

# Comparison Of Financial Statement Recording In Pekanbaru City Government Agencies: A Case Study Of The Health Department And Education Department

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## Abstract

This study aims to analyze the differences in financial transaction recording methods and evaluate the quality of financial statements produced by the Health Department and Education Department of Pekanbaru City. Despite widespread adoption of Government Accounting Standards (SAP) across Indonesian local government agencies, comparative studies examining multiple quality dimensions across two agencies within the same city remain scarce. This research fills that gap by simultaneously assessing accrual implementation, accuracy, timeliness, and transparency in two agencies operating under identical regulatory frameworks but with differing resource capacities. The academic contribution of this study lies in providing empirical, multi-dimensional evidence that can inform targeted policy recommendations for improving public sector financial reporting. The research employs a convergent parallel mixed methods design, combining qualitative methods through interviews and observations with quantitative descriptive analysis of financial data. Accuracy percentages were computed from the proportion of error-free entries verified against the Pekanbaru City Inspectorate's assessment findings and BPK audit recommendations; timeliness was measured as the ratio of on-time report submissions to total required submissions; and transparency was scored against a disclosure checklist adapted from PSAP criteria. Results indicate that the Health Department has fully implemented accrual-based recording in accordance with SAP (92% accuracy, 95% timeliness, 91% transparency), while the Education Department still applies a modified accrual basis (85% accuracy, 83% timeliness, 80% transparency). Overall, differences in accounting method implementation significantly affect public sector financial statement quality in Pekanbaru City.

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## 1. Introduction

Public sector accounting plays an important role in creating transparency, accountability, and efficiency in government financial management. In the era of regional autonomy, each local government agency is required to manage budgets effectively and present reliable financial statements as a form of accountability to the public. Government Accounting Standards (SAP) and PSAP guidelines serve as the main references that must be uniformly applied so that financial information can be compared and trusted (Nursyamsi, 2021). However, accounting practices in local government agencies often vary, influenced by organizational characteristics, human resource capacity, and internal control systems (Putra and Sari, 2023).

From a theoretical standpoint, public sector financial reporting quality is grounded in agency theory (Jensen and Meckling, 1976), which positions government as an agent accountable to the

public as principal. The quality of financial statements thus reflects the degree to which this accountability obligation is fulfilled. New Public Management (NPM) theory further emphasizes efficiency, transparency, and performance-based reporting as pillars of modern governance (Hood, 1991). Stewardship theory complements this by highlighting the responsibility of public officials to manage resources prudently and report outcomes comprehensively (Donaldson and Davis, 1991). These theoretical frameworks provide the analytical lens through which this study evaluates differences in recording practices and reporting quality between the two agencies.

In Pekanbaru City, the Health Department and Education Department are strategic agencies with substantial public budgets. Although subject to the same regulations, there are indications of differences in accounting practice implementation. Preliminary observations show that the Health Department more frequently uses an accrual approach, while the Education Department still relies on cash-based methods for some operational activities. These differences can create inconsistencies in financial statement presentation and affect accuracy and inter-agency comparability.

The quality of financial statements from both departments also shows variation. The Health Department tends to produce reports faster and more accurately, while the Education Department faces obstacles in timeliness and data consistency. The main causal factors include variations in human resource competency, internal control systems, and levels of compliance with PSAP. Previous research indicates that financial reporting quality is positively related to public trust (Hu et al., 2019), and the use of accrual basis provides a more comprehensive picture of government financial position (Arens et al., 2018).

Although prior studies have examined financial reporting quality in individual local government agencies (Putra, 2022; Ardiansyah, 2022; Hasyim and Rahman, 2024), they have not simultaneously compared multiple quality dimensions—accuracy, timeliness, and transparency—across two agencies operating under the same regulatory environment within a single city. This gap limits policymakers' ability to identify differential compliance patterns and design targeted interventions. The present study fills this gap by conducting a systematic comparative analysis of the Health Department and Education Department of Pekanbaru City.

Guided by this gap, the study addresses two explicit research questions: (1) How do financial transaction recording methods differ between the Health Department and Education Department of Pekanbaru City? (2) How does the quality of financial statements, measured by accuracy, timeliness, and transparency, compare between the two departments? The comparison between the Health Department and Education Department is expected to serve as a basis for recommendations to improve the public sector accounting system in Pekanbaru City and provide practical benefits for policymakers, internal auditors, and the public in realizing transparent and accountable governance.

## **2. Research Method**

### **Differences in Financial Transaction Recording Methods**

#### **Health Department Recording Method**

The Health Department of Pekanbaru City manages complex financial transactions involving various funding sources including APBD, DAK, and DBHCHT. All transactions are recorded using full accrual-based accounting methods in accordance with Government Regulation Number 71 of 2010 concerning Government Accounting Standards (SAP). Revenue is recognized when rights are obtained, and expenditures are recognized when obligations arise, regardless of cash receipt or payment. This practice aligns with agency theory, which posits that agents (government departments) should provide principals (the public) with accurate, complete, and timely financial information to reduce information asymmetry (Jensen and Meckling, 1976).

The department uses SIMDA Finance accrual version integrated with BPKAD's reporting system. Recording is conducted hierarchically from technical units to the Finance Sub-Division for verification and system input. The process considers source documents such as SP2D, SPM, and BKK, with monthly reconciliation between treasurer cash reports and SIMDA records. The Health Department has competent accounting staff, with several having completed SAP accrual-based training by BPKP.

### Education Department Recording Method

Unlike the Health Department, the Education Department remains in transition from cash basis to accrual. Although accrual-based SAP is mandated, implementation has not been optimal due to an extensive network covering over 250 educational units. Many transactions, especially BOS and Physical Education DAK funds, are still recorded using cash basis at school level, then compiled for accrual reporting at the department level. From an NPM perspective, this hybrid approach undermines efficiency and consistency goals, as non-uniform recording methods within a single agency create consolidation risks and reduce inter-period comparability (Hood, 1991).

Limited accounting human resources represent the main obstacle, with only 4 of 11 finance staff having accrual-based SAP training. Synchronization challenges between school financial reports and department-level SIMDA persist. The Education Department's recording method is essentially mixed cash toward accrual (modified cash basis), where some non-cash transactions like school capital expenditures are recognized upon payment rather than asset receipt.

### Comparative Summary: Key Differences in Recording Methods

Table 1 below systematically summarizes the key differences between the two departments across five dimensions: accounting basis, SIMDA adoption, certified staff, PSAP compliance, and coordination frequency.

**Table 1. Comparison of Financial Transaction Recording Methods**

Dimension	Health Department	Education Department
Accounting Basis	Full Accrual (PP 71/2010)	Modified Cash (transitioning)
SIMDA Accrual Adoption	Fully integrated since 2019	Adopted in 2023; partial integration
Certified Accounting Staff	14 staff	4 of 11 staff
PSAP Compliance Rate	91.2%	83.6%
BPKAD Coordination	Monthly reconciliation	Quarterly reconciliation
Documentation System	Complete digital archives	Partial manual documentation

## Financial Statement Quality Evaluation

### Health Department Quality

Financial statements are prepared based on accrual-based SAP and Ministry of Home Affairs Regulation Number 64 of 2013. The department presents four main reports: Budget Realization Report (LRA), Operational Report (LO), Cash Flow Statement (LAK), and Balance Sheet. Research shows the Health Department's financial statements have high accuracy and timeliness levels. These results are consistent with Hu et al. (2019), who found that accrual-based reporting is associated with higher public trust; and with Arens et al. (2018), who demonstrate that full accrual implementation provides a more complete picture of government financial position.

Financial statement accuracy reaches 92.4% based on the Pekanbaru City Inspectorate's 2023 assessment, reflecting low correction rates during BPK audits. Report submission timeliness is good at 95.1%, with all quarterly and annual reports submitted within established deadlines. Transparency scores 90.8%, with budget data accessible through public information boards and official websites. System integration reaches 93.5%, and PSAP compliance achieves 91.2%.

### Education Department Quality

The Education Department faces major challenges maintaining financial statement quality due to high transaction volumes involving over 250 educational units. Data collection from schools, document verification, and expenditure report recapitulation cause annual report delays. These findings resonate with stewardship theory: limited human resource capacity and fragmented reporting structures reduce the ability of public officials to fulfill comprehensive accountability obligations (Donaldson and Davis, 1991). Furthermore, Putra and Sari (2023) demonstrate that human resource competency and internal control systems are significant predictors of government financial statement quality, a finding directly reflected in the Education Department's lower performance scores.

Financial statement accuracy reaches 84.7% with significant corrections in capital expenditure accounts. Report submission timeliness remains problematic at 82.5% due to late reporting from schools. Transparency is 80.3%, limited to aggregate city-level reports without per-school details. System integration achieves only 83.1% as SIMDA is not yet fully connected to all schools. PSAP compliance stands at 83.6%.

**Comparative Summary: Financial Statement Quality**

Table 2 presents a systematic side-by-side comparison of financial statement quality indicators across both departments.

**Table 2. Comparison of Financial Statement Quality Indicators**

Quality Indicator	Health Dept. (%)	Education Dept. (%)	Gap
Accuracy	92.4	84.7	7.7 pp – Health Dept. superior
Timeliness	95.1	82.5	12.6 pp – Health Dept. superior
Transparency	90.8	80.3	10.5 pp – Health Dept. superior
System Integration	93.5	83.1	10.4 pp – Health Dept. superior
PSAP Compliance	91.2	83.6	7.6 pp – Health Dept. superior

Across all five quality dimensions, the Health Department consistently outperforms the Education Department, with the largest gap observed in timeliness (12.6 percentage points). This pattern supports the theoretical argument that full accrual implementation, combined with adequate human resource capacity and integrated information systems, is a necessary condition for high-quality public sector financial reporting (Sari and Ahmad, 2021; Hasyim and Rahman, 2024).

**4. Conclusions**

Based on the research conducted on the Comparison of Financial Statement Recording in Pekanbaru City Government Agencies: A Case Study of the Health Department and Education Department, the following conclusions can be drawn.

The Pekanbaru City Health Department implements a full accrual-based financial recording system in accordance with Government Regulation Number 71 of 2010 concerning Government Accounting Standards (SAP). All transactions, both revenues and expenditures, are recorded when rights and obligations arise, not when cash is received or paid. The implementation of this system has been supported by the SIMDA Finance application which facilitates the accounting process from recording transaction evidence, general journals, to preparing financial

statements. The use of accrual basis enables this department to more accurately depict the financial position, especially in managing public health funds, grants, and capital expenditures. Meanwhile, the Pekanbaru City Education Department still applies a mixed basis (modified accrual). This means that some transactions are already recorded on an accrual basis, but several types of transactions such as BOS (School Operational Assistance) expenditures and activity honorariums are still recorded on a cash basis. The limited capacity of accounting human resources at the school unit level and variations in funding sources (DAU, DAK, BOS, and grants) are inhibiting factors for full accrual basis implementation. Nevertheless, the reporting system at the Education Department has begun to adapt with the SIPD (Regional Government Information System) application which is integrated with regional finance. The quality of the Health Department's financial statements is generally better than the Education Department, especially in terms of accuracy and timeliness. However, both still have room for improvement in terms of enhancing public information disclosure and utilizing information technology to support transparency and reporting efficiency.

### **Limitations**

This study has several limitations that should be acknowledged. First, the case study design restricts generalizability: findings from two departments in Pekanbaru City may not be representative of other local governments with different organizational structures, resource levels, or regulatory environments. Second, qualitative data collected through interviews are subject to social desirability bias, as informants may present idealized rather than actual practices. Third, the accuracy and transparency metrics rely partly on internal Inspectorate assessments, which may not be fully independent. Fourth, the study covers a single observation period (October–November 2025), which limits the ability to track changes over time.

### **Future Research Directions**

Future studies should expand the scope to multiple cities or provinces to test whether the patterns observed in Pekanbaru City hold across different governance contexts. Longitudinal designs tracking the same agencies over multiple reporting cycles would illuminate how accrual implementation capacity evolves over time. Researchers may also consider employing independent external audits to reduce measurement bias, and incorporating quantitative regression models to identify the relative contribution of human resource competency, internal control systems, and IT integration to financial statement quality.

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