INFO 6008 - S2023 Assignment 1

Gihan Shamike Liyanage

1142109

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The Sarbanes-Oxley Act (SOX) is a U.S. federal law that was enacted in 2002 in response to a series of major accounting scandals, including Enron and WorldCom. The primary objective of SOX is to enhance corporate governance, transparency, and accountability in publicly traded companies. The main objectives of SOX are enhancing openness, responsibility, and moral conduct in corporate financial reporting with the goal of regaining investor confidence. While it has increased the number of compliance regulations and costs for businesses, it has also enhanced financial reporting standards and raised awareness of business practices. Therefore, I believe that the Sarbanes-Oxley Act (SOX) continues to have a positive impact in today's world.

Internal controls and financial reporting are now subject to tougher guidelines thanks to SOX. Organizational accountability and transparency have improved as a result of SOX since top executives are now held accountable for upholding an effective internal control system and attesting to the truth of financial statements. Other than that, for whistleblowers who report frauds or misbehaviors, SOX increased their job protection. This has prompted staff members to speak up about wrongdoing within their organizations, enabling the identification and stoppage of fraudulent activity.

Article 1 mentions that the costs of complying with SOX have been decreasing over time. This indicates that companies have become more efficient in implementing SOX requirements, leading to cost savings. Also, it mentions a study by economists Zingales, Dyck, and Morse, which found that after the enactment of SOX, the proportion of serious corporate frauds discovered by auditors and the SEC increased significantly. Apart from that the same study by Zingales, Dyck, and Morse found that the role of auditors in detecting corporate fraud increased significantly after the implementation of SOX. The frequency of auditors' detections quadrupled, suggesting that the act has had a positive impact on auditors' performance and their ability to uncover fraudulent activities.

Article 2 demonstrates the fraudulent practices carried out by Elizabeth Holmes and Theranos, as well as the legal consequences she faced as a result of her actions. Furthermore Article 3 mentioned that Sarbanes-Oxley Act requires chief executives and chief financial officers to personally certify the accuracy of financial statements. This provision emphasizes individual accountability which is a key element of SOX. The article mentions examples such as Valeant's restatement of $58 million and Monsanto's restatement of $48 million. This suggests that the restatement process has become more standardized and transparent.

Finally, I need to mention that even though the difficulties and criticisms of SOX, including the expense of compliance and potential effects on risk-taking, SOX has played a crucial role in restoring public confidence in business practices and improving corporate governance. It is clear that in overall the law has improved the corporate environment in today's world even though there are still concerns and room for improvement.

# References

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