



**Victorian Cytology Service**  
Incorporated

# **ANNUAL REPORT** **1993**

**for the year ended 30 June**

## Table of Contents

	Page
Historical Background of VCS .....	3
1992-93 Activity .....	5
Board of Management .....	7
Senior Officers of VCS .....	8
Diagnostic Activities .....	9
Financial Activities .....	10
Space & Equipment .....	10
Staff .....	11
Training and Education .....	12
Cytopathologists .....	12
Scientists .....	13
Victorian Cervical Cytology Registry .....	15
Victorian BreastScreen Registry .....	15
Publications for VCS during 1992/93 .....	16
Other Activities .....	17
Conclusion .....	19

### **Appendix A**

Financial Statements of VCS

### **Appendix B**

Auditors Report

## **1. Historical Background of VCS**

The Victorian Cytology Service (VCS) 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.

For its first twenty-seven years 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 decreased during 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 50% of all smears in Victoria despite very active marketing by private sector laboratories. This has been achieved by a program of continuing productivity and workflow improvement; the internal turnaround period for many smears is two days for much of the year, and more than 99% of all smears are reported within five 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.

In the first week of December 1991 following the closure of Prince Henry's Hospital, VCS moved to its new location on the ground floor and mezzanine of the new carpark at The Royal Women's Hospital. The location, on the corner of Faraday and Swanston Streets, opposite Melbourne University has been most beneficial in developing new links with Melbourne University, and facilitating previously existing associations with the Royal Melbourne Institute of Technology (RMIT) and the newly relocated Melbourne Sexual Health Centre.

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. 1992-93 Activity

During this year VCS has consolidated in its new location and the working relationship with The Royal Women's Hospital (RWH) has developed to the mutual advantage of both institutions. VCS is now responsible for the gynaecological cytology from the hospital and its satellite clinics. Students from Melbourne University Department of Obstetrics and Gynaecology spend a little time in VCS during their training in the hospital. VCS staff at all levels enjoy the privileges of being part of the hospital community and are proud to be part of the hospital service delivery. VCS joined with RWH in its bid to become an assessment centre for the BreastScreen (Mammography) Program and was disappointed that this bid was not successful. However VCS has independently contracted to provide the Victorian BreastScreen Registry (VBR) and this is now running smoothly.

For a number of months VCS participated in the *Ministerial Reference Group For the Review of Pathology Services in the Parkville Area* which reviewed the current and future role of Pathology Practice in the Parkville hospitals (the Royal Melbourne, Royal Women's and the Royal Children's Hospitals) and it was hoped that in the process of rationalisation of services in these hospitals VCS would play a role in provision of gynaecological and non-gynaecological cytology for the three sites; either individually or to an amalgamated Institute of Pathology. The outcome of this attempt to provide more cost effective pathology within a *public* rather than *private* framework, is not yet clear. Although it was agreed VCS should remain structurally independent of such an amalgamation, there was considerable support for VCS involvement on a contractual basis for provision of cytology services.

Negotiations are also in progress which will almost certainly result in VCS taking over reporting of gynaecological cytology for the Western Hospital from July 1993 adding further to the number of institutions so served.

During the first months of 1993 the staff of VCS participated in the development of a Workplace Agreement. With a considerable effort on the part of all concerned this was brought to a successful conclusion, being signed by 70% of staff by 30 May 1993.

In late 1992, following an advertisement placed by a firm of solicitors in a daily paper, there was medico-legal activity on behalf of women who have developed cervical cancer despite having had one or more negative Pap smears. Although always in the forefront in matters of quality assurance and self monitoring and conforming to *world best practice*, VCS reporting in excess of 50% of the smears in Victoria will be involved in such cases. Unfortunately there are inherent flaws in the test and although nine out of ten squamous cancers can be prevented there will, with current methodology, continue to be failures. VCS, in addition to developing more demanding protocols of performance monitoring of individual scientists as well as the laboratory as a whole, is also testing new technology which is evolving in an attempt to overcome the deficiencies of the test.

## **2. 1992-93 Activity (contd)**

The target for the number of smears has been considerably exceeded in this year with maintenance of turnaround time as a result of improvement in productivity. This was essential in response to the increase in smear numbers consequent upon the media advertisements of the national program *Organised Approach to Preventing Cancer of the Cervix* and the *Pap Test Victoria* initiative of the Anti-Cancer Council of Victoria and Victorian Cervical Cytology Registry (VCCR). More will be mentioned of this in the section on *Staff*.

### **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 (until December 1992)**

**Ms Heather Jarman**

**Mrs Nina Kaylock**

**Ms Jenny Keys**

**Mrs Mary Murdoch (from 18 March 1993)**

**Dr Matthew O'Neill (until December 1992)**

**Associate Professor Michael Quinn**

**Dr Michael Sedgley (from 18 May 1993)**

**Dr Julia Shelley**

During this year there have been two changes to the Board of Management with the retirement of Mr Gary Henry and Dr Matthew O'Neill. VCS is most grateful to them, since both have contributed generously of their time and expertise over a number of years.

Mrs Mary Murdoch was formerly President of the Board of Management of The Royal Women's Hospital and is a nominee of the hospital, replacing Mr Gary Henry.

Dr Michael Sedgley, a gynaecologist practising in Cabrini Medical Centre is the nominee of the Australian Medical Association and replaces Dr Matthew O'Neill.

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

The Rules of Incorporation of VCS do not require Members of the Board of Management and Senior Management 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,**

**Medical Director of Victorian Cervical Cytology Registry, and**

**Director of Victorian BreastScreen Registry**

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

**Business Manager**

Brian Salter

**Pathologists**

William K Murray MB, BS, FRCPA, MRCPATH

Jan Pyman MB, BS, FRCPA

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

**Acting Chief Scientist**

Linda Brown HNC (MLS), CT(ASC), CT(IAC)

**Coordinator of the Victorian Cervical Cytology Registry,**

**Coordinator of the Victorian BreastScreen Registry**

Vicky Higgins MRA

**Teaching Coordinator**

Debbie Reich BAppSc, CT(ASC), CT(IAC)

**Assistant Teaching Coordinator**

Diana Stockman BAppSc, CT(ASC)

During this year VCS has been fortunate to attract Dr William Murray who was formerly a Staff Pathologist at the Austin Hospital and has had extensive training in Cytology in Australia and the United Kingdom.

It remains extremely difficult to attract experienced cytopathologists to a predominantly gynaecological practice, and the increasing demands occasioned by the very stringent quality control protocols being developed will stretch this resource even further.



## 5. Diagnostic Activities

The number of tests received during the year was 280,309 well in excess of the target of 250,000. This represents an increase of 12%, stimulated largely by the initiatives of the communication strategy of the national program *Organised Approach to Preventing Cancer of the Cervix and Pap Test Victoria* developed by the Anti-Cancer Council of Victoria and VCCR. The monthly test totals were:

July 1992	24684
August 1992	23374
September 1992	21120
October 1992	23045
November 1992	22438
December 1992	20931
January 1993	19731
February 1993	22646
March 1993	29336
April 1993	24391
May 1993	24959
June 1993	23654

99% of smears were reported within 5 working days and 93% within 4 working days.

VCS continues actively to market its service to referring practitioners and other agencies. This is increasingly difficult in the highly competitive climate of pathology practice, particularly as provision of such *attractions* as free plastic speculums offered by the private sector cannot be matched within our available resources.

Maintenance of a high quality of service to both metropolitan and rural users is of the utmost priority.

Confidence of our referring practitioners must be encouraged by close communication, facilitated by the activities of our Liaison Physician, Dr Stella Heley and by a responsive telephone advisory service maintained by all the physicians working within the Service.

Newsletters are distributed to referring practitioners so that they are kept aware of current issues in relation to VCS in particular and cervical cancer screening in general.

## **6. Financial Activities**

These are considered in detail in the attached papers. Resource savings have been made by improved efficiency and by self funding initiatives and procedure modifications. Staff contribution to this process will be mentioned in a subsequent section. VCS completed the year within the financial target of the Health Service Agreement (HSA) assuming that the remuneration for smears over target, which forms part of the agreement, is forthcoming.

## **7. Space and Equipment**

The working environment of VCS is of a high quality. The new premises provide both an aesthetically pleasing and efficiency promoting workplace. The BreastScreen Registry has been accommodated within the VCCR accommodation with relatively minor modification of space division.

As a result of a successful application to the Victorian Cervical Cancer Program, a new computer has been ordered as a first stage in the development of a new data processing system. The current system purchased at the end of 1984 has been operating extremely well and the funded proposal will allow an upgrade pathway with minimal disruption to the Service over the next three years.

Also funded from this Program was a new Pitney Bowes Spectrum mailing machine which will enable the increased requirements of VCCR and VBR to be accommodated comfortably.

The very recent purchase of a Cannon Optical Scanner and Retrieval System has made possible a staff redundancy in an otherwise extremely vulnerable area and the quality of the data retrieval process from request forms has been improved markedly. This machine will enable the costly process of microfiching forms to cease.

## **8. Staff**

The staff remains the most important resource of the Service. We must thank the entire staff for the cooperation shown in achieving a successful outcome in a year in which there have been a number of challenging elements. Utilisation of the principles articulated in *Total Quality Management* have played a significant part in this achievement. Two senior members of the scientific staff accepted redundancy packages at the end of 1992 and there has been no replacement at this level of seniority.

During the year there have been quite sharp fluctuations in workload and it is a tribute to the flexibility of those charged with the task of workflow management and the responsiveness of the staff that these have been negotiated without significant disturbance to the throughput performance.

In response to the changes in the Employee Relations Act a decision was made to develop a workplace agreement by 30 May 1993. A spirit of cooperation and wide involvement of the whole staff enabled this to be achieved with a participation rate of over 70% of staff. This was a time and energy consuming process which, added to the heavy commitment of routine workload, resulted in a great deal of activity on behalf of all participants. Nevertheless sufficient energy was retained for the formation of a VCS Netball Team, which with support from non-players, competes enthusiastically in the Royal Park seasonal competitions.

VCS participated in the Ministerial Reference Group for the Review of Pathology Services in the Parkville Area. This also was an extracurricular activity which demanded much time and effort in preparation of workload statistics required by the consultants Deloitte Ross Tohmatsu. It was clear from the outset that the role of VCS would be quite different from the participating hospitals in the Parkville precinct. However it was hoped, and this hope persists, that the final outcome of rationalisation of pathology services would result in VCS contracting to provide both gynaecological and non-gynaecological cytology to the precinct. The acquisition of a significant non-gynaecological workload would re-introduce the opportunity (lost by the move to a gender specific hospital) of some diversity of scientific activity so necessary in the maintenance of an intellectually stimulated scientific workforce.

## **9. Training and Education**

During this year there has been some evolution of previously existing programs as a result of continuous monitoring and evaluation of performance.

### **9.1 Cytopathologists**

*Internal Initiatives.* The internal program of continuing staff education centres around the three major performance indicators of the Quality Assurance Protocol.

1. Consistency of reporting of abnormalities.
2. Correlation of cytological prediction with subsequent histological diagnosis of cervical lesions.
3. Productivity in relation to reporting of smears and methods of improving relationships with *consumers*.

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 smear predictions and returned for review to scientists and cytopathologists. 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 second and third in-depth practical four week courses for pathologists wishing to report cytology were conducted in June/July 1992 and April/May 1993. Each course was over-subscribed, largely due to recommendation from previous participants. These courses, designed and coordinated by Dr Valerie Surtees and Dr William Murray are self funding and utilise the extensive teaching resources of VCS and external lecturers who contribute in areas of their individual expertise. Applications have already been accepted for the next course in June 1994.

## **9. Training and Education (contd)**

### **9.2 Scientists**

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

- i) Training of scientists, mainly graduates in Medical Laboratory Science, who wish to work in cytology. This year four persons were each employed on a six month contract, and one scientist from Greece was accepted for one year of training funded by her home laboratory. Two of these four persons were subsequently offered employment with VCS. The flexibility offered by this process, in contrast to the previous method of employing a group of trainees on a permanent basis, is valuable at a time of fluctuating workload and funding constraint.
- 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.

A new program of monitoring individual screener performance commenced during this year. This is done by computer monitoring on a continuous basis of routine reporting profiles coupled with twice yearly circulation of a test set of slides which is completed by all scientists and pathologists. Thus the two facets of cytological reporting (routine screening and diagnostic competence) are monitored.

- 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.

The annual 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 1993. The second will be held in October 1993. These are also self-funding.

## **9. Training and Education (contd)**

### **9.2 Scientists (contd)**

Scientific staff of VCS are encouraged to present for the examination of the Australian Society of Cytology, the CT(ASC) (Certificate of Technical Competence). In 1992 of the seventy-two candidates Australia-wide ten were VCS scientists. All of the VCS candidates passed and two achieved distinctions including the prize for the top candidate (for the third successive year).

## **10. Victorian Cervical Cytology Registry**

During 1992/93, the VCCR received the results of more than 500,000 smear tests which had been reported in 33 laboratories across Victoria. Record linkage of these results was undertaken and screening histories (as known) were made available to the laboratories to facilitate the accurate reporting of smears.

In October 1992 reminder letters began to be posted to women who had received a normal smear report three years earlier but had not represented for screening. Currently in excess of 2000 reminder letters are posted each week.

In 1992 the Registry undertook a study with participating laboratories to promote greater consistency in the reporting of smears. This culminated in the development of a Photomicrograph Album which uses photographs to illustrate the various coding options for smears. Distribution of the album will occur during the second half of 1993.

The Registry continues to receive a large number of visitors who are keen to observe the operation of the Registry. Such visitors are always welcome with the Registry staff welcoming the opportunity to share ideas with others.

More than 5000 copies of the 1992 Statistical Report of the Registry were distributed in April 1993, the largest group of recipients being medical practitioners who collected smears from Victorian women.

## **11. Victorian BreastScreen Registry**

The VBR commenced operation in January 1993. Current responsibilities of this Registry include making all screening appointments for Victorian women who wish to have mammography, maintaining a record linked file for each woman, provision of this screening history to the sites where the x-rays will be read and issuing reminder letters to women who are due for rescreening.

In the future, it is envisaged that the Registry will assume a major responsibility for collecting relevant information about the results of further investigations for those women with mammographic abnormalities who elect to be assessed outside of the BreastScreen program. In addition, the Registry will assist in providing data for the evaluation of the BreastScreen program.

## **12. Publications from VCS during 1992/93**

**Mitchell H**

The consistency of reporting of endocervical cells; an intra- and inter-laboratory assessment

*Acta Cytologica* accepted for publication

**Mitchell H, Medley G**

A study of the difference in metaplastic and endocervical columnar cells between true negative and false negative Papanicolaou smears

*Cytopathology* accepted for publication

**Mitchell H**

Pap smears collected by nurse practitioners - a comparison with smears collected by medical practitioners

*Oncol Nurs Forum* 1993;20:807-810

**Mitchell H, Medley G**

Cytological reporting of cervical abnormalities according to endocervical status

*Br J Cancer* 1993;67:585-588

**Mitchell H, Giles G, Medley G**

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

*Int J Gynecol Pathol* 1993;12:34-40

**Borg AJ, Medley G, Garland SM**

Prevalance of HPV in a Melbourne female STD population

Comparison of RNA & DNA probes in detecting HPV by dot blot hybridisation

*Int J STD AIDS* 1993;4:159-164

**Mitchell H, Medley G**

Influence of endocervical status on cytological prediction of cervical intraepithelial neoplasia

*Acta Cytol* 1992;36:875-880



### 13. Other Activities

During this year the Director, Dr Gabriele Medley has been the President of the Australian Society of Cytology. In this role she has been involved in the negotiation of issues relating to the practice of cytology in general and screening for cervical cytology in particular on a State and National level including discussion with Royal College of Pathologists of Australasia and the Australian Institute of Medical Laboratory Scientists on the matter of training, qualification and accreditation of cytologists. Late in 1992 she participated in discussion with members of the Executive of the British Society of Cytology on matters of common interest such as training, quality assurance and medico-legal challenges, and was a guest lecturer to the Masters Course in Cytology at St Mary's Hospital, London.

The Director also was an invited member of the Commonwealth Department of Health Committee on Quality Assurance in Screening for the Prevention of Cervical Cancer, which as a result of its deliberations has published a report *Making the Pap Smear Better* which will be widely distributed in Australia.

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 Deputy Director and Epidemiologist, Dr Heather Mitchell continues to play a major role at a State and Commonwealth level in matters of policy in relation to both Cervical Cancer Screening and the Mammography Program. She has been instrumental in enlisting the Australian Cancer Society to address the threat to the screening programs by medico-legal challenges and was a co-organiser of an important interdisciplinary meeting held in Sydney on this issue in June 1993.

Both the Director and Deputy Director were invited members of the National Health & Medical Research Council Working Party on the Management of Women with Abnormalities Detected in Cervical Cancer Screening. The report of this group including *Guidelines for Management* was recently passed through the Health Care Committee and Council of the National Health & Medical Research Council.

As has been much publicised by the media, although regular Pap smears have the potential to prevent at least nine out of ten cases of invasive cervical cancer, there will be a failure of detection of some significant lesions. In addition to stringent protocols of quality control it is evident that there are difficulties inherent in the test itself, relating to the quality of the specimen and resultant difficulty of detection and interpretation.

### **13. Other Activities (contd)**

VCS has received a grant of funds from the Commonwealth funded State Program for Prevention of Cervical Cancer to trial a new method of specimen handling, the CYTYC *ThinPrep* Sample Preparation Process. This has the potential to provide a sample which is much less variable in quality and thus easier to assess and able to be screened more rapidly. It represents a first stage in the move to develop an effective automated screening process. Such a process has the potential to reduce the false negative rate of at least the laboratory screening aspect of the program.

The trial is now underway and will be reported in a presentation by a scientist at the 1993 Annual Scientific Meeting of the Australian Society of Cytology.

## 14. Conclusion

VCS in its new facility has had a year of consolidation of its role as a significant provider of service in the important field of preventive health care for the women of Victoria. Founded originally by a Liberal Government, it has always been committed to the concept of a *free* service to women. The continuing development of the Service is of course dependent of a realistic funding base. 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 has developed, and will maintain, a tight management style which enables it to operate on a businesslike footing. The continuing efforts to maintain best international standards of scientific achievement must be accompanied by initiatives to develop markets that will maximise performance and cost effectiveness in the prevailing climate of competitiveness from private commercial enterprises.

# **APPENDIX A**

## **Audited Financial Statements of Victorian Cytology Service Incorporated**

# VICTORIAN CYTOLOGY SERVICE INCORPORATED

## CERTIFICATION

In our opinion the 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 financial statements present fairly the financial transactions for the year ended 30 June 1993 and the financial position as at that date of the Victorian Cytology Service Incorporated.

At the date of signing the 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

..... Acting Chief Executive Officer

..... Principal Accounting Officer

Dated 24TH day of SEPTEMBER 1993

**VICTORIAN CYTOLOGY SERVICE INCORPORATED**

**REVENUE AND EXPENSE STATEMENT FOR THE YEAR ENDED 30 JUNE 1993**

	<b>NOTES</b>	<b>TOTAL 1992/93</b>	<b>TOTAL 1991/92</b>
		\$	\$
<b>Operating Revenue Providing Fund Inflows</b>			
<b>Health Service Agreement/Budget Sector</b>			
Government Grants	2	4,075,846	3,708,711
Indirect Contributions by Health Dept Victoria	3	31,976	29,367
Bank Interest	4	22,434	24,155
Sale of Equipment		30,156	11,043
Car Parking		-	50
<b>TOTAL OPERATING REVENUE PROVIDING FUNDS</b>		<b>4,160,412</b>	<b>3,773,326</b>
<b>Operating Expenses Requiring Fund Outflows</b>			
<b>Health Service Agreement/Budget Sector</b>			
Diagnostic and Medical Support Services		2,626,972	2,638,008
Administration and Quality Assurance		777,234	783,210
Engineering and Maintenance		41,856	67,380
Domestic and Catering Services		7,477	10,742
Corporate Costs Funded by Health Dept Victoria		31,976	29,367
Workcare and Superannuation		222,270	141,512
Teaching and Research		5,567	9,826
Voluntary Departure		133,409	-
<b>TOTAL OPERATING EXPENSES REQUIRING FUNDS</b>		<b>3,846,761</b>	<b>3,680,045</b>
<b>Operating Surplus (Deficit) Providing Fund Inflows</b>		<b>313,651</b>	<b>93,281</b>
<b>Operating Expenses Not Requiring Fund Outflows</b>			
Depreciation		159,814	140,137
Employee Entitlements		<u>26,063</u>	<u>246,712</u>
		<u>185,877</u>	<u>386,849</u>
<b>Operating (Deficit) Surplus for the Year</b>		<b>127,774</b>	<b>(293,568)</b>
Transfer to Contributed Capital	14	66,832	-
		<u>60,942</u>	<u>(293,568)</u>

The accompanying notes form part of these financial statements.

**VICTORIAN CYTOLOGY SERVICE INCORPORATED**  
**BALANCE SHEET FOR THE YEAR ENDED 30 JUNE 1993**

	NOTES	TOTAL 1992/93 \$	TOTAL 1991/92 \$
<b>Equity</b>			
<b>Capital</b>			
Contributed Capital		1,232,895	591,939
Funds held for Restricted Purposes	10	197,016	133,468
<b>Reserves</b>			
Retained Surplus/(Accumulated Deficit)		(129,977)	(190,919)
<b>Total Equity</b>		<b><u>1,299,934</u></b>	<b><u>534,488</u></b>
<b>Current Liabilities</b>			
Bank Overdraft		209,456	121,092
Creditors		12,738	13,548
Accrued Expenses		79,271	66,900
Provision for Employee Entitlements	5	365,113	427,956
<b>Total Current Liabilities</b>		<b><u>666,578</u></b>	<b><u>629,496</u></b>
<b>Non Current Liabilities</b>			
Provision for Employee Entitlements	5	236,381	147,475
<b>Total Liabilities</b>		<b><u>902,959</u></b>	<b><u>776,971</u></b>
<b>Total Equity and Liabilities</b>		<b><u>2,202,893</u></b>	<b><u>1,311,459</u></b>
<b>Current Assets</b>			
Cash at Bank and on Hand		12,175	20,239
Stores	6	77,620	75,839
Debtors and Accrued Revenue	7	339,809	51,937
Short-term Investments	8	1,178,824	570,066
<b>Total Current Assets</b>		<b><u>1,608,428</u></b>	<b><u>718,081</u></b>
<b>Non Current Assets</b>			
Plant and Equipment	9	391,676	437,054
Motor Vehicles	9	202,789	156,324
<b>Total Non Current Assets</b>		<b><u>594,465</u></b>	<b><u>593,378</u></b>
<b>Total Assets</b>		<b><u>2,202,893</u></b>	<b><u>1,311,459</u></b>

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 1993**

	Notes	Contributed Capital	Funds Held for Restricted Purposes	Retained Surplus/ Accumulated Deficit	Total 1992/93	Total 1991/92
		\$	\$	\$	\$	\$
Balance at beginning of year		591,939	133,468	(190,919)	534,488	567,062
Surplus/(Deficit) for year				127,774	127,774	(293,568)
Capital Contribution	2	574,124			574,124	191,610
Transfer Between Reserves	14	66,832		(66,832)		
Funds transferred for restricted purposes			63,548		63,548	69,384
<b>Balance at end of year</b>		<b><u>1,232,895</u></b>	<b><u>197,016</u></b>	<b><u>(129,977)</u></b>	<b><u>1,299,934</u></b>	<b><u>534,488</u></b>



**VICTORIAN CYTOLOGY SERVICE INCORPORATED**

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 1993**

	<b>NOTES</b>	<b>1993</b> \$	<b>1992</b> \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Government Grants		3,794,435	3,736,671
Interest		22,434	24,155
<b>Payments</b>			
Salaries & Wages		(2,614,601)	(2,631,098)
Other		(1,196,865)	(1,019,983)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	13	5,403	109,745
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Payments for purchase of plant & equipment		(254,145)	(253,053)
Proceeds from disposal of plant & equipment		123,400	71,661
Increase in Funds held for Restricted Purposes		63,548	69,384
<b>CASH FLOW FROM GOVERNMENT</b>			
Capital		574,124	191,610
<b>NET INCREASE IN CASH HELD</b>		512,330	189,347
<b>CASH AT 1 JULY 1992</b>		469,213	279,866
<b>CASH AT 30 JUNE 1993</b>	12	981,543	469,213

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 1993

## 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 1992/93 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. 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 Service's accrued liability for annual leave at 30 June 1993. 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 1993. The whole amount is included under current liabilities.

**Sabbatical Leave**

Included in Funds Held for Restricted Purposes is an allowance for sabbatical leave of \$93,589. 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).

**i. Incorporation**

The entity was incorporated on 3 September 1991 under the Associations Incorporation Act 1981.

**NOTE 2: GOVERNMENT GRANTS**

	1992/93	1991/92
	\$	\$
HDV Ordinary Grants	4,075,846	3,604,902
HDV Other Grants Minor Works	-	103,809
<b>Total Operating Grants</b>	<b><u>4,075,846</u></b>	<b><u>3,708,711</u></b>
<b>Capital Grants</b>	<b><u>574,124</u></b>	<b><u>191,610</u></b>

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.

	1992/93	1991/92
	\$	\$
Insurance Costs	26,646	24,030
Industrial Relations Service	-	939
Hospital Computing Service Charges	<u>5,330</u>	<u>4,398</u>
<b>Total</b>	<b><u>31,976</u></b>	<b><u>29,367</u></b>

**NOTE 4: OTHER REVENUE**

	1992/93	1991/92
	\$	\$
Interest Received Bank Interest	<u>22,434</u>	<u>24,155</u>

# NOTE 5: PROVISION FOR EMPLOYEE ENTITLEMENTS

	Current	Non Current	Total 1992/93	Total 1991/92
	\$	\$	\$	\$
Long Service Leave	104,992	236,381	341,373	292,659
Annual Leave	247,220	-	247,220	266,636
Accrued Days Off	12,901	-	12,901	16,136
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b><u>365,113</u></b>	<b><u>236,381</u></b>	<b><u>601,494</u></b>	<b><u>575,431</u></b>

# NOTE 6: STORES

	1992/93	1991/92
	\$	\$
Housekeeping Supplies	235	151
Medical & Surgical Lines	41,838	25,154
Administration Stores	35,547	50,534
	<hr/>	<hr/>
<b>Total</b>	<b><u>77,620</u></b>	<b><u>75,839</u></b>

# NOTE 7: DEBTORS AND ACCRUED REVENUE

	Over 1 Year	Less than 1 Year	Total 1992/93	Total 1991/92
		\$	\$	
Additional smears	51,911	278,237	330,148	51,911
Superannuation Deductions	-	-	-	26
Outstanding HDV Grant	-	5,100	5,100	-
Stationery Kits	-	4,561	4,561	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Debtors and Accrued Revenue</b>	<b><u>51,911</u></b>	<b><u>287,898</u></b>	<b><u>339,809</u></b>	<b><u>51,937</u></b>

# NOTE 8: INVESTMENTS

Types of Investment	Operating Fund	Specific Purpose Funds	Total 1992/93	Total 1991/92
	\$	\$	\$	\$
<b>Current</b>				
Commonwealth Bank				
Cash Management				
Call Account	<u>986,317</u>	<u>192,507</u>	<u>1,178,824</u>	<u>570,066</u>

**NOTE 9: NON-CURRENT ASSETS**

	At Cost 30 June 1993 \$	Depreciation for 1992/93 \$	Accumulated Depreciation at 30 June 1993 \$	Net Assets at 30 June 1993 \$	Net Assets at 30 June 1992 \$
Plant & Equipment	893,372	112,209	501,696	391,676	437,054
Motor Vehicles	225,998	47,605	23,209	202,789	156,324
	<u>1,119,370</u>	<u>159,814</u>	<u>524,905</u>	<u>594,465</u>	<u>593,378</u>

**NOTE 10: FUNDS HELD FOR RESTRICTED PURPOSES**

	1992/93 \$	1991/92 \$
Education	103,427	74,125
Sabbatical Leave	93,589	59,343
	<u>197,016</u>	<u>133,468</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: \$460,000
- iii) Contribution made by the Service during 1992/93: \$211,613
- iv) Contributions outstanding as at 30/06/93: Nil
- v) Contributions are paid in accordance with the **Hospital Superannuation Act 1988** and the **State Superannuation Act 1988**.
- vi)

BASIC BENEFIT SCHEME	
Payrolls equal to \$1 million or less	
01/07/92 - 31/12/92	3.0%
01/01/93 - 30/06/93	3.0%
Payrolls greater than \$1 million	
01/07/92 - 31/12/92	4.0%
01/01/93 - 30/06/93	5.0%

CONTRIBUTORY SCHEME	
Employee	Employer
3.0%	9.9%
6.0%	14.7%

**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:

	1993 \$	1992 \$
<b>Operating Fund</b>		
Cash at bank and on hand	7,666	19,786
Bank Overdraft	(209,456)	(121,092)
Cash Management Account	986,317	437,051
<b>Special Purposes Fund</b>		
Cash at bank	4,509	453
Cash Management Account	192,507	133,015
	<u>981,543</u>	<u>469,213</u>

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

<b>Operating Result - Surplus (Deficit)</b>	127,774	(293,568)
Depreciation	159,814	140,137
Profit on sale of fixed assets	(30,156)	(11,043)
<b>Change in assets and liabilities:</b>		
Increase in creditors	-	9,720
Decrease in creditors	(810)	-
Decrease in accruals	-	(2,395)
Increase in accruals	12,371	-
Increase in employee entitlements	26,063	246,712
Increase in stores	(1,781)	(7,778)
Decrease in debtors	-	27,960
Increase in debtors	(287,872)	-
<b>Net cash provided by operating activities</b>	<u>5,403</u>	<u>109,745</u>

**NOTE 14:**

**Fixed assets financed out of operating transferred into contributed capital**

1993  
\$  
66,832

*Price Waterhouse*



**AUDITORS' REPORT TO THE COMMITTEE OF**

**MANAGEMENT OF THE VICTORIAN CYTOLOGY SERVICE INCORPORATED**

We report that we have examined the financial statements of the Victorian Cytology Service Incorporated for the year ended 30 June 1993. The members of Victorian Cytology Service Incorporated Board of Management are responsible for the preparation and presentation of the financial statements and the information they contain. An independent audit of the financial statements has been carried out in order to express an opinion on them as required by the Annual Reporting Act 1983.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Australian accounting concepts and standards and the requirements of the Annual Reporting Act 1983 so as to present a view which is consistent with our understanding of the Service's state of affairs, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

In our opinion the financial statements 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 1993 and of the results of its operations for the year ended at that date.

Price Waterhouse  
Chartered Accountants

Ken Warburton  
Partner

Dandenong  
24 September 1993



Victorian Cytology Service Incorporated  
PO BOX 178  
CARLTON SOUTH VIC 3053  
TEL: (03) 349 2011 FAX: (03) 349 1949