



**Victorian Cytology Service**

A.B.N. 35 430 554 780

# **Annual Report 2003**

**for the year ended 30 June**

## Table of Contents

	Page
Historical Background of VCS .....	2
2002 - 2003 Activity.....	4
Board of Management.....	6
Senior Officers of VCS .....	7
Diagnostic Activities.....	8
Financial Activities.....	9
Fixed Asset Purchases.....	9
Staff.....	10
Training and Education .....	11
Quality Assurance .....	14
Director/Deputy Director Activities .....	15
Conclusion .....	17

### Appendix A

Financial Statements of Victorian Cytology Service Incorporated

### Appendix B

Auditor's Report

## Historical Background of VCS

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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)

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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.

## 2002 – 2003 Activity

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### Internal Activities

Continuous quality improvement and quality assurance continue to be the key focus of internal activities within VCS.

In order to improve the consistency of recommendations for management and to ensure that we comply with NH&MRC Guidelines, we have rolled out a new area of functionality in the IT system. This new functionality is a decision support tool which offers a reporting scientist or pathologist the appropriate clinical recommendation, taking into account the clinical history, the cytological history and the findings in the current Pap smear. The development of this new IT functionality has needed a considerable cooperative effort from the medical staff, the scientific staff, office staff and the IT staff. The formulation of the functional specifications required an extensive review of our policy in relation to recommendations, highlighting gaps in existing policy which have now been addressed. It is pleasing to see that the IT staff have developed to the level where this kind of work can be done in-house without the need for outside consultants and it is also pleasing to see the level of cooperation achieved across multiple departments in bringing this project to completion.

### External Activities

*Review of NH&MRC Guidelines for the Management of Women with Screen Detected Abnormalities.* This review is now well underway with the first draft of the document nearing completion. Doctors' Mitchell and Saville both served on the review group and Dr Saville chaired the Terminology Working Group.

With the cooperation of Australian Cervical Cytology Registries, Dr Mitchell produced two reports, the first on the outcome of women with low-grade abnormalities and the second on the outcome of women with glandular abnormalities. These two reports have substantially informed the recommendations within the new document.

Dr Saville has written the draft chapter on terminology, as chair of this working group.

#### *National Pathology Accreditation Advisory Committee*

This group is currently revising the requirements for gynaecological cytology. It has established an expert committee to undertake this review and Dr Saville has served on this committee. This document has been drafted and released for public consultation.

In addition "Performance Standards for Australian Laboratories Reporting Cervical Cytology" will be included as an appendix to the revised "Requirements for Gynaecological (Cervical) Cytology". A technical subcommittee has been appointed to review the performance standards prior to their inclusion in the revised NPAAC requirements. Dr Mitchell and Dr Saville have both served on the Technical Subcommittee. There has been substantial work in developing revised performance standards and reviewing and responding to the large number of responses received during the public consultation phase.



## 2002 – 2003 Activity (contd)

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### *Medical Services Advisory Committee*

This group makes recommendations regarding the listing of new items on the Medicare Benefits Schedule. The group has established a cervical cytology supporting committee, which is examining a number of external applications from manufacturers of new tests and a number of internal references from the Department of Health and Ageing. Drs Mitchell and Saville have both served on this committee which has produced two reports, “Human Papilloma Virus Testing In Women With Cytological Prediction of Low-Grade Abnormality” and “Liquid Based Cytology for Cervical Screening”. Three further reports are under preparation.

### *Bowel Cancer Screening Pilot*

Dr Saville served, by invitation, on the Tender Evaluation Committee for the Supply of Analysis of Pilot Fecal Occult Blood Tests.

### *Histopathology Tender*

With the assistance of several VCS staff members and an external statistical contractor (Ms Jane Hocking) Dr Saville has prepared a draft final report for this project. This draft was considered at a meeting of the Histopathology Working Group in June and VCS was congratulated on the production of an excellent draft report. The work required to produce the final report is ongoing and the project is nearing completion.

## **Research**

A manuscript describing the VCS experience with rapid prescreen of cervical cytology specimens “Randomised Control Trial Evaluating Rapid Prescreen of Cervical Cytology” has been submitted to the journal “Cytopathology”.

A project grant application has been submitted to the NH&MRC for a randomised control trial of ThinPrep vs. conventional cytology. The proposed trial would be very large and would involve the cooperation of four interstate laboratories. VCS is grateful that the Cancer Council of Victoria have very kindly agreed to act as the administering organisation for this application.

## **Cytopathology & Cytotechnology Courses**

The course for cytotechnologists held in July 2002 was once again fully subscribed. Unfortunately the cytopathologist course was cancelled because of the unusually heavy workload VCS was experiencing during this period. The registrants who had shown interest were given first priority for the 2003 course.

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

## **Whistleblowers Protection Act**

On January 1<sup>st</sup> 2002, the Victorian Whistleblowers Protection Act came into effect. VCS have provided policy to facilitate the making of disclosures, where it is believed improper or corrupt conduct has occurred, is occurring or about to occur in the management or conduct of VCS, (including apprehension of detriment).

There were no reported incidents in 2002-2003.



## Board of Management

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

Ms Kate O'Brien, who filled the role of "*a person with expertise in management and accounting*" resigned in September 2002. Ms O'Brien's appointment to the Board was approved by Minister of Health in 1997. VCS is extremely grateful for the time and energy that Ms O'Brien was able to commit to the Board over the last five years.

Two new members of the Board were approved by the Minister of Health in March 2003 to fill the vacancies left by Kerry Bradley (Honorary Treasurer) who resigned mid 2002 and Ms O'Brien.

VCS welcomed Ms Juliann Byron (Honorary Treasurer) and Dr Peter Hughes "*a person with expertise in management and accounting*". Both members have extensive expertise in their respective fields and have already made substantial contributions to the management of VCS.

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 for 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.

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### Board Members

Professor Michael Quinn  
Dr Elisabeth Banks (Chairman)  
Dr Chris Bayly  
Ms Juliann Byron  
Professor Gordon Clunie  
Ms Pat Hill  
Dr Peter Hughes

Dr Susan Hughes  
Ms Sandy Anderson  
Ms Elizabeth Kennedy  
Dr Deborah Neesham  
Ms Dorothy Reading  
Dr Julia Shelley

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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.

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## Senior Officers of Victorian Cytology Service Incorporated

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### **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)

### **Health Information Manager VCCR**

Valerie Scott

### **Acting External Teaching Coordinator**

Noni Christou  
BAppSc, CT (ASC)

### **Accountant**

Chris Platford BBus(Acc)

### **Personnel Officer**

Sally Wilson

### **Quality Manager**

John Good BAppSc





## Diagnostic Activities

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The number of Papanicolaou tests received during the year was 284,994 up from 281,076 in 2001/2002.

	2002		2003
July	25,239	January	20,861
August	23,834	February	27,201
September	21,646	March	25,975
October	24,721	April	22,799
November	22,649	May	27,217
December	19,302	June	23,550

31 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.

2333 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 38.9% increase in the number of tests since the previous year.

In this financial year there have been 790 PAPNET tests requested. This represents a reduction of 327 tests from the previous year's total of 1,117. Due to the continued decline in PAPNET requests and with VCS Board approval VCS will no longer be accepting requests for Papnet.

During 2002/2003 there were 12,662 ThinPrep tests requested compared to 11,693 in the previous financial year



## Financial Activities

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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 2002/2003 was approved on 11 November 2002.

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

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Fixed Asset purchases for the financial year 2002/2003 were as follows.

Microscopes	\$22,258.07
Printer	\$8,069.00
<b>Total</b>	<b>\$30,327.07</b>



## Staff

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

Cytopathologists remain scarce both in Australia and overseas. VCS has been fortunate this year to have had a stable situation with respect to medical staff. Dr Karen Talia commenced employment as a trainee cytopathologist in February 2002 and left in December 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 management of the organisation recognises the hard work put in by the scientists in maintaining both productivity and quality within the usual daily work. Management also appreciates the high proportion of staff making themselves available for considerable amounts of overtime work during peak periods this year.

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 stability of our IT staff has facilitated the development of the system since these long standing staff have a particularly good understanding of our business.

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

Our Liaison Physician and Client Services Officer continue to enhance the reputation of VCS. They assist practitioners with a range of practical matters and present a large number of lectures and workshops for health practitioners in the area of cervical screening. In this way they enhance the reputation of VCS and our commitment to quality assurance.

## Training and Education

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### Cytopathologists

Pathologists are encouraged to meet with peers from other laboratories to exchange information. Attendance and participation at meetings of learned societies, locally, interstate and internationally is actively encouraged and supported.

Regular sessions with the pathologists and members of the Dysplasia Clinic staff from the Royal Women's Hospital are held at the multi-headed microscope. Clinico-pathological correlation of cytology with biopsy specimens forms the basis of clinical decision making to optimise the future management of women. In addition these sessions allow the cytopathologist to continue to fine tune their microscopic skills.

Pathologists have access to IT functionality which enables them to record cases that have been reviewed in conjunction with colleagues at the multi-headed microscope, to label cases as being of interest for teaching purposes, and also to label cases that have been of particular interest to an individual pathologist so that they will automatically receive any follow-up information recorded on the cytology information system as soon as this is available. This package of IT enhancements is designed to contribute to pathologists ongoing education and improvement.

### Internal Initiatives

The annual practical two-week course for pathologists wishing to report cytology was cancelled in 2002. This was as a result of a particularly high workload. However, practitioners who had expressed interest in attending the course in 2002 will be given priority for the course to be held in 2003.

VCS pathologists take part in the quality assurance protocols of the Royal College of Pathologists of Australasia (RCPA) and the American Society of Clinical Pathologists (ASCP) in both histopathology and cytopathology. Performance continues to be well above average. There is continuing participation in educational activities of the Royal Melbourne Institute of Technology.

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

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### **Scientists**

#### **Internal Initiatives**

The internal program continues to have three elements.

##### **High Standard of Performance for trainees**

Five scientists trained successfully last year and were offered ongoing employment with VCS. 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 quality data generated by the cytology information system.

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 continue to include ThinPrep, non-gynae and anatomical pathology.

#### **External Initiatives**

In June 2003, two 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 2003. 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 Sydney during October 2002. Two members of VCS scientific staff attended this meeting. VCS provided financial support for conference registration for both scientists.

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, was held in July 2002. 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)

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### **External Initiative for GP education**

VCS offers workshops in cervical cytology. Interest in the workshops conducted by Liaison Physician, Dr Stella Heley and our Client Services Officer Ms Lisa Garay has been steadily increasing. These workshops cover all aspects of the cervical screening program, from the technique of taking a quality Pap smear to the advent and advisability of using the new technologies.



## Quality Assurance

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### **NATA Accreditation Activities**

A number of initiatives which were commenced in 2001 as requirements for Australia Standard AS ISO/IEC 17025 accreditation and now continue on an annual basis. This structure gives us a formal framework for continuous improvement.

*Annual Management Reviews* - VCS has recently undertaken its third 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. An aggregate review of complaints enables us to identify systematic problems and implement corrective action.

*Quality Improvement Requests* - These are made by VCS staff when errors are identified in work practices. They are reviewed individually and also in aggregate, in order to identify systematic problems and to take appropriate corrective action.

*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**

In 2001 a range of new quality measures was introduced which specifically address the quality of reporting by cytopathologists, at an individual practitioner level. The decision to introduce these measures was entirely voluntary, as no external accreditation body currently 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 and indeed in cervical histology. The results of these activities are included in quarterly reports to the Board of Management.

Last year we added a new measure which looks at the positive predictive value of a "possible high-grade abnormality" report on an individual practitioner basis.

The performance of individual pathologists continues to be excellent and the package of measures provides objective evidence for this.

### **Scientists Activities**

The quality assurance measures for scientists were re-written in 2001 with a number of new measures introduced. These were particularly aimed at examining the ability of senior scientists to carry out tasks unique to their role. The activities undertaken in this area are also summarised in the quarterly report to the board of management.

## Director/Deputy Director Activities

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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
- ❖ 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.'
- ❖ Royal College of Pathologists of Australasia Cytopathology Advisory Committee.
- ❖ Tender Evaluation Committee for the Purchase of Fecal Occult Blood Test Pathology Analysis - Commonwealth Department for Health and Ageing

Dr Saville presented the following talks during 2002/2003:

- ❖ Royal College of Pathologists - New Zealand Annual Scientific Meeting, October 2002 – The VCS Prescreen Trial 10th Sep – 14<sup>th</sup> Dec 2001 & Mimics of High Grade Abnormalities of the Cervix.
- ❖ Australian Society Cytology Meeting 18-20<sup>th</sup> October 2002 - Sydney



## Director/Deputy Director Activities (contd)

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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
- ❖ Monitoring Working Group, National Breast Cancer Centre
- ❖ Executive Committee, Australian NHMRC Twin Registry
- ❖ Advisory Committee for PapScreen Victoria
- ❖ 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 2002/2003:

- ❖ August 2002: Invited lecturer to Family Planning Association course on Women's Health, Melbourne.
- ❖ September 2002: Invited speaker to Women's Health Conference, 'Cervical Screening. State of the Art Current Practice & Future Trends'.
- ❖ March 2003: Invited speaker to NSW branch meeting of Australian Society of Cytology, 'What happens to Australian women who receive a low grade cytology report, and still more on false negatives..?'
- ❖ April 2003: Presenter at PapScreen Victoria Planning Day.

## Conclusion

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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

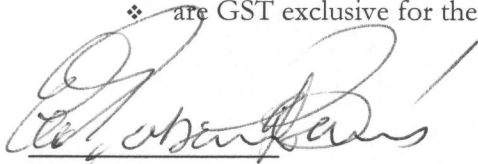
Has complied with the terms and conditions of the Service Agreement for the year ended 30/06/03 and has expended funding received from the Department of Human Services on the services as specified in schedule 3 of that Agreement.

We certify that, Victorian Cytology Service Inc, is a financially viable Agency to continue to provide services on behalf of the Department of Human Services.

We certify that, Victorian Cytology Service Inc, is required to produce audited financial statements and has adhered to the relevant incorporation governing legislation in respect of financial account preparation and lodgement and any other requirements as specified by the relevant governing legislation.

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 30/06/2003 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)

12/09/03  
(DATE)

\_\_\_\_\_  
Chris Platford

Principal Accounting Officer

  
(SIGNATURE)

12/9/03  
(DATE)

# VICTORIAN CYTOLOGY SERVICE INCORPORATED

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2003

	NOTES	TOTAL 2002/03 \$	TOTAL 2001/02 \$
<b>Revenue from Ordinary Activities</b>			
Operating Grants		6,431,010	5,664,400
Program Grants		457,774	428,495
Indirect Contributions by Human Services	3	1,960	1,885
Bank Interest	4	133,525	125,695
Trading Activities		737,133	556,431
		<b><u>7,761,402</u></b>	<b><u>6,776,906</u></b>
<b>Expenses</b>			
Diagnostic and Medical Support Services		5,457,623	5,058,590
Administration		921,354	920,382
Program Expenditure		371,720	370,652
Trading Activities		591,877	503,463
Bad and Doubtful Debts for Trading Activities		10,495	6,709
Depreciation		395,577	455,961
Loss on Sale of Equipment		8,036	7,383
		<b><u>7,756,682</u></b>	<b><u>7,323,140</u></b>
<b>Operating Surplus /(Deficit) from Ordinary Activities Attributable to the Association</b>		<b><u>4,720</u></b>	<b><u>(546,234)</u></b>

# VICTORIAN CYTOLOGY SERVICE INCORPORATED

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2003

	NOTES	TOTAL 2002/03 \$	TOTAL 2001/02 \$
<b>Equity</b>			
Retained Surplus	12	1,999,480	1,994,760
<b>Total Equity</b>		<b><u>1,999,480</u></b>	<b><u>1,994,760</u></b>
<b>Current Liabilities</b>			
Accounts Payable	7	331,176	368,432
Provision for Employee Entitlements	6	1,568,038	1,590,608
<b>Total Current Liabilities</b>		<b><u>1,899,214</u></b>	<b><u>1,959,040</u></b>
<b>Non Current Liabilities</b>			
Provision for Employee Entitlements	6	420,415	302,900
<b>Total Liabilities</b>		<b><u>2,319,629</u></b>	<b><u>2,261,940</u></b>
<b>Total Equity &amp; Liabilities</b>		<b><u>4,319,109</u></b>	<b><u>4,256,700</u></b>
<b>Current Assets</b>			
Cash at bank & On Hand		410,628	413,946
Stores	8	73,469	307,842
Debtors and Accrued Revenue	9	173,251	107,040
Short Term Investments	10	2,589,302	2,171,620
Prepayments		41,706	-
<b>Total Current Assets</b>		<b><u>3,288,356</u></b>	<b><u>3,000,448</u></b>
<b>Non Current Assets</b>			
Plant & Equipment	11	614,112	900,670
Motor Vehicles	11	416,641	355,582
<b>Total Non Current Assets</b>		<b><u>1,030,753</u></b>	<b><u>1,256,252</u></b>
<b>Total Assets</b>		<b><u>4,319,109</u></b>	<b><u>4,256,700</u></b>

# VICTORIAN CYTOLOGY SERVICE INCORPORATED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2003

	NOTES	TOTAL 2002/03 \$	TOTAL 2001/02 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Services Supported by Health Service Agreement</b>			
<b>Receipts</b>			
Operating Grants		6,396,915	6,324,095
Program Grants		457,774	466,844
Interest		117,673	131,274
Funds received for restricted purposes		680,139	493,235
<b>Payments</b>			
Salaries and Wages		(5,988,330)	(5,468,846)
Other		(1,071,534)	(1,687,207)
<b>NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES</b>	<b>15</b>	<b><u>592,637</u></b>	<b><u>259,395</u></b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Payments for purchase of plant, equipment & motor vehicles		(525,195)	(393,050)
Proceeds from disposal of plant, equipment & motor vehicles		346,922	279,201
<b>NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES</b>		<b><u>(178,273)</u></b>	<b><u>(113,849)</u></b>
<b>Net Increase/(Decrease) in Cash Held</b>		<b>414,364</b>	<b>145,546</b>
<b>Cash at start of financial year</b>		<b>2,585,566</b>	<b>2,440,020</b>
<b>Cash at end of financial year</b>	<b>14</b>	<b><u>2,999,930</u></b>	<b><u>2,585,566</u></b>

# VICTORIAN CYTOLOGY SERVICE INCORPORATED

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the requirements of the Associations Incorporations Act 1981.

The financial report covers Victorian Cytology Service Inc. as an individual entity. It is an association incorporated on 3 September 1991 in Victoria under the Association Incorporation Act 1981.

The financial report has been prepared on an accruals basis and is based on historical costs. The statements do not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the Association in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### a. Investments

Investments are valued at cost.

#### b. Property, Plant and Equipment

Each class of property, plant and equipment are carried at cost or fair value less, where applicable, any accumulated depreciation. Assets are capitalised when in excess of \$3,000.

#### c. Depreciation

The depreciable amount of all fixed assets are depreciated on a straight line basis over the useful lives of the assets to the association commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable asset are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	5 – 50%
Motor vehicles	20%

#### d. Stores

Stores are measured at the lower of cost and net realisable value.

#### e. Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the association, are classified as finance leases. Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the association will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

## VICTORIAN CYTOLOGY SERVICE INCORPORATED

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

**f. Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries, and annual leave which will be settled after one year, have been measured at their nominal amount. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the association to an employee superannuation fund and are charged as expenses when incurred.

**g. Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The provision of medical supplies is exempt from GST and the Service is grouped with Victorian Cervical Cytology Registry for the GST.

**h. Revenue**

Service revenue is recognised upon the delivery of the service to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

**i. Comparatives**

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

**j. Change in Accounting Policy**

Historically a distinction has been made between Retained Surplus and Funds held for Restricted Purposes in Equity, from Statement of Financial Position as at 30<sup>th</sup> June 2003. This distinction is considered uninformative and has been withdrawn within the financials effective 30 June 2003.



# VICTORIAN CYTOLOGY SERVICE INCORPORATED

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

### NOTE 2: INCOME TAX

The Service is a non-profit organisation exempt from Income Tax..

### NOTE 3: 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 4: BANK INTEREST

	2002/03 \$	2001/02 \$
Bank Interest Received	<u>133,525</u>	<u>125,695</u>

### NOTE 5: SURPLUS FROM ORDINARY ACTIVITIES

Surplus from Ordinary Activities has been determined after:

Auditors Remuneration	6,670	7,000
Rental Expense on Operating Leases	31,376	30,382

### NOTE 6: PROVISION FOR EMPLOYEE ENTITLEMENTS

	Current \$	Non Current \$	Total 2002/03 \$	Total 2001/02 \$
Long Service Leave	510,782	275,361	786,143	739,310
Annual Leave	765,912	-	765,912	746,038
Accrued Days Off	48,143	-	48,143	54,860
Sabbatical Leave	243,201	145,054	388,255	353,300
Total	<u>1,568,038</u>	<u>420,415</u>	<u>1,988,453</u>	<u>1,893,508</u>

### NOTE 7: ACCOUNTS PAYABLE

	Total 2002/03 \$	Total 2001/02 \$
Prepaid Course Fees	18,500	15,000
Creditors	19,304	57,257
Accrued Expenses	140,559	154,681
GST	152,813	141,494
Total	<u>331,176</u>	<u>368,432</u>

**VICTORIAN CYTOLOGY SERVICE INCORPORATED**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30 JUNE 2003**

	2002/03 \$	2001/02 \$
<b>NOTE 8: STORES</b>		
Medical & Surgical Lines	34,077	185,040
Printing	39,392	122,802
Total	<u>73,469</u>	<u>307,842</u>

**NOTE 9: DEBTORS AND ACCRUED REVENUE**

	2002/03 \$	2001/02 \$
Dept of Human Services	1,340	-
Histo Pathology/Non Gynaecological Accounts Receivable	24,000	49,865
Thinprep & Papnet	69,780	34,049
Provision for Doubtful Debts for ThinPrep & Papnet	(1,770)	(830)
RMIT Teaching Costs	16,500	16,500
Bank Interest	11,800	(4,054)
Health Funding Authority of NZ	-	11,510
University of Ontago – NZ	51,601	-
<b>Total Debtors and Accrued Revenue</b>	<u>173,251</u>	<u>107,040</u>

**NOTE 10: INVESTMENTS**

	2002/03 \$	2001/02 \$
Types of Investment		
Current Bank Bills and Fixed Term Investments	<u>2,589,302</u>	<u>2,171,620</u>

# VICTORIAN CYTOLOGY SERVICE INCORPORATED

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

### NOTE 11: PLANT AND EQUIPMENT

	At Cost 30.06.03	Accumulated Depreciation 30.06.03	Written Down Value at 30.06.03	Written Down Value at 30.06.02
	\$	\$	\$	\$
Plant & Equipment	2,315,188	(1,701,076)	614,112	900,670
Motor Vehicles	450,858	(34,217)	416,641	355,582
	<u>2,766,046</u>	<u>(1,735,293)</u>	<u>1,030,753</u>	<u>1,256,252</u>

#### Reconciliations

	Furniture Plant & Equipment	Vehicles
Carrying Amount as at 1/7/02	900,670	355,582
Additions	30,317	494,868
Disposals	-	(448,748)
Depreciation Written back on Disposals	-	93,630
Depreciation Amortisation	(316,875)	(78,691)
Carrying Amount as at 30/6/03	<u>614,112</u>	<u>416,641</u>

### NOTE 12: RETAINED SURPLUS

	2002/03	2001/02
Opening Balance 01/07/02	1,994,760	2,540,994
Movement	4,720	(546,234)
Closing Balance 30/06/03	1,999,480	1,994,760

### NOTE 13: SUPERANNUATION LIABILITIES

- 1) Name of Fund to which the Service contributes:  
HEALTH SUPER FUND
- 2) Notional share of unfunded liability attributable to the Service: \$337,190
- 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) The rates for 2001/02 and 2002/03 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%

# VICTORIAN CYTOLOGY SERVICE INCORPORATED

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

### 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.

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:

	2002/03 \$	2001/02 \$
<b>Operating fund</b>		
Cash on hand & at bank	166,907	921
Cash management account	243,722	413,025
Term Deposits	-	71,620
Bank Bills	2,589,301	2,100,000
	<u>2,999,930</u>	<u>2,585,566</u>

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

	2002/03 \$	2001/02 \$
<b>Operating Surplus (Deficit)</b>	<u>4,720</u>	<u>(546,234)</u>
Capital Item Expensed	-	21,219
Depreciation	395,577	455,961
Loss on Sale of Fixed Assets	8,195	7,383
Changed Assets and Liabilities		
(Decrease)/Increase in accounts payable	(37,256)	89,732
(Decrease)/Increase in employee entitlements	94,945	175,988
(Increase)/Decrease in stores	234,373	(10,198)
(Increase)/Decrease in debtors & accrued revenue	(66,211)	65,544
Prepayments	(41,706)	-
<b>Net Cash provided by (used in)</b>		
<b>Operating activities</b>	<u>592,637</u>	<u>259,395</u>

# VICTORIAN CYTOLOGY SERVICE INCORPORATED

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

### NOTE 16: DIRECTOR'S REMUNERATION

As at June 2003, 13 Directors (2002: 13) have received \$0 remuneration.

### NOTE 17: FINANCIAL INSTRUMENTS

#### a) Credit Risk Exposures

The credit risk on financial assets of the organisation, which have been recognised on the Statement of Financial Position, 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.

2002/03	Notes	Floating Interest Rate \$	Non-Interest Bearing \$	Total 2002/03 \$	Total 2001/02 \$
<b>Financial Assets</b>					
Cash on deposits		410,428	200	410,628	413,946
Trade and other debtors	9	-	173,251	173,251	107,040
					2,171,620
Investments	10	2,589,302		2,589,302	
Prepayments		-	41,706	41,706	-
		<u>2,999,730</u>	<u>215,157</u>	<u>3,214,887</u>	<u>2,692,606</u>
Weighted average interest rate		4.78%			
<b>Financial Liabilities</b>					
Accounts Payable	7		(331,176)	(331,176)	(368,432)
<b>Reconciliation of Net Financial Assets to Net Assets</b>				<b>2002/03 \$</b>	<b>2001/02 \$</b>
Net Financial Assets				2,883,711	2,324,174
Stores	8			73,469	307,842
Property, plant & equipment	11			1,030,753	1,256,252
Provisions				(1,988,453)	(1,893,508)
				<u>1,999,480</u>	<u>1,994,760</u>
Net Assets per Balance Sheet					

# VICTORIAN CYTOLOGY SERVICE INCORPORATED

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

### (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.

### NOTE 18: 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 2003 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
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
Ms Juliann Byron	March – 03
Dr Peter Hughes	March -03
	Date of Resignation
Mrs Kate O'Brien	September-02

**INDEPENDENT AUDIT REPORT  
TO THE MEMBERS OF THE  
VICTORIAN CYTOLOGY SERVICE INCORPORATED**

**Scope**

We have audited the financial report of Victorian Cytology Service Incorporated ("The Association") for the year ended 30 June 2003 as set out on pages 1 to 11. The Board of Management ("The Board") is responsible for the financial report and has determined that the accounting policies used are consistent with the financial reporting requirements of the Associations Incorporation Act 1981 and The Association's constitution and are appropriate to meet the needs of the Department of Human Services ("The Department"). We have conducted an independent audit of this financial report in order to express an opinion on it to The Department. No opinion is expressed as to whether the accounting policies used are appropriate to the needs of The Department.

The financial report has been prepared for distribution to The Department for the purpose of fulfilling The Board's accountability requirements. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than The Department, or for any purpose other than that for which it was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation 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 accounting policies described in the Note to the financial report. (These policies do not require the application of all Accounting Standards and UIG Consensus Views).

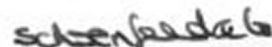
The audit opinion expressed in this report has been formed on the above basis.

**Audit Opinion**

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

- (i) gives a true and fair view of the financial position as at 30 June 2003 and its financial performance for the year then ended, and is in accordance with the Associations Incorporations Act 1981;
- (ii) presents fairly the transactions for the year ended 30 June 2003 as required by the Department of Human Services; and
- (iii) have been extracted from their financial records which have been prepared on the basis of accounting policies consistent with applicable Australian Accounting Standards.
- (iv) Is GST exclusive for the Statement of Financial Performance

**SCHOENFELD & CO.**



**CHARTERED ACCOUNTANTS**



**MICHAEL D SCHOENFELD**

Partner

Melbourne

30-09-2003

