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The Influence of Transaction Complexity, Audit Budget, and Auditor Turnover on Misstatement Detection

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ABSTRACT
This study investigated the influence of transaction complexity, audit budget, and auditor turnover on the detection of material misstatements in financial statement audits. Using a quantitative approach with a survey design, data were collected from 158 external auditors working in public accounting firms in Jakarta. Respondents were selected through purposive sampling, requiring at least two years of professional auditing experience. The research instrument was distributed both in-person and online, and all responses were deemed valid for analysis. The results of multiple regression analysis showed that transaction complexity had a negative and significant effect on misstatement detection, indicating that higher transaction complexity reduced auditors' effectiveness in identifying errors or fraud. Auditor turnover also demonstrated a negative and significant effect, suggesting that frequent changes in audit personnel decreased the continuity of knowledge and reduced the ability to detect misstatements. Conversely, audit budget did not have a significant effect, implying that the allocation of audit resources and time did not directly determine detection effectiveness. Simultaneous testing revealed that transaction complexity, audit budget, and auditor turnover collectively affected misstatement detection, with an explanatory power of 80.5%. These findings highlighted the importance of considering multiple risk factors in audit planning, particularly the challenges posed by complex transactions and frequent personnel turnover. The study contributed to the understanding of audit quality determinants in Indonesia and provided practical implications for audit firms in managing resources and maintaining team stability to enhance misstatement detection.

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1. INTRODUCTION

Financial audits are essential to confirm the dependability and credibility of reported financial information. One of the main challenges to audit quality is the complexity of clients' transactions, which the International Standards on Auditing (ISA) recognize as an inherent fraud risk factor (Moradi, Asnaashari, Rohban, Yazdi, & Bandari, 2024). Transactions involving multiple accounts, related parties, or modern financial instruments carry a high risk of errors or manipulation, thereby requiring auditors to apply rigorous procedures and, when necessary, involve specialists.

Financial audits play a crucial role in ensuring the reliability of financial statements. One of the primary challenges to audit quality is the complexity of clients' financial transactions. The International Standards on Auditing (ISA) recognize transaction complexity as an inherent fraud risk factor. Transactions involving multiple accounts, related parties, or modern financial instruments carry a high risk of recording errors or numerical manipulation, which may compromise audit quality and the accuracy of financial reporting. Therefore, auditors need to apply more rigorous procedures and involve specialists when dealing with entities that engage in complex transactions.

Audit quality, defined as the probability that an auditor will detect and report material misstatements (Puspitasari, Kuntari, & Triani, 2023), is essential to ensure reliable financial reporting (Tampubolon, Putra, & Tanama, 2023). Failures in misstatement detection have been highlighted by scandals such as Enron in 2001 (Kenton, 2024) and Wirecard AG in 2020 (Trimble, Ren, & Sankara, 2022), which show that despite stringent regulations, risks of misstatements continue to threaten financial reporting integrity.

Several factors influence auditors' ability to detect misstatements. Errors in obtaining, processing, and evaluating information often stem from transaction complexity (Tampubolon & Fransisca, 2023; Syafira & Haryanti, 2025). Complex structures, related-party transactions, and advanced instruments heighten the

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likelihood of misstatements (Tavares, Almeida, Vale, & Kapo, 2025). Larger entities with broader operations and higher transaction volumes also increase inherent risk, thus requiring more audit sampling and evidence (Al Faris & Bahri, 2022). In line with the audit risk framework, auditors must adopt robust procedures and specialist expertise to address these complexities.

Another factor is audit budget pressure, particularly time constraints. Limited audit budgets often cause dysfunctional behavior, reducing auditors' professional competence (Kholifatul & Sari, 2021). Studies show that time pressure leads to fewer procedures, premature sign-offs, and reduced fraud detection (Subiyanto, Pradani, & Asiyah, 2023); McClam, 2023). Strict deadlines thus increase the likelihood of undetected errors and undermine audit effectiveness.

Nevertheless, the influence of audit budget pressure on misstatement detection may not always be significant. In practice, auditors often develop compensating strategies to mitigate time constraints. For instance, they may reallocate resources toward accounts and transactions that present higher risks, streamline procedures by relying on technology, or make use of their prior knowledge of the client to focus only on the most critical areas. In addition, audit firms usually implement quality control mechanisms such as supervisory reviews, team consultations, and risk-based audit planning that ensure minimum testing standards are met even under strict deadlines. These practices can reduce the extent to which budget pressure undermines misstatement detection. Thus, the actual impact of audit budget pressure depends largely on how audit resources are allocated and whether safeguards are in place to maintain audit effectiveness.

Auditor turnover also affects audit quality by disrupting knowledge continuity. The departure of experienced auditors results in the loss of technical and client-specific expertise. Empirical evidence shows that higher turnover increases restatements and lowers opinion accuracy (Ma, Wan, Wang, & Zhao, 2024), while also raising audit costs, delaying completion, and reducing thoroughness (Khavis & Szerwo, 2025). These effects are particularly severe when senior auditors leave, as replacements require time to adapt and often lack sufficient understanding of client risks.

Based on this background, this study investigates the influence of transaction complexity, audit budget pressure, and auditor turnover on auditors' ability to detect material misstatements. The objective is to provide deeper insights into audit quality determinants in Indonesian audit firms and to offer recommendations for optimizing audit resources and procedures to reduce the risk of undetected misstatements.

To provide a clearer framework, this study formulates the following research questions: (1) Does transaction complexity negatively affect auditors' ability to detect material misstatements? (2) Does audit budget pressure negatively affect the effectiveness of misstatement detection? and (3) Does auditor turnover reduce auditors' ability to detect material misstatements? In line with these questions, the study develops the following hypotheses: (1) transaction complexity has a significant negative effect on misstatement detection, (2) audit budget pressure has a negative effect on misstatement detection, and (3) auditor turnover has a significant negative effect on misstatement detection.

2. METHOD

2.1. Research Design

This research adopts a quantitative survey method to analyze how transaction complexity, audit budget constraints, and auditor turnover affect the detection of misstatements. This approach was chosen because it allows for the measurement of relationships among variables objectively based on numerical data.

To illustrate the interrelationships among the variables, the study presents its research framework in Figure 1. The model illustrates that transaction complexity, audit budget pressure, and auditor turnover are hypothesized to influence auditors' ability to detect misstatements.

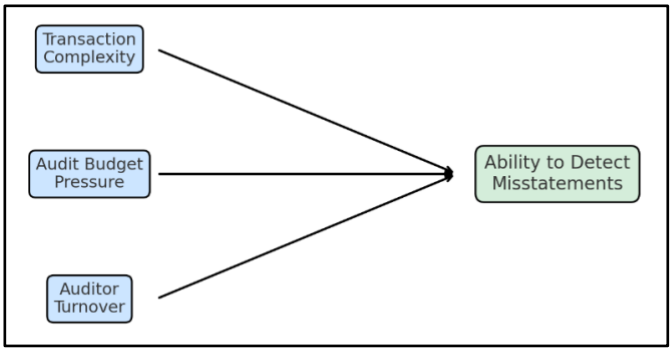

Figure 1: Research Model

2.2. Data Collection

Structured questionnaires served as the primary data collection instrument, distributed to external auditors affiliated with accounting firms (KAP) in Jakarta. Participants were recruited using purposive sampling, restricted to auditors with a minimum of two years of external audit experience. This criterion was established to ensure that the respondents possessed adequate knowledge and experience related to transaction complexity, audit budget management, and auditor turnover dynamics within the audit context.

The questionnaires were distributed both directly and online to facilitate wider respondent reach. A total of 158 external auditors participated, and all collected questionnaires were usable for analysis as they were fully completed and met the data eligibility criteria. The research instrument was adapted from previously validated scales to ensure the reliability and content validity of the instrument.

Table 1. Research Variables and Indicators

Variable	Definition	Indicators	Source
Transaction Complexity	The degree of difficulty and intricacy in a client's financial transactions	• Number/variety of transactions • Related party transactions • Complex financial instruments • Need for specialists	Gabriela & Juliana (2021)
Audit Budget Pressure	A scenario in which auditors are required to manage resources efficiently	• Time constraints • Limited budget • Reduction of audit procedures • Premature sign-off	Piter, Ismayuni, & Sipahutar (2024)
Auditor Turnover	The replacement of auditors within public accounting firms, either internal (within the audit team) or external (client rotation or switching to another firm	• Frequency of turnover • Loss of senior auditors • Adaptation of new auditors • Impact on cost and timeliness	Prihatini (2022)
Misstatement Detection	Auditors' ability to detect misstatements	• Identified material misstatements • Risk assessment • Additional audit procedures • Reliability of audit evidence	IFAC

3. RESULT AND DISCUSSION

3.1. Result

3.1.1. Descriptive Statistics

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Transaction Complexity	158	10	50	34.22	15.189
Audit Budget	158	25	50	36.48	7.634
Auditor Turnover	158	25	50	37.77	7.618
Misstatement Detection	158	25	50	37.03	7.654
Valid N (listwise)	158				

Table 1 presents the mean, range, and standard deviation for each research variable. The mean value of transaction complexity of 34.22 (SD = 15.189) indicates that external auditors in the sample faced a relatively high level of transaction complexity, although the variation was wide (score range 10–50). This variation reflects the heterogeneity of audited clients some clients have simple transaction structures, while others are engaged in multi-level transactions or those involving complex financial instruments.

The mean audit budget of 36.48 (SD = 7.634) shows that auditors work under moderate to high budgetary pressure. Although the score range (25–50) is narrower compared to transaction complexity, this suggests consistency in respondents' experiences regarding time and cost pressures in audits. High budget pressure has been shown to affect auditor behavior, including the likelihood of reducing necessary audit procedures to meet deadlines. Such conditions may increase detection risk because auditors may not have sufficient time to thoroughly trace audit evidence.

The mean auditor turnover of 37.77 (SD = 7.618) indicates a fairly high rate of personnel turnover in the public accounting firms where respondents work. The relatively consistent turnover level across respondents (range 25–50) suggests that this phenomenon is systemic, rather than an isolated issue within a particular firm.

Meanwhile, the mean misstatement detection of 37.03 (SD = 7.654) indicates that auditors assessed their ability to detect misstatements at a moderate level. With a mean score not far from auditor turnover, this result reinforces the argument that personnel turnover may be a limiting factor in the effectiveness of misstatement detection. Furthermore, the less-than-expected level of misstatement detection may also be attributed to a combination of audit budget pressures and high transaction complexity.

3.1.2. Validity Test

Table 3. Validity Test

Item	Transaction Complexity	Audit Budget	Auditor Turnover	Misstatement Detection
1	0.927	0.790	0.729	0.316
2	0.959	0.782	0.806	0.387
3	0.962	0.832	0.829	0.398
4	0.956	0.830	0.850	0.558
5	0.960	0.831	0.881	0.746
6	0.965	0.854	0.864	0.779
7	0.962	0.820	0.864	0.716
8	0.940	0.803	0.859	0.656
9	0.901	0.792	0.861	0.577
10	0.916	0.813	0.857	0.426

Instrument validity refers to the extent to which questionnaire items are able to measure the intended construct. In this study, the validity test was conducted by comparing the calculated r value of each questionnaire item with the critical r value for N = 158 at the 5% significance level, which is 0.147. An item is considered valid if the calculated r exceeds the critical r and shows a positive correlation with the total score of its construct.

3.1.3. Reliability Test

Table 4. Reliability Test

Variable	Cronbach's Alpha	N
Transaction Complexity	0.986	10
Audit Budget	0.943	10
Auditor Turnover	0.953	10
Misstatement Detection	0.748	10

The reliability of an instrument describes the extent to which questionnaire items consistently capture the same construct. In this study, Cronbach's Alpha was applied as the measurement, with values equal to or above 0.70 considered adequate.

3.1.4. Normality Test

Table 5. Normality Test (Kolmogrov-Smirnov)

		Unstandardized Residual
N		158
Normal Parameters[a,b]	Mean	0.0000000
Most Extreme Differences	Std. Deviation	3.37847476
	Absolute	0.046
	Positive	0.041
	Negative	-0.046
Test Statistic		0.046
Asymp. Sig. (2-tailed)		.200[c,d]

The normality test aims to ensure that the residuals in the regression model are normally distributed, thereby meeting the classical regression assumptions. In this study, normality was tested using the Kolmogorov–Smirnov (K–S) method on the unstandardized residuals. The testing criterion applied is that if the significance value (Asymp. Sig. 2-tailed) > 0.05, the residuals are considered to be normally distributed.

Based on Table 4, the K–S test statistic is 0.046 with an Asymp. Sig. (2-tailed) value of 0.200. This value is far greater than the 0.05 significance threshold, indicating that there is no significant difference between the distribution of residuals and a normal distribution. In other words, the residuals in this research model are normally distributed.

Additional parameters also support this conclusion. The mean residual value is 0.0000000, indicating that statistically there is no average bias in the residual data. The residual standard deviation of 3.378 reflects a relatively controlled data spread, consistent with the characteristics of a normal distribution. Furthermore, the Most Extreme Differences values (Absolute = 0.046; Positive = 0.041; Negative = –0.046) are relatively small, indicating that deviations of the residual distribution from the normal curve are minimal.

3.1.5. Multicollinearity Test

Table 6. Multicollinearity Test

Model		Collinearity Statistics	
		Tolerance	VIF
1	Transaction Complexity	0.999	1.001
	Audit Budget	0.992	1.008
	Auditor Turnover	0.993	1.007

This test evaluates whether the independent variables included in the regression model exhibit substantial correlation with one another, which could interfere with coefficient estimation and result interpretation. The test was conducted using two main indicators: tolerance and the variance inflation factor (VIF). The general criteria applied are that multicollinearity is absent if tolerance > 0.10 and VIF < 10. The results confirm that the regression model in this study is free from multicollinearity issues.

3.1.6. Heteroscedasticity Test

Table 7. Heteroscedasticity Test

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.021	1.257		2.402	0.017
	Transaction Complexity	0.015	0.011	0.109	1.368	0.173
	Audit Budget	0.013	0.022	0.047	0.596	0.552
	Auditor Turnover	-0.035	0.022	-0.130	-1.631	0.105

The heteroscedasticity test was conducted to examine whether the variance of the residuals in the regression model is constant (homoscedastic) or varies (heteroscedastic) across different values of the independent variables. Heteroscedasticity may cause regression coefficient estimates to become inefficient, although still unbiased, and reduce the validity of significance tests. The testing criterion applied is that if the significance (Sig.) value for each independent variable is greater than 0.05, it can be concluded that heteroscedasticity is not present. Based on Table 6, all independent variables have significance values greater

than 0.05. These values indicate that the three variables do not have a significant effect on the absolute residuals. Thus, no symptoms of heteroscedasticity are present in the regression model of this study.

3.1.7. Autocorrelation Test

Table 8. Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.897[a]	0.805	0.801	3.411	2.101

The autocorrelation test aims to examine whether there is a correlation among the regression model residuals in successive observations. In this study, autocorrelation was tested using the Durbin–Watson (DW) test. The decision criteria are based on the lower bound (dL) and upper bound (dU) values from the DW table at the 5% significance level, adjusted for the number of observations and independent variables. Based on Table 7, the obtained Durbin–Watson value is 2.101. With the upper bound value of dU = 1.779 and the lower bound (4 – dU) = 2.221, the decision is that no autocorrelation exists in the regression model residuals.

3.1.8. Multiple Linear Regression

Table 9. Multiple Linear Regression

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	55.572	2.091		26.580	0.000
	Transaction Complexity	-0.451	0.018	-0.894	-25.130	0.000
	Audit Budget	-0.001	0.036	-0.001	-0.027	0.978
	Auditor Turnover	-0.082	0.036	-0.081	-2.280	0.024

The test results presented in Table 8 yield the following regression equation:

$$Y = 55{,}572 - 0{,}451X_1 - 0{,}001X_2 - 0{,}082X_3 + e$$

1. The constant value of 55.572 indicates the baseline ability of auditors to detect misstatements. In other words, this figure represents the predicted level of misstatement detection in the absence of the effects of transaction complexity, audit budget, or auditor turnover.
2. The regression coefficient for transaction complexity is negative at –0.451, with a t-value of –25.130 and a p-value of 0.000 (< 0.05). This indicates that transaction complexity has a significant negative effect on auditors' ability to detect misstatements. In other words, the higher the transaction complexity, the lower the level of misstatement detection.
3. The regression coefficient for audit budget is a very small negative value (–0.001), with a t-value of –0.027 and a p-value of 0.978 (> 0.05). This result suggests that the audit budget does not have a significant effect on misstatement detection.
4. The regression coefficient for auditor turnover is negative at –0.082, with a t-value of –2.280 and a p-value of 0.024 (< 0.05). This indicates that auditor turnover has a significant negative effect on misstatement detection. In other words, the more frequent the auditor turnover, the lower the ability to detect misstatements.

3.1.9. Coefficient of Determination

Table 10. Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.897[a]	0.805	0.801	3.411

The R^2 value of 0.805 indicates that 80.5% of the variation in misstatement detection can be explained by the three independent variables. The remaining 19.5% is influenced by other factors outside the model that were not examined in this study.

3.1.10. F-Test

Table 11. F-Test

Model		Sum of Squares	df	Mean Square	F	Sig
1	Regression	7405.886	3	2468.629	212.146	.000[b]
	Residual	1792.012	154	11.636		
	Total	9197.899	157			

The F-test is used to examine the simultaneous significance of all independent variables in the regression model on the dependent variable. This test assesses whether the regression model as a whole can explain the variation in misstatement detection significantly. Based on Table 10, the F value is 212.146 with a significance (Sig.) of 0.000 (< 0.05). The significance value below 0.05 indicates that, simultaneously, transaction complexity, audit budget, and auditor turnover have a significant effect on misstatement detection.

3.2. Discussion

3.2.1. The Effect of Transaction Complexity on Misstatement Detection

Transaction complexity has a significant negative effect on misstatement detection. In other words, the more complex the characteristics of financial transactions, the lower the effectiveness of auditors in identifying errors or fraud. Audit risk increases when the transactions being audited are complicated. Put differently, transaction complexity is one of the sources of audit risk that can reduce audit quality and the accuracy of financial reporting. High-complexity accounting such as transactions involving derivative contracts, multi-currency operations, or intricate intangible assets facilitates management in concealing irregular entries, as auditors tend to face difficulties tracing the accuracy of such transactions.

These findings are consistent with the research conducted by Zunaidi (2023), which found that auditors experience difficulties in making judgments when the variation of information and audit procedures is too complex, leading to decreased audit quality. Similarly, the study by Badewin and Maryanti (2021) stated that high audit complexity can hinder auditors from performing in-depth analyses (Putri & Damayanti, 2024).

Transaction complexity not only increases the technical burden on auditors but also creates information asymmetry between auditors and management. Under such conditions, auditors often face limitations in understanding contract structures, revenue recognition, or subjective accounting estimates. This information asymmetry increases the potential for management override of controls, where management exploits transaction complexity to conceal errors or fraud. Therefore, transaction complexity can be considered an important determinant in the fraud triangle, particularly in the opportunity element that provides room for financial statement manipulation.

The results of this study reinforce the view that auditors must adopt a more adaptive, risk-based approach when dealing with highly complex transactions. Traditional audit practices that rely excessively on routine procedures may be inadequate for detecting anomalies in transactions involving derivative instruments, related party transactions, or innovative digital business models. Consequently, enhancing auditors' capacity to understand modern financial instruments, business technologies, and cross-jurisdictional regulations is essential to maintain audit quality.

Transaction complexity also implies a growing need for audit technology based on data analytics. When auditors face large volumes of transactions with layered structures, manual procedures are no longer efficient or effective. The implementation of big data analytics, continuous auditing, and machine learning can help auditors detect abnormal transaction patterns or outliers that may indicate misstatements. Therefore, transaction complexity is not only a challenge but also an opportunity to drive the transformation of audit methodology toward the digital era.

In practical terms, audit firms need to strengthen their training and development programs to ensure auditors are well equipped to evaluate complex financial instruments and unconventional business transactions. Continuous professional education in these areas enables auditors to exercise more informed judgment, reducing the likelihood of misinterpretation when analyzing sophisticated contracts or accounting estimates.

Another implication is the need for audit firms to form specialized teams or involve external experts when auditing industries with particularly high transaction complexity, such as financial technology, multinational operations, or organizations with extensive related-party transactions. By involving individuals with deep technical expertise, firms can bridge the knowledge gap between auditors and management, limiting opportunities for management override and enhancing the credibility of audit outcomes.

At the same time, investments in audit technology become increasingly important. The use of big data analytics, artificial intelligence, and continuous auditing systems can enhance the efficiency of examining vast and intricate datasets. These technologies not only improve the timeliness of audits but also increase the ability to detect anomalies that may signal potential misstatements.

Audit firms should integrate transaction complexity considerations more explicitly into their audit planning. Allocating additional resources and time to high-risk areas, ensuring closer supervision by senior auditors, and encouraging structured knowledge sharing within teams are necessary measures to strengthen the overall detection of misstatements. Through such approaches, firms can mitigate the risks posed by transaction complexity while sustaining long-term audit quality.

3.2.2. The Effect of Audit Budget on Misstatement Detection

The findings of this study indicate that the audit budget does not significantly affect misstatement detection. In other words, the size of the allocated audit budget or time does not directly increase or decrease the level of material misstatement detection. This may be because auditors tend to manage available resources by prioritizing high-risk areas, regardless of the overall budget size.

Conversely, other literature suggests that time pressure from limited audit budgets can affect audit quality. For example, Maharani, Suryanawa, & Rasmini (2025) found that high time pressure significantly reduces auditors' ability to detect fraud. Auditors rushing to complete audit work tend to be less skeptical and rely more on initial assumptions, making fraud indicators easier to overlook. However, in this study, the audit budget variable, in relation to allocated audit time and funds, did not show a tangible effect. This may be because public accounting firms have already adjusted their work procedures to align with the established budgets. Therefore, although time pressure is a risk factor for misstatement detection, the mere size of the audit budget does not automatically guarantee better detection performance.

The lack of effect of audit budget on misstatement detection suggests that the allocation of audit time and costs is not always a predictor of audit quality. Auditors, particularly in standardized public accounting environments, tend to use a risk-based approach to resource allocation. This means that budget limitations can be compensated by selecting more targeted audit procedures that focus on the areas most susceptible to misstatement. Thus, the quality of detection is determined more by the effectiveness of allocation strategies than by the absolute amount of resources available.

These findings differ from some literature emphasizing the negative impact of time and budget pressures on audit quality. This difference can be explained by the organizational context and work culture of auditors in Indonesia. Auditors may have developed adaptive mechanisms, such as using additional teams during critical phases or implementing more efficient task rotations. Such adaptations allow auditors to maintain detection quality even when facing time and budget constraints.

This phenomenon is also related to the role of audit technology. The development of data analytics-based audit software enables auditors to complete work more quickly without compromising testing quality. Therefore, budget constraints can be mitigated by technological efficiency. This aligns with global trends, where public accounting firms increasingly invest in audit automation tools to overcome resource limitations and enhance misstatement detection capabilities.

From the standpoint of auditor behavior, these results indicate that professionalism and professional skepticism have a greater impact on detection quality than financial considerations. Auditors with high integrity and a skeptical professional attitude tend to maintain audit quality even under budget pressure. In other words, audit quality is more strongly determined by individual factors and organizational ethical culture than by budget size alone.

Strengthening risk-based audit planning becomes essential for ensuring that limited resources are concentrated on areas with the highest risk of misstatement. Through a more structured approach to planning, firms can reduce the likelihood of unnecessary testing while still safeguarding the reliability of financial reporting. Training auditors to sharpen their judgment in fraud-prone areas is also a key strategy for improving effectiveness under budget limitations.

Workload management is another important factor. By arranging more flexible staffing and distributing tasks according to complexity, audit firms can ease the pressure on individual auditors. The ability to mobilize additional staff during peak periods ensures that the quality of misstatement detection is not compromised, even when deadlines are tight.

Technological advancement further provides a sustainable solution. Investments in data analytics, artificial intelligence, and automation tools allow auditors to process large datasets more efficiently, enabling them to detect anomalies that might otherwise be missed under constrained budgets. Adoption of such tools not only offsets resource limitations but also enhances the accuracy of audit evidence.

In addition, maintaining a strong culture of professionalism and skepticism is crucial. When firms promote integrity through mentoring, ethical training, and performance evaluation, auditors are more likely to

uphold audit quality despite resource constraints. A well-embedded ethical culture can act as a safeguard, ensuring that budget limitations do not reduce the rigor of misstatement detection.

3.2.3. The Effect of Auditor Turnover on Misstatement Detection

The findings of this study indicate that auditor turnover has a significant negative effect on misstatement detection. In other words, the more frequently the lead auditor changes, the lower the likelihood of detecting material misstatements in financial statements. This condition can be explained by the reduction in continuity and auditors' specific understanding of the client entity. Each auditor change requires an adaptation period to the client's business and systems, which may result in missing details of complex transactions. For example, Al-Fatlawi & Khader (2023) concluded that controlled auditor rotation can enhance error detection due to the fresh perspective of the new auditor; however, if not properly managed, it can disrupt the audit process. Meanwhile, Marlina (2025) studied auditor rotation and reported that rotation does not significantly affect audit quality.

High levels of turnover also imply the loss of accumulated knowledge about client-specific risks. When experienced auditors, particularly senior team members, leave an engagement, their replacements often require additional time to fully understand the client's accounting systems, internal controls, and risk areas. This knowledge gap can reduce the effectiveness of audit procedures and increase the possibility of overlooking material misstatements. These findings highlight that excessive auditor turnover tends to increase audit costs, delay timeliness, and reduce audit quality.

To mitigate these challenges, audit firms need to establish structured handover processes that ensure critical client knowledge is transferred effectively between outgoing and incoming auditors. Comprehensive documentation and standardized audit working papers can preserve institutional memory and reduce the risk of knowledge loss during turnover. Such measures can help minimize the adaptation period and sustain continuity in the detection of misstatements.

Beyond documentation, mentoring and overlapping assignments between outgoing and incoming auditors can strengthen the transition process. Allowing new auditors to work alongside their predecessors for a limited time helps them gain a deeper understanding of the client's operations and risk profile. This practice reduces the likelihood of missing important details, particularly in complex engagements where institutional knowledge is vital.

Audit firms also need to invest in continuous professional development for new and less experienced auditors. Regular training programs in fraud detection, industry-specific risks, and audit analytics can equip auditors with the skills necessary to adapt more quickly to new assignments. By strengthening auditor competence, firms can offset some of the negative effects of turnover and maintain detection effectiveness.

Finally, retention strategies aimed at reducing unnecessary auditor turnover are equally important. Creating clear career paths, maintaining competitive compensation, and fostering a positive work culture can reduce the frequency of auditor departures. When firms succeed in stabilizing audit teams, they not only preserve valuable client knowledge but also enhance the overall consistency and quality of misstatement detection.

3.2.4. The Effect of Transaction Complexity, Audit Budget, and Auditor Turnover on Misstatement Detection

The findings of this study indicate that transaction complexity, audit budget, and auditor turnover simultaneously have a significant effect on misstatement detection. In other words, the audit risk model approach should emphasize the simultaneous consideration of multiple risk factors in audit planning. Although the audit budget alone appears to have a weak effect, successful misstatement detection depends on the interaction between transaction complexity, audit resource management, and audit team stability. These findings underscore that effective auditing requires an integrated focus on various risk factors namely addressing transaction complexity with adequate procedures, carefully managing audit time, and maintaining auditor continuity throughout the audit process.

4. CONCLUSION

Based on the results of this study, it can be concluded that transaction complexity and auditor turnover have a significant negative effect on auditors' ability to detect misstatements, whereas the audit budget does not have a significant effect. This indicates that the more complex the transactions faced by auditors, the more difficult it is for them to identify errors or fraud. Similarly, a high level of auditor turnover within the audit team reduces the continuity of client knowledge, thereby lowering the effectiveness of misstatement detection. Meanwhile, the size of the audit budget does not directly determine auditors' success in identifying misstatements, as auditors tend to focus their procedures on high-risk areas.

This study recommends that public accounting firms carefully assign auditors to clients with complex transactions, by implementing more detailed audit procedures and involving experienced auditors or industry specialists. In addition, accounting firm management should control auditor turnover by maintaining audit team stability to preserve accumulated knowledge and experience. These recommendations are directed at auditing practitioners in public accounting firms to enhance the effectiveness of misstatement detection and maintain audit quality. For regulators, the study's findings can also provide input for strengthening policies on auditor rotation and audit procedures for complex transactions, in order to minimize the risk of undetected material misstatements.

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