prior years the effect of which has been to increase the charge to the Revenue and Expense Statement by \$147,475 in the current year. Previous provision was made at 10 years. The proportion of long service leave estimated to be payable within the next financial year is included in the Balance Sheet under Current Liabilities.

g. Employee Entitlements (contd)

Annual Leave

A provision for annual leave is made for all employees based on the hospital's accrued liability for annual leave at 30 June 1992. This provision is included under current liabilities.

Accrued Days Off

A provision is made for liability in respect of days off accrued but not yet taken for eligible employees at 30 June 1992. The whole amount is included under current liabilities.

Sabbatical Leave

Included in Funds Held for Restricted Purposes for the first time is an allowance for sabbatical leave of \$59,343. This fund has been determined on a pro rata basis for all employees who are entitled to take sabbatical leave.

h. Superannuation

All eligible employees contribute to the Hospitals Superannuation Fund established under section 10 of the **Hospital Superannuation Act 1965** (refer Regulation 32).

Incorporation

The entity was incorporated on 3 September 1991 under the Associations Incorporation Act 1981. While the legal status of the Victorian Cytology Service has changed in the financial year in substance, it has continued to operate as previous. Consistent with this basis of operation and in accordance with instructions from Health Department Victoria the financial statements have been prepared for a full twelve months to 30 June 1992.

NOTE 2: GOVERNMENT GRANTS

	1991/92	1990/91
	\$	\$
HDV Ordinary Grants	3,604,902	3,516,610
HDV Other Grants Minor Works	<u>103,809</u>	<u>62,000</u>
Total Operating Grants	<u>3,708,711</u>	<u>3,578,610</u>
Capital Grants	<u>191,610</u>	<u>39,334</u>

Grants for capital purposes are included in the Statement of Changes in Equity and are included in the Balance Sheet as Contributed Capital.

Contributed Capital consists of items which have been specifically funded via or through minor works grants, specific capital grants or through external donations or gifts.

NOTE 3: INDIRECT CONTRIBUTION BY HEALTH DEPARTMENT VICTORIA

The Health Department Victoria makes certain payments on behalf of the Service which, in accordance with their requirements, have been brought to account in determining the operating result for the year. They are brought to account as non-cash income and offset by expenditure.

	1991/92	1990/91
	\$	\$
Insurance Costs	24,030	20,644
Industrial Relations Service	939	-
Hospital Computing Service Charges	<u>4,398</u>	<u>2,924</u>
Total	<u>29,367</u>	<u>23,568</u>

NOTE 4: OTHER REVENUE

	1991/92	1990/91
	\$	\$
Interest Received Bank Interest	<u>24,155</u>	<u>27,107</u>

NOTE 5: PROVISION FOR EMPLOYEE ENTITLEMENTS

	Current	Non Current	Total 1991/92	Total 1990/91
	\$	\$	\$	\$
Long Service Leave	145,184	147,475	292,659	101,776
Annual Leave	266,636	-	266,636	215,851
Accrued Days Off	16,136	-	16,136	11,092
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>427,956</u>	<u>147,475</u>	<u>575,431</u>	<u>328,719</u>

NOTE 6: STORES

	1991/92	1990/91
	\$	\$
Housekeeping Supplies	151	230
Medical & Surgical Lines	25,154	34,959
Administration Stores	50,534	32,872
	<hr/>	<hr/>
Total	<u>75,839</u>	<u>68,061</u>

NOTE 7: DEBTORS AND ACCRUED REVENUE

	Less than 1 Year	Total 1991/92	Total 1990/91
	\$	\$	
Additional smears	51,911	51,911	61,112
Superannuation Deductions	26	26	697
Outstanding HDV Grant	-	-	18,088
	<hr/>	<hr/>	<hr/>
Total Debtors and Accrued Revenue	<u>51,937</u>	<u>51,937</u>	<u>79,897</u>

NOTE 8: INVESTMENTS

Types of Investment	Operating Fund	Specific Purpose Funds	Total 1991/92	Total 1990/91
	\$	\$	\$	\$
Current				
Commonwealth Bank				
Cash Management				
Call Account	<u>437,051</u>	<u>133,015</u>	<u>570,066</u>	<u>313,185</u>

NOTE 9: NON-CURRENT ASSETS

	At Cost 30 June 1992	Depreciation for 1991/92	Accumulated Depreciation at 30 June 1992	Net Assets at 30 June 1992	Net Assets at 30 June 1991
	\$	\$	\$	\$	\$
Plant & Equipment	826,540	110,405	389,486	437,054	432,085
Motor Vehicles	175,700	29,732	19,376	156,324	108,995
	<u>1,002,240</u>	<u>140,137</u>	<u>408,862</u>	<u>593,378</u>	<u>541,080</u>

NOTE 10: FUNDS HELD FOR RESTRICTED PURPOSES

	1991/92	1990/91
	\$	\$
Education	74,125	64,084
Sabbatical Leave	59,343	-
	<u>133,468</u>	<u>64,084</u>

NOTE 11: UNFUNDED SUPERANNUATION LIABILITIES

The following details relate to the Service's unfunded superannuation liabilities:

- i) Name of Fund to which the Service contributes:
HOSPITAL SUPERANNUATION BOARD
- ii) Notional share of unfunded liability attributable to the Service: \$348,000
- iii) Contribution made by the Service during 1991/92: \$118,979
- iv) Contributions outstanding as at 30/06/92: Nil
- v) Contributions are paid in accordance with the Hospital Superannuation Act 1988 and the State Superannuation Act 1988.

NOTE 12: RECONCILIATION OF CASH

For the purpose of the statement of cash flows, cash includes cash on hand and at bank and monies held at call in cash management accounts. Cash at the end of the reporting period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	1992 \$	1991 \$
Operating Fund		
Cash at bank and on hand	19,786	19,110
Bank Overdraft	(121,092)	(56,727)
Cash Management Account	437,051	253,399
Special Purposes Fund		
Cash at bank	453	4,298
Cash Management Account	133,015	59,786
	<u>469,213</u>	<u>279,866</u>

NOTE 13: RECONCILIATION OF NET CASH USED IN OPERATING ACTIVITIES TO OPERATING RESULT

Operating Result - Surplus (Deficit)	(293,568)	139,875
Depreciation	140,137	114,712
Profit on sale of fixed assets	(11,043)	(8,021)
Change in assets and liabilities:		
Increase in creditors	9,720	-
Decrease in creditors	-	(2,734)
Decrease in accruals	(2,395)	-
Increase in accruals	-	26,010
Increase in employee entitlements	246,712	31,234
Increase in stores	(7,778)	(25,684)
Decrease in debtors	27,960	47,003
Net cash provided by operating activities	<u>109,745</u>	<u>322,395</u>

Price Waterhouse



**AUDITORS' REPORT TO THE COMMITTEE OF
MANAGEMENT OF THE VICTORIAN CYTOLOGY SERVICE INCORPORATED**

We report that we have examined the accounts of the Victorian Cytology Service Incorporated for the year ended 30 June 1992.

In our opinion the accounts are properly drawn up in accordance with generally accepted accounting standards, and in a form approved by the Health Department Victoria, the Annual Reporting Act 1983 and the Annual Reporting (Contributed Income Sector) Regulations 1988 so as to give a true and fair view of the Institution's financial affairs as at 30 June 1992 and of the results of its operations for the year ended at that date.

Price Waterhouse

Ken Warburton

A member of the firm
Chartered Accountants

Dandenong
25 September 1992