8. Other Information

8.1 Budgetary Reporting - Explanation of Major Variances

8.1A: Explanation of Major Departmental Variances

The following provides explanations of major variances between DFAT's original budget estimates, as published in the 2016-17 Portfolio Budget Statements (PBS) and the actual results for the financial year as presented in accordance with the Australian Accounting Standards. Major variances are those relevant to an analysis of DFAT's performance, not merely on numerical differences between the budget and actual amounts.

Own-source revenue reported in the Statement of Comprehensive Income (32.2%) and operating cash receipts for sale of goods and rendering of services reported in the Cash Flow Statement (34.7%) were higher than originally estimated. The higher actuals are a result of increased rental revenues, service level agreement fees and other cost recoveries from attached Australian Government agencies that DFAT provide services to at overseas posts. The increase was primarily driven by higher than expected market rent valuations, CPI and increased volume of services.

Gains and proceeds from the sale of assets reported in the Statement of Comprehensive Income (98.0%) and Cash Flow Statement (97.0%) are lower than originally estimated due to the delay in sale of the former Jakarta embassy building, with the sale now expected in the 2017-18 financial year.

There is a flow on impact of the above movements, in revenue and expenses, to the deficit for the current financial year reported in the Statement of Comprehensive Income and Statement of Changes in Equity.

There are a number of items that are not incorporated into PBS estimates due to the unpredictable, uncontrollable and / or unplanned nature of the transactions and adjustments. This includes:

› the write-down and impairment of assets reported in the Statement of Comprehensive Income,
› gains or losses from foreign exchange differences reported in the Statement of Comprehensive Income and Cash Flow Statement, and
› accounting adjustments for DFAT's provision for the future makegood of leasehold improvements in leased properties reported in the Statement of Comprehensive Income and Statement of Changes in Equity.

Additionally, DFAT does not estimate or factor in revaluation adjustments for land and buildings and plant and equipment assets as these movements are beyond DFAT's control and are difficult to predict. This impacts other comprehensive income reported in the Statement of Comprehensive Income and Statement of Changes in Equity and non-financial asset balances reported in the Statement of Financial Position.

Major variances between actual figures reported in the Statement of Financial Position and the PBS estimates include:

› Cash and cash equivalents increased (110.6%) due to the reclassification of the Overseas Property Special Account as cash rather than trade and other receivables. There is a flow on impact to the cash flow statement. This change in accounting policy contained in division 6 section 48 of the FRR was implemented after the budget was prepared.
› Inventories increased (18.9%) to maintain passport stock consistent with DFAT's Business Continuity Plan.
› Intangibles increased (38.1%) due to new measures announced in the Mid-Year Economic Fiscal Outlook relating to expanding Australia's Overseas Representation and movement of funds from last year to the current financial year which occurred after the budget.
› Assets held for sale increased (59.1%) due to the earlier than anticipated decommissioning of the Bangkok embassy.
› Other non-financial assets decreased (31.1%) following the implementation of monthly invoicing arrangements for passport services from Australia Post. At the time of finalising the budget these services were invoiced 12 months in advance.

The Cash Flow Statement also includes variances for items that are not included in PBS estimates. This includes no estimates for section 74 receipts transferred to the Official Public Account (OPA) and subsequently re-drawn as appropriations, estimated cash transfers to and from the OPA for the Overseas Property Special Account, and GST payments to suppliers and subsequent refunds received from the Australian Taxation Office. In addition, estimated cash flows for asset purchases included amounts that represented the completion of work in progress assets and transfer of the balance to a depreciating asset, with a proportion of the cash flows actually occurring in prior years.

8.1B: Explanation of Major Administered Variances

There are a number of items that are not incorporated into PBS estimates due to the unpredictable, uncontrollable and / or unplanned nature of the transactions and adjustments related to contributions, unplanned revenue and gains and Efic NIA income in the Administered Schedule of Comprehensive Income.

There were higher than expected returns of prior year administered expenses reported in the Administered Schedule of Comprehensive Income (181.9%), which relate to unspent monies from previous funding arrangements. The original PBS estimate was based on forecast reductions of these returns in line with anticipated reductions in the aid program.

DFAT does not estimate or factor in adjustments for re-measurement of the net liability for defined benefit pension schemes, revaluation of property, plant and equipment assets or movements in the carrying amount of investments, reported in the Administered Schedule of Assets and Liabilities and corresponding entries in Other Comprehensive Income (100.0% variance) into the PBS estimates. Similar to above, this is because the main factors that drive these movements are beyond DFAT's control, such as movements due to changes in the value of the Australian Dollar on currency markets.

The cash on hand or on deposit balance reported in the Administered Schedule of Assets and Liabilities (563.9% above estimates) increased with the change in accounting policy contained in division 48 of the FRR. The accounting policy change, which requires special account balances to be included as cash, was implemented after the budget was prepared.

The estimated balance for trade and other receivables reported in the Administered Schedule of Assets and Liabilities (93.5% above estimates) increased with the inclusion of amounts appropriated for multilateral agreements that are drawn down in line with the agreed encashment schedules. As these are administered on behalf of Government the appropriations not yet drawn down are not recorded as receivables in DFAT's financial statements in accordance with accounting standards, but due to the substantial value, they are included in the budget estimates.

The timing of the preparation of estimates included in the PBS in April can also result in variances to actual results. Portfolio Budget Statement estimates are prepared in order to be included as part of the Federal Budget, and are based on the current financial year estimates plus adjustments - prior to the finalisation of actual balances for that financial year. Significant movements and adjustments that occur late in a financial year are not able to be incorporated into the estimates, resulting often in more obvious variances.

The impacts of the timing of PBS estimates are most pronounced for both investments and multilateral grants and contributions payables administered on behalf of Government reported in the Administered Schedule of Assets and Liabilities (4.2% and 19.9% respectively) and is due to revaluation and discounting factors applied at 30 June including the government bond rate and exchange rate fluctuations.