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**ASSIGNMENT**: WHAT ARE THE MAIN GOVERNANCE ASPECTS OF THE SARBANES-OXLEY ACT? GIVE A SUMMARY.

**ANSWERS**

**Sarbanes-Oxley Act** of 2002 known in US senate as the “Public Accounting Reform and Investor Protection Act” and in the House of Representative as the “Corporate and Auditing Accountability and Responsibility Act”. Commonly referred to as Sarbox or SOX. It was signed into law in 2002.

There are six major aspects, areas or elements of governance of this act. They are explained below:

**1**. **OVERSIGHT BOARD:** The Public Company Oversight Board (PCOAB) was created to oversee the audit of public companies. The **SOX** established the PCOAB to help regulate auditors who are charged with the responsibility of reviewing the accounting procedures and disclosure statements of public companies .This Board sets standards and rules for all audit reports, it is also tasked with registering auditors. All accounting firms that engage in auditing services must register with the Oversight Board. This Board also inspects, investigate and enforces the compliance of the registered auditing firms.

**2. AUDITOR INDEPENDENCE:** It establishes standards for external auditor independence. There is now a list of non- audit services they cannot perform during an audit such as consulting for the same clients. This Act also imposes a one year waiting period for audit firm’s employees who leave an accounting firm to become an executive for a former client. In addition to this the firm must wait one year before performing any audit services for the new employer. It also addresses approval of new auditor’s requirements, audit partner rotation and requirements for auditor’s reporting.

**3**. **GREATER FINANCIAL DISCLOURES:** It requires internal controls for assuring accuracy of financial reports and disclosures. It also mandates both reports and audits on these controls. It requires timely reporting of material changes in financial condition and specific enhanced reviews by SEC. Annual reports must include a report stating the management is responsible for internal control structure and procedure for financial reporting. Transactions and relationships that are off- balance sheet but they may affect financial status they must be disclosed.

**4**. **CONFLICT OF INTERESTS DISCLOSURES FOR ANALYSTS:** Conflict of interests disclosures now need to be made by research analysts who make public appearance or offer research reports. These disclosures need to contain certain information about the company that is the subject of appearance. The analyst has to report whether he holds any securities in the company or received corporate commission. Brokers and dealers have to disclose if the public company is a client. These are measures to help restore investor’s confidence in the reporting of securities analysts.

**5**. **CORPORATE AND CRIMINAL FRAUD ACCOUNTABILITY:** Altering, destroying, concealing or falsifying records or documents with the intention of influencing a federal investigation or bankruptcy case is subject to fines and up to 20 years imprisonment. It also describes specific criminal penalties for manipulation , destruction or alteration of financial records.

**6. ATTORNEY’S RESPONSIBILITIES:** There are now minimum standards of professional conduct for attorneys representing public companies before the SEC. These include a rule requiring an attorney to report securities violations to the CEO.