EFFECT OF AUDIT REPORT QUALITY ON CORPORATE GOVERNANCE AND ACCOUNTING INFORMATION SYSTEMS OF SMES IN LAGOS STATE, NIGERIA

Afolabi, Olusanya Stephen
Department of Accounting, Southwestern University, Nigeria, Okun-Owa, Ogun State
Email: olusanya60@yahoo.com

Abstract
The study examined the effect of Audit Report Quality on Corporate Governance and Accounting Information Systems of SMEs in Lagos State, Nigeria . The objectives of the study were to examine the effect of audit report quality on corporate governance of SMEs and to assess the effect of audit report quality on the accounting information systems of SMEs in Lagos State. Survey research design was employed. The population of the study were 8,395 registered SMEs in Lagos. The Krejcie and Morgan statistical table (1970) for sample size determination was adopted to determine the sample size. Simple random sampling technique was used to choose the right participants. Data for the study was analyzed with percentage, and frequency distribution. Hypotheses were tested using linear regression analysis with SPSS version 25.0. The study found that audit report quality has a positive significant effect on corporate governance of SMEs in Lagos State ($R=.613^a$, $R^2=.376$, F-stat=209.275, $p=.000$). The study in addition, discovered that audit report quality has a significant and positive effect on accounting information system of surveyed SMEs in Lagos State ($R=.496^a$, $R^2=.246$, F-stat=113.730, $p=.000$). The study recommended that SMEs should always prepare and submit their audited account on time, so as to maintain good reputation and avoid penalty by government authorities. In addition, corporate governance of SMEs should imbibe the culture of timely preparation of financial statements for effectiveness and efficiency

Key words: *Accounting Information System, Audit Report Lag, Audit Report Quality, Corporate Governance, SMEs*

Introduction

Audit delay has been found to be a decreasing function of client ownership concentration (Bamber et al., 1993). This situation has become a matter of concern for investors and other stakeholders who rely on audit reports for decision-making purposes. Delays in the release of audit reports can cause investors to lose confidence in the financial information presented. Companies experiencing financial distress tend to have comparatively longer audit delays and weaker corporate governance structures (Soltani, 2002). A longer audit report lag may also increase the chances of information leaking to external parties before its official release. Dibia and Onwuchekwa (2013) submitted that audit report lag negatively affects the quality of financial reporting.

Timely preparation of financial accounts is beneficial to owners and other stakeholders, as it enhances the reliability and usefulness of financial information. Furthermore, prompt reporting helps to prevent corporate scandals and reduces the level of uncertainty and risk faced by owners when making business decisions.

The timely submission of financial statements is therefore crucial for effective decision-making. A timely audit report serves as the bedrock of confidence for users of financial information (Che-Ahmad & Abidin, 2008). Scott and Gist (2013) assert that auditing provides independent assurance to investors and other stakeholders. Boyne and Law (1991) also argue that the annual audit report serves as a mechanism for discharging accountability and represents one of the most comprehensive reports available to the public. Several factors affect the quality and timeliness of audit reports, such as audit report lag, weak corporate governance, poor record keeping, ineffective accounting information systems, and untrained staff, among others. However, this study focuses specifically on accounting information systems and corporate governance, as these variables have not been adequately examined in the context of small and medium-sized enterprises (SMEs) in Lagos State, Nigeria.

Several scholars such as Muhammed (2020), who examined the effect of auditor attributes on audit report lag among quoted service companies, and Hasan, Ali, and Hamid (2020), who investigated the moderating effect of audit and audit committees on financial reporting quality in Malaysia, have contributed to this field of study. Other studies include Ukom (2020), Firnanti and Karmudiandi (2020), and Annisa and Srihadi (2021). However, these studies did not examine the roqualityles of corporate governance and accounting information systems among SMEs in Lagos State.

Effective corporate governance involves the establishment of regulations and guidelines aimed at achieving desired organizational outcomes. These governance mechanisms include external audit requirements and the disclosure of directors' interests in shareholdings, among others. Ilaboya and Iyafekhe (2014) posited that financial reporting should be viewed as part of the accountability process through which shareholders are informed of significant updates regarding economic events that occurred during the financial year. However, the length of time taken by auditors to complete the audit process may affect the timeliness with which audited financial statements are released to users (Almosa & Alabbas, 2008). Hence, this study examines the effect of audit report quality on corporate governance and accounting information systems among SMEs.

Statement of the Problem

Small and Medium-Sized Enterprises (SMEs) have been widely recognized as a major engine of sustainable economic growth and development. This critical sub-sector not only outnumbers large corporations by a significant margin but also employs a greater proportion of the workforce. Consequently, the economic success of many countries has often been attributed to the vibrancy of their small and medium-sized business sector. The development of Small and Medium Enterprises (SMEs) in Nigeria is therefore a vital component of the country’s growth strategy. SMEs contribute significantly to improved living standards, promote local capital formation, and enhance productivity within the economy (Okufolami, 2003). Despite the global recognition of SMEs for their roles in innovation and economic development, insufficient attention has been given to issues relating to audit practices within this sector, particularly the influence of audit report quality and audit report lag on their operations. Delays in the preparation of audit reports and the drafting of unaudited financial statements by firms and external auditors may undermine investor confidence in the financial reports presented. In the case of SMEs, inadequate accounting records and non-adherence to Generally Accepted Accounting Principles (GAAP) significantly affect the timeliness of audit reports.

Furthermore, the increasing number of institutional failures across the globe in recent years has drawn considerable attention to the importance of effective corporate governance structures. Ineffective governance systems have frequently resulted in corporate failures, which negatively affect not only shareholders but also employees, suppliers, consumers, and the broader economy (Wahid, 2012). For instance, major corporate scandals in the United States led to the collapse of companies such as Enron, WorldCom, Tyco, Xerox, and the Dot-Com firms, while HIH Insurance failed in Australia in 2001. Similarly, the bankruptcy of Parmalat in Italy resulted in an estimated loss of about $20 billion. The failure of many of these companies has led to an increase in investment risk (Mohamad-Nor, Shafie & Wan-Hussin, 2010). Consequently, investor confidence in the capital market may be adversely affected, as the quality and timeliness of audit reports play a significant role in reducing the likelihood of fraud and enabling investors to make informed decisions.

A review of existing literature (Ukom, 2020; Firnanti & Karmudiandri, 2020; Annisa & Srihadi, 2021) reveals that most previous studies on audit report quality and audit report lag have primarily focused on banks, multinational corporations, and firms listed on the stock exchange. However, limited empirical attention has been given to Small and Medium Enterprises. This study therefore examines the Effect of Audit Report Quality on Corporate Governance and Accounting Information Systems of SMEs in Lagos State, Nigeria

Objectives

The main objective of this study is to examine the Effect of Audit Report Quality on Corporate Governance and Accounting Information Systems of SMEs in Lagos State, Nigeria

The specific objectives of the study are:

1. To examine the effect of audit report quality on corporate governance of SMEs in Lagos State
2. To assess the effect of audit report quality on accounting information systems of the SMEs in Lagos State

Research Questions

Based on the problems identified above, the following research questions were asked:

i. How does audit report quality affect the corporate governance of SMEs in Lagos State?

ii. To what extent does audit report quality affect accounting information systems of SMEs in Lagos State?

Research Hypotheses

H_{01}: Audit report quality has no significant effect on corporate governance of SMEs in Lagos State

H_{O2}: Audit report quality has no significant effect on accounting information systems of SMEs in Lagos State

Literature Review

Audit Report Quality

According to Filali and Harrag (2025), audit report quality refers to the extent to which an audit is carried out with competence, independence, and access to reliable information in order to produce credible and dependable financial reports. Similarly, Animasaun et al. (2025) viewed audit report quality as the degree to which auditors comply with professional auditing standards in producing accurate and reliable audit reports. In the same vein, Taldybayeva (2025) defined audit report quality as the ability of the audit process to improve financial transparency and strengthen investor confidence through compliance with governance and institutional standards. Furthermore, Ilias and Md Zin (2025) described audit report quality as an assurance mechanism that enhances the credibility, transparency, and reliability of sustainability and financial disclosures. Likewise, KPMG (2025) defined audit report quality as the outcome achieved when audits are consistently performed in accordance with regulatory requirements and professional standards within a strong system of quality control, ethics, and independence.

Corporate Governance

Mayer (1997) defined corporate governance as a mechanism for aligning the purpose of shareholders and administrators, and guarantee smooth running of business for shareholder's benefit. Corporate governance dealt with the association that exist among between internal management mechanism of organizations and community"s expectations (Deakin & Hughes, 1997). Furthermore, Keasey et al. (1997) described corporate governance as encompassing “the structures, processes, cultures, and systems that facilitate the successful operation of organizations.” Similarly, Maati (1999) viewed corporate governance as a series of mechanisms in society that support economic activities, promote a more productive system, generate income, and ensure the equitable distribution of dividends among owners in accordance with their level of investment in the company.

In general terms, corporate governance describes how companies are managed, planned, and directed. It focuses on supervising and holding accountable those responsible for directing and controlling management. In small and medium-sized enterprises (SMEs), corporate governance concerns the respective roles of shareholders as owners and managers (including directors and other officers) who oversee daily operations. It involves establishing rules and procedures that guide how the company is managed, as well as implementing checks and balances to prevent abuse of authority and ensure the integrity of financial reporting. Consequently, the role and independence of the auditor have come under increasing scrutiny.

Accounting Information Systems

Accounting Information Systems (AIS) is a set of interrelated components, both physical and non-physical, aimed at transforming data into useful information for users, particularly accounting information users (Wilkinson et al., 2004; Azis, 2015; Bodnar & Hopwood, 2014). The quality of Accounting Information Systems is characterized by several features. First is integration, which refers to the extent to which the accounting information system can combine and process information from various sources. Second is reliability, which entails the system's ability to produce accurate and dependable information that meets users' needs. Third is flexibility, which refers to the ability of the system to adapt to changing user requirements and organizational conditions. Lastly, accessibility refers to the extent to which the information system can be accessed easily by authorized users.

Accounting information is information that possesses economic value and provides knowledge about the actual activities within an organization, thereby supporting decision-making by both internal and external stakeholders (Walton et al., 2003; Collier, 2003; Zhang, 2014; Bettner, 2015). Quality accounting information is information that enables organizations to make informed and effective decisions.

Small and Medium Enterprises

Small and Medium-sized Enterprises (SMEs) are defined differently across countries and institutions. The Companies and Allied Matters Act (CAMA, 2020) defines a small company as a private enterprise with an annual turnover of not more than ₦120 million and total assets not exceeding ₦60 million. The features used in defining SMEs include annual sales or turnover, number of employees, value of assets owned by the company, market capitalization, or a combination of these factors. In the United States (2023), SMEs are defined as enterprises with no more than 500 employees. However, Olorunshola (2003) maintained that the definition of SMEs changes over time and depends largely on a country's level of economic development.

Theoretical Framework

Effective Information Theory

This study is anchored on Effective Information Theory, as it is considered relevant because it covers all the variables of interest in the study. According to Murkowski (2024), establishing and developing an efficient communication system is very important for any organization because it enables the effective transmission of vital information throughout the organization. Typically, it is the responsibility of managers to implement and maintain an appropriate communication system within the organization. Effective communication enhances organizational performance by facilitating proper planning, organizing, leading, and controlling of activities. In addition, communication serves as the foundation for the planning process within an organization. High-quality communication also enables managers to focus on their responsibilities and perform their duties efficiently.

Managers are required to communicate regularly with their subordinates to provide guidance, instructions, and reminders regarding their duties and responsibilities. However, in the absence of effective communication, managers may not be able to properly disseminate information, which can negatively affect employees' performance, as they may not clearly understand their assigned tasks. Therefore, communication remains a central element in the smooth operation of business activities. This theory therefore supports the importance of effective communication in ensuring efficient corporate governance within organizations.

Empirical Review

In Nigeria, Ukom (2020) employed an ex-post facto research design and regression analysis to investigate the impact of audit quality on auditor independence among selected production firms. The study found that audit reports significantly influence corporate governance and audit report lag, while auditor independence was discovered not to have a significant effect on audit report lag.

Similarly, Osiah, Funmilayo, and Bosun (2023) examined non-financial firms listed on the Nigerian Exchange Group. Using an ex-post facto research design and quantile regression analysis, the study analyzed annual reports of seventy-five non-financial companies between 2010 and 2019 to determine the effect of corporate governance on audit delay. The findings indicated that audit report lag significantly affects board size and board independence.

Muhammed (2020) conducted a study using an ex-post facto and correlational research design to analyze the influence of auditor attributes on audit report lag among quoted firms on the Nigerian Stock Exchange. The results revealed that auditors' expertise improves audit report lag.

In the same vein, Oranefo and Patricia (2022) adopted an ex-post facto research design using secondary data from 2011 to 2020 to examine the influence of ownership structure on audit report lag among public limited liability companies engaged in production activities. The findings showed that ownership structure does not significantly affect audit report lag.

Furthermore, Ishaku, Abdulkarim, and Mohammed (2021) utilized an ex-post facto design with secondary data obtained from annual reports and accounts between 2013 and 2018 to determine the moderating effect of audit quality on board characteristics and audit report lag among quoted non-financial firms. The study revealed that audit quality significantly moderates the relationship between board characteristics and audit report lag.

Similarly, Josiah, Ekpe, and Yemisi (2023) examined the influence of corporate governance on audit delay among non-financial service firms listed on the Nigerian Exchange Group. Using an ex-post facto design and quantile regression analysis, the researchers analyzed annual reports of seventy-five firms from 2010 to 2019. The findings revealed that board size and board independence significantly affect audit report lag. Patrick and Peace (2020) investigated the effect of audit fees on audit report lag among manufacturing firms in the industrial goods sector. The study revealed a negative but insignificant relationship between audit fees and audit report lag.

In Ghana, Williams, Arthur-Teng, and Kyeremeh (2022) used secondary data from 2008 to 2019 to examine the effect of audit committee characteristics on audit report lag among selected quoted firms. The findings showed that effective audit committee characteristics enhance timely completion of audit reports.

In Europe, Firnanti and Karmudiandi (2020) examined corporate governance using audit committee characteristics such as organizational size, board meetings, independence, and expertise. The study found that all the selected characteristics significantly influence audit report lag.

In Asia, Annisa and Srihadi (2021) used Structural Equation Modeling (SEM) and Partial Least Squares (PLS) with 72 respondents in Indonesia to investigate the effect of audit report quality on accounting information systems and the financial performance of organizations. The study revealed that audit report quality positively influences accounting information systems and supports the production of high-quality accounting information.

Similarly, Hasan, Ali, and Hamid (2020) conducted a study in Malaysia to examine the effect of audit reporting, adopting audit quality as a moderating variable. The findings revealed that financial expertise and audit committee meetings significantly support real earnings management. However, audit committee independence and organizational size were found to be insignificant.

In Turkey, Ahmed (2022) investigated 30 organizations using the Westerlund Cointegration test and the Common Correlated Effects (CCE) Group Estimator to examine the effect of corporate governance and audit reporting lags on firm performance. The results revealed that reporting lags significantly affect the return on investment of the sampled firms, while board independence also significantly influences organizational performance.

In America, Zhou, Jiaxin, and Dongliang (2022) employed the Ordinary Least Squares (OLS) technique to examine how Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS) influence audit pricing and audit report lag between 2007 and 2019. The findings indicated that companies adopting IFRS reporting standards experience longer reporting periods and incur higher audit costs than those using GAAP.

Methodology

The study adopted a survey research design. The population of the study comprised 8,395 registered Small and Medium Enterprises (SMEs) in Lagos State, as recorded by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and the National Bureau of Statistics (NBS) (2019). The choice of Lagos State was based on the fact that it hosts the highest number of SMEs in Nigeria. The Krejcie and Morgan (1970) statistical table for sample size determination was adopted to estimate the sample size. Using this method, a sample size of 367 respondents was obtained. A simple random sampling technique was employed to select the respondents.

Data for the study were collected using a structured questionnaire, which was administered through Google Forms and in-person distribution. The content validity of the research instrument was assessed by selected scholars in the field of accounting. The reliability of the research instrument was ensured using the Cronbach's Alpha formula, which produced a reliability coefficient of 0.81, indicating that the instrument was reliable. The data collected were analyzed using percentage and frequency distribution, while the hypotheses were tested using linear regression analysis with SPSS version 25.0.

Model Specification

The study examines the Effect of Audit Report Quality on Corporate Governance and Accounting Information Systems of SMEs in Lagos State, Nigeria

Corporate Governance (CG) and Accounting Information Systems (AIS) represents the dependent variable, while Audit Report Quality (ARQ) represents the independent variable.

The general model adapted for this study is therefore stated as follows:

Y = f(X)

where, Y represents dependent variables

X represents independent variable

The functional relationship for this study:

CG= f (ARQ)

AIS= f (ARQ)

Where, ARQ= Audit Report Quality

CG = Corporate Governance

AIS = Accounting Information Systems

Furthermore, the above equation can be further subdivided based on the objectives stated for this study

Modelling the Effect of Audit Report Quality on Corporate Governance among SMEs in Lagos State The equation below indicates the functional relationship between the dependent and independent variables as follows:

CG= f(ARQ)

where CG represents corporate governance

ARQ represents audit report quality

The linear relationship is presented in equation below:

$CG=¢_0+¢_1ARQ+e$

where, CG represents corporate governance

$\emptyset_0$ represents constant term

$\emptyset_1$ represents coefficient of the estimator

e represents error term

$\emptyset_1, \emptyset_2$ are regression coefficients of the model

A priori expectation: $\emptyset_1, \emptyset_2 > 0$

Audit Report Quality (ARQ) is expected to have a positive effect on Corporate Governance (CG).

Modelling the Effect of Audit Report Quality on Accounting Information Systems among SMEs in Lagos State.

The linear relationship is presented in equation

$AIS=¢_0+¢_1ARQ+e$

where, AIS represents Accounting Information Systems

presents constant term

represents coefficient of the estimator

e represents error term

are regression coefficients of the model

A priori expectation:

Audit Report Quality (ARQ) is expected to positively affect Accounting Information Systems (AIS).

Data Analysis

Out of the three hundred and sixty-seven (367) questionnaires administered to the respondents, three hundred and fifty (350) were correctly completed and returned. This represents a 95% response rate, which is considered adequate for the study. Therefore, the data analysis and hypothesis testing were based on the 350 returned questionnaires.

Descriptive Analysis of the Respondents Information

Table 1: Age of respondents

Age	**Frequency**	**Percent**	**Valid Percent**	**Cumulative Percent**
18-30 years	50	14.3	14.3	14.3
31-40 years	250	71.4	71.4	85.7
41yrs and above	50	14.3	14.3	100.0
Total	**350**	**100.0**	**100.0**	

Source: Field Survey, 2025

The table above presents the age distribution of the respondents who filled and returned the questionnaires administered for the study. The findings revealed that 50 respondents, representing 14.3%, are between the ages of 18–30 years. In addition, 250 respondents, representing 71.4%, fall within the age range of 31–40 years, while 50 respondents, representing 14.3%, are 41 years and above. This result indicates that the majority of the respondents are between 31 and 40 years of age. This implies that most of the respondents are mature and experienced enough to provide reliable and relevant information for the study.

Table 2: Gender of Respondents

Gender	Frequency	Percent
Male	190	54.3
Female	160	45.7
Total	350	100

Source: Field survey, 2025

Table 2 presents the gender distribution of the respondents. The result shows that 190 (54.3%) of the respondents were male, while 160 (45.7%) were female. This indicates that male respondents were slightly more than their female counterparts in the study. However, the difference is not significant. This implies that the gender distribution of the respondents is fairly balanced and does not introduce bias into the study.

Table 3: Years of experience

Years of experience	**Frequency**	**Percent**	**Valid Percent**	**Cumulative Percent**
1-5 years	21	6	6	6
6-10 years	265	75.7	75.7	81.7
11-20 years	49	14	14	95.7
21 years and above	15	4.3	4.3	100
Total	**350**	**100.0**	**100.0**	

Source: Field survey, 2025

Table 3 above presents the respondents' years of business experience. The results show that 21 (6%) of the respondents had between 1–5 years of business experience, while 265 (75.7%) had between 6–10 years of business experience. In addition, 49 (14%) of the respondents had 11–20 years of business experience, whereas 15 (4.3%) had 21 years and above. This indicates that the majority of the respondents had between 6–10 years of business experience, suggesting that most participants possess considerable experience in business operations.

Table 4: Cadres of respondents

Cadres	**Frequency**	**Percent**	**Valid Percent**	**Cumulative Percent**
Small Business owners	140	40	40	40
Medium business owners	135	38.6	38.6	78.6
Employees	40	11.4	11.4	90
Others	35	10	10	100
Total	**350**	**100.0**	**100.0**	

Source: Field survey, 2025

Table 4 shows the cadres of respondents involved in the study. The result revealed that 140 (40%) of the respondents were small business owners, 135 (38.6%) were in the medium business category, 40 (11.4%) were employees working in SMEs, while 35 (10%) belonged to other categories. This implies that the majority of the respondents were owners or operators of SMEs. Consequently, they are in a good position to provide reliable and first-hand information relevant to the study.

Correlation Analysis

Table 5: The Mean, Standard Deviation, and Bivariate correlation among the variables of the study

				Correlation							
Factor		**Mean**	**SD**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**
1.	SME	3.49	.44	1							
2.	CG	3.28	.66	.613**	1						
3.	AIS	3.16	.73	.486**	.623**	1					
4.	ARQ	3.20	.65	.496**	.604**	.770**	1				

Key: **p<0.01; N = 350. SD: Standard Deviation; ARQ: Audit Report Quality; CG: Corporate Governance, INF: Accounting Information Systems

Source: Field Survey, 2025

Pearson correlation analysis was conducted to examine the relationships among the variables, as presented in Table 5. The results revealed a significant positive relationship between audit report quality and corporate governance of SMEs in Lagos State (r = .613; p < .01). This suggests that improvements in corporate governance practices are associated with higher audit report quality among SMEs. In other words, better governance structures and oversight mechanisms tend to enhance the quality of audit reports produced. Furthermore, the table showed the correlation between audit report quality and accounting information systems of SMEs in Lagos State. The result indicated a moderate positive relationship between audit report quality and accounting information systems (r = .496; p < .01). This implies that an effective and well-structured accounting information system contributes to improving the quality of audit reports among SMEs in Lagos State.

It is important to note that correlation analysis only indicates the degree of association between variables and does not establish causality. Therefore, the correlation test serves as a preliminary analysis. To further examine the causal relationships among the variables in this study, regression analysis was subsequently conducted.

Test of Hypotheses

Hypothesis One:

H_{01}: Audit report quality has no significant effect on corporate governance of SMEs in Lagos State

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.613	.376	.374	.34599

a. Predictors: (Constant), Audit report lag
Source: Field survey, 2025

Table 6 above showed the regression output of the two variables of audit report quality and corporate governance. Findings from the table showed a regression R=.613. this showed that there is a strong relationship between audit report quality and corporate governance. A further result of the R^2=.376 showed that audit report quality contributed 37.6% of the variance in corporate governance.

Table 7: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	25.052	1	25.052	209.275	.000[b]
	Residual	41.540	347	.120		
	Total	66.592	348			

a. Dependent Variable: Corporate governance
b. Predictors: (Constant), Audit Report Quality
Source: Field survey, 2025

Table 7 showed the ANOVA output for the study. Findings from the table showed an F-stat= 209.275) this indicates that the relationship between audit report quality and corporate governance is significant.

Table 8: Co-efficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.167	.093		23.180	.000
	Audit report quality	.404	.028	.613	14.466	.000

a. Dependent Variable: Corporate governance
Source: Field survey, 2025

Findings from above table, showed the individual contribution of Corporate governance was .404. This implies that Corporate governance contributed 40.4% of the variance. This fact also corroborates the fact that audit report quality was a good predictor of corporate governance. As a result, hypothesis one, which stated that audit report quality has no significant effect on corporate governance of SMEs in Lagos State is rejected, in order to accept that audit report quality has significant effect on corporate governance of SMEs in Lagos State

Hypotheses Two

H_{O2}: Audit report quality has no significant effect on accounting information system of SMEs

Table 9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.496[a]	.246	.244	.38119

a. Predictors: (Constant), accounting information systems
Source: Field survey, 20255

Results from the table above indicates regression R=.496. this showed that there is a moderately strong relationship between audit report quality and accounting information system of SME. A further result of the R^2 =.246 showed that audit report quality explained 24.6% of the variation in accounting information systems. This is a significant amount and sufficient enough to conclude that auditor report quality was a good predictor of accounting information system of SMEs.

Table: 10 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.525	1	16.525	113.730	.000[b]
	Residual	50.565	348	.145		
	Total	67.091	349			

Dependent Variable: accounting information systems
b. Predictors: (Constant), auditor report quality
Source: Field survey, 2025

Table 10 showed the ANOVA output for the study. Findings from the table showed an F(1); 348=113.730;p=.01). This indicates that the relationship between auditor report quality and accounting information system of SME is a good fit, given that the F-calculated is greater than -1.96 and 1.96.

Table 11: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.395	.105		22.785	.000
	Audit report quality.	.333	.031	.496	10.664	.000

a. Dependent Variable: accounting information systems
Source: Field survey, 2024

Table 11 presents the coefficient table showing the relationship between the variables under consideration. The findings revealed that the individual contribution of accounting information systems in the study is 0.333. This implies that accounting information systems contributed 33.3% of the variance in the model. This result further confirms that audit report quality is a good fit and a significant predictor of the accounting information systems of SMEs.

Discussion of Findings

Based on the results obtained from the research questions, analyzed data, and tested hypotheses, the following findings were established in this study. Regarding research question one, respondents were asked to provide their views on how audit report quality affects corporate governance decision-making in SMEs. Findings from the responses, analyzed data, and tested hypotheses revealed that high-quality audit reports enhance corporate governance in SMEs. This occurs through the provision of reliable financial reports that support better decision-making. In addition, quality audit reports promote corporate accountability, transparency, and responsiveness within SMEs.

These findings corroborate the study conducted by Ukom (2020), who examined the effect of audit quality and auditor independence on audit report lag among manufacturing companies in Nigeria. The study found that audit report lag significantly affects corporate governance in industrial goods firms in Nigeria. Similarly, Firnanti and Karmudiandri (2020) also reported that audit report quality significantly influences corporate governance. In addition, Josiah, Ekpe, and Yemisi (2023) conducted a study on corporate governance with the aim of examining its impact on audit report lag and found that audit report quality significantly affects corporate governance.

With respect to research question two, respondents were asked how audit report quality affects the accounting information systems of SMEs. The findings revealed that audit report quality significantly influences the accounting information systems of SMEs, particularly in supporting effective managerial decision-making. This finding is consistent with Annisa and Srihadi (2021), who conducted an empirical study to examine the impact of organizational framework on accounting information system quality and financial performance. Their study confirmed that improvements in organizational and reporting structures enhance the quality and effectiveness of accounting information systems.

Conclusions

This study examined the Effect of Audit Report Quality on Corporate Governance and Accounting Information Systems of SMEs in Lagos State, Nigeria from January to June 2024. The study concluded that audit report quality positively and significantly affects corporate governance and accounting information systems among SMEs in Lagos State.

Recommendations

Based on the findings of this study, the following recommendations are made:Small and Medium Enterprises (SMEs) should ensure that their audited financial statements are prepared and submitted promptly. Timely submission will help maintain a good corporate reputation and prevent the imposition of heavy penalties by government regulatory authorities.

The corporate governance structure of SMEs should cultivate and promote a culture of timely preparation of financial statements. This will enhance organizational effectiveness and efficiency since management decision-making processes rely heavily on timely and reliable financial information. Furthermore, timely financial reporting promotes corporate discipline and accountability within the organization.

Timely preparation and release of financial statements will also benefit external users such as investors, creditors, and regulators, as it enables them to access relevant financial information quickly for informed decision-making.

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