



Victorian Cytology Service
Incorporated

ANNUAL REPORT
1995

for the year ended 30 June

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1. Historical Background of VCS

The Victorian Cytology Service (VCS) was founded as a joint preventative health initiative between the Government of Victoria and the Anti Cancer Council of Victoria. Activities commenced 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 to the mutual advantage of all parties was thus created.

During the first fifteen years of operation in excess of 90% of the smears performed in Victoria were reported by VCS. This proportion decreased during the early 1980s due to the expansion of private pathology services. The decline was assisted by the under-resourcing of VCS over this period resulting in delays in reporting smears of up to three weeks. However since 1989, when VCS was once again resourced appropriately, it has retained approximately 50% of all smears in Victoria despite very active marketing by private sector laboratories. This has been achieved by a program of continuing productivity and workflow improvement; the internal turnaround period for many smears is two days for much of the year, and more than 90% of all smears are reported within five working days throughout most of each year.

Historical Background of VCS (contd)

There has also been implementation of a courier service to most metropolitan and some country centre practitioners, freepost envelopes for other users, regular publication of Newsletters and statistical profiles to individual practitioners and upgrade of sampling equipment. The appointment of a liaison physician who visits practitioners to discuss issues related to sampling procedures, interpretation of reports and other matters has also been a valuable addition to the service profile of VCS.

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

During the past year VCS pathologists have been contracted to the Pathology Departments of the Mercy Hospital for Women and the Royal Women's Hospital (RWH) for several histopathology sessions. This initiative is an attempt to develop a broader framework of duties for VCS cytopathologists in order to make these positions more attractive to well trained specialists in this field for whom the rather limited task specification previously in place was not significantly challenging. It is hoped that similar programs of staff exchange may become possible for other members of the scientific staff. The recent decision of the Metropolitan Hospitals Planning Board to determine the feasibility of co-location of the RWH with the Royal Children's Hospital, will of course have important implications for VCS, and may offer some opportunities for increased task diversity in the future.

Since its inception, VCS has been the only training institution for cytologists (scientists specialising in cytology) and cytopathologists in Victoria. The cytology component of the Bachelor of Applied Science (Medical Laboratory Science) from RMIT has been coordinated and taught by VCS staff. Scientists and pathologists from interstate and overseas have visited the Service for initial and refresher training and to take part in the formal courses conducted on an annual basis. Staff of VCS have a high profile in the professional framework of cytology in Australia, as evidenced by publications in the Australian and overseas medical literature from the combined epidemiology and scientific arms of the Service.

2. 1994-95 Activity

VCS continues to function well in its purpose built facility. The development of what was perceived by some to be a very generous allocation of space, has proven to be more than justified. The Victorian BreastScreen Registry (VBR) has required an expansion of its facility, and with an increase in Victorian smear numbers, the Victorian Cervical Cytology Registry (VCCR) has also more than filled its designated space.

The prevailing medico-legal climate continues to be the major threat to the cervical cancer screening program, and indeed to screening programs in general.

The importance of developing a realistic expectation of the test in the community as a whole is paramount. The *Pap smear* is a good screening test that has the possibility of preventing about 90% of cervical squamous cell cancer in women who are regularly screened. However, by the very nature of the test in its current form, there will be some women who develop invasive cervical cell cancer despite having regular *Pap smears*, and despite the reporting of those smears by laboratories that are reporting at a standard of *world's best practice*. Some of these women will have invasive adenocarcinoma, a cancer of glandular epithelium of the endocervical canal, which by its location is much more difficult to prevent. A few will have the entity of *rapid onset cancer* which may develop and grow in a much more rapid time frame than the more usual tumour types. Some will have a smear containing abnormal cells which are either not detected or are misinterpreted by the reporting laboratory. Some will fail to receive their report or experience failure of subsequent management. However each year in Australia between 700 and 800 cancers will be prevented by the program.

VCS has a commitment to strive for continuous quality improvement and at the same time is putting in place educational initiatives for health care practitioners and women to make it clear that the *Pap smear* is a test which identifies among a population of apparently well women those who probably have significant disease and those who probably do not.

During the past year, two pathologists have been contracted to the Mercy Hospital for Women and RWH for a small number of regular histopathology sessions. Although this in the short term may aggravate the acute shortage of cytopathologists for routine duties, the long term benefit of making VCS a more desirable workplace, with the possibility of retaining and even developing broader relevant skills makes this a necessary sacrifice. It is the intention to expand this initiative further and to use the funds generated by such contracting to create a larger work force with an increased scope of duties. Repeated attempts to recruit trained cytopathologists, within the existing duty structure of VCS, have in the past year proved completely unsuccessful.

In addition to RWH, Western Hospital, and Box Hill Hospital, VCS is currently negotiating with some country centres to assume their gynaecological cytology commitments. Unfortunately the non-gynaecological cytology, which would provide a much needed diversification of workload for the screening workforce of VCS, is almost invariably retained by these hospitals.

1994-95 Activity (contd)

VCS reported over 277,000 gynaecological smears during the 1994-95 year. The loss of several experienced scientists to the private sector has been difficult to accommodate. Although training of new scientists has proceeded throughout the year, this has, in the short term, created an extra stress on the senior staff. During this year a decision was reached, following failure of repeated advertisement to relieve this problem within Australia, to recruit experienced staff from Canada where there appears to be a current manpower excess in this field. It is anticipated that at least two experienced scientists from Canada will join VCS during the second half of 1995.

Once again there have been some new initiatives to improve communication with practitioners and to improve the quality of service offered to women. The most important of these has been the provision of an additional section at the bottom of the report form which gives a brief summary of the report and the recommendation, which the requesting practitioner can tear off and send to the woman. It has space for the practitioner to add specific comments relevant to the woman such as an instruction to telephone for an appointment to discuss a report, if abnormal, or to attend for a repeat smear in two years if normal. There has been a very positive response from practitioners to this innovation. Another suggestion from a practitioner using VCS was that it would be helpful to have an addition to the request form that would act, like a cheque book butt, as a reminder of all women who had been tested. This would enable a check to be made of each butt to ascertain that a report had been received, a further step toward ensuring the safety of a system which may otherwise be difficult to monitor. This suggestion has been adopted, and will be implemented in the next few weeks. VCS is most grateful to practitioners who offer suggestions such as this which have the potential to improve the care of screened women.

3. Board of Management

Ms Dorothy Reading - Chairperson
Dr Elizabeth Banks
Mrs Kerry Bradley
Ms Nita Cherry
Mrs Katharina Dimtscheff
Dr Nigel Gray
Dr Sonia Grover

Ms Heather Jarman
Ms Jenny Keys
Mrs Mary Murdoch
Associate Professor Michael Quinn
Dr Michael Sedgley
Dr Julia Shelley

During this year the Board of Management has been unchanged. The management and staff have been most grateful for the willingness of members to make themselves available to share their time and wisdom when the need arises.

VCS continues to be confident that the diverse skills and experience of the Board of Management will be an important asset in negotiating the difficult time being faced in the cervical cancer screening program, and in maintaining the support necessary to compete effectively in the aggressively competitive cytology market.

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

4. Senior Officers of Victorian Cytology Service Incorporated

Director and Public Officer

Gabriele Medley MB, BS, FRCPA, FIAC

Deputy Director, Epidemiologist, Medical Director of Victorian Cervical Cytology Registry, and Director of Victorian BreastScreen Registry

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

Business Manager

Brian Salter

Pathologists

William K Murray MB, BS, FRCPA, MRCPATH - till October 1994

Helen Fleming, MB BS, FRCPA - from November 1994

Jan Pyman, MB BS, FRCPA

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

Trainee Cytopathologist

Margaret Sage MB, ChB, FRCPA - till February 1995

James Duhig, MB BS FRCPA from May 1995

Liaison Physician

Stella Heley MB BS, Dip Ven, FACVen

Acting Chief Scientist

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

Coordinator of Victorian BreastScreen Registry

Vicky Higgins MRA

Teaching Coordinator

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

Personnel Officer

Yvonne Shepherd

Unfortunately, Dr. Helen Fleming has notified her intention to leave full time employment within VCS in August, 1995 to take up a position at Preston and Northcote Community Hospital (PANCH). As previously stated it is extremely difficult to retain pathologists because the restricted range of tasks available within the Service of necessity results in a loss of broader skills which are so integral to the scientific satisfaction of the experienced pathologist.

Senior Officers of Victorian Cytology Service Incorporated (contd)

Repeated advertisements, as previously indicated, in the Australian and overseas press have so far failed to yield a suitable replacement for Dr Fleming, who has contributed much to the routine and training activities of VCS. It is hoped that she may attend VCS on a regular sessional basis as part of a staff interchange program currently under negotiation with PANCH. It is envisaged that such interchange arrangements have the capacity to deliver benefits, both in staff efficiency and skills development, and staff satisfaction, that have not been fully exploited under traditional staffing arrangements in the health sector. Dr William Murray returned to VCS in a temporary capacity during June 1995 and it is hoped that he may return for occasional sessional duties such as this and for teaching activities in the future.

VCS has been fortunate once again to receive funds from the Victorian Cervical Cancer Program to employ a Trainee Pathologist for one year. Dr James Duhig has replaced Dr Margaret Sage, for the current year. Both of these pathologists, who have already qualified in their discipline, have made a significant contribution to the routine workload and educational activities of the Service whilst further developing their skills and experience in the sub-specialty of cytopathology. Dr Sage successfully achieved Fellowship of the International Academy of Cytology, by examination, towards the end of her period with VCS.

Since it has been impossible to recruit an appropriately qualified person to the vacant position of cytopathologist, a second trainee cytopathologist has been appointed, and will commence duties at the end of August 1995.

The position of Liaison Physician with VCS, held since its inception by Dr Stella Heley, has once again been funded by the Victorian Cervical Cancer Program. Dr Heley has the responsibility of visiting practitioners to discuss issues surrounding their utilisation of the program, to assist in further development of sampling skills, and to familiarise them with VCS reporting, follow up, and other new initiatives as they occur. This is a most important function in the task of maintaining a responsive, user-friendly Pap smear reporting service in a highly competitive market.

5. Diagnostic Activities

The number of tests received during the year was 278,492. The monthly totals were:

1994	
July	23118
August	26214
September	22942
October	23384
November	24905
December	19045
1995	
January	19981
February	23885
March	26270
April	18682
May	26883
June	23183

Over 99% of smears were reported within five working days for each month except July.

80 non-gynaecological specimens were processed. These included urine samples, bronchial brushings and washings, and fine needle aspirates of lesions for diagnosis. They were all from country Victoria.

In order to broaden the activity of VCS, it has been considered appropriate, in response to requests from several practitioners who use the service, to develop a small facility to process and report tissue biopsies which relate to cervical smear tests. This facility will be operational in August 1995. In addition to improving the level of service provision to those who use the smear reporting facility of VCS, the diagnostic material so obtained will enable VCS to improve the educational resources of the service which rely heavily on the acquisition of such material in the preparation of teaching cases.

6. Financial Activities

These are considered in the attached papers. Resource savings have been made by improved efficiency and by self funding initiatives and procedure modifications. The remuneration for smears reported over target for the 1993-94 year has been received. This has funded initiatives to cope with unprecedented workload and enabled essential equipment replacement to be achieved. In this financial year the target for base funding was set at 277,000 smears and this has been achieved within the available resources. The provision of funds from the Victorian Cervical Cancer Program has enabled important training and quality assurance initiatives, unachievable within the base funding, to be implemented. VCS has once again completed the year within the financial target of the Health Service Agreement.

7. Space and Equipment

The proposed alterations to the mezzanine floor to accommodate the increased requirements of the BreastScreen Registry have been completed without compromising VCS function. This opportunity was utilised also to repaint all offices utilised by the Service.

The new data processing facility is operating well and it is anticipated that there will be a implementation of new communication initiatives and software development over the next two to three years. There has been a policy of gradual progressive modification, rather than once off major rewrite of the system at this time because the current facility is working well, and in the rather stressful climate under which we currently operate, the difficulties inherent in such a major conversion are better avoided.

The development of automated screening machines has been an ongoing process for the past thirty years in both Europe and the USA. Unfortunately none has yet achieved a performance better than well trained human personnel. None has yet passed the stringent testing of the US Food and Drug Administration's Center for Devices and Radiological Health. However several machines are currently under test as *rescreening* devices, to be used as quality control measures.

It is anticipated that one of these machines, the NeoPath AutoPap 300 QC Automatic Pap Screener will be delivered in early July to VCS. A protocol has been designed to conduct a trial in which 20,000 previously screened smears will be tested by the NeoPath machine, and also submitted to the PapNet screening device of Neuromedical Systems Inc. The trial has the aim of comparing the ability of three methods of quality control, human rescreening, and rescreening by the two automated technologies, to identify previously missed high grade abnormalities. The processing by automated methods will be paid for by VCS from a grant of the Victorian Cervical Cancer Program so that data acquired will be the property of VCS and able to be published without restriction by the commercial interests that own the methodologies. The importance of such a trial has been emphasised by scientific bodies both in Australia and overseas, since most of the previously reported studies have demonstrated that the main benefit of the machines has been to identify previously missed abnormalities which are mainly trivial, without threat to life, but adding significantly to the number of women for whom expensive and mainly unnecessary and worrying investigation must then occur.

Several other additions to VCS have included an automatic commercial dishwashing machine which enables recycling of slide carriers to be achieved in-house, a new automated staining machine, an additional Lektriever Filing Unit to cope with the ever expanding file of abnormal smears, a compactus for archival storage, and ten additional screener work stations to accommodate the increase in training and screening scientists.

8. Staff

The staff is the most important resource of the service. The entire staff has once again co-operated to achieve a successful outcome in a difficult year.

Although no cases have actually been in a Victorian court in this year, there has been no reduction in the build up of legal activity surrounding the cervical cancer screening program in general, and VCS in particular. The direct effect of this activity has been that some scientists find the stress of the expectations of the program too great to tolerate, and move into other disciplines of medical laboratory science, or into completely different areas of work. The indirect effect has been a persistently elevated workload throughout the industry with subsequent depletion of VCS staff by active recruitment within the private sector which is able to offer greater financial rewards and a much greater diversity of workload than is possible in a workplace such as VCS with essentially a single product.

There have been management initiatives to improve the quality of the workplace, such as a move toward team based management. There is also an ongoing attempt to create diversity of tasks by interchange of staff with other health care institutions who have a predominance of non-gynaecological cytology. However there is a reluctance of such institutions to participate in such arrangements in the rather uncertain climate in which privatisation of the pathology services is an ever present threat.

VCS has determined that the highest priority is to maintain the quality of reporting, not allowing this to be compromised by the expectation of a potentially dangerous increase in daily throughput. Nevertheless, with a policy of voluntary weekend overtime, it has been possible to maintain throughput targets in this year.

9. Training and Education

During this year there has been further evolution of previously existing programs. A grant was received from the *Organised Approach to Preventing Cancer of the Cervix Program* to continue to develop new initiatives in quality assurance which may help to form the basis of standard setting in the wider field of the national program.

9.1 Cytopathologists

Internal Initiatives. The internal program of continuing staff education centres around three main areas:

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

Regular meetings and review of cases at the multi-head microscope are an ongoing element of the quality assurance process. All follow-up of smears received is correlated with smear predictions and returned for review to scientists and cytopathologists. Elements of inconsistency are discussed and addressed by microscopy reviews. Smear follow-up suggesting false-negative or false-positive reports generates requests for biopsy material from pathology laboratories. Smears and biopsy slides are then reviewed together. Pathologists are encouraged to meet with peers from other laboratories to exchange information. Attendance and participation in meetings of learned societies is encouraged.

External Initiatives. One in-depth practical two week course for pathologists wishing to report cytology was conducted in March 1995. The course was over-subscribed, largely due to recommendation from previous participants. The course, designed and coordinated by Dr Valerie Surtees is self funding and utilises the extensive teaching resources of VCS and external lecturers who contribute in areas of their individual expertise. Applications have already been accepted and have almost filled for the next course to be held in July 1996.

training and Education (contd)

9.2 Scientists

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

- i) Training of scientists, mainly graduates in Medical Laboratory Science, who wish to work in cytology, with ten new trainees joining VCS in the past year.
- ii) In-service continuing staff education, which is designed to communicate scientific advances to staff and to ensure that there is feedback and remedial education as a result of data generated by the computer in the areas of diagnosis and productivity of screeners.

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

- iii) Scientists are encouraged to attend and participate in meetings of learned societies. Reference material is available and facilities provided for photography and preparation of presentations. Financial support for registration expenses for participants in scientific meetings is offered.

The *external* program of teaching cytology as a component of the Bachelor of Applied Science (Medical Laboratory Science) at RMIT continues. The Director is a member of the Advisory Committee for this course and is involved in curriculum review, staff selection and ongoing planning of appropriate courses. It is considered that this 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.

An annual two-week course in gynaecological cytopathology for scientists, similar to cytopathologists is continuing. It was decided that one gynaecological course of two weeks duration, would be held in February/March 1995. This is self-funding.

10. Victorian BreastScreen Registry

VCS continued its auspice of this Registry in 1994/95. The Registry made appointments for 140,000 women to be screened at approximately 35 locations throughout Victoria. The central telephone booking service is proving both economical and popular with women and screening staff.

The Registry participated in recruiting women for screening via invitations based on the Electoral Roll and also by sending reminders to women who were due for rescreening.

Two female medical practitioners are available to take queries from women who phone the appointment line. This service appears to be very gratefully received by the women callers.

Use of the sophisticated database that the central registry offers was greatly assisted during 1994/95 by the appointment of an experienced medical records administrator, Ms Helen Farrugia.

11. Publications from VCS during 1994/95

Refereed Articles

Mitchell H, Medley G

Differences between Papanicolaou smears with correct and incorrect diagnoses
Accepted for publication in Cytopathology

Mitchell H, Medley G

Time trends in repeatability of cytologic diagnosis on Papanicolaou smears.
Accepted for publication in Acta Cytologica

Mitchell H

Cancer screening: protecting the public's health. *Diag Cyto* 1995;12:199-200

Mitchell H, Medley G, Gordon I, Giles G

Cervical cytology reported as negative and risk of adenocarcinoma of the cervix: no strong evidence of benefit.

Br J Cancer 1995;71:894-897

Reviews/Commissioned Articles

Mitchell H, Medley G

The role of an endocervical component in improving the accuracy of cervical cytology

In: Schmidt W, Miller T, Katz R, Silverman J, Ashton P, editors.

Cytopathology Annual: Chicago: American Society of Clinical Pathologists, 1994;83-90

Letters to the Editor

Mitchell H, Medley G

Abnormal vaginal bleeding is common, malignancy rare

Med J Aust 1995;162:164-165

Mitchell H

The endocervical component of Pap smears

Med J Aust 1994;161:395

12. Other Activities

During this year both the Director, Dr Gabriele Medley and the Deputy Director, Dr Heather Mitchell have continued to participate in activities associated with the national screening program in both professional development and community education. By membership on committees of professional bodies, VCS senior staff have the opportunity to develop communication channels between the various disciplines involved in cancer prevention.

Dr Medley has participated as an invited speaker and panelist at the 11th International Congress of the International Academy of Cytology in Madrid in May 1995 and has spoken at a number of educational programs for medical and nursing practitioners, and lay women's groups.

In October 1994, Dr Mitchell was invited to present a paper at the inaugural meeting of the Papanicolaou Society. She presented the results of a VCS study which explored the differences between slides for which a true positive report of disease had been issued versus slides for which a false negative report had been issued. In February 1995, Dr Mitchell was an invited guest speaker at a workshop which was reviewing the experience and policies of the cervical screening program in Canada.

Professor Valerie Surtees has continued to take an active role in the planning of strategy of the Medical Laboratory Science Program of the Royal Melbourne Institute of Technology, further strengthening the bonds between this institution and VCS. She also attended the Congress of the International Academy of Cytology in Madrid.

13. Conclusion

Despite another rather difficult year that has been negotiated, VCS has continued to consolidate its role as a significant provider of service in the important field of preventive health care for the women of Victoria and a leader in training and quality assurance initiatives in the field of gynaecological cytology. Founded originally as a State funded initiative, resources have recently been increasingly derived from a Commonwealth Health Program Grant. The continuing development as a national and international centre of excellence is of course dependent on a realistic funding base.

VCS continues to be committed to a *free* service for women. By virtue of the efficiency of its service delivery and its wider usefulness to government as an epidemiologic facility central to the monitoring of screening programs in Victoria, it is much more cost effective than private or bulk billing alternatives. The cost per smear under the current funding methods is significantly less than it would be under alternative systems. VCS meanwhile will maintain a tight management style which enables it to operate on a businesslike footing. Continuing efforts to maintain best international standards of scientific achievement by setting benchmarks that can be well monitored, must be accompanied by initiatives to develop markets that will maximise performance, and cost effectiveness in the current climate of competition from private commercial enterprise.

There is no doubt that the prevailing medicolegal climate has in many ways adversely affected the screening program in all its steps, from recruitment, through sampling, reporting, management and policy determination. However the increasing awareness of risk in all these steps has perhaps induced strengths in the providers that can lead to a better program. It is evident that that some alternative to the current intolerably expensive litigation must be developed for the community to deal with the inevitable inability of the program to prevent all cases of cervical cancer, if the program is to continue in Australia.

The Victorian Cervical Cytology Registry and the BreastScreen Registry which are reported in detail elsewhere, continue to operate effectively under the auspices of VCS.

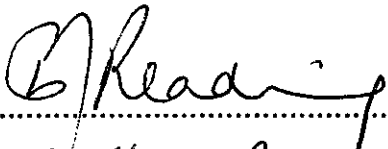
It is to be hoped that the wide-ranging changes to be implemented over the next years as a result of the report of the Metropolitan Hospital Planning Board, *Developing Melbourne's Hospital Network*, will further strengthen the position of VCS in its broad role as a public health maintenance resource for Victorian women.

Victorian Cytology Service Incorporated Certification

In our opinion the Report of Operations and the Financial Statements of the Victorian Cytology Service Incorporated comprising statement of Revenue and Expense Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and notes to the Financial Statements have been prepared in accordance with Accounting Standards and Urgent Issues Group Consensus Views.

In our opinion the Financial Statements present fairly the financial transactions for the year ended 30 June 1995 and the financial position as at that date of the Victorian Cytology Service Incorporated.

At the date of signing the Financial Statements we are not aware of any circumstances which would render any particulars included in the statements to be misleading or inaccurate.



..... Chairperson (on behalf of the Board)

DOROTHY READING

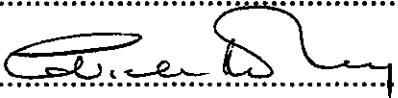
..... (Print Name)



..... Member (on behalf of the Board)

KERRY DIANNE BRADLEY

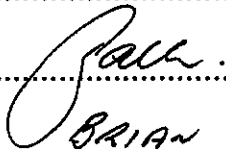
..... (Print Name)



..... Chief Executive Officer

GABRIELE MEDLEY

..... (Print Name)



..... Principal Accounting Officer

BRIAN SAUTER

..... (Print Name)

Dated the 15TH day of SEPTEMBER 1995.
(Location)

VICTORIAN CYTOLOGY SERVICE INCORPORATED

REVENUE AND EXPENSE STATEMENT FOR THE YEAR ENDED 30 JUNE 1995

	NOTES	TOTAL 1994/95 \$	TOTAL 1993/94 \$
Operating Revenue Providing Fund Inflows			
Services Supported by Health Service Agreement			
Government Grants	2	3,613,244	3,634,791
Indirect Contributions by DOHCS	3	279,304	41,700
Bank Interest	4	18,896	9,560
Sale of Equipment		45,058	3,140
TOTAL OPERATING REVENUE PROVIDING FUNDS		3,956,502	3,689,191
Operating Expenses Requiring Fund Outflows			
Services Supported by Health Service Agreement			
Diagnostic and Medical Support Services		2,590,660	2,310,190
Administration and Quality Assurance		1,028,787	750,003
Engineering and Maintenance		47,389	54,020
Domestic and Catering Services		12,385	7,137
Corporate Costs Funded by DOHCS.		41,697	41,700
Workcare		11,834	10,400
Superannuation		252,790	250,616
Teaching and Research		6,489	9,113
TOTAL OPERATING EXPENSES REQUIRING FUNDS		3,992,031	3,433,179
Operating Surplus (Deficit) Providing Fund Inflows		(35,529)	256,012
Operating Expenses Not Requiring Fund Outflows			
Depreciation		202,497	164,338
Employee Entitlements		164,768	100,119
		<u>367,265</u>	<u>264,457</u>
Operating (Deficit) for the Year Prior to Capital Items		(402,794)	(8,445)

	NOTES	TOTAL 1994/95 \$	TOTAL 1993/94 \$
Income Designated for Capital Purposes			
Government Grants	2	853,704	-
Operating Surplus / (Deficit) for the Year		<u>450,910</u>	<u>(8,445)</u>
Retained Surplus / (Accumulated Deficit) at 1 July		(332,541)	(324,096)
Aggregate of Amounts Transferred from Reserves at 1 July 1994	1(l)	1,546,164	-
AASB 1028 Opening Adjustment	1(l)	(3,029)	-
Amount Available for Appropriation		<u>1,661,504</u>	<u>(332,541)</u>
Aggregate of Amounts Transferred to Reserves		(53,956)	-
Retained Earnings / (Accumulated Losses) at 30 June		<u>1,607,548</u>	<u>332,541</u>

The accompanying notes form part of these financial statements.

VICTORIAN CYTOLOGY SERVICE INCORPORATED

BALANCE SHEET FOR THE YEAR ENDED 30 JUNE 1995

	NOTES	TOTAL 1994/95 \$	TOTAL 1993/94 \$
Equity			
Capital			
Contributed Capital		-	1,546,164
Funds held for Restricted Purposes	10	344,879	290,923
Reserves			
Retained Surplus/(Accumulated Deficit)		<u>1,607,548</u>	<u>(332,541)</u>
Total Equity		<u>1,952,427</u>	<u>1,504,546</u>
Current Liabilities			
Bank Overdraft		66,247	30,641
Creditors		6,794	9,783
Accrued Expenses		95,857	66,804
Provision for Employee Entitlements	5	<u>566,425</u>	<u>444,164</u>
Total Current Liabilities		<u>735,323</u>	<u>551,392</u>
Non Current Liabilities			
Provision for Employee Entitlements	5	<u>271,876</u>	<u>229,369</u>
Total Liabilities		<u>1,007,199</u>	<u>780,761</u>
Total Equity and Liabilities		<u>2,959,626</u>	<u>2,285,307</u>
Current Assets			
Cash at Bank and on Hand		5,091	18,676
Stores	6	172,634	71,292
Debtors and Accrued Revenue	7	75,430	281,059
Short-term Investments	8	<u>1,937,896</u>	<u>1,139,491</u>
Total Current Assets		<u>2,191,051</u>	<u>1,510,518</u>
Non Current Assets			
Plant and Equipment	9	565,836	606,173
Motor Vehicles	9	<u>202,739</u>	<u>168,616</u>
Total Non Current Assets		<u>768,575</u>	<u>774,789</u>
Total Assets		<u>2,959,626</u>	<u>2,285,307</u>

The accompanying notes form part of these financial statements.

VICTORIAN CYTOLOGY SERVICE INCORPORATED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 1995

Notes	Contributed Capital	Funds Held for Restricted Purposes	Retained Surplus/ Accumulated Deficit	Total 1994/95	Total 1993/94
	\$	\$	\$	\$	\$
Balance at beginning of year	1,546,164	290,923	(332,541)	1,504,546	1,067,755
Opening Transfer of Contributed Capital to Retained Earnings	(1,546,164)		1,546,164	-	-
AASB 1028 Opening Adjustment			(3,029)	(3,029)	-
Surplus/(Deficit) for year			450,910	450,910	(8,445)
Funds transferred in for restricted purposes		53,956	(53,956)	-	93,907
Balance at end of year	<u>-</u>	<u>344,879</u>	<u>1,607,548</u>	<u>1,952,427</u>	<u>1,504,546</u>

The accompanying notes form part of these financial statements.

VICTORIAN CYTOLOGY SERVICE INCORPORATED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 1995

	NOTES	1995 \$	1994 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Services Supported by Health Services Agreement			
Receipts			
Government Grants		3,817,461	3,700,456
Interest	4	18,896	9,560
Indirect Contributions by DOHCS	3	237,607	
Payments			
Salaries & Wages		(2,564,756)	(2,324,035)
Other		(1,462,473)	(1,089,361)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	13	46,735	296,620
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for purchase of plant & equipment		(319,115)	(561,064)
Proceeds from disposal of plant & equipment		167,890	127,120
Proceeds of Funds held for Restricted Purposes		—	93,907
		(151,225)	(340,037)
CASH FLOW FROM GOVERNMENT			
Capital	2	853,704	351,329
NET INCREASE IN CASH HELD		749,214	307,912
CASH AT 1 JULY		1,127,526	819,614
CASH AT 30 JUNE	12	1,876,740	1,127,526

The accompanying notes form part of these financial statements.

**NOTES AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1995**

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

a. Basis of accounting

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

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

b. Accrual basis

The accrual basis of accounting has been used with revenues and expenses being recognised as they are earned or incurred, and brought to account in the period to which they relate.

c. Historical cost

The financial statements have been prepared on a historical cost basis whereby assets are recorded at cost and do not take into account changing money values nor the current cost of non-current assets (unless specifically stated).

d. Rounding off

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

e. Investments

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

f. Depreciation

Depreciable assets with a cost in excess of \$1,000 are brought to account and depreciation has been provided over their estimated lives using the straight line method.

g. Inventories

Stores are stated in the Balance Sheet at the lower of cost and net realisable value. Cost is determined principally by first-in, first-out method.

h. Employee Entitlements

Liabilities for other employee entitlements, which are not expected to be paid or settled within 12 months of balance date, are accrued in respect of all employees at the present values of future amounts expected to be paid based on a 3.6% per annum projected weighted average increase in wage and salary rates over an average period of 12 years.

i. Sabbatical Leave

Included in Funds Held for Restricted Purposes is an allowance for sabbatical leave of \$185,475. This fund has been determined on a pro rata basis for all employees who are entitled to take sabbatical leave.

j. Incorporation

The entity was incorporated on 3 September 1991 under the Associations Incorporation Act 1981. The financial statements include the results and activities of the Victorian Cytology Service Inc. only. The results and operations of the Victorian Cervical Cytology Registry are reported separately based on a directive from DOHCS.

k. Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

l. Change in Accounting Policies

The accumulated balances of Contributed Capital have been transferred to retained earnings to ensure consistency in preparation of accounts, with other entities in the Health sector. Comparatives have not been adjusted. All future cash receipts will be initially reported through the Revenue and Expense statement.

In previous years non-current employee entitlements to long service leave were accrued in respect of employees with more than 5 years' service and at current wage and salary rates. In order to comply with AASB 1028, Accounting for Employee Entitlements, which became effective for financial years ending on or after 30 June 1995, these entitlements are now accrued in respect of all employees, based on estimated future wage and salary rates and at discounted amounts. Net adjustments of (\$3,029) were made directly to retained earnings at the beginning of the financial year. This change in accounting policy resulted in a further decrease of \$42,701 in provisions for non-current employee entitlements at the end of the financial year.

I. Change in Accounting Policies (cont.)

Contributions to employee superannuation plans are charged as expense as the contributions are paid or become payable. Any deficiency in the net assets of the superannuation plans is recognised as a provision when it arises.

m. Taxation

The Service is exempt from Income Tax.

NOTE 2: GOVERNMENT GRANTS

	1994/95	1993/94
	\$	\$
Total Operating Grants	<u>3,613,244</u>	<u>3,634,791</u>
Capital Grants	<u>853,704</u>	<u>351,329</u>

NOTE 3: INDIRECT CONTRIBUTION BY HEALTH DEPARTMENT VICTORIA

The Department of Health and Community Services makes certain payments on behalf of the service which, in accordance with their requirements, have been brought to account in determining the operating result for the year.

	1994/95	1993/94
	\$	\$
Insurance Costs	41,697	41,242
Hospital Computing Service Charges	-	458
Sabbatical and Education	237,607	
Total	<u>279,304</u>	<u>41,700</u>

NOTE 4: OTHER REVENUE

	1994/95	1993/94
	\$	\$
Bank Interest Received	<u>18,896</u>	<u>9,560</u>

NOTE 5: PROVISION FOR EMPLOYEE ENTITLEMENTS

	Current \$	Non Current \$	Total 1994/95 \$	Total 1993/94 \$
Long Service leave	173,477	271,876	445,353	381,953
Annual Leave	373,031	-	373,031	277,410
Accrued Days Off	<u>19,917</u>	<u>-</u>	<u>19,917</u>	<u>14,170</u>
Total	<u>566,425</u>	<u>271,876</u>	<u>838,301</u>	<u>673,533</u>

NOTE 6: INVENTORIES

	1994/95 \$	1993/94 \$
AT COST:		
Housekeeping Supplies	168	139
Medical & Surgical Lines	90,442	40,846
Administration Stores	<u>82,024</u>	<u>30,307</u>
Total	<u>172,634</u>	<u>71,292</u>

NOTE 7: DEBTORS AND ACCRUED REVENUE

	Over 1 Year	Less than 1 Year	Total 1994/95 \$	Total 1993/94 \$
Additional smears	-	14,166	14,166	268,783
Superannuation Deductions	-	10,064	10,064	6,915
Outstanding DOHCS Grant	800	50,400	51,200	800
Stationery Kits	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,561</u>
Total Debtors and Accrued Revenue	<u>800</u>	<u>74,630</u>	<u>75,430</u>	<u>281,059</u>

NOTE 8: INVESTMENTS

Types of Investment	Operating Fund	Specific Purpose Funds	Total 1994/95 \$	Total 1993/94 \$
Current				
Commonwealth Bank Cash Management Call Account	<u>1,597,988</u>	<u>339,908</u>	<u>1,937,896</u>	<u>1,139,491</u>

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	At Cost 30 June 1995 \$	Accumulated Depreciation at 30 June 1995 \$	Written Down Value at 30 June 1995 \$	Written Down Value at 30 June 1994 \$
Plant & Equipment	1,125,868	560,032	565,836	606,173
Motor Vehicles	<u>245,019</u>	<u>42,280</u>	<u>202,739</u>	<u>168,616</u>
	<u>1,370,887</u>	<u>602,312</u>	<u>768,575</u>	<u>774,789</u>

NOTE 10: FUNDS HELD FOR RESTRICTED PURPOSES

	1994/95 \$	1993/94 \$
Education	159,404	146,059
Sabbatical Leave	<u>185,475</u>	<u>144,864</u>
	<u>344,879</u>	<u>290,923</u>

NOTE 11: UNFUNDED SUPERANNUATION LIABILITIES

The following details relate to the Service's unfunded superannuation liabilities:

- i) Name of Fund to which the Service contributes:
HOSPITAL SUPERANNUATION BOARD
- ii) Notional share of unfunded liability attributable to the Service: \$478,000 (1994 \$406,000)
- iii) Contribution made by the Service during 1994/95: \$252,790 (1994 \$250,616)
- iv) Contributions outstanding as at 30/06/95: NIL
- v) Contributions are paid in accordance with the Hospital Superannuation Act 1988 and the State Superannuation Act 1988.
- vi)

BASIC BENEFIT SCHEME	
Payrolls greater than \$1 million	
01/07/94 - 30/06/95	6%
CONTRIBUTORY SCHEME	
01/01/95 - 30/06/95	
Employee	Employer
3.0%	4.0%
4.0%	5.0%
6.0%	10.0%

NOTE 12: RECONCILIATION OF CASH

For the purpose of the statement of cash flows, cash includes cash on hand and at bank and monies held at call in cash management accounts. Cash at the end of the reporting period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	1995 \$	1994 \$
Operating Fund		
Cash at bank and on hand	120	120
Bank Overdraft	(66,247)	(30,641)
Cash Management Account	1,597,988	867,124
Special Purpose Fund		
Cash at bank	4,971	18,556
Cash Management Account	<u>339,908</u>	<u>272,367</u>
	<u>1,876,740</u>	<u>1,127,526</u>

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

	1995 \$	1994 \$
Operating Result - Surplus (Deficit)	450,910	(8,445)
Less: Capital Items	<u>853,704</u>	<u>—</u>
	<u>(402,794)</u>	<u>(8,445)</u>
Depreciation	202,497	164,338
Profit on sale of fixed assets	(45,058)	(3,140)
Changed assets and liabilities:		
Decrease in creditors	(2,989)	(2,955)
Decrease in accruals	—	(5,918)
Increase in accruals	29,053	—
Increase in employee entitlements	164,768	100,119
AASB 1028 opening adjustment	(3,029)	—
Increase in stores	(101,342)	(6,129)
Decrease in debtors	<u>205,629</u>	<u>58,750</u>
Net cash provided by (used in) operating activities	<u>46,735</u>	<u>296,620</u>

NOTE 14: DIRECTOR'S REMUNERATION

	1994/5 \$	1993/4 \$
Income received or due and receivable by directors	<u>NIL</u>	<u>NIL</u>

The number of directors of the Association included in these figures are shown below in their relevant income bands;

Income of \$NIL	<u>NUMBER</u> 13
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RELATED PARTY INFORMATION

Controlling Entities

The ultimate controlling entity is The Department of Health and Community Services.

Directors and Director-Related Entities

The directors below each held office as a director throughout the period ended 30 June 1995 except where otherwise noted;

Name of Director	Date of Appointment
Ms Dorothy Reading	September 1991
Dr Nigel Gray	September 1991
Dr Michael Sedgley	May 1993
Dr Elizabeth Banks	September 1991
Ms Heather Jarman	September 1991
Ms Jenny Keys	April 1992
Mrs Kerry Bradley	February 1994
Associate Professor M Quinn	September 1991
Dr Julia Shelley	April 1992
Dr S Grover	April 1992
Ms Katharina Dimtscheff	December 1991
Ms Nita Cherry	December 1991
Mrs Mary Murdoch	January 1993

The Service processes the Registry's payroll. These dealings are on a normal commercial terms and conditions.

Price Waterhouse



Independent Audit Report

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To the Members of Victorian Cytology Service Incorporated

Scope

We have audited the financial statements of the Association for the year ended 30 June 1995 as set out on pages 1 to 13. The Board of Management are responsible for the preparation and presentation of the financial statements and the information contained therein. We have conducted an independent audit of the financial statements in order to express an opinion on them to the members of the Association.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements, being Urgent Issues Group Consensus Views, and the rules of the Association so as to present a view which is consistent with our understanding of the Association's financial position, the results of its operations and its cash flows.

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

Audit Opinion

In our opinion, the financial statements of the Association present fairly, in accordance with Australian Accounting Standards, other mandatory professional reporting requirements and the rules of the Association, the financial position of the Association as at 30 June 1995 and the results of its operations and its cash flows for the financial year ended on that date.

Price Waterhouse
Chartered Accountants

Ken Warburton
Partner

Melbourne
13 September 1995