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Enhancing accountability and performance: The impact of external auditing on Hindustan Unilever Limited

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Abstract
Many objectives guided the investigation into how external auditing affected Hindustan Unilever Limited's (HUL) financial performance. These included assessing the effect of internal control systems on organizational performance, assessing the adherence to professional ethics and skills by external auditors, and figuring out how verifying accounting data affected organizational performance. But when the Goodness of Fit was compared to the significance threshold (0.05), 0.9 exceeded 0.05, indicating that the disturbance terms were not regularly distributed, and the null hypothesis was rejected.

The study results demonstrate how significantly responsibility is increased at HUL by the efficiency of verifying accounting data. It keeps account arithmetic precision, guarantees accurate asset value, encourages appropriate recording and valuation procedures, helps to prevent account manipulation, and facilitates the identification of fraudulent activity and transaction issues. Moreover, it presents an accurate and sincere picture of HUL's financial circumstances. The analysis finds that HUL's internal auditing program is inadequate and ineffective in raising organizational performance and accountability. As a result, there is a clear need for a stronger and more effective auditing approach, such as external or statutory auditing, to help Hindustan Unilever Limited improve its accountability mechanisms, service delivery quality, and economic efficiency, thereby improving the company's overall performance.

Keywords: External auditing, financial, performance

Introduction
Explain that the term "audit" comes from the Latin "audile," which means "to listen." Initially, an inspector would listen to a bookkeeper review records to ensure accuracy. The history of auditing is as old as that of bookkeeping. Traditionally, Book reviews have been used to point out and fix mistakes and false entries. According to Furnham and Gunter (2015), the requirement for independent ownership and management of commercial firms led to the development of auditing in the 18th century. The shareholders demanded an independent report from top management on the organization's overall performance review aimed at assessing the validity and reasonableness of records, rather than simply identifying errors.

Auditing has become a legal obligation for institutions with the potential to exploit financial information due to strong incentives for misstatement, such as taxes, misreporting, and fraud. Audits have traditionally focused on gathering information regarding a company's financial processes and records. Audits aim to provide reasonable assurance that statements are error-free, given limits. Consequently, statistical sampling is frequently used in audits. In financial audits, financial statements are considered accurate and fair if there are no major misstatements. This idea is influenced by both quantitative and qualitative variables asserts that the most contentious aspect of an accountant's job is auditing. In recent years, the demise of Enron and WorldCom, along with its auditors, Arthur Andersen, has brought attention to the significance of corporate audits.

Statement of the problem
External auditing is necessary for effectively communicating financial information to stakeholders in today's economic environment.

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Risk management is given top priority by external auditors since any adverse effect on the company could compromise the financial statements. Scheduling and carrying out audits. The work of external auditors is heavily criticized, mostly for not meeting expectations about performance standards and commitments. Due to a lack of independence and professional competence, a lack of time, and a failure to adhere to appropriate standards and regulations, auditors have been charged with conducting low-quality audits. Several reports have surfaced regarding the decline in trust that the public has in the work of external auditors, which consequently affects the audit function and lowers public confidence in the audit profession overall. The "audit expectation performance gap" is a mismatch between expectations and perceived outcomes that leads to negative perceptions of audit work.

Research Questions
The following research questions are aimed at achieving this objective:
1. How does accounting data verification affect Hindustan Unilever Limited's financial performance?
2. Do Hindustan Unilever Limited's external auditors conduct their audits professionally and competently?
3. What impact has the internal control system had on Hindustan Unilever Limited's financial results?

Objectives of the study
To attain this objective, the following particular goals are outlined in order of importance.
1. To analyze the effect that accounting data verification has on Hindustan Unilever Limited's financial results.
2. To Examine the professional and moral conduct of external auditors when assessing Hindustan Unilever Limited.
3. To determine the impact of internal control on organizational performance in Hindustan Unilever Limited.

Methodology of the study
Research Design
A research design, according to Cooper and Schindler (2003), is a strategy that delineates methods for obtaining data and resolving research-related issues. The impact of external auditing on the financial performance of Ugandan enterprises was investigated using a descriptive design in this study. To explain what is happening, the descriptive study design entails obtaining descriptions of present phenomena.

Population of the study
The study focuses on accountants, auditors, managers, and employees from Hindustan Unilever Limited. According to the human resource records, there are 20 participants. The study focused on a single organization in India, as most organizations are based in cities.

Sample size determination
Twenty (20) respondents were included in the sample.
The Crochan formula was used to sample the population.
Population Size (N): 20
Confidence Level (Z): Typically, 95%, which corresponds to a Z value of 1.96.

The margin of Error (E): This is the precision you want, often set at 0.05 for 5%.
Estimated Proportion (P): This is the estimated proportion of the attribute present in the population, often set at 0.5 when unknown for maximum variability.

Cochran's formula for an infinite population is:
Cochran's formula for an infinite population is:

$$n_0 = \frac{Z^2 \cdot P \cdot (1-P)}{E^2}$$

For finite populations, the formula adjusts to:

$$n = \frac{n_0}{1+\left(\frac{n_0-1}{N}\right)}$$

$$n_0 = \frac{(1.96)^2 \cdot 0.5 \cdot (1-0.5)}{(0.05)^2}$$

$$n = \frac{384.16}{1+\left(\frac{384.16-1}{20}\right)}$$

$$n = \frac{384.16}{1+\left(\frac{383.16}{20}\right)}$$

$$n = \frac{384.16}{1+19.158}$$

$$n = \frac{384.16}{20.158}$$

$$n \approx 19.05$$

Therefore 19 Respondents were chosen for the study.

Table 1: Sample of respondents to be selected under the study

Category	Population	Sample
Accountants	10	8
Auditors	4	7
Managers	6	4
Total	20	10

Sampling Techniques and Procedures
The study included both probability and non-probability sampling strategies. The researcher employed a probability sample to study the entire organization's population. Employees of Hindustan Unilever Limited in India were eligible to participate in the study.
According to Amin (2005), probability sampling involves picking a sample so that all items in the population have equal chances of selection. The basic random sampling technique ensures that all population items have a proportionate possibility of being nominated in the sample.

Data Collection
Throughout the study, data was collected using both quantitative and qualitative methodologies. Quantitative statistics were collected using a questionnaire survey, while qualitative material was gathered through interviews and documentary reviews. The researcher will select a data-gathering method that is more appropriate for the intended aims. According to Amin (2005), the questionnaire survey approach involves asking a set of questions to gather data from a wide group of people in a study. The questionnaire is an excellent data collection strategy with the following

benefits: The procedure is standardized with consistent phrasing and uses a coding system to maintain secrecy. According to Barker *et al.* (2002), it can cover humiliating, socially unwanted, or unlawful themes and is cost-effective to administer. The strategy was used to collect data from middle-level and lower-level staff who are actively involved in organizational activities.

Data Analysis
Data was first entered into Microsoft Excel for data cleansing, and then it was loaded into SPSS version 23 statistical software for analysis. Quantitative data analysis included descriptive and inferential statistics; descriptive statistics analyzed frequencies, percentages, means, charts, and standard deviations defines data analysis as the act of organizing, structuring, and interpreting raw data to assess reliability and answer research questions.
The 5-point Likert scale, which ranges from strong agreement to strong dissent, is the basis for the investigation of central tendency and dispersion. Pearson's correlation

coefficient and linear regression analysis were used to perform inferential statistics.

Results of the Study
General Findings on the Demographics of Respondents
The demographics of the respondents-gender, age, work history, and highest level of certification-are shown in this section.

Table 2: Response on gender of respondents in Hindustan Unilever Limited

Gender	Frequency	Percentage
Male	14	78
Female	5	22
Total	19	100

***Source*:** Primary Data

Table 2 and Figure 1 show that 78% of respondents were male and 22% were female, with frequencies of 14 and 5, respectively. The bar graph below further illustrates this point
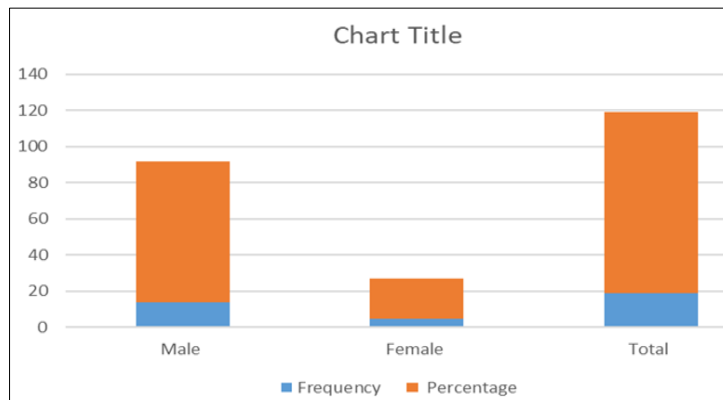
Table 3: Response on the age of respondents in Hindustan Unilever Limited

Age	Frequency	Percentage
20-29	0	0
30-39	5	25
40-49	10	54
50 and above	4	21
Total	19	100
Maximum = 60	Minimum = 20	SD = 21.78
Kurtosis =0.9		

Source: Primary Data

Table 3 and Figure 2 demonstrate that, with a frequency of 10, the majority of responses (53%) are from respondents aged 40–49. These respondents are followed by those aged 30-39 (26%), 50+ (21%), and 20–29 (0.0%). Age satisfies the requirements of central tendency since the standard deviation (21.78) lies between the maximum age (60) and

minimum age (20). Nevertheless, since 0.9 is greater than 0.05 and the Jarque-Bera value (0.9) is greater than the significance threshold (0.05), we reject the null hypothesis and conclude that the disturbance terms are not regularly distributed.
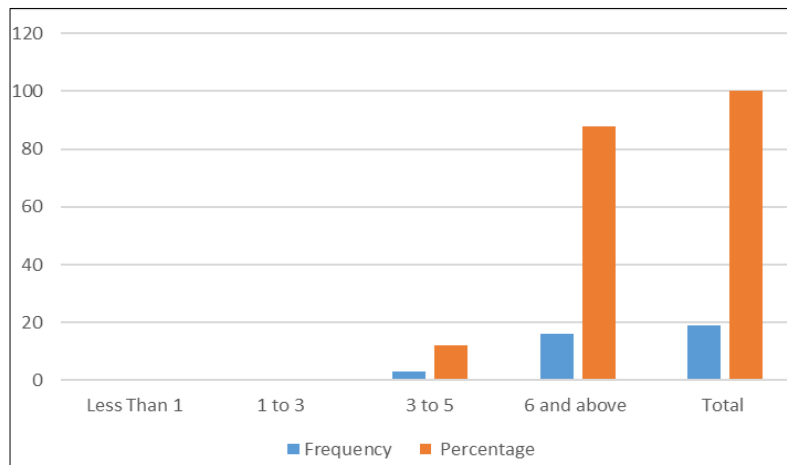
Table 4: Response on the working experience of respondents in Hindustan Unilever Limited

Years	Frequency	Percentage
Less Than 1	0	0
1 to 3	0	0
3 to 5	3	12
6 and above	16	88
Total	19	100

Source: Primary Data

Based on the aforementioned study, 88% of respondents had worked at Hindustan Unilever Limited for six years or more, and 12% had worked there for three years or less. This means that no respondent had worked there for less than a year or one to three years. This is further demonstrated in the bar graph that is displayed here.

**Fig 3:** A bar graph illustrating the working experience of respondents

Table 5: Response on the highest level of qualification of respondents in Hindustan Unilever Limited

Qualification	Frequency	Percentage
Certificate	0	0
Diploma	0	0
Degree	8	43
Masters	4	15
Postgraduates	7	42
Total	19	100

Source: Primary Data

The aforementioned table indicates that the respondents' minimum level of qualification is a degree, which is held by 47% of respondents with a frequency of 9, a master's degree by 16% with a frequency of 3, and a postgraduate degree by 37% with a frequency of 7. Consequently, all respondents are qualified workers. Additionally, the bar graph illustrates this as follows.
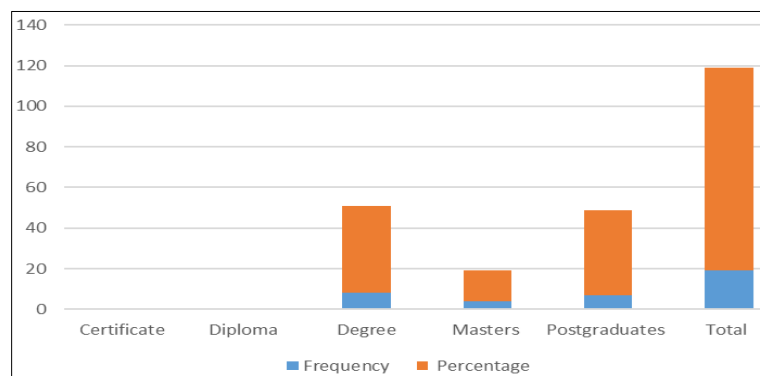

Table 6: Findings on the effect of verification of accounting data on the Performance of organization

Statement	Ranking	1 SD	2 D	3 U	4 A	5 SA	Total
Void Manipulation of Accounts	Freq	2	0	0	9	8	19
	%	11	0	0	54	36	100
Guards against improper use of assets	Freq	1	1	4	6	7	19
	%	5	5	21	32	37	100
Measures proper recording and valuation of assets	Freq	0	1	3	9	6	19
	%	0	5	16	47	32	100
Ensure the arithmetic accuracy of the accounts	Freq	0	0	1	12	6	19
	%	0	0	5	63	32	100
Detects frauds and errors if any in financial statements	Freq	0	0	2	10	8	19
	%	0	0	11	53	42	100
Total Number of Responses	Freq	3	9	18	83	61	174
Percentage of Responses	%	2	5	10	48	35	100

Data Source: Primary Data

The statistics mentioned above indicate that, when asked about the impact of accounting data verification on an organization's performance, 48% of respondents agreed (frequency: 83), 35% strongly agreed (frequency: 61), 10% were unsure (frequency: 18), 5% disagreed (frequency: 9) and 2% strongly disagreed (frequency: 3), for a total frequency of 174. The performance of companies is therefore greatly impacted by the verification of accounting data.
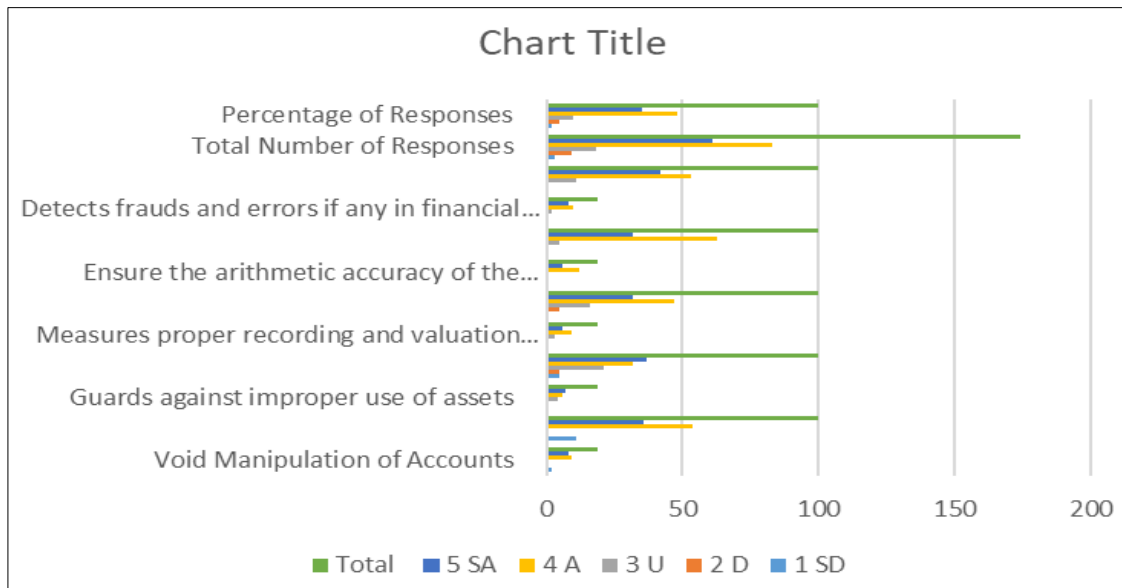

Table 7: Findings on the effect of internal control on the performance of Hindustan Unilever Limited Ranking

Statement	Ranking	1 SD	2 D	3 U	4 A	5 SA	Total
Enables the Hindustan Unilever limited to carry out its activities in an orderly and efficient manner	Freq	1	0	1	9	8	19
	%	5	0	5	46	43	100
Ensures adherence to management policies	Freq	0	0	1	6	12	19
	%	0	0	5	7	88	100
Safeguards the organisation assets	Freq	0	0	1	4	14	19
	%	0	5	5	74	21	100

Source: Primary Data

As per the table above, the following responses were given regarding the impact of internal control on Hindustan Unilever Limited's performance: 43% of the respondents strongly agreed with the statement that its activities are carried out in an orderly and efficient manner, 88% strongly agreed on the statement that HUL ensures adherence to management policies, and 74% decided on the statement that HUL safeguards the organization assets.
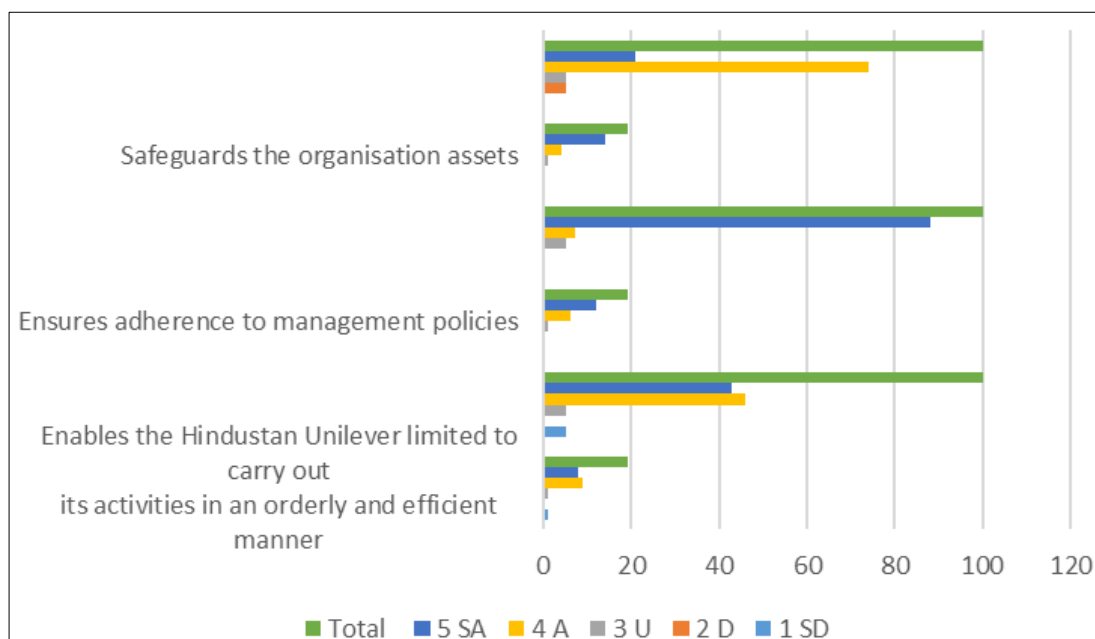
Fig 2: Safeguards the organisation assets

Conclusion

The researcher's findings indicate that, despite the accounting data being verified, the external auditing's contribution to financial performance, the vouching or examination of records, and the existence of internal control measures in Hindustan Unilever Limited, among other things, they are insufficient and ineffective in eradicating fraudulent tendencies, money laundering, embezzlement of finds, corruption, and bribery. This could result from staff members' carelessness in carrying out their duties or assignments or from violating accounting policies and reporting frameworks.

Recommendations

External auditors must stay current with evolving technology and maintain their proficiency. Through skill application at pivotal moments, professional and personal credibility building, and need recognition and response, external auditors can become indispensable, accelerating good governance and improving external audit efficiency. The administration of Hindustan Unilever Limited should hold the head of the external audit department accountable, giving them enough power to support independence, guarantee thorough audit coverage, provide due consideration to audit reports, and take appropriate action in response to audit recommendations.

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