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What are the main governance aspect of the Sarbanes-Oxley Act.

After a prolonged period of corporate scandals in the United states from 2000-2002, the Sarbanes-Oxley Act (SOX) was enacted on July 2002 to restore confidence in the financial markets and close loopholes that allowed the public companies to defraud investors. The act had a profound effect on corporate governance in the criminal the U.S. The Sarbanes-Oxley Act also establishes stricter criminal penalties for securities fraud and changes how public accounting firms operate.

The main governance aspect include:

* Strengthening of public companies audit committees. The audit committee receives wide leverage in over seeing the top management accounting decisions. The audit committee members must be independent of management and gain new responsibilities such as handling complaints regarding the management accounting parties practices etc.
* Changing management responsibility for financial reporting significantly. The act requires that top managers personally certify the accuracy of financial reports. If the manger willfully makes a false certification he can face 10 to 20 years in prison, the top manager can also give up their business or profit if the company is forced to make a required accounting restatement due to his misconduct.
* Strengthening the disclosure requirement: public companies are required to disclose any material off-balance sheet arrangements such as operating leases and special purposes entities, they must also report their stock transactions to the securities and exchange commission(SEC) within two business days as wall.
* Imposing harsher punishment for obstructing justice and securities fraud, mail fraud and wire fraud. Sentence terms for securities fraud has increased to 25 years and obstruction of justice is 20 years. Fines have also being increased for public companies committing the same offense.
* Established the public company Accounting oversight Board, which promulgates standards for public accountants and limits their conflict of interest and requires lead audit partner rotation every 5 years for the same public company.