



**Group of the Progressive Alliance of
Socialists & Democrats
in the European Parliament**

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Antonio TAJANI
President of the European Parliament
09B111
Rue Wiertz 60
1047 Brussels

Brussels, 27th April 2017
GP/MH/FN

Dear Mr. President, Dear Antonio,

In accordance with article 2.7.1. of the financial rules, concerning the foreseen use of appropriations from budget item 400, I am pleased to send you the report, drawn up by our external auditors, about the use of these appropriations in the budgeting period 2016.

Kind Regards,

Gianni PITTELLA
President

A handwritten signature in black ink, appearing to be 'Gianni Pittella', written over a horizontal line.

**REPORT BY THE GROUP OF THE PROGRESSIVE
ALLIANCE OF SOCIALISTS & DEMOCRATS
IN THE EUROPEAN PARLIAMENT**



Group of the Progressive Alliance of
Socialists & Democrats
in the European Parliament

BUDGET ITEM 400

FINANCIAL YEAR 2016

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REPORT OF THE EXTERNAL AUDITORS ON THE ANNUAL ACCOUNTS RELATIVE TO THE USE OF THE CREDITS OF ITEM 400 OF THE BUDGET OF THE EUROPEAN PARLIAMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2016

**GROUP OF THE PROGRESSIVE ALLIANCE OF SOCIALISTS AND DEMOCRATS
IN THE EUROPEAN PARLIAMENT
AUDITOR'S REPORT**

In accordance with the audit mandate, we have audited the Group's Financial Statement prepared by the Group Accountant for the financial year 2016 ending 31/12/2016 as presented on pages 1 to 14 of this document.

Respective responsibilities of the Group and the auditor

Pursuant to the rules on the use of appropriation from budget item 400 (hereafter "the Rules"), the Group is responsible to the European Parliament for the conformity of appropriation usage and of the preparation of the group's financial year 2016 financial report.

We are responsible for planning and carrying out the required work to verify the financial report prepared by the Group and to report with reasonable assurance our audit opinions to the Group.

Basis of Opinions

We have conducted the audit in accordance with International Standards on Auditing as issued by the IAASB. This standard requires the auditor or auditing company to plan and carry out the work in such a way as to obtain sufficient and appropriate evidence and explanations to support audit opinions. An audit includes an examination, on a sample basis, of evidence relevant to the opinions.

The audit work included specific procedures aimed at gathering sufficient and appropriate audit evidence that:

- a) the statement of revenue and expenditure gives a true and fair view of the group's financial position for the budget period concerned;
- b) the balance sheet gives a true and fair view of the Group's assets at the end of the budget period,
- c) the overall considerations on financial statements in the rules adopted by the Accounting Officer of the Commission referred to in articles 143 and 144 of the Financial Regulation¹, have been observed in the preparation and presentation of the accounts or, where appropriate, a divergence from these overall considerations is adequately explained by a note to the financial statements.
- d) an effective and efficient internal control system for the management of operations, which includes effective segregation of the duties of authorising officer and accounting officer or of the equivalent functions, is in place;
- e) the accounts have been presented in accordance with the harmonised Accounting Plan in Part 2 of the Rules;
- f) the expenditure complies with the provisions of the Rules;
- g) the expenditure has been charged to the correct item in the budget of the Group;

¹ Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union (Official Journal L 298, 26.10.2012, p.1).

- h) the appropriations were available;
- i) the principles of sound financial management have been applied;
- j) payment orders are substantiated by original supporting documents (or certified true copies);
- k) the Group's internal rules have been observed.

The audit work included verification of the risk management activities of the Group and on the quality of management and control systems. If necessary, recommendations for improving the conditions of implementation of operations and promoting sound financial management were issued.

The audit work also included assessment of the suitability and effectiveness of internal management systems and the performance of departments in implementing policies, programmes and actions by reference to the risks associated with them; and assessment of the efficiency and effectiveness of the internal control and audit systems applicable to every budget implementation operation.

Opinions

- As a result of our work, we did not identify any material non-conformity with the dispositions laid out in the Rules or with the Group's internal rules including the internal control system.
- The overall presentation of the income and expense statement and of the balance sheet complies with the chart of account provided with the Rules.
- No departures from generally accepted accounting principles have been established.
- The principle of sound financial management has been applied.
- In our opinion, the balance sheet gives a true and fair view of the financial position of the Group at 31/12/2016 and of the revenue and expenses for the year ending 31/12/2016

Zaventem, April 20, 2017

A handwritten signature in black ink, appearing to be 'Karine Morris', written over the printed name.

RSM INTERAUDIT CVBA-SCRL
REGISTERED AUDITORS
REPRESENTED BY
KARINE MORRIS
PARTNER

FINANCIAL YEAR 2016

BALANCE SHEET

**BALANCE SHEET of the Group of the Progressive Alliance of
Socialists & Democrats in the European Parliament**

Financial year 2016

		2016	2015
	<i>notes</i>		
<u>ASSETS</u>			
FIXED ASSETS			
<i>Chapter 1 Intangible and tangible assets</i>	3		
.1 Intangible assets		0,00	0,00
.2 Tangible assets		194.068,47	258.055,91
Sub total chapter 1		194.068,47	258.055,91
CURRENT ASSETS			
Chapter 2 Debtors, stocks and other working assets	5		
.1 Suppliers		76.066,72	80.406,54
.2 Staff		6.375,99	6.712,14
.3 VAT		194.853,20	156.259,22
.4 Stocks		0,00	0,00
.5 Various		7.862,58	59.190,83
Sub total chapter 2		285.158,49	302.568,73
<i>Chapter 3 Financial assets</i>			
.1 Financial securities	4	0,00	0,00
.2 Cash and cash equivalent		7.011.657,26	7.882.482,89
Sub total chapter 3		7.011.657,26	7.882.482,89
Chapter 4 Deferred charges and accrued income			
.1 Deferred charges		49.014,92	53.280,48
.2 Accrued income		1,63	0,00
Sub total chapter 4		49.016,55	53.280,48
TOTAL ASSETS		7.539.900,77	8.496.388,01

**BALANCE SHEET of the Group of the Progressive Alliance of
Socialists & Democrats in the European Parliament**

Financial year 2016

<u>LIABILITIES</u>	<i>notes</i>	<u>2016</u>	<u>2015</u>
Chapter 1 Reserves			
.1 Carry forward to next financial year	1	5.417.411,78	5.624.608,69
Sub total chapter 1		<u>5.417.411,78</u>	<u>5.624.608,69</u>
Chapter 2 Financial debts			
.1 Financial debts of a residual duration > 1 year		0,00	0,00
.2 Financial debts of a residual duration <= 1 year		0,00	0,00
Sub total chapter 2		<u>0,00</u>	<u>0,00</u>
Chapter 3 Other debts			
.1 Other debts	5	1.612,24	7.190,89
.2 Charges settled in N but paid in N+1		2.119.021,05	2.858.764,71
Sub total chapter 3		<u>2.120.633,29</u>	<u>2.865.955,60</u>
Chapter 4 Deferred income/accrued charges			
.1 Deferred income		1.855,70	5.823,72
.2 Accrued charges			0,00
Sous Total Chapitre 4		<u>1.855,70</u>	<u>5.823,72</u>
TOTAL LIABILITIES		<u>7.539.900,77</u>	<u>8.496.388,01</u>

FINANCIAL YEAR 2016

STATEMENT OF REVENUE AND EXPENDITURE

**PROFIT AND LOSS ACCOUNT of the Group of the Progressive Alliance
of Socialists & Democrats in the European Parliament**

Financial year 2016

	<u>2016</u>	<u>2015</u>
	<i>Notes</i>	
<u>Receipts</u>		
<u>Chapter 1 Grants and other receipts from the European Parliament</u>		
.1 EP allocation	15.327.658,75	15.255.686,03
.2 Other EP resources		
Subtotal for Chapter 1	<u>15.327.658,75</u>	<u>15.255.686,03</u>
<u>Chapter 2 Own resources</u>		
.1 Interest and assimilated products	54.573,47	94.576,98
.2 Profit on currency exchange	2 22.410,68	12.853,90
.3 Miscellaneous	5 100.822,12	218.527,50
.4 Amount carried forward from previous financial year	5.624.608,69	5.422.248,48
Subtotal for Chapter 2	<u>5.802.414,96</u>	<u>5.748.206,86</u>
Total receipts	<u>21.130.073,71</u>	<u>21.003.892,89</u>
Grand total	<u>21.130.073,71</u>	<u>21.003.892,89</u>

**PROFIT AND LOSS ACCOUNT of the Group of the Progressive Alliance
of Socialists & Democrats in the European Parliament**

Financial year 2016

<u>Expenditure</u>	<i>Notes</i>	<u>2016</u>	<u>2015</u>
<u>Chapter 1 Staff</u>			
.1 Secretariat missions		1.898.381,99	1.783.112,38
.2 Recruitment		76.750,31	55.871,02
.3 Traineeships		362.785,26	390.027,43
.4 Salaries and related costs, fees		1.312.554,04	1.190.490,75
.5 Staff training		262.816,56	334.299,37
.6 Staff representation costs		7.244,30	5.823,24
Subtotal for Chapter 1		<u>3.920.532,46</u>	<u>3.759.624,19</u>
<u>Chapter 2 Equipment, routine administrative costs and operating costs</u>			
.1 Equipment, operating expenditure, computer-related engineering and maintenance	3	61.940,55	64.010,48
.2 Equipment, telecommunications-related installation and maintenance expenditure, office machinery, furniture and technical installations	3	82.298,67	90.845,84
.3 Stationery and office supplies		11.450,97	36.082,66
.4 Postage and telecommunications		157.310,09	115.684,77
.5 Printing and duplicating		31.859,02	22.474,36
Subtotal for Chapter 2		<u>344.859,30</u>	<u>329.098,11</u>
<u>Chapter 3 Documentation, studies and research</u>			
.1 Newspapers, magazines, press agencies and books		47.164,02	74.072,69
.2 Studies and research		18.717,15	132.863,37
.3 Databases		0,00	0,00
Subtotal for Chapter 3		<u>65.881,17</u>	<u>206.936,06</u>
<u>Chapter 4 Legal and accountancy fees, financial and other charges</u>			
.1 Legal costs		1.946,73	67.237,38
.2 Accounting costs/audits		65.312,69	53.836,23
.3 Financial charges and losses from currency exchange	2	11.330,51	10.121,02
.4 Translation and interpretation costs		91.310,80	63.000,44
.5 Other operating expenditure	5	72.155,49	205.676,93
Subtotal for Chapter 4		<u>242.056,22</u>	<u>399.872,00</u>
<u>Chapter 5 Cost of meetings and representation</u>			
.1 Group meetings		12.404,38	2.207,80
.2 Other meetings and conferences		1.141.095,46	852.875,33
.3 Expenditure on entertainment		114.573,81	182.731,80
.4 Guests		45.145,60	23.263,60
.5 Individual fact finding missions of members		480.343,94	421.261,19
Subtotal for Chapter 5		<u>1.793.563,19</u>	<u>1.482.339,72</u>

**PROFIT AND LOSS ACCOUNT of the Group of the Progressive Alliance
of Socialists & Democrats in the European Parliament**

Financial year 2016

<u>Expenditure</u>	<i>Notes</i>	<u>2016</u>	<u>2015</u>
<u>Chapter 6 Publications and publicity</u>			
.1 Posters, leaflets and booklets		290.100,78	197.150,23
.2 Advertising inserts and audiovisual advertising		264.373,78	198.075,37
.3 Advertising material, gadgets, publicity by telecommunication equipments		53.247,70	124.861,44
.4 Internet sites + e-publicity	3	371.199,05	404.720,65
.5 Visits to institutions, information stands		102.458,82	107.096,08
Subtotal for Chapter 6		<u>1.081.380,13</u>	<u>1.031.903,77</u>
<u>Chapter 7 Members of Parliament</u>			
.1 Members' political and information activities, administrative expenses and political and information activities of national delegations <i>(details attached)</i>		8.194.689,86	8.099.385,35
Subtotal for Chapter 7		<u>8.194.689,86</u>	<u>8.099.385,35</u>
<u>Chapter 8 Grants, subscriptions and contributions</u>			
.1 Subsidies		43.449,60	42.000,00
.2 Membership fees		26.250,00	28.125,00
Subtotal for Chapter 8		<u>69.699,60</u>	<u>70.125,00</u>
Total expenditure		<u>15.712.661,93</u>	<u>15.379.284,20</u>
Credits repayable to European Parliament		0,00	0,00
Amount carried forward to next financial year	1	5.417.411,78	5.624.608,69
Grand total		<u>21.130.073,71</u>	<u>21.003.892,89</u>

**REPORT BY THE GROUP OF THE PROGRESSIVE
ALLIANCE OF SOCIALISTS & DEMOCRATS
IN THE EUROPEAN PARLIAMENT**

BUDGET ITEM 400

FINANCIAL YEAR 2016

NOTES TO THE ACCOUNTS FINANCIAL YEAR 2016

The accounts, hereafter, have been prepared in conformity with:

- the 400 financial rules approved by the Bureau of the European Parliament on 30 June 2003, revised by the Bureau on 22 March 2006, on 11 July 2007, on 20 September 2010, on 23 March 2011, on 26 September 2011, on 2 July 2012, on 11 March 2013, on 24 February 2014, on 14 April 2014 and on 27 April 2015.
- the internal financial rules of the Group
- the accounting principles and the harmonised accounting plan adopted by the Secretaries-General of the political groups

Accounting principles and evaluation methods

- 1) Movements on the accounts and the balances shall be entered in the accounting ledgers.
- 2) All accounting entries, including adjustments to the accounts, shall be based on dated and numbered supporting documents, to which they shall refer.
- 3) The accounting system must be such as to leave a trail for all accounting entries

The financial statements shall be drawn up in accordance with the generally accepted accounting principles, namely:

- going-concern basis;
- prudence;
- consistent accounting methods;
- comparability of information;
- materiality;
- no netting;
- reality over appearance;

Pursuant to Rule 2.5.3 of the Rules on the use of appropriations from budget item 400 the accounts are held on a modified accrual system.

All expenditure relative to activities of the current financial year or previous financial years is registered in the accounts of the current financial year, upon authorisation by the authorising officer responsible and payment by the accountant, if the actual payment is made no later than during the month following the end of the financial year.

All expenditure of a financial year paid during the month following the end of the financial year is booked on the expenditure accounts of the current financial year and as debt on the balance (chapter III.2).

All expenditure for which actual payment is made later than the end of the month following the closure of the financial year or for risks and future charges is registered in the accounts of the next financial year.

No provisions will be made for expenditure of the current financial year not paid by the end of the month following the end of this financial year or for risks and future charges.

All revenue is registered in the income accounts upon establishment by the authorising officer.

All revenue established and not received in the course of the financial year is registered on a balance sheet account in chapter IV (deferred charges and accrued income).

Classification

The classification of the expenditure on the expenditure accounts follows the principle of classification by destination by the accounting plan annexed to the Rules on the use of appropriations from article 400.

Note 1: Carry forward to next financial year:

1: Credits received by our group for the 2016 financial year:	15.327.658,75€
2: Max. amount of carry forward to 2016 financial year:	7.663.829.37€
3: Remainder at the end of the 2016 financial year:	5.417.411,78€
4: Credits to be returned to the EP	0,00€
5: Carry forward to 2017 financial year:	5.417.411,78€

Note 2: Exchange policy:

The revenue and expenditure in other currencies are converted in euro following the exchange rate of the first day of the month. The balance sheet accounts in other currencies are translated into euro at the exchange rate of the end of the financial year.

Note 3: Depreciations of fixed assets:

Assets with a unit value of 420 Euros or more and being intended to serve the activities of the group on a lasting basis are entered in the inventory and the Group's balance sheet. Fixed assets are to be valued at their acquisition price and depreciated on a monthly basis following the straight line method by the following annual percentages:

software	25.0 %
hardware:	25.0 %
telecommunications and audiovisual equipment:	25.0 %
technical equipment:	12.5 %
other installations and machines:	12.5 %
office furniture:	10.0 %

A recapitulative table of the assets in the balance sheet is annexed

Note 4: Valuation method for financial securities:

Financial securities are registered on the balance sheet for their net value at the end of the financial year.

Note 5: Valuation of receivables, debts and other assets:

Receivables, debts and other assets are stated at their nominal value. Value reductions on receivables and other assets are accounted for if there is any uncertainty regarding their collectability.

On basis of a final report of OLAF the authorising officer of the S&D group has ordered in 2015 the registration of a recovery order for an amount of 204.831,88€. A value reduction of the same amount has been booked, also in 2015, given the uncertainty of the outcome of the recovery procedure. In 2016, following advice from the EP legal service, both the receivable and the value reduction on this receivable has been reduced by 71.732,24€.

Our group has concluded the following substantial long standing (>1 year) financial commitments:

- Renting of 5 photocopy machines Canon contract up until November 2018
cost: 33.192,96,00 €/year
- Renting of 12 photocopy machines Ricoh + software Equitrac contract up until November 2019
cost: 24.184,44 €/year
- Maintenance contract 2 defibrillators Eurodist up until 2020 cost: 400 €/year

Note 6: Comparison of the figures

According to article 2.1.1. of the financial rules governing budget item 400 this report covers the financial year 2016 which lasts from 01/01/2016 to 31/12/2016.

Note 7: Technical support to European political parties and foundation Regulation: (CE) 2004/2003

The S&D Group has not granted any technical support to political parties and foundations as defined in article 11 of the EP Bureau decision dated 29 March 2004.

EXECUTION OF THE CREDITS ALLOCATED TO THE NATIONAL DELEGATIONS

BREAKDOWN OF OUTTURN OF DECENTRALISED APPROPRIATIONS
CHAPTER 7 ARTICLE 1

Breakdown in accordance with the Accounting Plan annexed to the Rules on the use of the appropriations from budget item 400

Chapter/ Article	Heading	Execution financial year 2016	%	Execution budget period 2015	%
10	Staff	3.007.506,74	36,70%	3.221.004,38	39,77%
20	Equipment / routine administrative expenditure and operating	83.604,78	1,02%	84.138,13	1,04%
30	Documentation, studies and research	110.958,81	1,35%	85.883,18	1,06%
40	charges and other operating expenditure	39.257,30	0,48%	27.588,82	0,34%
52	Meetings and conferences	1.297.266,71	15,83%	1.349.291,31	16,66%
54	Guests	335.718,82	4,10%	162.737,62	2,01%
61	Posters, leaflets and booklets	399.452,33	4,87%	590.729,63	7,29%
62	Advertising inserts and audiovisual advertising	633.456,60	7,73%	557.452,21	6,88%
63	Advertising material, gadgets, etc.	1.078.559,79	13,16%	1.021.031,12	12,61%
64	Internet Sites	458.528,86	5,60%	416.059,62	5,14%
65	Visits to institutions, info stands	750.379,12	9,16%	583.469,33	7,20%
	Total execution chapter 7 article 1	8.194.689,86	100,00%	8.099.385,35	100,00%

DETAIL OF THE PROPERTY AND EQUIPMENT
BALANCE SHEET FINANCIAL YEAR 2016

TABLE INVENTORY 2016

2016

Category and depreciation rate		IT software 25%	IT hardware 25%	Telecom- munications equipment 25%	Technical equipment and supplies 25%	Miscellaneous machinery and installations 12,5%	Movable property (seats, desks, cabinets) 10%	Total
		05	10	30	25	45	50	
Historical	Opening balances 2015 (historical cost)	335.687,19	167.552,21	174.691,43	0,00	11.913,93	4.189,52	694.034,28
	Less items sold and entered in profit and loss account in 2015	16.095,27	29.132,77	11.104,85	0,00	806,52	0,00	57.139,41
	Plus acquisitions during the financial year 2015	10.336,83	23.752,26	15.861,90	0,00	6.814,20	0,00	56.765,19
	Plus transfers	0,00	0,00	0,00	0,00	0,00	0,00	0,00
	Result closing balance at historical cost	329.928,75	162.171,70	179.448,48	0,00	17.921,61	4.189,52	693.660,06
accumulated depreciation	Opening balances (accumulated depreciation)	201.087,12	121.213,36	101.289,63	0,00	9.801,55	2.586,71	435.978,37
	Less accumulated depreciation of items sold and entered in P/L account	16.095,27	29.132,77	11.104,85	0,00	806,52	0,00	57.139,41
	Plus depreciation charge for the financial year 2015	52.684,87	28.752,25	37.470,24	0,00	1.482,37	362,90	120.752,63
	Result closing balance at historical cost	237.676,72	120.832,84	127.655,02	0,00	10.477,40	2.949,61	499.591,59
	Net book value							
net book value of fixed assets on 01/01/2016	134.600,07	46.338,85	73.401,80	0,00	2.112,38	1.602,81	258.055,91	
net book value of fixed assets on 31/12/2016	92.252,03	41.338,86	51.793,46	0,00	7.444,21	1.239,91	194.068,47	