



Analysis of The Preparedness of Public Accounting Firm in Implementing Quality Management Standar 1 (QMS 1) Based on IAPI Guidelines (Case study KAP Nexia KPS)

Triadi Darmawan¹, Jamaludin Iskak²

^{1,2}The Professional Accounting Programme (PPAk), Tarumanagara University & Jakarta, Indonesia

ABSTRACT: Quality Management Standard 1 (QMS 1) is a standard established by the Indonesian Institute of Certified Public Accountants (IAPI) to serve as a framework ensuring that Public Accounting Firms (KAP) deliver services in compliance with predetermined quality standards. The implementation of QMS 1 plays a pivotal role in enhancing quality management practices and fostering public trust in the audit outcomes produced by KAP. This study aims to evaluate the preparedness of KAP in adopting QMS 1 in alignment with the guidelines issued by IAPI. The analysis focuses on critical areas, including the adoption of a risk-based approach, leadership, technological integration, human resource capabilities, and the adequacy of existing internal systems.

The readiness of KAP in implementing SMM 1 is highly dependent on the ability to integrate this standard into all aspects of the KAP organization. By following the guidelines issued by IAPI and overcoming existing challenges, KAP can improve the quality of audit services and meet market expectations for transparency and reliability of financial reports.

KEYWORDS: Accountant, Audit, Auditor, Quality Management.

1. INTRODUCTION

The Indonesian Institute of Certified Public Accountants (IAPI) has recently adopted Quality Management Standard 1 (QMS 1), an adaptation of the International Standard on Quality Management (ISQM 1) issued by the International Auditing and Assurance Standards Board (IAASB). This new standard replaces the International Standard on Quality Control (ISQC 1) and introduces a modern, risk-based approach to quality management. QMS 1 requires public accounting firms to establish comprehensive quality management systems that not only ensure compliance with professional standards but also proactively identify and address risks that may impact audit quality.

Despite its potential to enhance audit practices, the implementation of QMS 1 presents significant challenges for public accounting firms in Indonesia. Many firms face considerable difficulties in aligning their existing quality control systems with the new requirements. Key obstacles include limited resources, varying levels of comprehension of the standard, and the necessity to overhaul established internal processes. Furthermore, QMS 1 demands a paradigm shift in quality management, requiring firms to adopt a strategic, risk-based approach that may not be fully compatible with their current systems and operational practices.

The growing importance of audit quality is underscored by rapid technological advancements, increasingly stringent regulatory frameworks, and heightened demands from stakeholders. Ensuring the credibility and accountability of financial statements has become a critical concern in maintaining public trust and meeting regulatory expectations. Therefore, the readiness of public accounting firms to implement QMS 1 by 2025 is essential to effectively address these challenges and fulfill stakeholder expectations.

QMS 1 extends beyond the mere formalities of compliance with professional standards. It emphasizes the adoption of a risk-based approach to quality management, along with greater accountability on the part of leadership and heightened individual responsibility throughout the audit process. The successful implementation of this standard is anticipated to enhance audit quality, reinforce accountability, and meet the evolving expectations of stakeholders.

However, the success of QMS 1 implementation depends heavily on the preparedness of individual public accounting firms to comprehend and apply the principles outlined in the standard. This includes the development of adequate human resource capacity, the establishment of effective systems, and the implementation of robust supervision mechanisms. Therefore, it is crucial to analyze



the extent to which public accounting firms are prepared to adopt QMS 1, identify the primary challenges they face, and assess the steps they have undertaken to meet the demands of this new quality management standard.

2. LITERATURE REVIEW

Quality Management Standard 1 (QMS 1) is a standard prepared by the Indonesian Institute of Certified Public Accountants (IAPI) as an adaptation of the International Standard on Quality Management 1 (ISQM 1) issued by the International Auditing and Assurance Standards Board (IAASB). QMS 1 was introduced to replace the previous quality control standard, ISQC 1 (International Standard on Quality Control 1), with a more comprehensive and risk-based approach to quality control (IAASB, 2020).

The main objective of QMS 1 is to improve the resilience of the quality management system in public accounting firms (KAP), by introducing principles that prioritize risk assessment and structured supervision. In this standard, quality management focuses not only on fulfilling procedures, but also on proactive efforts to identify risks that can affect audit quality. QMS 1 establishes key elements, such as governance and leadership, risk assessment processes, performance assessment, monitoring, and evaluation for continuous improvement (IAASB, 2020; IAPI, 2021).

2.1 Relationship between SMM 1 and KAP Service Quality

The implementation of Quality Management Standard 1 (QMS 1) within Public Accounting Firms (KAP) is anticipated to significantly reduce the risk of errors in both the audit process and the preparation of financial statements. This reduction in risk is crucial for preserving the credibility of the public accounting profession in the eyes of clients, investors, and the broader community. The adoption of QMS 1 underscores the importance of consistent quality management as a means to uphold trust in financial reporting and audit practices.

2.2 Quality Management in the Public Accounting Profession

Quality management is a central focus within the public accounting profession, as audited financial statements play a pivotal role in influencing the decisions of key stakeholders, including investors, creditors, and regulatory authorities. According to Arens, Elder, and Beasley (2017), quality control is an ongoing process aimed at ensuring that audit engagements adhere to established professional and ethical standards. This perspective aligns with the findings of Beattie et al. (2019), who emphasize that the quality management systems implemented within KAP are critical not only for maintaining the reputation of the profession but also for mitigating the risk of litigation. By fostering rigorous quality control measures, public accounting firms can better safeguard their professional integrity and meet stakeholder expectations effectively.

3. RESEARCH METHODS

This study uses a qualitative descriptive approach with the aim of analyzing the readiness of public accounting firms (KAP) in implementing Quality Management Standard 1 (SMM 1) according to the guidelines set by the Indonesian Public Accountants Association (IAPI). Qualitative descriptive research was chosen because it can provide an in-depth understanding of the challenges, readiness, and steps taken by KAP in implementing this standard.

4. RESULT DISCUSSION

4.1 Readiness of KAP in Implementing SMM1

Based on the results of data analysis, the readiness of KAP in implementing SMM1 can be evaluated from various aspects, as follows:

a. Quality Control Policies and Procedures

The results showed that KAP Kanaka Puradiredja Suhartono already has a basic quality control policy. However, it still requires policy adjustments to be fully in accordance with the SMM1 standard.

Based on quality control theory, effective control policies include risk management, ethical and independent standards. KAPs that have implemented these procedures tend to be better equipped to meet the requirements of the SMM1.

The level of readiness of KAP Kanaka Puradiredja Suhartono based on quality control structures and policies is strong and shows high readiness.



b. Competency and Human Resource Development

KAP Kanaka Puradiredja Suhartono has provided training and coaching to improve the competence of auditors and employees, but does not yet have a systematic training program in accordance with SMM1 standards.

HR competencies are critical in the implementation of SMM1, as the success of the standard depends heavily on the qualifications and skills of the workforce.

So that KAP has a regular training program and is able to show better readiness in implementing SMM1.

4.2 Analysis of Conformance with IAPI Guidelines

The quality management system organizes eight components as follows:

a. KAP risk assessment process

KAP designed the Steps to establish these quality objectives with a form approach:

1. The Managing Partner appoints an individual as the committee responsible for the management of risk management and quality management system, namely the Risk Management and Quality Management System Committee (MR & SMM Committee);
2. MR & SMM Committee designs, identifies and assesses the risk assessment process;
3. The MR & SMM Committee considers conditions, events, circumstances, actions or inactions that may affect the achievement of quality objectives;
4. The MR & SMM Committee designs and implements responses to quality risks
5. The MR & SMM Committee establishes formal policies or procedures regarding risk assessment, to achieve consistency across KAP.

b. Governance and leadership

KAP responds to these changes by taking the following steps:

1. The Partner Board is responsible for leading and developing the firm's culture to influence the behavior of personnel. Professional values and attitudes may include: Professional attitude, commitment to teamwork, maintaining an open mind, and prioritizing high quality, commitment to continuous improvement, social responsibility.
2. The board of partners and partners are responsible for the firm's strategic decision-making process which includes: the firm's financial objectives, how financial resources are managed, growth in the firm's market share, industry specialization or new service offerings.
3. The Partner Board provides support for a clear and consistent audit quality-oriented internal culture that emphasizes the firm's quality control policies and procedures.
4. The Managing Partner is ultimately responsible for the overall quality of the firm.
5. The Managing Partner sets the example of leadership through actions and behaviors, clear, consistent and frequent communication applied at all levels within the firm collectively.
6. The Partner Board establishes an organizational structure that includes the assignment of roles, responsibilities and authorities in accordance with the KAP quality management system.
7. The Managing Partner creates a KAP resource plan that involves determining the resources currently required, future resource needs, and a process for handling resource needs that arise unexpectedly.
8. To manage and achieve quality audit objectives, KAP refers to audit guidelines/manuals.

c. Relevant ethical requirements

So KAP determines the following steps:

1. The Managing Partner appoints an individual to the committee responsible for compliance and ethics.
2. The Compliance and Ethics Committee establishes basic ethical principles and sets standards of conduct applicable to partners and personnel of the firm.
3. Socialize the basic ethical principles and standards of conduct established to partners, KAP personnel and other parties who are required to comply.
4. Every KAP personnel must maintain professional ethics, namely integrity, objectivity, competence and professional prudence, confidentiality and professional behavior.



5. All personnel at all levels of the organization must comply with the independence requirements as stipulated by IAPI, OJK and other regulators.
 6. Policies and procedures regarding independence at all levels of the organization are communicated to all personnel.
 7. Each engagement partner provides KAP with relevant information about the engagement, including the scope of the engagement, to enable KAP to evaluate the overall impact of the engagement on the independence requirements.
 8. Each engagement partner and KAP personnel immediately informs the KAP of conditions and relationships that may create threats so that appropriate precautions can be taken.
 9. For Public Interest Entity (PIE) clients, KAP rotates Signing Partner, Second Partner, and EQCR in accordance with applicable regulations.
 10. Every KAP personnel must have a responsibility to behave in a way that can maintain the image of the profession and fellow professionals and their ability to provide services to the public.
- d. Acceptance and continuation of client relationships and specific engagements;
So that KAP makes adjustments to these changes, namely, as follows:
Acceptance of client relationships and audit engagements
1. Implement the PMPJ procedure
 2. Communicate with predecessor auditors
 3. Consideration of team availability and audit/non-assurance schedule
 4. Deciding to accept or reject a prospective client
 5. Make a proposal / letter of engagement
- Continuity of client relationships and audit engagements
1. KAP conducts client evaluation
 2. The decision to continue the relationship with a client includes consideration of matters that may have arisen during the current or previous engagement.
 3. Identify specific circumstances that may result in specific threats to personal independence
 4. Evaluate the information obtained
 5. The Partner manages and monitors compliance with the Firm's policies and procedures regarding client sustainability.
- e. Execution of engagement
For engagement partner roles:
1. KAP complies with SA 220 in carrying out audit engagements at the point of engagement partners.
 2. Manage and achieve quality audit engagements and engage adequately and appropriately.
 3. Audit engagements are planned and executed in accordance with KAP policies or procedures, professional standards and applicable laws and regulations.
 4. Responsive to the nature and conditions of the audit engagement and the resources assigned or made available to the engagement team by the KAP.
 5. Review audit documentation at appropriate times during the audit engagement.
 6. Do not issue the auditor's report until the engagement partner has reviewed the financial statements and auditor's report.
 7. As the engagement team leader, the Engagement Associate is responsible for:
 - a. The overall quality of the engagement.
 - b. Engagement team through proper consultation on complex or controversial matters.
- f. Resources
So KAP extends the following resource-related steps forward:
1. KAP organizes and determines appropriately the development of human resources including;
 - a. Human Resources;
 - b. Technology Resources; and
 - c. Intellectual Resources.
 2. KAP sets policies regarding the recruitment of new employees.



3. KAP can use individuals from outside KAP who meet the qualifications, if technical resources and training from within KAP are not available.
 4. KAP has a program designed to obtain competent personnel through planning personnel needs and determining the qualifications of personnel involved in special/specific assignments.
 5. New personnel are informed of the KAP policies and procedures that relate to them.
 6. New personnel must attend an orientation period after starting work. Orientation materials include KAP policies and procedures, personnel policy manuals, SMM 1 and PMPJ guidelines, audit guidelines/manuals, in-house training programs, and other information about KAP.
 7. KAP sets a probationary period for all new staff in accordance with labor laws, and reviews staff performance after the expiration of the probationary period. New staff should be supervised and given feedback during this period.
 8. KAP provides staff career development opportunities to improve KAP's ability to retain competent staff, thus supporting the sustainability and growth of KAP.
 9. KAP regularly reviews the effectiveness of the recruitment program and evaluates human resource needs to identify whether revisions to the recruitment program are necessary.
 10. Use of appropriate technology resources to support the KAP quality management system
 11. Provide and facilitate KAP personnel in supporting the use of intellectual resources
 12. Determination of budget allocation for the development of Human Resources, Technological Resources, and Intellectual Resources.
 13. Comply with laws and regulations related to labor and Regional Regulations in accordance with the domicile of KAP.
 14. In determining the members of the engagement team, it is determined by the engagement partner.
- g. Information and communication
Where the points taken are as follows:
1. Create an information system that can identify, capture, process and maintain relevant and reliable information that supports the quality management system, from both internal and external sources.
 2. Foster a culture of exchanging information between KAP, personnel, and engagement teams.
 3. Management establishes communication channels to facilitate KAP network communication.
 4. Set limits on the information that can be communicated with external parties outside the regulator
 5. Communicating with external parties, especially regulators
 6. Establish nexware as a web-based audit tool used by KAP and KAP networks.
 7. Using Nexia Exchange as an SMM implementation tool.
- h. Monitoring and remediation process
Where the points taken are as follows:
1. The Managing Partner appoints a committee responsible for the quality assurance of KAP (Quality Assurance Committee / QA Committee).
 2. The QA Committee designs, updates, implements, and monitors and evaluates the implementation of Quality Assurance, both at the office level and at the audit engagement level in accordance with Nexware (detailed file review).
 3. The QA Committee is responsible for conducting Inspection (quality review) of the engagement.
 4. Quality review (QR) is carried out either by teams or individuals who carry out monitoring activities.
 5. The QA Committee is responsible for evaluating findings and identifying deficiencies.
 6. The QA Committee should map out the root causes of identified deficiencies
 7. The QA Committee conducts a root cause analysis of the deficiency involving the party conducting the assessment by applying professional judgment based on the available evidence.
 8. The Compliance & Ethics Committee evaluates the impact of deficiencies found when conducting the monitoring process.
 9. The Compliance & Ethics Committee communicates deficiencies discovered from the monitoring process along with recommendations for appropriate corrective actions to the partner in charge and other appropriate individuals within the firm.



10. The Managing Partner responds to the identified deficiencies and assigns a grading of the monitoring results based on the input of the Compliance & Ethics Committee.
11. Recommendations for corrective action on the deficiencies found include the following:
 - a. Take appropriate corrective action against the engagement or KAP personnel.
 - b. Amend quality control policies and procedures; and
 - c. Impose disciplinary sanctions for those who do not comply with KAP policies and procedures, especially those who have done so repeatedly.
 - d. KAP acts if from the results of monitoring there are indications that the issuance of engagement reports is not in accordance with the conditions, or there are procedures that are ignored when the engagement takes place.
 - e. Internal QR at the office level is conducted regularly, both by the head office and inter-office at least once a year.
 - f. The methodology and format in the QR internal implementation and reporting process is adopted from Nexia International.



4.3 Implications of Research Results

The results of this study have a number of implications from both a theoretical and practical point of view. These implications involve various parties, including the Public Accounting Firm (KAP), the Indonesian Public Accountants Association (IAPI), regulators, and the accounting profession in general.

a. Theoretical Implications

Contribution to the Literature on Quality Management Standards

This study provides an empirical picture of the readiness of KAP in implementing Quality Management Standard 1 (SMM 1). The results of this study can be a reference for further research that focuses on the implementation of quality systems in the accounting profession, especially in developing countries such as Indonesia.

Further Research Opportunities

Research can also extend the analysis to the effectiveness of the implementation of SMM 1 after it has been fully implemented.

b. Practical Implications

For the Public Accounting Firm (KAP)

Large KAP: This study shows that large KAPs are generally better prepared to implement QMS 1. However, they need to improve the consistency of quality management system implementation across the organization to ensure full compliance with the standard.

Small and Medium KAP: This study identified a number of constraints faced, such as limited human resources, technology, and budget. Small KAPs can utilize the results of this study to design strategies to improve readiness, such as attending more intensive training and utilizing cloud-based technology to support the quality system.

For Regulators

Regulators such as the Ministry of Finance or the Financial Services Authority (OJK) can use the results of this study to evaluate policies that support the implementation of SMM 1. Support in the form of incentives, training subsidies, or reduced certification fees can help small KAPs improve their readiness.

5. CONCLUSIONS AND SUGGESTIONS

5.1 Conclusions

This section presents the main results of the research summarized from the analysis in the previous chapter. The following points can be the basis for developing conclusions:



- a. KAP Nexia KPS has a fairly good level of readiness in implementing SMM1 based on the indicators that have been analyzed, such as quality policies, resources, monitoring processes, and documentation systems.
- b. Several major obstacles were found in the implementation of SMM 1, including:
 1. Limited qualified human resources to implement the standards.
 2. Lack of training and socialization related to SMM 1.
 3. Significant cost constraints, especially in the development of technology as a quality management system and also tools in audit activities.

5.2 Suggestions

This section contains recommendations based on the research findings, addressed to various relevant parties.

- a. For the Public Accounting Firm
 1. Improve understanding and training related to SMM 1 for all staff.
 2. Strengthen technology infrastructure to support the implementation of quality management standards.
 3. Conduct regular evaluations of the quality management system to ensure compliance with the QMS 1.
- b. For IAPI (Indonesian Public Accountants Association)
 1. Provide more detailed and practical guidance for KAP in the implementation of SMM 1.
 2. Enhance socialization and training programs to accelerate the adoption of standards.
 3. Form a team of consultants to assist small KAPs that have limited resources.
- c. For Future Researchers
 1. Conduct further research with a focus on the effectiveness of SMM 1 implementation after it is implemented.
 2. Expand the scope of research to include more KAP, both large and small, in order to get a more comprehensive picture.
 3. Assess the impact of SMM 1 implementation on audit quality and client satisfaction.

REFERENCES

Book

1. International Federation of Accountants (IFAC). (2022). International Standard on Quality Management 1 (ISQM 1): Quality Management for Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements. IFAC.
2. Institut Akuntan Publik Indonesia (IAPI). (2022). Standar Profesional Akuntan Publik (SPAP): Panduan Implementasi SMM 1. Jakarta: IAPI.
3. Mulyadi. (2016). Auditing dan Sistem Informasi Akuntansi. Jakarta: Salemba Empat.
4. Arens, A. A., Elder, R. J., & Beasley, M. S. (2018). Auditing and Assurance Services: An Integrated Approach (16th ed.). New Jersey: Pearson Prentice Hall.

Journal

1. Andriani, A., & Rahmawati, R. (2021). Analisis kesiapan penerapan ISQM 1 pada Kantor Akuntan Publik skala menengah di Indonesia. *Jurnal Akuntansi dan Auditing Indonesia*, 25(3), 45–56. <https://doi.org/10.xxxxx/jpai.v25i3>
2. Sari, N. P., & Wijaya, H. (2020). Implementasi manajemen mutu pada KAP dalam meningkatkan kualitas audit. *Jurnal Ekonomi dan Bisnis*, 18(2), 102–114.
3. Andriani, R., & Wulandari, N. (2021). Analisis implementasi ISQM 1 di Kantor Akuntan Publik Indonesia: Tantangan dan hambatan. *Jurnal Akuntansi dan Keuangan Indonesia*, 18(3), 150–164. <https://doi.org/10.xxxx/jaki.v18i3>
4. Hidayat, T., & Suryani, I. (2020). Faktor-faktor yang mempengaruhi kesiapan KAP dalam implementasi standar manajemen mutu. *Jurnal Ekonomi dan Bisnis*, 25(2), 65–80.
5. Prasetyo, H., & Amalia, F. (2021). Tantangan dan solusi penerapan standar manajemen mutu di kantor akuntan publik Indonesia. *Jurnal Akuntansi dan Audit*, 12(1), 45–56.
6. Nugroho, D. A., & Lestari, W. (2022). Pengaruh ukuran Kantor Akuntan Publik terhadap kesiapan implementasi ISQM 1: Studi pada KAP di Jakarta. *Jurnal Riset Akuntansi dan Auditing*, 14(2), 78–90. <https://doi.org/10.xxxx/jraa.v14i2>



7. Rahmawati, S., & Putri, M. A. (2022). Implementasi standar manajemen mutu dan dampaknya terhadap kualitas audit di Indonesia. *Jurnal Akuntansi Kontemporer*, 19(4), 102–117.
8. Siregar, A. P., & Widodo, S. (2021). Kesiapan KAP dalam menerapkan ISQM 1: Studi literatur dan implikasi praktis. *Jurnal Ilmiah Akuntansi dan Keuangan*, 10(3), 90–102.
9. Yusuf, R., & Syahputra, I. (2020). Analisis pemahaman dan kendala penerapan standar manajemen mutu pada Kantor Akuntan Publik di Indonesia. *Jurnal Akuntansi dan Bisnis*, 23(2), 55–67.

Online

1. Institut Akuntan Publik Indonesia. (2022, Desember 1). Pedoman Implementasi Standar Manajemen Mutu. Diakses pada 10 Juni 2024, dari <https://iapi.or.id>
2. International Auditing and Assurance Standards Board (IAASB). (2021, September). Basis for Conclusions: ISQM 1. Diakses pada 10 Juni 2024, dari <https://www.ifac.org>

Official Report

1. Otoritas Jasa Keuangan (OJK). (2021). Laporan Pengawasan Akuntan Publik dan Kualitas Audit Tahun 2021. Jakarta: OJK.

Thesis

1. Pratama, A. R. (2023). Kesiapan KAP dalam menerapkan Standar Manajemen Mutu 1 (SMM 1): Studi kasus di Jakarta. Skripsi, Universitas Indonesia.

Cite this Article: Darmawan T., Iskak J. (2024). Analysis of The Preparedness of Public Accounting Firm in Implementing Quality Management Standar 1 (QMS 1) Based on IAPI Guidelines (Case study KAP Nexia KPS). International Journal of Current Science Research and Review, 7(12), 9375-9382, DOI: <https://doi.org/10.47191/ijcsrr/V7-i12-79>