

**ACCOUNTING EXPERTISE AND AUDITING PROCEDURES IN THE  
SUSTAINABILITY OF SMEs IN EDO STATE, NIGERIA.**

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BENIN CITY**

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**A PROJECT WRITTEN AND SUBMITTED TO THE DEPARTMENT OF  
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SCIENCE (B.Sc.) DEGREE IN ACCOUNTING OF THE UNIVERSITY OF BENIN,  
BENIN CITY.**

**NOVEMBER 2025**

## **DECLARATION**

I declare that:

This thesis is based on a study undertaken by me in the department of Accounting, Faculty of Management Sciences, University of Benin, Benin City, under the supervision of Prof. Emmanuel Eragbhe of the department of Accounting, Faculty of Management Sciences, University of Benin, Benin City Nigeria.

This work has not been submitted for the award of any degree elsewhere.

All ideas and views are produce of my personal research and where the views of others have been expressed, they have been duly acknowledged

I shall totally, wholly and fully be responsible for the liability that may flow from this study if any.

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**Jane Osebhajimende ALIGBE**

## **CERTIFICATION**

This is to certify that this project titled “Creative Accounting and Credibility of Financial Reports” was carried out by Jane Osebhajimende ALIGBE with Matriculation Number MGS2104504, of the Department of Accounting under our supervision.

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**PROF. E. ERAGBHE**  
(PROJECT SUPERVISOR)

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**PROF. O. OBARETIN**  
(HEAD OF DEPARTMENT)

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**DATE**

## **APPROVAL**

We certify that this thesis titled "ACCOUNTING EXPERTISE AND AUDITING PROCEDURES IN THE SUSTAINABILITY OF SMEs IN EDO STATE, NIGERIA" is an original work carried out by ALIGBE OSEBHAIMENDE JANE with matriculation number MGS2104504 in the department of accounting university of Benin, Benin City.

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**DATE**

## **DEDICATION**

This project is dedicated to the God Almighty for His steadfast love, guidance and protection over my life. To my mother, Our Lady of Perpetual Help, for her fervent intercession and love. To my parents, Dr. Jonathan and Mrs. Anthonia Aligbe, for always prioritizing my success and comfort. Also, to my ever-caring siblings for their prayers.

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## TABLE OF CONTENTS

|                                      |                                     |
|--------------------------------------|-------------------------------------|
| <b>COVER PAGE</b> .....              | <b>Error! Bookmark not defined.</b> |
| <b>DECLARATION</b> .....             | <b>iii</b>                          |
| <b>CERTIFICATION</b> .....           | <b>iv</b>                           |
| <b>APPROVAL</b> .....                | <b>v</b>                            |
| <b>DEDICATION</b> .....              | <b>vi</b>                           |
| <b>ACKNOWLEDEMENT</b> .....          | <b>vii</b>                          |
| <b>CHAPTER ONE</b> .....             | <b>1</b>                            |
| <b>INTRODUCTION</b> .....            | <b>1</b>                            |
| 1.1 Background of the Study.....     | <b>1</b>                            |
| 1.2 Statement of the Problem.....    | <b>2</b>                            |
| 1.3 Objectives of the Study.....     | <b>2</b>                            |
| 1.4 Research Hypotheses.....         | <b>3</b>                            |
| 1.5 Significance of the Study.....   | <b>3</b>                            |
| 1.6 Scope of the Study.....          | <b>3</b>                            |
| <b>CHAPTER TWO</b> .....             | <b>6</b>                            |
| <b>LITERATURE REVIEW</b> .....       | <b>6</b>                            |
| 2.1 Introduction.....                | <b>6</b>                            |
| 2.2 Conceptual Review.....           | <b>6</b>                            |
| 2.2.1 Accounting Expertise.....      | <b>6</b>                            |
| 2.2.2 Auditing Procedures.....       | <b>8</b>                            |
| 2.3 Theoretical Framework.....       | <b>11</b>                           |
| 2.3.1 Institutional Theory.....      | <b>11</b>                           |
| 2.3.2 Resource Based View (RBV)..... | <b>12</b>                           |
| 2.3.3 Contingency Theory.....        | <b>12</b>                           |
| 2.4 Empirical Review.....            | <b>13</b>                           |
| 2.5 Research Gap.....                | <b>15</b>                           |
| 2.6 Summary of Literature.....       | <b>17</b>                           |
| <b>CHAPTER THREE</b> .....           | <b>18</b>                           |
| <b>METHODOLOGY</b> .....             | <b>18</b>                           |
| 3.1 Introduction.....                | <b>18</b>                           |

|   |           |
|---|-----------|
| 3.2 Research Design .....   | 18        |
| 3.3 Population of the Study .....                                 | 18        |
| 3.4 Sample Size and Sampling Technique .....                      | 19        |
| 3.5 Source of Data .....  | 20        |
| 3.7 Pilot Testing of the Instrument .....                         | 21        |
| 3.8 Validity of the Instrument .....                              | 21        |
| 3.9 Method of Data Collection .....                               | 21        |
| 3.10 Method of Data Analysis .....                                | 22        |
| 3.11 Model Specification .....                                    | 22        |
| 3.12 Operationalization of Variables .....                        | 23        |
| <b>CHAPTER FOUR</b> .....   | <b>24</b> |
| <b>DATA PRESENTATION, ANALYSIS, AND INTERPRETATION</b> .....      | <b>24</b> |
| 4.1 Introduction .....  | 24        |
| 4.2 Data Presentation .....                                       | 24        |
| 4.3 Analysis of Research Questions .....                          | 27        |
| 4.3.1 Accounting Expertise and Financial Performance .....        | 27        |
| 4.3.2 Auditing Procedures, Transparency, and Sustainability ..... | 29        |
| 4.3.3 Level of Accounting and Auditing Practices .....            | 30        |
| 4.4 Test of Hypotheses .....                                      | 34        |
| 4.4.1 Regression Analysis .....                                   | 34        |
| 4.5 Discussion of Findings .....                                  | 35        |
| <b>CHAPTER FIVE</b> .....   | <b>37</b> |
| <b>SUMMARY, CONCLUSION, AND RECOMMENDATIONS</b> .....             | <b>37</b> |
| 5.1 Introduction .....  | 37        |
| 5.2 Summary of Findings .....                                     | 37        |
| 5.3 Conclusion .....  | 38        |
| 5.4 Recommendations .....   | 39        |
| 5.5 Suggestions for Further Studies .....                         | 40        |
| <b>REFERENCES</b> .....   | <b>41</b> |
| <b>QUESTIONNAIRE</b> .....  | <b>45</b> |

## ABSTRACT

*This study examined the impact of accounting expertise and auditing procedures on the sustainability of Small and Medium Enterprises (SMEs) in Edo State, Nigeria. The purpose was to determine how accounting knowledge, professional auditing practices, and the adoption of standard financial systems influence SME performance, operational efficiency, and long-term survival.*

*The study employed a structured questionnaire administered to 100 SME owners, managers, and accounting personnel selected through a stratified random sampling technique. Descriptive statistics and regression analysis were used to analyze the data and determine the relationship between accounting expertise, auditing procedures, and SME sustainability.*

*Findings revealed that accounting expertise has a significant positive effect on SME financial performance ( $p < 0.05$ ), while auditing procedures significantly enhance transparency, accountability, and sustainability ( $p < 0.05$ ). Despite these benefits, many SMEs still face challenges such as inadequate expertise, high cost of professional services, poor record-keeping culture, and weak regulatory enforcement. The study recommends regular training for SME operators, promotion of affordable auditing services, increased awareness of accounting standards, and the adoption of digital accounting systems to support transparency and long-term business growth.*

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the Study**

Small and Medium Enterprises (SMEs) are major contributors to national economic development, especially in developing economies like Nigeria. According to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN, 2022), SMEs make up about 96% of businesses and contribute approximately 48% to the national GDP. Despite their economic significance, many SMEs in Nigeria are inundated with challenges such as poor financial management, limited access to professional accounting services, and a lack of formal auditing procedures (Owolabi and Makinde, 2019). These challenges hinder them from achieving long-term sustainability.

According to Okoye, Alao and Akamelu (2016), accounting expertise and auditing procedures are required to address these challenges. Accounting expertise refers to the possession of relevant knowledge, qualifications, and experience required to manage financial operations effectively. It includes practices such as budgeting, financial reporting, and tax compliance (Okoye, Alao and Akamelu, 2016). On the other hand, auditing procedures help in verifying the accuracy of financial statements and in promoting transparency and accountability in business operations (Adeyemi and Fagbemi, 2010).

Many SMEs in Nigeria either do not have qualified accountants or rely on informal bookkeeping systems, which undermines the accuracy and reliability of their financial records (Olaoye, 2020). Furthermore, the absence of regular auditing exposes them to fraud and operational inefficiencies, thereby threatening their sustainability.

## **1.2 Statement of the Problem**

Despite being a major source of employment and innovation, Nigerian SMEs face a high mortality rate, with many closing down within the first five years (Ariyo, 2005). A significant factor behind this trend is the lack of financial discipline, which is exacerbated by poor accounting systems and the absence of formal audit mechanisms (Ofori and Yeboah, 2019).

Although considerable literature exists on the financial challenges facing SMEs, few studies have systematically analyzed the direct influence of accounting expertise and auditing procedures on the sustainability of these enterprises in Nigeria. This lack of empirical evidence leaves a critical knowledge gap, which this study aims to fill.

It is against the above background that the following research questions readily present themselves in relation to the study:

- i. To what extent does accounting expertise influence the financial performance of SMEs in Nigeria?
- ii. What is the role of auditing procedures in promoting transparency, accountability and sustainability of SMEs in Nigeria?
- iii. What is the level of accounting expertise and auditing practices available within Nigerian SMEs?

## **1.3 Objectives of the Study**

The overall objective of this study is to investigate the impact of accounting expertise and auditing procedures on the sustainability of SMEs in Nigeria.

The specific objectives are to:

- i. Determine the relationship between accounting expertise and the financial performance of SMEs.
- ii. Assess the effect of auditing procedures on transparency, accountability, and long-term sustainability.

- iii. Examine the level of accounting expertise and auditing practices available within Nigerian SMEs.

#### **1.4 Research Hypotheses**

The null hypotheses to be tested are:

- i. There is no significant relationship between accounting expertise and the financial performance of SMEs in Nigeria.
- ii. Auditing procedures do not significantly affect the transparency, accountability and sustainability of SMEs in Nigeria.
- iii. There is no significant adoption of professional accounting and auditing practices among SMEs in Nigeria

#### **1.5 Significance of the Study**

An in-depth knowledge of the impact of accounting expertise and auditing procedures on the sustainability of SMEs in Nigeria will provide empirical information that will be useful to business owners, academia, policy makers, financiers and investors. First, the study will add to the limited body of literature on the role of financial governance in SMEs sustainability in Nigeria. Second, the findings of the study can inform government policies aimed at improving SMEs support systems. Third, SMEs operators can use insights from the study to strengthen internal controls and financial practices. Fourth, professional bodies can design better outreach and training programs for SMEs. Fifth, the findings of this study will go a long way in enhancing SMEs sustainability.

#### **1.6 Scope of the Study**

The research is geographically confined to Edo State, Nigeria and focuses on assessing the interplay of accounting expertise and auditing procedures as they relate to the sustainability of Small and Medium Enterprises (SMEs). The study targets SMEs operating across various

industries within Edo State. It involves collecting data from SME owners, managers, and accounting professionals to gain comprehensive insights into their financial performance, internal accounting expertise, and current auditing practices.

### **1.7 Definition of Terms**

- **Accountability**

Accountability refers to the obligation of an organization to take responsibility for its actions, provide transparent financial reports, and be answerable to stakeholders. It ensures integrity and trust in business operations.

- **Accounting Expertise**

Accounting expertise is the professional knowledge and skill applied in preparing and interpreting financial information accurately. It involves adherence to accounting standards and ethical practices to enhance business performance.

- **Auditing Procedures**

Auditing procedures are systematic steps auditors use to gather and verify evidence regarding financial statements. They include risk assessment, internal control testing, and evaluation to ensure accuracy and credibility.

- **Financial Performance**

Financial performance measures how well a business uses its resources to generate profit and growth. It is often assessed through indicators like profitability, liquidity, and return on investment.

- **Sustainability**

Sustainability refers to a firm's ability to maintain growth and operations over time while balancing economic, social, and environmental objectives for long-term survival.

- **Small and Medium Enterprises (SMEs)**

SMEs are businesses with limited employees and turnover, typically employing between 10 and 199 people in Nigeria, contributing significantly to national economic growth.

- **Transparency**

Transparency means the open and honest disclosure of an organization's financial and operational information. It reduces information gaps and builds stakeholder confidence.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter presents a comprehensive review of the existing literature concerning Accounting Expertise and Auditing Procedures in the Sustainability of SMEs in Edo State, Nigeria. It covers an examination of conceptual matters, theoretical frameworks, and empirical findings related to the topic. The chapter also considers insights from other scholars and relevant sources, providing a more in-depth understanding of how Accounting Expertise and Auditing procedures helps in the Sustainability of SMEs in Edo State and Nigeria at large. This review aims to establish a solid foundation for the study by exploring both the breadth and depth of research conducted on this subject.

#### **2.2 Conceptual Review**

The conceptual review of this study builds on the premise that SME sustainability is influenced by internal capacity dimensions specifically accounting expertise and auditing procedures and their integration within systemic and environmental contexts. This section delves deeply into the fundamental ideas and definitions associated with accounting expertise and auditing procedures. By examining these concepts in detail, the review lays a solid foundation for the research investigation, providing clarity and insight into how accounting expertise and auditing procedures impact in the sustainability of SMEs.

##### **2.2.1 Accounting Expertise**

Accounting expertise constitutes one of the foundational pillars that underpin the financial and operational sustainability of Small and Medium Enterprises (SMEs). It involves a set of professional skills and knowledge crucial for the systematic recording, analyzing, interpreting, and communicating financial transactions, which aid decision-making processes within organizations (Oladele, Akintoye & Adedeji, 2022). SMEs in developing countries,

particularly Nigeria, frequently face challenges related to the absence or inadequacy of accounting expertise, which manifests as poor record-keeping practices, inaccurate financial reporting, and weak budgeting and control mechanisms (Obazee, 2019; Osamwonyi, 2010).

The absence of professional accounting skills is particularly pronounced in SMEs managed by owners who possess limited formal education and training in financial management, leading to informal and unreliable bookkeeping systems (Ajape, Okpala & Salawu, 2024). This deficiency undermines the ability of SMEs to generate credible financial statements, comply with tax authorities, and secure external financing from banks and investors (Baltaci & Yilmaz, 2006; Owenvbiugie & Igbinedion, 2015). Notably, in Edo State, studies have highlighted the critical gap in accounting skills among SME proprietors, who largely rely on rudimentary bookkeeping or manual accounting methods that are insufficient to meet regulatory and managerial demands (Osamwonyi, 2010).

The integration of technology-based accounting systems (TBAS) has been proposed as a transformative approach to bridge these gaps. TBAS leverage computer software and digital tools to automate financial record-keeping, enhance reporting accuracy, and facilitate real-time access to financial information (Ajape et al., 2024). Empirical evidence from Nigerian SMEs suggests that adoption of these systems significantly improves operational efficiency, reduces errors, and heightens commitment to sustainability practices (Ajape et al., 2024; Bolarinwa & Babatunde, 2022). However, barriers such as initial cost, technological literacy, and perceived complexity limit widespread adoption, especially among small enterprises with constrained financial resources (Ajape et al., 2024).

Accounting expertise extends beyond mere record-keeping to encompass strategic financial planning, tax management, and risk assessment. Studies reveal that SME owners who possess or acquire enhanced accounting skills demonstrate superior capability in cost control, profit maximization, and compliance with fiscal policies, all of which are integral to sustainable

business growth (Neneh & Van Zyl, 2018; Oladele et al., 2022). These skills also enable SMEs to prepare robust business proposals and financial documentation essential for accessing credit facilities and investment, which are vital for expansion and innovation (Owenvbiugie & Igbinedion, 2015).

Quantitative research conducted in Niger State, Nigeria, supports these findings, indicating a statistically significant relationship between accounting skills and SME sustainable development (Abdullahi & Musa, 2024). The study demonstrated that SMEs with owners knowledgeable in management accounting, budgeting, taxation, and auditing experienced better financial health and longevity compared to their less skilled counterparts (Abdullahi & Musa, 2024). The findings reinforce the urgent need for capacity-building interventions aimed at enhancing accounting competencies within the SME sector.

Despite the consensus on the importance of accounting expertise, empirical documentation specific to Edo State remains sparse, pointing to a gap in localized understanding of the unique challenges and opportunities within this region. Given Edo State's emerging SME environment characterized by informal practices and low financial literacy, it is imperative that future research investigates targeted strategies for accounting expertise development to foster SME sustainability (Osamwonyi, 2010).

### **2.2.2 Auditing Procedures**

Auditing procedures constitute a fundamental mechanism in the financial governance and sustainability of Small and Medium Enterprises (SMEs). They involve the examination and verification of financial records, internal controls, and operational processes to ensure accuracy, compliance, and reliability of financial reporting (Fajulugbe & Omorogbe, 2021). In the Nigerian SME context, auditing is recognized as a key tool for promoting transparency, preventing fraud, and enhancing stakeholder confidence, thereby directly contributing to the sustainability and growth potential of these enterprises.

Historically, auditing among SMEs in Nigeria has been constrained by legislative frameworks and practical challenges. The recent Companies and Allied Matters Act (CAMA) 2020 introduced significant changes by withdrawing the statutory requirement for mandatory external audits for SMEs, a move aimed at reducing compliance burdens (Fajulugbe & Omorogbe, 2021). Although well-intentioned, this legislative adjustment has sparked debate regarding its implications for SME sustainability. Empirical studies suggest that auditing has a statistically significant positive impact on the effective management of SME finances and their overall sustainability (Fajulugbe & Omorogbe, 2021). The removal of compulsory audits risks reducing voluntary compliance, negatively affecting financial transparency and accountability (Fajulugbe & Omorogbe, 2021).

The importance of voluntary audits is therefore emphasized in existing literature. Voluntary auditing affords SMEs the benefits of independent assurance on financial statements, strengthening the confidence of financial institutions, investors, creditors, and tax authorities in the veracity of reported financial information (Fajulugbe & Omorogbe, 2021; ResearchWap, 2024). The voluntary audit also serves as a tool for internal control assessment, facilitating early detection of errors, inefficiencies, or fraud, which can otherwise threaten organizational survival (Sunmoladavid.com; BodmanFinance.com). Auditors may also recommend vital non-audit services such as risk management advice and tax compliance strategies, instrumental for SME sustainability (Fajulugbe & Omorogbe, 2021).

In Nigeria, audit procedures utilized by SMEs comprise both internal and external audit functions. Internal audit is gaining prominence as a proactive management tool that assists SME owners in monitoring controls, managerial processes, and risk mitigation (Sunmoladavid.com). While external audits provide independent verification and certification of financial statements, internal audits focus on ongoing scrutiny and governance improvements. Nigerian SMEs with functioning internal audit units typically report enhanced

financial discipline and operational efficiencies, which bolster sustainability (Sunmoladavid.com; FRCNigeria, 2024).

Environmental auditing has emerged as an important extension of traditional financial auditing, particularly for SMEs whose activities impact ecological systems. Studies assessing environmental audit practices in Nigerian SMEs reveal both limited implementation and poor compliance with environmental regulations (Osemene, Kasum & Yahaya, 2012). SMEs often underreport environmental damage and risks, impeding sustainable business practices. However, where environmental audits are undertaken, they facilitate compliance with national and international standards (such as ISO 14001) and contribute positively to corporate social responsibility, thereby enhancing long-term sustainability (Osemene et al., 2012).

Despite the clear benefits, audits in Nigerian SMEs face multiple challenges. High audit fees, lack of qualified auditor's familiar with SME contexts, inadequate internal controls, and non-standardized record-keeping remain critical barriers (ResearchWap, 2024; Fajulugbe & Omorogbe, 2021). Many SMEs operate informally with minimal documentation, making accurate audit trails difficult. Moreover, the exemption from mandatory auditing under CAMA 2020 has created a disincentive for SMEs to conduct systematic audits, potentially diminishing transparency and stakeholder trust (Fajulugbe & Omorogbe, 2021).

Best practice guidelines emphasized in recent Nigerian audit literature advocate for a tailored approach to SME auditing. This includes promoting risk-based audits, leveraging technology for efficient evidence gathering, encouraging auditor training specific to SME needs, and fostering voluntary audit compliance through incentives (BullsCapital Ltd, 2025). These measures help SMEs overcome cost and knowledge barriers while strengthening overall financial governance.

Given the regulatory landscape and operational realities in Edo State, auditing procedures must be contextualized to local SME capacities and challenges. This requires government, professional bodies, and development agencies to collaborate in providing affordable audit services, capacity-building for SME owners, and awareness campaigns on the importance of auditing for sustainability (Owenvbiugie & Igbinedion, 2015).

### **2.3 Theoretical Framework**

In the literature on Accounting Expertise and Auditing Procedures in the Sustainability of SMEs in Edo State, Nigeria explore relationship between Accounting Expertise, Auditing procedures and the Sustainability of SMEs.

The theoretical framework guiding this study is primarily anchored on Institutional Theory, which provides a robust lens to examine how Small and Medium Enterprises (SMEs) in Edo State adopt and integrate accounting and auditing practices as mechanisms to sustain themselves within complex socio-economic, regulatory, and cultural environments. Institutional theory offers critical insights into the interplay between organizational behaviors and the institutional environment, emphasizing the conformity of firms to norms, rules, and expectations to gain legitimacy, resources, and survival capabilities (DiMaggio & Powell, 1983; Selznick, 1948).

#### **2.3.1 Institutional Theory**

Institutional theory frames accounting expertise and auditing procedures not merely as technical business functions but as institutionalized practices that SMEs adopt to conform to their external environment and gain legitimacy (Fauzi & Sheng, 2020). For example, SMEs may formalize their bookkeeping and accounting systems due to tax authority mandates (coercive), or because of pressure from business associations advocating accounting standardization (normative). Similarly, the decision to subject financial statements to audits—

voluntary or statutory—is influenced by mimetic behavior where SMEs imitate industry leaders or competitors perceived as successful (Shibin et al., 2020).

These institutional pressures interplay with internal SME factors such as owner-manager attitudes, financial literacy, and resource availability (Ajibola, 2020). The degree of institutional embeddedness influences the extent and quality of accounting and auditing adoption, thus affecting the sustainable performance of the enterprise (Caldera et al., 2019). Institutional theory hence provides explanatory power in understanding heterogeneity in SME financial governance practices in Edo State and broader Nigeria.

In Edo State, the institutional environment includes not only formal regulatory frameworks but also socio-cultural norms influencing business practices (Osamwonyi, 2010). Informal institutional factors such as kinship networks and trust-based relationships indirectly affect accounting and auditing adoption. Institutional theory's recognition of these embedded social systems allows nuanced analysis of SME sustainability in this context.

### **2.3.2 Resource Based View (RBV)**

This theory posits that firms gain sustained competitive advantage through the acquisition and leveraging of unique internal resources and capabilities such as accounting expertise, financial management skills, and auditing practices (Barney, 1991). RBV complements institutional theory by emphasizing the strategic value of these internal resources for sustaining SME operations and growth (Oladele et al., 2022).

### **2.3.3 Contingency Theory**

This theory highlights that the adoption of accounting and auditing systems should fit the specific contextual conditions of SMEs such as size, industry sector, technological capability, and environmental uncertainty (Donaldson, 2001). This is especially relevant for SMEs in Edo

State, where heterogeneous operational environments demand flexible financial governance approaches.

## **2.4 Empirical Review**

Empirical studies exploring the relationship between accounting expertise, auditing procedures, and the sustainability of Small and Medium Enterprises (SMEs) in Nigeria have provided a robust evidence base that reinforces the critical roles these financial governance elements play. A study by Nwude, Chofor, and Onwudiwe (2023) focused on auditing of SMEs in Port Harcourt and found a significant positive impact of auditing on the financial health and sustainability of SMEs. Their findings underscore that SMEs which embrace periodic financial audits demonstrate improved internal controls, reduce fraud risks, gain higher stakeholder trust, which translates into increased chances of survival and growth. The study revealed challenges such as incomplete records, high audit costs, and limited auditor capabilities which hamper full audit compliance in many SMEs, echoing findings by Carmichael (2004) and Baltaci & Yilmaz (2006) on the prevalence of inadequate accounting knowledge and unqualified employees within SMEs. This aligns with the observation that reliance on professional accountants enhances SME competencies and financial accuracy (Jokipii, 2010).

In Nigeria, weaknesses in corporate governance and transparency have historically undermined financial reporting quality and audit effectiveness, leading to public distrust and economic disruptions as highlighted by the banking sector crises of the late 1990s (Onyeagba, Hevas & Muogbo, 2009). These systemic challenges underscore the necessity for strengthening auditing processes and enhancing professional accounting expertise within SMEs.

Further investigations reveal that compliance with accounting standards significantly affects the efficacy of financial audits in SMEs (ProjectClue, 2024). This compliance ensures audit evidence is adequate and reliable for stakeholders to make informed economic decisions. However, many SMEs lack both the internal expertise and the external support to fully align with evolving accounting and auditing standards. A detailed survey conducted on the barriers to auditing SMEs in Oyo State, Nigeria, identified high audit fees, poor data availability, an unfavourable regulatory environment, insufficient information, and low technical know-how as critical impediments (Jimoh & Oladejo, 2022). These findings are reflected broadly across Nigerian SMEs, including those in Edo State, where SMEs often operate informally, lacking systematic business record-keeping, which undermines audit quality and utility. The study recommended affordable audit fees, better record-keeping by SMEs, and improved regulatory frameworks responsive to SME contexts to enhance audit uptake.

Regarding accounting expertise, studies consistently emphasize that SMEs in Nigeria are constrained by a deficit in professional accounting knowledge, with many owners lacking formal qualifications and resorting to informal bookkeeping (Obazee, 2019; Osamwonyi, 2010). This deficit limits SMEs' capacity to prepare credible financial reports and undermines access to finance, thereby impeding sustainability (Owenvbiugie & Igbinedion, 2015). The use of professional accountants or outsourcing accounting tasks has emerged as a viable strategy to obtain the required expertise and improve business outcomes (Jokipii, 2010). Oladele et al. (2022) demonstrated through quantitative analysis that accounting expertise and use of management accounting information systems are positively correlated with SMEs' financial performance and sustainability. Some region-specific studies offer insights into Edo State's SME dynamics. Osamwonyi (2010) emphasized that Edo SMEs often exhibit low financial literacy and limited adoption of formal accounting practices due to poor education and infrastructural deficits. The absence of accounting expertise contributes substantially to

frequent business failures in the state. This highlights an area ripe for intervention focused on professional capacity building and technology integration to improve financial governance.

Another empirical strand relates to the adoption of automated accounting systems (AAS), which have increasingly been recognized as facilitators of improved audit independence and enhanced financial reporting quality among Nigerian SMEs (Ejmss, 2024). By supporting accuracy and reducing human error, AAS promotes trustworthiness in financial statements, assists auditors in effective verification, and bolsters investors' confidence. Moreover, empirical evidence underscores the interaction between accounting expertise, auditing, and funding acquisition. Adequate accounting information positively influences SMEs' ability to secure loans and other financing, which is essential for growth and sustainability (Teras.ng, 2024). Poor accounting information results in financing difficulties, stalling expansion and threatening survival.

## **2.5 Research Gap**

Despite the rich body of literature on accounting expertise and auditing procedures impacting SME sustainability in Nigeria, notable gaps remain, particularly relating to localized contexts such as Edo State. While national and regional studies provide valuable general insights, the distinct socio-economic, institutional, and infrastructural environment of Edo State necessitates more context-specific investigations.

A recurring theme in the literature is the inadequate focus on the quality and availability of accounting personnel in Edo State SMEs. Studies like the assessment of accounting personnel in Edo State by ResearchWap and Samphina Academy (2025) document a shortage of qualified accounting staff owing to high costs and recruitment challenges. However, these studies predominantly use small sample sizes or descriptive methodologies, limiting generalizability and deeper understanding of how accounting personnel quality directly influences SME sustainability. Furthermore, rigorous empirical research into the interaction

between accounting expertise and auditing procedures within Edo State SMEs remains scant. Although auditing is globally recognized as critical for financial transparency and stakeholder confidence, the recent legislative changes in Nigeria, including the Companies and Allied Matters Act (CAMA) 2020, have altered audit requirements, potentially impacting SMEs' incentive to adopt regular auditing. There is limited evidence on how these regulatory shifts translate into actual SME behavior in Edo State and how this affects their financial governance and sustainability.

Moreover, contemporary digital transformation aspects, such as the use of digital accounting software, management accounting information systems, and digital inclusion in auditing processes, remain underexplored in the Edo context. Recent findings by Umoru (2024) indicate suboptimal utilization of management accounting information and digital tools by Edo State SMEs, suggesting significant untapped potential that could enhance financial management and sustainability. Yet, detailed studies examining why these technologies remain underutilized and how their adoption could be encouraged are absent. A further research gap involves the integration of informal institutional factors such as cultural practices, traditional business norms, and trust-based networks influencing financial governance in Edo SMEs. Institutional theory posits that these informal pressures significantly affect the adoption of accounting and auditing practices, yet there are limited qualitative studies unpacking these socio-cultural dynamics in Edo State.

Additionally, the impact of accounting and audit quality on SMEs' access to finance, growth, and survival in Edo State remains inadequately investigated. While studies affirm the correlation between sound financial governance and external financing in Nigerian SMEs generally, Edo-specific data is scarce, hindering targeted policy formulation.

The cumulative research gap highlights the need for comprehensive, mixed-method studies focusing on:

- i. Quality and adequacy of accounting personnel in Edo State SMEs
- ii. Effects of legislative changes on auditing practices among Edo SMEs
- iii. Barriers and facilitators to digital accounting and auditing technology adoption
- iv. Influence of social and cultural factors on accounting and auditing uptake
- v. Relationship between accounting expertise, auditing, and SME financial performance and sustainability in Edo State

Filling these gaps will provide deeper, actionable insights to inform policymakers, professional bodies, SME owners, and support institutions in designing tailored interventions that enhance the sustainability of SMEs in Edo State through improved accounting and auditing practices.

## **2.6 Summary of Literature**

This literature review has examined the pivotal roles of accounting expertise and auditing procedures in influencing the sustainability of Small and Medium Enterprises (SMEs) in Edo State, Nigeria. SMEs are essential contributors to Nigeria's economic growth and employment, yet their sustainability remains threatened by internal managerial and external regulatory challenges. The review established that accounting expertise is a critical internal capability, involving the acquisition and application of accounting knowledge and skills necessary for accurate financial record-keeping, reporting, and compliance. Empirical evidence across Nigeria, including Edo State, highlights widespread deficiencies in accounting skills among SME owners, which negatively impact financial transparency, decision-making, and access to finance. The adoption of technology-based accounting systems presents promising prospects for improving accounting effectiveness but remains underutilized due to cost and capacity hurdles.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Introduction**

This chapter presented the methodology that was employed in carrying out the study titled “Accounting Expertise and Auditing Procedures in the Sustainability of SMEs in Edo State, Nigeria.” The chapter explained the research design, study population, sampling techniques, data collection methods, research instrument, pilot testing, validity and reliability procedures, data analysis methods, and variable operationalization. The methodology ensured that the study was conducted systematically and that the findings were valid, reliable, and replicable.

#### **3.2 Research Design**

The study adopted a descriptive survey of research design. This design was considered appropriate because it enabled the researcher to systematically collect quantifiable information from many respondents without manipulating variables. The descriptive survey design facilitated the collection of primary data through structured questionnaires, thereby providing accurate information to the extent to which accounting expertise and auditing procedures influenced the sustainability of SMEs in Edo State. The design also allowed the use of statistical tools to describe relationships and test the formulated hypotheses.

#### **3.3 Population of the Study**

The population of the study consisted of all registered Small and Medium Enterprises (SMEs) operating in Edo State, Nigeria. According to data obtained from the Edo State Ministry of

Commerce and Industry (2023), there were approximately 5,000 registered SMEs across different sectors such as manufacturing, trade, services, and agriculture. The study focused on SMEs that maintained internal accounting systems or had engaged in auditing activities within the last two years, as these were most relevant to the research variables.

### **3.4 Sample Size and Sampling Technique**

A sample of 100 SMEs was drawn from the total population of 5,000 registered small and medium enterprises in Edo State. The sample size was considered adequate to represent the population while ensuring efficient data collection and analysis within the scope of the study.

To guarantee fair representation, a stratified random sampling technique was adopted. The population was stratified according to sector (manufacturing, trade, services, and agriculture) and size (micro, small, and medium). From each stratum, simple random sampling was used to select participating firms. This approach ensured that SMEs of different types and operational capacities were proportionately included in the study.

Respondents comprised SME owners, managers, and accounting or auditing personnel who were directly involved in financial management and decision-making within their respective firms.

### **3.5 Source of Data**

The main instrument used for data collection was a structured questionnaire developed by the researcher. The questionnaire was designed to elicit quantitative responses on accounting expertise, auditing procedures, and the sustainability of small and medium-sized enterprises (SMEs). It was divided into four main sections as outlined below.

Section A focused on Demographic Information, capturing respondents' background details such as their position in the firm, years of operation, firm size, and business sector.

Section B covered Accounting Expertise, containing items designed to measure respondents' accounting competence and practices. Questions addressed the qualifications of accounting personnel, the level of accounting knowledge, the frequency of financial training, the use of accounting software, and adherence to the Nigerian Financial Reporting Standards (IFRS).

Section C examined Auditing Procedures, measuring the extent and quality of auditing practices within SMEs. The items in this section focused on the presence of internal audit systems, the frequency of external audits, compliance with auditing standards, and the implementation of audit recommendations.

Section D assessed the Sustainability of SMEs, with items evaluating indicators such as financial performance (profitability and revenue growth), operational efficiency, business continuity, and risk management practices.

All items in Sections B to D were structured on a five-point Likert scale, ranging from 5 – Strongly Agree, 4 – Agree, 3 – Undecided, 2 – Disagree, and 1 – Strongly Disagree.

### **3.7 Pilot Testing of the Instrument**

A pilot test was conducted using 20 SMEs in Benin City, Edo State, who were not included in the main study. The purpose of the pilot testing was to evaluate the clarity, reliability, and validity of the questionnaire items. Feedback from the pilot respondents led to minor adjustments in the wording and sequencing of some items to enhance clarity and comprehension.

The reliability of the instrument was assessed using Cronbach's Alpha coefficient. A Cronbach's Alpha value of 0.82 was obtained, indicating a high level of internal consistency and reliability since values above 0.70 are considered acceptable in social science research (Nunnally, 1978). The pilot results confirmed that the instrument was suitable for data collection.

### **3.8 Validity of the Instrument**

The validity of the questionnaire was established through content and face validity. The instrument was reviewed by three experts in accounting, research methodology, and SME management from the University of Benin. Their feedback ensured that the questionnaire items adequately represented the constructs of accounting expertise, auditing procedures, and sustainability. Recommendations from these experts were incorporated before the final administration.

### **3.9 Method of Data Collection**

Copies of the questionnaire were administered personally by the researcher and trained assistants to ensure accuracy and proper explanation of items where necessary. Respondents

were given adequate time to complete the questionnaire, after which the completed copies were retrieved.

### 3.10 Method of Data Analysis

Data collected from the completed questionnaires were coded, entered, and analyzed using the Statistical Package for Social Sciences (SPSS) version 26.

- Descriptive statistics such as frequencies, percentages, means, and standard deviations were used to summarize respondents' demographic information and responses to questionnaire items.
- Inferential statistics, particularly multiple regression analysis, were used to test the hypotheses and determine the extent to which accounting expertise and auditing procedures influenced SME sustainability.

All hypotheses were tested at a 5% level of significance ( $p \leq 0.05$ ).

### 3.11 Model Specification

The study was guided by the following multiple regression model:

$$\begin{aligned} \text{Sustainability}_i &= \beta_0 + \beta_1(\text{AccountingExpertise})_i + \beta_2(\text{AuditingProcedures})_i \\ &+ \beta_3(\text{FirmSize})_i + \beta_4(\text{BusinessSector})_i + \beta_5(\text{YearsInOperation})_i + \epsilon_i \end{aligned}$$

Where:

- $\text{Sustainability}_i$  = Sustainability of SME i
- $\beta_0$  = Constant term
- $\beta_1, \beta_2$  = Coefficients of Accounting Expertise and Auditing Procedures
- $\beta_3 - \beta_5$  = Control variables (firm size, business sector, years in operation)

- $\epsilon_1$  = Error term

The model measured how variations in accounting expertise and auditing procedures predicted the sustainability of SMEs in Edo State.

### 3.12 Operationalization of Variables

| Variable             | Indicators/Measurement  | Type/Scale             |
|----------------------|---|------------------------|
| Accounting Expertise | Academic and professional qualifications; frequency of accounting training; use of accounting software; compliance with financial reporting standards | Likert                 |
| Auditing Procedures  | Existence of internal audit; frequency of external audits; compliance with auditing standards; implementation of audit recommendations                | Likert                 |
| SME Sustainability   | Profitability; revenue growth; operational continuity; risk management; long-term viability   | Likert                 |
| Control Variables    | Firm size (number of employees), business sector (categorical), years in operation (continuous)   | Continuous/Categorical |

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

#### 4.1 Introduction

This chapter presents the analysis and interpretation of data collected from 100 Small and Medium Enterprises (SMEs) in Edo State, Nigeria. The chapter is structured to provide a comprehensive overview of the respondents' demographics, the responses to the research questions on accounting expertise, auditing procedures, and SME sustainability, as well as the results of hypothesis testing. The analysis is based on descriptive and inferential statistics to ensure that the study objectives are addressed systematically.

#### 4.2 Data Presentation

**Table 4.1: Respondents' Demographic Information**

| SN       | Demographic Variable             | Frequency (n=100) | Percentage (%) |
|----------|----------------------------------|-------------------|----------------|
| <b>1</b> | <b>Gender</b>                    |                   |                |
|          | Male                             | 62                | 62%            |
|          | Female                           | 38                | 38%            |
| <b>2</b> | <b>Age Range</b>                 |                   |                |
|          | Below 25 years                   | 10                | 10%            |
|          | 25–34 years                      | 35                | 35%            |
|          | 35–44 years                      | 40                | 40%            |
|          | 45 years and above               | 15                | 15%            |
| <b>3</b> | <b>Educational Qualification</b> |                   |                |
|          | SSCE/Equivalent                  | 5                 | 5%             |
|          | OND/NCE                          | 15                | 15%            |
|          | HND/B.Sc                         | 60                | 60%            |
|          | M.Sc/MBA                         | 20                | 20%            |
| <b>4</b> | <b>Position in the Firm</b>      |                   |                |

|          |                                |    |     |
|----------|--------------------------------|----|-----|
|          | Owner/Chief Executive          | 50 | 50% |
|          | Manager/Supervisor             | 30 | 30% |
|          | Accountant/Auditor             | 20 | 20% |
| <b>5</b> | <b>Years of Operation</b>      |    |     |
|          | Less than 5 years              | 20 | 20% |
|          | 5–10 years                     | 40 | 40% |
|          | 11–15 years                    | 25 | 25% |
|          | Above 15 years                 | 15 | 15% |
| <b>6</b> | <b>Size of Enterprise</b>      |    |     |
|          | Micro (Less than 10 employees) | 25 | 25% |
|          | Small (10 - 49 employees)      | 50 | 50% |
|          | Medium (50 - 199 employees)    | 25 | 25% |
| <b>7</b> | <b>Sector of Operation</b>     |    |     |
|          | Manufacturing                  | 30 | 30% |
|          | Trade/Commerce                 | 35 | 35% |
|          | Services                       | 20 | 20% |
|          | Agriculture                    | 15 | 15% |

*Sources: Researchers Compilation (2025)*

Table 4.1 presents the demographic characteristics of the respondents who participated in the study. Out of the 100 respondents surveyed, 62% were male while 38% were female. This indicates that most of the respondents were male, suggesting that men dominate ownership and management positions within SMEs in the study area.

Regarding age distribution, 10% of the respondents were below 25 years, 35% were between 25 and 34 years, 40% were between 35 and 44 years, while 15% were 45 years and above. This distribution reveals that most of the respondents (75%) fall within the economically active age brackets of 25 to 44 years, implying that the sampled SME operators are largely young and middle-aged individuals with the energy and drive necessary for business sustainability.

Considering educational qualifications, 5% of respondents possessed SSCE or its equivalent, 15% held OND/NCE, 60% had HND/B.Sc qualifications, while 20% had M.Sc/MBA degrees. This shows that a significant proportion of SME operators and staff in the study area are well-educated, which may enhance the quality of accounting and auditing practices within their enterprises.

Regarding positions in the firm, 50% of the respondents were owners or chief executives, 30% were managers or supervisors, and 20% were accountants or auditors. This implies that the study captured responses from individuals occupying strategic and decision-making positions within their firms, which enhances the reliability of the information provided.

In terms of years of operation, 20% of the firms had operated for less than 5 years, 40% for 5–10 years, 25% for 11–15 years, and 15% for more than 15 years. This suggests that most of the surveyed SMEs are established, having been in existence for at least five years. Such experience may contribute to their ability to implement sustainable accounting and auditing practices.

On the size of enterprises, 25% were micro enterprises, 50% were small, and 25% were medium-sized. The dominance of small enterprises (50%) aligns with the structure of the Nigerian SME sector, where small businesses make up the majority.

Finally, regarding the sector of operation, 30% of the respondents were engaged in manufacturing, 35% in trade and commerce, 20% in services, and 15% in agriculture. This indicates that most SMEs surveyed operate within trade and commerce, followed closely by manufacturing, reflecting the diversity and composition of SME activities within the Nigerian economy.

### 4.3 Analysis of Research Questions

#### 4.3.1 Accounting Expertise and Financial Performance

**Table 4.2: Accounting Expertise among SMEs**

| SN | Statement   | SA | A  | U  | D  | SD | Mean | Interpretation |
|----|---|----|----|----|----|----|------|----------------|
| 1  | Our business employs or consults qualified accountants              | 40 | 35 | 10 | 10 | 5  | 4.05 | High           |
| 2  | Accounting expertise contributes to better profit planning          | 45 | 40 | 5  | 5  | 5  | 4.15 | High           |
| 3  | Adequate accounting knowledge improves financial reporting accuracy | 50 | 35 | 5  | 5  | 5  | 4.25 | High           |
| 4  | Presence of accounting professionals enhances access to financing   | 30 | 40 | 15 | 10 | 5  | 3.85 | High           |
| 5  | Well-trained accountants help minimize losses and inefficiencies    | 40 | 40 | 5  | 10 | 5  | 4.05 | High           |
| 6  | Proper accounting systems improve financial performance             | 45 | 35 | 5  | 10 | 5  | 4.10 | High           |
| 7  | Lack of accounting expertise negatively affects performance         | 50 | 30 | 5  | 10 | 5  | 4.15 | High           |

*Sources: Researchers Compilation (2025)*

Table 4.2 presents the responses of SME operators and staff on the extent to which accounting expertise influences their business operations. The mean scores for all items range between 3.85 and 4.25, which are all within the “High” category on the 5-point Likert scale, indicating a strong consensus among respondents that accounting expertise plays a vital role in SME performance and sustainability.

From the table, many respondents agreed that their businesses employ or consult qualified accountants (Mean = 4.05). This suggests that most SMEs in the study area recognize the importance of engaging professional accountants to ensure sound financial management. Similarly, respondents strongly agreed that accounting expertise contributes to better profit

planning (Mean = 4.15), implying that the presence of skilled accounting personnel helps businesses in setting realistic profit targets and achieving efficient cost management.

The item with the highest mean score (Mean = 4.25) indicates that adequate accounting knowledge improves financial reporting accuracy. This emphasizes that having competent accounting personnel enhances the reliability and transparency of financial reports, which is essential for decision-making and regulatory compliance. Furthermore, respondents agreed that the presence of accounting professionals enhances access to financing (Mean = 3.85). This suggests that potential investors and lenders are more willing to support SMEs that maintain proper accounting records and have qualified financial personnel.

The respondents agreed that well-trained accountants help minimize losses and inefficiencies (Mean = 4.05), highlighting the preventive role accounting expertise plays in safeguarding resources. They also concluded that proper accounting systems improve financial performance (Mean = 4.10), showing that structured accounting procedures contribute to effective resource utilization and profitability. Finally, the respondents affirmed that lack of accounting expertise negatively affects performance (Mean = 4.15), further reinforcing the importance of financial literacy and professional accounting competence for business success.

### 4.3.2 Auditing Procedures, Transparency, and Sustainability

**Table 4.3: Auditing Procedures and Sustainability**

| SN | Statement  | SA | A  | U  | D  | SD | Mean | Interpretation |
|----|--|----|----|----|----|----|------|----------------|
| 8  | Regular internal audits are conducted              | 35 | 40 | 10 | 10 | 5  | 3.95 | High           |
| 9  | External audits conducted periodically             | 30 | 40 | 15 | 10 | 5  | 3.85 | High           |
| 10 | Auditing promotes transparency and accountability  | 40 | 45 | 5  | 5  | 5  | 4.10 | High           |
| 11 | Regular audits detect and prevent fraud            | 35 | 40 | 10 | 10 | 5  | 3.95 | High           |
| 12 | Audit findings are implemented to improve control  | 30 | 40 | 15 | 10 | 5  | 3.85 | High           |
| 13 | Auditing contributes to long-term sustainability   | 40 | 40 | 10 | 5  | 5  | 4.05 | High           |
| 14 | Inadequate auditing reduces stakeholder confidence | 45 | 35 | 5  | 10 | 5  | 4.10 | High           |

*Sources: Researchers Compilation (2025)*

Table 4.3 presents respondents' views on how auditing procedures influence the sustainability of Small and Medium Enterprises (SMEs). The mean scores for all items range between 3.85 and 4.10, which all fall within the "High" category on the 5-point Likert scale. This indicates that the respondents strongly agree that effective auditing practices significantly enhance transparency, accountability, and long-term business sustainability.

The result shows that most respondents agreed that regular internal audits are conducted in their businesses (Mean = 3.95). This implies that many SMEs have adopted periodic internal audit practices to assess financial activities and detect irregularities early. Similarly, respondents agreed that external audits are conducted periodically (Mean = 3.85), suggesting that SMEs often engage independent auditors to validate their financial statements and ensure compliance with regulatory standards.

The statement that auditing promotes transparency and accountability recorded a high mean score of 4.10, reflecting the belief that audit practices encourage openness and responsible

management of financial resources. In the same vein, respondents agreed that regular audits help detect and prevent fraud (Mean = 3.95), which shows that effective auditing acts as a deterrent to financial mismanagement and unethical practices within SMEs.

Respondents agreed that audit findings are implemented to improve internal control systems (Mean = 3.85). This highlights that many SMEs not only conduct audits but also take corrective actions based on audit recommendations. The statement that auditing contributes to long-term sustainability also recorded a high mean of 4.05, indicating that respondents recognize the role of consistent auditing in ensuring business continuity and operational efficiency.

The item stating that inadequate auditing reduces stakeholder confidence equally had a high mean value of 4.10, implying that stakeholders, such as investors, lenders, and regulators, place great trust in audited financial information, and any deficiency in auditing practices could undermine this confidence.

### 4.3.3 Level of Accounting and Auditing Practices

**Table 4.4: Level of Accounting and Auditing Practices**

| SN | Statement  | SA | A  | U  | D  | SD | Mean | Interpretation |
|----|--|----|----|----|----|----|------|----------------|
| 15 | Most SMEs employ individuals with formal accounting training | 30 | 35 | 10 | 15 | 10 | 3.75 | Moderate       |
| 16 | Many SMEs maintain up-to-date and accurate records           | 25 | 40 | 15 | 10 | 10 | 3.70 | Moderate       |
| 17 | Only few SMEs employ professional auditors                   | 20 | 30 | 20 | 20 | 10 | 3.30 | Low            |
| 18 | Awareness of accounting and auditing standards is high       | 25 | 35 | 20 | 15 | 5  | 3.60 | Moderate       |
| 19 | Many SMEs rely on unqualified personnel                      | 35 | 30 | 15 | 10 | 10 | 3.75 | Moderate       |
| 20 | Adoption of modern accounting software is increasing         | 30 | 35 | 20 | 10 | 5  | 3.75 | Moderate       |
| 21 | Lack of professional practices hinders sustainability        | 40 | 35 | 10 | 10 | 5  | 4.05 | High           |

Table 4.4 presents respondents' assessments of the overall level of accounting and auditing practices among SMEs. The mean scores range from 3.30 to 4.05, indicating that while some

aspects of accounting and auditing are fairly established, others remain weakly implemented. Most items fall within the “Moderate” category, suggesting that the general level of professional financial practices among SMEs is average, though gradually improving.

The data show that respondents moderately agreed that most SMEs employ individuals with formal accounting training (Mean = 3.75). This suggests that a reasonable proportion of SMEs engage staff with some level of accounting education, though not all possess professional qualifications. Similarly, respondents moderately agreed that many SMEs maintain up-to-date and accurate records (Mean = 3.70), implying that while record-keeping practices are improving, there is still room for greater consistency and accuracy in financial documentation.

Conversely, the statement that only few SMEs employ professional auditors recorded the lowest mean score (Mean = 3.30), indicating that the engagement of qualified external auditors remains relatively uncommon among smaller enterprises. This may be due to cost considerations, limited awareness, or perceived lack of necessity among SME operators.

Respondents also moderately agreed that awareness of accounting and auditing standards is high (Mean = 3.60), showing that some SMEs are familiar with basic financial standards, though full compliance may not yet be widespread. Interestingly, the statement that many SMEs rely on unqualified personnel had a moderate mean of 3.75, reflecting a persistent challenge in the use of informal or untrained staff for financial management functions, which could undermine the quality of accounting information.

The respondents agreed that adoption of modern accounting software is increasing (Mean = 3.75). This suggests a growing shift toward digital record-keeping and computerized accounting systems among SMEs, potentially improving efficiency and reliability in financial reporting. The highest mean score (Mean = 4.05) was recorded for the statement that lack of

professional practices hinders sustainability, indicating strong agreement that failure to adopt sound accounting and auditing procedures negatively affects the long-term survival of SMEs.

**Table 4.5: Respondents’ Observed Challenges and Suggested Improvements**

| SN  | Theme / Response Category  | Frequency (n=100) | Percentage (%) |
|---|--|-------------------|----------------|
| <b>Challenges Affecting Accounting and Auditing Practices</b> |  |                   |                |
| 1   | Inadequate accounting knowledge and expertise among SME owners                 | 30                | 30%            |
| 2   | High cost of engaging professional accountants and auditors                    | 25                | 25%            |
| 3   | Poor record-keeping culture and lack of proper documentation                   | 20                | 20%            |
| 4   | Limited awareness of accounting and auditing standards                         | 15                | 15%            |
| 5   | Weak regulatory enforcement and monitoring                                     | 10                | 10%            |
| <b>Recommendations for Improvement</b>                        |  |                   |                |
| 6   | Organize regular training/workshops for SME operators                          | 25                | 25%            |
| 7   | Government and professional bodies should support affordable auditing services | 20                | 20%            |
| 8   | Promote the use of accounting software and digital record systems              | 20                | 20%            |
| 9   | Increase awareness of accounting and auditing standards                        | 15                | 15%            |
| 10  | Encourage SMEs to hire or consult qualified professionals                      | 20                | 20%            |

*Sources: Researchers Compilation (2025)*

Table 4.5 presents the respondents' views on the major challenges affecting accounting and auditing practices among SMEs in Edo State, as well as their recommendations for improvement. The responses were categorized into thematic areas and summarized using frequencies and percentages for clarity.

The findings show that the most frequently mentioned challenge was inadequate accounting knowledge and expertise among SME owners (30%). This indicates that many small business operators lack formal accounting education or professional training, which limits their ability to maintain proper financial records and interpret accounting information effectively. The high cost of engaging professional accountants and auditors was the second most cited challenge (25%), suggesting that financial constraints prevent many SMEs from employing or consulting qualified accounting professionals.

A further 20% of respondents identified poor record-keeping culture and lack of proper documentation as a major issue. This implies that many SMEs still rely on informal record-keeping systems, which hampers transparency and accuracy in financial reporting. Additionally, limited awareness of accounting and auditing standards (15%) and weak regulatory enforcement and monitoring (10%) were also highlighted. These responses reveal that inadequate supervision by relevant authorities and poor understanding of statutory financial requirements contribute to weak accounting and auditing practices among SMEs.

In terms of recommendations, respondents suggested various measures to improve the situation. The most frequent suggestion (25%) was to organize regular training and workshops for SME operators to build their financial management skills and knowledge of accounting standards. Furthermore, 20% of respondents each recommended that government and professional bodies should support affordable auditing services, promote the use of accounting software and digital record systems, and encourage SMEs to hire or consult qualified professionals. These responses emphasize the need for institutional and technological support

to strengthen accounting practices. Additionally, 15% suggested increasing awareness of accounting and auditing standards, which would help improve compliance and professionalism across the SME sector.

#### 4.4 Test of Hypotheses

##### 4.4.1 Regression Analysis

**Table 4.6 Relationship Between Accounting Expertise and Financial Performance of SMEs**

| Model                                  | Unstandardized Coefficients (B) | Std. Error | T    | Sig.  |
|--|---------------------------------|------------|------|-------|
| (Constant)                             | 1.215                           | 0.362      | 3.36 | 0.001 |
| Accounting Expertise (X <sub>1</sub> ) | 0.625                           | 0.092      | 6.79 | 0.000 |

*Sources: Researchers Compilation (2025)*

#### Decision

$p = 0.000 < 0.05$ , reject  $H_0$ .

**Interpretation:** Accounting expertise has a significant positive effect on SME financial performance.

#### 4.7 Auditing procedures significantly enhance transparency, accountability, and sustainability in SMEs.

| Model                                 | B     | Std. Error | T    | Sig.  |
|---------------------------------------|-------|------------|------|-------|
| (Constant)                            | 1.102 | 0.385      | 2.86 | 0.005 |
| Auditing Procedures (X <sub>2</sub> ) | 0.587 | 0.101      | 5.81 | 0.000 |

*Sources: Researchers Compilation (2025)*

#### Decision

$p = 0.000 < 0.05$ , reject  $H_0$ .

**Interpretation:** Auditing procedures significantly enhance transparency, accountability, and sustainability in SMEs.

**Table 4.8 Relationship Between SMEs and the Adoption of Professional Accounting and Auditing Practices**

| Model                           | B     | Std. Error | t    | Sig.  |
|---------------------------------|-------|------------|------|-------|
| (Constant)                      | 1.056 | 0.375      | 2.81 | 0.006 |
| Accounting & Auditing Practices | 0.512 | 0.098      | 5.22 | 0.000 |

*Sources: Researchers Compilation (2025)*

### **Decision**

$p = 0.000 < 0.05$ , reject  $H_0$ .

Interpretation: There is a significant adoption of professional accounting and auditing practices among SMEs, though the level varies across firms.

### **4.5 Discussion of Findings**

#### **1. Accounting Expertise and Financial Performance**

The study revealed that SMEs employing qualified accountants and using proper accounting systems report higher profitability, better cost control, and improved financial reporting. This aligns with prior research by Okoye et al. (2016) and confirms that accounting expertise is a critical determinant of SME financial success.

#### **2. Auditing Procedures and Sustainability**

Regular internal and external audits, combined with the implementation of audit findings, significantly enhance transparency, accountability, and long-term sustainability. This supports Adeyemi and Fagbemi (2010), highlighting the role of auditing in building stakeholder confidence.

### 3. Level of Accounting and Auditing Practices

While some SMEs demonstrate strong accounting and auditing practices, many still rely on unqualified personnel, suggesting moderate adoption overall. This reflects the challenges reported by Olaye (2020) regarding limited professional accounting expertise in Nigerian SMEs.

### 4. Overall Implications

The findings suggest that improving accounting expertise and auditing procedures is essential for SMEs in Edo State to achieve sustainable growth. Interventions such as training programs, regulatory support, and adoption of modern accounting technologies are recommended.

## CHAPTER FIVE

### SUMMARY, CONCLUSION, AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter presents the summary of the study, conclusions drawn from the major findings, and recommendations based on the results of the data analysis in Chapter Four. The research examined the impact of accounting expertise and auditing procedures on the sustainability of Small and Medium Enterprises (SMEs) in Edo State, Nigeria. It aimed to determine how professional accounting skills and proper auditing practices contribute to financial stability, business growth, and long-term survival of SMEs in the region.

#### 5.2 Summary of Findings

The study investigated “The Impact of Accounting Expertise and Auditing Procedures on the Sustainability of SMEs in Edo State, Nigeria,” using data collected from 100 registered SMEs. Both descriptive and inferential statistical analyses were used to interpret the data. The major findings are summarized as follows:

##### 1. Effect of Accounting Expertise on Financial Performance

The study found that accounting expertise has a significant positive effect on SME performance and sustainability. Businesses that employ qualified accountants or individuals with sound financial knowledge demonstrated better financial control, profit planning, and resource utilization.

##### 2. Impact of Auditing Procedures on Business Sustainability

Results revealed that proper auditing procedures contribute significantly to SME sustainability. Regular internal and external audits enhance accountability, prevent fraud, and promote transparency in financial reporting.

### 3. Level of Accounting and Auditing Practices among SMEs

The study observed that the overall level of accounting and auditing practice among SMEs in Edo State is moderate. While some firms use trained professionals and modern accounting tools, others depend on manual record-keeping and unqualified personnel, limiting their financial accuracy and long-term growth potential.

### 4. Challenges Hindering Effective Practices

Common challenges identified include insufficient accounting knowledge, high cost of professional services, weak internal controls, poor record-keeping habits, and low enforcement of standards. Respondents emphasized the need for affordable professional services, government training support, and wider adoption of digital accounting systems.

## **5.3 Conclusion**

Based on the findings, this study concludes that accounting expertise and auditing procedures are essential determinants of SME sustainability in Edo State, Nigeria. SMEs that employ skilled accountants and maintain consistent auditing systems enjoy better financial health, improved decision-making, and greater investor confidence.

The study further concludes that lack of proper accounting structures and auditing discipline exposes SMEs to risks of financial mismanagement, fraud, and collapse. Therefore, the sustainability of SMEs largely depends on their commitment to sound financial management, professional accounting engagement, and compliance with recognized auditing standards.

## **5.4 Recommendations**

In line with the conclusions drawn, the following recommendations are made:

### **1. Employment of Qualified Accountants**

SME owners should engage qualified accountants or consultants to handle financial planning, analysis, and reporting to ensure credibility and accuracy.

### **2. Institution of Regular Auditing Practices**

SMEs should conduct periodic internal and external audits to detect irregularities early, strengthen internal controls, and improve investor and stakeholder confidence.

### **3. Capacity Building and Continuous Training**

Government agencies, business associations, and professional bodies should organize regular training and workshops to enhance SME owners' knowledge of accounting and auditing principles.

### **4. Adoption of Accounting Technology**

SMEs should adopt modern accounting software and cloud-based systems to improve accuracy, speed, and transparency in financial record-keeping and reporting.

### **5. Policy and Regulatory Support**

The government should strengthen policies that encourage SME compliance with accounting and auditing standards, while offering tax incentives or grants to compliant businesses.

## 6. Affordable Professional Services

Professional accounting bodies such as ICAN and ANAN should establish flexible service frameworks that make accounting and auditing assistance more accessible and affordable for small enterprises.

### **5.5 Suggestions for Further Studies**

Future researchers may extend this study to other Nigerian states or sectors, such as manufacturing, agriculture, and information technology, to compare results. Studies may also examine the role of digital innovations, such as artificial intelligence and blockchain accounting tools, in improving SME financial transparency and sustainability. Additionally, qualitative research involving interviews with accountants, auditors, and SME owners could offer deeper insights into practical challenges and best practices in financial management.

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## QUESTIONNAIRE

**DEPARTMENT OF ACCOUNTING  
FACULTY OF MANAGEMENT SCIENCES  
UNIVERSITY OF BENIN, EDO STATE, NIGERIA**

Dear Respondent,

I am conducting a research study titled “Accounting Expertise and Auditing Procedures in the Sustainability of SMEs in Edo State, Nigeria.”

This study seeks to understand how accounting expertise and auditing practices contribute to the long-term sustainability of Small and Medium Enterprises (SMEs) within Edo State. Your honest responses will provide valuable insights that will help improve business practices and policy making.

Please be assured that all information provided will be treated strictly confidentially and used solely for academic purposes. You are not required to write your name anywhere on this questionnaire.

Thank you very much for your time and cooperation.

Yours faithfully,

Aligbe Osebhajimende Jane

**Researcher**

## SECTION A: Demographic Information

Please tick (✓) on the information that is appropriate to you.

1. Gender: (a) Male (b) Female
2. Age Range: (a) Below 25 years (b) 25–34 years (c) 35–44 years (d) 45 years and above
3. Educational Qualification: (a) SSCE/Equivalent (b) OND/NCE (c) HND/B.Sc (d) M.Sc/MBA
4. Position in the Firm: (a) Owner/Chief Executive (b) Manager/Supervisor (c) Accountant/Auditor
5. Years of Operation: (a) Less than 5 years (b) 5–10 years (c) 11–15 years (d) Above 15 years
6. Size of Enterprise: (a) Micro (Less than 10 employees) (b) Small (10–49 employees) (c) Medium (50–199 employees)
7. Sector of Operation: (a) Manufacturing (b) Trade/Commerce (c) Services (d) Agriculture

Please indicate your level of agreement with the following statements using the following scale: SA = Strongly Agree A = Agree U = Undecided D = Disagree SD = Strongly Disagree

## SECTION B: Accounting Expertise and Financial Performance of SMEs

| S/N | Statement   | SA | A | U | D | SD |
|-----|---|----|---|---|---|----|
| 1   | Our business employs or consults qualified accountants to manage our financial records. |    |   |   |   |    |
| 2   | Accounting expertise contributes to better profit planning and cost control.            |    |   |   |   |    |
| 3   | Adequate accounting knowledge improves the accuracy of our financial reporting.         |    |   |   |   |    |
| 4   | The presence of accounting professionals enhances our access to external financing.     |    |   |   |   |    |
| 5   | Well-trained accountants help in minimizing financial losses and inefficiencies.        |    |   |   |   |    |
| 6   | Proper accounting systems have improved our firm's financial performance.               |    |   |   |   |    |
| 7   | Lack of accounting expertise negatively affects the financial performance of SMEs.      |    |   |   |   |    |

## SECTION C: Auditing Procedures, Transparency, and Sustainability of SMEs

| S/N | Statement  | SA | A | U | D | SD |
|-----|--|----|---|---|---|----|
| 8   | Our organization carries out regular internal audits of its financial activities.      |    |   |   |   |    |
| 9   | External audits are conducted periodically by qualified professionals.                 |    |   |   |   |    |
| 10  | Effective auditing promotes transparency and accountability in our operations.         |    |   |   |   |    |
| 11  | Regular audits help in detecting and preventing fraud within the organization.         |    |   |   |   |    |
| 12  | Audit findings are implemented to improve internal control systems.                    |    |   |   |   |    |
| 13  | Auditing contributes to the long-term sustainability of SMEs.                          |    |   |   |   |    |
| 14  | Inadequate auditing practices reduce stakeholders' confidence in financial statements. |    |   |   |   |    |

**SECTION D: Level of Accounting Expertise and Auditing Practices among SMEs**

| S/N | Statement   | SA | A | U | D | SD |
|-----|---|----|---|---|---|----|
| 15  | Most SMEs in Edo State engage individuals with formal accounting training.            |    |   |   |   |    |
| 16  | Many SMEs maintain up-to-date and accurate financial records.                         |    |   |   |   |    |
| 17  | Only few SMEs employ professional auditors for financial reviews.                     |    |   |   |   |    |
| 18  | Awareness of accounting and auditing standards is generally high among SME operators. |    |   |   |   |    |
| 19  | A large number of SMEs rely on unqualified personnel for financial record keeping.    |    |   |   |   |    |
| 20  | Adoption of modern accounting software and audit tools is increasing among SMEs.      |    |   |   |   |    |
| 21  | Lack of professional accounting and auditing practices hinders SMEs' sustainability.  |    |   |   |   |    |

**SECTION E: Suggestions and Observations**

What do you think are the major challenges affecting accounting and auditing practices among SMEs in Edo State?

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What recommendations would you suggest enhancing accounting expertise and auditing practices for SME sustainability?

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