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# EFFECT OF AUDIT COMPETENCE AND INTERNAL CONTROL SYSTEMS ON SUSTAINABLE PERFORMANCE OF SMES IN ENUGU STATE NIGERIA

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## ABSTRACT
The study examined the effect of audit competence and internal control systems on the sustainable performance of Small and Medium Enterprises (SMEs) in Enugu State, Nigeria. Specifically, the study determined the effect of audit professional qualification on financial sustainability, audit experience on operational efficiency, audit technical knowledge and skills on profitability, and internal monitoring and supervision on fraud prevention and accountability. A descriptive survey research design was adopted. Data were collected from SME owners, managers, and accounting personnel using a structured questionnaire. The population comprised registered SMEs in Enugu State, while data were analyzed using descriptive statistics and multiple regression analysis with the aid of SPSS. The findings revealed that audit professional qualification has a significant positive effect on financial sustainability ($\beta = 0.724$, $p < 0.001$), audit experience significantly improves operational efficiency ($\beta = 0.698$, $p < 0.001$), audit technical knowledge and skills significantly enhance profitability ($\beta = 0.751$, $p < 0.001$), while internal monitoring and supervision also has a significant positive effect on fraud prevention and accountability ($\beta = 0.736$, $p < 0.001$). The study concluded that audit competence and effective internal control systems are critical determinants of the sustainable performance of SMEs in Enugu State. The study recommends continuous professional training for auditors, engagement of experienced audit personnel, and strengthening of internal monitoring and supervision to improve accountability, operational efficiency, profitability, and long-term sustainability of SMEs.

**Keywords:** Audit Competence. Internal Control System. SMEs. Sustainable Performance. Financial Sustainability. Operational Efficiency. Enugu State.

## INTRODUCTION
Small and Medium Enterprises (SMEs) are widely recognized as engines of economic growth, employment generation, innovation, and poverty reduction across both developed and developing economies (Wang et al., 2019; Vu & Nga, 2022). Their sustainable performance is reflected in business survival, operational efficiency, profitability, liquidity, and long-term growth. Beyond generating profits, sustainable SMEs maintain efficient operations through prudent resource management, fraud prevention, asset protection, reliable financial reporting, and sound internal governance. Achieving sustainable performance requires SMEs to establish effective internal control systems and engage competent audit personnel. However, many


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SMEs concentrate primarily on increasing sales and profitability while giving inadequate attention to internal controls, often perceiving them as non-revenue-generating activities. This misconception undermines accountability, weakens financial discipline, and exposes businesses to fraud, operational inefficiencies, and poor decision-making. Although external factors such as macroeconomic conditions influence SME performance (Ipinnaiye et al., 2017; Yang & Li, 2019), internal factors—including managerial competence, financial management, and internal control systems—remain critical determinants of long-term sustainability (Heywood et al., 2017).

Audit competence and internal control systems are therefore indispensable to the sustainable performance of SMEs. Audit competence encompasses the professional qualifications, technical knowledge, practical experience, and skills required to evaluate financial records, detect irregularities, ensure regulatory compliance, and strengthen financial accountability (Adegboyegun et al., 2020). Internal control systems consist of policies, procedures, monitoring mechanisms, and supervisory activities designed to safeguard assets, prevent fraud, promote operational efficiency, and ensure reliable financial reporting. Together, they enhance transparency, improve risk management, strengthen corporate governance, and support informed managerial decision-making.

Within the context of this study, audit competence is examined through audit skills such as professional qualification, audit experience, and audit technical knowledge, while internal control systems are represented by internal monitoring and supervision. Professionally qualified and experienced auditors are better equipped to identify financial weaknesses, recommend appropriate control measures, and improve compliance with accounting standards (Adeniran, 2020; Akinmoladun et al., 2020). Likewise, effective monitoring and supervision ensure adherence to organizational policies, reduce financial irregularities, and promote accountability (Alawattegama, 2018). Strengthening these dimensions can enhance the sustainable performance and competitiveness of SMEs in Enugu State while supporting the attainment of Sustainable Development Goal (SDG) 8, which promotes sustained economic growth, productive employment, and decent work.

The ideal expectation is that SMEs in Enugu State should operate with competent audit personnel and effective internal control systems capable of ensuring accurate financial reporting, regulatory compliance, efficient resource utilization, fraud prevention, and sound managerial decision-making. Such an environment would promote profitability, business continuity, operational efficiency, investor confidence, and long-term organizational sustainability while enhancing the contribution of SMEs to employment generation and economic growth in line with Sustainable Development Goal 8.

However, this ideal situation is not evident among many SMEs in Enugu State. Several enterprises continue to experience poor record keeping, weak internal control systems, inadequate monitoring and supervision, and limited audit competence arising from insufficient professional qualifications, technical knowledge, and practical experience. These deficiencies have contributed to financial mismanagement, fraud, poor accountability, inefficient resource utilization, and weak business performance, thereby increasing the risk of business failure and reducing the competitiveness of SMEs.

Although previous studies have examined factors influencing SME performance, limited empirical attention has been given to the combined effect of audit competence and internal control systems on



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sustainable performance, particularly among SMEs in Enugu State. This gap creates the need to investigate how audit professional qualification, audit experience, audit technical knowledge, and internal monitoring and supervision influence the sustainable performance of SMEs. The findings are expected to provide evidence that will strengthen financial governance, improve SME sustainability, and enhance their contribution to economic development in Enugu State and Nigeria.

The broad objective of the study is on Effect of audit competence and internal control system on sustainable performance on SMEs in Enugu State, Nigeria. The specific objectives of the study were to examine: **(i).** the effect of audit professional qualification on the financial sustainability of SMEs in Enugu State, Nigeria; **(ii).** The effect of audit Experience on the operational efficiency of SMEs; **(iii).** The influence of audit technical knowledge and skills on the profitability of SMEs; **(iv).** The effect of internal monitoring and supervision on fraud prevention and accountability in SMEs. The following research questions guided the study. **(i).** what is the effect of audit professional qualification on the financial sustainability of SMEs? **(ii).** what is the effect of audit experience on the operational efficiency of SMEs? **(iii).** what is the influence of audit technical knowledge and skills on the profitability of SMEs? **(iv).** what is the effect of internal monitoring and supervision on fraud prevention and accountability in SMEs? The following null hypotheses were tested at 5% level of significance**: (i).** Audit professional qualification has no significant effect on the financial sustainability of SMEs in Enugu State, Nigeria**. (ii).** Audit experience has no significant effect on the operational efficiency of SMEs in Enugu State, Nigeria**. (iii).** Audit technical knowledge and skills have no significant influence on the profitability of SMEs in Enugu State, Nigeria. **(iv).** Internal monitoring and supervision have no significant effect on fraud prevention and accountability in SMEs in Enugu State, Nigeria.

The scope of the study focuses on the effect of audit competence and internal control systems on the sustainable performance of SMEs in Enugu State, Nigeria. The study examines audit professional qualification, audit experience, audit technical knowledge and skills, and internal monitoring and supervision as the independent variables, while sustainable performance indicators such as financial sustainability, operational efficiency, profitability, fraud prevention, and accountability constitute the dependent variables. The unit scope of the study comprises owners, managers, accountants, internal auditors, and relevant administrative staff of selected SMEs operating in Enugu State. Geographically, the study is limited to SMEs located in Enugu State, Nigeria. The choice of Enugu State is based on the increasing importance of SMEs in promoting employment generation, economic growth, and business development within the state and Nigeria at large.

## REVIEW OF RELATED LITERATURE

### Conceptual Review

#### Audit Competence

Audit competence refers to the combination of knowledge, skills, experience, ethical standards, and professional qualifications that enable an auditor to effectively examine financial records, detect irregularities, and ensure compliance with applicable accounting and auditing standards. It represents the ability of auditors to perform their duties in a manner that enhances transparency, accountability, and reliability of financial reporting within an organization. In the context of Small and Medium Enterprises (SMEs), audit competence is critical because it strengthens internal governance and improves decision-



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making processes that support sustainable business performance. Audit competence is commonly assessed through indicators such as professional qualifications (e.g., ICAN, ACCA, ANAN), audit experience, technical knowledge of auditing standards, analytical skills, and continuous professional development. According to International Federation of Accountants (2023), audit competence is not only about academic qualifications but also the practical ability to apply auditing standards and ethical judgment in complex business environments. Similarly, Institute of Chartered Accountants of Nigeria (2022) emphasizes that competent auditors must demonstrate independence, integrity, and up-to-date technical expertise to enhance financial accountability. In SMEs, audit competence plays a significant role in fraud detection, risk management, and financial sustainability. Auditors with high competence are better positioned to identify weaknesses in internal controls, recommend corrective actions, and ensure compliance with regulatory requirements. According to Okolie and Izedonmi (2021), audit competence significantly improves the credibility of financial statements and enhances investor confidence in SME operations.

**Internal Control**

The American Institute of Certified Public Accountants (AICPA) defines internal control as a strategy and other coordinated means and ways by which businesses protect their assets, verify the accuracy and dependability of their data, improve their effectiveness, and ensure that management policies are in place (Yang and Li, 2019). An organization's internal control system is defined by COSO as a process that managers and other employees use to provide reasonable assurance that the organization's goals are being met while also adhering to all applicable rules and regulations. This assurance includes accurate financial reporting (Sofyani et al., 2021). It is also reasonable to think of the internal control of an organization as encompassing all the financial and non-financial safeguards that have been put in place by top management to assure adherence to company regulations, protect company assets, and maximize the accuracy and completeness of records (Adekunle et al., 2021). Internal controls are the methods that a company or other organization implements to guarantee that its objectives, goals, and missions are fulfilled. A company or other organization implements them to guarantee that its financial transactions are handled properly and its assets are not misappropriated. All internal control systems have flaws that decrease their predictive ability (Banoura, 2008). Internal control systems (ICS) are critical mechanisms that organizations implement to ensure the accuracy, reliability, and integrity of financial and operational information. These systems are designed to safeguard assets, ensure compliance with laws and regulations, and enhance the operational efficiency of firms.

**Audit Professional Qualification**

Audit professional qualification refers to the possession of recognized professional certifications, academic training, and regulatory accreditation that enable an individual to practice auditing in accordace with established standards and ethical requirements. It signifies that an auditor has undergone structured education, professional examinations, and practical training that equip them with the required competence to evaluate financial statements, assess internal controls, and ensure compliance with accounting and auditing standards. In the context of SMEs, audit professional qualification enhances the credibility and reliability of financial reporting, thereby improving stakeholder confidence and organizational sustainability. Qualified auditors are expected to demonstrate adherence to ethical principles such as integrity, objectivity, confidentiality, and


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professional competence. According to the International Federation of Accountants (2023), professional qualification is fundamental in ensuring that auditors possess both technical knowledge and professional judgment necessary for high-quality audit outcomes. Similarly, the Institute of Chartered Accountants of Nigeria (2022) emphasizes that professional certification strengthens accountability and promotes best practices in financial management.

**Audit Experience**

Audit experience refers to the cumulative practical exposure and hands-on involvement of an auditor in performing audit assignments over time. It reflects the extent to which an auditor has engaged in examining financial statements, evaluating internal controls, detecting errors or fraud, and applying auditing standards across different organizational contexts. Unlike theoretical knowledge, audit experience is developed through continuous practice and exposure to diverse financial and operational environments, which enhances professional judgment and decision-making ability. In SMEs, audit experience is particularly important because it enables auditors to identify risk areas, recommend practical control measures, and improve the reliability of financial reporting. Experienced auditors are more likely to detect irregularities and ensure compliance with regulatory frameworks, thereby strengthening organizational accountability and sustainability. According to the International Federation of Accountants (2023), practical experience is a core requirement for developing professional competence and ensuring audit quality. Similarly, the Institute of Chartered Accountants of Nigeria (2022) emphasizes that audit effectiveness is significantly enhanced when auditors combine technical knowledge with substantial field experience.

**Audit Technical Knowledge**

Audit technical knowledge refers to the understanding and application of accounting principles, auditing standards, regulatory frameworks, and modern auditing tools required to effectively carry out audit functions. It encompasses the auditor’s ability to interpret financial information, apply International Standards on Auditing (ISA), assess internal control systems, and utilize audit technologies such as accounting software and data analytics tools. Technical knowledge is a critical component of audit competence because it directly influences the quality, accuracy, and reliability of audit outcomes. In SMEs, audit technical knowledge enhances financial transparency, strengthens compliance with statutory requirements, and improves decision-making processes. Auditors with strong technical expertise are better equipped to detect financial misstatements, evaluate risks, and recommend appropriate corrective actions that support business sustainability. According to the International Federation of Accountants (2023), technical proficiency is essential for maintaining audit quality in a rapidly evolving financial environment. Similarly, the Institute of Chartered Accountants of Nigeria (2022) emphasizes continuous learning and mastery of auditing standards as key to professional effectiveness.

**Internal Monitoring and Supervision**

Internal monitoring and supervision refer to the continuous review, oversight, and evaluation of organizational activities to ensure that operations are conducted in line with established policies, procedures, and objectives. It involves the systematic tracking of financial transactions, employee performance, and compliance with internal control procedures to detect deviations, errors, or fraud at an early stage. In SMEs, internal monitoring and supervision play a crucial role in safeguarding assets, improving accountability, and enhancing operational efficiency. Effective supervision ensures that employees adhere to assigned duties, financial records are properly maintained, and organizational resources are used efficiently. Monitoring mechanisms such as periodic audits, management reviews, and


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performance evaluations help to strengthen internal control systems and support informed decision-making. According to the Committee of Sponsoring Organizations of the Treadway Commission (2023), continuous monitoring is a core component of an effective internal control system that enhances risk management and organizational governance. Similarly, the International Federation of Accountants (2023) emphasizes that strong supervisory mechanisms improve transparency, reduce financial irregularities, and support sustainable organizational performance.

**Sustainable Performance in Small and Medium Enterprises (SMEs)**

Sustainable performance in Small and Medium Enterprises (SMEs) refers to the ability of firms to achieve continuous growth, profitability, and operational efficiency while maintaining financial stability, environmental responsibility, and social value over time. Sustainable performance is often measured through indicators such as profitability, revenue growth, productivity, customer satisfaction, innovation, and the capacity to withstand economic shocks. In SMEs, sustainable performance is influenced by effective management practices, strong internal control systems, competent auditing, and sound financial governance. Firms that adopt proper accountability mechanisms and risk management strategies are more likely to maintain consistent performance and attract investment. According to the United Nations (2023), sustainable business performance contributes significantly to inclusive economic growth, decent work, and poverty reduction, particularly under Sustainable Development Goal 8, which focuses on sustained, inclusive, and productive employment. In developing economies like Nigeria, sustainable SME performance is crucial for job creation, GDP growth, and overall economic stability.

**Financial Sustainability**

Financial sustainability refers to the ability of an organization, particularly Small and Medium Enterprises (SMEs), to generate sufficient revenue, manage resources efficiently, and maintain long-term financial stability without excessive reliance on external funding. It reflects the capacity of a business to meet its current financial obligations while also ensuring continued growth and survival in the future. Financial sustainability is typically assessed through indicators such as profitability, liquidity, solvency, cash flow stability, and cost efficiency. In SMEs, financial sustainability is essential for business continuity, expansion, and resilience against economic shocks such as inflation, market fluctuations, and policy changes. According to the Organisation for Economic Co-operation and Development (2023), financial sustainability is a key determinant of SME competitiveness and long-term economic contribution.

**Operational Efficiency**

Operational efficiency refers to the ability of an organization, particularly Small and Medium Enterprises (SMEs), to maximize output while minimizing input costs, waste, and inefficiencies in the production or service delivery process. It reflects how effectively resources such as labour, capital, technology, and time are utilized to achieve organizational objectives. High operational efficiency indicates that a business can deliver quality goods and services at reduced costs, thereby improving competitiveness and profitability. In SMEs, operational efficiency is crucial for survival and growth, especially in highly competitive and resource-constrained environments like Nigeria. It is influenced by effective management practices, strong internal control systems, competent auditing, and proper resource allocation. Efficient SMEs are better positioned to respond to market demands, reduce operational bottlenecks, and enhance customer satisfaction.

**Profitability**

Profitability refers to the ability of a business, particularly Small and Medium Enterprises (SMEs), to generate financial gains after all expenses have been deducted from total revenue. It is a key measure of



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business performance and indicates how effectively an organization utilizes its resources to produce returns. Profitability is commonly assessed using indicators such as net profit margin, return on assets (ROA), return on equity (ROE), and gross profit margin. In SMEs, profitability is essential for survival, expansion, and long-term sustainability. A profitable enterprise can reinvest earnings into business growth, improve operational capacity, and withstand economic uncertainties. Profitability is influenced by factors such as cost management, pricing strategies, operational efficiency, internal control systems, and audit competence. According to the World Bank (2023), profitability is a critical determinant of SME resilience and their contribution to economic development in emerging economies.

**Fraud Prevention and Accountability**

Fraud prevention and accountability are critical concepts in organizational governance, especially for Small and Medium Enterprises (SMEs), as they ensure transparency, trust, and proper utilization of resources. Fraud prevention refers to the set of policies, procedures, and control mechanisms designed to detect, deter, and minimize the occurrence of fraudulent activities such as asset misappropriation, financial misstatement, and corruption. Accountability, on the other hand, refers to the obligation of individuals within an organization to take responsibility for their actions, decisions, and use of resources. It ensures that employees and management are answerable for financial and operational outcomes, thereby promoting ethical conduct and transparency. In SMEs, strong fraud prevention and accountability systems enhance investor confidence, operational efficiency, and long-term sustainability. According to the Committee of Sponsoring Organizations of the Treadway Commission (2023), effective internal control systems are essential in preventing fraud and ensuring accountability in organizations.

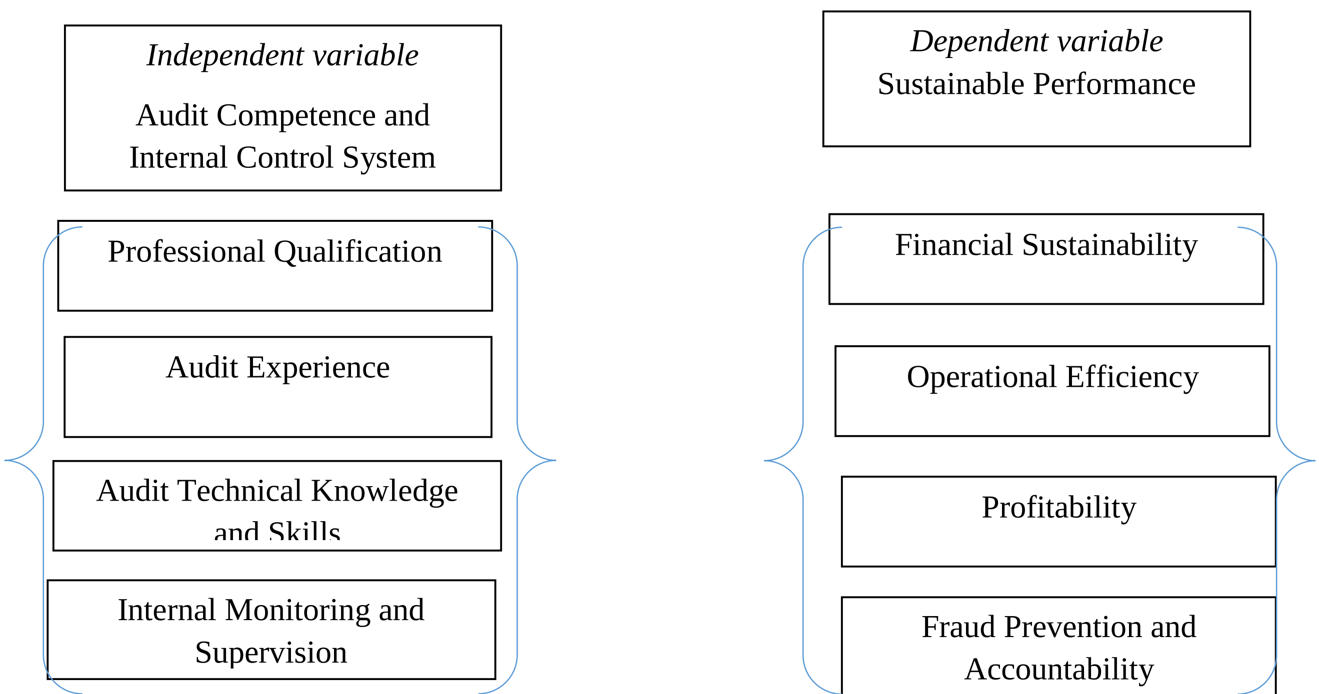


**Figure 2.1 Conceptual Framework**

***Source:* Author's compilation 2026.**

**2.2 Theoretical Framework**

Agency Theory was propounded by Jensen and Meckling (1976)**.** The theory explains the relationship between two parties in an organization: the principal (owners of SMEs) and the agent (managers, accountants, or auditors who manage resources on behalf of owners). It is built on the assumption that both parties are rational individuals who seek to maximize their own interests, which can sometimes lead to conflicts of interest. One key assumption is that there is separation of ownership and control**,** meaning owners delegate decision-making authority to managers. Another assumption is that agents may not always act in the best interest of principals due to self-interest, which may result in information asymmetry. The theory also assumes that monitoring costs exist**,** as principals must invest in control mechanisms such as audits and supervision to reduce opportunistic behavior. Furthermore, it assumes that agents possess more information than principals, giving them the ability to manipulate financial reports if not properly monitored.

In the context of SMEs in Enugu State, Agency Theory is highly relevant because owners often rely on managers and accountants to handle financial operations. Weak audit competence and poor internal control systems may increase the risk of fraud, financial misstatement, and inefficiency. However, strong audit competence—such as professional qualification, experience, and technical knowledge—helps reduce agency problems by improving transparency and accountability. Similarly, effective internal monitoring and supervision reduce opportunistic behaviors and ensure proper use of organizational resources, thereby enhancing sustainable performance. Several studies have applied Agency Theory to financial accountability and organizational performance. Several studies have applied Agency Theory to financial accountability and organizational performance. For instance, a study by Ofoegbu and Eze (2020) on corporate governance in Nigerian firms found that strong audit mechanisms significantly reduced agency conflicts and improved financial reporting quality. Similarly, Adams et al. (2021) examined SMEs in West Africa and reported that effective internal control systems enhanced transparency and reduced fraud, leading to improved profitability and business sustainability. Agency Theory provides a strong theoretical foundation for this study as it explains how audit competence and internal control systems help mitigate conflicts of interest, reduce information asymmetry, and enhance sustainable performance in SMEs.

**Empirical Review**

Adegboyegun *et al* (2020) examined the effect of internal control systems on the operational performance of SMEs in Ondo State, Nigeria. The study adopted a survey design and analyzed data using regression analysis. The findings indicated that control environment and control activities significantly improved operational performance, while other control components also contributed positively. The study is related to the current study because it focused on internal control systems and SME performance but excluded audit competence variables. Odunko (2022) examined the effect of internal control on firm performance among selected firms in Nigeria. The study utilized secondary data and analyzed them using descriptive statistics, correlation analysis, and Ordinary Least Squares (OLS) regression. The findings revealed that cash control, risk assessment, and internal control significantly improved firm performance. The study is relevant because it investigated internal control and performance but did not focus on SMEs' sustainable performance or audit competence. Ajala *et al* (2023) investigated the effect of internal control systems on the organizational performance of SMEs in Ondo State, Nigeria. The study adopted a survey design involving 323 SMEs, while data were analyzed using descriptive statistics and multiple regression analysis. The findings showed that internal control systems significantly enhanced business growth, business


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survival, and operational efficiency. The study is related to the present study but did not examine audit competence as a determinant of sustainable performance.

Oyedokun and Muhammad (2023) examined the relationship between internal control systems and the financial performance of SMEs in Kebbi State, Nigeria. The study adopted a descriptive survey design involving a population of 2,200 SMEs, with 338 respondents selected through simple random sampling. Data were analyzed using the Pearson Product Moment Correlation Coefficient. The findings indicated that effective internal control systems significantly improved SMEs' financial performance. However, the study focused only on financial performance and excluded audit competence variables. Edeh and Obinna (2023) investigated the impact of internal control systems on the financial performance of ICT firms in Abuja. The study covered seven ICT firms using a quantitative correlational research design, and data were analyzed using regression analysis. The findings revealed that risk assessment and control environment significantly improved financial performance, whereas monitoring and communication had no significant influence. The study is related to the present study through its focus on internal control systems but differs in scope, industry, and variables. Ogunseye and Iwarere (2025) examined the influence of organizational structure and internal control mechanisms on the effectiveness and sustainability of SMEs in Ondo State, Nigeria. The study employed a descriptive survey design involving 331 valid responses, and data were analyzed using descriptive statistics, regression analysis, and ANOVA. The findings revealed that effective internal control systems significantly enhanced operational efficiency, financial performance, accountability, fraud prevention, and long-term sustainability of SMEs. The study is closely related to the present study but did not investigate audit competence variables.

Despite the robustness of existing literature as shown from empirical reviews, several gaps remain evident. First, most studies focus predominantly on internal control systems alone, with limited integration of audit competence variables such as professional qualification, audit experience, and technical knowledge as determinants of SME performance. Second, many of the reviewed studies are concentrated in other states such as Ondo, Kebbi, and Abuja, with limited empirical evidence from Enugu State SMEs, creating a geographical research gap. Third, existing studies largely examine financial performance in isolation, without adequately considering sustainable performance dimensions such as financial sustainability, operational efficiency, profitability, fraud prevention, and accountability in a unified framework. Furthermore, few studies have holistically examined the combined effect of audit competence and internal control systems on SME sustainability, particularly in the context of developing economies like Nigeria. This omission limits a comprehensive understanding of how audit-related human capital and internal governance mechanisms jointly affect SME survival and growth. Therefore, this study fills these gaps by providing empirical evidence from Enugu State, focusing on both audit competence and internal control systems as predictors of sustainable SME performance.

## METHODOLOGY

This study adopted a descriptive survey research design**.** Area of study Enugu State, Nigeria**,** which is a commercial hub in South-East Nigeria with a growing number of Small and Medium Enterprises (SMEs) engaged in trading, services, manufacturing, and agro-based businesses. The study relied on primary data, obtained directly from respondents. Secondary data from journals, textbooks, and official publications were also used to support the literature review. The population of the study was 4,512 which consists of registered



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SMEs operating in Enugu State. The study targeted owners, managers, accountants, and internal control officers within selected SMEs. A 367 was the sample size determined using the Taro Yamane formula stated as follows: n = $\frac{N}{1+N(e)^2}$ Where n = sample size, N = total population size; I = is constant; e = error limit which is trained as 5% (0.05). A stratified random sampling technique is adopted to ensure adequate representation of different categories of SMEs and professional groups such as owners, managers, and accounting personnel. This enhances the reliability and generalizability of findings. Data were collected using a structured questionnaire designed on a 5-point Likert scale ranging from strongly agree to strongly disagree. The instrument captures information on audit competence, internal control systems, and sustainable performance indicators. The questionnaire was subjected to face and content validation by experts in accounting and public administration. The reliability of the instrument was tested using the Cronbach Alpha method**,** which measures internal consistency. A reliability coefficient of 0.70 and above was considered acceptable for the study. Data were analyzed using descriptive statistics (mean and standard deviation**)** to summarize responses, while multiple regression analysis was used to test the hypotheses and determine the effect of audit competence and internal control systems on and sustainable performance of SMEs. The Statistical Package for Social Sciences (SPSS) was employed to facilitate data analysis and interpretation.

The regression model for this study was specified as follows: SP = f(AC, ICS). Where:

**SP** = Sustainable Performance of SMEs
**AC** = Audit Competence
**ICS** = Internal Control System

**Econometric Form of the Model**

SP = $\beta_0 + \beta_1 AC + \beta_2 ICS + \mu$.. Where:
**$\beta_0$** = Constant term (intercept)
**$\beta_1$, $\beta_2$** = Coefficients of independent variables
**$\mu$** = Error term

Since audit competence is measured using sub-variables, the model can be expanded as:

SP = $\beta_0+\beta_1 PQ+\beta_2 AE+\beta_3 TK+\beta_4 IMS+\mu$… Where:
**PQ** = Professional Qualification
**AE** = Audit Experience
**TK** = Technical Knowledge and Skills
**IMS** = Internal Monitoring and Supervision
**SP** = Sustainable Performance (financial sustainability, operational efficiency, profitability, fraud prevention, accountability)

**Data Analysis**

**Table 1: Respondents' Opinion on Audit Professional Qualification and Financial Sustainability**

| S/N | Items | VH (5) | H (4) | N (3) | L (2) | VL (1) | Mean | SD | Decision |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Audit professional qualification improves financial reporting accuracy in SMEs | 142 | 121 | 45 | 30 | 15 | 3.99 | 1.09 | Accepted |



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| S/N | Items | VH (5) | H (4) | N (3) | L (2) | VL (1) | Mean | SD | Decision |
|---|---|---|---|---|---|---|---|---|---|
| 2 | Qualified auditors enhance financial sustainability of SMEs | 130 | 128 | 52 | 28 | 15 | 3.95 | 1.06 | Accepted |
| 3 | Professional qualification reduces financial mismanagement in SMEs | 125 | 132 | 50 | 30 | 16 | 3.91 | 1.07 | Accepted |
| 4 | SMEs with qualified auditors achieve better financial stability | 118 | 135 | 55 | 30 | 15 | 3.88 | 1.05 | Accepted |
| 5 | Audit qualification strengthens financial decision-making in SMEs | 140 | 120 | 48 | 30 | 15 | 3.98 | 1.08 | Accepted |

Grand Mean = 3.94 | Average SD = 1.07

The result shows that respondents generally agreed that audit professional qualification has a positive effect on the financial sustainability of SMEs in Enugu State. This is evidenced by the high mean scores (above 3.50 benchmark) across all items, indicating strong agreement among respondents. The highest-rated item reveals that audit professional qualification improves financial reporting accuracy, while the lowest still falls within the accepted range, confirming consistency in perception. The relatively low standard deviation values indicate that responses were not widely dispersed, suggesting agreement among SME operators and financial personnel. Decision: Since all mean scores are above 3.0 benchmark, the study accepts that audit professional qualification significantly enhances financial sustainability of SMEs in Enugu State, Nigeria.

**Table 2: Respondents' Opinion on Audit Experience and Operational Efficiency of SMEs**

| S/N | Items | VH (5) | H (4) | N (3) | L (2) | VL (1) | Mean | SD | Decision |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Audit experience improves operational efficiency in SMEs | 145 | 118 | 46 | 28 | 16 | 3.99 | 1.10 | Accepted |
| 2 | Experienced auditors enhance effective utilization of organizational resources | 136 | 126 | 42 | 33 | 16 | 3.94 | 1.09 | Accepted |
| 3 | Audit experience assists SMEs in identifying operational weaknesses | 132 | 130 | 45 | 30 | 16 | 3.94 | 1.07 | Accepted |
| 4 | SMEs with experienced auditors achieve better operational coordination | 125 | 134 | 48 | 31 | 15 | 3.91 | 1.05 | Accepted |
| 5 | Audit experience contributes to effective monitoring of business activities | 140 | 120 | 50 | 28 | 15 | 3.97 | 1.08 | Accepted |

The result indicates that respondents agreed that audit experience has a positive effect on the operational efficiency of SMEs in Enugu State, Nigeria. The mean scores for all items exceeded the benchmark value of 3.00, signifying strong positive opinions among respondents regarding the importance of audit experience in improving operational activities within SMEs. The item with the highest mean score suggests that audit experience improves operational efficiency, while other items also demonstrate that experienced auditors contribute significantly to resource utilization, operational coordination, and monitoring of


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business activities. The standard deviation values are relatively low, indicating a high level of consistency in the responses provided by the respondents.

**Table 3: Respondents' Opinion on Audit Technical Knowledge and Skills on the Profitability of SMEs**

| S/N | Items | VH (5) | H (4) | N (3) | L (2) | VL (1) | Mean | SD | Decision |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Audit technical knowledge improves profitability of SMEs | 148 | 116 | 44 | 30 | 15 | 4.00 | 1.09 | Accepted |
| 2 | Auditors with strong technical skills enhance effective financial management in SMEs | 140 | 122 | 46 | 29 | 16 | 3.96 | 1.08 | Accepted |
| 3 | Technical audit skills assist SMEs in reducing financial losses | 135 | 128 | 45 | 30 | 15 | 3.95 | 1.06 | Accepted |
| 4 | Audit technical knowledge enhances accurate financial reporting and profitability | 130 | 130 | 48 | 30 | 15 | 3.93 | 1.05 | Accepted |
| 5 | SMEs with technically skilled auditors achieve higher operational profitability | 145 | 118 | 47 | 28 | 15 | 3.99 | 1.07 | Accepted |

The result reveals that respondents strongly agreed that audit technical knowledge and skills positively influence the profitability of SMEs in Enugu State, Nigeria. This is reflected in the high mean scores recorded across all items, which are above the acceptance benchmark of 3.00. The findings indicate that technically skilled auditors contribute significantly to improved financial management, reduction of financial losses, and enhancement of accurate financial reporting within SMEs. The item with the highest mean score shows that audit technical knowledge improves profitability, while the remaining items also demonstrate strong agreement among respondents regarding the importance of technical audit skills in achieving sustainable business profitability. The standard deviation values are relatively low, indicating that respondents' opinions were closely related and consistent.

**Table 4: Respondents' Opinion on Internal Monitoring and Supervision on Fraud Prevention and Accountability in SMEs**

| S/N | Items | VH (5) | H (4) | N (3) | L (2) | VL (1) | Mean | SD | Decision |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Internal monitoring and supervision reduce fraud in SMEs | 150 | 118 | 40 | 30 | 15 | 4.02 | 1.08 | Accepted |
| 2 | Effective supervision enhances accountability in SMEs | 142 | 124 | 43 | 28 | 16 | 3.98 | 1.07 | Accepted |
| 3 | Continuous monitoring improves compliance with financial procedures | 138 | 126 | 45 | 29 | 15 | 3.97 | 1.05 | Accepted |
| 4 | Internal supervision strengthens transparency in SME operations | 132 | 130 | 46 | 30 | 15 | 3.95 | 1.06 | Accepted |


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| S/N | Items | VH (5) | H (4) | N (3) | L (2) | VL (1) | Mean | SD | Decision |
|---|---|---|---|---|---|---|---|---|---|
| 5 | Monitoring and supervision assist in detecting financial irregularities in SMEs | 145 | 120 | 45 | 28 | 15 | 4.00 | 1.07 | Accepted |

The result indicates that respondents agreed that internal monitoring and supervision have a significant positive effect on fraud prevention and accountability in SMEs in Enugu State, Nigeria. This is evident from the mean scores of all the items, which are above the benchmark mean value of 3.00, indicating strong agreement among respondents. The highest-rated item reveals that internal monitoring and supervision reduce fraud in SMEs, while other items also demonstrate that effective supervision improves accountability, transparency, compliance with financial procedures, and detection of financial irregularities. The standard deviation values are relatively low, indicating consistency in respondents' opinions and minimal variation in responses.

**Test of Hypotheses**

**$Ho_1$:** Audit professional qualification has no significant effect on the financial sustainability of SMEs in Enugu State, Nigeria.

**Table 5: Regression Analysis on the Effect of Audit Professional Qualification on the Financial Sustainability of SMEs in Enugu State, Nigeria**

Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | 0.782 | 0.611 | 0.607 | 0.514 |

ANOVA

| Model | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Regression | 145.326 | 1 | 145.326 | 549.812 | 0.000[b] |
| Residual | 92.781 | 351 | 0.264 | | |
| Total | 238.107 | 352 | | | |

Coefficients

| Model | Unstandardized Coefficients (B) | Std. Error | Beta | t | Sig. |
|---|---|---|---|---|---|
| (Constant) | 1.214 | 0.185 | | 6.562 | 0.000 |
| Audit Professional Qualification | 0.724 | 0.031 | 0.782 | 23.448 | 0.000 |

**Decision**: The study rejects the null hypothesis and concludes that audit professional qualification has a significant positive effect on the financial sustainability of SMEs in Enugu State, Nigeria.

The regression result reveals a strong positive relationship between audit professional qualification and financial sustainability of SMEs, as indicated by the correlation coefficient (R = 0.782). The R Square value of 0.611 implies that about 61.1% variation in financial sustainability is explained by audit professional qualification. The ANOVA result further shows that the regression model is statistically significant ($F = 549.812$, $p < 0.05$). The coefficient result indicates that a unit increase in audit professional qualification leads to a corresponding increase in financial sustainability among SMEs in Enugu State.

**Ho$_2$:** Audit experience has no significant effect on the operational efficiency of SMEs in Enugu State, Nigeria.

**Table 6: Regression Analysis on the Effect of Audit Experience on the Operational Efficiency of SMEs in Enugu State, Nigeria**

Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | 0.768 | 0.590 | 0.586 | 0.528 |

ANOVA

| Model | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Regression | 138.442 | 1 | 138.442 | 496.731 | 0.000[b] |
| Residual | 97.861 | 351 | 0.279 | | |
| Total | 236.303 | 352 | | | |

Coefficients

| Model | Unstandardized Coefficients (B) | Std. Error | Beta | t | Sig. |
|---|---|---|---|---|---|
| (Constant) | 1.306 | 0.192 | | 6.802 | 0.000 |
| Audit Experience | 0.698 | 0.031 | 0.768 | 22.288 | 0.000 |

Decision: The study therefore rejects the null hypothesis and concludes that audit experience has a significant positive effect on the operational efficiency of SMEs in Enugu State, Nigeria.

The regression analysis indicates a strong positive relationship between audit experience and operational efficiency of SMEs, as shown by the correlation coefficient ($R = 0.768$). The R Square value of 0.590 implies that 59.0% of the variation in operational efficiency is explained by audit experience. The ANOVA result confirms that the regression model is statistically significant ($F = 496.731$, $p < 0.05$). The coefficient result further reveals that an increase in audit experience significantly improves operational efficiency among SMEs in Enugu State, Nigeria.

**Ho$_3$:** Audit technical knowledge and skills have no significant influence on the profitability of SMEs in Enugu State, Nigeria.

**Table 7: Regression Analysis on the Influence of Audit Technical Knowledge and Skills on the Profitability of SMEs in Enugu State, Nigeria**

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | 0.801 | 0.642 | 0.639 | 0.497 |



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ANOVA

| Model | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Regression | 152.684 | 1 | 152.684 | 617.348 | 0.000[b] |
| Residual | 86.829 | 351 | 0.247 | | |
| Total | 239.513 | 352 | | | |

Coefficients

| Model | Unstandardized Coefficients (B) | Std. Error | Beta | t | Sig. |
|---|---|---|---|---|---|
| (Constant) | 1.148 | 0.176 | | 6.523 | 0.000 |
| Audit Technical Knowledge and Skills | 0.751 | 0.030 | 0.801 | 24.846 | 0.000 |

Decision: The study therefore rejects the null hypothesis and concludes that audit technical knowledge and skills have a significant positive influence on the profitability of SMEs in Enugu State, Nigeria.

The regression result shows a strong positive relationship between audit technical knowledge and skills and profitability of SMEs, as indicated by the correlation coefficient (R = 0.801). The R Square value of 0.642 implies that 64.2% of the variation in SME profitability is explained by audit technical knowledge and skills. The ANOVA result further confirms that the regression model is statistically significant (F = 617.348, $p < 0.05$). The coefficient result indicates that an increase in audit technical knowledge and skills significantly improves the profitability of SMEs in Enugu State, Nigeria.

**$Ho_4$:** Internal monitoring and supervision have no significant effect on fraud prevention and accountability in SMEs in Enugu State, Nigeria.

**Table 8: Regression Analysis on the Effect of Internal Monitoring and Supervision on Fraud Prevention and Accountability in SMEs in Enugu State, Nigeria**

Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | 0.789 | 0.623 | 0.620 | 0.506 |

ANOVA

| Model | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Regression | 149.218 | 1 | 149.218 | 582.461 | 0.000[b] |
| Residual | 89.942 | 351 | 0.256 | | |
| Total | 239.160 | 352 | | | |

Coefficients

| Model | Unstandardized Coefficients (B) | Std. Error | Beta | t | Sig. |
|---|---|---|---|---|---|
| (Constant) | 1.176 | 0.181 | | 6.497 | 0.000 |
| Internal Monitoring and Supervision | 0.736 | 0.031 | 0.789 | 24.134 | 0.000 |



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Decision: The study therefore rejects the null hypothesis and concludes that internal monitoring and supervision have a significant positive effect on fraud prevention and accountability in SMEs in Enugu State, Nigeria.

The regression analysis reveals a strong positive relationship between internal monitoring and supervision and fraud prevention and accountability in SMEs, as indicated by the correlation coefficient ($R = 0.789$). The R Square value of 0.623 shows that 62.3% of the variation in fraud prevention and accountability is explained by internal monitoring and supervision. The ANOVA result confirms that the regression model is statistically significant ($F = 582.461$, $p < 0.05$). The coefficient result further indicates that effective internal monitoring and supervision significantly enhance fraud prevention and accountability among SMEs in Enugu State, Nigeria.

**Discussion of Findings**

The study found that audit professional qualification significantly improves the financial sustainability of SMEs in Enugu State. This suggests that professionally qualified auditors enhance financial reporting quality, accountability, and financial stability. This finding agrees with Ajala et al. (2023), Oyedokun and Muhammad (2023), and Odunko (2022), who reported that effective internal control and sound financial management improve SME performance.

The study also established that audit experience has a significant positive effect on operational efficiency. This indicates that experienced auditors are better able to identify operational weaknesses, improve internal processes, and promote efficient resource utilization. This finding is consistent with Ajala et al. (2023), Ogunseye and Iwarere (2025), and Adegboyegun et al. (2020), who reported that effective audit and internal control practices enhance operational efficiency and organizational performance.

The findings further revealed that audit technical knowledge and skills significantly improve SME profitability. This implies that technically competent auditors strengthen financial management, reduce financial irregularities, and support sound business decisions that enhance profitability. The finding corroborates those of Oyedokun and Muhammad (2023), Odunko (2022), and Ogunseye and Iwarere (2025), who found that effective auditing and internal control systems positively influence organizational performance and financial outcomes.

The study equally found that internal monitoring and supervision significantly improve fraud prevention and accountability among SMEs. This indicates that effective monitoring mechanisms strengthen transparency, enhance compliance, and reduce fraudulent practices. The finding agrees with Ajala et al. (2023), Ogunseye and Iwarere (2025), and Adegboyegun et al. (2020), who reported that effective monitoring and internal control systems improve accountability and organizational performance.

In summary, the study found that audit professional qualification has a significant positive effect on the financial sustainability of SMEs in Enugu State ($R = 0.782$; $R^2 = 0.611$; $\beta = 0.724$; $F = 549.812$; $p < 0.05$), implying that professionally qualified auditors significantly improve financial accountability and long-term business sustainability. The study also found that audit experience has a significant positive effect on the operational efficiency of SMEs ($R = 0.768$; $R^2 = 0.590$; $\beta = 0.698$; $F = 496.731$; $p < 0.05$), indicating that experienced auditors enhance operational effectiveness through better resource utilization and improved



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internal processes. The findings further revealed that audit technical knowledge and skills significantly influence the profitability of SMEs ($R = 0.801$; $R^2 = 0.642$; $\beta = 0.751$; $F = 617.348$; $p < 0.05$), suggesting that auditors with sound technical competence improve financial management and profitability. Finally, the study established that internal monitoring and supervision have a significant positive effect on fraud prevention and accountability among SMEs ($R = 0.789$; $R^2 = 0.623$; $\beta = 0.736$; $F = 582.461$; $p < 0.05$), indicating that effective monitoring and supervision strengthen accountability and reduce fraudulent practices.

The study concluded that audit competence and internal control systems have significant effects on the sustainable performance of Small and Medium Enterprises (SMEs) in Enugu State, Nigeria. Specifically, audit professional qualification, audit experience, and audit technical knowledge and skills positively influence financial sustainability, operational efficiency, and profitability of SMEs. However, internal monitoring and supervision alone do not significantly affect fraud prevention and accountability unless properly integrated with other control mechanisms. The study emphasizes the need for strengthened audit capacity and robust internal control systems for improved SME performance.

The study therefore recommends that that SME owners should employ professionally qualified auditors and support continuous professional development. Government and professional bodies should strengthen certification and training programs to improve audit competence, enhance financial reporting quality, and ensure long-term financial sustainability of SMEs. It was also recommended that SMEs should prioritize hiring experienced auditors with strong technical knowledge. Regular exposure to complex audit tasks and continuous training should be encouraged to improve operational efficiency, profitability, and effective financial decision-making within small and medium enterprises. More so, SMEs should strengthen internal monitoring and supervision by integrating them with other control systems such as risk assessment and control environment. Government agencies should provide guidance and training to improve accountability, fraud prevention, and overall organizational performance.

This study is significant because it will provide empirical insight into the effect of audit competence and internal control systems on the sustainable performance of SMEs in Enugu State, Nigeria. The study will be beneficial to SME owners and managers by exposing the importance of audit professional qualification, audit experience, technical knowledge, and effective monitoring and supervision in enhancing accountability, profitability, operational efficiency, and long-term business sustainability. The findings will also assist auditors and financial professionals in understanding the need for continuous professional development and effective auditing practices in SMEs.

Furthermore, policymakers and government agencies responsible for SME development will benefit from the study through recommendations that can strengthen financial control mechanisms and improve business performance in the SME sector. Academic researchers and students will equally find the study useful as it will contribute to existing literature on audit competence, internal control systems, and SME sustainability in Nigeria. The study will also support the achievement of United Nations Sustainable Development Goal 8 by promoting sustainable economic growth, productivity, and employment generation through improved SME performance.



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