The Auditor's Communication With Those Charged With Governance

Republic of the Marshall Islands
Marshall Islands Maritime Investment Project - Grant Number D452-MH

(Financed by the International Development Association)

Year ended September 30, 2024

Shape the future
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Ernst & Young (RMI), Inc.
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March 10, 2026

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

We have performed an audit of the financial statement of the Republic of the Marshall Islands (RMI) Marhsall Islands Maritime Investment Project (the Project) financed by the World Bank's International Development Association - Grant Number D452-MH, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2024, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated March 10, 2026.

This report summarizes our communications with those charged with governance as required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process.

REQUIRED COMMUNICATIONS

Professional standards require the auditor to provide those charged with governance with additional information regarding the scope and results of the audit that may assist them in overseeing the financial reporting and disclosure processes which the management of the Project is responsible. We summarize these required communications as follows:

Overview of the planned scope and timing of the audit

Our audit scope and timing is consistent with the plan communicated in our engagement letter dated April 15, 2025 and at our audit planning meeting with management.

Auditors' Responsibilities under Auditing Standards Generally Accepted in the United States (US GAAS) and Generally Accepted Government Auditing Standards (GAGAS)

The financial statement and the other supplementary information is the responsibility of the Project's management as prepared with the oversight of those charged with governance. Our audit was designed in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, to obtain reasonable, rather than absolute, assurance that the financial statement is free of material misstatement.

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An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion.

An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

Our responsibilities are included in our audit engagement agreement.

Changes to the audit strategy, timing of the audit and significant risks identified

Our audit strategy is consistent with the plan communicated during the April 2025 meeting with Management.

Matters relevant to our evaluation of the entity's ability to continue as a going concern

We did not identify any events or conditions that led us to believe there was substantial doubt about the Project's ability to continue as a going concern.

Our views about the qualitative aspects of the entity's significant accounting practices, including:

- **Accounting policies**

Management has not selected or changed any significant policies or changed the application of those policies in the current year.

We have provided a discussion of significant accounting policies and financial statement disclosures and related matters in Note 2 of the financial statement.

We determined that those charged with governance are informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Related party relationships and transactions

We noted no significant matters regarding the Project's relationships and transactions with related parties.

Changes to the terms of the audit with no reasonable justification for the change

None.

Significant unusual transactions

We are not aware of any significant unusual transactions carried out by the Project.

Difficult or contentious matters subject to consultation outside of the audit team

There were no difficult or contentious matters that required consultation outside of the audit team.

Material corrected misstatements related to accounts and disclosures

Refer to the "Management Representations Letter" in Appendix A.

Uncorrected misstatements related to accounts and disclosures, considered by management to be immaterial

Refer to the "Management Representations Letter" in Appendix A.

Significant deficiencies and material weaknesses in internal control over financial reporting

We have issued our Report of Independent Auditors 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* dated March 10, 2026.

Fraud and noncompliance with laws and regulations (illegal acts)

We are not aware of any matters that require communication.

Obtain information relevant to the audit

Inquiries regarding matters relevant to the audit were performed during the April 2025 meeting.

Independence matters

We are not aware of any matters that in our professional judgment would impair our independence.

New accounting pronouncements

No issues have been identified with regard to management's planned application of new accounting pronouncements.

Significant issues discussed with management in connection with the auditor's initial appointment or recurring retention

We are not aware of any matters that require communication.

Disagreements with management and significant difficulties encountered in dealing with management when performing the audit

There were no difficulties encountered in dealing with management in performing the audit.

Management consultations with other accountants

We are not aware of any consultations made by management with other accountants or specialists.

Other material written communications with management

None.

Other matters

There are no other matters arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

AICPA ethics ruling regarding third-party service providers

From time to time, and depending on the circumstances, (1) we may subcontract portions of the Audit Services to other EY firms, who may deal with the Project or its affiliates directly, although EY alone will remain responsible to you for the Audit Services and (2) personnel (including non-certified public accountants) from an affiliate of EY or another EY firm or any of their respective affiliates, or from independent third-party service providers (including independent contractors), may participate in providing the Audit Services. In addition, third-party service providers may provide services for EY in connection with the Audit Services.

Engagement team's involvement with preparation of the financial statements

Under *Government Auditing Standards* 2018 Revisions, Chapter 3 General Standards, Paragraph 3.73 Requirements for Performing Non-audit Services explains that the audit team should make consideration of management's ability to effectively oversee the non-audit (or non-attest) services to be performed. The engagement team should determine that the audited entity has designated an individual(s) who possesses suitable skill, knowledge or experience and that the individuals understand the services to be performed sufficiently to oversee them. The engagement team should document consideration of management's ability to oversee non-audit services to be performed.

The engagement team believes that this significant threat is reduced to an acceptable level upon application of the following safeguards:

- An engagement quality control review was performed by a qualified Ernst & Young Partner who was not otherwise involved in the audit.

- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of the Project.

- The preparation of the financial statement is based on the Project's trial balance with our understanding that the Project's underlying books and records are maintained by the Project's accounting department and that the final trial balance prepared by the Project is complete.

- The Project's Accountant has the skill sets to oversee and review the completeness and accuracy of the financial statement and footnote disclosures.

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This communication is intended solely for the information and use of those charged with governance, Project management, and the Office of the Auditor-General, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is also a matter of public record.

Very truly yours,

Ernst + Young

Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

March 10, 2026

Ernst & Young LLP
Ernst & Young Building
231 Ypao Road, Suite 201
Tamuning, Guam 96931

In connection with your audits of the financial statement of the Republic of the Marshall Islands (RMI) Maritime Investment Project (the Project) financed by the World Bank's International Development Association - Grant Number D452-MH, which comprises the statements of cash receipts and disbursements for the years ended September 30, 2024 and 2023, and the related notes to the financial statements, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statement presents fairly, in all material respects, the cash receipts and disbursements of the Project in conformity with the cash basis of accounting, which is a basis of accounting other than US generally accepted accounting principles (US GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

Management's responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated April 15, 2025, for the preparation and fair presentation of the financial statement (including disclosures) in accordance with the cash basis of accounting, which is a basis of accounting other than US GAAP, applied on a basis consistent with that of the preceding years.

In preparing the financial statement, we evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project's ability to continue as a going concern for one year after the date that the financial statement is issued (or available to be issued, if applicable), and to provide appropriate financial statement disclosure, when applicable, related to going concern and using the going concern basis of accounting unless we prepared the financial statement in accordance with the liquidation basis of accounting.

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Management's responsibilities, continued

We acknowledge our responsibility for 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. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statement such as records, data, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within the Project from whom you determined it necessary to obtain evidence

From October 1, 2022 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the financial statement, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

Uncorrected misstatements

We believe that the effects of any uncorrected misstatements, summarized in the accompanying schedules, accumulated by you during the current and prior audit periods presented are immaterial, both individually and in the aggregate, to the financial statement as a whole. Refer to the "Schedule of Uncorrected Misstatements" in Appendix A.

Corrected misstatements

We believe that the effects of any corrected misstatements, summarized in Appendix B, accumulated by you during the current audit and prior period are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Internal control

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statement.

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We are not aware of any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting.

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Internal control, continued

There have been no significant changes in internal control since September 30, 2024.

Minutes and contracts

No meetings of members, officers or management relative to the Project have been held from October 1, 2022 to the date of this letter.

We have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties has been considered and appropriate adjustments or disclosures are made in the financial statement, and information concerning these transactions and amounts have been made available to you.

Side agreements and other arrangements

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

Arrangements with financial institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statement.

Contingent liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of that are probable of assertion and must be disclosed in the financial statement. For the years ended September 30, 2024 and 2023, the Project did not consult with legal counsel concerning any matters related to litigation, claims or assessments made against the Project.

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Contingent liabilities, continued

There have been no violations or possible violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the financial statement or as a basis for recording a loss contingency other than those disclosed in the financial statement.

There have been no internal investigations or communications from regulatory agencies or government representatives in any jurisdiction concerning investigations or allegations of noncompliance with laws or regulations, noncompliance with or deficiencies in financial reporting practices, or other matters that could affect the financial statement other than those disclosed in the financial statement.

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be disclosed in the financial statement.

Oral or written guarantees

There are no oral or written guarantees, including guarantees of the debt of others.

Purchase commitments

At September 30, 2024, the Project had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at those dates.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2024 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Non-compliance with laws and regulations, including fraud

We acknowledge that we are responsible to determine that the Project's business activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws or regulations, including fraud.

We acknowledge our responsibility for the design, implementation and maintenance of a system of internal control to prevent and detect fraud.

We have disclosed to you the results of our assessment of the risk that the financial statement may be materially misstated as a result of fraud.

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Non-compliance with laws and regulations, including fraud, continued

We have disclosed to you all significant facts relating to any frauds or suspected frauds, or allegations of fraud known to us that may have affected the Project (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statement. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statement.

We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statement.

Independence

We have communicated to you the names of the Project's affiliates, officers and directors, or individuals who serve in such capacity for the Project.

We are not aware of any business relationship between the Project and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

We are not aware of any reason that Ernst & Young LLP would not be independent for purposes of the Project's audit.

Conflicts of interest

There are no instances where any officer or employee of the Project has an interest in a company with which the Project does business that would be considered a "conflict of interest."- Such an interest would be contrary to the Project policy.

Going concern

In preparing the financial statement, we evaluated the entity's ability to continue as a going concern for twelve months after the date that the financial statement is issued and provide appropriate financial statement disclosure.

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Supplementary information

We are responsible for the preparation and fair presentation of the following schedules (the "Supplementary Information"):

- Schedule of Grant Drawdowns
- Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements

We believe the supplementary information, including its form and content, is fairly stated in all material respects.

There have been no changes in the methods of measurement or presentation of the supplementary information from those used in the prior period.

There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

Additional representations

- We recognize that we are responsible for the Project's compliance with the laws, regulations, provisions of contracts and grant agreements that are applicable to it. We have identified and disclosed to your representatives all laws, regulations, provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

- We have identified to your representatives all previous audits, attestation engagements, and other studies related to the audit objectives and whether the related recommendations have been implemented.

- We have informed you of any investigations or legal proceedings that have been initiated or are in process with respect to the period under audit.

- We have a process to track the status of audit findings and recommendations.

- We have taken timely and appropriate steps to remedy noncompliance with provisions of laws, regulations, and contracts or grant agreements that you have reported.

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Additional representations, continued

- We have identified and disclosed to you all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds. We have identified and disclosed to you all instances of identified or suspected noncompliance with laws, regulations, and provisions of contracts and grant agreements where the noncompliance could have a direct and material effect on the financial statements.

- We have followed all applicable laws and regulations in adopting, approving and amending budgets, deposits and investments, including collateral requirements on depository accounts and investments.

- There have been no instances of abuse that have occurred or are likely to have occurred that could be quantitatively or qualitatively material to the financial statement.

- The Project has obligated, expended, received and used public funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by Marshall Islands or federal law. Such obligation, expenditure, receipt or use of public funds was in accordance with any limitations, conditions or mandatory directions imposed by Marshall Islands or federal law.

- Money or similar assets handled by the Project have been properly and legally administered and the accounting and recordkeeping related thereto is proper, accurate and in accordance with law.

- Subsequent events have been evaluated and classified as recognized or nonrecognized through the date of this letter.

Other matters

We have received a draft copy of our financial statement for the years ended September 30, 2024 and 2023. The accuracy and completeness of the financial statement, including footnote disclosures, are our responsibility.

You have assisted in the preparation of our financial statement based on information in our trial balance and accounting records. It is our understanding that:

- Our underlying books and records are maintained by our accounting department and that the final trial balance prepared by us is complete and,

- All adjusting journal entries posted to the trial balance have been approved by us, and

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Other matters, continued

- We have designated a competent representative to oversee your services and that our personnel have sufficient financial competence who are able to challenge and review the completeness and accuracy of the financial statement, including footnote disclosures.

We have reviewed the draft financial statement for accuracy and completeness.

We acknowledge that we have reviewed them and taken responsibility for them.

Subsequent events

Subsequent to September 30, 2024, no events or transactions have occurred or are pending that would have a material effect on the financial statement at that date or for the period then ended, or that are of such significance in relation to the Project's affairs to require mention in a note to the financial statement in order to make them not misleading except as disclosed in the notes to the financial statement.

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We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and was, therefore, designed primarily for the purpose of expressing an opinion on the financial statement of the Project and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,

Ayako Yamaguchi-Eliou
Secretary, Ministry of Finance, Banking and Postal Services

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Appendices

A - Schedule of Uncorrected Misstatements

B - Schedule of Corrected Misstatements

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Appendix A - Schedule of Uncorrected Misstatements

Communication schedule for uncorrected misstatements

Entity: RMI Maritime Investment Project - Grant Number D452-MH Period Ended: 30-Sep-2024 Currency: USD

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)								Income statement effect of the prior period	
No.	W/P ref.	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period			
		(misstatements are recorded as journal entries with a description)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable	Prior period Debit/(Credit)	Non taxable
Factual misstatements:												
		FY23 Overbooked expense reversed in the current year, resulting in understatement of the current year expenditure										
	VE1.01	Expense Dr.							36,783			
	VE1.01	Cash Cr.	(36,783)									
Reclassification misstatements:												
Total of uncorrected misstatements before income tax			(36,783)	0	0	0	0	0	36,783		0	
Total of uncorrected misstatements			(36,783)	0	0	0	0	0	36,783		0	
Financial statement amounts			0	0	0	0	0		(2,174,756)			
Effect of uncorrected misstatements on F/S amounts			0.0%	0.0%	0.0%	0.0%	0.0%		-1.7%		0.0%	

Memo: Total of non-taxable items (marked 'X' above)		0	0
Uncorrected misstatements before income tax	-1.7%	36,783	0
Less: Tax effect of misstatements at current year marginal rate		0	0
Uncorrected misstatements in income tax		0	0
Cumulative effect of uncorrected misstatements after tax but before turnaround	-1.7%	36,783	0

Turnaround effect of prior period uncorrected misstatements	After tax	Memo: Before tax
All factual and projected misstatements:	0	0
Judgmental misstatements (Note 3):		0
Cumulative effect of uncorrected misstatements, after turnaround effect -1.7%	36,783	
Current year income before tax	(2,174,756)	
Current year income after tax	(2,174,756)	

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Appendix B - Schedule of Corrected Misstatements

Communication schedule for corrected misstatements

Entity: RMI Maritime Investment Project - Grant Number D452-MH **Period ended:** 30-Sep-2024 **Currency:** USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxabl
AJE1		FY23 Overbooked expense reversed in the current year, resulting in understatement of the current year expenditure								
	VE101	Expense Dr							13,500	
	VE101	Cash Cr	(13,500)							
Total of corrected misstatements before income			(13,500)	0	0	0	0	0	13,500	
Financial statement amounts			0	0	0	0	0		(2,174,756)	
Effect of corrected misstatements on F/S amoun			0.0%	0.0%	0.0%	0.0%	0.0%		-0.6%	

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