



Victorian Cytology Service

A.B.N. 35 430 554 780

Annual Report 2002

for the year ended 30 June

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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 95% of all smears received are 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.

From 1992 until July 2000, VCS was contracted to implement the Registry for BreastScreen Victoria. Appointments for women, invitations to women, reminders for repeat screening and statistical reporting were among the functions of the Registry. Although this activity 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 justified the resulting sacrifices.

In 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 the University of Melbourne has been most beneficial in developing new links with the 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.

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.



2001 - 2002 Activity

In March of 2002 a Victorian laboratory lost its National Association of Testing Authorities (NATA) accreditation and subsequently its accreditation by the Health Insurance Commission. The laboratory challenged the decision in the administrative appeals tribunal and this challenge resulted in widespread media coverage. These events had a number of direct and indirect impacts on Victorian Cytology Services. Firstly for the months of March, April and May 2002 Pap smear volumes were unseasonably high, presumably due to raised awareness of the need for Pap smears in the general community as a result of widespread media attention. This increase in volume placed enormous pressure on our scientific staff in particular. Extensive use of overtime was required and, notwithstanding the overtime worked, the turnaround time for reporting of smears approached 2 weeks, a situation facing most large cytology laboratories in Victoria. However, by the end of the financial year Pap smear volumes had returned to more usual levels and the turnaround time had subsequently returned to 3 to 4 working days.

The widespread media coverage has resulted in an increased understanding by practitioners and women that there are issues of quality in the laboratory reporting of Pap smears. We have received a large number of enquiries from women, doctors and the media in relation to quality assurance activities in the laboratory.

A number of quality assurance activities at VCS have been strengthened this year and these are presented in more detail in the section headed "Quality Assurance" (Page 14).

ASC and the Bethesda System

The Australian Society of Cytology (ASC) has considered its position on whether or not Australia should move to the Bethesda System. It has convened a terminology working party which Dr Saville was asked to chair. The society reached a consensus on a recommended cervical cytology terminology. In broad terms the recommendation was that Australia adopt a slightly modified version of the Bethesda System (TBS 2002). This recommendation has been forwarded to the NH&MRC review group.

NH&MRC

The NH&MRC is conducting a review of "Screening to prevent cervical cancer: Guidelines for the management of women with screen detected abnormalities". This will include a review of terminology together with a review of the recommendations for management of women with screen detected abnormalities. Dr Mitchell and Dr Saville have been appointed to the review group and Dr Saville has been asked to Chair the terminology group.

Medical Services Advisory Committee (MSAC)

MSAC considers applications for medical services including laboratory tests to be listed on the Medicare Benefits Schedule. Dr Saville and Dr Mitchell have been appointed to an MSAC supporting committee which will review a number of applications related to cervical cytology.

Histopathology Tender

The tender VCS submitted in response to Commonwealth RFT 119/0001, a survey and analysis of current practice in cervical histopathology was successful. We have signed a contract and commenced work on this tender.



Cytopathology & Cytotechnology Courses

The courses for cytopathologists and cytotechnologists held in July and August 2001 were once again fully subscribed with eight participants attending each course.

Feedback from course participants indicated that they regarded the course as valuable and worthwhile

Whistleblowers Protection Act

On January 1st 2002, the Victorian Whistleblowers Protection Act came into effect. Consistent with the Act, the policy of VCS is to encourage and facilitate the making of disclosures, where these are supported by reasonable grounds, related to alleged improper or corrupt conduct in the management or conduct of the agency.

A staff person or member of the public who has reasonable grounds to believe improper or corrupt conduct has occurred, is occurring or is about to occur in the management or conduct of VCS, (including apprehension of detriment) is encouraged to disclose this.

Any reported incident will be included in future Annual Reports.

Privacy Legislation

The Commonwealth Privacy Amendment (Private Sector) Act 2000 came into operation on the 21st December 2001. Compliance with the Victorian Health Records Act 2001 was voluntary from the 1st March 2002 and mandatory from 1st July 2002.

Victorian Cytology Service has always recognised the importance of protecting women's personal health information. We have a long-standing confidentiality policy which requires our staff to confirm in writing that they understand these policies at the commencement of employment and every six months.

After reviewing the legislative requirements VCS has developed a policy document on its management of health information and this can be provided on request to women, practitioners or any other interested external parties.

Board of Management

During this year there has been one resignation from the Board of Management.

Mrs Kerry Bradley, Honorary Treasurer and representative of users/clients resigned on 15th June 2002. Mrs Bradley's appointment to the Board was approved by Minister of Health in 1994. VCS is extremely grateful for the time and energy that Mrs Bradley was able to commit to the Board over the last eight years.

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

Board Members

Professor Michael Quinn
Dr Elisabeth Banks (Chairman)
Dr Chris Bayly
Professor Gordon Clunie
Ms Pat Hill
Dr Susan Hughes
Sandy Anderson

Ms Elizabeth Kennedy
Dr Deborah Neesham
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

Marion Saville
MBChB, Am Bd (Anat Path & Cytopath),
FIAC, Grad Dip Med (Clin Epi)

Deputy Director, Epidemiologist, Medical Director of VCCR

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

Director Emeritus

Gabriele Medley
AO, MB, BS, FRCPA, FIAC

Business Manager

Brian Salter

Pathologists

Prudence Elizabeth Allan MB, BS, FRCPA
Huw Llewellyn MB, BS, BSc (Hons), FRCS,
FRCPA

Henry Yeung MB, BS, FRCPA

Jackie Collett MB BS, FRCPA

Kristy Dundas MB, BS, FRCPA

Trainee Cytopathologists

Karen Talia MB, BS, FRCPA

Liaison Physician

Stella Heley BA (Hons) MB, BS, Dip Ven
(Lond), FACSHP

Chief Scientist

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

Information Technology Manager

Matthew Cunningham BBus(InfoSys)

Coordinator of VCCR

Vicky Higgins MRA

Teaching Coordinator

Debbie Reich

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

Accountant

Chris Platford BBus(Acc)

Personnel Officer

Yvonne Sheppard

Quality Manager

John Good BAppSc

Cytopathologists remain scarce both in Australia and overseas. VCS has been fortunate once again to receive funds from the Department of Human Services to assist with training cytopathologists. A new group of four trainee scientists started training in January 2002.



Diagnostic Activities

The number of Papanicolaou tests received during the year was 281,076 up from 275,754 in 2000/01.

	2001		2002	
July	22,944	January	19,743	
August	24,601	February	24,727	
September	20,176	March	24,732	
October	25,113	April	25,797	
November	24,045	May	29,891	
December	18,146	June	21,161	

60 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.

1680 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 19% increase in the number of tests since the previous year.

In this financial year there have been 1,117 PAPNET tests requested. This represents a reduction of 591 test from the previous year's total of 1,708. This downturn in test numbers is the first from 2 consecutive years of increase. During 2001/2002 there were 11,693 ThinPrep tests requested compared to 12,725 in the previous financial year.



Financial Activities

These are considered in the attached papers.

In this financial year the target for base funding was set at 280,000 smears.

The VCS budget for the financial year 2001/2002 was approved on 4 November 2001.

The provision of funds from the Department of Human Services 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.

Fixed Asset Purchases

Fixed Asset purchases for the financial year 2001/2002 were as follows.

	\$
Furniture	3,318
Microscopes	11,611
Printers	11,067
IT Equipment	5,271
TOTAL	\$31,267



Staff

The staff continue to be the most important resource of the Service.

This year Dr Alison Skene resigned from VCS whilst on maternity leave. She has been employed by VCS for 26 months and has moved to a position which enables her to report a full range of histopathology and cytopathology. Dr Kerry Ireland-Jenkins and Dr Prue Russell joined VCS in February 2001 as cytopathology fellows, both leaving the service after 11 months. Dr Karen Talia commenced employment as a cytopathology fellow in February 2002.

Scientific staff continue to be in short supply. Because it is rarely possible to recruit trained cytologists we continue to find it necessary to appoint trainee scientists investing considerable resources in the training of these scientists. We are grateful for the support of the Department of Human Services for trainee scientists. The increased volumes of Pap smears in March, April and May of 2002 placed enormous pressure on our scientific staff, particularly because of our inability to recruit trained scientists. The management of the organisation recognises the hard work put in by the scientists both in maintaining productivity within the usual daily work and in a high proportion of staff making themselves available for considerable amounts of overtime work.

The IT department continues to provide excellent support to the organisation. As well as maintaining current IT functions there is a program of regular enhancements to the IT system which are progressing particularly well. The two computer science students from RMIT, who were employed last year have elected to remain at VCS. Leigh Travaskis is undergoing training in programming and Andrew Trinh is further developing skills in network administration. We are grateful for all of the work of the IT department.

Our laboratory and clerical staff continue to produce work of a consistently high standard. Our couriers provide a valuable link with referring practices.

Lisa Garay continues as Client Services Officer. She is operating in an intensely competitive market. Because VCS is unable to offer the incentives which some of our competitors offer, Lisa attracts work to VCS by emphasising the high quality of our service and our specialised skills. Our Liaison Physician, Dr Stella Heley, continues to assist practitioners with a range of practical matters and presents a large number of lectures and workshops for health practitioners in the area of cervical screening.

Together with senior cytopathologists, Ms Garay and Dr Heley continue to provide an experienced and comprehensive support facility that communicates the commitment 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, changes to our follow-up service and other items relating to cervical screening form the major component of the regular Newsletters to practitioners that have been a feature of the VCS service for some years.



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 referring practitioners 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. Histology information obtained from our follow-up program is correlated with cytology predictions and returned for review to scientists and cytopathologists when there appears to be a discrepancy. Elements of inconsistency (which are an inherent part 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 Dysplasia Clinic 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 course for pathologists wishing to report cytology was held in August 2001. This initiative 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 continues to be well above average.

There is continuing participation in educational activities of the RCGPA, Family Planning Victoria, the College of Venereologists, the continuing community education and recruitment programs of the Anti-Cancer Council of Victoria and other bodies involved in 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.

VCS pathologists continue to be involved in undergraduate teaching and examinations for the Medical Course of the University of Melbourne.



Training and Education (contd)

Scientists

Internal Initiatives

The internal program continues to have three elements, viz:

High Standard of Performance for trainees

Four scientists trained successfully last year and were offered ongoing employment with VCS. However, one elected to take a position at a regional laboratory. The training of scientists as screeners of cervical smears continues to be funded by the Department of Human Services. Previously employed cytotechnologists and those returning after extended 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 comprehensive internal quality control protocols that have been established within VCS have been strengthened. Participation by the scientists in the Cytopathology Quality Assurance Protocols of the Royal Australian College of Pathologists, has again yielded excellent results. Modules now include ThinPrep, non-gynae and anatomical pathology.

External Initiatives

In June 2002, four VCS scientists sat the CT(ASC) - the certificate of competence issued to successful candidates by the Australian Society of Cytology, these results will be available at the end of August 2002. 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. The ASC Annual Scientific Meeting was held in Adelaide during October 2001. Six members of VCS scientific staff attended this meeting. VCS provided financial support for airfares and conference registration for four scientists and two were self funded.

The external program of teaching cytology as a component of the Bachelor of Applied Science (Medical Laboratory Science) at RMIT continues. 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 one-week course in gynaecological cytopathology for scientists, similar to the course for cytopathologists was held in July 2001. 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.



Training and Education (contd)

External Initiative for GP education

VCS is now able to offer CME accredited workshops in cervical cytology. The workshop entitled “The Pap Smear – an update for GP’s” has been assessed as a Continuing Medical Education activity by RACGP at the rate of two points per hour. Interest in the workshops conducted by Liaison Physician, Dr Stella Heley and our Client Services Officer Ms Lisa Garay has been steadily increasing.



Quality Assurance

NATA Accreditation Activities

A number of initiatives which were commenced last year following our initial accreditation to Australia Standard AS ISO/IEC 17025 have continued this year.

Annual Management Reviews - VCS has recently undertaken its second Annual Management Review, an opportunity to formally assess the organisation's strengths and weaknesses, and implement improvements accordingly.

Formalised Complaints Systems - Strengthened documentation of complaints ensures all complaints are acted upon in a timely fashion and any changes required to prevent problems are implemented. Analysis has shown that frequency of complaints (which mostly relate to errors in woman details and report delivery) have reduced to half of 2001 levels.

Internal Audits - VCS now has a regular schedule of internal audits in most areas of operation. Functions audited to date include specimen collection and registration, laboratory operations, slide assessment capabilities, in-house safety, IT security and accuracy of report preparation and delivery. Future audits will also include compliance with privacy legislation, scientist training and integrity of Electronic Report delivery systems.

Scheduled reviews of quality system documentation - have assisted in ensuring that documentation accurately reflects current practices and also highlights opportunities for system improvement.

Pathologists Activities

A range of new quality measures have been introduced this year which specifically measure the quality of reporting by cytopathologists, at an individual practitioner level. The decision to introduce these measures is entirely voluntary as no external accreditation requires these. However, it is the view of VCS management that it is important that VCS stays at the forefront of developing quality measures in cervical cytology. The results of these reviews are included in quarterly reports to the Board of Management.

We have also developed a number of new enhancements to the IT system specifically tailored for cytopathologists. These enhancements enable pathologists to record cases that have been reviewed in conjunction with colleagues at a multiheaded microscope, to label particular cases of being of interest for teaching purposes and also to label particular cases as being of interest to the pathologist so that they will receive any follow up information recorded on the cytology information system as soon as this is available. It is hoped that this package of IT enhancements will contribute to pathologists ongoing education and improvement.

In the scientific area a trial of prescreen showed early promise. However, systematic review of subsequent later results has shown that there was very little gain from this activity and accordingly it has been suspended. A publication outlining our experience with prescreen is currently under preparation.

The quality assurance measures for scientists have been rewritten with a number of new measures introduced, particularly aimed at examining the ability of senior scientists to carry out tasks unique to their role. The activities undertaken in this area are summarised in a quarterly report to the Board of Management.



Other Activities

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

Dr Saville is a member of the following committees:

- ❖ Evolving Technologies Committee of the International Academy of Cytology
- ❖ Membership Committee of the International Academy of Cytology
- ❖ Executive Committee of the ASC Victorian Branch
- ❖ Advisory Committee for PapScreen Victoria
- ❖ RMIT Medical Laboratory Science Course Advisory Committee
- ❖ RCPA Cytopathology QAP Committee
- ❖ National Cervical Screening Programme Guideline Review Group and Chair of the Terminology Committee Working Group, 2001
- ❖ Technical Subcommittee to Review Cytology Performance Standards.
- ❖ Supporting Committee to the Medical and Scientific Advisory Committee for the assessment of applications relating to 'New Technologies for Screening and Treatment of Cervical Cancer.'

Dr Saville presented the following talks during 2001/2002.

- ❖ Cervical Screening – Trends & Controversies, for AMA Victoria's cancer initiative, Jul 2001.
- ❖ ThinPrep – An evidence based approach. Lecture to 31st Annual Scientific Meeting of Australian Society of Cytology, Adelaide October 2001
- ❖ An update in gynaecological cytology: HPV testing & ThinPrep. Lecture to Dandenong Division of Obstetricians & Gynaecologists, Melbourne March 2002
- ❖ HPV and Cervical Biopsies. Lecture to Royal College of Pathologists of Australasia, Pathology Update 2002, Sydney March 2002
- ❖ Gynecologic Cytology Workshop for Royal College of Pathologists of Australasia, Pathology Update 2002, Sydney March 2002
- ❖ The limitations of screening: How is it communicated to the public and practitioners? Workshop for Australian Research Centre in Sex, Health and Society, La Trobe University, March 2002
- ❖ Clinical Practice Review – Is my smear test accurate, and how do I know? Postgraduate Clinical Education "Half Days at the Women's" – RWH, Melbourne April 2002
- ❖ Cervical Cytology in Australia 2002 – What is Happening? Australian Society of Cytology Country Meeting Traralgon VIC, May 2002

Dr Mitchell continues as Chair of the National Advisory Committee of the National Cervical Screening Program and is a member of the following committees:

- ❖ 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
- ❖ Steering Committee for Review of NHMRC Guidelines for the Management of Women with Screen Detected Abnormalities
- ❖ National Screening Information Advisory Group, Australian Institute of Health & Welfare



Other Activities (contd)

- ❖ Monitoring Working Group, National Breast Cancer Centre
- ❖ Executive Committee, Australian NHMRC Twin Registry
- ❖ Advisory Committee for PapScreen Victoria
- ❖ Cervical Screening Incentives Implementation Group
- ❖ Technical subcommittee to Review Cytology Performance Standards.
- ❖ Supporting Committee to the Medical and Scientific Advisory Committee for the assessment of applications relating to 'New Technologies for Screening and Treatment of Cervical Cancer.'

Dr Mitchell presented the following talks or participated in the following initiatives during 2001/2002.

- ❖ September 2001: Invited Speaker to the Victorian Branch of the Australian Society of Cytology, 'Cervical Cancer after High Grade Intraepithelial Disease,' Melbourne.
- ❖ October 2001: Invited Speaker to Australian Society of Cytology Annual Conference, 'Low Grade Epithelial Abnormalities - the Victorian Experience,' Adelaide.
- ❖ November 2001: Presenter of seminar at Centre for the Study of Mothers' and Children's Health, 'New Ways of Collecting and Reporting Pap Smears', Melbourne.
- ❖ November 2001: Invited Speaker to Cervical Screening Seminar, 'Adenocarcinoma of the Cervix,' Perth.
- ❖ December 2001: Invited Speaker to the Hong Kong Society of Cytology, 'Preventing Cancer of the Cervix - Australia's Experience,' Hong Kong.
- ❖ February 2002: Invited Lecturer to Family Planning Association course on Women's Health, Melbourne.
- ❖ March 2002: Invited Speaker to Seminar on Cancer Prevention in Women for the Spouses at the Commonwealth Heads of Government Meeting, Queensland.
- ❖ March 2002: Invited Speaker at Sexual Health Conference 'The Future of DNA Technology in Cervical Screening,' Sydney.
- ❖ April 2002: Presenter in seminar at Melbourne Sexual Health Centre, 'Cervical Screening in Australia - Our Successes, Our Continuing Problem Areas.'
- ❖ May 2002: Invited Speaker to Seminar on Gynaecological Cancer 'HPV in the 21st Century,' Hobart.

Dr Gabriele Medley continues to consult with the New Zealand Health Funding Authority . Her continued participation in these and other activities abroad provides revenue to VCS and also enhances our international reputation.

Dr Medley is a member of the following committees:

- ❖ Executive of the International Academy of Cytology
 - Chair: General Policy and Long Range Planning Committee
 - Member: Nominations Committee
 - Member: Continuing Education and Quality Assurance



Other Activities (contd)

Dr Medley presented the following talks or participated in the following initiatives during 2001/2002.

- ❖ June 2002 delivered a presentation to XI World Congress of Cervical Pathology and Colposcopy in Barcelona – “The Inconclusive (ASC-H) Smear”.
- ❖ Talk to the cytology department, Groote Schurr Hospital – Capetown South Africa.
- ❖ January 2002 - appointed by the Ministry of Health of New Zealand, to the Management Committee of the Audit of Women with Invasive Cervical Cancer.
- ❖ Has been included, with the agreement of the Director, as a Chief Investigator in a grant application to the NH&MRC from the National Centre in HIV Epidemiology and Clinical Research, “Prevalence, incidence and risk factors from progression of oral intraepithelial-epithelial neoplasia in homosexual men”. This project is an extension of work done during the 1980’s when Dr Medley developed a small screening research initiative in this group of men, together with the Walter and Eliza Hall Institute of Medical research and a general practitioner Dr Rex Melville. If the project is funded VCS will be funded to screen 1000 anal Thin Prep samples.

Conclusion

The Victorian Cytology Service has completed another challenging year in which ability to change, both within the organisation and in the broader context of the community, has been of paramount importance, particularly in light of new community expectations in relation to quality assurance. VCS has responded to these challenges by utilising the coordinated efforts of the staff, with the support of the Board of Management, the Department of Human Services and the referring base of practitioners who send smears and histology to VCS.



AGENCY CERTIFICATION

Manager's Annual Certificate

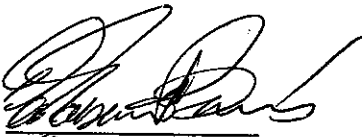
We certify that
Victorian Cytology Service Inc

Has complied with the terms and conditions of the Service Agreement for the year ended 30/06/02 and has expended funding received from the Department of Human Services on the services as specified in schedule 3 of that Agreement.

We certify that the Agency is viable to continue to provide services on behalf of the Department of Human Services.

Any financial Accountability Statements required to be provided with this return:

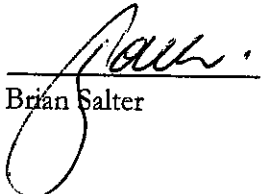
- ❖ fairly present the transactions for the year then ended and the balances as at 30/06/2002 as required by the Department of Human Services; and
- ❖ have been extracted from the accounting records of the Organisation which have been prepared on the basis of accounting policies consistent with applicable Australian Accounting Standards.
- ❖ are GST exclusive for the Statement of Revenue and Expenditure (where it is required)



Elisabeth Banks Chairperson

(SIGNATURE)

13/09/02
(DATE)



Brian Salter Principal Accounting Officer

(SIGNATURE)

13/09/02
(DATE)

VICTORIAN CYTOLOGY SERVICE INCORPORATED

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2002

	NOTES	TOTAL 2001/02 \$	TOTAL 2000/01 \$
Operating Revenue Providing Funds Inflows			
Services Supported by Health Service Agreement			
Operating Grants		5,664,400	5,275,422
Program Grants		428,495	333,928
Indirect Contributions by Human Services	2	1,885	2,230
Bank Interest	3	125,695	148,614
Loss on Sale of Equipment	4	(7,383)	9,200
Funds received for Restricted Purposes		556,431	542,241
Other		-	61
TOTAL OPERATING REVENUE PROVIDING FUNDS		6,769,523	6,311,696
Operating Expenses Requiring Funds Outflows			
Diagnostic and Medical Support Services		4,533,402	3,822,604
Administration		816,943	728,060
Program Expenditure		370,652	374,789
Engineering and Maintenance		62,661	43,387
Domestic and Catering Services		19,355	17,772
Corporate Costs Funded by Human Services	2	1,885	2,230
Workcare		21,752	27,431
Superannuation	10	302,973	333,295
Teaching and Research		19,538	12,884
Funds paid from Restricted Purposes		503,463	461,631
Doubtful Debts for Restricted Purposes		6,709	9,007
Fringe Benefits Tax		24,475	-
TOTAL OPERATING EXPENSES REQUIRING FUNDS		6,683,808	5,833,090
Operating Surplus (Deficit) Providing Funds Inflows		85,715	478,606

VICTORIAN CYTOLOGY SERVICE INCORPORATED

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE
2002**

	NOTES	TOTAL 2001/02 \$	TOTAL 2000/01 \$
Operating Expenses Not Requiring Funds Outflow			
Depreciation		455,961	438,051
Employee Entitlements Provision		175,988	129,243
		<u>631,949</u>	<u>567,294</u>
Operating Surplus (Deficit) for the year		<u>(546,234)</u>	<u>(88,688)</u>

VICTORIAN CYTOLOGY SERVICE INCORPORATED

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2002

	NOTES	TOTAL 2001/02 \$	TOTAL 2000/01 \$
Equity			
Capital			
Funds held for Restricted Purposes		858,508	812,249
Reserves			
Retained Surplus		1,136,252	1,728,745
Total Equity		<u>1,994,760</u>	<u>2,540,994</u>
Current Liabilities			
Prepaid Course Fees		15,000	27,500
Creditors		198,751	118,635
Accrued Expenses		154,681	132,564
Provision for Employee Entitlements	5	1,590,608	1,286,892
Total Current Liabilities		<u>1,959,040</u>	<u>1,565,591</u>
Non Current Liabilities			
Provision for Employee Entitlements	5	302,900	430,628
Total Liabilities		<u>2,261,940</u>	<u>1,996,219</u>
Total Equity & Liabilities		<u>4,256,700</u>	<u>4,537,213</u>
Current Assets			
Cash at bank & On Hand		413,946	67,917
Stores	6	307,842	297,644
Debtors and Accrued Revenue	7	107,040	172,584
Short Term Investments	8	2,171,620	2,372,103
Total Current Assets		<u>3,000,448</u>	<u>2,910,248</u>
Non Current Assets			
Plant & Equipment	9	900,670	1,265,336
Motor Vehicles	9	355,582	361,629
Total Non Current Assets		<u>1,256,252</u>	<u>1,626,965</u>
Total Assets		<u>4,256,700</u>	<u>4,537,213</u>

VICTORIAN CYTOLOGY SERVICE INCORPORATED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2002

	FUNDS HELD FOR RESTRICTED PURPOSES \$	RETAINED SURPLUS \$	TOTAL 2001/02 \$	TOTAL 2000/01 \$
Balance at beginning of year	812,249	1,728,745	2,540,994	2,629,682
Surplus/(Deficit) for Year	-	(546,234)	(546,234)	(88,688)
Funds transferred in for Restricted Purposes	46,259	(46,259)	-	-
Balance at end of year	<u>858,508</u>	<u>1,136,252</u>	<u>1,994,760</u>	<u>2,540,994</u>

VICTORIAN CYTOLOGY SERVICE INCORPORATED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2002

	NOTES	TOTAL 2001/02 \$	TOTAL 2000/01 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Services Supported by Health Service Agreement			
Receipts (inclusive of goods and services tax)			
Operating Grants		6,324,095	5,968,411
Program Grants		466,844	367,321
Registry Operating Grants		-	889,939
Interest		131,274	154,219
Funds received for restricted purposes		493,235	578,867
Other		-	29,594
Payments (inclusive of goods and services tax)			
Salaries and Wages		(5,468,846)	(4,379,631)
Registry Operating Grants		-	(889,939)
Other		(1,687,207)	(2,110,452)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	12	<u>259,395</u>	<u>608,329</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for purchase of plant, equipment & motor vehicles		(393,050)	(642,159)
Proceeds from disposal of plant, equipment & motor vehicles		279,201	295,941
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES		<u>(113,849)</u>	<u>(346,218)</u>
Net Increase/(Decrease) in Cash Held		145,546	262,111
Cash at start of financial year		2,440,020	2,177,909
Cash at end of financial year	11	<u>2,585,566</u>	<u>2,440,020</u>

VICTORIAN CYTOLOGY SERVICE INCORPORATED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

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 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

Assets with a value in excess of \$3,000 are capitalised. Depreciation is provided over the estimated life using the straight-line method.

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

h. 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.

i. Employee Entitlements

Liabilities for other employee entitlements not expected to be paid or settled within 12 months of balance date, are accrued in respect of all employees at the present value of future amounts.

VICTORIAN CYTOLOGY SERVICE INCORPORATED

j. 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 liability at balance date represents an accrual based on current salary levels, length of service, and probability of reaching entitlement threshold. In comparison to 2001 no provision has been made for travel and accommodation in 2002.

k. 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 have been consistently reported separately to satisfy Department of Human Service reporting requirements.

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.

From the 1/4/01 Fringe Benefits Tax has applied to the Service. The 2002 Financial Statements include the first payment of Fringe Benefits Tax.

The provision of Medical Services is exempt from GST. The Service is grouped with Victorian Cervical Cytology Registry for the GST.

n. Funds Held for Restricted Purposes

Non-government grant revenue and associated expenditure are disclosed as Funds received for or paid from Restricted Purposes.

o. Comparatives

Where necessary, comparative figures are adjusted to conform to any changes in presentation for the current year.

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 for determining the operating results for the year.

NOTE 3: BANK INTEREST

	2001/02	2000/01
	\$	\$
Bank Interest Received	<u>125,695</u>	<u>148,614</u>

NOTE 4: LOSS ON SALE OF EQUIPMENT

Equipment was sold for consideration of \$279,201.

NOTE 5: PROVISION FOR EMPLOYEE ENTITLEMENTS

	Current	Non Current	Total 2001/02	Total 2000/01
	\$	\$	\$	\$
Long Service Leave	532,334	206,976	739,310	596,627
Annual Leave	746,038	-	746,038	607,539
Accrued Days Off	54,860	-	54,860	39,054
Sabbatical Leave	257,376	95,924	353,300	474,300
Total	<u>1,590,608</u>	<u>302,900</u>	<u>1,893,508</u>	<u>1,717,520</u>

NOTE 6: STORES

	2001/02	2000/01
	\$	\$
Medical & Surgical Lines	185,040	201,329
Administration Stores	122,802	96,315
Total	<u>307,842</u>	<u>297,644</u>

VICTORIAN CYTOLOGY SERVICE INCORPORATED

NOTE 7: DEBTORS AND ACCRUED REVENUE

	2001/02	2000/01
	\$	\$
Dept of Human Services	-	106,105
Melbourne Pathology	-	2,175
Histo Pathology/Non Gynaecological Accounts Receivable	49,865	12,122
Thinprep & Papnet	34,049	35,440
Provision for Doubtful Debts for ThinPrep & Papnet	(830)	(761)
RMIT Teaching Costs	16,500	15,500
Bank Interest	(4,054)	1,525
Dr Tan (Aust Aid)	-	478
Health Funding Authority of NZ	11,510	-
Total Debtors and Accrued Revenue	<u>107,040</u>	<u>172,584</u>

NOTE 8: INVESTMENTS

Types of Investment	2001/02	2000/01
	\$	\$
Current Bank Bills and Fixed Term Investments	<u>2,171,620</u>	<u>2,372,103</u>

NOTE 9: PLANT AND EQUIPMENT

	At Cost 30.06.02	Accumulated Depreciation 30.06.02	Written Down Value at 30.06.02	Written Down Value at 30.06.01
	\$	\$	\$	\$
Plant & Equipment	2,284,860	(1,384,190)	900,670	1,265,336
Motor Vehicles	404,738	(49,156)	355,582	361,629
	<u>2,689,598</u>	<u>(1,433,346)</u>	<u>1,256,252</u>	<u>1,626,965</u>

Reconciliations

	Furniture Plant & Equipment	Vehicles
Carrying Amount as at 1/7/01	1,265,336	361,629
Additions	31,267	361,787
Disposals	(416,830)	(346,716)
Depreciation Written back on Disposals	395,611	60,130
Depreciation Amortisation	(374,714)	(81,248)
Carrying Amount as at 30/6/02	<u>900,670</u>	<u>355,582</u>

VICTORIAN CYTOLOGY SERVICE INCORPORATED

NOTE 10: SUPERANNUATION LIABILITIES

- 1) Name of Fund to which the Service contributes:
HEALTH SUPER FUND
- 2) Notional share of unfunded liability attributable to the Service: nil
- 3) Contributions are paid in accordance with the Trust Deed of Health Super Fund. Separate contributions have been historically determined for Health Super Scheme and Health Contributory Benefits.
- 4) Due to a funding surplus as at 30 June 2000, the trustees decided that registered Health Super employers will be allowed a contribution holiday for the Health Super Contributory scheme for the 2002 financial year. Despite the contribution holiday for 2002 the contributions for 2003 will be higher than the historical average. The rates for 2003 are as follows:

Schemes	Contribution Rates	
Health Super Scheme	Superannuation Guarantee – 9%	
Health Super Contributory	Employee	Employer
	0%	1%
	3%	6%
	4%	6%
	6%	10%

- 5) The rates for 2001/02 for all participating employees were:

Schemes	Contribution Rates	
Health Super Scheme	Superannuation Guarantee – 8%	
Health Super Contributory	Employee	Employer
	3%	-
	4%	-
	6%	-

- 6) Contributions made by the Service during 2001/02: \$314,202 (2000/01: \$333,295).

VICTORIAN CYTOLOGY SERVICE INCORPORATED

NOTE 11: 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.

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:

	2001/02	2000/01
	\$	\$
Operating fund		
Cash on hand & at bank	921	58,524
Cash management account	413,025	62,887
Term Deposits	71,620	67,975
Bank Bills	2,100,000	2,250,634
	<u>2,585,566</u>	<u>2,440,020</u>

NOTE 12: RECONCILIATION OF NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES TO OPERATING DEFICIT

	2001/02	2000/01
	\$	\$
Operating Surplus (Deficit)	<u>(546,234)</u>	<u>(88,688)</u>
Capital Item Expensed	21,219	20,696
Depreciation	455,961	438,052
Loss on Sale of Fixed Assets	7,383	(9,200)
Changed Assets and Liabilities		
(Decrease)/Increase in creditors	80,115	(69,357)
(Decrease)/Increase in prepaid course fees	(12,500)	850
(Decrease)/Increase in accruals	22,117	16,782
(Decrease)/Increase in employee entitlements	175,988	129,244
(Increase)/Decrease in stores	(10,198)	(50,421)
(Increase)/Decrease in debtors & accrued revenue	65,544	220,371
Net Cash provided by (used in) Operating activities	<u>259,395</u>	<u>608,329</u>

VICTORIAN CYTOLOGY SERVICE INCORPORATED

NOTE 13: DIRECTOR'S REMUNERATION

As at June 2002, 13 Directors (2000: 13) have received \$0 remuneration.

NOTE 14: 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.

2001/02	Notes	Floating Interest Rate \$	Non-Interest Bearing \$	Total 2001/02 \$	Total 2000/01 \$
Financial Assets					
Cash on deposits		413,746	200	413,946	67,917
Trade and other debtors	7	-	107,040	107,040	172,584
Investments	8	<u>2,171,620</u>		<u>2,171,620</u>	<u>2,372,103</u>
		<u>2,585,366</u>	<u>107,240</u>	<u>2,692,606</u>	<u>2,612,604</u>
Weighted average interest rate		4.70%			
Financial Liabilities					
Trade and other creditors			(198,751)	(198,751)	(118,635)
Net financial assets (liabilities)		<u>2,585,366</u>	<u>(91,511)</u>	<u>2,493,855</u>	<u>2,493,969</u>

VICTORIAN CYTOLOGY SERVICE INCORPORATED

NOTE 14: FINANCIAL INSTRUMENTS (cont.)

Reconciliation of Net Financial Assets to Net Assets

	2001/02	2000/01
	\$	\$
Net Financial Assets	2,493,855	2,493,969
Non-financial Assets & Liabilities		
Stores	307,842	297,644
Property, plant & equipment	1,256,252	1,626,965
Provisions	(1,893,508)	(1,717,520)
Other Liabilities	(169,681)	(160,064)
Net Assets per Balance Sheet	1,994,760	2,540,994

(c) Net Fair Value of Financial Assets and Liabilities

The net fair value of cash, 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.

VICTORIAN CYTOLOGY SERVICE INCORPORATED

NOTE 15: RELATED PARTY 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 2002 except where otherwise noted.

Name of Director	Date of Appointment
Associate Professor M Quinn	September-91
Dr Elisabeth Banks	September-91
Dr Julia Shelley	April-92
Ms Dorothy Reading	September-91
Ms Kate O'Brien	October-97
Professor Gordon Clunie	September-98
Dr Susan Hughes	February-99
Ms Elizabeth Kennedy	February-99
Dr Deborah Neesham	July-00
Ms Sandy Anderson	August-00
Dr Chris Bayly	March-01
Ms Patricia Hill	June-01
	Date of Resignation
Mrs Kerry Bradley	June-02



schoenfeld & co.

CHARTERED ACCOUNTANTS

INDEPENDENT AUDIT REPORT TO THE DEPARTMENT OF HUMAN SERVICES

Scope

We have audited the financial report of Victorian Cytology Service Incorporated for the financial year ended 30 June 2002 as set out on pages 1 to 14. The Board of Management is responsible for the preparation and presentation of the financial report and the information contained therein.

The financial report has been prepared for the Department of Human Services to show accountability for the grants received and not for any purpose other than that for which it was prepared. We have conducted an independent audit of this financial report in order to express an opinion on it as required by the Department of Human Services.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the requirements of the Department of Human Services.

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

Audit Opinion

In our opinion, the financial report of Victorian Cytology Service Incorporated

- (i) presents fairly the transactions for the year ended 30 June 2002 as required by the Department of Human Services; and
- (ii) have been extracted from their financial records which have been prepared on the basis of accounting policies consistent with applicable Australian Accounting Standards.
- (iii) Is GST exclusive for the Statement of Financial Performance

SCHOENFELD & CO.

CHARTERED ACCOUNTANTS

MICHAEL D SCHOENFELD

Partner

MELBOURNE, 20 September 2002

