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**QUESTION:**

**What are the main governance aspects of the Sarbanes-Oxley Act. *Give a summary.***

The Sarbanes-Oxley Act which is also known as Sarbanes-Oxley, Sarbox or SOX was passed in july 2002. The Sarbanes-Oxley Act is a United States federal law that set new or expanded requirements for all U.S public company boards, management and public accounting firms.

The Sarbanes-Oxley Act had a profound effect on corporate governance in the U.S. The Sarbanes-Oxley Act requires public companies to strengthen audit committes, perform internal controls tests, make directors and officers personally liable for accuracy of financial statements, and strengthen disclosure. It increases the direct responsibility of senior corporate managers for the quality of their company's financial reports and disclosure.

The SOX Act primary emphases were to enhance the quality and transparency of corporate disclosure and force changes in the auditing of publicly traded companies. These objectives were achieved in a number of ways by the passing of the Sarbanes-Oxley Act. SOX corporate governance guidelines includes the creation of an independent board to oversee auditing pactices regarding publicly traded companies; limitations on the types and nature of services that auditiors can provide to a publicly traded, audit client; increases the audit committee's independence from the company and its responsibility regarding the company's auditors.

SOX has created a complex regulatory environment which requires substantial management effort and company resources to ensure compliance. The effect of the Sarbanes-Oxley Act on corporate governance is the strengthening of public companies' audit committees. The audit committee receives wide leverage in overseeing the top management's accouning decisions.

The Sarbanes-Oxley Act changes management's responsibility for financial reporting significantly. The act requires that top managers personally certify the accuracy of financial reports. The Act significantly strengthens the disclosure requirement. Public companies are required to disclose any material off-balance sheet arrangments, such as operating leases and special purposes entities. The company is also required to disclose any pro-forma statements and how they would look under the Generally Accepted Accountong Principles{GAAP}. The SOX imposes harsher punishment for obstructing justice and securities fraud, mail fraud and wire fraud.

The Sarbanes-Oxley Act encourages companies to make their financial reporting more efficient, centralized and automated.