



Republika e Kosovës  
Republika Kosova  
Republic of Kosovo



Zyra Kombëtare e Auditimit  
Nacionalna Kancelarija Revizije  
National Audit Office

**AUDIT REPORT**  
**ON THE NATIONAL AGENCY FOR PERSONAL DATA**  
**PROTECTION FOR THE FINANCIAL YEAR ENDED**  
**31 DECEMBER 2018**

**Pristina, June 2019**

The National Audit Office of the Republic of Kosovo is the highest institution of financial control, which for its work is accountable to the Assembly of Kosovo.

Our Mission is through quality audits to strengthen accountability in public administration for an effective, efficient and economic use of national resources.

The reports of the National Audit Office directly promote accountability of public institutions as they provide a base for holding managers' of individual budget organisations to account. We are thus building confidence in the spending of public funds and playing an active role in securing taxpayers' and other stakeholders' interests in enhancing public accountability.

This audit is carried out in line with International Standards of Supreme Audit Institutions and good European practices.

The Auditor General has decided on the audit opinion on the Annual Financial Statements of the National Agency for Personal Data Protection in consultation with the Assistant Auditor General, Emine Fazliu, who supervised the audit.

The report issued is a result of the audit carried out by Shefkije Beka Gërvalla (Team Leader) and Mexhit Ferati (team member), under the management of the Head of Audit Department Shkëlqim Xhema.

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## Executive Summary

This report summarises the key issues arising from our audit of the National Agency for Personal Data Protection for 2018, which includes the Opinion of the Auditor General on Annual Financial Statements. Examination of 2018 financial statements was undertaken in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). Our approach included tests and procedures that were necessary to arrive at an opinion on the financial statements. The applied audit approach is set out in the External Audit Plan dated 14/11/2018.

Our audit focus has been on:



The level of work undertaken to carry out the audit was determined depending on the quality of internal controls implemented by the Management of the National Agency for Personal Data Protection.

### Opinion of the Auditor General

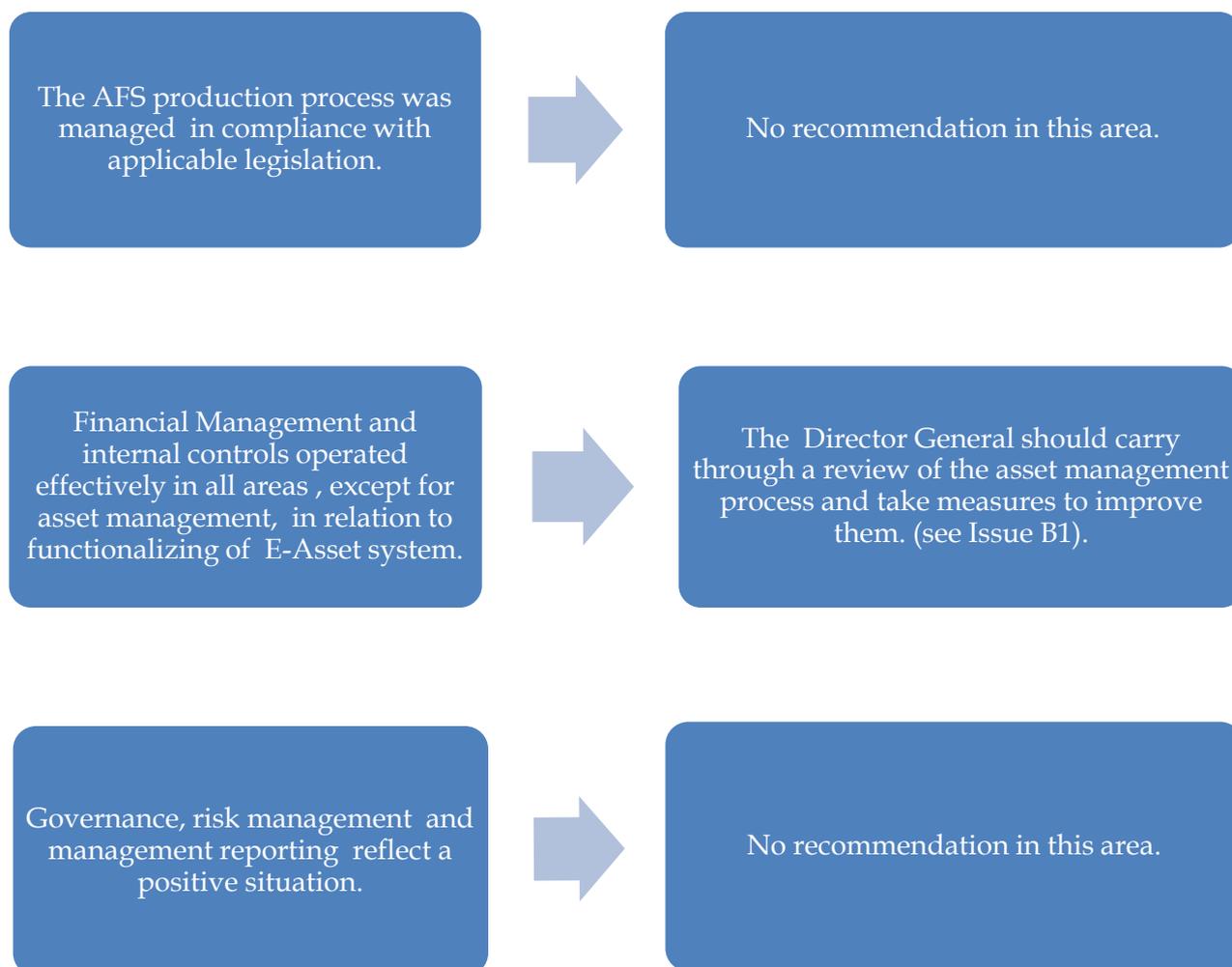
#### Unmodified Opinion

The Annual Financial Statements for 2018 *present a true and fair view* in all material aspects.

For more details, refer to Section 2.1 of this report.

Annex I explains different types of Opinions in line with ISSAIs.

## Key Conclusions and Recommendations



## Management's Response on 2018 audit

The Director General of the National Agency for Personal Data Protection has agreed with audit findings and conclusions and has committed to address a given recommendation.

The National Audit Office appreciates the cooperation of the management and personnel of the Agency during the audit process.

# 1 Audit Scope and Methodology

The Audit involves examination and evaluation of Financial Statements and other financial records, as follows:

- Whether the financial statements give a true and fair view of the accounts and financial affairs for the audit period;
- Whether the financial records, systems and transactions comply with applicable laws and regulations;
- Whether the internal controls and internal audit functions are appropriate and efficient; and
- Whether have been taken appropriate actions for implementation of audit recommendations.

Audit work undertaken is based on risk assessment. We have analysed of National Agency for Personal Data Protection (hereinafter the Agency) business, the level of reliance on management controls, in order to determine the level of detailed testing required to provide the necessary evidence and that support the opinion of the AG.

Our procedures have included a review of internal controls, accounting systems and related substantive tests, as well as related governance arrangements to the extent considered necessary for the effective performance of the audit. Audit findings should not be regarded as representing a comprehensive statement of all the weaknesses that may exist, or of all improvements that could be made to the systems and procedures operated.

The following sections provide a detailed summary of our audit findings and recommendations in each area of review. Management's responses to our findings can be found in Annex II.

## 2 Annual Financial Statements and other External Reporting Obligations

Our audit of the Annual Financial Statements (AFS) considers both compliance with the reporting framework and the quality and accuracy of information presented in the AFS, including the declaration made by the Chief Administrative Officer and Chief Financial Officer.

The declaration on presentation of AFS includes a number of assertions relating to the compliance with the reporting framework and the quality of information within the AFS. These assertions intend to provide assurance to the Government that all relevant information has been provided to ensure that an audit process can be undertaken.

### 2.1 Audit Opinion

#### **Unmodified Opinion**

We have audited the AFS of the National Agency for Personal Data Protection for the year ended on 31st of December 2018, which comprise of the Statement of Cash Receipts and Payments, Budget Execution Statement, Disclosure and other accompanying reports.

In our opinion, the Annual Financial Statements for the year ended on 31st of December 2018 present a true and fair view in all material respects in accordance with International Public Sector Accounting Standards (according to cash based accounting), Law no.03/L-048 on Public Financial Management and Accountability (as amended and supplemented) and Regulation MoF no.01/2017 on Annual Financial Reporting by Budget Organisations.

#### **Basis for the opinion**

The audit is carried out in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the AFS section of our report. We believe that the obtained audit evidence is sufficient and appropriate to provide a basis for the opinion.

#### **Responsibility of Management for AFS**

The Director General and Chief Financial Officer are responsible for the preparation and fair presentation of financial statements in accordance with International Public Sector Accounting Standards – Financial Reporting under the Modified Cash based Accounting and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. This includes the application of Law no. 03/L-048 on Public Financial Management and Accountability (as amended and supplemented).

In absence of Chief National Supervisor of the Agency, the Director General is responsible to ensure the oversight of the Agency's financial reporting process.

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### **Auditor General's Responsibility for the audit of the AFS**

Our responsibility is to express an opinion on the AFS based on our audit. We conducted our audit in accordance with ISSAIs. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will detect every material misstatement that might exist. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could influence the decisions taken on the basis of these AFS.

An audit involves performing procedures to obtain evidence about the financial records and disclosures in the AFS. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the AFS, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the entity's circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the presentation of the financial statements.

## 2.2 Compliance with AFS and other reporting requirements

The Agency is required to comply with a specified reporting framework and other reporting requirements. We considered:

- Compliance with MoF Regulation no.01/2017 on the Annual Financial Reporting of Budget Organisations;
- Requirements of LPFMA no. 03/ L-048, (as amended and supplemented);
- Compliance with Financial Rule no.01/2013 and 02/2013;
- Action Plan on implementation of recommendations; and
- Requirements of Financial Management and Control (FMC) procedures.

In the context of AFS and other external reporting requirements, we have not identified any irregularities. Given the above - the Declaration made by the Chief Administrative Officer and Chief Financial Officer when the draft AFS are submitted to the Ministry of Finance can be considered to be fair and correct.

## 2.3 Recommendations related to Annual Financial Statements

We have no recommendations related to the AFS.

### 3 Financial Management and Control

Our work related to Financial Management and Control (FMC) reflects the detailed audit activities undertaken on Revenue and Expenditure Systems within Budget Organisations. Specifically, we have handled budget management, procurement, human resources as well as assets and liabilities.

#### Financial Management and Control Conclusion

Financial management and effective control require review processes and accompanying guidelines that ensure full implementation of laws, internal regulations and other control processes.

The Agency has good controls in relation to its statutory obligations. It is worth mentioning that public procurement procedures have been developed by the Central Procurement Agency (CPA) as foreseen under the Law on Public Procurement (LPP). However, functionalizing of the e-assets system remains a challenge for the Agency.

#### 3.1 Budget Planning and Execution

We have considered the sources of budget funds, spending of funds and revenues collected by economic categories. This is highlighted in the following tables:

**Table 1. Sources of budgetary Funds (in €)**

Description	Initial Budget	Final Budget <sup>1</sup>	2018 Outturn	2017 Outturn	2016 Outturn
<b>Sources of Funds</b>	<b>364,067</b>	<b>253,785</b>	<b>220,757</b>	<b>212,288</b>	<b>268,062</b>
Government Grant -Budget	364,067	253,785	220,757	212,288	268,062

The final budget is lower than the initial budget by €110,282. This decrease is a result of the Government Grant Reduction with government<sup>2</sup> decisions, where from the category of wages and salaries the budget on savings have been reduced in the amount of €107,030 and from the category Utilities €3,253.

In 2018, the NAPDP has spent used 87% of the final budget in 2018, with an improvement of 12% compared to 2017, which was 75%.

<sup>1</sup> Final budget – the budget approved by the assembly which was subsequently adjusted for by the Ministry of Finance.

<sup>2</sup> Government Decision on Budget savings No. 02/70 dated 19.10.2018 and decision No.07/80 dated 18.12.2018

**Table 2. Spending of funds by economic categories - (in €)**

Description	Initial Budget	Final Budget	2018 Outturn	2017 Outturn	2016 Outturn
<b>Spending of funds by economic categories</b>	<b>364,067</b>	<b>253,785</b>	<b>220,757</b>	<b>212,288</b>	<b>268,062</b>
Wages and Salaries	227,169	120,139	120,139	117,811	162,358
Goods and Services	130,448	130,448	99,286	94,056	103,343
Utilities	6,450	3,197	1,332	421	2,361

Explanations for changes in budget categories are given below:

- The final budget for Wages and Salaries was reduced by Government<sup>3</sup> decisions on budget savings by the amount of €107,030. This budget saving was due to not appointing five members of the Council from the Kosovo Assembly, and their planned annual salaries were €83,883. The final budget for this category was spent 100%;
- The final budget compared to the initial one for the category of Goods and Services has not changed. Budget execution for this category was 76%, a percentage related to the non-selection of members of the Agency's Council by the Assembly; and
- The final budget for the Utilities was reduced by €3,253. Expenditures in this category were in the amount of €1,332 or 42% of the final budget, due to the fact that the expenditures were only made for the fixed telephony as all other Utility expenditures of the Agency were covered by the Ministry of Public Administration (MAP).

### Recommendations

We have no recommendation in this area.

<sup>3</sup> Decision No. 02/70 dated 19.10.2018 and decision No. 07/80 dated 18.12.2018

### 3.1.1 Wages and Salaries

Wages and Salaries are paid through a centralized payment system managed by MAP and MoF. Controls operating at the Agency level relate to monthly payments control, verification of possible changes, budget review for this category, and reconciliation with the Treasury.

The final budget for the category of Wages and Salaries was €120,139, and it was fully spent (100%). The approved number of staff for 2018 was for 24 positions, while the number of employees at the end of the year was 17. Out of these five (5) positions are members of the Council who have not yet been appointed by the Assembly of Kosovo, and two other positions.

#### **Recommendations**

We have no recommendations in this area.

### 3.1.2 Goods and Services and Utilities

The final budget for Goods and Services (including Utilities) in 2018 was €133,645, while €100,618 or 75% were spent. They mainly relate to training expenditures, maintenance and repairing expenditures, vehicle registration and insurance, fuel and other expenditures.

Except for phone use expenditures, the Agency does not make other utility expenditures, as expenditures on Utilities are covered by the MPA.

#### **Recommendations**

We have no recommendations in this area.

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## 3.2 Capital and non-capital assets

Capital assets over €1,000 presented in the AFS were in the amount of €39,487, non-capital assets under €1,000 were €10,859, and the value of stocks was zero.

We have reviewed whether the registration process and the manner of keeping the record is in compliance with the requirements of Financial Rule no. 02/2013 on Management of Non-Financial Asset by Budget Organizations. Concerning our tests, we have identified the following issue:

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### Issue B1<sup>4</sup>- Failure to put the e-assets system into function

**Finding** Regulation no. 02/2013 states that capital assets should be registered in accounting register – KFMIS, while non-capital assets and stocks should be registered in the e-assets system.

Despite last year's recommendation on assets, the Agency have not put into function the e-Asset system and the reporting of assets under €1,000 in the AFS is carried out through the Excel format. Concerning this, the Agency had made efforts to functionalise the e-Asset system by appointing an official who, having been certified, had resigned. After that, the agency appointed a new official to fill in this position, but the latter was in process of training and certification.

In the absence of access and certification of the Agency's official, the e-property system still does not function and as a result the assets are kept and reported by the Excel format. For the assets tested in this format we have not identified any weaknesses.

**Risk** Failure to functionalise the e-assets system and reporting of assets under €1,000 in the AFS not from e-assets register is in violation with the Regulation no. 02/2013 on Management of Non-Financial Assets, and poses a risk of inaccurate and incomplete disclosure of assets under €1,000 in the AFS.

**Recommendation A1** The Director General should ensure functionalisation of e-assets system and training of assets officer by the MPA.

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<sup>4</sup> Issue A and Recommendation A – implies new issues and recommendations.

Issue B and Recommendation B – implies repeating issues and recommendations.

Issue C and Recommendation C – implies issues and recommendations that are partially repeated.

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### 3.3 Outstanding liabilities

The statement of liabilities not paid to suppliers at the end of 2018 was €1,716. These liabilities are carried forward to be paid in 2019. The reason for not paying was the receipt of bills after the deadline for commitment.

Reporting of Liabilities was made in accordance with Regulation No. 02/2013 on Reporting of Arrears.

#### **Recommendations**

We have no recommendations in this area.

## 4 Good Governance

Good Governance implies basic principles of accountability, effectiveness of controls, risk management, independence of internal audit, and coordination of NAO with internal audit and good governance with public assets.

A key tool supporting effective governance is the implementation of audit recommendations as this demonstrates that Management are seeking to develop existing processes and controls. The level of compliance with FMC requirements by Budget Organizations is monitored by the self-assessment checklists completed by all BOs, which are submitted at the end of the year to the Ministry of Finance.

Specific areas of our governance-related reviews have been the accountability and risk management process, while the other components are handled within the chapters or subchapters above.

### Overall Governance Conclusion

The Agency in general has good controls in place in relation to its legal obligations. Financial management and control has proven a good process of review and assurance in implementation of legislation and other control processes.

The Agency had prepared a risk register, identifying all the significant risks that could have an impact on the organization in achieving its objectives.

## 4.1 Internal Audit System

Internal audit is an important segment to assure senior management that internal control mechanisms are designed and implemented properly. Where noticed that internal controls are not functioning properly, internal audit provides advice and recommendations on how to improve them.

According to AI no. 23/2009 on the Establishment and Functioning of the Internal Audit Unit (IAU), the Agency does not meet the criteria for establishing this unit. In this regard, in January and November 2018, IAU asked MoF to carry out internal audit services.

The IAU from MoF had carried out an audit of the functioning of the Agency, whereby, the recommendations were given and a plan for their implementation was prepared.

### **Recommendations**

We have no recommendations in this area.

## 4.2 Management Reporting, Accountability and Risk Management

In order to have a proper planning, supervise the activities on a regular basis and allow effective decision-making, the Management needs to have regular reports. Accountability as a process is the acceptance of responsibilities, holding persons into account for their actions and disclosing results in a transparent way. Whereas, risk management is a process related to identification, analysis, evaluation and actions/measures taken by the Management to control and respond to risks threatening the Organization.

The Agency has prepared a risk register in addition to the strategic plan, identifying significant risks that may have impact on achievement of organization's objectives. In addition, the officer who will monitor the risks is also assigned. The internal reporting process in the organization operates according to the organizational structure. In this regard, the management maintains regular meetings, reporting and discussing all activities.

### **Recommendations**

We have no recommendations in this area.

## 5 Progress in implementing recommendations

Our Audit Report on the 2017 AFS of the Agency resulted in five recommendations. The Agency prepared an Action Plan stating how all recommendations will be implemented.

Out of five recommendations, three were implemented, one was repeated and one is considered closed. For a more thorough description of the recommendations and how they are addressed, see the following table 3:

Table 3 Summary of prior year recommendations and of 2018

No	Audit area	Recommendations of 2017	Actions taken	Status
1	Wages and Salaries	Steering Council/ Executive Director should ensure that above-mentioned key positions are approved with the budget and according to the LPFMA requirements and prevent exercising of these functions by rotation and by inadequate staff, in order to improve the activities in these functions.	The Director has assigned the CFO, and in the beginning of 2019 has assigned the certification with internal competition, while the procurement officer is an additional task given that the CPA conducts the procedures.	Implemented.
2	Personnel Management	The Director General should ensure that before approving unpaid leaves, he has reviewed relevant evidences so that the decision is in compliance with the rules for granting unpaid leave.	We have not identified such cases this year.	Implemented.
3	Goods and Services and Utilities	The Director General should ensure that controls on payment execution process are being continuously monitored. Further on, that the good / invoice should not be accepted before the purchase order is processed.	Based on our tests we have not identified such cases.	Implemented.
4	Capital and non-Capital Assets	The Director General should ensure the functioning of e-assets system and the training of the asset officer by the MPA.	The e-Asset system is not yet operational.	Repeated.
5	Progress in implementing Recommendations	The Director General should review and analyse the causes of the unimplemented recommendations and, to set a new timeframe for the implementation of the recommendations, including accountable staff. Implementation should be continuously monitored.	Out of the five recommendations from the previous year, four of them have been implemented and one is still repeated.	Closed
No	Audit area	Recommendations of 2018		
1	Capital and non-Capital Assets	The Director General should ensure functionalization of e-assets system and training of assets officer by the MPA.		

\* This report is a translation from the Albanian original version. In case of discrepancies, Albanian version shall prevail.

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## Annex I: Explanation of the different types of opinion applied by NAO

(extract from ISSAI 200)

### Form of opinion

147. The auditor should express **an unmodified opinion if** it is concluded that the financial statements are prepared, in all material respects, in accordance with the applicable financial framework.

If the auditor concludes that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement, or is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement, the auditor should modify the opinion in the auditor's report in accordance with the section on "Determining the type of modification to the auditor's opinion".

148. If financial statements prepared in accordance with the requirements of a fair presentation framework do not achieve fair presentation, the auditor should discuss the matter with the management and, depending on the requirements of the applicable financial reporting framework and how the matter is resolved, determine whether it is necessary to modify the audit opinion.

### Modifications to the opinion in the auditor's report

151. The auditor should modify the opinion in the auditor's report if it is concluded that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement, or if the auditor was unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement. Auditors may issue three types of modified opinions: a qualified opinion, an adverse opinion and a disclaimer of opinion.

### Determining the type of modification to the auditor's opinion

152. The decision regarding which type of modified opinion is appropriate depends upon:

- The nature of the matter giving rise to the modification – that is, whether the financial statements are materially misstated or, in the event that it was impossible to obtain sufficient appropriate audit evidence, may be materially misstated; and
- The auditor's judgment about the pervasiveness of the effects or possible effects of the matter on the financial statements.

153. The auditor should express a **qualified opinion if**: (1) having obtained sufficient appropriate audit evidence, the auditor concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or (2) the auditor was unable to obtain

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sufficient appropriate audit evidence on which to base an opinion, but concludes that the effects on the financial statements of any undetected misstatements could be material but not pervasive.

154. The auditor should express an **adverse opinion if**, having obtained sufficient appropriate audit evidence, the auditor concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.

155. The auditor should **disclaim an opinion if**, having been unable to obtain sufficient appropriate audit evidence on which to base the opinion, the auditor concludes that the effects on the financial statements of any undetected misstatements could be both material and pervasive. If, after accepting the engagement, the auditor becomes aware that management has imposed a limitation on the audit scope that the auditor considers likely to result in the need to express a qualified opinion or to disclaim an opinion on the financial statements, the auditor should request that management remove the limitation.

156. If expressing a modified audit opinion, the auditor should also modify the heading to correspond with the type of opinion expressed. ISSAI 1705<sup>19</sup> provides additional guidance on the specific language to use when expressing a modified opinion and describing the auditor's responsibility. It also includes illustrative examples of reports.

*Emphasis of Matter paragraphs and Other Matters paragraphs in the auditor's report*

157. If the auditor considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that is of such importance that it is fundamental to their understanding of the financial statements, but there is sufficient appropriate evidence that the matter is not materially misstated in the financial statements, the auditor should include an Emphasis of Matter paragraph in the auditor's report. Emphasis of Matter paragraphs should only refer to information presented or disclosed in the financial statements.

158. An Emphasis of Matter paragraph should:

- be included immediately after the opinion;
- use the Heading "Emphasis of Matter" or another appropriate heading;
- include a clear reference to the matter being emphasised and indicate where the relevant disclosures that fully describe the matter can be found in the financial statements; and
- indicate that the auditor's opinion is not modified in respect of the matter emphasised.

159. If the auditor considers it necessary to communicate a matter, other than those that are presented or disclosed in the financial statements, which, in the auditor's judgement, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report, and provided this is not prohibited by law or regulation, this should be done in a paragraph with the heading "Other Matter," or another appropriate heading. This paragraph should appear immediately after the opinion and any Emphasis of Matter paragraph.

## Annex II: Letter of confirmation



Republika e Kosovës  
Republika Kosova - Republic of Kosovo

Agjencia për Informim dhe Privatësi  
Agjencia za Informisanje i Privatnost - Information and Privacy Agency

REPUBLIKA E KOSOVËS - REPUBLIKA KOSOVA - REPUBLIC OF KOSOVO			
AGJENCIA SHQETËRORE PËR MBROJTJEN E TË DHËNAVE PERSONALE			
DRŽAVNA AGENCIJA ZA ZAŠTITU LIČNIH PODATAKA			
NATIONAL AGENCY FOR PROTECTION OF PERSONAL DATA			
ZYRA E ARKIVIT - KANCELARIJA ARHIVA - ARCHIVE OFFICE			
Njeesu Org.	01	Nr. Prot.	27
Org. Jedin.		Br. Prot.	
Org. Usht.		Prot. No:	
Nr. i faqeve		Data	29,05,19
Bruj stranca	01	Datum	29,05,2019
No. pages:		Date:	
PRISHTINË/A			

## LETËR E KONFIRMIMIT

Për pajtueshmërinë me të gjeturat e Auditorit të Përgjithshëm në Raportin e auditimit për vitin 2018 dhe për zbatimin e rekomandimeve

Për: Zyrën Kombëtare të Auditimit

Të nderuar,

Përmes kësaj shkrese, konfirmoj se:

- kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për auditimin e Pasqyrave Financiare të Agjencisë Shtetërore për Mbrojtjen e të Dhënave Personale për vitin e përfunduar më 31 dhjetor 2018 (në tekstin e mëtejme "Raporti");
- pajtohem me të gjeturën dhe rekomandimin dhe nuk kam ndonjë koment për përmbajtjen e Raportit; si dhe
- brenda 30 ditëve nga pranimi i Raportit final, do t'ju dorëzoj një plan të veprimit për zbatimin e rekomandimit, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për implementimin e tij.

z. Bujar Sadiku

Drejtore i Përgjithshëm i Agjencisë Shtetërore për Mbrojtjen e të Dhënave Personale

Data: 29.maj.2019, Prishtinë

