



Victorian Cytology Service

Annual Report 1999

for the year ended 30 June

Table of Contents

	Page
Historical Background of VCS.....	2
1998 - 99 Activity	5
Board of Management.....	8
Senior Officers of VCS	9
Diagnostic Activities	10
Financial Activities	11
Space & Equipment.....	12
Staff	13
Training and Education.....	14
Victorian BreastScreen Registry.....	17
Publications for VCS during 1998/99.....	20
Other Activities	21
Conclusion.....	23
Year 2000 Compliance.....	24

Appendix A

Financial Statements of Victorian Cytology Service Incorporated

Appendix B

Auditor's Report

Historical Background of VCS

The Victorian Cytology Service (VCS) was founded as a joint preventative health initiative between the Government of Victoria and the Anti Cancer Council of Victoria. Activities commenced early in 1965 following an "Order to establish a Benevolent Society" under the Hospital and Charities Act 1958 (gazetted 9 December 1964) when 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 and the varied workload of the cytology service was thus created to the mutual advantage of all.

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 of up to three weeks in reporting smears.

Since 1989, when VCS was once again resourced appropriately, VCS has retained approximately 45% of all smears in Victoria. This has been achieved by a program of continuing productivity and workflow improvement. There has been progressive improvement in turnaround time such that throughout most of the year 99% of all smears received were reported by the end of their second day in the Service. VCS is continuously striving to maintain its market share in a climate of increasingly aggressive competition from a private sector which is now almost completely controlled by large commercial interests. This can only be achieved by maintaining a focus on the high quality of our scientific products.



Historical Background of VCS (contd)

In June 1989 under an amendment to the Cancer Act 1958, called the Cancer (Central Registers) Act 1989, legislation was passed in Victoria *to allow formation of a Cervical Register maintained by the Victorian Cytology (Gynaecological) Service*. Core activity of the Register, subsequently known as the Victorian Cervical Cytology Registry (VCCR) was to register tests for cervical cancer for Victorian women permitting an organised infrastructure to the screening program in Victoria. This was the first such Register in Australia. Over the past ten years other States have established similar facilities. A separate report details the function and activities of VCCR, which has continued to be maintained by VCS.

Since late 1992 VCS has contracted to implement the Registry for BreastScreen Victoria. Appointments for women, invitations to women, reminders for repeat screening and statistical reporting are among the functions of the Registry. Although this activity has resulted in a restriction of space available to the core activities of VCS, the opportunity to utilise available skills and experience in this important initiative has justified the resulting sacrifices.

In the first week of December 1991 following the closure of Prince Henry's Hospital, VCS moved to its purpose-built 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), The Key Centre for Women's Health and the Melbourne Sexual Health Centre.

During the past five years VCS pathologists have been contracted to the Pathology Departments of the Mercy Hospital for Women and The Royal Women's Hospital (RWH) to report surgical pathology on a sessional basis. This has served to provide some diversity of work for VCS pathologists whilst maintaining and expanding their skills in the highly specialised field of gynaecological pathology.

This initiative and continuing initiatives to build scientific bridges between public hospital pathology departments aim to develop a broader framework of duties for VCS cytopathologists in order to make these positions more attractive to well trained specialists for whom the rather limited task specification previously in place was not significantly challenging. It is hoped that similar programs of staff exchange may become possible for other members of the scientific staff.

The decision to redevelop the RWH on its current site, and therefore the implication of secure tenure for VCS, is a welcome one, which has put an end to the destabilising effect of the uncertainty of recent years surrounding the future of the Hospital. It is to be hoped that the recent decision of the Women's and Children's Network to form a joint venture with a private pathology provider will allow the teaching, training and research initiatives shared between our two institutions to continue and further develop.



Historical Background of VCS (contd)

Since its inception, VCS has been the only formal 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 and to take part in these formal courses.

VCS continues to attract visitors from abroad who are concerned with developing screening programs for cervical pre-cancer and cancer in their own countries. Staff of VCS have a high profile in the professional framework of cytology in Australia and overseas, as evidenced by publications in the Australian and international medical literature, and invited participation at scientific meetings.



1998-99 Activity

During the 1998-99 year VCS reported 291,383 gynaecological smears. This is the highest number recorded in a single year since the inception of the Service in 1965 and almost certainly reflects both the television and print media initiatives of the recruitment arm of the National Cervical Screening Program and the letters sent to apparently unscreened women by the Communications and Recruitment Strategy of Papscreen Victoria. Superimposed on the development of the new Cytology Information System and the associated implementation of major workplace changes intended to optimise utilisation of this new facility, this 5% increase in workload has been an extremely challenging and demanding task for the entire staff. Senior managers, under the project leadership of Dr Heather Mitchell, have been deeply involved in the very demanding acceptance testing process for the new system. The anticipated delivery of the system towards the end of 1998 has been delayed and there is now the expectation that there will be delivery of the core functions during the weekend of 14 – 15 August 1999. Fortunately the existing system, now some fifteen years old, has continued to function well. However as the year 2000 approaches transfer to the new product is mandatory. Complex testing has indicated that the transfer of some thirteen million smear records representing approaching two million women from the old to the new system will be achieved within the high accuracy standards that are required.

The total project funding by Government is of the order of \$1.5 million and appears to be on budget. The development and planning of the process has proved to be a major intellectual and psychological challenge to the human resources of the organisation, but as the cutover becomes imminent has been embraced by all levels of staff with optimism and willingness.

During the second half of the financial year there has been an initiative to improve consumer relations with the appointment of a Client Liaison Officer to work with the Liaison Physician to service the needs of the several thousand VCS referring practitioners. The senior cytopathologists continue to provide advice to practitioners who wish to discuss issues surrounding reporting and the pathology of cervical disease. Together these teams provide an experienced and comprehensive support facility that communicates the dedication of VCS to the highest achievable quality of service to Victorian women and their healthcare practitioners. Updates to practitioners about the changing roles of new technologies, and other items relating to cervical screening and its risk minimisation form the major component of the regular Newsletters for practitioners that have been a feature of the Service for some years.

This aspect of our activities becomes increasingly important as the prevailing medico-legal climate continues to be a threat to VCS, to the cervical cancer screening program, and indeed to screening programs in general. Increasingly primary healthcare practitioners have become vulnerable to complaints surrounding the screening process, in particular failure to offer screening, and allegedly inappropriate responses to the reports they receive. The importance of developing a realistic expectation of the test in the community as a whole is paramount. The Pap smear is a good screening test that has the possibility of preventing about 90% of cervical squamous cell cancer in women who are regularly screened. However, by the very nature of the test in its current form, there will be some women who develop invasive cervical cancer despite having regular Pap smears, and despite the reporting of those smears by laboratories that are performing at a standard of world's best practice.



A significant proportion of these women will have adenocarcinoma, a cancer of glandular epithelium of the endocervical canal. The Pap smear is unable to offer the same preventive potential for this disease because the precursor lesions are more difficult to sample and recognition of their cellular representation is not established to the same level of accuracy as squamous lesions. As a result an increasing proportion of cervical cancers are of this type.

A very few women will have the entity of rapid onset cancer, which can develop and grow in a much more rapid time frame than the more usual tumour types and may therefore not be preventable within the normal screening parameters.

Some women will have a smear containing abnormal cells which are either not detected or are misinterpreted by the reporting laboratory. However if women are regularly screened every two years the subsequent testing will usually prevent a serious outcome.

Some women will fail to receive their report or experience failure of subsequent management. VCS has a commitment to strive for continuous quality improvement and at the same time is putting in place educational initiatives for health care practitioners and women to make it clear that the Pap smear is a test which identifies among a population of apparently well women those who probably have significant disease and those who probably do not. The important message being that the test cannot give a guarantee.

As indicated previously, VCS pathologists have been contracted to the Mercy Hospital for Women and RWH for a number of regular histopathology sessions. This has succeeded in making VCS a more desirable workplace, allowing pathologists to retain and expand their skills, and improve their ability to offer a comprehensive cervical pathology service

It is necessary now to anticipate the retirement of the Director, Dr Gabriele Medley within the next year, and ensure that there is in place a logical successor to this position. The maintenance of credibility of a scientific facility such as VCS dictates that this should preferably be an experienced pathologist with well-developed leadership skills.

VCS continues to report all public cervical cytology for RWH, Western Hospital, Box Hill Hospital, Goulburn Valley Hospital and the Royal Melbourne Hospital. Although there has been negotiation with some centres to assume, as has been done with Wimmera Pathology, both gynaecological and non-gynaecological cytology, unfortunately the latter, which would provide a much needed diversification of workload for the screening workforce of VCS, is almost invariably retained by hospitals.

The excellent relationship between VCS, the Public Health Branch of the Department of Human Services and the Anti-Cancer Council continues to provide the opportunity for skill and knowledge sharing with broad and constructive discussion surrounding the delivery of the Cervical Screening Program. The ability to collect and review recent outcome data such as the significant reduction in the incidence and mortality from squamous cell cancer that has characterised the latter years of the Victorian Program, has allowed a refocussing of priorities that must be continuously reviewed as such a public health initiative matures. The optimal use of financial resources is mandatory if the program is to retain its place in the broad picture of disease prevention across the community.

Once again several groups of community health workers, including representatives of disabled health initiatives, and ethnic and aboriginal liaison groups, visited VCS for a tour of the facility, and a multihead microscope tutorial to demonstrate the nature of the Pap smear. Such occasions, and the speaking engagements of senior VCS staff in lay, medical, nursing and medico-legal fora provide the opportunity to broaden the experience and understanding of the principles and implementation of the cervical and breast screening programs in particular and more global health issues in general, that must underpin the role of VCS as a significant community resource

Board of Management

During this year there has been one resignation from the Board of Management and three new appointments.

In September 1998 the Minister for Health approved the appointment of Professor Gordon Clunie to replace Professor Robert Burton, Director of the Anti-Cancer Council of Victoria who resigned from the Board in June 1998.

Dr Michael Sedgley resigned from the Board of Management in November 1998, he had been the nominee of the Australian Medical Association (AMA) since early 1993, a duty which he fulfilled with care and commitment. VCS is extremely grateful for the time and energy that Dr Sedgley was able to commit to the Board.

Early in 1999 the Minister for Health approved the appointments of Dr Susan Hughes and Ms Elizabeth Kennedy. Dr Hughes is an Obstetrician & Gynaecologist and the new representative of the AMA. Ms Elizabeth Kennedy is Corporate Counsel to the Southern Healthcare Network and brings considerable legal skills to the Board.

The management and staff continue to be grateful for the generosity of Board Members in making themselves available both for meetings and for consultation when there is a specific need of individual expertise. It has been very much appreciated during the very difficult period of the development of the new Cytology Information System to have the support and professional advice of Board Members who have given of their time and skills unstintingly when called upon.

At a time when public sector facilities such as VCS are implementing their commitment to high quality competitive service that is necessary for survival, the opportunity to have access to such a body of experience is invaluable

Board Members

Professor Michael Quinn (Chairman)
Dr Elisabeth Banks
Mrs Kerry Bradley (Honorary Treasurer)
Ms Janice Carpenter
Professor Gordon Clunie
Ms Rosie Cummings
Dr Sonia Grover

Dr Susan Hughes
Ms Elizabeth Kennedy
Mrs Mary Murdoch (Vice Chairman)
Ms Kate O'Brien
Ms Dorothy Reading
Dr Julia Shelley

Membership of the Board of Management of VCS is an honorary appointment.

The Rules of Incorporation of VCS do not require Members of the Board of Management to lodge declarations of pecuniary interest.



Senior Officers of Victorian Cytology Service Incorporated

Director and Public Officer

Gabriele Medley
MB, BS, FRCPA, FIAC

Deputy Director, Epidemiologist, Medical Director of VCCR and VBR

Heather Mitchell,
MB, BS, MD, MSc, FRACP, FAFPHM

Business Manager

Brian Salter

Pathologists

Valerie Maru Surtees
BSc, MB, ChB, PhD, FRCPA
Marion Gurley MB, ChB, Am Bd Path
(Anat & Cytopath), FIAC (from Feb 99)
Jan Margaret Pyman MB, BS, FRCPA
Prudence Elizabeth Allan MB, BS, FRCPA
Frances Petry MB, BS, BMedSc, FRCPA
Henry Yeung MB, BS, FRCPA

Trainee Cytopathologist

Afaf Haddad MD, MB, BS, FRCPA
(from February 99)
John Dooley MB, BS, FRCPA (until Jan 99)

Liaison Physician

Stella Heley MB, BS, Dip Ven, FACVen

Chief Scientist

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

Information Technology Manager

Matthew Cunningham BBus(InfoSys)

Coordinator of VCCR and VBR

Vicky Higgins MRA

Teaching Coordinator

Debbie Reich
BAppSc, CT(ASC), CT(IAC) Grad Dip Ed

Office Services Coordinator

Susie Cox BAppSc

Accountant

Chris Platford BBus(Acc)

Personnel Officer

Yvonne Sheppard

Cytopathologists remain scarce both in Australia and overseas. VCS has been fortunate once again to receive funds from the Victorian Cervical Cancer Screening Program to employ another trainee Cytopathologist, Dr Afaf Haddad, who commenced duties in February 1999. Dr Marion Gurley joined the senior medical staff of VCS in February 1999. Dr Gurley formerly worked at Dr Colin Laverty & Associates, a private laboratory specialising in gynaecological cytology and histopathology, located in Eastwood, New South Wales.

The position of Liaison Physician with VCS, held since its inception by Dr Stella Heley, has once again been funded by the Victorian Cervical Cancer Screening Program. Dr Heley has the responsibility of visiting practitioners to discuss issues surrounding their utilisation of the program, to assist in further development of sampling skills, and to familiarise them with VCS reporting, follow-up, and other new initiatives as they occur. There continues to be considerable interest and uncertainty amongst referring practitioners surrounding the issue of the new technologies for Pap smear reporting. Dr Heley joins with the Director and senior medical staff in being available for consultation on these and other matters of concern. As noted previously in this report this is a most important function in the task of maintaining a responsive, user-friendly Pap smear reporting service in a highly competitive market.



Diagnostic Activities

The number of Papanicolaou tests received during the year was 291,383. As stated elsewhere this is a record for the Service. The monthly totals were:

1998		1999	
July	28780	January	19187
August	24591	February	25376
September	24978	March	25741
October	25763	April	21354
November	24004	May	23531
December	20996	June	27082

473 non-gynaecological cytology specimens were processed. These included urine samples, bronchial brushings and washings, and fine needle aspirates of lesions for diagnosis, in particular breast aspirates for early detection of abnormalities. It is important to continue to attract samples representative of this other aspect of cytological detection. The lack of such experience has been one of the main reasons that experienced cytologists move to private laboratories, which report a much higher percentage of such samples.

893 histology specimens were processed. The majority of these specimens were cervical biopsies from a small number of colposcopists working in Metropolitan Melbourne. This represents a doubling of the tests since the previous year. The expansion of this service is pleasing as it is evidence of an increasing reputation for VCS as a highly specialised gynaecological pathology service provider.

In this financial year there have been 4043 PAPNET and 11241 ThinPrep tests requested. During 1997-98 there were 5737 PAPNET and 9158 ThinPrep tests. VCS offers these tests but there has not been active promotion, and it is of interest that although they attract a non-rebatable charge, women and their practitioners have elected to take up ThinPrep in increasing number.

Both these tests have continued to be offered as adjunct tests to the conventional Pap smear in Australia. However in the United States and in parts of Europe there is an increasing tendency to utilise both liquid based sampling and automated screening technologies to replace the conventional preparation and screening pathway. In keeping with its role as a leader in developing research to provide high level evidence on which to base appropriate change in practice, VCS is currently planning a significant research initiative which should make a major contribution to planning for such change in Australia.

NSI, the provider of PAPNET has ceased operation and another company involved in developing cervical screening technology has purchased the intellectual property of the organisation. Although PAPNET rescreening continues to be offered it is likely that over the next few years there will be merging of the technology of several previously separate manufacturers to develop a composite product.



Financial Activities

These are considered in the attached papers.

In this financial year the target for base funding was set at 280,000 smears. This estimate was based on the previous year's total of 277,234. The unexpected increase of 5% in test numbers will attract appropriate funding. As indicated previously in this report the increase is attributed to recruitment initiatives that are unlikely to be repeated. It is not anticipated that the upward trend will continue.

The VCS budget for the financial year was approved on 27 November 1998. Funding was maintained at the same level as 1997/98 despite a rise of 5,000 smears in our base target. Allowing for the additional monies that should flow on in the next financial year for extra smears reported, ie. 11,383 smears @ \$14.39 in excess of our target, VCS has completed this very difficult year with a surplus of \$44,106 on an accrual basis.

The provision of funds from the Victorian Cervical Cancer Screening Program has once again enabled important training and quality improvement initiatives to be implemented that would be unachievable within the base funding. This has enabled the organisation to continue its important role in the Victorian program to improve women's health.



Space and Equipment

During the year there has been a serious stress on the availability of space within the organisation. The presence on-site of the team from the company, which is developing the new Cytology Information System, has necessitated extensive rearrangement of staff within the existing finite resources. This has been further exacerbated by the requirement to set aside space for training of staff in preparation for cutover to the new system.

As will be detailed later in this report a number of initiatives have been cancelled or relocated outside VCS due to these constraints. It is anticipated that it should be possible to reclaim all space by the commencement of 2000.

Equipment purchases have been limited during this year to those items, which needed to be replaced in order to achieve Year 2000 Compliance. Chief amongst these of course has been the processors and peripherals of the new Cytology Information System.

In addition, the Service has upgraded two of the existing Toshiba photocopiers and the Voice Mail System, purchased three BX Olympus Microscopes and a Kyocera 7000 Laser Printer.



Staff

The staff is the most important resource of the Service and this year has again seen significant changes in workplace strategy and structure. In the clerical area, in addition to the Office Services Coordinator, there are now three senior staff who are graduates of tertiary courses including medical record management, reflecting the need for more sophisticated information services and quality management of issues associated with the large VCS database.

Recently the scientific staff including the scientists and the pathologists have been introduced to the much changed work practices that will be implemented after cutover to the new Cytology Information System.

The most significant of these changes will be the transfer of the task of report data entry from the clerical area to the scientific area. Reporting scientists and pathologists will be required to enter data on completion of each diagnostic episode. The impact of such a change, in particular the delivery of anticipated gains in accuracy and efficiency, will require careful evaluation once the new system has achieved stability. Clearly the first months will be difficult and there will need to be considerable *fine-tuning* following the familiarisation period.

The staff of all sections of the service must be congratulated on their commitment of time and effort during this difficult and challenging period.

The restructure of the anatomical pathology department of the Royal Women's Hospital, involving the transfer of the service commitment to Melbourne Pathology has led to an increased sessional commitment for VCS pathologists to report surgical biopsies for the hospital. This has resulted in increasing participation by these pathologists in clinico-pathological conferences and improved communication between gynaecologists and VCS pathologists. Since VCS continues to report all Pap smears from the hospital this should yield a significant benefit to the care of patients shared by the two institutions. There is also clearly the opportunity of enhancing skills to the benefit of the histopathology initiative of VCS.

The appointment of Ms Lisa Garay as Client Services Officer has been mentioned previously in this report. Her role in maintenance of a responsive relationship with existing referring practitioners and recruiting new practices to VCS is extremely important. The intensive marketing activities of private pathology providers who are able to offer incentives which are unavailable to VCS highlight the need to put strongly before our practitioner base the high quality of service and the specialised skills attached to our product, which are the only incentives that VCS can offer.

VCS has been fortunate to recruit Dr Marion Gurley who has trained as a specialist Cytopathologist in North America and has subsequently worked in New Zealand and most recently in a highly specialised gynaecological pathology service in New South Wales. Dr Gurley is completing a postgraduate qualification in clinical epidemiology, which will be of considerable value in the development of research initiatives and ongoing process of quality improvement within VCS.

Training and Education

Cytopathologists - Internal Initiatives

The internal program of continuing staff education centres around four main areas:

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.
4. Maintaining and improving relationships with consumers including telephone and face to face presentation.

Regular meetings and review of cases at the multi-head microscope are an ongoing element of the quality assurance process. Follow-up of smears received is correlated with cytology predictions and returned for review to scientists and cytopathologists. Elements of inconsistency not avoidable in the pursuit of a subjective discipline such as cytology are discussed and addressed by quality assurance test sets followed by multihead microscope consensus discussions. Biopsy material kindly lent by other pathology laboratories enables staff to review the biopsy and smears together. Pathologists are encouraged to meet with peers from other laboratories to exchange information. Attendance and participation in meetings of learned societies is encouraged.

Regular sessions with the pathologists and members of the Oncology Unit staff from RWH are held at the multihead microscope. Clinico-pathological correlation of cytology with biopsy specimens forms the basis of clinical decision-making to optimise future management of women who may pose problems.

External Initiatives

The annual in-depth practical two week courses for pathologists wishing to report cytology unfortunately had to be cancelled both in 1998 and 1999 because of the constraints on space and staff time associated with the development of the new Cytology Information System. The course as usual was over-subscribed, largely due to recommendation from previous participants and most applicants have re-enrolled for the next one in the year 2000. This initiative, designed and coordinated by Associate Professor Valerie Surtees, is self funding and utilises the extensive teaching resources of VCS and external lecturers who contribute in areas of their individual expertise.

VCS pathologists take part in the Quality Assurance Protocols of the Royal College of Pathologists of Australasia and the American Society of Clinical Pathologists in both histopathology and cytopathology. Performance is regularly well above average.



The senior medical staff of VCS now also take part in the undergraduate teaching of Pathology in the Medical Course of the University of Melbourne and the Public Health teaching of Monash University. There is continuing participation in educational activities of the RCGPA, Family Planning Victoria, the College of Venereologists, the continuing education programs of the Anti-Cancer Council of Victoria and other bodies involved in continuing education of medical and nursing practitioners. There is also a commitment to initiatives to inform women in the Victorian community of the value and limitations of screening programs.

The Director, Dr Gabriele Medley, has over the past three to four years played an active role in the Royal College of Pathologists of Australasia development and implementation of a post graduate diploma in cytopathology. This initiative will permit identification of a new generation of pathologists who have been specifically trained and have demonstrated competency in the discipline of cytopathology, a further step in the purposeful upgrading of the quality of service in this important element of a successful cervical cancer prevention program.

Medical students attached to the Royal Women's Hospital are all offered the opportunity to view the working operations of VCS. The Director provides, on a weekly basis, a guided tour that follows the path of a Pap smear through the laboratory. The session concludes with a short tutorial at the multihead microscope and the opportunity for questions and discussion. This is an important part of the training of medical students, laying the basis for future good practice in relation to cervical screening.

Scientists - Internal Initiatives

The internal program continues to have three elements, viz:

The training of scientists as screeners of cervical smears continues to be funded by the Health Development Infrastructure Unit of the Department of Human Services. As stated previously in this report, there are five trainees who have been recruited, most of who are new to the discipline and have been trained on a six-month contract. Previously employed cytotechnologists and those returning after maternity leave undergo retraining prior to independently reporting smears.

The in-service continuing staff education 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. The *Pathfinder*® technology described earlier in the 1997-98 Annual Report, has been a most interesting tool both for self monitoring and assessment of scientists who have been screening for some years, and in the early training of new recruits

The comprehensive internal quality control protocols that have been established within VCS continue to operate. Participation by the scientists in the Cytopathology Quality Assurance Protocols of the Royal Australian College of Pathologists, has again yielded excellent results.

External Initiatives

Once again four VCS scientists have been preparing for the examination for the CT(ASC) - the certificate of competence issued to successful candidates by the Australian Society of Cytology. It has been VCS policy to encourage all scientists to present for this examination as soon as they have fulfilled the specified criteria of experience, and VCS staff have in past years performed extremely well in these examinations.

Scientists are encouraged to attend and participate in meetings of learned societies such as the regular local workshops of the Victorian Branch of the Australian Society of Cytology. Reference material is available and facilities provided for photography and preparation of presentations. Financial support for registration expenses for participants in interstate 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. However due to the space constraints alluded to above the classes this year have had to be held on campus.

Associate Professor Valerie Surtees is member of the Advisory Committee for this course. It is considered that this is 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 course in gynaecological cytopathology for scientists, similar to the course for cytopathologists was unfortunately cancelled in 1999 but will be re-instituted in 2000. This initiative is self-funding and provides an opportunity for exchange of information with staff from other centres as well as a challenge to teaching skills.

Dr Medley and several scientists from VCS and other Melbourne laboratories have been responsible for the Scientific and Social Program of the Annual Scientific Meeting of the Australian Society of Cytology to be held in association with the Annual Scientific Meeting of the Royal College of Pathologists of Australasia in Melbourne during October 1999. As is usual VCS will support the attendance of a number of scientists and pathologists at this meeting.

During 1999 there has been an accelerating program of training for the new tasks that will be done by scientists and pathologists after cutover to the new Cytology Information System. This has stretched the resources of the organisation and the senior staff are to be congratulated on their sustained commitment of both time and effort during this period.

Victorian BreastScreen Registry

During 1998/99, Victorian Cytology Service continued to operate this Registry for BreastScreen Victoria. A Funding and Service Agreement was last signed in June 1997. Throughout the year, Victorian Cytology Service and BreastScreen Victoria have been engaged in contract discussions; it is anticipated that a contract will be signed in the near future.

The BreastScreen Registry is now well established and in a mature state. There is very little staff turnover providing a very efficient work place. The Registry has approximately 15 EFT of staff, although as most of the telephonists work part-time, the actual number of staff employed is in excess of 20. Space limitations preclude the appointment of any additional staff. Given that the BreastScreen Victoria program is still in a growth phase, this will inevitably lead to problems in the short to medium term.

More than 244,000 telephone calls from women seeking appointments or information about BreastScreen were handled during the year. This number represents a 4% increase compared with 1997/98.

Slightly fewer than 70,000 of the telephone calls were from country Victoria, this number comprising 28% of all calls received from women. Calls from country Victoria are made for the cost of a local call via the national 13 2050 phone number. The appointment phone line is open from 8.30am to 5pm, Monday to Friday. Despite previous concerns about the effectiveness of extending the hours of operation, this has recently been reintroduced as a strategy to try and handle the increasing number of calls.

Appointments were made for 175,000 women to attend for screening. Women are booked for screening at the site/time which is most convenient to them. Forty-six sites offered screening during 1998/99, although not all operated throughout the year. Screening was available through 32 fixed clinics, eight clinics that operated from a mobile van moving through country Victoria, and six clinics operated from a relocatable machine in the western suburbs of Melbourne and in some satellite towns to the north and west of Melbourne.

The BreastScreen Registry posted more than 133,000 items of mail during the year, representing approximately 6,500 items per week. All preparation and packaging of mail was performed on site. Almost 147,000 letters providing women with written confirmation of their appointment were posted. Disappointingly, early in 1999, Australia Post withdrew a previous arrangement whereby these confirmation letters were mailed at a reduced postal rate.

More than 140,000 routine reminders were posted to women who were due for rescreening (generally around two years from their previous attendance), with 14,000 second reminder letters being posted to women who did not respond to their first routine reminder letter.

Thirty two thousand invitation letters were posted to women in the eligible age range who appeared to be unscreened. Such women were identified by matching the electoral lists against the BreastScreen Registry database. The electoral lists were made available to BreastScreen under a formal arrangement with the Victorian Electoral Commission.

The Annual Statistical Report for the 1997 calendar year was published in March 1999. Once again, this was a high quality product with the text and tables being provided by Registry staff. The BreastScreen Coordination Unit provides the layout and organises the printing.



The preparation of the information for the Annual Statistical Report represents a substantial workload for Registry staff. For the current report, 37 tables of data were presented; many of which had multiple sub-sections. It is therefore pleasing to observe the high regard accorded to the information in the Annual Statistical Report.

Data was provided to the Australian Institute of Health and Welfare for inclusion in the publication 'Breast and Cervical Cancer Screening in Australia 1996-1997'. This was the first formal publication of results for the BreastScreen Australia program. It presented a national picture as well as data for each State and Territory.

During 1998/99, the performance of the four staff members who support the Information System was excellent. These staff carried an inordinately heavy load in order to prepare for the implications of 1 January 2000. The major work areas during the year involved:

- Replacement of the existing PABX system at the BreastScreen Registry with a Year 2000 compliant PABX system. The new PABX takes advantage of ISDN On Ramp technologies and provides improved call monitoring and call accounting software.
- Year 2000 testing and analysis of nine file servers, network systems, and over 130 work stations including replacements and upgrades to achieve Year 2000 compliance.
- Identification and assessment of the numerous software and ad hoc utilities used by the BreastScreen Registry and the Services to test for Year 2000 compliance and, where necessary, to modify them to make them Year 2000 compliant.
- Initiation of a process with the Data Q Group to identify an appropriate reporting package to replace the existing non Year 2000 compliant reporting package used by the BreastScreen Registry and the Services.
- Development of a Year 2000 IT contingency plan.
- Release of 18 revised accreditation reports for the Services.
- Release of a revised software version to Services for 'all clear' letters.
- Release of software providing automatic transfer of appointment summary data to Services to enable them to view a woman's previous attendances.
- Provision to Services of a new QA tool for BS1 data.
- Development of software to support an external research study exploring factors associated with attendance for rescreening.
- Revision of the software used to process the electoral lists to reduce the size of the executable and to allow additional flexibility in relation to future data received from the Victorian Electoral Commission.
- Assistance with the planning and implementation of the IT aspects of the relocation of the City and North East BreastScreen Service.

Victorian BreastScreen Registry (contd)

Finally, it is once again appropriate to express sincere thanks to each member of staff of the BreastScreen Registry, all of whom performed admirably during the year and without whom the Registry could not function. The performance of the Coordinator, Ms Vicky Higgins remains outstanding. Thanks are also expressed to Victorian Cytology Service for assistance throughout the year, particularly the Business Manager, Mr Brian Salter, the Personnel Officer, Ms Yvonne Sheppard, and the Accountant, Mr Chris Platford.



Publications from VCS during 1998/99

Medley G, Surtees V M

Squamous Atypia in the Atrophic Cervical Vaginal Smear. *A Plea for a More Painstaking Old Style Look versus a New Look at the Old Problem*

Cancer Cytopathology 1998;84:200-201

Dowling K, Medley G

The History of Cytology in Australia

Cyto Paths (supplement to Acta Cytologica) 1999;43:7-10



Other Activities

During this year both the Director, Dr Gabriele Medley and the Deputy Director, Dr Heather Mitchell have continued to participate in activities associated with the national screening program in both professional development and community education.

Dr Medley continues to be spokesperson for PapScreen Victoria and also continues to be an Examiner for the Diploma of Cytopathology Examination of the Royal College of Pathologists of Australasia. She was also appointed to the NPAAC Subcommittee to Review the Requirements for Gynaecological Cervical Cytology. She has recently been appointed Chair of the General & Long Range Planning Committee of the International Academy of Cytology. She is the Chairman of the Victorian State Committee of the Australian Society of Cytology and Victoria State Councillor to the Federal Executive of that Society.

Dr Mitchell continues as Chair of the National Advisory Committee of the National Cervical Screening Program.

In addition to lectures for Melbourne University, Royal Melbourne Institute of Technology and the Royal Women's Hospital, Dr Medley presented the following talks or participated in the following initiatives during 1998/99.

September 1998 Invited Lecturer: *Cervical Cytology*, Diploma of Venereology

October 1998 Panel Member: Hypothetical, RACGP Conference *the New Pap Tests – Automation vs Litigation*.

March 1999 Invited Speaker: Dept of Human Services, Senior Citizens Week, Health, Vitality & Wellbeing Seminar, *Utilising Health Services – Preventive maintenance of your most precious asset*.

March 1999 Invited Speaker: Victorian Medical Women's Society *Pap Smears into the New Millennium*.

April 1999 Invited Speaker: Mercy Hospital for Women – Women's Health Conference – Prevention & Treatment into the New Millennium, *New Technologies in the Prevention of Cervical Cancer. How much can we afford?*

May 1999 Invited Speaker: Anti-Cancer Council's Cancer Update Seminar, *Screening – why some cancers and not others?*

May/June 1999 Invited Speaker: 7th Greek/Australian International Legal and Medical Conference, *Population Screening for Disease; the Effect of Litigation on Programs*.

May/June 1999 Panel Member: 7th Greek/Australian International Legal and Medical Conference, *The Pressure for Medical Expert Witnesses to Appear Biased*.



Other Activities (contd)

Dr Medley is a member of the following committees.

- ◆ Board of Management, Prince Henry's Institute of Medical Research.
- ◆ Evolving Technologies Committee of the International Academy of Cytology
- ◆ The Royal Women's Hospital Ethics Committee
- ◆ General & Long Range Planning Committee of the International Academy of Cytology
- ◆ Advisory Committee for PapScreen Victoria
- ◆ Executive Committee of the Medico-legal Society of Victoria
- ◆ Executive Committee of the Australian Society of Colposcopy and Cervical Pathology
- ◆ NPAAC Subcommittee to Review the Requirements for Gynaecological Cervical Cytology

Dr Mitchell is a member of the following committees:

- ◆ National Strategies Coordination Committee, National Public Health Partnershi.
- ◆ Chair, National Advisory Committee, National Cervical Screening Program
- ◆ New Technologies Working Group, National Cervical Screening Program
- ◆ Policy and Cost Effectiveness Working Group, National Cervical Screening Program
- ◆ National Screening Information Advisory Group, Australian Institute of Health & Welfare
- ◆ Monitoring Working Group, National Breast Cancer Centre
- ◆ Executive Committee, Australian NHMRC Twin Registry
- ◆ Advisory Committee for PapScreen Victoria
- ◆ National Advisory Group, CAMEO-B Project

Associate Professor Valerie Surtees has continued to take an active role in the planning strategy of the Medical Laboratory Science Program of the Royal Melbourne Institute of Technology, further strengthening the bonds between this institution and VCS. By membership on committees of professional bodies, VCS senior staff have the opportunity to develop communication channels between the various disciplines involved in cancer prevention.

The pathologists of VCS now take weekly tutorials for medical students in the Department of Pathology and the Department of Obstetrics & Gynaecology of Melbourne University. This has benefits for VCS including access to the excellent library facility of the University, and communication with the academic staff of the Department.



Conclusion

The Victorian Cytology Service has completed another extremely difficult and challenging year in which the ability to change, both within the organisation and in the broader context of the community, has been of paramount importance. It has done so by the coordinated efforts of the staff, with the support of the Health Development Infrastructure Unit of the Department of Human Services, and the referring base of practitioners who send smears to VCS.

Responsiveness to the requirements of both these sectors and even more importantly, of the women of Victoria, must be an ongoing commitment so that the organisation will be able to fulfill its role as a provider of quality care at a competitive price across a range of preventive health services to the community. The ability of VCS to continue and thrive in the highly competitive climate in which it operates is central to the continuing success of the Victorian Cervical Cancer Screening Program in which it is a core contributor. This contribution, extending beyond the reporting of tests into the wider field of professional and community education, is singular to this organisation.

Maintenance of the Victorian Cervical Cytology Registry and the Victorian BreastScreen Registry, and more recently the implementation of new educational and service initiatives are tangible evidence of the policy of utilising core competencies to compete not only for market share, but also opportunity share in the changing field of health care delivery.



Year 2000 Compliance

Since October 1997, Victorian Cytology Service has been ensuring that the turn of the century will have no adverse effect on the services we provide to our clients.

We have taken the decision to completely re-write our Cytology Information System (CIS) and have contracted Managed Information Technology Solutions (MITS) to develop this system.

A compliant UNIX environment has been introduced to run the CIS system. A compliant Oracle Version 8 environment is now being implemented to support the transition into the next century.

Enhancements have been made to the wide area network to replace non-compliant equipment and software. File servers have been tested for compliance. Staff workstations have been replaced with compliant PCs.

The internal financial system has been replaced with a compliant version of MYOB.

The Service has complied with the Victorian Government Year 2000 Risk Management Strategies.



VICTORIAN CYTOLOGY SERVICE INCORPORATED

Director's Declaration

The Directors declare that the financial statements and notes set out on pages 1 to 15:

- a) comply with Australian Accounting Standards and Urgent Issues Group Consensus Views;
- b) give a true and fair view of the Service's financial position as at 30 June 1999 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the Directors opinion:

- a) there are reasonable grounds to believe that the Service will be able to pay its debts as and when they become due and payable; and
- b) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 20 will be able to meet any obligations or liabilities to which they are, or may become.

This declaration is made in accordance with a resolution of the Directors.



Michael Quinn

Chairperson (on behalf of the Board)



Kerry Bradley

Member (on behalf of the Board)



Gabriele Medley

Chief Executive Officer



Brian Salter

Principal Accounting Officer

Dated the 17th day of September 1999

VICTORIAN CYTOLOGY SERVICE INCORPORATED

REVENUE AND EXPENSE STATEMENT FOR THE YEAR ENDED 30 JUNE 1999

	NOTES	TOTAL 1998/99 \$	TOTAL 1997/98 \$
Operating Revenue Providing Funds Inflows			
Services Supported by Health Service Agreement			
Operating Grants		4,733,003	4,610,569
Program Grants		932,123	1,133,015
Indirect Contributions by Human Services	2	67,400	62,396
Bank Interest	3	105,749	102,307
Gain on Sale of Equipment	4	5,085	36,945
Funds received for Restricted Purposes		526,927	452,006
TOTAL OPERATING REVENUE PROVIDING FUNDS		6,370,287	6,397,238
Operating Expenses Requiring Funds Outflows			
Diagnostic and Medical Support Services	5	3,840,996	3,255,800
Administration	5	693,033	747,528
Program Expenditure		517,647	427,660
Engineering and Maintenance		22,946	21,662
Domestic and Catering Services		14,376	3,992
Corporate Costs Funded by Human Services	2	67,400	62,396
Workcare		11,941	13,439
Superannuation	13	318,681	256,329
Teaching and Research		7,632	2,658
Funds paid from Restricted Purposes		341,551	328,371
Doubtful Debts for Restricted Purposes		9,688	2,270
TOTAL OPERATING EXPENSES REQUIRING FUNDS		5,845,891	5,122,105
Operating Surplus (Deficit) Providing Funds Inflows		524,396	1,275,133

VICTORIAN CYTOLOGY SERVICE INCORPORATED

REVENUE AND EXPENSE STATEMENT FOR THE YEAR ENDED 30 JUNE 1999

	NOTES	TOTAL 1998/99 \$	TOTAL 1997/98 \$
<hr/>			
Operating Expenses Not Requiring Funds Outflow			
Depreciation		254,216	254,567
Employee Entitlements Provision		226,074	109,537
		<hr/>	<hr/>
		480,290	364,104
		<hr/>	<hr/>
Operating Surplus for the Year		44,106	911,029

VICTORIAN CYTOLOGY SERVICE INCORPORATED
BALANCE SHEET FOR THE YEAR ENDED 30 JUNE 1999

	NOTES	TOTAL 1998/99 \$	TOTAL 1997/98 \$
Equity			
Capital			
Funds held for Restricted Purposes	12	691,175	515,487
Reserves			
Retained Surplus		1,911,963	2,043,545
Total Equity		<u>2,603,138</u>	<u>2,559,032</u>
Current Liabilities			
Creditors		423,003	82,156
Accrued Expenses		43,902	23,005
Provision for Employee Entitlements	6	1,235,498	955,979
Employee Entitlements	7	267,520	235,283
Total Current Liabilities		<u>1,969,923</u>	<u>1,296,423</u>
Non Current Liabilities			
Provision for Employee Entitlements	6	101,279	205,582
Employee Entitlements	7	153,862	135,241
Total Non Current Liabilities		<u>255,141</u>	<u>340,823</u>
Total Liabilities		<u>2,225,064</u>	<u>1,637,246</u>
Total Equity & Liabilities		<u>4,828,202</u>	<u>4,196,278</u>
Current Assets			
Cash at bank & On Hand		188,146	3,696
Stores	8	196,994	184,788
Debtors and Accrued Revenue	9	368,860	136,456
Short Term Investments	10	2,479,154	2,459,793
Total Current Assets		<u>3,233,154</u>	<u>2,784,733</u>
Non Current Assets			
Plant & Equipment	11	1,284,197	1,076,095
Motor Vehicles	11	310,851	335,450
Total Non Current Assets		<u>1,595,048</u>	<u>1,411,545</u>
Total Assets		<u>4,828,202</u>	<u>4,196,278</u>

VICTORIAN CYTOLOGY SERVICE INCORPORATED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 1999

	FUNDS HELD FOR RESTRICTED PURPOSES \$	RETAINED SURPLUS \$	TOTAL 1998/99 \$	TOTAL 1997/98 \$
Balance at beginning of year	515,487	2,043,545	2,559,032	1,648,003
Surplus/(Deficit) for Year	<u>515,487</u>		<u>2,559,032</u>	<u>1,648,003</u>
Funds transferred in for Restricted Purposes	-	44,106	44,106	911,029
	175,688	(175,688)	-	-
Balance at end of year	<u>691,175</u>	<u>1,911,963</u>	<u>2,603,138</u>	<u>2,559,032</u>

VICTORIAN CYTOLOGY SERVICE INCORPORATED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 1999

	NOTES	TOTAL 1998/99 \$	TOTAL 1997/98 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Services Supported by Health Service Agreement			
Receipts			
Operating Grants		4,496,547	4,621,153
Program Grants		932,123	1,191,349
Interest		97,372	18,268
Funds received for restricted purposes		530,552	388,235
Payments			
Salaries and Wages		(4,292,406)	(2,996,358)
Other		(1,127,743)	(2,135,173)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	15	636,445	1,087,474
Payments for purchase of plant, equipment & motor vehicles		(630,042)	(1,090,941)
Proceeds from disposal of plant, equipment & motor vehicles		197,408	259,480
		<u>(432,634)</u>	<u>(831,461)</u>
Net Increase in Cash Held		203,811	256,013
Cash at start of financial year		2,463,489	2,207,476
Cash at end of financial year	14	<u>2,667,300</u>	<u>2,463,489</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the accounts of the Service are stated to assist in a general understanding of these financial statements. These policies have been consistently applied except where otherwise indicated.

The financial statements have been made out in accordance with Australian Accounting Standards.

a. Basis of accounting

The Service has not adopted a policy of revaluing its non-current assets on a regular basis. Non-current assets are revalued from time to time as considered appropriate by the directors and are not stated in excess of their recoverable amounts. Except where stated recoverable amounts are not determined using discounted cash flows.

b. 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.

c. 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). Cost is based on the fair values of the consideration given in exchange for assets.

d. Rounding off

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

e. Investments

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

f. Depreciation

Depreciable assets, (including high value software associated with the CIS project) with costs in excess of \$1,000 are brought to account and depreciation has been provided over their estimated lives using the straight line method.

Plant & Equipment	5-50% depreciation
Motor Vehicles	20% depreciation

g. Stores

Stores 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.

h. Employee Entitlements

Liabilities for other employee entitlements, which are not expected to be paid or settled within 12 months of balance date, are accrued in respect of all employees at the present values of future amounts expected to be paid on a 4.9% per annum projected weighted average increase in wage and salary rates over an average period of 11 years.

- i. Sabbatical Leave**
Certain employees are entitled to sabbatical leave after six years service (which is transferable inwards and outwards with the employee and without due consideration paid to/from subsequent/previous employers). The Service has been accruing provision for sabbatical leave on a monthly basis with a view to ensuring the liability is not materially under-accrued.
- j. Incorporation**
The entity was incorporated on 3 September 1991 under the Associations Incorporation Act 1981. The financial statements include the results and activities of the Victorian Cytology Service Inc. only. The results and operations of the Victorian Cervical Cytology Registry are reported separately based on a directive from Department of Human Services.
- k. Comparatives**
Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.
- l. Superannuation**
Contributions to employee superannuation plans are charged as expense as the contributions are paid or become payable.
- m. Taxation**
The Service is exempt from Income Tax.
- n. Interest Revenue**
Interest received in 1998/99 on Operating Grants, Program Grants and Restricted Purpose Revenue has been included as Bank Interest. In prior years this has been included in Program and restricted Purpose revenue.
- o. Funds Held for Restricted Purposes**
Monies received from non-government grant sources and monies spent by the Service in relation to such activities are disclosed as Funds received for or paid from Restricted Purposes. These monies are generally not maintained in separate bank accounts and the surplus of monies received over monies spent is transferred from retained surplus to a restricted purpose capital account.

VICTORIAN CYTOLOGY SERVICE INCORPORATED

NOTE 2: INDIRECT CONTRIBUTIONS BY HUMAN SERVICES VICTORIA

The Department of Human Services makes certain payments on behalf of the Service which, in accordance with the Department's requirements, have been brought to account in determining the operating results for the year.

NOTE 3: OTHER REVENUE

	1998/99	1997/98
	\$	\$
Bank Interest Received	<u>105,749</u>	<u>102,307</u>

The disclosed interest received for 1997/98 has been adjusted from \$18,269 to \$102,307. The difference of \$84,038 previously recorded against Program Grants and Funds received for Restricted Purposes, has been reallocated for comparative purposes.

NOTE 4: GAIN ON SALE OF EQUIPMENT

Equipment was sold for consideration of \$197,408

NOTE 5: DIAGNOSTIC AND MEDICAL SUPPORT SERVICES

The comparative amount has been adjusted from \$2,815,370 to \$3,255,800 in order to improve comparability. Package payments have been classified as Diagnostic and Medical Support Services in this year, compared to Administration cost in prior years.

VICTORIAN CYTOLOGY SERVICE INCORPORATED

NOTE 6: PROVISION FOR EMPLOYEE ENTITLEMENTS

	Current \$	Non Current \$	Total 1998/99 \$	Total 1997/98 \$
Long Service Leave	657,440	101,279	758,719	670,950
Annual Leave	549,264	-	549,264	465,742
Accrued Days Off	28,794	-	28,794	24,869
Total	<u>1,235,498</u>	<u>101,279</u>	<u>1,336,777</u>	<u>1,161,561</u>

The current and non-current provision for 1997/98 has been adjusted to correctly reflect the timing of entitlements.

NOTE 7: EMPLOYEE ENTITLEMENTS

	1998/99 \$	1997/98 \$
Sabbatical Leave	421,382	370,524

The current and non-current provision for 1997/98 has been adjusted to correctly reflect the timing of entitlements.

NOTE 8: STORES

	1998/99 \$	1997/98 \$
Medical & Surgical Lines	160,163	153,359
Administration Stores	36,831	31,429
Total	<u>196,994</u>	<u>184,788</u>

NOTE 9: DEBTORS AND ACCRUED REVENUE

	1998/99 \$	1997/98 \$
VBR BreastScreen Registry	10,520	6,635
Dept of Human Services	248,756	12,300
Women's & Children's Healthcare Network	6,910	2,848
Melbourne Pathology	10,654	-
Histo Pathology/Non Gynaecological Accounts Receivable	16,461	-
Mercy Hospital	9,750	7,792
ThinPrep & Papnet	27,915	57,475
Provision for Doubtful Debts for ThinPrep & Papnet	(\$483)	(\$2,270)
RMIT Teaching Costs	30,000	32,000
Bank Interest	8,377	-
South Gippsland Pathology	-	8,440
Southern Community Labs Ltd	-	11,236
Total Debtors and Accrued Revenue	<u>368,860</u>	<u>136,456</u>

VICTORIAN CYTOLOGY SERVICE INCORPORATED

NOTE 10: INVESTMENTS

Types of Investment	1998/99 \$	1997/98 \$
Current		
Cash Management Call Accounts & Cheque Bearing Interest Accounts	<u>2,479,154</u>	<u>2,459,793</u>

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	At Cost 30.06.99 \$	Accumulated Depreciation 30.06.99 \$	Written Down Value at 30.06.99 \$	Written Down Value at 30.06.98 \$
Plant & Equipment	2,119,003	(834,806)	1,284,197	1,076,095
Motor Vehicles	373,234	(62,383)	310,851	335,450
	<u>2,492,237</u>	<u>(897,189)</u>	<u>1,595,048</u>	<u>1,411,545</u>

NOTE 12: FUNDS HELD FOR RESTRICTED PURPOSES

	1998/99 \$	1997/98 \$
Retained Earnings Reserve Account		
Education	66,724	65,376
Specific Purposes	190,885	176,944
Histopathology	105,652	35,131
IT Facilities	59,183	59,183
ThinPrep	118,465	58,614
Papnet	103,389	73,362
NAB Common Fund	46,877	46,877
	<u>691,175</u>	<u>515,487</u>

VICTORIAN CYTOLOGY SERVICE INCORPORATED

NOTE 13: SUPERANNUATION LIABILITIES

- i) Name of Fund to which the Service contributes:
HEALTH SUPER FUND
- ii) Notional share of unfunded liability attributable to the Service: nil
- iii) Contributions are paid in accordance with the Trust Deed of Health Super Fund, employer contributions are calculated as a percentage of the employee's salary. Separate contributions are determined for Health Super Scheme and Health Super Contributory Benefits. The rates for 1998/99 for all participating employees were:

Schemes	Contribution Rates	
Health Super Scheme	Superannuation Guarantee - 7%	
Health Super Contributory	Employee	Employer
	3%	3%
	4%	4%
	6%	4%

- iv) Contributions made by the Service during 1998/99: \$318,681 (1997/98: \$256,329).

NOTE 14: RECONCILIATION OF CASH

For the purpose of the statement of cash flows, cash flows include cash on hand and at bank and monies held at call in cash management accounts.

Funds are no longer invested according to whether the account be Restricted Purpose or Operating. Cash at the end of the reporting period, as shown in the statement of cash flows, is reconciled to the related items in the balance sheet as follows:

	1998/99 \$	1997/98 \$
Operating fund		
Cash on hand & at bank	188,146	3,929
Cash management account	2,479,154	2,021,637
Restricted Purpose Funds		
Cash at bank	-	(233)
Cash management account & cheque bearing interest account	-	438,156
	<u>2,667,300</u>	<u>2,463,489</u>

VICTORIAN CYTOLOGY SERVICE INCORPORATED

NOTE 15: RECONCILIATION OF NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES TO NET PROFITS

	1998/99 \$	1997/98 \$
Operating Surplus (Deficit)	<u>44,106</u>	<u>911,029</u>
Depreciation	254,216	254,567
Profit on Sale of Fixed Assets	(5,085)	(36,945)
Changed Assets and Liabilities		
(Decrease)/Increase in creditors	340,847	21,363
(Decrease)/Increase in accruals	20,897	(84,347)
Increase in employee entitlements	226,075	109,537
(Increase)/Decrease in stores	(12,206)	8,396
(Increase)/Decrease in debtors & accrued revenue	(232,404)	(96,126)
Rounding	(1)	-
Net Cash provided by (used in)		
Operating activities	<u>636,445</u>	<u>1,087,474</u>

NOTE 16: CAPITAL COMMITMENT

The Service has been acquiring computer equipment during the past two financial years. Details of the source and application of Government Grant Funding are as follows:

	1998/99 \$	Total \$
Grants Received	314,511	1,411,041
Grants Outstanding		88,959
Total		<u>1,500,000</u>
Grants Monies Expended	518,825	1,269,614
Grants Monies to be Expended		230,386
Total		<u>1,500,000</u>

The Grants outstanding and Grants monies to be expended have not been reflected in the financial statements.

VICTORIAN CYTOLOGY SERVICE INCORPORATED

NOTE 17: DIRECTOR'S REMUNERATION

In 1999 14 Directors (1998: 13) have received \$0 remuneration.

NOTE 18: FINANCIAL INSTRUMENTS

(a) Credit Risk Exposures

The credit risk on financial assets of the organisation, which have been recognised on the balance sheet, is generally the carrying amount, net of any provisions for doubtful debt.

(b) Interest Rate Risk Exposures

The organisation's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out as follows.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the organisation intends to hold any fixed assets and liabilities to maturity.

1998/99	Notes	Floating Interest Rate \$	Non-Interest Bearing \$	Total 1998/99 \$
Financial Assets				
Cash on deposits		187,946	200	188,146
Trade and other debtors	9	-	368,860	368,860
Investments	10	<u>2,479,154</u>	-	<u>2,479,154</u>
		<u>2,667,100</u>	<u>369,060</u>	<u>3,036,160</u>
Weighted average interest rate		3.7%		
Financial Liabilities				
Trade and other creditors			(423,003)	(423,003)
			<u>(423,003)</u>	<u>(423,003)</u>
Net financial assets (liabilities)		<u>2,667,100</u>	<u>(53,943)</u>	<u>2,613,157</u>

VICTORIAN CYTOLOGY SERVICE INCORPORATED

NOTE 18: FINANCIAL INSTRUMENTS (contd)

Reconciliation of Net Financial Assets to Net Assets

	1998/99
	\$
Net Financial Assets	2,613,157
Non-financial Assets & Liabilities	
Stores	196,994
Property, plant & equipment	1,595,048
Provisions	(1,758,159)
Other Liabilities	(43,902)
Net Assets per Balance Sheet	2,603,138

(c) Net Fair Value of Financial Assets and Liabilities

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the economic entity approximates their carrying value.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

NOTE 19: CONTINGENT LIABILITY

Due to VCS accounting policy for recording provision for sabbatical leave as described in note 7, the financial statements do not include a provision for liabilities which may arise should former employees make a claim for sabbatical leave. The maximum contingent liability with respect to this issue cannot be readily estimated, however the VCS has never experienced claims from former employees.

VICTORIAN CYTOLOGY SERVICE INCORPORATED

NOTE 20: RELATED PART INFORMATION

Controlling Entities

The ultimate controlling entity is the Department of Human Services

Directors and Director-Related Entities

The Directors listed below each held office as a Director throughout the period ended 30 June 1999 except where otherwise noted.

Name of Director	Date of Appointment
Dr Elisabeth Banks	September 1991
Mrs Kerry Bradley	February 1994
Ms Janice Carpenter	October 1997
Professor Gordon Clunie	September 1998
Ms Rosie Cummings	July 1996
Dr Sonia Grover	April 1992
Dr Susan Hughes	February 1999
Ms Elizabeth Kennedy	February 1999
Mrs Mary Murdoch	April 1992
Ms Kate O'Brien	October 1997
Associate Professor M Quinn	September 1991
Ms Dorothy Reading	September 1991
Dr Julia Shelley	April 1992
	Date of Resignation
Professor Robert Burton	March 1998
Dr Michael Sedgley	November 1998

Independent Audit Report to the Members of the Victorian Cytology Service Incorporated

Scope

We have audited the financial statements of the Victorian Cytology Service Incorporated ("the Service") for the year ended 30 June 1999 as set out on pages 1 to 15. The Board of Management are responsible for the preparation and presentation of the financial statements and the information contained therein. We have conducted an independent audit of the financial statements in order to express an opinion on them to the members of the Service.

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 Accounting Standards, other mandatory professional reporting requirements, being Urgent Issues Group Consensus Views, and the rules of the Service 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.

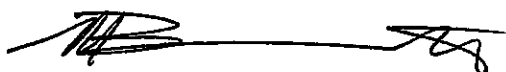
The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion the financial statements of the Service present fairly, in accordance with Australian Accounting Standards, other mandatory professional reporting requirements and the rules of the Service, the financial position of the Service as at 30 June 1999 and the results of its operations and its cash flows for the financial year ended on that date.



PricewaterhouseCoopers
Chartered Accountants



SC Bannatyne
Partner

Melbourne
17 September 1999

PricewaterhouseCoopers
333 Collins Street
MELBOURNE VIC 3000
GPO Box 1331L
MELBOURNE VIC 3001
DX 77 Melbourne
Australia
Telephone +61 3 8603 1000
Facsimile +61 3 8603 1999
Direct phone +61 3 8603 3497
Direct fax +61 3 8603 6009