

**TITLE 11 - FINANCE**  
**CHAPTER 21 - PUBLIC FINANCIAL MANAGEMENT ACT, 2023**



Republic of the Marshall Islands  
*Jepilpilin Ke Ejukaan*

**PUBLIC FINANCIAL MANAGEMENT ACT, 2023**

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**TITLE 11 - FINANCE**  
**CHAPTER 21 - PUBLIC FINANCIAL MANAGEMENT ACT, 2023**



Republic of the Marshall Islands  
*Jepilpilin Ke Ejukaan*

**PUBLIC FINANCIAL MANAGEMENT ACT, 2023**

**AN ACT** to provide a legal framework for public financial management for the Republic of Marshall Islands; to adopt a Financial Management Information System; to establish an Internal Audit function in the Ministry of Finance; to establish a unified cash management through a Treasury Single Account structure of government bank accounts; to prescribe the roles and responsibilities of persons entrusted with public financial management' to provide for sanctions; to repeal the Financial Management Act, 1990, the Over Expenditure and Over Obligation of Appropriated Funds Act 1977, the General Fund Investment Act 1979, and the Financial Year Act 1986; and for related matters.

*Commencement:*

*April 10, 2023*

*Source:*

*P.L. 2023-61*

**PART I: PRELIMINARY**

**§101. Short title.**

This Act may be cited as the Public Financial Management Act, 2023.

**§102. Purpose.**

The purpose of this Act is to provide for public financial management in Marshall Islands within a fiscal responsibility framework, by establishing:

- (a) the objectives, principles and procedures for a sound fiscal policy and macroeconomic management;

- (b) the processes for the preparation, approval and management of a transparent, credible and predictable annual budget;
- (c) a financial management information system that improves the efficiency of administering and managing the budget, and timely and accurate preparation of financial statements;
- (d) the mechanisms for cash, assets and liability management;
- (e) the reporting and accounting systems, and an internal and external audit framework;
- (f) the mechanisms for effective public scrutiny and oversight of these arrangements; and
- (g) the mechanism for the operation of the Contingency Fund.

### **§103. Scope and Application of the Act.**

- (1) This Act shall apply to covered entities, persons and all public officers responsible for receiving, using, or managing public resources, revenues, or money at all levels of government;
- (2) Without prejudice to the generality of the foregoing, the following entities are covered under the provisions of this Act:
  - (a) the Executive and its agencies, entities, and institutions, including all departments and ministries;
  - (b) the Nitijela and its agencies, entities, and institutions;
  - (c) the Judiciary and its agencies, entities, and institutions;
  - (d) constitutional and autonomous agencies and special funds under the control of the central government;
  - (e) decentralized agencies and local governments, including their subsidiary bodies; public corporations, and state-owned enterprises.
  - (f) This Act shall be read and construed together with other laws relating to public financial management in Marshall Islands;
  - (g) In the event of any inconsistency between the provisions of this Act and other relevant laws, the provisions of this Act shall prevail.

### **§104. Interpretation.**

- (1) In this Act unless the context otherwise requires:

- (a) 'Accounts receivable' means amounts due from others for goods furnished and services rendered. Such amounts include reimbursements earned and refunds receivable;
- (b) 'Accrual Accounting' means a system of accounting in which revenues are recorded when earned and expenses are recorded when goods are received or services are performed, even though the actual receipt of revenues and payment for goods or services may occur, in whole or in part, at a different time;
- (c) 'Advance Payment' means an amount paid prior to the later receipt of goods, services, or other assets;
- (d) 'Agency' has the same definition as defined under Section 902(a) of the Auditor General (Definition of Duties, Functions & Powers) Act 1986;
- (e) 'Agent' means an unincorporated person or body of persons to which functions exercisable on behalf of the Republic, involving the use of collection of public monies or stores are delegated by or under any law;
- (f) 'Aided project' means any project which is partially financed through a loan, grant, donation or technical assistance and partially financed from public funds;
- (g) 'Allotment' means an amount which may be encumbered or expended during an allotment period, in accordance with applicable law on behalf of the Republic of the Marshall Islands, as specified in an appropriation act of the Nitijela;
- (h) 'Applicable accounting reporting framework' means a common set of standards and procedures issued by the Secretary of Finance for use in compiling financial statements involving public funds under the principles of GASB;
- (i) 'Appropriation Bill' means the Annual Appropriation Bill defined in Article VIII, Section 6 of the Constitution of the Republic of the Marshall Islands;
- (j) 'Arrear' means a payment is made to a supplier later than the terms of the arrangement under which goods or services were to be purchased from the supplier;

- (k) 'Asset' means resources owned or controlled by the government that have utility through multiple accounting periods;
- (l) 'Audit resolution committee' means a committee established under Section 149 of this Chapter;
- (m) 'Balanced Budget' means a budget in which estimated revenues equal total proposed expenditures;
- (n) 'Bank account' means an account at a bank into which monies are deposited or drawn;
- (o) 'Bank' has the meaning assigned to the word in the Banking Act 1987;
- (p) 'Budget authority' means the amount of money available to an agency for a specific purpose. The authority to commit to spending federal funds is provided to agencies by law.
- (q) 'Budget circular' has the meaning of the word in the Fiscal Responsibility and Debt Management Act 2020;
- (r) 'Budget' means the estimates of revenue and expenditure for a financial year;
- (s) 'Budgetary ceiling' means the total budget allocation to a spending agency by category;
- (t) 'Budgeting' means the financial expression of the government's plans and policies translated into the allocation of financial resources;
- (u) 'Capital assets' includes land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period;
- (v) 'Cash' means resources in the form of bank notes or coins or cash equivalent;
- (w) 'Commitment' means an administrative reservation of allotted funds, or of other funds, in anticipation of their obligation;
- (x) 'Consolidated financial statement' means the combined financial statements of the primary government and its component units;
- (y) 'Cost categories' means the major types of costs and includes research and development, capital investment, and operating expenses;

- (z) 'Deficit' means the amount by which the government's spending exceeds its revenues for a given period, usually a fiscal year (opposite of surplus);
- (aa) 'Deobligation' means an agency's cancellation or downward adjustment of previously incurred obligations. Deobligated funds may be reobligated within the period of availability of the appropriation;
- (bb) 'Depreciation' means the systematic and rational allocation of the acquisition cost of an asset, less its estimated salvage or residual value, over its estimated useful life;
- (cc) 'Development budget' means the document which presents the financing plans and progress of all government non-recurrent projects, including those funded by capital funding sources;
- (dd) 'Disbursement' means amounts paid by agencies, in cash or cash equivalent, during the fiscal year to liquidate government obligations. "Disbursement" is used interchangeably with the term "outlay;"
- (ee) 'Encumbrance' means an expenditure commitment recorded to ensure effective budgetary control and accountability and to facilitate effective cash planning;
- (ff) 'Expenditure' means the actual spending of money or an outlay;
- (gg) 'Expense' means outflow or other depletion of assets or incurrences of liabilities (or a combination of both) during some period as a result of providing goods, rendering services, or carrying out other activities related to an entity's programs and missions, the benefits from which do not extend beyond the present operating period;
- (hh) 'Fiduciary responsibility' means an ethical obligation, for a person who has the power and authority, to act in the public interest to a high standard of diligence, responsibility, and honesty;
- (ii) 'Financial institution' has the meaning of the word in the Banking Act 1987;
- (jj) 'Financial misconduct' means willful or negligent act or omission which permits an unauthorized, irregular or wasteful expenditure, theft, or misapplication of funds;

- (kk) 'Financial statement' means a document that describes an entity's financial activity and position for a specific period and any note to that statement that constitutes a financial report under Section 150 of this Chapter;
- (ll) 'Fiscal policy' means policies designed to stabilize the economy, specifically by manipulating the levels and allocations of taxes and government expenditures.
- (mm) 'Fiscal year' means the period of twelve (12) months commencing on the 1st day of October of a given year and ending on the 30th day of September of the succeeding year;
- (nn) 'General Fund' means the general fund established under the provisions of Article VIII, Section 3 of the Constitution;
- (oo) 'Grant' means a financial assistance in cash or in kind for a specified purpose;
- (pp) 'Internal audit' means an official examination of internal controls, governance, and accounting processes;
- (qq) 'Internal control' means an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved: (1) effectiveness and efficiency of operations, (2) reliability of financial reporting, and (3) compliance with applicable laws and regulations;
- (rr) 'Irregular expenditure' means expenditure, other than unauthorized expenditure, incurred in contravention of this Act or any other law;
- (ss) 'Liability' has the meaning of a claim that may be legally enforced against the government
- (tt) 'Long term' means
- (uu) 'Medium-term budget investment framework; has the meaning established in the Fiscal Responsibility and Debt Management Act 2020;
- (vv) 'Medium-term' has the meaning of the word in the Fiscal Responsibility and Debt Management Act 2020;
- (ww) 'Minister' means the Minister of Finance;
- (xx) 'Ministry' refers to the Ministry of Finance;
- (yy) 'Misapplication' means unauthorized application of budget provisions for use on a program other than for an approved program;

- (zz) 'Obligation' means a definite commitment that creates a legal liability of the government for the payment of goods and services ordered or received. Payment may be made immediately or in the future. An agency incurs an obligation, for example, when it places an order, signs a contract, awards a grant, purchases a service, or takes other actions that require the government to make payments to the public or from one government account to another;
- (aaa) 'Official use' means the use by a person of public funds and public property in connection with that person's exercise of an official duty in a public body;
- (bbb) 'Operating budget' means a detailed projection of all estimated income and expenses during a given future period;
- (ccc) 'Outcomes' means Intermediate results generated by program outputs. Correspond to any change in behavior as a result of program;
- (ddd) 'Outlay' means the issuance checks, disburses cash, or makes electronic transfers to liquidate (or settle) an obligation;
- (eee) 'Outputs' means the quantity, quality, and timeliness of the products goods or services that are the result of an activity/ project/ program;
- (fff) 'Performance Indicators' means a unit of measurement that specifies what is to be measured along a scale or dimension but does not necessarily indicate direction or change. Indicators are a qualitative or quantitative means of measuring an output or outcome, with the intention of gauging performance and results;
- (ggg) 'Performance monitoring' means a continuous process of collecting and analyzing data to compare how well a project, program, or policy is being implemented against expected results;
- (hhh) 'persons' for the purpose of this definition includes an individual or a consultant who is acting in the government capacity;
- (iii)'Portfolio' has the meaning of group of related program areas;
- (jjj) 'Portfolio Budget Statements' provide information necessary to map expenditure to performance. The information is presented to monitor performance with regard to funding for each Outcome in the annual budget;
- (kkk) 'Principal Spending Officers' has the same meaning as the same word in Section 144 of this Act;
- (lll)'Program' means an organized set of activities directed toward a common purpose or goal that an agency undertakes or proposes to carry out its responsibilities. Because the term has many uses in practice, it does not have a well-defined, standard meaning in the legislative process. It is used

- to describe an agency's mission, functions, activities, services, projects, and processes;
- (mmm) 'Projection' means estimates of either budget authority, receipts, outlays or other budget amounts set in a given future period. Projections are generally intended to indicate the budgetary implications of existing or proposed programs and legislation;
- (nnn) 'Property' means assets of every kind, whether corporeal or incorporeal, movable or immovable, tangible or intangible, and legal documents or instruments evidencing title to or interest in such assets;
- (ooo) 'Public accounts' means all accounts required under this Act to be kept by public bodies in respect of transactions involving assets or liabilities of the Republic;
- (ppp) 'Public asset' means a resource with economic value that the Republic owns or controls with the expectation that it will provide future benefit ;
- (qqq) 'Public funds' means funds received electronically or in any other form in person, through the bank or any other financial institution on behalf of the Government by an office holder by virtue of the office holder's employment and includes public monies;
- (rrr) 'Public monies' means money received by an office holder electronically or in any other form in the course of the office holder's employment for the purpose of the Government and includes all , stamps, negotiable instruments, bonds, debentures, investments, donations and other securities raised by or received by or on behalf of, or for the benefit of the Republic;
- (sss) 'Recurrent budget' means the budget for ongoing expenditures (e.g., salaries, operations, maintenance cost of capital assets);
- (ttt) 'Regulations' means regulations made under this Act;
- (uuu) 'Reprogramming' means shifting funds within an appropriation or fund account for purposes other than those contemplated at the time of appropriation;
- (vvv) 'Republic' means the Republic of the Marshall Islands;
- (www) 'Secretary' means the Secretary of Finance;
- (xxx) 'Short-term' has the meaning of the word in the Fiscal Responsibility and Debt Management Act 2020;
- (yyy) 'Signature' means authenticated form of identification, either by a physical signature or electronic;
- (zzz) 'Special revenue funds' means funds allocated in the Appropriation for designated purposes.

- (aaaa) 'Spending agency' means a public institution that receives and spends public funds as appropriated by the Nitijela to include any ministry, executive department, independent commission, board, bureau, office or other establishment of the Government of the Republic of the Marshall Islands, or any quasi-public institution which is supported in whole or in part by national funds;
- (bbbb) 'Spending plan' means a plan to show the anticipated expenditures of an agency over time;
- (cccc) 'State owned enterprise' has the meaning assigned to the word in the State-Owned Enterprise Act 2015;
- (dddd) 'Treasury Single Account' means a System of unified banking accounts as established under Part VI of this Chapter;
- (eeee) 'Trust account' means a fund in which designated persons or classes of persons have a vested beneficial interest or equitable ownership, or which was created or established by a gift, grant, contribution, devise or bequest that limits the use of the fund to designated objects or purposes;
- (ffff) 'Wasteful expenditure' means unnecessary expenditure incurred as a result of undue care and attention.

## PART II – ROLES AND RESPONSIBILITIES FOR PUBLIC FINANCIAL MANAGEMENT

### §105. General.

Pursuant to the Ethics in Government Act of 1993, the Republic of the Marshall Islands further declares and recognizes that it is the policy of the Government, in recognition of its constitutional obligation to the people, to govern in such manner as to foster public confidence in the integrity of the Government, and that public service is a public trust, requiring public officials and Government employees to place loyalty to the Constitution, the laws and ethical principles above private gain.

### §106. Responsibility of the Nitijela.

- (1) The Nitijela shall:
- (a) Consider any long-term plans, including the proposed objectives and National and Sector Policies, the National Strategic Plan, and the budget and revenue proposals recommended by the Cabinet;

- (b) Adopt program areas and the national budget, and appropriate monies to implement the program areas it deems appropriate;
- (c) Adopt any other legislation necessary to implement program areas; and
- (d) Review the implementation of the national budget and program accomplishments and execution of legislative policy direction. Implementation of the national budget and program area management, execution and performance shall be subject to the requirements of the Auditor General (Definitions of Duties, Functions and Powers) Act 1986.

### **§107. Responsibility of Nitijela Standing Committees.**

- (1) Appropriation Committee. The Appropriation Committee shall consider and report on all Bills, Resolutions, motions, and other matters relating to public expenditure or financial administration of the Marshall Islands and local government finance, including budget estimates and supplementary estimates that are referred to it by the Nitijela.
- (2) Public Accounts Committee. The Public Accounts Committee shall:
  - (a) consider the public funds and account of the Marshall Islands as referred to in Article VIII, Section 15(1) of the Constitution, in conjunction with the report of the Auditor-General on them;
  - (b) in case of any excess or unauthorized expenditure of funds, report to the Nitijela the reasons for that expenditure;
  - (c) propose any measures that it thinks necessary to ensure that public moneys are properly and economically spent and duly accounted for;
  - (d) where a report on the examination and audit of the accounts of any public corporation or other statutory authority constituted under the law of the Marshall Islands is required by law to be laid before the Nitijela; consider report and make recommendations to the Nitijela in respect of such accounts; and
  - (e) consider and report to the Nitijela on any related matter referred to it by the Nitijela.

- (3) Ways and Means Committee. The Ways and Means Committee shall consider and report on all Bills, Resolutions, motions and other matters relating to the revenue of the government and of local governments, including matters relating to the administration of revenue laws, that are referred to it by the Nitijela.

#### **§108. Responsibilities of the Cabinet.**

- (1) The Cabinet shall be responsible for the formulation of a balanced budget. The Cabinet shall accept the estimates of revenue provided to the Cabinet by the Secretary of Finance, through the Budget Coordination Committee, unless the Cabinet decides to modify tax or revenue policy.
- (2) The Minister of Finance shall prepare and submit, prior to or concurrently with the Appropriation Bill, tax and revenue bills which are necessary to produce a balanced budget.

#### **§109. Responsibilities of Minister of Finance.**

- (1) The Minister of Finance shall have the fiduciary responsibility for the Republic's fiscal and financial resources and shall perform those duties to a high standard of diligence, responsibility and honesty.
- (2) For the purpose of performing functions under this Act and any related Acts, the Minister:
  - (a) shall have the overall policy direction on all public financial matters of the Republic;
  - (b) shall supervise the financial operations of any entity covered by this Act, and may give such directions and instructions as appear to the Minister to be necessary and expedient for the proper carrying out of the provisions of this Act;
  - (c) may require any information and reports from any entity covered by this Act, and any other person receiving grants, advances or loans, or guarantees, or indemnities from the Government;
  - (d) may, following approval from Cabinet, and consistent with the laws of Marshall Islands, establish, structures/units within the Ministry for implementing the requirements

- under this Act in order to fully discharge the Minister's responsibilities prescribed herein;
- (e) may enter into and execute agreements on behalf of the Government in relation to matters of a financial nature.
- (3) The Minister may delegate any of the responsibilities or powers given to him or her under this Act to the Secretary of Finance, provided however that the Minister shall remain responsible under this Act for such delegated powers.

### **§110. Responsibility of Secretary of Finance.**

- (1) The Secretary of Finance shall be the fiduciary agent of the Republic's financial resources, and other responsibilities conferred under this Act and other law.
- (2) In addition to the duties assigned under Article VIII, Section 4 of the Constitution, and the duties specified under this Act relating to a Principal Spending Officer, the Secretary of Finance shall:
- (a) be in charge of the overall supervision and administration of the Ministry;
  - (b) advise the Minister on all economic, budgetary, and financial matters and on matters related to implementation of this Act;
  - (c) coordinate the preparation of the Economic Policy Statement, the budget estimates, and the Appropriation Bill;
  - (d) promote and enforce transparent, efficient, and effective management of the revenues and expenditures and the assets and liabilities of covered entities;
  - (e) monitor the performance of the financial management systems of the Public Sector;
  - (f) manage public funds as defined in this Act;
  - (g) mobilize resources including assistance from development partners and integrate the funds into the planning, budgeting, reporting and accountability processes prescribed by this Act;
  - (h) monitor the financial and related performance of the covered entities;

- (i) provide the framework for conducting banking and cash management for Government, local governments and the other covered entities governed by this Act;
  - (j) prepare for the Minister, a report on the execution of the annual budget by the Government on fifteen (15) days after the end of every quarter.
- (3) In the discharge of its duties under this Act and other related Acts, the Secretary of Finance:
- (a) shall at all times have access to all Agencies, or places where accounting for public services takes place or public accounting records are kept;
  - (b) shall issue regulations and other directives and instructions to heads of agencies, and principal spending officers of all covered agencies;
  - (c) inspect during working hours, the office of a spending agency and gain access to any information the Secretary of Finance may require, with regard to the funds and records regulated by this Act;
  - (d) Monitor ongoing implementation of the Budget;
  - (e) Prepare recommendations to ensure credibility of budget during actual execution period through the fiscal year.
- (4) The Secretary of Finance may delegate in writing any of his or her duties under this Act to any senior official of the Ministry, consistent with requirements prescribed under Regulations made under this Act provided however that the Secretary of Finance shall remain responsible for his responsibility under this section.

### **§111. Responsibility of the Agencies.**

- (1) Under such rules and regulations that may be prescribed by the Secretary of Finance:
- (a) Every agency assigned to the task of developing program areas, programs and financial plans, budgetary requests and performance reports shall submit to the Secretary of Finance, as such times in such manner as the Secretary may prescribe, recurrent budget estimates, the total amount of

- full-time positions which have been assigned by the Public Service Commission; and
- (b) Every agency administering program areas, and every agency responsible for the formulation of program areas and the preparation of programs and financial plans, budgetary requests and program area performance reports, shall furnish the Ministry of Finance with all such documents and information as the Ministry may require. Each agency shall make available to the Cabinet and the Nitijela all documents and information that may be requested.
- (2) The Secretary of Finance or any employee of the Ministry of Finance, when duly authorized, shall have access to and may examine any records and supporting documents of any agency.
- (3) Agencies may submit budget requests exceeding their assigned ceiling, so long as the request is separate from their recurrent budget request.

### **§112. Responsibility of Budget Coordinating Committee (BCC).**

- (1) The RMI National Budget Coordinating Committee (BCC) is established as a standing committee with the following members:
- (a) Chief Secretary, Chairperson;
  - (b) Secretary of Finance, Vice Chairperson;
  - (c) Secretary of Works, Infrastructure, and Utilities, member;
  - (d) Secretary of Foreign Affairs and Trade, member;
  - (e) Representative from the Office of the President, member;
  - (f) Attorney General, member;
  - (g) Representative of the Public Service Commission, member;
  - (h) Director of Economic Policy, Planning and Statistics Office (EPPSO), member; and
  - (i) Other members as appointed by Cabinet.
- (2) The Secretary of Finance is designated to serve as the Secretariat of the Budget Coordinating Committee.
- (3) Under the policy guidance of the Minister of Finance, the Budget Coordinating Committee shall consult and coordinate with

spending agencies in the formulation of the Republic's national budget.

- (4) Upon his or her concurrence, the Minister submits the budget to Cabinet for their approval, and subsequent submission to the Nitijela.
- (5) The Budget Coordinating Committee's key responsibilities include, but not limited to:
  - (a) Undertake analytical work in support of the budget formulation process;
  - (b) Identify and set, with Cabinet endorsement, the Budget Ceiling;
  - (c) With Ministry of Finance agreement on format of budget submissions, to include narrative or linking of Plans, Outputs, and Outcomes;
  - (d) Screens budget submissions;
  - (e) Undertake consultations with all line ministries and agencies;
  - (f) In coordination with the Ministry of Finance, prepare and submit to Cabinet draft and final budget documents.

### **PART III – ADMINISTRATION OF PUBLIC FUNDS**

#### **§113. Ministry of Finance.**

The Ministry of Finance is hereby created.

#### **§114. Scope of Administration.**

All revenue and fiscal functions of the Government shall be administered by the Ministry of Finance, including revenue, tax and duty collection and accounting; fund and treasury maintenance, security and accounting; disbursement, accounts receivable and expenditure accounting; budget control; and all data processing and other assets related to the foregoing.

**PART IV – BUDGET POLICIES, PRINCIPLES AND PROCEDURES;  
BUDGET PLANNING, PREPARATION, APPROVAL AND  
MANAGEMENT**

*Division 1. Policies, Principles and Procedures.*

**§115. Statement of Policy.**

It is the purpose of this Part to establish a comprehensive system for national financial management which furthers the capacity of the Cabinet and the Nitijela to plan, program and finance projects and programs to provide for the economic and social development of the Republic. Such a system shall include procedures for:

- (a) The orderly establishment, continuing review and periodic revision of national financial objectives, programs, and policies;
- (b) The establishment of policies and procedures that conform with government accounting and auditing procedures;
- (c) The development, coordination and review of long-range programs and financial plans that will implement established national objectives and policies;
- (d) The preparation, coordination, analysis and enactment of a budget that is organized to focus on national programs and their costs, and that authorizes the implementation of the long-range plans in the succeeding budget period;
- (e) The evaluation or alternatives to existing objectives, policies, plans and procedures that offer potential for more efficient and effective use of national resources; and
- (f) The regular appraisal and reporting of program performance.

**§116. Governing Principles.**

The budget system shall be governed by the following general principles:

- (a) the budget shall be balanced;
- (b) planning, programming, budgeting, evaluation, and appraisal reporting shall be by program areas or portfolio;
- (c) the formulation and operation of the budget will serve as an implementation mechanism for the plan;

- (d) the national program structure shall be such that it will enable meaningful decisions to be made by the Cabinet and the Nitijela at all levels of the structure. At its lowest level, it shall display those programs which are the simplest units of activities, about which resource allocation decisions are to be made by the Cabinet and the Nitijela;
- (e) the full cost, including capital and operating costs, shall be identified for all program areas regardless of the means of financing. Costs shall be displayed in the year of their anticipated expenditure, regardless of whether such costs have been authorized to be expended by prior appropriation acts or are authorized to be expended by existing law or require new appropriations or authorizations;
- (f) objectives shall be stated for every level of national program structure;
- (g) the effectiveness of program areas in attaining objectives shall be assessed;
- (h) planning shall have a long-term view; and
- (i) systematic analysis in terms of problems, objectives, alternatives, costs, effectiveness, benefits, risks and uncertainties shall constitute the core of program planning.

## *Division 2. Budget Planning, Preparation, Approval and Management*

### **§117. Budget Process.**

The Act provides the legislative framework for the budget process whereby the Cabinet issues instructions in the Budget Call Circular.

The budget process shall be as follows:

- (a) Dissemination of budget call circular by Ministry of Finance to the line ministries by the end of April, May or June;
- (b) Submission of line ministry budget requests to Ministry of Finance by May or June;
- (c) Budget Coordinating Committee hearings with line ministries by June;
- (d) Cabinet approves draft budget for submission to Nitijela by August;

- (e) Consideration of draft budget (Appropriation Bill) by Appropriations Committee of Nitijela by 31st of August.;
- (f) Approval of Appropriation Bill by Nitijela by 30th of September;
- (g) Beginning of fiscal year on 1st of October.

### **§118. Budget Planning.**

It is the intention of the policy to have a clear linkage between planning and budgeting.

### **§119. Budget Formulation and Approval Process.**

The formulation of the national budget is as follows:

- (1) In April, the Minister instructs the Budget Coordinating Committee to:
  - (a) Commence analytical work with commence analytical work with technical assistant partners to prepare economic and fiscal outlook, framework and forecasts to prepare the economic and fiscal outlook, framework and forecasts;
  - (b) Consult with ministries and agencies responsible for revenue collection and those that provide or contribute revenue;
  - (c) Review Compact control number for the previous fiscal year;
  - (d) Based upon EPPSO's recommendation, adopt and standardize the template for medium-term budgets for ministries and agencies to follow;
  - (e) Propose initial budget ceiling and develop Cabinet Paper requesting Cabinet's endorsement of the budget ceiling.
- (2) In May, the following activities should occur:
  - (a) Cabinet reviews and approves, in principle, the initial budget ceilings;
  - (b) The Budget Coordinating Committee issues the Budget Call Circular to ministries and other agencies with instructions on developing their three-year medium-term budget proposals, with accompanying budget narrative;
  - (c) Pre-budget consultation with the United States Department of the Interior - Office of Insular Affairs (Compact);

- (d) The Budget Coordinating Committee works with the Project Management Unit of the Ministry of Works, Infrastructure and Utilities to develop a comprehensive Infrastructure Development Management Program (IDMP) to integrate all Compact and non-Compact infrastructure resources to align more directly to specific infrastructure projects and activities over a medium- to long-term framework;
- (3) In May to June, the following activities should occur:
    - (a) Budget consultations with all ministries and agencies;
    - (b) Mid-year meeting in accordance with Compact Regulation;
    - (c) Office of Compact Implementation (OCI) reviews Sector Performance Matrix and submits to the Budget Coordinating Committee;
    - (d) The “Zero Draft” budget for the following fiscal year is submitted to Cabinet for initial review and deliberation.
  - (4) In July, the following activities should occur:
    - (a) Compact portfolios are submitted to the Office of Insular Affairs, U.S. Department of the Interior;
    - (b) Development Partners meetings are held;
    - (c) The Government holds technical budget consultations with the United States and the Republic of China (Taiwan).
  - (5) In August, the following activities should occur:
    - (a) The annual Meeting held in accordance with Compact Regulation for approval of Compact Sector allocations;
    - (b) Cabinet concludes its final review of the proposed budget for the following fiscal year and transmits to the Nitijela through the Minister;
    - (c) The Appropriations Committee holds executive meetings and public hearings.
  - (6) In September, the following activities should occur:
    - (a) the Nitijela discusses and enacts the Appropriation Act;
    - (b) The Ministry releases the appropriation allocations from the budget preparation system into the financial management information system.

- (7) October 1st is the beginning of the new fiscal year.

### **§120. Appropriation Bill.**

The Nitijela enacts the Appropriation Bill, which provides the authority for spending agencies to obligate and expend funds from the General Fund.

### **§121. Limit of Expenditures: Liability for over-expenditure and over-obligation.**

- (1) Approvals of commitments shall be subject to availability of sufficient unencumbered or uncommitted appropriation on the expenditure ceilings against budget line(s) to which the commitments are being made.
- (2) No spending agency shall commit or incur any obligation in excess of allotment or appropriation. Any officer, agent, employee, or person in service of the government, whether elected or appointed, who makes or causes to be made any over-expenditure or incurs or causes to be incurred any over-obligation shall be deemed guilty of neglect of official duty and shall be subject to removal from office and other penalties per Part X of this Chapter on Sanctions.
- (3) Any authorization to obligate funds in excess of appropriated amounts, not specifically authorized by law, is void.

### **§122. Re-allocation of funds from a Spending Agency.**

The Nitijela may by resolution, authorize the Minister to re-allocate funds from a Spending Agency to another Agency where the functions are transferred, subject to any limits imposed by the Nitijela.

### **§123. Allotment Management.**

- (1) An allotment is a system of administrative control of funds which purpose is to keep obligations and expenditures from exceeding appropriations and estimated revenue. Subject to Article VIII, Sections 7, 8, and 9 of the Constitution of the Republic of the Marshall Islands, and unless otherwise excepted by Act, total appropriations or the total of any budget approved by the Nitijela, for any department or program area, shall be deemed to be the maximum amount

- authorized to meet the requirements of the department or program area for the period of appropriation.
- (2) After approval of the annual budget by the Nitijela, the Secretary shall issue expenditure ceilings by quarter. The quarterly expenditure ceilings shall be the basis for release of funds, or expenditure authority, to the spending agencies. The Secretary has the authority to determine the amount of the allotment release by quarter, but not to exceed the budgeted amount for the agency in the Appropriation Act.
  - (3) Grants expenditures shall not be subject to quarterly allotments as provided for in this Section. Release of grant funds shall be based upon the spending agency's spending plan, as submitted as part of the spending agency's budget request.
  - (4) The Secretary shall promulgate regulation which prescribes the allotment procedures.

#### **§124. Reprogramming and Transfer.**

- (1) Pursuant to Article VIII, Section 7(1)(b) of the Constitution, the Secretary may, through the Minister, upon request from a properly authorized person from a Spending Agency, submit to Cabinet the request to reprogram funds from one program to another.
- (2) Pursuant to Section 110 of this Act, the Secretary may transfer within a program area within a line, upon a request from a properly authorized person from a Spending Agency. Provided however, where such transfer is between lines, shall require the approval of the Cabinet.
- (3) The Secretary may promulgate regulations, directions, or other guidance specific to reprogramming and transfer of funds.

#### **§125. Lapse of Appropriations.**

Pursuant to Article VIII, Section 10 of the Constitution, all uncommitted and unobligated allotments shall lapse on 30<sup>th</sup> September, except where otherwise provided by law or other agreement. The exception is appropriation of grants and loans which shall not lapse at the end of the fiscal year but shall continue until the grant expires or the funds are expended.

The authority to liquidate encumbrances entered into on or before 30<sup>th</sup> September shall lapse on the 31<sup>st</sup> December of the following fiscal year.

**§126. RESERVED.**

**§127. Multiyear Expenditure Commitments.**

- (1) An Agency shall not enter into a contract, transaction, or agreement that binds the Government to a financial commitment for more than one financial year or which results in a contingent liability, except where the financial commitment or contingent liability is endorsed by the Minister and approved by the Nitijela;
- (2) The Nitijela may, in the annual budget, authorize an Agency to make a multiyear expenditure commitment, and where the Nitijela so authorizes, the annual budget shall indicate the commitment approved for the financial year and the approved multiyear commitments;
- (3) Subsection (2) shall only apply where the multiyear commitment is consistent with the provisions of the Fiscal Responsibility and Debt Management Act 2020;
- (4) The Minister, for every fiscal year, shall submit to Nitijela a report on the performance of multiyear commitments.

**§128. Quarterly Budget Execution Reports.**

- (1) The Minister shall submit to Nitijela no later than the 30<sup>th</sup> day of January, April, July, and October of each year, a quarterly report on budget execution performance.
- (2) The report required under subsection (1) shall include at a minimum:
  - (a) Actual revenues against the approved budget;
  - (b) Actual cash expenditures plus commitments and arrears against the approved and released budgets, analyzed by Agency/Program/and major category of economic classification;
  - (c) A brief statement of program performance by each Head of Agency;
  - (d) Additional schedules explaining:

- (i) the application of the Contingency Fund or any unallocated budget reserve during the reporting period,
- (ii) the contracts that have been approved during the period and to date committing funds in respect of future accounting period; and
- (iii) receipts, payments and balances in respect of the special funds.

### **§129. Supplementary Budget**

- (1) Where in respect of any fiscal year, it is found that the amount appropriated by an Appropriation Act is insufficient, or that a need has arisen for expenditure for a purpose for which no amount has been appropriated by the Appropriation Act, a supplementary estimate, showing the amount required and how financed, shall be laid before Nitijela, by the Minister through a Supplementary Appropriation Bill.
- (2) The Minister shall ensure that supplementary expenditure sought under a Supplementary Appropriation Bill is not likely to breach the objectives, targets, or rules set out in the Fiscal Strategy Paper.

## **PART V – CONTINGENCY FUND**

### **§130. Establishment of a Contingency Fund.**

A Contingency Fund is established pursuant to Article VIII, Section 9 of the Constitution.

### **§131. RESERVED.**

## **PART VI – GOVERNMENT BANKING AND CASH MANAGEMENT**

### **§132. Secretary of Finance’s Authority over Government’s Cash.**

- (1) The Secretary of Finance shall have responsibility for the management and efficient use of government cash;
- (2) For the purpose of subsection (1), the Secretary of Finance:

- (a) shall ensure coordination of government cash management with fiscal policy, monetary policy and debt management policy;
- (b) shall establish the institutional and administrative arrangements needed to manage the cash management system within the Ministry;
- (c) may require from any person, information deemed necessary by the Secretary for the effective operation of the cash management system.

**§133. Opening of Bank Accounts and Establishment of a Treasury Single Account.**

- (1) The banking arrangements of Government shall reflect, the principles of a Treasury Single Account in which all Central Government cash are essentially managed as one from a cash point of view and into which all revenues and expenditures of covered entities shall be deposited and made respectively within that account structure.
- (2) The Secretary may establish with a financial institution or any similar body or authorize the establishment therewith, of such other accounts as may deem necessary or desirable for the purposes of controlling or administering public money.
- (3) No account shall be opened with a financial institution or other such body, whether within or outside the Republic of the Marshall Islands, for the deposit of public moneys otherwise than in terms of this Act, unless the written authority of the Secretary has been obtained.
- (4) Where an account has been opened with a financial institution or other body in terms of this section, the officer responsible for the administration of that account shall not incur any overdraft on that account otherwise than in accordance with the written authority of the Secretary.
- (5) No Agency shall establish or have a bank account established for its benefit without the express approval of the Secretary. This Subsection does not apply to local government authority or state-owned enterprises.

- (6) The Secretary shall have the authority to promulgate regulations and issue other guidance and instructions respective to government banking and cash management.

**§134. RESERVED.**

**§135. Collection and Deposit of Revenue and Retention of Revenue.**

- (1) Revenue shall not be collected or received by an Agency, state-owned enterprise or public corporation, except where the Agency, state-owned enterprise or public corporation is authorized by an Act of Nitijela to collect or receive revenue.
- (2) The revenue collected or received by a Spending Agency, state-owned enterprise or public corporation under subsection (1) shall be:
  - (a) deposited into and shall form part of the General Fund; or
  - (b) receivable into a public fund established for a specific purpose where this is authorized by the Constitution or an Act of Nitijela.
- (3) An Agency may retain revenue collected or received, where the revenue is authorized through appropriation by Nitijela to retain the revenue, or is a monetary grant exempted by this Act or other law.

**§136. The General Fund.**

- (1) There shall be a General Fund.
- (2) All taxes and other revenues and moneys raised or received by the Government shall be deposited into the General Fund, unless permitted by Act to be deposited into some other fund or account established for a specific purpose.
- (3) No moneys shall be withdrawn from the General Fund unless the issue of those moneys:
  - (a) has been authorized by the Appropriation Act or a Supplementary Appropriation Act; or
  - (b) has been authorized as anticipated or reprogrammed expenditure pursuant to Article VIII, Section 7 of the Constitution, or as an advance against a Contingencies Fund, pursuant to Article VIII, Section 9 of the Constitution; or

- (c) is to meet expenditure specifically charged on the General Fund by the Constitution or by Act.
- (4) No moneys shall be withdrawn from the General Fund except with the authority of the Secretary of Finance, who shall satisfy himself that the expenditure of those moneys has been approved pursuant to Section 5 of Article VIII of the Constitution and that the withdrawal is made in accordance with such other procedures as may be prescribed by law.
- (5) No moneys shall be withdrawn from any other public fund or account unless the issue of those moneys has been authorized by or pursuant to Act.

**§137. Investment of General Funds.**

- (1) Subject to the approval of the Cabinet, the Secretary of Finance may invest any public funds which are funds transfer from the General Fund.
- (2) Any of such investments shall be due to mature no later than one (1) year from the date of investment, unless otherwise directed and authorized by the Cabinet for a longer period. Income derived there from may be reinvested, unless the Cabinet decides otherwise, at the discretion of the Secretary of Finance and shall be recognized as revenue in accordance with generally accepted accounting principles. Long-term investments shall be in time certificates of deposits, bonds, notes, prime commercial paper or other low-risk investments.

**§138. RESERVED.**

**PART VII – ASSET MANAGEMENT**

**§139. The Secretary of Finance is the fiduciary agent for all public assets.**

- (1) The Secretary of Finance is the fiduciary agent for all public assets;
- (2) The Spending Agency shall be responsible for the management of the assets and safekeeping of inventories under its authority;
- (3) Notwithstanding sub-sections (1) and (2), assets procured through donor-funded projects shall remain the responsibility of the project

until such time as transferred to the government upon project closure or in accordance with relevant donor agreement.

- (4) The Secretary shall promulgate regulations, guidelines, and other instruction for managing or accounting, recording and reporting Government assets and the transfer of donor-funded assets.

#### **§140. Establishment of a Board of Survey.**

- (1) The Secretary shall call for Spending Agencies to convene a Board of Survey to verify the assets under the control of the agency, validate their assets against the Government Asset Register, establish the condition of those assets, and their fitness for purpose.
- (2) If the Board of Survey determines that an asset is no longer fit for purpose, the Ministry will determine if the asset can be used in another capacity or will be disposed.

#### **§141. Abandonment of Claims and Write off of Public Money and Resources.**

- (1) Where the Secretary seeks to abandon or remit any claim by or on behalf of the Government, or any service to the Government or to write off a loss of, or a deficiency in public moneys or public resources, the Minister shall seek the approval of Nitijela.
- (2) Where Nitijela approves, the approval shall be by a resolution of Nitijela, which shall specify the amount authorized for each abandonment or write off and the total sum authorized to be written off or abandoned.
- (3) The Minister may, without the approval of Nitijela, abandon and remit any claims by or on behalf of the Government, or any service to the Government and write off a loss of, or a deficiency in public moneys or public resources, where the amount of the loss or deficiency does not exceed US\$1,000, or other amount established by regulation.
- (4) The Minister may surcharge a public officer for a loss of, or a deficiency in public moneys or public resources, not exceeding US\$1,000.
- (5) The Secretary shall, within three months after the end of a financial year, submit to the Minister a report:

- (a) a statement of the losses written off by the Secretary in accordance with subsection (3);
  - (b) a statement of the losses written off in accordance with subsection (1); and
- (6) The sums written off or abandoned by the Secretary under this section, shall be included in a Supplementary Appropriation Bill.
  - (7) Where a loss or an abandonment of a loss or a remittance of the total loss which is abandoned or remitted exceeds the amount authorized by Nitijela, the amount in excess shall be treated as loss of public funds, and sanctioned under Part XI

## **PART VIII—ACCOUNTING, INTERNAL CONTROLS AND AUDIT**

### **§142. Accounting policy framework.**

- (1) The Secretary shall prescribe by regulation or other direction and guidance a government accounting framework.
- (2) All public financial reporting shall be conducted in accordance with generally accepted accounting principles and practices as prescribed by the Secretary in accordance with established Governmental Accounting Standards Board's framework.

### **§143. Establishment of an Integrated Financial Management Information System (FMIS).**

- (1) It is the intent of the Government to have timely access to accurate and authoritative information upon the Government's financial resources. The Secretary shall install and maintain an electronic financial management system to integrate budget formulation, execution (e.g. commitment control, cash/debt management, treasury operations), accounting, and reporting. Furthermore, the Secretary shall conduct periodic reviews of the efficiency, effectiveness, and all costs to operate and maintain such a system pursuant to this Act.
- (2) The Secretary of Finance shall install and maintain an electronic system for all the government agencies which is in conformity with

generally accepted accounting principles as determined by the Governmental Accounting Standards Board.

- (4) The Secretary of Finance is charged with the responsibility to maintain an adequate system of internal control and with the further responsibility to see that the internal control system continues to function effectively as designed.
- (5) The Auditor-General shall make such investigations and audits from time to time to ensure the proper use of the accounting system and internal control systems.

#### **§144. Principal Spending Officers.**

- (1) A Principal Spending Officer shall:
  - (a) control the regularity and proper use of money appropriated to a Spending Agency;
  - (b) be responsible for authorizing commitments for a Spending Agency within ceilings set by the Secretary under section 123(2) (expenditure ceilings); and
  - (c) control the resources received, held or disposed of by or on account of a Spending Agency.
- (2) In the exercise of the duties under this Act, a Principal Spending Officer shall, in respect of all resources and transactions of a Spending Agency, put in place effective systems of risk management, internal control and internal audit.
- (4) Where a Principal Spending Officer receives a grant on behalf of another entity, the Principal Spending Officer shall remit the grant to the entity in accordance with the approved cash flow plan for the grant.
- (5) A Principal Spending Officer shall be responsible and personally accountable to Nitijela for the activities of a Spending Agency.
- (6) A Principal Spending Officer may delegate a function or responsibility of Principal Spending Officer specified in this Act, to a public officer under the control of the Principal Spending Officer, with notification to the Secretary.
- (7) A Principal Spending Officer shall be personally accountable for a function or responsibility that is delegated under this section.

**§145. In-year financial reporting.**

- (1) A Principal Spending Officer shall, prepare and submit quarterly financial statements to the Secretary by the 15th of January, April, July, and October in each fiscal year and shall submit such other reports and within such time as the Secretary may require.
- (2) The Secretary shall, prepare and submit semi-annual consolidated financial statements to the Minister, by April 15 of each financial year.

**§146. RESERVED.****§147. Consolidated annual financial statements.**

- (1) The Secretary shall within four months after the end of each financial year prepare and submit to the Minister and the Auditor General the following consolidated accounts:
  - (a) the primary government's annual financial statements;
  - (b) the accounts of the Contingency Fund; and
  - (c) the accounts of the Special Revenue Funds.
- (2) The Secretary shall, for the accounts submitted under this section identify any defect, shortcoming or other factor which in his or her opinion affects, materially, the responsibility of the Minister under this Act.
- (3) The Secretary may introduce changes to the accounting or classification system and where changes are introduced, the Secretary shall in the accounts provide justification for change and how the accounting system ensures that the public funds are properly accounted for.

**§148. Internal Control and Audit.**

- (1) The Minister shall establish an Internal Audit Unit within the Ministry.
- (2) Under regulations promulgated by the Secretary, the Internal Audit Unit shall:
  - (a) appraise and report on the soundness and application of the accounting, functional and operational controls of the entity;

- (b) evaluate the effectiveness and contribute to the improvement of risk management processes;
- (c) provide assurance on the efficiency, effectiveness, and economy in the administration of the programs and operations;
- (d) evaluate compliance to laws, regulations, standards, systems and procedures.

**§149. Audit Resolution Committee.**

There shall be established an Audit Resolution Committee.

**§150. External Audit.**

The Auditor General shall, in accordance with Article VIII, Section 15 of Constitution and Section 903 of the Auditor General (Definition Functions and Duties) Act 1986, examine and audit the public accounts submitted under this Act within six months of the end of the financial year.

**PART IX – RESERVED**

**§151 - 154. RESERVED.**

**PART X—INTERNATIONAL DONOR ASSISTANCE**

**§155. Establishment of the Division of International Donor Assistance.**

A Division of International Donor Assistance under the authority of the Secretary of Finance is hereby established.

**§156. Authorization to sign International Financing Agreements.**

The Minister of Finance has the authority to sign all international financing agreements.

## PART XI—SANCTIONS AND ENFORCEMENT

### §157. General liability for contravention of this Act.

- (1) Where any individual or institution otherwise contravenes any provisions of this Act, Regulations, rules, instructions, guidelines, or other directives issued under this Act, the Nitijela may request the line Minister to make a report to Nitijela with an explanation on the matter.
- (2) Where it is established that the institution or Agency did not meet the requirements of this Act, or contravene the Act due to negligence or misconduct of a public officer of the Agency the public officer shall be held liable under the provisions of Section 159 or other penalties in other laws.

### §158. Liability for over-expenditure of appropriated funds.

Personal liability for over-expenditure of appropriated funds, and failure to strictly follow procedures that may be provided by law, over-expenditure shall be personally liable to the Nitijela for the amounts over-expended and for such other additional sums as may be incurred as collection costs in the event of over-expenditure must be collected by judicial process including attorney fees, court costs and foreclosure costs.

### §159. Offences.

- (1) Each officer or person acting in an office or employment connected with the collection, management or disbursement of public or trust moneys or with the control of government property who:
  - (a) makes commitments resulting in financial obligations for the government, in contravention;
  - (b) authorizes an expenditure exceeding the approved appropriations in the relevant budget, shall be guilty of an offence and on conviction be liable to imprisonment not exceeding one year or to a fine not exceeding the value of the assessed impact of the commitment or both;
  - (c) refuses or fails to produce or submit any information which may have financial or budgetary implications which is under

- his control and is required under this Act or submits false information to satisfy the requirement under this Act;
- (d) has issued a local purchase order outside of the FMIS system or other equivalent system from time to time in use by Government; or
  - (e) has failed to collect any moneys owing to the Government for the collection of which such person is or was at the time of such employment responsible;
  - (f) is or was responsible for any improper payment of public moneys or for any payment of such moneys which was not duly verified in line with existing procedures;
  - (g) is or was responsible for any deficiency in, or for the loss, damage, or destruction of, any public moneys, stamps, securities, or other Government property;
  - (h) has caused or permitted the misuse of any Government property whereby the public revenue has suffered loss;
  - (i) accepts or receives money or valuable consideration for the performance of official duties;
  - (j) conspires with another person to defraud the Government, or makes opportunity for another person to defraud the Government;
  - (k) deliberately permits the contravention of the law by another person;
  - (l) wilfully makes or signs a false entry in a book or wilfully makes or signs a false certificate or return in any case in which it is a duty of the person to make an entry, certificate or return;
  - (m) having knowledge or information of the contravention of financial legislation by any person, or fraud committed by any person against the Government under legislation relating to public finance fails to report the knowledge or information to the person's senior officer or any state security agency; or
  - (n) demands or accepts or attempts to collect, directly or indirectly, as payments of gifts or otherwise, any sum of money, or other thing of value, for the compromise, adjustment or settlement of a charge or complaint for a contravention or alleged

contravention of legislation relating to public finance, commits an offence, and is liable on summary conviction to a fine not exceeding \$5000 or to imprisonment for a term not exceeding 10 years or to both.

- (2) Any person who:
- (a) promises, offers or gives any money or other valuable consideration to any officer or person acting in an office or employment connected with the collection, management or disbursement of public or trust moneys or the control of government property with intent to influence;
  - (a) a decision or action on any question or matter that is then pending, or may, by law, be brought before the person in an official capacity; or
  - (b) the officer or person to commit, or aid and abet in committing any fraud on the government or to connive at, take part in, or allow any opportunity for the commission of the fraud; or
  - (c) accepts or receives money or valuable consideration, commits an offence, and is liable on summary conviction to a fine not exceeding three times the amount so offered or accepted, or to imprisonment for a term not exceeding 5 years or to both.
- (3) Where any person is required to perform any function or duty under this Act and that person fails to perform that duty within the time required, the person shall be liable to such punishment as may be prescribed in Regulations made under this Act.

### **§160. Surcharge.**

- (1) Where:
- (a) a loss of or deficiency in, public money, that has been advanced to or was under the control of a public officer, occurs; or
  - (b) a loss or deficiency of, or damage to, public property or other property occurs while the property was in the care of a public officer,
- and:
- (2) the Minister is satisfied after due inquiry, that the negligence or misconduct of the public officer caused or contributed to the loss or

deficiency, - the amount of the loss or deficiency, the value of the property lost or destroyed or the cost of replacing or repairing the damage to that property, as the case may be, shall be a debt due to the Government, and may be recovered from the public officer either administratively or through a court of competent jurisdiction.

- (3) Where the negligence or misconduct of a public officer is not the sole cause of any loss, deficiency or destruction resulting in an action under subsection (2), the amount recoverable from the public officer may be restricted to only the cost of replacing or repairing the loss, deficiency, damage or destruction that the Minister considers, after due enquiry, to be just and equitable, having regard to the contribution made by the public officer to that loss, deficiency, damage or destruction.
- (4) In this section a reference to a public officer includes a person who has been a public officer.

**§161. Board of Directors responsibility for the collection and receipt of moneys due to public corporations.**

- (1) If a public corporation has willfully or negligently omitted to ensure the collection or receipt of moneys due to the corporation, the Minister may withdraw or suspend the emoluments of the Board of Directors whether jointly or severally upon recommendation of the Auditor-General.
- (2) Directors of public companies appointed by the Government that fail to report on the operations of such companies to the Minister of Finance as prescribed by Section 166, will be subject to removal according to procedures set out in the Regulation.

**§162. Deduction from money due by the Government.**

Where a person is indebted to the Government for a specific sum of money, the Minister in consultation with the Attorney-General may authorize the Secretary of Finance the retention, by way of deduction or set-off, of the amount of the indebtedness out of any sum of money that may be due or payable by the Government to that person.

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## PART XII - OVERSIGHT OF LOCAL GOVERNMENTS, PUBLIC CORPORATIONS AND STATE-OWNED ENTERPRISES

### §163. Local Government Accounts and Audit.

The Minister of Internal Affairs shall submit to the Secretary a consolidated audit accounts statement of local government accounts 6 months after the end of the financial year.

### §164. Duty of Board of Directors of Public Corporations and State-owned Enterprises.

It shall be the duty of the Board of Directors of a public corporation or a state-owned enterprise to establish and maintain policies, procedures, risk management and internal control system and governance and management practices to ensure that the entity operates efficiently in line with the objectives for which it was established and manages its resources prudently.

### §165. Annual Plans and reporting of Public Corporations and State-owned Enterprises.

- (1) The Board of Directors of a public corporation or a state-owned enterprise shall submit no later than four months before the beginning of a fiscal year, a financial plan to the relevant Line Minister and the Minister, reflecting the entity's proposed revenue and expenditure estimates for the following year;
- (2) The Board of Directors of a public corporation or a State-owned enterprise shall report on the operations of the entity to the Line Minister and the Minister, at the end of every quarter and at such other time specified by the Minister or the Line Minister, in relation to its approved business plan for the year, and in accordance with Regulations issued by the Minister specifying the matters to be included in such reports.

**§166. Financial Directives to Public Corporations and State-owned Enterprises.**

- (1) The Minister may issue any financial directive to all or any public corporation or state-owned enterprise including without limitation, directives to:
  - (a) supply any financial information specified by the Minister;
  - (b) submit to any special audit or review by a person appointed by the Minister and such Public corporation or State-owned enterprise shall comply with such directives.
- (2) Any directive issued by the Minister under subsection (1) shall be disclosed in the entity's annual report for the year in which the directive was received and the annual report shall also disclose the extent to which the directive was complied with by the entity.

**§167. Accounts and Audit of Public Corporations and State-owned Enterprises.**

The Board of Directors of a public corporation or a state-owned enterprise shall:

- (1) cause to be prepared for each financial year, annual accounts no later than two months after the end of the financial year; and
- (2) submit audited financial statements for each financial year to the Minister, no later than four months after the end of the financial year.

**§168. Minister to report on performance of Local Governments, Public Corporations, and State-owned Enterprises**

The Minister shall present a statement of the overall financial performance of local government authorities, public corporations and state-owned enterprises to Nitijela alongside the budget proposals for the following financial year.

**PART XIII: MISCELLANEOUS****§169. Regulation**

The Secretary, with the endorsement of the Minister, shall promulgate such regulations, directives, guidance, and other instructions, under the provisions of Marshall Islands Administrative Procedures Act 1979, as necessary to carry out the objectives and provisions of this Act.

**§170. Repeals and savings.**

The following laws are hereby repealed:

- (a) The Financial Management Act 1990;
- (b) The Over-Expenditure and Over-Obligation of Appropriated Funds Act 1977;
- (c) The Financial Year Act 1986; and
- (d) General Fund Investment Act 1979.

**§170. Effective date.**

This Act shall take effect on the date of certification in accordance with Article IV of the Constitution and the Rules and Procedures of the Nitijela.