**Name:** Akpunonu Chukwunonso Solomon

**Level:** 200 Level

**Matric No.:** 17/sms02/008

**Department:** Accounting

**Course:** Acc 205 (Corporate Governance and Accounting Ethics)

**Assignment:**

What are the main governance aspects of the Sarbanes-Oxley Act?

Sarbanes-Oxley (SOX) Act was passed by Congress in 2002 after spectacular failures of the once highly respected companies, Enron and WorldCom. Not only is SOX a basic change in law, but it is also a departure in the regulation mode where it introduces a vast array of corporate governance initiatives into federal securities law. Before SOX, the federal regime comprised disclosure requirements instead of substantive corporate governance mandates, which were deemed to be states' area of jurisdiction and accordingly left to state corporate law (Romano 2005). SOX changes this mechanism by making explicit provisions and directions for the SEC. However, many of the governance provisions regulated in SOX are not really innovations to alleviate problems or deficiencies in the business environment. Instead, they are basically recycled ideas that have been proposed by corporate governance entrepreneurs (e.g., more independent directors in the board and prohibition on consulting services to auditing clients by accounting firms).Practitioners and academics put a high expectation on SOX to revamp unsound governance practices and to embark on enhanced bonding and monitoring mechanisms in corporate governance. Proponents of SOX predict that as corporations improve governance, their operational performance may be enhanced and firm value maximized. However, empirical evidence shows that this may not be the case. A myriad of research has examined SOX, its provisions, and their impact on corporate governance and firm value. This chapter reviews literature on this particular issue and relates SOX to various aspects in corporate finance and market valuation, such as productivity and efficiency of accounting firms; going-public and going-private decisions; small firms; lobbying approach; risk, return, and market reaction; trend in corporate governance; international implications and comparisons; and symptoms and underlying problems. Research findings on SOX and its effects are mixed and less conclusive. We offer two alternative recommendations. First, if the government is to maintain the one-mandate-for-all approach to SOX, it should revise SOX provisions to solve the underlying problems in corporate governance and accounting fields rather than merely attack the symptoms. As shown by the three-step model, SOX provisions have not dealt with auditors' intellectual ability and diligence to recognize problems and their competencies in catching suspicious transactions. Second, if the government has no immediate interest in revising SOX provisions as suggested by the first recommendation, it should erase SOX provisions' mandatory force and change them into a ''comply, otherwise explain'' approach. The ''one-mandate-for-all'' approach currently applied is too costly for certain firms, especially small firms, leading to them avoiding the compliance. Meanwhile, benefits reaped by complying with SOX provisions may stem from stronger governance structures, particularly more aware shareholders and more active market for corporate control in the wake of Enron's demise, rather than from SOX provisions.

These are the benefits of Sarbanes Oxley are as follows;

Strengthening the control of environment; good governance is admixture of enforceable and intangible. Organizations with strong governance provide disciple [line and structure in still ethical values in employees and train them in the proper procedures and exhibit behavior at the and executive levels that the rest of the organization will want to emulate.

A proper control government is one factor an external auditor considers when called upon to evaluate internal control over financial reporting pursuant to section 404. Bob Murray, Te director of internal audit at Yankee candle, a $600 million purveyor of scented candles and other household items.

Improving documentations

Document activities consumed countless employee hours during the first year of Sarbanes Oxley as companies updated operations manuals, revised personnel policies, and recorded control processes. Some minds equate paperwork with busy work, but this labor insensitive effort, to our surprise, received gradually increasing support from the executive site.

The auditor is expected to assess the documentation of controls and procedures as well as how competently employees perform the control activities for which they are responsible.

Increasing audit committee involvement

Not long ago, board seats were considered by some to be plum assignments, bringing stature and financial rewards but requiring only limited efforts. Today, by contrast, directors face increased legal liability for inattention and a heavier workload. In addition, all members of the audit commitee must be free of most financial and personal ties to the company, and at least one committee member should be a financial expert according to Sarbanes Oxley.

Reducing complexity

Some tasks are inherently complex designing computer chips, tracking weather patterns, mapping the human genome. Others are needlessly so. Simplification was always the same plan at Iron Mountain, says john F. KENNY, EXECUTIVE PRSEIDENT AND co but the extensive testing requirements of Sarbanes Oxley accelerated efforts.