

# Goals of sox



**ASSIGN  
BUSTER**

Question 1: What are the primary goals and tenets of SOX with respect to fraud? The Sarbanes-Oxley Act of 2002 was created to reduce financial statement fraud by two main congressmen; Senator Paul Sarbanes and Representative Michael OXLEY. The primary goal of the SOX was to fix auditing of US public companies , also SOX improvement of the quality of audits in an attempt to eliminate fraud in order to protect the public's interest, as well as for the protection of the investors (Donaldson, 2003).

The necessity of implementation of a security measure that would protect the investor and the public leads SOX to augment the role of auditors in enforcing federal securities laws against fraud and theft within public companies . ( read on [http://www. Sarbanes-Oxley-And-The-Pcaob-1018426.html](http://www.Sarbanes-Oxley-And-The-Pcaob-1018426.html)). Question 2: How is SOX enforced? The Sarbanes-Oxley Act is enforced by the Securities and Exchange Commission (SEC); SOX relies on the SEC to implement rulings in accordance with the law.

The Sarbanes-Oxley Act aided in the restoration of investor confidence by strengthening enforcement of the federal securities laws. The ACT authorized the SEC to issue implementation rules on many on its provisions intended to improve corporate governance, financial reporting and audits functions. Additionally, SOX created the Public Accounting Oversight Board (PCAOB) to aid in the enforcement of their mandates (Coates, 2007) (read on our textbook)

Question 3 : What is PCAOB , its role, and based upon your individual research, is it an effective oversight body? The PCAOB is the Public Company Accounting Oversight Board that was established by Congress under Title 1 of the Sarbanes-Oxley Act to oversee and enforce the act. The role of the

PCAOB : - Register public accounting firms (foreign and domestic) that prepare audit reports for issuers. - Establish, or adopt , by rule, auditing quality control, ethics, independence and other standards relating to the preparation of audits reports for issuers. Conduct inspection of registered public accounting firms. -Establish budget and manage the operations of the board and its staff. •Is it an effective oversight body? I think is an effective oversight board because the SEC follows PCAOB's activities. The SEC (Securities and Exchange Commission) has authority over the PCAOB, which includes that : The SEC shall have oversight and enforcement authority over the PCAOB . The PCAOB is required to file proposed rules and proposed rule charges with the SEC.

The SEC may approve, reject or amend such rules ; the PCAOB must notify the SEC of pending investigations and coordinate its investigation with the SEC division of enforcement and PCAOB must notify the SEC when it imposes any final sanction on any accounting firm. Question 4 : Do you think that SOX has been a successful deterrent to financial statement fraud? The Sarbanes-Oxley Act appears to have done a good job at reducing fraud at companies. But for a variety of reasons, losses stemming from financial statement fraud were higher among companies that had Sarbox controls than those that did not.

A new report from the Association of Certified Fraud Examiners found that companies that had the controls mandated by Sarbanes-Oxley actually suffered greater losses from financial statement fraud than those that did not have the controls. (read on <http://www.cfo.com/article.cfm/11779692>). AFTER reading this article , i can say implement controls through SOX can be

dissuasive and permits to reduce fraud from financial statement but it not able to eradicate fraud completely. (<http://corporate.walmart.com/global-responsibility/ethical-sourcing/audit-process>)