

# The Effect of Experience and Time Budget Pressure on the Auditor's Ability to Detect Fraud with Understanding of Red Flags as a Moderating Variable

Pande Putu Diah Maharani<sup>1\*</sup>, I Ketut Suryanawa<sup>2</sup>, Ni Ketut Rasmini<sup>3</sup>

<sup>1-3</sup> Faculty of Economics and Business, Universitas Udayana; Indonesia  
e-mail: [diah.maharani048@student.unud.ac.id](mailto:diah.maharani048@student.unud.ac.id)

\* Corresponding Author: Pande Putu Diah Maharani

**Abstract:** Financial statements play an important role in providing relevant, reliable, and trustworthy financial information to stakeholders. Although auditors are responsible for ensuring the fairness of these statements, cases of undetected financial fraud still occur. This research seeks to empirically examine the effect of experience and time budget pressure on the auditor's ability to detect fraud, with an understanding of red flags as a moderating variable. The research was conducted on auditors who work in Public Accounting Firms (PAFs) in Bali. The sample was determined using purposive sampling technique and 94 auditors were obtained as a sample. Data was collected through a survey method using a structured questionnaire distributed to respondents. The analytical methods used include multiple linear regression analysis and Moderated Regression Analysis (MRA). The results showed that experience has a positive effect, and time budget pressure has a negative effect on the auditor's ability to detect fraud. Furthermore, red flags strengthen the effect of experience and time budget pressure on the auditor's ability to detect fraud. The findings provide valuable insights for auditors to manage their work focus effectively and for public accounting firms to allocate audit time proportionally, ensuring optimal awareness of red flags even under high time pressure.

**Keywords:** Auditor's Ability to Detect Fraud, Experience, Time Budget Pressure, Understanding of Red Flags

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## 1. Introduction

Financial statements are important instruments of a company that reflect its overall financial condition. As a form of communication, financial statements provide an overview of the company's operational data and activities to users as a source of financial information. According to PSAK No. 1, financial statements are intended to deliver insights into an entity's financial position, performance, and cash flows, which are beneficial for a broad range of users in making informed economic decisions. Therefore, the information contained in the financial statements must be accurate, relevant, and reliable.

Auditing Standard (SA) 240 states that in the presentation of financial statements, there can be two sources of risk that cause material misstatement, namely those caused by error and by fraud. Errors are unintentional, while fraud is done intentionally for personal gain. Fraud is often considered more

dangerous and detrimental to organizations and stakeholders. In Indonesia, the level of fraud is relatively high. According to the Association of Certified Fraud Examiners (ACFE) in its report entitled *Asia-Pacific Occupational Fraud 2022: A Report to the Nations*, Indonesia ranked fourth in the region for the number of occupational fraud cases in 2022, recording 23 cases. The most prevalent types of fraud in Indonesia include corruption (64%), asset misappropriation (28.9%), and financial statement fraud (6.7%). Although financial statement fraud occurs less frequently, it tends to result in the highest average losses (Sara, 2022).

In this context, auditor's ability to detect fraud becomes critically important. The ability to detect fraud refers to an auditor's competence in identifying the existence or absence of fraud within financial statements (Kresnandra & Anggara, 2021). However, it is not uncommon to find cases of auditor failure to detect fraud. An example is the case of PT Garuda Indonesia (Persero) Tbk in April 2019, where Public Accountant Kasner Sirumapea and Public Accounting Firm Tanubrata & Partners were unable to detect financial statement manipulation in the form of recognizing receivables as revenue, for the 2018 financial statements (Hendra, 2019). Another case involved Public Accountant Nunu Nurdyaman, Jenly Hendrawan and Public Accounting Firm Kosasih, Nurdyaman, Mulyadi Tjahjo & Partners (KNMT) who audited the annual financial statements of PT Wanaartha Life from 2014 to 2019. They failed to find evidence of fraud in the form of manipulation of financial statements, particularly related to inflated sales of high-risk saving plan insurance products (Untari, 2023).

These cases illustrate that despite strict procedures and standards, auditors may still fail to detect fraud. Such failures indicate both internal and external limitations affecting auditor's ability to detect fraud. This is in line with Fritz Heider's Attribution Theory (1958), which posits that individual behavior is shaped by a combination of internal dispositions and external circumstances. One of the internal factors that can affect auditor's ability to detect fraud is experience. Audit experience may be reflected in the duration of work and the number of audits handled (Gracia & Kurnia, 2021). Experienced auditors are more skilled at detecting fraud due to their attentiveness in collecting sufficient audit evidence. They also learn from the successes and failures of previous assignments. Previous studies have supported the hypothesis that audit experience influences fraud detection ability (Natalia & Latrini, 2021; Wahidahwati & Asyik, 2022; Arnanda et al., 2022; Mukoffi et al., 2023). However, studies by Ode et al. (2020) and Sari & Andrian (2023) found no such effect.

One of the external factor that may impact auditor's ability to detect fraud is time budget pressure. Auditors often work under time constraints when conducting complex audit tasks, which can reduce performance and

attention to detail (Agustina et al., 2021). Limited time allocation can lead to counterproductive behavior and the omission of certain procedures (Pratiwi et al., 2019). In such cases, auditors may neglect less critical information for the sake of efficiency. Prior studies have confirmed the effect of time budget pressure on the auditor's fraud detection abilities (Pratiwi et al., 2019; Faris et al., 2021; Agustina et al., 2021; Masnur et al., 2023). Conversely, other studies have found no such influence (Iskandar et al., 2022; Prasetya et al., 2023).

Inconsistencies in prior research findings regarding the effects of experience and time budget pressure on fraud detection has created an opportunity for further investigation. This study introduces understanding of red flags as a moderating variable. Understanding of red flags refers to an auditor's knowledge of anomalies or unusual conditions that may indicate fraud in financial statements (Narayana & Ariyanto, 2020). Red flags serve as early warnings that enhance vigilance and assist auditors in identifying potential fraud (Rubiyanty et al., 2024).

## **2. Literature Review**

### **Attribution Theory**

Heider (1958) initiated the Attribution Theory which explains a person's behavior. Attribution Theory studies how individuals interpret the reasons or causes of their behavior (Steers, 1998 in Hidayati, 2002). Attribution Theory distinguishes the causes of individual behavior into attributions or internal forces and external forces. The auditor's ability to detect fraud is primarily influenced by internal factors, including their level of experience and awareness of red flags. Attribution Theory can be used to anticipate an auditor's future performance on specific tasks, based on their past experiences, particularly prior successes or failures (Narayana & Ariyanto, 2020). Auditors with substantial experience and a strong grasp of fraud indicators or red flags are more capable of recognizing potential fraud risks. The auditor's ability to detect fraud is also influenced by external forces, one of which is time budget pressure. A limited time budget can reduce auditor accuracy, thereby reducing the probability of detecting fraud.

### **Auditor's Ability to Detect Fraud**

The auditor's ability to detect fraud is the skill or expertise of an auditor to detect the presence of fraud in financial statements (Kresnandra & Anggara, 2021). The auditor's ability to detect fraud refers to their capacity to identify or detect unlawful actions that are intentionally committed and result in material misstatements in financial reports. (Ode et al., 2020). In order to detect fraud, an auditor must have sufficient knowledge of what fraud is, its types, and how it is committed.

### **Experience**

Experience is reflected in the length of work experience held by an auditor. Experience can also be reflected in the number of audit assignments, diversity, and complexity of audit assignments in various types of companies and industries (Yuniati & Banjarnahor, 2019). The longer the auditor's work experience, the more audit tasks will be handled. This encourages the auditor's ability to gather essential information for assessing the client's internal control risks effectively and for detecting potential fraud, along with its characteristics and form.. Research by Putra & Dwirandra (2019), Natalia & Latrini (2021), Wahidahwati & Asyik (2022), and Arnanda et al. (2022), demonstrate that an auditor's experience positively influences their capability to identify fraudulent activities. From this explanation, the hypothesis is developed as follows:

H<sub>1</sub>: Experience has a positive effect on the auditor's ability to detect fraud.

### **Time Budget Pressure**

Time budget pressure refers to the situation in which auditors face constraints on the amount of time available, requiring them to finish their audit tasks within a set deadline (Prasetya et al., 2023). Time constraints can force auditors to work in a very busy situation, where they have to complete various responsibilities in a short time. Under these conditions, auditors often become less thorough and less sensitive to indications of fraud. Research by Pratiwi et al. (2019), Agustina et al. (2021), Muslimin et al. (2022), and Juanaristo et al. (2024) demonstrate that time budget pressure negatively impacts on the auditor's ability to detect fraud. From this explanation, the hypothesis is developed as follows:

H<sub>2</sub>: Time budget pressure has a negative effect on the auditor's ability to detect fraud.

### **Understanding of Red Flags**

Understanding of red flags is defined as the auditor's knowledge of a condition that is strange, different from normal conditions, or is a possible indication of fraud in the financial statements (Grabosky & Duffield, 2001). Red flags guide auditors in identifying certain conditions that require a more detailed audit examination. Auditor's work experience is not always sufficient to identify indications of fraud in financial statements. Without a strong understanding of red flags, auditors risk missing early signs of fraud that can impact audit results. Understanding of red flags can also help auditors shorten the time required in the audit process which can ultimately reduce stress due to limited time budgets. From this explanation, the hypothesis is developed as follows:

H<sub>3</sub>: Understanding of red flags strengthens the positive effect of experience on the auditor's ability to detect fraud.

H<sub>4</sub>: Understanding of red flags weakens the negative effect of time budget pressure on the auditor's ability to detect fraud.

### 3. Method

This study employs a quantitative approach with an associative research design, aiming to examine the effect of auditor experience and time budget pressure on the auditor's ability to detect fraud, with an understanding of red flags as a moderating variable. The research was conducted at Public Accounting Firms (PAFs) located in Bali. The variables used in this study consist of the dependent variable, namely the auditor's ability to detect fraud; the independent variables, which include experience and time budget pressure; and the moderating variable, which is understanding of red flags. Operational definitions of the variables were formulated based on indicators adapted from previous research to ensure measurement accuracy (Natalia & Latrini, 2021; Primandini & Latrini, 2025; Narayana & Ariyanto, 2020).

The population in this study includes all auditors who work in 19 PAFs registered with the Indonesian Institute of Public Accountants (IAPI) in Bali as of 2024, totaling 145 auditors. The sample was determined using purposive sampling, with the criteria that auditors must have at least two years of work experience. Based on these criteria, a sample of 94 auditors was obtained. The data used in this study are primary data collected through the distribution of closed-ended questionnaires using a four-point Likert scale (Sugiyono, 2023; Simanjuntak in Julianto et al., 2016). Of the 94 questionnaires distributed, 45 questionnaires were not returned because several PAFs imposed restrictions on auditor participation in the study, so the total respondents were only 49 auditors. This is because the auditors were busy conducting inspections to clients in March-April 2025.

Data analysis techniques include multiple linear regression and Moderated Regression Analysis (MRA), utilizing SPSS version 29 software. The analysis began with descriptive statistical testing, followed by classical assumption tests such as normality, multicollinearity, and heteroscedasticity. The F-test was employed to assess the simultaneous effect of the independent variables, while the t-test was used to examine the partial effects. The coefficient of determination ( $R^2$ ) was calculated to measure the extent to which the independent variables explain the dependent variable. Multiple linear regression analysis was employed to examine the effects of multiple independent variables on a dependent variable. MRA was used to test whether understanding of red flags strengthens or weakens the relationship between experience and time budget pressure and the ability to detect fraud (Ghozali, 2018; Hair et al., 2010; Solimun, 2011).

#### 4. Results And Discussion

##### Results of Classical Assumption Test

##### 1. Normality Test

**Table 1. Normality Test Results**

	Unstandardized Residual
N	49
Test Statistics	0.124
Asymp. Sig. (2-tailed)	0.056

Source: Processed primary data, 2025

According to the data presented in Table 1, the Kolmogorov-Smirnov test results indicate an Asymp. Sig. (2-tailed) value of 0.056, which exceeds the significance level of 0.05. This means that the data used in this study is normally distributed data.

##### 2. Multicollinearity Test

**Table 2. Multicollinearity Test Results**

Variables	Tolerance	VIF	Information
Experience (X <sub>1</sub> )	0.967	1.034	Free from multicollinearity
Time Budget Pressure (X <sub>2</sub> )	0.856	1.169	Free from multicollinearity
Understanding of Red Flags (M)	0.845	1.184	Free from multicollinearity

Source: Processed primary data, 2025

The data analysis results in Table 2 reveal that all independent variables have tolerance values above 0.1 and VIF values below 10, indicating the absence of multicollinearity or strong correlations among the independent variables.

##### 3. Heteroscedasticity Test

**Table 3. Heteroscedasticity Test Results**

Variables	Significance	Information
Experience (X <sub>1</sub> )	0.992	Free of Heteroscedasticity
Time Budget Pressure (X <sub>2</sub> )	0.291	Free of Heteroscedasticity
Understanding of Red Flags (M)	0.902	Free of Heteroscedasticity

Source: Processed primary data, 2025

According to the data processing results shown in Table 3, all independent variables have significance values exceeding 0.05, indicating that the regression model used in this study does not exhibit heteroscedasticity.

##### Results of Model Feasibility Test (F Test)

**Table 5. Results of Model Feasibility Test (F Test)**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	30.504	3	10.168	18.061	0.000b
Residual	25.333	45	0.563		

Total	55.837	48			
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Source: Processed primary data, 2025

Table 5 shows an F significance level (p-value) of 0.000, which is below the threshold of  $\alpha = 0.05$ . This means that the variables of experience, time budget pressure, and understanding of red flags simultaneously have an effect on the auditor's ability to detect fraud.

### Results of Multiple Linear Regression Analysis

**Table 4. Results of Multiple Linear Regression Analysis**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	10.822	2.114		5.119	0.000
Experience (X <sub>1</sub> )	0.304	0.059	0.529	5.184	0.000
Time Budget Pressure (X <sub>2</sub> )	-0.064	0.028	-0.250	-2.306	0.026
Understanding of Red Flags (M)	0.102	0.027	0.411	3.757	0.000

Source: Processed primary data, 2025

From the regression analysis results presented in Table 4, the following regression equation is derived:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 M + \varepsilon$$

$$Y = 10.822 + 0.304X_1 - 0.064X_2 + 0.102M$$

The multiple linear regression model has the following interpretation.

1. The constant value of positive 10.822 means that, if the value of the experience, time budget pressure, and understanding of red flags is equal to zero, then the auditor's ability to detect fraud tends to have a value of 10.822 units.
2. The coefficient value of the Experience variable (X<sub>1</sub>) of 0.304 has a positive relationship with the Auditor's Ability to Detect Fraud (Y). This shows that if Experience (X<sub>1</sub>) increases by one unit, then the Auditor's Ability to Detect Fraud (Y) tends to increase by 0.304 assuming other variables are constant.
3. The coefficient value of the Time Budget Pressure variable (X<sub>2</sub>) of -0.064 has a negative relationship with the Auditor's Ability to Detect Fraud (Y). This shows that if Time Budget Pressure (X<sub>2</sub>) increases by one unit, the Auditor's Ability to Detect Fraud (Y) tends to decrease by 0.064 assuming other variables are constant.
4. The coefficient value of the Understanding of Red Flags variable (M) of 0.102 has a positive relationship with the Auditor's Ability to Detect Fraud (Y). This shows that if the Understanding of Red Flags (M) increases by one unit, then the Auditor's Ability to Detect Fraud (Y) tends to increase by 0.102 assuming that other variables are constant.

### Results of Determination Coefficient Test (Adjusted R<sup>2</sup>) Multiple Linear Regression Analysis

**Table 6. Results of Determination Coefficient Test (Adjusted R<sup>2</sup>) Multiple Linear Regression Analysis**

R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error of the Estimate
0.739a	0.546	0.516	0.75031

Source: Processed primary data, 2025

Table 6 shows that the adjusted R<sup>2</sup> value is 0.516. This means that after taking into account the number of independent variables and sample size, 51.6% of the variation in the dependent variable, namely Auditor's Ability to Detect Fraud (Y) can be explained by the independent variables Experience (X<sub>1</sub>), Time Budget Pressure (X<sub>2</sub>), and Understanding of Red Flags (M) in the regression model, while the remaining 48.4% is explained by other variables outside the model.

### Results of Partial Significance Test (t-test) Multiple Linear Regression Analysis

**Table 7. Results of Partial Significance Test (t-test) Multiple Linear Regression Analysis**

Variables	B	t	Sig.
Experience (X <sub>1</sub> )	0.304	5.184	0.000
Time Budget Pressure (X <sub>2</sub> )	-0.064	-2.306	0.026
Understanding of Red Flags (M)	0.102	3.757	0.000

Source: Processed primary data, 2025

Based on Table 7, the following things can be explained.

1. The Effect of Experience on the Auditor's Ability to Detect Fraud  
The first hypothesis (H<sub>1</sub>) states that experience has a positive effect on the auditor's ability to detect fraud. Based on the results of the analysis of the effect of experience on the auditor's ability to detect fraud in the first regression model, the significance value of the t-test is 0.000 which is smaller than  $\alpha = 0.05$ . The regression coefficient of the Experience variable (X<sub>1</sub>) has a positive value of 0.304. These results mean that Experience (X<sub>1</sub>) has a positive and significant effect on the Auditor's Ability to Detect Fraud (Y) or it can be concluded that H<sub>1</sub> is accepted.
2. The Effect of Time Budget Pressure on the Auditor's Ability to Detect Fraud  
The second hypothesis (H<sub>2</sub>) states that time budget pressure has a negative effect on the auditor's ability to detect fraud. Based on the results of the analysis of the effect of experience on the auditor's ability to detect fraud in the first regression model, the significance value of the t-test was obtained at 0.026 which is smaller than  $\alpha = 0.05$ . The regression coefficient



of the Time Budget Pressure variable ( $X_2$ ) has a negative value of 0.064. These results mean that Time Budget Pressure ( $X_2$ ) has a negative and significant effect on the Auditor's Ability to Detect Fraud (Y) or it can be concluded that  $H_2$  is accepted.

### Results of Moderated Regression Analysis (MRA)

**Table 8. Results of Moderated Regression Analysis (MRA)**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Experience*Understanding of Red Flags ( $X_1M$ )	0.043	0.009	4.576	4.502	0.000
Time Budget Pressure*Understanding of Red Flags ( $X_2M$ )	-0.031	0.005	-5.044	-6.742	0.000

Source: Processed primary data, 2025

Based on the results of the regression analysis in Table 8, the following regression equation can be obtained:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 M + \beta_4 (X_1M) + \beta_5 (X_2M) + \epsilon$$

$$Y = 10.822 + 0.304 X_1 - 0.064 X_2 + 0.102M + 0.043 X_1M - 0.031 X_2M$$

The regression model has the following interpretation.

1. The interaction term between Experience and Understanding of Red Flags ( $X_1M$ ) has a coefficient of 0.043, indicating a positive association with the Auditor's Ability to Detect Fraud (Y). This means that a one-unit increase in the interaction of Experience and Understanding of Red Flags corresponds to an expected increase of 0.043 in the auditor's fraud detection ability, assuming other factors remain constant.
2. The interaction term between Time Budget Pressure and Understanding of Red Flags ( $X_2M$ ) has a coefficient of -0.031, showing a negative relationship with the Auditor's Ability to Detect Fraud (Y). This suggests that a one-unit increase in the interaction of Time Budget Pressure and Understanding of Red Flags is associated with a decrease of 0.031 in the auditor's ability to detect fraud, holding other variables constant.

### Results of Determination Coefficient Test (Adjusted $R^2$ ) Moderated Regression Analysis (MRA)

**Table 9. Results of Determination Coefficient Test (Adjusted  $R^2$ ) Moderated Regression Analysis**

R	$R^2$	Adjusted $R^2$	Std. Error of the Estimate
0.902a	0.814	0.792	0.49211

Source: Processed primary data, 2025

Table 9 shows that the adjusted  $R^2$  value is 0.792. This means that 79.2% of the variation in the dependent variable, namely the Auditor's Ability to Detect Fraud (Y) can be explained by the independent variables Experience ( $X_1$ ), Time Budget Pressure ( $X_2$ ), Understanding of Red Flags (M), the interaction variable between Experience and Understanding of Red Flags ( $X_1M$ ) and the interaction variable between Time Budget Pressure and Understanding of Red Flags ( $X_2M$ ) in the regression model.

### Results of Partial Significance Test (t-test) Moderated Regression Analysis (MRA)

**Table 10. Results of Partial Significance Test (t-test) Moderated Regression Analysis**

Variables	B	t	Sig.
Experience*Understanding of Red Flags ( $X_1M$ )	0.043	4.502	0.000
Time Budget Pressure* Understanding of Red Flags ( $X_2M$ )	-0.031	-6.742	0.000

Source: Processed primary data, 2025

Based on Table 10, the following things can be explained.

1. Understanding of Red Flags Moderates the Effect of Experience on the Auditor's Ability to Detect Fraud

The third hypothesis ( $H_3$ ) states that understanding of red flags strengthens the effect of experience on the auditor's ability to detect fraud. Based on the results of multiple linear regression analysis, it was obtained that the coefficient of the Experience variable ( $X_1$ ) was 0.304, while based on MRA, the interaction coefficient between Experience and Understanding of Red Flags ( $X_1M$ ) was 0.043 with a t-test significance value of 0.000 which is smaller than  $\alpha = 0.05$ , where both regression coefficients are positive. Referring to the criteria of Gardner et al. (2017), the moderation effect is said to strengthen if the signs of the coefficients  $X_1$  and  $X_1M$  are the same. These results indicate that understanding of red flags is proven to significantly strengthen the effect of experience on the auditor's ability to detect fraud or it can be concluded that  $H_3$  can be accepted.

2. Understanding of Red Flags Moderates the Effect of Time Budget Pressure on the Auditor's Ability to Detect Fraud

The fourth hypothesis ( $H_4$ ) proposes that understanding of red flags weakens the effect of time budget pressure on the auditor's ability to detect fraud. The multiple linear regression results show that the coefficient for Time Budget Pressure ( $X_2$ ) is -0.064, while the moderation analysis reveals the interaction coefficient between Time Budget Pressure and Understanding of Red Flags ( $X_2M$ ) is -0.031, with a t-test significance of 0.000, which is less than  $\alpha = 0.05$ . Both coefficients are negative. According to Gardner et al. (2017), moderation weakens an effect only if the signs of  $X_2$  and  $X_2M$  are opposite. Since both coefficients here are negative, it indicates that understanding of red flags actually strengthens the negative effect of time budget pressure on fraud detection ability. Therefore, hypothesis  $H_4$  is rejected.

## 5. Discussions

### **The Effect of Experience on the Auditor's Ability to Detect Fraud**

The study's findings reveal that auditor experience positively influences their ability to detect fraud. In other words, auditors with greater experience tend to be more proficient at identifying fraudulent activities in financial statements. Among the indicators measured, the "length of time the auditor has worked" received the highest average rating, suggesting it is the most significant factor contributing to an auditor's fraud detection capability. This conclusion is further supported by the respondent profile, which shows that auditors with longer tenure generally demonstrate stronger fraud detection skills. Specifically, out of 49 participants, auditors with 2-5 years of experience (71%) had an average fraud detection score of 3.40, whereas those with over 6 years of experience (29%) scored higher, with an average of 3.62.

### **The Effect of Time Budget Pressure on the Auditor's Ability to Detect Fraud**

The study's findings reveal that time budget pressure has a negative effect on the auditor's ability to detect fraud. This means that the higher the time budget pressure, the lower the auditor's ability to detect fraud. Auditors who face time pressure tend to complete work in a hurry, rely on assumptions, and more easily trust information from clients, so that the level of professional skepticism decreases and the potential for fraud becomes unidentified (Pratiwi et al., 2019; Masnur et al., 2023). When viewed from the characteristics of auditor positions, it is known that respondents with the positions of partner, manager, supervisor, and senior auditor had an average time budget pressure score of 2.97, while junior auditors had an average score of 2.89. This difference indicates that auditors at higher levels of office actually face greater time budget pressure than junior auditors. The results of the study also show that the "performance assessment by superiors" is the indicator with the highest average answer. If the auditors performance assessment focuses more on the speed of time than the quality of the audit provided, the auditor will feel pressured to complete the audit task as quickly as possible without paying attention to the quality that should be (Primandini & Latrini, 2025).

### **Understanding of Red Flags Moderates the Effect of Experience on the Auditor's Ability to Detect Fraud**

The study's findings reveal that understanding of red flags significantly strengthens the positive influence of auditor experience on the auditor's ability to detect fraud. This means that the higher the auditor's understanding of red flags, the stronger the effect of experience on the auditor's ability to detect fraud. Having sufficient experience does not guarantee that the auditor will be able to detect fraud. Lack of understanding of red flags can cause auditors to miss early signs of fraud hidden in financial statements (Oktajeny & Yanti, 2024). In this study, the red flag indicator with

the highest average value was “material transactions”, which confirms that auditors pay close attention to significant transaction values as the main indicator in detecting fraud. Understanding these indicators allows auditors to allocate audit time and resources more appropriately, while increasing the accuracy of the examination.

### **Understanding of Red Flags Moderates the Effect of Time Budget Pressure on the Auditor’s Ability to Detect Fraud**

The study’s results reveal that a strong understanding of red flags strengthens the negative influence of time budget pressure on the auditor’s ability to detect fraud. This suggests that auditors with greater knowledge of red flags may experience an even stronger decline in performance when faced with tight time constraints. Contrary to the expectation that understanding red flags might protect auditors from time pressure, the findings indicate otherwise. Auditors who are well aware of numerous potential fraud indicators may feel overwhelmed when there isn’t enough time to thoroughly investigate each one. According to Sweller (1988), human cognitive capacity is limited, and when auditors must process excessive information within a limited timeframe, their overall cognitive load increases significantly, which can impair their ability to make effective audit decisions.

### **Conclusion**

1. Experience positively influences an auditor’s ability to detect fraud, indicating that auditors with more audit experience tend to have a higher ability to identify fraudulent activities.
2. Time budget pressure negatively influences an auditor’s ability to detect fraud. This means that the higher the time budget pressure received by the auditor in carrying out audit tasks, the lower the auditor’s ability to detect fraud.
3. Understanding of red flags strengthens the positive effect of experience on the auditor’s ability to detect fraud. This means that the higher the auditor’s understanding of red flags, the stronger the effect of experience on the auditor’s ability to detect fraud.
4. Understanding of red flags strengthens the negative effect of time budget pressure on the auditor’s ability to detect fraud. This implies that when the auditor possesses a strong understanding of red flags, time pressure may more significantly reduce their ability to detect fraud.

The limitation of this study is that there are other variables not examined here that may significantly influence the auditor’s ability to detect fraud, as suggested by the adjusted  $R^2$  value of 51.6%. In addition, the relatively small number of respondents (49 auditors) and the time of data collection which coincided with the busy period were also obstacles. Therefore, future research is recommended to add relevant variables, expand the number of respondents, and choose a more appropriate data collection time to increase the accuracy and generalization of the findings.

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