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THE MAIN GOVERNANCE ASCEPT OF THE SARBANES-OXLEY ACT

THE Sarbanes-oxley act is the primary federal law governing corporate governance and accountability across the multiple aspects of corporate business practice. Sox specifically regulates markets, brokers, dealers, accounting and auditing on-going government and shareholders disclosure by reporting companies insider trading anti- fraud proxy regulation and so forth .Sox established a new regulatory body, increased the authority of existing regulators as well as imposed regulations beyond those of the self-regulating industry organizations .The act had a profound effect on corporate governance in the U.S. The Sabarnes-oxley act requires public companies to strengthen audit committees perform internal control test make directors and officers personally liable for accuracy of financial statements and strengthen disclosure. The Sarbanes-oxley Act (Sox) is a set of U.S accounting control rules with a worldwide significance, that are important for IT governance concepts such as the importance of understanding one’s risk appetite, are also focused on. The bill which contains eleven sections, was enacted as a reaction to a number of major CORPORATE AND ACCOUNTING SCANDALS, including ENRON AND WORLDCOM. The sections of the bill cover responsibilities of a public corporations board of directors , adds criminal penalties for certain misconduct and requires the SECURITY AND EXCHANGE COMMISSION to create regulations to define how the public corporations are to comply with the law. The major governance aspect of the sox are;

.FARINESS TO SHAREHOLDERS; Sox requires or promotes governance provisions that protect shareholder rights and allow shareholders to exercise those rights through governance procedures, such as shareholders meeting

.FAIRNESS TO STAKEHOLDERS; Sox requires or promotes governance provisions that take into consideration the interest of employees, suppliers, buyers and the local community.

.DISCLOSURE AND ACCOUNTABILITY –Sox places requirements on boards to increases transparency in corporate governance practices. This includes implementing procedures for ensuring accurate accounting practices and public disclosure mechanism .

NOTE; the Sox requires internal review procedures and independence of external auditors that report directly to the corporation’s independent audit committee.

.EXTERNAL AUDIT FIRM – Sox now requires that a firm in charge of auditing the corporation refrain from serving as independent consultants to that same firm. This includes refraining from bookkeeping, system designs and implementations, appraisals and valuations, actuarial services, human resources functions and investment banking services for the audited company.

.SECURITIES REGULATIONS- much of the regulatory process prescribed by Sox is carried out by the securities and exchange commission. Sox includes provisions that strengthen the ability of the SEC to oversee corporate governance matters and enforce violations.

Sox corporate guidelines include the following;

.An increases in the direct responsibility of senior corporate managers for the quality of their company’s financial reports and disclosures.

.The creation of an independent board to oversee auditing practices regarding publicly traded companies.

.Limitations on the type and nature of services that auditors can provide to a publicly trader, audit client. Precludes an audit firm providing the following non-audit services to a publicly traded client contemporaneously with the audit including;

1. Bookkeeping or other services related to the accounting records or financial statements of audit client;
2. Design or implementation of the financial information systems;
3. Appraisal or valuation services ,fairness opinions or contributions in kind.
4. Actuarial services
5. Internal audit outsourcing services
6. Management functions or human resources
7. Broker dealer investment advisor or investment banking services
8. Legal services and expert services unrelated to the audit.

.Near ubiquitous prohibition of personal loans from a corporation to executives

.Establishment of fines and terms of imprisonment for tampering or destroying documents in events of investigations or court action ;

The Sarbanes created an independent board to oversee auditing practices regarding publically traded companies ;the new Board which is the PUBLIC ACCOUNTING OVERSIGHT BOARD IS RESPONISBLE ALSO IN GOVERNANCE IN VAROIUS ASPECT

1. BE RESPONSIBLE TO THE SEC
2. HAVE SUPEVISORY POWER OVER THE AUDIT PROCESS OF PUBLICLY TRADED COMPANIES.THUS IT IS NOT INTENDED TO CONFLICT WITH THE STATE REGULATION AND SUPERVISION OF ACCOUNTANTS SERVING PRIVATE CLIENTS
3. BE MADE UP OF FIVE PERSONS EACH APPOINTED FOR A FIVE YEAR TERM . TWO OF WHOM WILL BE CPAs AND THREE OF WHOM CANNOT BE CPAs.
4. BE FUNDED BY FEES FROM ALL PUBLICLY TRADED COMPANIES.

As corporations investigated and implemented responses to the sarbox Act, they are recognizing that compliance can result in improved processes both financial and operational increased efficiency better and more timely planning information and that more transparency enhance access to capital and capital at lower cost.

CONCLUSION ; The Sarbanes-oxley act are also known as whistleblower and they enforce several rules so as to protect the accounting firm both government and privately held companies , such as the willful destruction of evidence to impede a federal investigation, and the governance has helped stop corruption.

REFERENCE; Legal resources H.G.ORG

CORPORATE GOVERNANCE ACT 2002.

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