

REPUBLIC OF THE MARSHALL ISLANDS
PUBLIC FINANCIAL MANAGEMENT PROJECT
(FINANCED BY THE ASIAN DEVELOPMENT BANK'S
SPECIAL FUND)

(A GOVERNMENTAL FUND OF THE
REPUBLIC OF THE MARSHALL ISLANDS)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

REPUBLIC OF THE MARSHALL ISLANDS
PUBLIC FINANCIAL MANAGEMENT PROJECT
(FINANCED BY THE ASIAN DEVELOPMENT BANK'S SPECIAL FUND)

Years Ended September 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

Honorable Minister Brenson S. Wase
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

Report on the Financial Statements

We have audited the accompanying financial statements of the Republic of the Marshall Islands (RMI) Public Financial Management Project (the "Project"), a governmental fund of the Republic of the Marshall Islands financed by the Asian Development Bank's Special Fund, which comprise the balance sheets as of September 30, 2021 and 2020, and the related statements of revenues, expenditures, and changes in fund balance for the years ended September 30, 2021 and 2020, and the related notes to the financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Project as of September 30, 2021 and 2020 and the results of the Project's operations for the years ended September 30, 2021 and 2020, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Reporting Entity

As discussed in Note 1 to the financial statements, the financial statements referred to above present only the activities of the Project administered by the RMI Ministry of Finance, Banking and Postal Services and are not intended to present fairly the financial position and results of other non-Project related operations of the RMI Ministry of Finance, Banking and Postal Services in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Use of Proceeds of the Grant and Particular Covenants

In connection with our audit, nothing came to our attention that caused us to believe that the Project failed to comply with the terms, covenants, provisions, or conditions of Articles III and IV of the respective grant agreements dated October 17, 2017, September 24, 2019 and August 6, 2021 insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Project's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the grant agreement, insofar as they relate to accounting matters.

Required Supplementary Information:

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

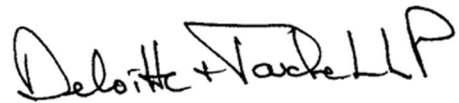
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 10 through 13 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of the RMI Ministry of Finance, Banking and Postal Service's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Restricted Use Relating to Other Matters

The communication related to compliance with the aforementioned grant agreement described in the Other Matters paragraph is intended solely for the information and use of the RMI Ministry of Finance, Banking and Postal Services management and the Asian Development Bank and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 5, 2022, on our consideration of the Project's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Project's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Project's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Deloitte + Tuckers LLP". The signature is written in a cursive, stylized font.

August 5, 2022

REPUBLIC OF THE MARSHALL ISLANDS
PUBLIC FINANCIAL MANAGEMENT PROJECT
(FINANCED BY THE ASIAN DEVELOPMENT BANK'S SPECIAL FUND)

Balance Sheets
September 30, 2021 and 2020

	2021	2020
<u>ASSETS</u>		
Cash	\$ 16,644	\$ 6,786
ADB grant receivable	184,843	167,715
Travel advances	1,493	1,608
Due from RMI Government	-	10,032
	\$ 202,980	\$ 186,141
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	\$ 57,538	\$ 136,141
Due to RMI Government	95,944	-
	153,482	136,141
Commitment and contingency		
Fund balance:		
Restricted	49,498	50,000
	\$ 202,980	\$ 186,141

See accompanying notes to financial statements.

REPUBLIC OF THE MARSHALL ISLANDS
PUBLIC FINANCIAL MANAGEMENT PROJECT
(FINANCED BY THE ASIAN DEVELOPMENT BANK'S SPECIAL FUND)

Statements of Revenues, Expenditures, and Changes in Fund Balance
Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenues:		
ADB grant drawdowns	\$ 622,432	\$ 802,611
Expenditures:		
Investment costs:		
Consulting services	593,339	718,953
Training and capacity building	7,156	59,388
Recurrent costs:		
Office equipment	5,255	3,683
Audit	7,500	10,500
Travel	2,968	3,508
Communications	2,617	1,520
Advertising	1,190	-
Office supplies	2,853	4,852
Other charges	56	71
Printing and reproduction	-	136
Total expenditures	<u>622,934</u>	<u>802,611</u>
Change in fund balance	(502)	-
Fund balance - beginning	<u>50,000</u>	<u>50,000</u>
Fund balance - ending	<u>\$ 49,498</u>	<u>\$ 50,000</u>

See accompanying notes to financial statements.

REPUBLIC OF THE MARSHALL ISLANDS
PUBLIC FINANCIAL MANAGEMENT PROJECT
(FINANCED BY THE ASIAN DEVELOPMENT BANK'S SPECIAL FUND)

Notes to Financial Statements
Years Ended September 30, 2021 and 2020

(1) Organization

On October 17, 2017, the Asian Development Bank (ADB) approved a grant (Grant No. 0547-RMI (SF)) in the amount of \$2,000,000, financed by ADB's Asian Development Fund (ADF), to the Republic of the Marshall Islands (RMI) for the Public Financial Management Project (the "Project"). On September 24, 2019, the ADB approved an additional grant (Grant No. 0658-RMI (SF)) in the amount of \$500,000 for the Project. On August 6, 2021, an additional grant was approved by ADB (Grant No. 0795-RMI (SF)) in the amount of \$2,000,000 for the Project. The ADF was established in 1973 to provide grants to ADB's lower-income developing member countries. The objective of the Project is to improve public financial management of the RMI Government.

The initial closing date of Grant No. 0547-RMI (SF) and Grant No. 0658-RMI (SF) of June 30, 2021 was extended to December 31, 2021 as approved by ADB on November 19, 2020 and was subsequently further extended from December 31, 2021 to March 31, 2022 as approved by ADB on December 28, 2021.

The RMI Minister of Finance, Banking and Postal Services is designated as the representative of the RMI for the purposes of the grant regulations. The Project is overseen by a Reform Steering Committee, with the RMI Ministry of Finance, Banking and Postal Services (MOFBPS) as the Project Executing Agency. The Ministry is responsible for establishing and managing an advance account used exclusively for the Project. The Ministry established the MOF Imprest Account for Grant No. 0547-RMI (SF) to facilitate the implementation of the Project through timely release of funds and made \$95,000 of grant proceeds available for this purpose. During the year ended September 30, 2019, the Ministry liquidated a portion of the imprest account and reduced the balance to \$50,000. The Ministry is required to operate and liquidate the MOF Imprest Account in accordance with ADB regulations. On the other hand, eligible expenditures which have been incurred and paid by the Ministry of Finance for Grant No. 0658-RMI (SF) and Grant No. 0795-RMI (SF) are subsequently claimed to ADB through reimbursement procedure. A Reform Coordination Unit established within the Ministry is the implementing agency assisting the Ministry in administering advanced grant funds, including preparation of financial and progress reports, payment and reimbursement claims, and withdrawal applications verified by the Ministry.

The accompanying financial statements are prepared for and relate solely to those accounting records maintained by the RMI Ministry of Finance, Banking and Postal Services associated with the Project and do not incorporate any accounts related to other non-Project activities of the RMI Ministry of Finance, Banking and Postal Services or any other departments or agencies of the RMI Government.

The Project's international consultants are paid using the Direct Payments method following ADB's withdrawal application method. National consultants and operational project expenditures are paid by the RMI Government on behalf of the Project and are reimbursed from the advance account for Grant No. 0547-RMI while Grant No. 0658-RMI & Grant No. 0795-RMI are directly reimbursed by ADB to the RMI General Fund account.

(2) Summary of Significant Accounting Principles

The financial statements of the Project have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Project's accounting policies are described below.

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Notes to Financial Statements
Years Ended September 30, 2021 and 2020

(2) Summary of Significant Accounting Principles, Continued

A. Measurement Focus and Basis of Accounting

The Project reports the results of its operations in one governmental fund. A fund is a separate accounting entity with a self-balancing set of accounts. They are concerned only with the measurement of financial position and are not involved with measurement of results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds) and are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Revenues are considered to be available when they are collectible with the current period or soon enough thereafter to pay liabilities of the current period.

Grant revenues are recognized as soon as all eligibility criteria have been met and the related amounts become available to finance expenditures of the current period. Expenditures are recorded in the period in which the related fund liability is incurred, including direct payments made by the ADB to vendors. Direct payments are disbursements made by the ADB, at the request of the Ministry, to designated beneficiaries (e.g., supplier, contractor, or consultant) directly.

B. Cash

For the purpose of the balance sheets, the Project considers cash to be cash in deposit accounts. As of September 30, 2021 and 2020, the carrying amount of the Project's total cash and the corresponding bank balance was \$16,644 and \$6,786, respectively, which is maintained in a financial institution subject to Federal Deposit Insurance Corporation insurance. The Project does not require collateralization of its cash deposits.

C. Grant Receivables

Grant receivables represent amounts due from the ADB for eligible Project expenditures not yet reimbursed or paid.

D. Interfund Receivables/Payables

During the course of its operations, the Ministry records transactions between individual funds for goods provided or services rendered. Receivables and payables resulting from transactions between funds are classified as "due from RMI Government" or "due to RMI Government" on the governmental fund balance sheet.

E. Fund Balances

Fund balance classifications are based on the extent to which the Project is bound to honor constraints on the specific purposes for which amounts in those funds can be spent and are reported under the following fund balance classifications:

- Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

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Notes to Financial Statements
Years Ended September 30, 2021 and 2020

(2) Summary of Significant Accounting Principles, Continued

E. Fund Balances, Continued

- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Unassigned - includes negative fund balances in other governmental funds.

The Project has a general policy to first use restricted resources for expenditures incurred for which both restricted and unrestricted (committed and unassigned) resources are available. When expenditures are incurred for which only unrestricted resources are available, the general policy of the Project is to use committed resources first followed by unassigned. The use of restricted/committed resources may be deferred based on a review of the specific transaction.

A formal minimum fund balance policy has not been adopted.

F. Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(3) ADB Imprest Fund Account

For the years ended September 30, 2021 and 2020, the ADB made available grant proceeds in the amount of \$622,432 and \$802,611, respectively, for expenditures incurred under certain categories of the Project.

Reconciliation of the ADB Imprest Account to cash as of September 30, 2021 and 2020, is as follows:

	<u>2021</u>	<u>2020</u>
ADB Imprest Account balance end of year	\$ <u>50,000</u>	\$ <u>50,000</u>
Cash receipts deposited to ADB Imprest Account:		
RepMar advance	100	100
Cash disbursements withdrawn from ADB Imprest Account:		
Not yet claimed for replenishment	(33,187)	(43,201)
Miscellaneous bank charges	<u>(269)</u>	<u>(113)</u>
	<u>(33,456)</u>	<u>(43,214)</u>
Cash balance end of year	\$ <u>16,644</u>	\$ <u>6,786</u>

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Notes to Financial Statements
Years Ended September 30, 2021 and 2020

(4) Grant Receivables

Grant receivables represent amounts due on Asian Development Bank (ADB) Withdrawal Applications submitted for Project expenditures not reimbursed or paid by the ADB as of September 30, 2021 and 2020, which are summarized as follows:

	<u>2021</u>	<u>2020</u>
Grant No. 0547-RMI	\$ 131,350	\$ 87,596
Grant No. 0658-RMI	13,536	80,119
Grant No. 0795-RMI	<u>39,957</u>	<u>-</u>
	<u>\$ 184,843</u>	<u>\$ 167,715</u>

(5) RMI Government Contributions

Under the provisions of the respective grant agreements, the RMI is required to provide counterpart in-kind contributions estimated at \$650,000 in the form of recurrent costs such as office space, utilities, administration and support staff, and taxes and duties exemption. The total actual amount of in-kind RMI Government contributions cannot be reliably measured and fully quantified. Management believes that the counterpart in-kind contributions from the RMI Government will be provided throughout the duration of the Project. For the years ended September 30, 2021 and 2020, the RMI made available counterpart in-kind contributions in the form of income taxes and other personnel benefits, such as social security services and health insurance of national consultants, in the amount of \$87,159 and \$24,811, respectively.

REPUBLIC OF THE MARSHALL ISLANDS
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Combining Balance Sheet
September 30, 2021

	0547/0658	0795	TOTAL
<u>ASSETS</u>			
Cash	\$ 16,644	\$ -	\$ 16,644
ADB grant receivable	144,887	39,956	184,843
Travel advances	1,493	-	1,493
Total assets	\$ 163,024	\$ 39,956	\$ 202,980
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts payable	\$ 25,875	\$ 31,663	\$ 57,538
Due to RMI Government	87,651	8,293	95,944
Total liabilities	113,526	39,956	153,482
Commitment and contingency			
Fund balance:			
Restricted	49,498	-	49,498
Total liabilities and fund balance	\$ 163,024	\$ 39,956	\$ 202,980

See accompanying independent auditor's report.

REPUBLIC OF THE MARSHALL ISLANDS
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Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended September 30, 2021

	<u>0547/0658</u>	<u>0795</u>	<u>TOTAL</u>
Revenues:			
ADB grant drawdowns	\$ 582,476	\$ 39,956	\$ 622,432
Expenditures:			
Investment costs:			
Consulting services	553,383	39,956	593,339
Training and capacity building	7,156	-	7,156
Recurrent costs:			
Office equipment	5,255	-	5,255
Audit	7,500	-	7,500
Travel	2,968	-	2,968
Communications	2,617	-	2,617
Advertising	1,190	-	1,190
Office supplies	2,853	-	2,853
Other charges	56	-	56
Total expenditures	<u>582,978</u>	<u>39,956</u>	<u>622,934</u>
Change in fund balance	(502)	-	(502)
Fund balance - beginning	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Fund balance - ending	<u>\$ 49,498</u>	<u>\$ -</u>	<u>\$ 49,498</u>

See accompanying independent auditor's report.

REPUBLIC OF THE MARSHALL ISLANDS
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Schedule of Budgeted v Actual Expenditures
Period From Inception (October 17, 2017) through September 30, 2021

	Budget									Actual Expenditures			Variance		
	Original Budget			Adjustments			Adjusted Budget			Cumulative from Oct. 17, 2017 to September 30, 2021					
	0547/0658	0795	Total	0547/0658	0795	Total	0547/0658	0795	Total	0547/0658	0795	Total	0547/0658	0795	Total
Expenditures:															
Investment Costs:															
Consulting services	\$ 2,183,356	\$ 1,846,000	\$ 4,029,356	\$ 118,145	\$ -	\$ 118,145	\$ 2,301,501	\$ 1,846,000	\$ 4,147,501	\$ 2,277,583	\$ 39,956	\$ 2,317,539	\$ 23,918	\$ 1,806,044	\$ 1,829,962
Training and capacity building	82,369	31,500	113,869	35,420	-	35,420	117,789	31,500	149,289	117,539	-	117,539	250	31,500	31,750
	<u>2,265,725</u>	<u>1,877,500</u>	<u>4,143,225</u>	<u>153,565</u>	<u>-</u>	<u>153,565</u>	<u>2,419,290</u>	<u>1,877,500</u>	<u>4,296,790</u>	<u>2,395,122</u>	<u>39,956</u>	<u>2,435,078</u>	<u>24,168</u>	<u>1,837,544</u>	<u>1,861,712</u>
Recurrent Costs:															
Project management costs	102,800	43,500	146,300	(25,139)	-	(25,139)	77,661	43,500	121,161	75,343	-	75,343	2,318	43,500	45,818
Contingencies:															
Physical	70,656	42,660	113,316	(70,656)	-	(70,656)	-	42,660	42,660	-	-	-	-	42,660	42,660
Price	60,819	36,340	97,159	(60,819)	-	(60,819)	-	36,340	36,340	-	-	-	-	36,340	36,340
	<u>131,475</u>	<u>79,000</u>	<u>210,475</u>	<u>(131,475)</u>	<u>-</u>	<u>(131,475)</u>	<u>-</u>	<u>79,000</u>	<u>79,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,000</u>	<u>79,000</u>
Total expenditures	<u>\$ 2,500,000</u>	<u>\$ 2,000,000</u>	<u>\$ 4,500,000</u>	<u>\$ (3,049)</u>	<u>\$ -</u>	<u>\$ (3,049)</u>	<u>\$ 2,496,951</u>	<u>\$ 2,000,000</u>	<u>\$ 4,496,951</u>	<u>\$ 2,470,465</u>	<u>\$ 39,956</u>	<u>\$ 2,510,421</u>	<u>\$ 26,486</u>	<u>\$ 1,960,044</u>	<u>\$ 1,986,530</u>

See accompanying independent auditors' report.

**REPUBLIC OF THE MARSHALL ISLANDS
PUBLIC FINANCIAL MANAGEMENT PROJECT
(FINANCED BY THE ASIAN DEVELOPMENT BANK'S SPECIAL FUND)**

Schedule of Project Expenditures Not Reimbursed
September 30, 2021 and 2020

Grant #	Withdrawal Application #	2021				2020			
		Contractual Services	Training and Capacity Building	Recurrent Costs	Total	Contractual Services	Training and Capacity Building	Recurrent Costs	Total
0547-RMI	G0092	\$ -	\$ -	\$ -	\$ -	\$ 1,876	-	-	\$ 1,876
0547-RMI	G0128	-	-	-	-	11,834	-	-	11,834
0547-RMI	G0129	-	-	-	-	7,506	-	-	7,506
0547-RMI	G0130	-	-	-	-	17,425	-	-	17,425
0547-RMI	G0131	-	-	-	-	19,511	-	7,848	27,359
0547-RMI	G0135	-	-	-	-	19,342	-	-	19,342
0547-RMI	Other	-	-	-	-	-	-	2,254	2,254
0658-RMI	G0013	-	-	-	-	25,200	-	-	25,200
0658-RMI	G0014	-	-	-	-	25,200	-	-	25,200
0658-RMI	G0016	-	-	-	-	6,500	-	-	6,500
0658-RMI	G0021	-	-	-	-	20,046	-	-	20,046
0658-RMI	Other	-	-	-	-	-	3,173	-	3,173
0547-RMI	Other	-	-	1,127	1,127	-	-	-	-
0547-RMI	Other	-	-	1,127	1,127	-	-	-	-
0547-RMI	G0145	27,932	-	3,360	31,292	-	-	-	-
0547-RMI	G0148	14,397	-	2,566	16,963	-	-	-	-
0547-RMI	G0149	18,871	-	13,227	32,098	-	-	-	-
0547-RMI	G0150	27,083	-	2,425	29,508	-	-	-	-
0547-RMI	G0151	18,875	-	-	18,875	-	-	-	-
0547-RMI	Other	-	-	360	360	-	-	-	-
0658-RMI	G0032	-	455	-	455	-	-	-	-
0658-RMI	G0041	4,773	1,291	-	6,064	-	-	-	-
0658-RMI	G0043	7,000	-	-	7,000	-	-	-	-
0658-RMI	G0044	-	17	-	17	-	-	-	-
0795-RMI	G0001	17,425	-	-	17,425	-	-	-	-
0795-RMI	G0002	8,096	-	-	8,096	-	-	-	-
0795-RMI	G0014	6,142	-	-	6,142	-	-	-	-
0795-RMI	Various	3,262	-	-	3,262	-	-	-	-
0795-RMI	Various	3,583	-	-	3,583	-	-	-	-
0795-RMI	Various	1,449	-	-	1,449	-	-	-	-
		<u>\$ 158,888</u>	<u>\$ 1,763</u>	<u>\$ 24,192</u>	<u>\$ 184,843</u>	<u>\$ 154,440</u>	<u>\$ 3,173</u>	<u>\$ 10,102</u>	<u>\$ 167,715</u>

See accompanying independent auditors' report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Minister Brenson S. Wase
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Republic of the Marshall Islands Public Financial Management Project (the "Project"), a governmental fund of the Republic of the Marshall Islands financed by the Asian Development Bank's Special Fund, which comprise the balance sheet as of September 30, 2021 and the related statement of revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 5, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Project's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

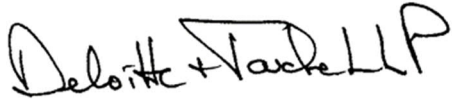
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Project's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, slightly stylized font.

August 5, 2022

REPUBLIC OF THE MARSHALL ISLANDS
PUBLIC FINANCIAL MANAGEMENT PROJECT
(FINANCED BY THE ASIAN DEVELOPMENT BANK'S SPECIAL FUND)

Unresolved Prior Year Findings
Year Ended September 30, 2021

There are no unresolved prior year findings.