

**EPHRATA NATIONAL BANK
AUDIT COMMITTEE CHARTER**

Purpose

To assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the company's process for monitoring compliance with the laws and regulations.

Authority

The audit committee has authority to conduct or authorize investigations into any matters within the scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of any registered public accounting firm employed by the organization.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all audit and non-audit services.
- Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
- Seek any information it requires from employees (all of whom are directed to cooperate with the committee's requests) or external parties.
- Meet with company officers, internal auditors, external auditors, or outside counsel, as necessary.

Composition

The audit committee will consist of at least three members of the Board of Directors. Each committee member will be both independent and financially literate.

Meetings

The committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting and a majority of the committee members in attendance is required. The committee may invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It will meet separately with management, and internal and external auditors in executive sessions. Meeting agendas will be prepared and provided in advance to members along with appropriate other materials. Minutes will be prepared for each meeting and submitted to the Board of Directors for review at their next scheduled meeting.

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Responsibilities

Financial Statements

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- Review with management and the external auditors all matters required to be communicated to the committee under generally accepted accounting standards.

Internal Control

- Consider the effectiveness of the company's internal control system, including information technology security and control.
- Understand the scope of internal and external auditor's review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses. Monitor, track, and where necessary, discipline to ensure timely and effective responses by management to correct weaknesses and violations of law or regulation noted in internal or external audit reports or examination reports.
- Discuss with management the company's risk assessment and risk management processes and inquire about significant risks or exposures facing the organization.
- Provide oversight and review the effectiveness of management's antifraud programs and controls.

Internal Audit

- Review with management and the Audit Manager the appointment of a competent outsourced vendor for internal audit services and /or in-house staff. Outsourced vendor activities shall be reviewed under guidance provided by the Interagency Policy Statement on the Internal Audit Function and Outsourcing.
- Have final authority to review and approve the annual risk assessment and audit plan and all major changes to the plan.
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Audit Manager.
- If necessary, meet separately with the Audit Manager or Audit Partner to discuss any matters that the committee or internal audit believes should be discussed privately.

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External Audit

- Review the external auditor's proposed audit scope and approach, including coordination with the internal audit.
- Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.
- Review and confirm the independence of the external auditors.
- Ensure the rotation of the lead partner every five years and other partners every seven years.
- If necessary, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

Compliance

- Review the existence of the system for monitoring compliance with laws and regulations and follow-up of any instances of noncompliance.
- Review the findings of any examinations by the regulatory agencies, and any auditor's observations.

Reporting

- Report to the Board of Directors about committee activities, activities, and issues, that arise with respect to the quality or the integrity of the company's financial statements, the company's compliance with legal or regulatory requirements, the performance of the company's independent auditors and the performance of the internal audit function.
- Provide an open avenue of communication between internal audit, the external auditors, and the Board of Directors.
- Report annually the required information in the annual proxy statement as outlined by the SEC.

Other

- Establish formal procedures for receiving and handling complaints received regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- The foregoing list is not intended to limit the committee in fulfilling its responsibilities but rather is intended to provide an overview of the principal duties to be performed.

Reviewed and Approved February 1, 2017