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**The main governance aspects of Sarbanes Oxley act**

The Sarbanes Oxley act is the primary federal law governing corporate governance and accountability across multiple aspects of corporate business practice. The Sarbanes Oxley act and specifically regulates markets, brokers, dealers , accounting and auditing, ongoing government and shareholder disclosure by reporting companies, insider training , antifraud, proxy regulation and so forth. SOX established a new regulatory body, increased the authority of existing regulators as well as the imposed regulations beyond those of the self-regulating industry organizations.

 The act precludes an audit firm providing the following non audit services to a publicly traded client contemporaneously with the audit including

1. Book keeping or other services related to the accounting records or financial statements of the audit client.
2. Design or implementation of the financial information system
3. Appraisal or valuation services, fairness options or contributions in kind
4. Internal audit outsourcing services
5. Management function or human resources.

The act requires the chief executive officer and the chief financial officer to certify that the company’s financials fairly present the company financial condition.

The act also requires the forfeiture and return to the company of any bonus, stock or option compensation received in the twelve months following a misleading financial statement that subsequently results in a statement.

The objectives of the Sarbanes Oxley act;

* Fairness to shareholders: SOX requires or promotes governance provisions that protect shareholder rights and allow shareholder rights and allow shareholders to exercise those rights through governance procedures, such as shareholders meetings.
* Fairness to stakeholders: SOX requires or promotes governance provisions that take into consideration the interests of the employees, supplier’s buyers and local community.
* Heightened Director and Board Responsibilities: SOX places specific requirement on the composition of board of directors including skill and independence requirements. Notably, in an effort to promote director independence in decision making, SOX requires corporations to employees committees for special purposes.

Example: SOX requires boards appoints an audit committee where all members are independent of corporate operations (not officers of the corporation) with at least one financial expert as a member of the committee

* Director and officer ethics: SOX imposes additional obligations on corporations to establish and maintain ethical standards for officer and director conduct and decision making.

Example: SOX prohibits the corporation from making personal loans to cooperate executives or their families.

* Disclosure and accountability: SOX places requirement on boards to increase transparency in corporate governance practices. This includes implementing procedures for ensuring accurate accounting practices and public disclosure mechanism.

 The procedure and independence of external auditors that report directly t othe corporations independent audit committee. Further, SOX requires that key officers of the corporation (CEO AND CFO) certify the accuracy of the financial statement and that internal financial controls are in place and subject to the independence audit committee review.

 The Sarbanes Oxley act has made it less desirable to be a U.S public company. It has significantly raised the cost of doing business, and approved a poor return on that increased investment .it has also changed management and director priorities, reducing overall productivity. It has also increased the perceived risk of being a company director which will likely reduce the quality of directors.

 SOX has diminished the value of smaller companies. SOX significantly increases expense for additional outside corporate legal advice, significantly increased audit fees ,SOX consulting fees ,and additional internal staffing costs for SOX related preparation and maintenance and there is very little return on this investments other than the benefits of complying with SOX to satisfy legal requirements .

 Additionally, the diversion of attention away from critical management and director oversight, decision making, and business planning has been and will be significant.

 SOX adversely impacts the country culture of entrepreneurship, since SOX makes it much less desirable for a smaller company to go public or be public , and going public was one of the major goals of many entrepreneurs . SOX makes American public companies less productive and thereby impairs American companies’ ability to compete.