





Annual Report 2005



Victorian Cytology Service

A.B.N 35 430 554 780

A stylized map of Australia is the central focus, rendered in a light blue color. The map is set against a dark blue background that features a repeating pattern of light blue circles and floral motifs. The map itself is decorated with a delicate, light blue floral and vine pattern. The overall design is clean and professional, with a clear focus on the geographical representation of Australia.

Vision

To earn recognition as the Australian centre of excellence in cervical cytology.

Mission Statement

To prevent avoidable suffering from cancer of the cervix by the provision of a high quality and efficient laboratory service for reporting Pap tests.

Contents

| | |
|--------------------------------------|----|
| Organisational Overview | 4 |
| President's Report | 5 |
| Director's Report | 6 |
| Highlights from 2004–2005 | 7 |
| Board Members | 8 |
| Senior Officers | 10 |
| Victorian Cervical Cytology Registry | 11 |

Financial Reports 13

| | |
|---|----|
| Treasurer's Report | 14 |
| Statement of Financial Performance | 15 |
| Statement of Financial Position | 16 |
| Statement of Cash Flows | 17 |
| Notes to and forming part of the Financial Report | 18 |
| Agency Certification | 23 |
| Independent Audit Report | 24 |

Appendices 25

| | |
|---|----|
| Appendix One | 26 |
| – Victorian Cytology Service External Committee Involvement | |
| Appendix Two | 27 |
| – Victorian Cytology Service Training | |
| – Victorian Cytology Service Accreditation Program | |
| – Whistleblowers' Protection | |

Organisational Overview

Victorian Cytology Service (VCS) was established in 1965 as a joint initiative between the Victorian State Government and the Anti-Cancer Council as a not for profit enterprise to be a specialist service provider of gynaecological screening for Victorian women. In 1991 VCS was incorporated under the Associations Incorporation Act 1981 with a Board appointed by the Minister for Health.

From humble beginnings VCS has expanded to become a very large gynaecological cytology laboratory, highly respected both in Australia and internationally.

The organisation's core service delivery is the reporting of around 290,000 conventional Pap tests per annum, representing approximately 50% of the total number of Pap tests taken in Victoria and making it the largest single laboratory reporting Pap tests in Australia. Commonwealth and State Government funding ensures that the Pap screening service is provided free of charge. External revenue generating initiatives include the reporting of approximately 18,000 ThinPrep gynaecological cytology specimens and 2,000 gynaecological histology specimens. Revenue generated through these initiatives is invested back into the Service through its programs and its staff.

VCS is closely associated with the Victorian Cervical Cytology Registry (VCCR) which provides the community with vital infrastructure support and health information. VCCR records the results of almost all of the Pap tests performed in Victoria. It administers a comprehensive Reminder and Follow-up program for each Victorian woman who has her Pap test result listed with the VCCR. VCCR is housed, serviced and supported within VCS premises.

VCS's role extends beyond the provision of gynaecological cytology screening services. It plays a key role as a centre for research and teaching and assists state and federal governments with policy formulation.

The Victorian Cytology Service:

- is a teaching and training centre for Diagnostic Cytology, with links with major teaching hospitals and universities. VCS trains at least one cytopathologist and five cytotechnologists each year
- conducts and supports scientific research such as investigations into new technologies and the epidemiology of cervical cancer, leading to publication of findings in international scientific literature
- provides educational sessions for medical practitioners and health professionals to assist them in refining their skills and improving the way Pap tests are performed.

VCS has a multimillion dollar budget with 60% of funds supplied by the Federal Government and 30% provided by the Victorian State Government. It operates under a Pricing & Funding Agreement with the Department of Human Services.

VCS employs more than 100 staff in a variety of roles. These include administration, clerical, scientific and specialist medical staff, couriers, information technology specialists and marketing/client service staff. VCCR employs a further 20 staff in a variety of roles.

VCS is an Equal Employment Opportunity (EEO) employer and a 'smoke free' workplace.



President's Report

During 2004/05 Victorian Cytology Service has maintained its leadership role in providing high quality cervical cytology services, research and teaching, responding efficiently to the demands created by an extensive media campaign and continuing to deliver an impressive market share of 49%.

During the year the organisation trained seven scientists in an effort to lessen the chronic shortage of cytotechnologists in the marketplace, provided additional training for international and Australian cytopathologists and cytotechnologists and conducted 54 information sessions for 568 doctors and nurses in metropolitan and regional areas.

The organisation has continued to provide a significant contribution to the development of policy at both the state and federal level and has worked extensively in the process. This resulted in the adoption of the new NHMRC Guidelines for the management of asymptomatic women with screen-detected abnormalities. The new guidelines will take effect on 1 July 2006.

The success achieved in all departments has been due to the hard work and efforts of the staff. The Board recognises that their contribution ensures the organisation continues to make the necessary changes in order to maintain the quality work of the Service and steer toward the requirements of the future. The Board sincerely thanks all staff for their dedication, professionalism and commitment to the Service.

I would also like to acknowledge and thank my fellow Board members for their significant contribution and particularly the valuable contribution of Dr Elisabeth Banks who has recently retired as President. Over the past 12 months the Board has extensively reviewed the VCS Rules of Incorporation and Statement of Purpose to accurately reflect the governance and future direction of the organisation.

Victorian Cytology Service is also fortunate to again be supported by a number of key partners, including the Victorian Department of Human Services and the Commonwealth Department of Health and Ageing, who together provide almost 90% of our funding. This year Victorian Cytology Service was also fortunate to have received a sizeable grant from the Victorian Department of Human Services enabling the organisation to replace a range of medical equipment, furniture and fittings.

Other key partners include a number of universities and teaching facilities including the University of Melbourne and the Royal Melbourne Institute of Technology.

I would like to thank Dr Marion Saville for her leadership and outstanding contribution as Director of the Service, Dr Heather Mitchell whose current and past contribution to the Service is so very highly valued and Mark Van Zuylekom whose significant contribution as Business Manager continues to ensure the effective work of the Service.

Finally, I would like to recognise the community we serve, the practitioners and Victorian women who refer Pap tests to us. Without their continued support we would not be able to continue to deliver such a high quality service.



Ms Sandy Anderson
President
Victorian Cytology Service Inc.

Director's Report

We have concluded another successful year at VCS. Last year we undertook our inaugural client survey which showed extremely high levels of satisfaction from referring practitioners. This year we repeated the survey with 98% of respondents rating VCS service quality as high or very high, a small improvement on the result from the 2004 survey.

These results are a reflection of the excellent performance of VCS staff in all areas. I thank them for their continued high level of professionalism and commitment to providing the highest quality gynaecological screening services.

The work of the organization would not be possible without the continuing support of referring practitioners. Market share remains stable and we continue to report about half of the Pap tests which are collected in Victoria. We thank our referring practitioners for their ongoing loyalty and support.

This year senior VCS staff have made important contributions to the development of policy at a national level and we have continued to undertake policy driven research.

We have continued to invest in the service. This year we have undertaken a planned upgrade of infrastructure, particularly our IT infrastructure with upgrades of hardware and software.

With the implementation of new NHMRC guidelines for the management of women with screen detected abnormalities of the cervix, there will be a new terminology framework in Australia and a new coding schedule agreed with Registries around Australia.

This means that VCS and VCCR will need a major software upgrade to enable us to comply with the new guidelines by the 1st July 2006. Work is well underway in this area. It is requiring a high level of professionalism and cooperation from staff in operational areas and staff in the IT area. This work is progressing well and we anticipate being able to meet our deadline comfortably.

This year we have trained 7 new scientists. We have also run our external courses for scientists and pathologists around Australasia. Following feedback from participants and a survey of external pathologists and scientists we plan to restructure the course so that it will be broken into basic and advanced components and attended by pathologists and scientists together, according to their level of experience.

I would like to thank our President Sandy Anderson and the Board for their ongoing support and guidance. Outside the regular scheduled Board meetings, individual Board members have made themselves available to provide specific advice in their areas of expertise. I am very grateful for their willingness to assist the organization in this way.

Finally, I would like to thank Dr Heather Mitchell who has announced her intention to retire by the end of this year. Dr Mitchell has been working with VCS and the VCCR since 1985. Her time here has been characterized by commitment and quiet achievement. Her contribution to the organization and to the screening programme both at a state and national level has been substantial and valuable. She has published internationally significant research. I have no doubt that she will be missed by the staff of VCS and VCCR and many people working in the cervical screening programme around Australia. At a personal level I will miss her friendship and integrity enormously. However, as with everything Heather does, she will leave us well prepared to take on the challenges ahead.



Marion Saville
Director
Victorian Cytology Service Inc.

Highlights for 2004–05

Delivery

Our liaison physician Dr Stella Heley and Client Services Officer, Lisa Garay have visited approximately 54 clinics and divisions in both metropolitan and regional centres providing either day or night time educational services to 568 G.Ps and nurses.

To create awareness of the services VCS have to offer trade displays have been introduced. Those attended in the past 12 months include:

- ASC conference in Oct 2004
- 47th Annual Scientific Convention for GPs in Aust by The Royal Australian College of General Practitioners
- Women's Health Education Day Melb 2005 for Victorian General Practitioners.

Service Improvements

Implementation of a new IT based Histology system "Medipath" has streamlined the processes of reporting histology resulting in faster delivery and has provided significant improvement in the way in which laboratory staff record and manage specimens.

Other service improvements include:

- Installation of the Electronic Results Facility at 500 sites providing General Practitioners with the capability to securely download cytology results over the Internet.
- A number of procedural changes introduced to increase productivity.
- New courier fleet vehicles.

Infrastructure

There has been a capital investment of almost \$0.5M (\$485,453) into infrastructure – IT, vehicles, furniture and fittings and medical equipment.

The IT Infrastructure Upgrade included the purchase and installation of the following components:

Hardware:

- 109 Desktops and Laptops
- 4 Servers and associated equipment

Software:

- MS Windows 2003 operating system including the setup of Active Directory
- MS Office 2003 application suite
- MS Exchange 2003
- MS Visual Studio .NET
- Various other application upgrades as required by the new platform.

Other infrastructure initiatives include:

- Renegotiation of a range of contracts reducing costs and number of consumables and services.
- New policies and procedures including:
 - Credit Card Policy
 - Delegations Manual

Training

- In-house and external training courses focusing on Equal Opportunity training for Management and staff.
- Microsoft training courses conducted in line with IT Upgrade.
- Increased cross training of administration staff.

Staff

A second Client Survey was conducted as a follow up to the previous year to assist VCS in ensuring staff are satisfied in their work environment. Feedback, as in the previous year was positive.

Team leaders have been introduced in Administration areas to assist in smooth work processes and to foster independent work practices in the departments.

A Code of Conduct was introduced along with a new range of policies including:

- Grievance Policy
- External Communications Policy
- Conflict of Interest Policy
- Performance Management and Assessment Policy

New employees include:

- 1 full time pathologist
- 1 new payroll clerk
- 2 new finance dept staff members
- 1 new IT student employed for 12 month period.

Quality

Development of Q-Pulse Quality Management System including:

- Centralised recording of staff training
- Internal audit records
- Customer Complaint records
- Recording Performance Standard non-conformances and corrective actions.

Other quality improvements include:

- Development of a paperless system of reporting customer complaints/compliments/comments
- Altering the Management Review process from an annual written report to quarterly reports, meetings and action plans.

Board Members



Ms Sandy Anderson, President

Ms Anderson was appointed to the Board in 2000 to fill the role of Nurse with expertise in family planning and was appointed as President of the VCS Board in 2004. Ms Anderson is a registered nurse with a Graduate Diploma of Community Health Nursing, Sexual and Reproductive Health Nurse Training, and a Master of Health Management. Ms Anderson has worked with PapScreen Victoria for over five years in a role working with nurse Pap test providers throughout the state and recently has become the Nurse Credentialing Project Coordinator as part of that role. Ms Anderson also currently runs a Well Women's Service at Women's Health Grampians servicing Ballarat and other areas of the Grampians region



Dr Elisabeth Banks, Immediate Past President

Dr Banks is a long standing member of the Board joining in 1989 and presided as President from December 2001 retiring in 2004. Dr Banks has an interest in Medical Education and her many activities include; Consultant to W.H.O in Primary Health Care, RACGP Exam Panel, Surveyor Australian General Practice Accreditation, Member of National Professional Services Review Panel, the Chair of the Management Committee for the Victorian Cervical Cytology Registry, Maroondah Breast Screen Advisory Committee, Member of Standards Committee for FRACGP and a Member G.P Committee – Epworth Hospital and was recently involved in the NHMRC Guidelines for Overweight and Obesity in Australia. Dr Banks is a General Practice Partner at the Blackburn Clinic.



Ms Dorothy Reading

Ms Reading has served on the Board since 1989 and was chairperson from 1991 to 1997. Ms Reading is responsible for policy and advocacy work, input into review and planning cycles for all programs and the development of new programs at the Cancer Council Victoria. Ms Reading represents the Cancer Council Victoria on the board of Breast Screen Victoria (as deputy chairperson), and also chairs the Cancer Council Australia's Public Health Committee. She was Managing

Editor of the National Cancer Prevention Policy 2001-03 and 2004-06. Ms Reading has been nominated to represent the Cancer Council Australia on the new Australian Screening Advisory Committee.



Ms Juliann Byron, Treasurer

Ms Byron joined the Board in March 2003 as Treasurer with qualifications including Fellow CPA Australia, Fellow of the Australian Institute of Company Directors, Member of Chartered Secretaries Australia, and Fellow of the Taxation Institute of Australia. Ms Byron was previously the National Finance Director/Company Secretary for Porter Novelli. She is currently a consultant, advising clients in areas including finance, risk management, and strategic planning.



Ms Elizabeth Kennedy

Ms Kennedy has been a Board member since 1998. Ms Kennedy is a Lawyer whose professional interests are Health and Medical Law and ethics. She is currently the Corporate Counsel to the Royal Women's Hospital and the Royal Children's Hospital. Ms Kennedy retired from the Board in April 2005.



Dr Julia Shelley, Deputy President

Dr Shelley has participated on the Board since 1991 as the representative for Epidemiology. Dr Shelley's research focuses on women's reproductive health including the epidemiology of Pap test screening. Dr Shelley is currently a senior lecturer at Deakin University in the School of Health and Social Development and was appointed Deputy President to the VCS Board in 2004.



Dr Peter Hughes

Dr Hughes joined the Board in March 2003 with expertise in Business. Dr Hughes has a Bachelor of Architecture, Master Business Administration and Doctor of Business Administration. He has expertise in strategic and health planning, operations and financial management, human resource management, business development, marketing and communications along with

risk management, legal and contractual negotiation, intellectual property protection and development and information technology management. Dr Hughes is currently the Director of the Epworth Eastern Hospital.



Dr Deborah Neesham

Dr Neesham joined the Board in 2000 as a nominee of the Royal Women's Hospital with expertise in Gynaecology and Gynaecological Oncology.

Dr Neesham is currently a consultant appointed to Oncology/Dysplasia unit at the Royal Women's Hospital.



Dr Chris Bayly

Dr Bayly joined the Board in 2001 as a nominee of the Royal Women's Hospital. Dr Bayly is a Gynaecologist and is currently the Associate Director of

Women's Services at the Royal Women's Hospital.

Dr Bayly has interests in public health and fertility control and a background in infertility including assisted reproduction techniques.



Dr Susan Hughes

Dr Hughes has served on the Board since 1999 as a nominee of the Australian Medical Association and is currently in an Obstetric & Gynaecology Private

Practice. Dr Hughes retired from the Board in April 2005.



Ms Patricia Hill

Ms Hill joined the Board in 2000 as a representative of clients. Ms Hill is a Registered Nurse, Midwife with a special interest in women's health and family

planning. Ms Hill is currently located at the Well Women's Clinic at the Mercy Hospital for Women.



Dr Peter Grant

Dr Grant joined the VCS Board in 2004 as the representative of Gynaecological Oncology. Dr Grant is currently the Director of the Gynaecological Oncology

Department at the Mercy Hospital for Women and is a

clinical collaborator for the Australian Ovarian Cancer Study at the Peter MacCallum Cancer Institute. Dr Grant is also the Chairman of Gynaecological Oncology Subspecialty Committee of RANZCOG and a member of the Oncology subcommittee RACOG.



Ms Nicole Mollard

Ms Mollard is the newest member of the VCS Board joining in June 2005 as a representative of management with legal expertise. Ms Mollard is currently

a Medical Faculty Tutor and Criminal Law Lecturer at Monash University. Ms Mollard has extensive experience in Health Law Practice and Bioethics.



Senior Officers

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

Business Manager

Mark Van Zuylekom

BSc, MBA, GAICD

Pathologists

Prudence Elizabeth Allan

MB, BS, FRCPA

Henry Yeung

MB, BS, FRCPA

Jackie Collett

MB BS, FRCPA

Kristy Dundas

MB, BS, FRCPA

Seiw K Tang

MB, BS, FRCPA, FIAC.

San S Chan

MB,BS, FRCPA.

Siew Chin Lian

MB, BS, FRCPA

Trainee Cytopathologists

Joanna Ding

MB, BS, FRCPA

Liaison Physician

Stella Heley

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

Laboratory Manager

Gillian Phillips

M. App. Science, M. Health Service Management, CT(ASC), CT(IAC)

Information Technology Manager

Matthew Cunningham

BBus(InfoSys)

Health Information Manager VCCR

Valerie Scott

BHlth Info Management

External Teaching Coordinators

Noni Christou

BAppSc, CT (ASC)

Fiona Maxey

BApp Sc (MLS), CT (ASC)

Finance Manager

Pauline Lomas

B.Bus(Acc), ASA

Human Resources Officer

Sally Wilson

BA/B.Com

Quality Manager

Cheryl Jones

B.App Science (Medical Technology), Grad Dip Bus Admin

Victorian Cervical Cytology Registry

Organisational Overview

The Victorian Cervical Cytology Registry (VCCR) was established in 1989 by an amendment to the Cancer Act (Central Registers). VCCR provides a framework which has allowed a more structured approach to cervical screening within Victoria and it assists with data collection for monitoring and evaluation of the Program.

VCCR is a confidential, computerised database of Victorian women's Pap test results. The main function of VCCR is to facilitate the regular participation of women in the National Cervical Screening Program by sending reminder letters around the time when their next Pap test is due, and to provide a safety net for the follow-up of women with abnormal Pap tests.

VCCR has established a record-linked file for each woman who agrees to be registered, and provides screening histories to laboratories to help with the accurate reporting of current tests. In addition VCCR provides laboratories with quantitative data to assist with their quality assurance programs.

Director's Report

The 2004/2005 year was a year of achievement for VCCR. The good working relationship between VCCR and pathology laboratories continued, and similarly between VCCR and the health practitioners who take the Pap tests.

Over a three and a half week period in July/August 2004, and a further seven week period in May/June 2005, Papscreen Victoria ran a media campaign encouraging women to have regular Pap tests. During these periods there was a significant increase in the number of Pap tests registered.

VCCR staff have been working with PapScreen Victoria staff in a project to review the routine reminder letter which VCCR sends to women. The same letter has been used successfully by VCCR for over 15 years and it was thought to be time for an update. PapScreen employed a market research company to conduct focus groups of women who, with the help of a facilitator, discussed both the current letter and a range of possible changes. A detailed report of the findings was produced and will be used to develop a new letter and brochure later in the year.

Throughout the year, the interaction with our auspicing body, the Victorian Cytology Service, was excellent. VCCR is very grateful for the ongoing support of Victorian Cytology Service. VCCR staff appreciate very much the advantages of being co-located with a larger organisation also involved in cervical screening.

The Data Manager, Cathy Burrows, represented VCCR in two working groups convened to progress the development of a Standardised Data Set and a common Follow-up Protocol for Australian Cervical Cytology Registers. Following two teleconferences, VCCR hosted both groups in face to face meetings over two days in April this year. Both meetings were very productive, resulting in the production of a list of data items to be included in the data set and suggested timeframes for follow-up and reminder protocols. Work in both areas is continuing.

In its ongoing service to laboratories in providing them with data to help with the RCPA QAP Performance Standards, VCCR staff with the help of the IT department, made the considerable changes required for the revised Performance Standards in time for distribution of the data in February this year.

The following table shows the average daily number of Pap tests registered in the four quarters of the year.

| | Average daily number of Pap tests by age group (years) | | | | | | | |
|------------------|--|-------|-------|-------|-------|-------|-----|-------|
| Quarter | <20 | 20-29 | 30-39 | 40-49 | 50-59 | 60-69 | 70+ | Total |
| 2004 3rd quarter | 61 | 472 | 639 | 578 | 403 | 206 | 38 | 2397 |
| 2004 4th quarter | 55 | 431 | 565 | 507 | 364 | 198 | 36 | 2156 |
| 2005 1st quarter | 62 | 495 | 622 | 539 | 382 | 202 | 34 | 2336 |
| 2005 2nd quarter | 65 | 520 | 698 | 631 | 448 | 236 | 40 | 2638 |

Victorian Cervical Cytology Registry

With the recent endorsement by NHMRC of the revised guidelines for managing women with abnormal Pap tests, the implementation of these within VCCR has become a major work area for senior VCCR staff. The changes needed to the information system and the work protocols are substantial. Some of the groundwork has already been addressed by the Commonwealth Department of Health and Ageing, most particularly the adoption of a common coding schedule for Cervical Cytology Reports by all Pap test Registers in Australia.

In November 2004 VCCR successfully submitted a project for consideration by the Public Records Advisory Council for a 'Sir Rupert Hamer Records Management Award for Excellence and Innovation in Records Management', in the Victorian public sector. The Award objectives are the preservation of records of permanent value to the State of Victoria, and innovation in records management practices.

This award was presented to VCCR in a ceremony at the Melbourne Town Hall in November 2004. In presenting this award, the Council noted that VCCR is a fully computerised registry of public health records, the importance of the information it contains for research and for current clinical management of the health of Victorians, and its role in informing National health policy. Valerie Scott deserves particular mention for taking the lead role in the work which was honoured by this award.



From left to right: Valerie Scott, Professor Bill Russell and Cathy Burrows

Financial Reports



Treasurer's Report

Victorian Cytology Service Inc. generated revenue from cervical cancer screening grants, cancer recruitment grants and trading activities of \$9.15m during the 2004/5 year, representing an increase of \$297,000 over the 2003/4 financial year which equates to a 2.9% increase.

The increase was due in part to additional funding from the Department of Human Services of \$238,000. The balance, in excess of \$59,000 was generated from other sources, principally from ThinPrep and Histology screening, in addition to presenting cytology courses and providing consultancy services.

The additional funding contributed to an increase in salaries and oncosts, medical supplies and administration costs.

The net surplus of \$356,381 represents a larger surplus than anticipated and is a pleasing result. The surplus can in part be attributed to the commitment of management and staff to the efficient operation of the organisation and the containment of costs.

The number of women screened for cervical cancer for the year was 293,548 (2004 285,691) as compared with a target of 280,000.

Victorian Cervical Cytology Registry (a division within Victorian Cytology Service Inc.) generated revenue from cancer surveillance grants and interest of \$981,000 during the 2004/5 year, compared with \$1.068m in 2003/4. The reduction in revenue for this year related in part to additional funding received in the previous year to cover the cost of a mass mail out of reminders to women who had not been screened for three years. The cancer surveillance funding increased by \$15,000 over the previous year and contributed to additional salary and operating costs for the year.

The net surplus of \$49,452 was also a larger surplus than anticipated and another pleasing result.

As in previous years, the Department of Human Services has provided valuable funding which enables Victorian Cytology Service Inc. to continue its efforts to provide crucial and effective services in the area of women's health, including education, the provision of well regarded cytology training to the profession and a confidential database of women's Pap test results in Victoria.



Juliann Byron
Treasurer
Victorian Cytology Service Inc.

Statement of Financial Performance

for the year ended 30 June 2005

| | Notes | 2004/5 \$ | 2003/4 \$ |
|---|-------|------------------|------------------|
| Victorian Cytology Service Inc. | | | |
| Victorian Cytology Service | | | |
| Revenue from Ordinary Activities | | | |
| Operating Grants | | 7,440,372 | 7,270,115 |
| Capital Grant | | 116,000 | 136,873 |
| Program Grants | | 563,478 | 464,646 |
| Indirect Contributions by Human Services | 2 | 3,446 | 3,358 |
| Trading Activities | | 846,829 | 837,364 |
| Bank Interest | | 191,112 | 151,685 |
| | | 9,161,237 | 8,864,041 |
| Expenditure | | | |
| Salaries and Oncosts | | 6,916,257 | 6,778,010 |
| Operating / Administration Costs | | 1,101,593 | 917,332 |
| Medical Supplies | | 455,310 | 515,979 |
| Depreciation | | 306,817 | 385,018 |
| Loss on Sale of Non Current Assets | | 24,879 | 11,768 |
| | | 8,804,856 | 8,608,107 |
| Operating Surplus (Deficit) from Ordinary Activities | | 356,381 | 255,934 |

Victorian Cytology Service Inc. Victorian Cervical Cytology Registry

| | | | |
|---|--|----------------|------------------|
| Revenue from Ordinary Activities | | | |
| Operating Grants | | 933,514 | 917,950 |
| PapScreen Victoria | | | 110,925 |
| Other | | 79 | — |
| Bank Interest | | 47,855 | 39,670 |
| | | 981,448 | 1,068,545 |
| Expenditure | | | |
| Salaries and Oncosts | | 643,002 | 581,797 |
| Operating and Administration Costs | | 244,561 | 282,444 |
| Depreciation | | 44,433 | 41,854 |
| | | 931,996 | 906,095 |
| Operating Surplus (Deficit) from Ordinary Activities | | 49,452 | 162,450 |
| Total Operating Surplus (Deficit) from Ordinary Activities | | 405,833 | 418,384 |

Statement of Financial Position

for the year ended 30 June 2005

| | Notes | 2004/5 \$ | 2003/4 \$ |
|--------------------------------|-------|------------------|------------------|
| Current assets | | | |
| Cash Assets | 4 | 5,262,152 | 4,697,236 |
| Receivables | 5 | 158,463 | 156,282 |
| Stores | 6 | 119,461 | 157,475 |
| Other | 7 | 69,936 | 73,148 |
| Total Current Assets | | 5,610,012 | 5,084,141 |
| Non-current assets | | | |
| Plant, Equipment & Vehicles | 8 | 915,378 | 874,586 |
| Total non current assets | | 915,378 | 874,586 |
| Total Assets | | 6,525,390 | 5,958,727 |
| Current Liabilities | | | |
| Payables | 9 | 714,257 | 797,434 |
| Provisions | 10 | 1,627,736 | 1,415,936 |
| Total Current Liabilities | | 2,341,993 | 2,213,370 |
| Non Current Liabilities | | | |
| Provisions | 10 | 415,260 | 383,053 |
| Total non current liabilities | | 415,260 | 383,053 |
| Total Liabilities | | 2,757,253 | 2,596,423 |
| Net Assets | | 3,768,137 | 3,362,304 |
| Surplus | | | |
| Retained Surplus | 11 | 3,768,137 | 3,362,304 |
| Total Surplus | | 3,768,137 | 3,362,304 |

Statement of Cash Flows

for the year ended 30 June 2005

| | 2004/5 \$ | 2003/4 \$ |
|--|----------------|----------------|
| Cash Flows from Operating Activities | | |
| Payments | | |
| Wages and Salaries | (7,241,073) | (7,552,351) |
| Suppliers (inclusive of GST) | (2,830,270) | (2,296,112) |
| Interest | | (130) |
| Receipts | | |
| Receipts from Trading Activities (inclusive of GST) | 855,628 | 972,943 |
| Interest Received | 238,851 | 191,355 |
| Other | | — |
| Cash flows from government | | |
| Receipts from Grants (inclusive of GST) | 9,958,700 | 9,668,542 |
| Net Cash Inflow from Operating Activities | 981,836 | 984,247 |
| Cash Flows from Investing Activities | | |
| Payments for Plant and Equipment | (485,453) | (388,854) |
| Proceeds from Sale of Plant and Equipment | 64,893 | 220,214 |
| Net Cashflow from Investing Activities | (420,560) | (168,640) |
| Net Increase (Decrease) in Cash Held | 561,276 | 815,607 |
| Cash at the beginning of the financial year | 4,697,237 | 3,881,630 |
| Cash at the end of the financial year | 5,258,513 | 4,697,237 |
| Reconciliation of net cash provided by operating activities to operating result | | |
| Operating Surplus(Deficit) | 405,834 | 418,384 |
| Add Depreciation | 351,250 | 426,872 |
| Loss on Sale of Fixed Assets | 24,878 | 11,768 |
| Change in Operating Assets/Liabilities | | |
| (Increase) Decrease in Accounts Receivable | 5,326 | (39,903) |
| (Increase) Decrease in Stores | 38,014 | (57,273) |
| (Decrease) Increase in Accounts Payable | (87,474) | 504,300 |
| (Decrease) Increase in Provision for Employee Entitlements | 244,008 | (279,901) |
| | 981,836 | 984,247 |

Notes to the Financial Statements

for the year ended 30 June 2005

Note 1: Statement of Significant Accounting Policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the requirements of the Associations Incorporations Act 1981. The financial report has been prepared on an accrual basis in accordance with the historical cost convention. Unless otherwise stated, the accounting policies are consistent with those of the previous year. The following is a summary of the material accounting policies adopted by Victorian Cytology Service Inc. in the preparation of the financial report.

a. Changes to Accounting Policies

The Victorian Cervical Cytology Registry financial report has been consolidated with the Victorian Cytology Service Inc financial report for the financial year. There has been no financial impact as the results for the two years remain the same.

b. Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation. Assets are capitalised when in excess of \$1,000 (2004 \$3,000).

c. Depreciation

The depreciable amounts of all fixed assets are depreciated on a straight line basis over the expected useful life of the assets.

| | | |
|--|----------------------|-------------------|
| 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. Incorporation

Victorian Cytology Service Incorporated was incorporated on 3 September 1991 in Victoria under the Associations Incorporation Act 1981.

e. Stores

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

f. Leases

Lease payments for operating leases of non-current assets, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

g. Employee Benefits

Provision is made for the entity'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.

h. Tax Status

The activities of the Victorian Cytology Service Inc. are exempt from income tax and payroll tax. Payments for fringe benefits tax are made in accordance with the relevant legislation.

i. Revenue

Grant revenue is recognised upon receipt from the Department of Human Services. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Notes to the Financial Statements

for the year ended 30 June 2005

2004/5

\$

2003/4

\$

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: Surplus (deficit) from ordinary activities

Surplus (Deficit) from Ordinary Activities has been determined after:

| | | |
|-------------------------------------|--------|--------|
| Auditors Remuneration | 9,250 | 12,200 |
| Rental Expenses on Operating Leases | 42,192 | 37,291 |

Note 4: Cash assets

| | | |
|--------------------------|------------------|------------------|
| Cash at Bank and on Hand | 383,977 | 350,029 |
| Deposits at Call | 2,251,843 | 1,768,110 |
| Bank Bills | — | 2,579,097 |
| Term Deposits | 2,626,332 | — |
| | 5,262,152 | 4,697,236 |

Note 5: Receivables

| | | |
|------------------------------------|----------------|----------------|
| Trade Debtors and Accrued Revenue | 96,893 | 155,887 |
| Less: Provision for Doubtful Debts | (3,226) | (11,754) |
| | 93,667 | 144,133 |
| Interest Receivable | 64,796 | 12,149 |
| | 158,463 | 156,282 |

Note 6: Stores

| | | |
|-----------------------------|----------------|----------------|
| Medical & Surgical Supplies | 45,911 | 63,600 |
| Stationery | 73,550 | 93,875 |
| | 119,461 | 157,475 |

Note 7: Other

| | | |
|-------------|---------------|---------------|
| Prepayments | 69,936 | 73,148 |
| | 69,936 | 73,148 |

Notes to the Financial Statements

for the year ended 30 June 2005

2004/5 2003/4
\$ \$

Note 8: Plant, equipment & vehicles

| | | |
|---|----------------|----------------|
| Plant and Equipment at Cost | 2,727,338 | 2,625,755 |
| Accumulated Depreciation | (2,127,069) | (2,154,407) |
| Written Down Value | 600,269 | 471,348 |
| Vehicles at Cost | 429,090 | 461,537 |
| Accumulated Depreciation | (113,981) | (58,299) |
| Written Down Value | 315,109 | 403,238 |
| Total written down value of fixed assets | 915,378 | 874,586 |

Movement in Carrying Amounts

| | Plant & equipment | Motor Vehicles | Total |
|---|-------------------|----------------|----------------|
| Balance at the beginning of the year | 471,348 | 403,238 | 874,586 |
| Additions | 424,436 | 61,017 | 485,453 |
| Disposals | (29,701) | (63,710) | (93,411) |
| Depreciation | (265,814) | (85,436) | (351,250) |
| Carrying amount at the end of the year | 600,269 | 315,109 | 915,378 |

Note 9: Payables

| | | |
|-----------------|----------------|----------------|
| Trade Creditors | 153,950 | 240,519 |
| Other Creditors | 560,307 | 556,915 |
| | 714,257 | 797,434 |

Note 10: Provisions – Employee Benefits

Current

| | | |
|----------------------------------|------------------|------------------|
| Provision for Annual Leave | 873,260 | 819,465 |
| Provision for Long Service Leave | 628,633 | 470,628 |
| Provision for Sabbatical Leave | 125,843 | 125,843 |
| | 1,627,736 | 1,415,936 |

Non Current

| | | |
|----------------------------------|----------------|----------------|
| Provision for Long Service Leave | 415,260 | 383,053 |
| | 415,260 | 383,053 |

Employee numbers

| | | |
|---|-----|-----|
| Average number of employees during the financial year | 120 | 101 |
|---|-----|-----|

Note 11: Surplus

| | | |
|--|------------------|------------------|
| Retained Surplus | 3,362,304 | 2,943,920 |
| Surplus/Deficit for the year | 405,833 | 418,384 |
| Retained Surplus at the end of the year | 3,768,137 | 3,362,304 |

Notes to the Financial Statements

for the year ended 30 June 2005

Note 12: Financial Instruments

a) Credit Risk Exposure. 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 debts.

Bank bills which have been purchased at a discount to face value are carried on the Statement of Financial Position at an amount less than the amount realisable at maturity. The total credit risk exposure of the organisation could be considered to include the difference between carrying amount and the realisable value.

b) Interest Rate Risk Exposure. 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 bearing variable interest rates as the organisation intends to hold any fixed rate assets to maturity.

| | Floating interest rate | Non-interest bearing | Total |
|--|------------------------|----------------------|------------------|
| 2005 | \$ | \$ | \$ |
| Financial Assets | | | |
| Cash and Deposits | 5,261,512 | 640 | 5,262,152 |
| Bank Bills | | | — |
| Trade and Other Debtors | | 158,463 | 158,463 |
| Prepayments | | 69,936 | 69,936 |
| | 5,261,512 | 229,039 | 5,490,551 |
| Weighted average interest rate | 4.95% | | |
| Financial Liabilities | | | |
| Trade and Other Creditors | | 714,257 | 714,257 |
| Net Financial Assets(Liabilities) | 5,261,513 | (485,218) | 4,776,295 |
| 2004 | \$ | \$ | \$ |
| Financial Assets | | | |
| Cash and Deposits | 2,117,499 | 640 | 2,118,139 |
| Bank Bills | 2,579,097 | | 2,579,097 |
| Trade and Other Debtors | | 156,282 | 156,282 |
| Prepayments | | 73,148 | 73,148 |
| | 4,696,596 | 230,070 | 4,926,666 |
| Weighted average interest rate | 4.78% | | |
| Financial Liabilities | | | |
| Trade and Other Creditors | | 797,434 | 797,434 |
| Net Financial Assets(Liabilities) | 4,696,596 | (567,364) | 4,129,232 |

c) Net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the entity approximates their carrying value.

Notes to the Financial Statements

for the year ended 30 June 2005

Note 13: Segment Reporting

The Association operates in the health sector providing cytology services to the public within Victoria.

Note 14: Association Details

The principal address of the business of the association is:

Victorian Cytology Service Inc.
752 Swanston Street
Carlton South, Vic. 3053

Note 15: Related Parties

The names of persons who were Board members at any time during the year are set out in the Annual Report. There were no transactions that require disclosure for the year ended 30 June 2005.

Note 16: Impact of Adopting Australian Equivalents to IFRS

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoption of AIFRS will be first reflected in the entity's financial statements for the year ending 30 June 2006.

Set out below are the key areas expected to be impacted by the adoption of AIFRS and our best estimate of the quantitative effect on the financial position. No material impacts are expected in relation to the statements of cash flows. The figures are management's best estimates of the quantitative impact of the changes at the date of preparing the 30 June 2005 financial report. As such, the figures may change due to (a) further work being undertaken by the organisation and (b) amendments to AIFRS standards and interpretations issued by the standard setters.

Reconciliation of equity as presented under AGAAP to that under AIFRS

| | |
|--|------------------|
| | 30 June 05 |
| | \$ |
| Total Equity under AGAAP | 3,768,137 |
| Adjustments to retained earnings | |
| Recognition of defined benefit pension liability | (369,380) |
| Total Equity under AIFRS | 3,398,757 |

Note 17: Director's Disclosure

The Directors did not receive any remuneration during the financial year ended 30 June 2005.

Agency Certification

Managers' Annual Certificate

We certify that Victorian Cytology Service Inc. has complied with the terms and conditions of the Service Agreement dated 01 July 2003 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 able 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 lodgment and any other requirements as specified by the relevant governing legislation.

We certify that the attached Financial Accountability Requirements Statement for Victorian Cytology Service Inc. (the Agency) for the year ended 30 June 2005

- fairly presents the financial position for the year then ended and performance as at 30 June 2005 as required by the Department of Human Services
- the statements 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 (AAS) and/or Australian Accounting Standards Board (AASB) and
- are GST exclusive for the Statement of Financial Performance.



Ms Sandy Anderson
Chairperson

Date
5/10/2005



Mr Mark Van Zuylekom
Business Manager

Date
5/10/2005

Independent Audit Report



VICTORIAN CYTOLOGY SERVICE INC.
INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
VICTORIAN CYTOLOGY SERVICE INC.

Scope

The financial report and committee's responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the statement by members of the committee for Victorian Cytology Service Inc, for the year ended 30 June 2005.

The committee of the association is responsible for the preparation and true and fair presentation of the financial report in accordance with the Associations Incorporations Act (Vic) 1981. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the association. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Associations Incorporation Act (Vic) 1981, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the association's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the committee.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Audit Opinion

In our opinion, the financial report of Victorian Cytology Service Inc, presents a true and fair view in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of Victorian Cytology Service Inc, as at 30 June 2005, and the results of its operations and its cash flows for the year then ended.

WHK Day Neilson

Margaret Crossley
Principal

Melbourne
5 October 2005

Accountants & Advisers



An Investor Group Firm Suite 218 136 Little Collins Street MELBOURNE Victoria 3000
Telephone 03 8666 7666 Facsimile 03 8666 3669
info@whkdayneilson.com.au www.whkdayneilson.com.au
WHK Day Neilson Audit Partnership ABN 61 917 996 081

Appendix One

Victorian Cytology Service External Committee Involvement

Dr Saville participates in the following committees:

- Steering Committee for Review of NHMRC Guidelines for the Management of Women with Screen Detected Abnormalities.
- Evolving Technology 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.
- National Cervical Screening Programme Guideline Review Group.
- National Pathology Accreditation Advisory Committee (NPAAC). Technical Subcommittee to Review Cytology Performance Standards.
- Royal College of Pathologists of Australia Cytopathology Advisory Committee.
- NSW Cancer Screen Advisory Committee.
- NPAAC Requirements for Cervical Cytology.

Dr Mitchell participates in the following committees:

- Member of the Low Grade and High Grade working parties of Guidelines Review Group which is a national committee reviewing the NHMRC Guidelines for the Management of Women with Screen-Detected Abnormalities.
- Advisory Committee for PapScreen Victoria.
- Member of the Monitoring and Evaluation Working Group of the Australian Screening Advisory Committee.

Appendix Two Victorian Cytology Service Training

In-House Training

Victorian Cytology Service provides training programs for cytopathologists and cytotechnologists within Australia to improve the quality of gynaecological cytology reporting within Australia and to provide a steady supply of trained staff to our operations.

In 2004/05 VCS trained one cytopathologist and seven cytotechnologists.

Gynaecological Cytopathology Course

Each year VCS offers a two week intensive course in gynaecologic cytopathology to practising diagnostic cytopathologists. The major aim of the course is to assist pathologists not only with morphologic interpretation of Pap tests but methods for handling individual cases in the context of clinical background. Course participants come from all over the world.

In 2004/05 four pathologists participated in this course.

Gynaecological Cytotechnology Course

Each year VCS offer a five-day course for scientists working in cytopathology laboratories both in Australia and overseas. The course is tailored for medical laboratory scientists with previous professional experience and/or formal training. The course is directed at scientists with at least one year full-time screening experience. The aim of the course is to consolidate basic knowledge and practice in cytology. Special attention is given to diagnostic problems, and the current role of cytology in the cervical screening program.

In 2003/04 three scientists participated in this course.

Victorian Cytology Service Accreditation Program

VCS is accredited to AS ISO/IEC 17025:1999 "General requirements for the competence of testing and calibration laboratories" and is committed to meeting all relevant industry standards including the various requirements of NATA, NPAAC, the RCPA and the VCS insurers. Quality system activities are coordinated by the Quality Manager and supported by quality management software, Q-Pulse.

The National Testing Authority (NATA) reassessed the Victorian Cytology Service in October 2003 and found the laboratory to be "operating at a high standard"

The laboratory is scheduled to be reassessed in October 2006.

Whistleblowers' Protection

On January 1st 2002, the Victorian Whistleblowers Protection Act came into effect. VCS has 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 2004-2005.