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Question: what are the main governance aspects of the Sarbanes-Oxley act? Give a summary.

Answer:

The Sarbanes Oxley act of 2002 is a United States federal law that set new or expanded requirements for all us public company boards, management and public accounting firms. A number of provisions of the act also apply to privately held companies, such as the willful destruction of evidence to impede a federal investigation. Its main governance aspect includes:

* Public Company Accounting Oversight Board: it was established to oversee the audit of public companies that are subject to the securities laws, and related matters, train auditors to generate accurate, independent reports and supervise auditors and auditing firms in order to protect the interest of investors and further the publics’ interest.
* Auditor Independence: public auditing firms who provide auditing services are prevented from providing bookkeeping or stock valuation services for the same company without pre-approval from the PCAOB.
* Corporate responsibility: The CEOs and CFOs must certify that financial statements accurately and fairly represent the financial condition and operations of the company. Also auditors must report all critical accounting policies and practices to a company’s audit committee.
* Enhanced financial disclosures: companies must disclose any substantial changes in their financial conditions in s timely manner.
* Analyst conflict of interest: defines the code of conduct for securities analyst and requires disclosure of knowable conflicts of interest
* Commission resources and authority: defines the SECs authority to censure or bar securities professionals from practice and also defines conditions under which a person can be barred from practicing as a broker, advisor or dealer.
* Studies and reports: the SEC and the comptroller general are to perform various studies and report their findings.
* Corporate and criminal fraud accountability: describes specific criminal penalties for manipulation, destruction or alteration of financial record
* White collar crime penalty enhancement: this increases the penalties associated with white collar crimes and conspiracies
* Corporate tax returns: the chief executive officer should sign the company tax return.
* Corporate fraud accountability: it identifies corporate fraud and records tampering as criminal offences and joins those offenses to specific penalties. This enables the SEC to resort to temporarily freezing transactions or payments that have been deemed large or unusual.