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DEPARTMENT: ACCOUNTING

MATRIC NO: 17/SMS02/052

ASSIGNMENT: WHAT ARE THE MAIN GOVERNANCE ASPECTS OF SABANES-OXLEY ACT.

The Sarbanes Oxley Act (sox) was enacted in July 2002 to restore investors’ confidence in the financial markets and close loopholes that allowed public companies to defraud investors. The Sarbanes Oxley Act on corporate governance is the strengthening of public companies’ audit committees. The audit committee members must be independent of management, and gain new responsibilities such as approving numerous audit and non-audit.

The Sarbanes Oxley Act changes management’s responsibility for financial reporting significantly. The act requires the top managers personally certify the accuracy of financial reports, the act strengthens the disclosure requirement, and public companies are to disclose any material off balance sheet arrangements, such as operating leases and special purpose entities. The act also imposes harsher punishment for obstructing justice and securities fraud. The maximum sentence term for securities fraud has increased to 25 years while obstruction of justice to 20 years. The Sarbanes Oxley act requires public companies to perform extensive internal control tests and include an internal control report with their annual audits.