

TOWN OF DEWEY BEACH AUDIT COMMITTEE

CHARTER

I. Purpose

The principal purpose of the Audit Committee (the “Committee”) is to assist the Town Council (the “Council”) in fulfilling its responsibility to oversee management’s conduct of the Town’s financial reporting process. In carrying out its charge from Town Council, the Committee provides oversight of the annual audited financial statements of the Town, the independent audit firm’s qualifications and independence, the performance of the independent audit firm, and the Town’s accounting and financial reporting practices and internal control systems.

In discharging its oversight role, the Committee is empowered to address any matter brought to its attention with full access to all books, records, facilities and personnel of the Town and has the power to retain outside counsel, outside auditors, or other experts for this purpose to be paid by the Town.

II. Membership

The Committee shall be composed of not less than three (3) members who have no relationship to the Town that may interfere with the exercise of their independence from management and the Town. The Chairperson of the Committee shall be appointed by Council. The remaining Committee members shall be appointed by the Chairperson, subject to subsequent approval by Council. Each member of the Committee shall be financially literate or become financially literate within a reasonable period of time after appointment to the Committee; and, at least one (1) member of the Committee shall have accounting or related financial management expertise, as the foregoing qualifications are interpreted by Council in its business judgment.

III. Key Responsibilities

The Committee serves in an oversight capacity and is not intended to be part of the Town’s operational or managerial decision-making process. The Town’s management is responsible for preparing the Town’s financial statements and the independent audit firm is responsible for auditing the financial statements. In carrying out its oversight responsibilities, it is not the duty of the Committee to plan or conduct audits or to determine that the financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. The Committee is entitled to rely upon management and the independent audit firm on matters as to which the Committee reasonably believes management and the independent audit firm to be reliable and competent. The Committee shall have the duty to resolve disagreements between management and the auditor regarding financial reporting for purposes of issuing an audit report or related work.

Consistent with the above, the Committee shall:

- 1. Meet at least two (2) times during each fiscal year or more frequently as circumstances may require.**
- 2. With regard to the independent audit firm, select, evaluate the performance of, review and approve fees to be paid to, and, where appropriate, replace the independent audit firm. Also, assure the periodic rotation of the engagement audit partner.**
- 3. Review annually a report by the independent auditors describing the audit firm’s internal quality control procedures, any material issues raised by the most recent internal quality control review or peer review, and any material issues raised by any inquiry or investigation by governmental or professional authorities within the preceding five (5) years.**
- 4. Review the annual audit plan of the independent audit firm with the auditors and management.**
- 5. Review with management and the independent auditors the annual audited financial statements, related audit opinion, and any management letter recommendations and responses thereto. Based upon the review, the Committee shall advise Council whether it recommends that the annual audited financial statements be accepted as presented.**
- 6. Meet annually with the Town’s legal counsel to review any legal, regulatory, and other matters that may have a material impact on the financial statements.**
- 7. Discuss with management and the independent auditors the quality and adequacy of the Town’s internal accounting and financial controls. Meet with the independent auditors in Executive Session at least once annually.**
- 8. Receive from the independent audit firm a report on all relationships between the auditors and the Town consistent with Independence Standards Board Standard No. 1. Discuss with the independent audit firm any disclosed relationships or services that may impact the objectivity and independence of the independent audit firm. Take, or recommend that Council take, appropriate action to oversee the independence of the independent audit firm.**
- 9. Review and pre-approve any proposed engagements or retentions of the independent audit firm to perform services other than audit and audit-related services.**
- 10. Regularly report to Council on its activities and determinations.**

The Committee shall review the adequacy of this Charter on an annual basis; and, if necessary, recommend any changes to Council for approval.

January 9, 2010

**TOWN OF DEWEY BEACH
AUDIT COMMITTEE CHARGE**

2010-2011

As a Fiduciary Committee, the principal purpose of the Audit Committee (the “Committee”) is to assist the Town Council (the “Council”) in fulfilling its responsibility to oversee management’s conduct of the Town’s financial reporting process. In carrying out its charge from the Council, the Committee provides oversight of the annual audited financial statements of the Town, the independent audit firm’s qualifications and independence, the performance of the independent audit firm, and the Town’s accounting and financial reporting practices and internal control systems.

In discharging its oversight role, the Committee has written and adopted an Audit Committee Charter which describes the work of the Committee for each year, including 2010-2011. The Charter, a copy of which is attached, is herein incorporated.

The Committee’s recommendations and actions will align with the annual budgets and overall strategic plan of the Town.

**Attachment
January 9, 2010**