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 **Assignment**

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

**The Sarbanes Oxley act was passed in July 2002 in response to the rash of real and perceived failures in corporate governance and perceived failures in corporate governance and financial disclosure.**

**It’s 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.**

**The SOX ACT increases the direct responsibility of senior corporate managers for the quality of their company's financial reports and disclosures. The sarbanes-oxley act makes the audit committee more independent of the company and increases it’s responsibilities regarding the company’s auditors.**

**There were guidelines for the Sarbanes-Oxley Act Corporate Governance**

1. **An increase in the direct responsibility of senior corporate managers for the quality of their company's financial reports and disclosure.**
2. **An increase in the audit committee's independence from the company and its responsibilities regarding the company's auditors.**
3. **Limitations on the types and nature of services that auditors can provide to a publicly traded client.**
4. **The creation of an independent board to oversee auditing practices regarding publicly traded companies.**

**While there was an initial corporate outcry, particularly about the expense of compliance which is proving valid, corporate attitudes generally have shifted. As corporations investigated and implemented responses to the sarbox act, they are recognising that compliance can result in improved processes, both financial and operational, increased efficiency better more and timely planning information and that more transparency enhance access to capital and capital at lower cost.**

**One direct responsibility of the Sarbanes-Oxley Act on corporate governance is the strengthening of public companies’ audit committee’s. The audit committee members must be independent of management, and gain new responsibilities such as approving numerous audit and non audit services, selecting and overseeing external auditors, and handling complaints regarding the management's accounting practices.**

**It changes management's responsibilities for financial reporting significantly. The act requires that top managers personally certify the accuracy of financial reports. If a top manager knowingly or willingly makes a false certification he can face 10-20 years in prison. If the company is forced to make a required accounting restatement due to management's misconduct, top managers can be required to give up their bonuses or profits made from selling the company's stock. If the director or officer is convicted of a securities law violation, he can be prohibited from serving in the same role at the public company.**

**Finally the Sarbanes-Oxley Act established the Public Company Accounting Oversight Board, which promulgates standards for public accountants, limits their conflicts of interest and requires lead audit partner rotation every five years for the same public company.**