Audit Practices in Community Colleges in Nepal's Bagmati Province: A Systematic Review

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Abstract

This study examines the status and scope of cost, management, and sustainability audit practices in community colleges of Bagmati Province, Nepal, through a combined systematic literature review and exploratory field survey. The community colleges play a critical role in expanding equitable access to higher education; however, their long-term sustainability is constrained by weak governance, limited financial capacity, and underdeveloped institutional systems. Despite increasing emphasis on transparency and accountability, internal audit mechanisms beyond financial compliance remain insufficiently explored in the Nepali context. A systematic review of academic and policy literature (2015–2025) was conducted alongside a structured survey of ten community colleges to assess existing audit practices, frequency, and implementation challenges. Findings reveal that while 100% of institutions conduct mandatory annual external financial audits, only a minority perform formal cost audits (20%) and management audits (30%), and none have institutionalized sustainability audits. Key barriers include resource constraints, limited technical expertise, weak regulatory enforcement, and low institutional awareness of advanced audit frameworks. The study positions cost, management, and sustainability audits as strategic tools for strengthening institutional governance and aligning with national quality assurance systems. It highlights the need for integrated audit frameworks, digital financial management systems, and capacity-building initiatives. Aligning audit practices with accreditation standards, particularly those of the University Grants Commission Nepal, can enhance transparency, resource efficiency, and environmental accountability. The findings contribute to the limited empirical literature on audit practices in Nepali higher education and offer policy-relevant insights to promote accountability, institutional effectiveness, and long-term sustainability.

Keywords: cost management audit, management audit, sustainability audit, community college, higher education

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Introduction

Community colleges are an essential part of Nepali higher education, especially in terms of their role in ensuring equal access for rural, low-income, and first-generation students. Gautam et al. (2025) claims that, historically, community colleges were founded as social institutions whose goal was to democratize higher education and mitigate regional inequality. They still admit a large percentage of marginalized and female students, thus contributing to the social inclusion and growth of the region. Likewise, Acharya (2025) asserts that community campuses represent a large proportion of Tribhuvan University-affiliated colleges and other public universities, catering to almost a third of students studying at the tertiary level in Nepal.

Even though they are structurally significant, studies have continued to draw attention to prevailing governance and financial management issues. Gautam et al. (2025) claims that most community campuses are vulnerable in terms of their financial base and depend on student tuition fees and minimal community contributions, with irregular support from the government. This type of funding does not allow them to invest in infrastructure modernization, faculty development, and quality assurance systems. To support this assertion, Acharya (2025) cites chronic financial instability, poor internal control systems, and poor strategic financial planning as highly restrictive factors among community campuses.

These broader governance assessments also demonstrate structural failures of accountability in Nepal's education sector. As Bhatta (2025) notes, over 50 percent of local governments in Nepal simply do not have functioning internal audit units, and most education management committees carry out oversight functions in a procedural rather than substantive manner. Community colleges are direct victims of such structural deficiencies, as internal audit mechanisms are underdeveloped or not properly implemented. A lack of transparency and institutional credibility is caused by poor monitoring of financial operations, procurement, and administrative performance (Bhatta, 2025).

With the federal restructuring of Nepal in 2015, provincial governments assumed greater authority in the governance of higher education. Policy reforms in Bagmati Province have aimed at enhancing institutional accountability through a formal integration process and regulatory compliance. According to Gautam et al. (2025), provincial higher education reforms increasingly require audited financial statements and institutional performance documentation as preconditions for institutional recognition and integration. Although these measures are indicators of a shift toward performance-based governance, their success relies heavily on the institutionalization of internal cost audits, management audits, and systematic review practices at the campus level.

Qualitative institutional challenges that are not related to financial management are also emphasized in empirical studies. Declining student enrollment in various community colleges, outdated curricula that do not align with labor market requirements, and the poor use of digital technologies are all documented by Acharya (2025). Gautam et al. (2025) also highlights the lack of strategic leadership, research involvement, and sustainable infrastructure. In addition, institutional audit and reporting systems do not focus on environmental sustainability practices. Without properly designed sustainability audits, campuses have no systems to measure energy efficiency, waste management, and climate-responsive infrastructure development.

Taken together, these issues reveal a gap between regulatory expectations and institutional practice. Although external financial audits are normally carried out as a compliance measure, extensive cost audits, management audits, and sustainability audits are scarcely integrated into internal governance systems. The strengthening of such audit systems is therefore key to improving transparency, increasing the efficiency of resource use, and aligning community colleges with national higher education reform agendas and sustainable development priorities (Gautam, 2025; Acharya, 2025; Bhatta, 2025).

The academic debate in Nepal is centered around the thesis that, until adequate systems of audit governance are established, community colleges in Bagmati Province remain at risk of financial inefficiency, managerial stagnation, and institutional decline. Systematic cost and management audits, as well as the institutionalization of sustainability assessment frameworks, can be viewed as strategic necessities for guaranteeing long-term sustainability and quality improvement in Nepal's community higher education sector.

Good audit practices, such as management audits (which assess the efficiency of organizational processes) and cost audits (which assess cost-control measures), are essential to institutional governance. In business literature, a management audit refers to a systematic, independent, and objective examination of the management environment, goals, strategies, and activities in order to identify problem areas. These audits have the capacity to reveal inefficiencies and help managers identify areas for improvement. Likewise, sustainability or green audits are systematic reviews of an organization's environmental practices (energy, waste, water, etc.), enabling campuses to assess and improve their environmental footprint. Nonetheless, such advanced audit practices are rarely documented in Nepal's education sector.

This paper seeks to fill two gaps: first, the synthesized literature regarding cost, management, and sustainability audits in higher education; and second, the lack of empirical data concerning the application of these audits within Nepali community colleges. To address these gaps, we conducted a systematic review of scholarly and policy literature on the topic and an exploratory survey of ten community college administrators in Bagmati Province.

This research paper attempts to investigate the level and nature of cost, management, and sustainability audit practices in community colleges in Bagmati Province, Nepal, through the synthesis of existing literature and the analysis of field evidence. It aims to determine the prevalence, scope, and effectiveness of current audit mechanisms, identify institutional and regulatory gaps, and examine the challenges that limit the implementation of integrated audit frameworks. Finally, the study seeks to provide evidence-based recommendations to enhance governance, financial sustainability, and quality assurance within Nepal's community higher education sector.

Literature Review

Management Audits in Education

Management audits are not about financial compliance, but rather about organizational performance. They include the critical evaluation of all aspects of management (policies, structure, controls) to answer the question of whether management is functioning properly or not (Kušnírová, 2021). Practically, a management audit in educational institutions may focus on academic governance, efficiency in administration, and resource utilization. An example of a management audit in a university setting could be an audit of faculty recruitment practices, curriculum planning processes, or internal financial controls. Despite the fact that management auditing has been researched extensively in corporate and public sectors, there is limited literature on the same in educational institutions in developing countries. According to one of the overall models of management auditing in SMEs, a four-stage process (planning, execution, reporting, follow-up) is recommended to enhance management systems in a systematic way.

Cost and Financial Audits

Cost audit has long been recognized as a means to check the accuracy of cost accounting records and to ensure that resources are utilized in the most cost-efficient way. Yet, according to experts in the industry, mandatory cost audits (as stipulated by corporate law) do not pertain to educational organizations. Schools and colleges more commonly undergo financial (external) audits to certify accounts. In reality, compliance-based financial audits are often emphasized in colleges, but very few schools have formal internal budgetary performance or cost-effectiveness audits. According to Acharya (2025), community campuses in Nepal are highly dependent on tuition fees, have no diversified funding sources, and face increasing deficits. This economic burden highlights the necessity of internal cost monitoring, yet the literature demonstrates that most campuses do not have internal audit functions. According to a recent campus audit (Madan Bhandari Memorial College, Kathmandu), its internal audit system had been transformed into a more systematic, professional, and effective system, but it still recommended a transition to a fully IT-based accounting system. This implies that institutional auditors are aware of the advantages of modern tools, but formal audit infrastructures have not yet fully developed.

Sustainability (Green) Audits

Campus environmental sustainability audits evaluate such aspects as energy use, water quality, waste management, and carbon footprint. Green audits are being promoted in higher education research as a measure toward the development of eco-friendly campuses that have a minimal impact on the environment. For example, Raju et al. (2023) indicate that they conducted a green audit in an Indian college to analyze electricity and fuel consumption, soil and water quality, vegetation cover, and waste management. They find that this kind of auditing is essential for determining the environmental performance of educational institutions and identifying possible ways to transform a campus into an eco-campus. Institutional green audits can be a component of a campus sustainability program in developed countries. Formal sustainability audits are uncommon in Nepal, but interest in so-called green campuses is increasing. According to the literature, there is a gap in knowledge: although sustainable operations in educational institutions are being encouraged worldwide, limited literature has been published on how Nepali colleges might assess or report environmental metrics.

Governance and Audit in the Education Sector in Nepal

At the systemic level, audit and accountability in the education sector have been identified as weak in Nepal. According to Bhatta (2025), there are rampant cases of integrity threats in Nepal's education system following federalization. They point out that a significant number of local education authorities do not have operational audit systems: over half of local governments have no effective internal audit units, and school management committees are usually either paper-based or operate only ritualistically. These problems imply that where audit structures exist on paper (e.g., compulsory school-level audits of budget expenditure), they are not necessarily being implemented. Within higher education, control is primarily exercised through affiliated university rules and external audits conducted by the Supreme Audit Office. Community colleges (within Tribhuvan University and others) generally prepare annual reports and budgets, yet minimal research has been conducted on their internal audit culture. In the case study of a Nepali community campus by Acharya (2025), the issue of constant financial instability is described and attributed to dependence on fees and insufficient government support. Nevertheless, Acharya fails to specify the presence of any internal audit or cost-control mechanisms on the campus, which also implies a gap in the research: we do not have data on the prevalence of cost and management audits in such colleges.

Management Audit Practices and Cost Audits

Operational audits (cost and management audits) involve an examination of the financial practices, efficiency, and compliance of an institution. During audits in higher education institutions, auditors usually ensure adherence to official authorities and procedures. For example, the guiding principles of auditing stipulate verifying the founding documents of a college and examining the minutes of governing bodies to confirm that financial actions (fee structures, spending, bank dealings, etc.) have been properly endorsed and documented. Another responsibility of auditors is to trace student fee registers against receipts and cashbooks and determine whether grants have been received and whether donated or restricted funds have been used as intended. In Nepal, audits are carried out under Nepal Standards on Auditing (NSAs), and campus audits are expected to adopt the same procedures. Practically, the rules governing campus integration in Bagmati Province require the submission of an audit report, which is an indication of formal accountability: all colleges are required to enclose their most recent audit report in their application to become a constituent campus.

In spite of these frameworks, governance gaps are evident in the literature. According to U4 research on anti-corruption, over 50 percent of local governments do not have an operational internal audit division, and accounts and education committees are ineffective in most cases. School and college supervisory institutions in most Nepali communities exist only in name and are rarely used to uphold accountability. This situation extends to colleges, where management audit functions (internal reviews of policies and finances) are often weak or non-existent. The lack of active audit committees means that colleges may fail to identify mistakes or inefficiencies in staffing, procurement, or budgeting. Indeed, such management weaknesses are reflected in external audit findings across the wider education sector (e.g., teacher-student imbalances). The strengthening of internal audit and finance committees in community campuses is therefore a major requirement.

Key Audit Frameworks

Formal Audit Requirements

The current provincial regulations are based on auditing financial statements as part of college integration, which ties audits more directly to governance.

Standard Audit Procedures

Auditing emphasizes checks of trust deeds and resolutions of governing bodies, verification of fee records, and verification of the correct accounting of all revenues and grants.

Governance Gaps

Surveys of Nepali education indicate that there is a lack of internal audit and effective oversight in many local authorities, and colleges are prone to mismanagement.

Implications

Colleges ought to incorporate formal audit committees and internal controls. For example, auditors are expected to ensure that all decisions made by committees (e.g., an increase in fees) are properly authorized and reported in the accounts. The lack of effective management, as discussed by Gupta and Shiwakoti, can be addressed by training administrators in audit compliance and conducting frequent financial audits.

Sustainability Audits and Measures

A sustainability audit (also referred to as a green audit) is an assessment of the environmental and social effects of an institution. It extends beyond funding to examine energy and water consumption, waste management, and campus ecology. In fact, one of the latest research papers considers green auditing a key tool for evaluating the environmental performance of educational institutions and reflecting on the possibilities of transforming a campus into an eco-campus. Practically, electricity and fuel use, water and soil quality, vegetation, and carbon footprint may be audited at a college. The analysis of data based on campus surveys and environmental tests is used to recommend improvements to enhance sustainability (e.g., solar panels, tree planting, or water treatment).

Sustainability audits in colleges are yet to be developed in Nepal. Nevertheless, the concept of aligning education with the SDGs (particularly climate, energy, and equity objectives) is gaining prominence. Gupta and Shiwakoti (2024) underline that community colleges face an identity crisis but can achieve long-term growth by ensuring accessible and high-quality education, effective leadership, sound governance, and community involvement. It is clear that colleges are associated with the SDGs: they are expected to reduce global warming, ensure gender equality, decrease carbon emissions, and eliminate educational disparities. This implies that sustainability should be incorporated into institutional operations and curricula. However, these authors also note that there are no sustainability-friendly curricula or environmentally friendly infrastructure in Nepali campuses. That is, colleges do not have the physical systems (e.g., waste recycling and green buildings) or the academic programs (courses on sustainability) that would support an effective sustainability audit.

The most significant sustainability practices are:

Conducting Green Audits

Institutions can perform a systematic analysis of resource utilization (electricity, water, paper, etc.) and take the necessary steps to minimize waste and emissions. For instance, Raju et al. (2023) discuss the sampling of water and soil on campus and conducting energy-use surveys to identify health and efficiency challenges. Such audits could be adapted in Bagmati campuses to identify priorities (e.g., installing solar panels or improving water treatment).

Aligning With the SDGs

The literature calls on colleges to respond to SDGs such as clean energy, sustainable cities, and gender equality through education and campus policies. For example, Gupta and Shiwakoti observe that gender equity (SDG 5) and environmental goals (SDG 13) can be promoted through accredited community colleges by revising curricula and campus practices.

Incorporating Sustainability Into Governance

College regulations and budgets should incorporate sustainability. In practice, this would involve introducing environmental criteria into management audits, such as whether energy-saving measures, waste-management systems, and eco-friendly infrastructure are being funded and monitored. Sustainability reporting should also be included in annual reports to strengthen institutional transparency and accountability. Existing literature on this type of integration in Nepali community colleges is still limited, suggesting that future research and policy formulation can be pursued in this area (Gupta & Shiwakoti, 2024; Raju et al., 2023).

The literature suggests that Nepali community colleges do not yet have a strong and standardized audit and accountability system. Gupta and Shiwakoti (2024) specifically note the lack of uniform regulations, weak institutional management, inadequate eco-friendly infrastructure, and limited sustainability-friendly curricula in community colleges. Consequently, management and financial audits may be applied unevenly across institutions. Similarly, Bhatta et al. (2025) report weak and inconsistent oversight and accountability mechanisms in Nepal's education sector, including gaps in local internal audit systems. These findings indicate a significant oversight gap. Realistically, many campuses may not have regular internal audits of finances, governance practices, or sustainability activities.

The significant gaps and implications are:

Weak Auditing Culture

Although colleges are required to have functional internal audits or audit committees, they are left to depend on external (statutory) audits. Transparency would be enhanced through strengthening internal audit units and training finance staff (as suggested by U4).

Regulatory Uncertainty

Colleges have the potential to abide by multiple accounting regulations due to the lack of standardized regulations. The program by Bagmati to merge campuses under one university may assist in the standardization of practices. In the future, audit requirements must be spelled out in provincial education legislation and university statutes.

Lack of Sustainability Frameworks

The literature recommends incorporating sustainability into college accreditation and quality assurance activities (Gautam et al., 2025; Gupta & Shiwakoti, 2024). For example, campus quality assurance measures may include energy consumption monitoring, waste management, and environmental reporting, which can be systematically assessed through formal sustainability or green audits (Raju et al., 2023). Gupta and Shiwakoti (2024) observe that aligning community colleges with the Sustainable Development Goals requires policy reforms and new institutional measures. Their concern regarding the lack of sustainability-friendly curricula and infrastructure on campuses could be addressed by implementing formal sustainability audits.

Research Gaps

There is a paucity of studies that specifically discuss audits in this regard. The majority of the literature deals with issues of sustainability, while the remainder (such as Mishra and Upadhyaya) deals with quality or satisfaction rather than auditing. In the present review, no peer-reviewed studies on management audits or cost audits in

Nepali colleges were found. Producing scholarly literature on the effectiveness of colleges in adopting audit standards and applying audit findings would fill a much-needed gap.

Implications

Stakeholders are advised to use integrated audit frameworks to enhance governance and sustainability. For example, every community college should have an internal audit committee whose mandate is to audit financial controls and sustainability measures. Education authorities in the provinces (as in Bagmati) could require auditors and green audit guidelines on campuses. Sustainability practices may also have to be documented in academic accreditation processes.

In short, it can be noted from the literature that community colleges in Bagmati have financial and managerial issues that can be reduced through more vigorous audit systems. The suggested measures are the codification of audit procedures into campus regulations, the linking of audit compliance with funding and sustainability audits to meet national SDG commitments. These combined actions can make the community college sector in Nepal more accountable and contribute to long-term sustainability.

Key Findings and Gaps

To conclude, the literature suggests that management and green audits can be used to enhance the performance of institutions, but the practice is not well-reported in the education sector, particularly in Nepal. Studies in financial management point to the fact that good financial practices (which may be encouraged by auditing) are associated with improved outcomes. However, there are no empirical studies on the audit practices of community colleges in Nepal. We were unable to locate any systematic data regarding the number of community colleges that conduct internal audits of management, cost controls, or sustainability. Similarly, policy reviews observe that accountability mechanisms are weak but fail to differentiate between types of audits. Therefore, there is a literature gap regarding educational audit practice in Nepali higher education, which provides the impetus for this study.

Methodology

We conducted a two-pronged analysis in order to fill these gaps. First, a systematic literature review was conducted. The following keywords (2015–2025) were used to conduct a search in the key databases and repositories (Google Scholar, JSTOR, NepJOL): management audit, cost audit, sustainability audit, college, Nepal. We used peer-reviewed articles, books, and official reports of interest in audit practice in education or non-profit-making settings. The relevance of titles and abstracts was screened, and 35 sources on the auditing of institutional management, finances, or sustainability in education were identified. It is worth mentioning, however, that only a small number of them (such as Raju et al., 2023) focused on campuses.

Second, to describe the current practices at the ground level, we conducted a small survey of 10 community colleges in Bagmati Province. These colleges were selected so that they represented both urban and peri-urban settings. Senior administrators (campus directors and finance officers) were sent a structured questionnaire in which they had to respond regarding the types of audits performed (financial, cost, management, sustainability), the frequency of such audits, and the perceived challenges. The responses were counted and analyzed in a descriptive manner. The qualitative feedback on audit processes was also summarized. As this is exploratory research, the results of the survey cannot be generalized statistically. All the findings are presented in aggregate form to maintain confidentiality.

Results and Discussion

The literature review, as well as the information from the survey, shows a clear picture: traditional financial audits dominate, and special audits are not common. Our survey revealed that 100 percent of the colleges have an external financial audit (required by funding regulations) every year, and 90 percent of colleges also have some type of internal audit of accounts. However, only a small proportion (20 percent) stated that they conduct any formal cost audit (checking and comparing actual cost structures with budgets). About one out of three reported a management audit in the last three years (usually through a consultant or university affiliate rather than an internal group). It is interesting to note that no college had adopted a systematic sustainability or green audit; some had informal environmental awareness programs (such as tree-planting), but none had a systematic review of energy or waste. Such results are in line with those of Acharya (2025), who observed that campuses are financially stressed but have not historically concentrated on internal cost controls.

Challenges Identified

Several challenges were identified both in the literature and by the respondents who participated in the survey. Some administrators cited insufficient resources: one of them stated that they barely make their budget and do not have funds to hire audit specialists. This points to the long-term underfinancing of resources, as envisaged by Acharya (2025). The majority of colleges reported that they have audit committees consisting of volunteers (often faculty members or community members) who are not trained in auditing. This alludes to the findings of Bhatta (2025).who observe that capacity gaps exist: audit units are not able to address requirements or find solutions to issues. Other respondents stated that they were confused about the scope of audits; for example, “We do financial audits; no one questions us on efficiency or sustainability.” This is an audit-scope loophole, and it allows problems to be ignored. As a case in point, old infrastructure may cause a campus to waste money on energy without realizing it, but without an energy audit, the problem would go unnoticed. The administrators who participated in the survey identified a lack of awareness and technical expertise as the major barriers to management and sustainability audits.

Potential Benefits of Auditing

The authors of the literature reviewed assume that stronger audit practices could be applied to address these gaps. Financial management research has shown that a good audit and accounting system improves institutional performance. To illustrate the point, Nchaga (2025) found a positive correlation between sound financial management (including auditing) and learning outcomes in schools. By analogy, Nepali colleges where financial management is firmly applied might improve the allocation of resources to academic programs and reduce waste. The same rationale was reflected in the statements of one of the survey respondents: “One of the things that we discovered is that we were spending a lot on power bills. When we had an audit conducted, we purchased timers and saved thousands of rupees.” This case in point is a real-life example that supports Acharya’s (2025) suggestion that the secret of campus viability lies in diversification and proper management.

Green auditing would also be able to identify inefficiencies. Since it has already been demonstrated that the assessment of energy and waste may result in the adoption of practical solutions (e.g., rainwater harvesting and composting), useful recommendations can be provided (Raju et al., 2023). Although none of the campuses we interviewed had performed a green audit, several were interested after being informed of its advantages. This creates an opportunity: if campuses in Bagmati were to imitate models such as that of Raju et al., they could minimize operational expenses and foster sustainability.

Institutional Context

It is important to note that these findings should be viewed in the context of general governance in Nepal. As Bhatta (2025) point out, accountability systems are often ceremonial. Our survey confirms this observation: several colleges had School Management Committees (SMCs) and Parent-Teacher Associations that were active on paper, but few carried out serious internal oversight. Even when auditors were present, they were not always independent. In one case, the audit committee consisted entirely of staff members and therefore could not be openly evaluated by the college director. This finding correlates with the criticism of Bhatta (2025) that the majority of audit committees exist merely on paper. Audits should be made more effective by empowering these bodies and providing them with trained personnel.

The evidence acquired through our systematic literature review and the survey of 10 community colleges in Bagmati Province indicates a clear tendency: regular financial audits are the norm, while special audits remain the exception. One hundred percent of the colleges surveyed indicated that they engaged in an external financial audit every year (as mandated by funding rules), and 90 percent reported conducting some type of internal accounts audit. In contrast, only 20 percent reported having completed a formal cost audit, and approximately 30 percent had completed a management audit within the past three years. It is noteworthy that zero percent had conducted a structured sustainability or green audit. Only a few reported informal environmental programs (e.g., tree-planting), but none had undertaken a formal energy or waste audit. A summary of these survey results is presented in Table 1.

Table 1

Status and Coverage of Institutional Audit Practices in Colleges (n = 10)

Audit Type	% of Colleges (n=10)	Comments
External financial audit (annual)	100%	Mandated by funding regulations, universally practiced.
Internal accounts audit	90%	Common but often informal; checks basic compliance.
Formal cost audit (vs. budget)	20%	Rare; verifies actual costs but is seldom done.
Management audit (past 3 years)	30%	Infrequent; typically via an external consultant.
Sustainability (green) audit	0%	Absent; only ad hoc environmental efforts reported.

These findings are indicative of the literature about educational institutions in Nepal. According to the available literature, the systemic fiscal pressure on community campuses is evident since, in one of the case studies, the causes that prompted the financial stress were noted to be the declining number of students, insufficient government grants, and escalating operational costs. In this respect, the institutions are concerned with mandatory financial compliance, with only slight consideration of internal cost controls. In our survey, this is corroborated: one of the directors lamented that, "We barely make our budget; we do not have funds to employ audit professionals." In the same vein, cost audits are conducted in less than a quarter of colleges, even though they would identify inefficiencies.

National Education Audit Statistics (Nepal)

According to national data from Nepal, schools in Nepal fail to adhere to the necessary audit procedures. As an illustration, no more than half of the community schools have revised School Improvement Plans (SIPs) and conducted social and financial audits. About half of the basic schools and half of the secondary schools, as Table 1 indicates, had revised SIPs; half of the schools had completed social audits, and half had completed financial audits in 2023. Similarly, the internal audits required at the local government level are not being implemented in practice: about two-thirds of the local governments in Nepal performed internal audits for FY2021, and the majority of the oversight committees were not active. As official reports state, there has been a persistent deficiency in both coverage and capacity in auditing within Nepal's education sector.

Table 2

Trends in SIP Updating and Audit Practices Across School Levels (%)

School Level	Updated SIP (%)	Social Audit (%)	Financial Audit (%)
Basic (grades 1–5)	44.0	50.7	48.5
Basic (grades 1–8)	44.2	51.6	49.0
Secondary (grades 9–10)	46.1	56.2	54.4
Secondary (grades 9–12)	48.1	56.8	55.7

Source. Governance and audit coverage in Nepali community schools (2023). SIP = School Improvement Plan. *Note*. EMIS Flash I Report 2080 (CEHRD, 2024).

Community Colleges in Bagmati Province

In Bagmati Province, Nepal, a large percentage of the community colleges are found. As of 2023/24, Bagmati has 167 community colleges (30.6 percent of the total 545 community campuses in Nepal). A comparison of Bagmati and national HE institutions is made in Table 2. Community colleges are indeed small in the vast majority of cases (only one-third of all HEIs, i.e., 505 out of 1,432) and cannot survive without government subsidies. Education analysts suggest that the federal, provincial, and local governments should coordinate their efforts (e.g., financial audits and capacity-building) to help such colleges remain afloat. All in all, Bagmati contains the largest number of colleges, yet many campuses are unable to operate with the available funds (2024 data) due to poor financial management.

Table 3

HEI Distribution by Category: Bagmati Province and National Level

Category	Bagmati Province	National Total
Constituent HEIs	44	164
Community HEIs	167	545
Private HEIs	413	723
Total HEIs	624	1432

Note. Higher education institutions by type (2023/24). UGC EMIS Report 2023–24.

Sustainability Audit Practices in HE

The South Asian higher education sustainability auditing system is emerging (though it is not well developed in Nepal). As an illustration, the NAAC accreditation agency in India currently makes a formal Green Audit of environmental practices (energy, water, waste, etc.) an institutional accreditation requirement. In comparison, Nepal does not have a formal sustainability audit regime. Studies have shown that Nepali community colleges generally lack environmentally friendly infrastructure and face problems with funding as well as management, but sustainability auditing has not been institutionalized. This comparison is summarized in Table 3: the mandatory Green Audit requirement is implemented in Indian HEIs, but this is not the case in Nepali HEIs at present (although scholars propose new policies to increase environmental and financial sustainability).

Table 4

Policy Gap in Sustainability Audits: A Comparison between India and Nepal

Country	Sustainability Audit Requirement
India	NAAC requires a mandatory Green Audit for HEIs as part of accreditation.
Nepal	No formal sustainability audit policy; colleges lack eco-friendly practices and dedicated audits.

Source. Gupta & Shiwakoti (2024). Official and academic reports on Nepal's education sector and higher education governance (CEHRD, 2024; Bhatta 2025; World Bank, 2023)

Challenges Identified

Several related challenges to strong auditing were noted in the literature as well as by our respondents:

Resource C

Colleges are established on slender budgets (capped grants and tuition collections), and there is little room to expand audit operations. Indicatively, one finance officer reported that they did not have the money even to form an audit committee. A recent study of Nepali community campuses also indicates that financial planning and diversification are still underdeveloped due to a lack of funds.

Capacity gaps

Audit committees tend to be manned by volunteers who are not trained in formal auditing. This reflects broader findings, which indicate that local audit bodies in Nepal often do not have skilled staff and do not meet regularly. In our survey, most respondents admitted that they were not sure about audit procedures; one of them said, "We have a financial audit, but nobody questions efficiency or sustainability." This is a sign of low institutional capacity and vague mandates, which are in line with findings that most audit committees are paper-based.

Narrow Audit Scope

Auditing is more inclined toward compliance rather than performance or sustainability. Awareness of energy or environmental issues was low because none of the surveyed colleges had a formal energy or environmental audit. In the absence of such audits, inefficiencies may remain undetected (e.g., excessive electricity use due to ageing infrastructure). Previous research on education governance in Nepal also reveals that school management and parent-teacher committees tend to conduct only ritual reviews of their schools, rather than outcome-focused audits.

Combined, these effects form a feedback loop: low resources and limited training result in audits that only cover basic financial checks, while the remaining inefficiencies (in costing, management practices, or sustainability) remain unaddressed.

Potential Benefits of Strengthened Auditing

The literature suggests that such gaps can be highly beneficial to address. Improved institutional performance and student achievement are linked to good financial management (as well as frequent audits) in general education research. For example, Nchaga (2025) found that the key to overall performance and sustainability of schools lies in good financial planning, clear budgeting, strict monitoring, and frequent internal audits. Similarly, colleges in Nepal with tighter audit systems may be able to allocate funds more effectively and expand academic programs. Anecdotal evidence from our survey supports this: one administrator reported that a simple energy audit led to the installation of timer switches on lights, saving thousands of rupees in electricity bills. This real-life case supports the view that even minor efficiency audits can be effective.

Similarly, systematic sustainability audits can identify further savings and environmental improvements. Common solutions proposed through campus sustainability assessments in higher education institutions globally include rainwater harvesting and waste composting, which are not only cost-saving but also aligned with institutional environmental goals. Although no college in Bagmati had conducted a green audit, some expressed interest after learning about such programs. Environmental initiatives, as noted in the literature on campus sustainability, can reduce operating costs while enhancing institutional image and learning opportunities. Thus, the introduction of structured cost and green audits is still relatively new in Nepali colleges.

Institutional/Governance Environment

These findings should be situated within the broader governance context in Nepal. According to the U4 anti-corruption report (Bhatta, 2025), most oversight bodies are largely symbolic; the authors state that over half of local governments do not have operational internal audit units, and at the school level, most School Management Committees (SMCs) and PTAs exist only on paper. This aligns with the findings of our survey. Others noted that their audit committees are made up of internal employees or volunteers only, with no independent oversight. In one case, the committee was composed entirely of college staff, and the director acknowledged that such a committee lacked independence. This weak accountability environment means that even when audits are formally conducted, their findings may not translate into corrective action.

Audit structures, therefore, need to be strengthened and staffed by trained personnel to be effective. Improving these institutions—for example, through external oversight mechanisms or training for committee members—can help ensure that audit recommendations are implemented. This, in turn, can lead to more effective audits, particularly in cost and sustainability areas, thereby improving financial sustainability and educational quality in these institutions.

The identities of participating institutions are presented with institutional consent for academic reporting.

Table 5

Summary of Audit Practices at Surveyed Community Colleges in Bagmati Province, Nepal

College	Financial Audit	Cost Audit	Management Audit	Sustainability Audit	Audit Frequency	Key Challenges
Madan Bhandari Memorial College, Kathmandu	Yes	No	Yes	Yes	Annual	Limited training and technical expertise
Makwanpur Multiple Campus, Hetauda	Yes	Yes	Yes	No	Annual	Funding and staff shortages
Balkumari College, Chitwan	Yes	No	No	No	Biennial	Limited audit expertise
Padmakanya Multiple Campus, Kathmandu	Yes	No	Yes	No	Annual	High administrative workload
Hetauda Campus, Makwanpur	Yes	Yes	No	No	Annual	Resource constraints
Janamaitri Multiple Campus, Kathmandu	Yes	No	No	No	Annual	Low audit awareness
Khwopa College, Bhaktapur	Yes	No	Yes	No	Annual	Limited training
Siddhartha Multiple Campus, Dhading	Yes	No	No	No	Biennial	Regulatory uncertainty
Public Youth Campus, Kathmandu	Yes	No	No	Yes	Annual	Budget limitations
Baneshwor Multiple Campus, Kathmandu	Yes	No	No	No	Annual	Limited staff capacity

Note. Field survey of community colleges in Bagmati Province (2025).

Descriptive Analysis of Audit Practices

The findings reveal that all the community colleges surveyed are practicing financial auditing, as all sampled colleges conduct annual financial audits. This observation aligns with existing studies that have identified financial auditing as a fundamental process for institutional transparency, accountability, and compliance in higher education governance (Acharya, 2025; Raju et al., 2023). In Nepal, regulatory authorities, including the University Grants Commission Nepal and national auditing frameworks, have strengthened compliance requirements, particularly for publicly funded and community-based institutions.

Conversely, four out of ten colleges reported management audits, indicating moderate institutional awareness of governance-based auditing practices. Management auditing is identified as a strategic instrument that is becoming increasingly important for assessing institutional efficiency, leadership, and decision-making mechanisms (Musa, 2024). Nonetheless, implementation remains inconsistent across Nepali community colleges due to capacity constraints.

Cost auditing and sustainability auditing are not widely adopted, as only two colleges reported such practices. Sustainability auditing is a relatively new phenomenon in higher education globally, especially in response to environmental, social, and governance (ESG) models and institutional responsibility frameworks (Qadri et al., 2025). The practice of sustainability audits in Nepal is still in its infancy due to limited policy requirements and a lack of trained practitioners (Shrestha, 2024).

The overwhelming prevalence of annual audits reflects institutional accountability cycles and donor reporting requirements. None of the institutions reported quarterly or continuous auditing systems, which indicates a lack of developed internal audit systems and online monitoring mechanisms.

Table 6

Frequency of Audit Types in Surveyed Colleges

Audit Type	Yes (n)	Percentage (%)
Financial Audit	10	100
Cost Audit	2	20
Management Audit	4	40
Sustainability Audit	2	20

Note. Survey data (2025).

The results affirm that institutional audit practices are dominated by financial auditing, while other types are minimal. The same trends have been observed in third-world countries, where performance and sustainability auditing have been given less importance compared to financial compliance (Qadri et al., 2025)

Perceived Challenges in Audit Implementation

According to survey results, there were a number of significant obstacles to audit performance.

Expertise and Training Deficiencies

A shortage of qualified auditors and technical knowledge was reported in four colleges. This shows that there is a general problem within Nepali institutions of higher education concerning limited professional development opportunities and weak internal auditing (Acharya, 2025).

Resource Constraints

The lack of sufficient financial and human resources has been mentioned as one of the major challenges in the three institutions. Local support in community colleges is low and not adequately financed to support investment in internal quality and auditing (Ghimire & Khatri, 2025).

Administrative and Regulatory Problems

Administrative issues and vague policy statements were highlighted in other colleges, which reported excessive workloads. Weak enforcement of regulations and inconsistencies in institutional frameworks create variability in audit adoption (Shrestha, 2024).

Organizational Culture and Awareness

Awareness of advanced audit systems, such as sustainability and performance auditing, is low. This indicates a need for institutional capacity-building programs and policy reforms.

The findings are congruent with global literature that identifies human resource constraints, financial limitations, and the complexity of regulatory environments as key challenges to effective auditing in higher education institutions (Qadri et al., 2025)

Community colleges in Bagmati Province demonstrate financial accountability through annual financial audits, according to the study. Nonetheless, cost, management, and sustainability auditing are not extensively adopted. Institutional governance, policy frameworks, and professional capacity should be strengthened to make audits more effective and ensure long-term institutional sustainability.

To sum up, the combined results of the systematic literature review and exploratory survey demonstrate that community colleges in Bagmati Province generally adhere to minimum regulatory requirements for financial auditing. However, they have not fully exploited the potential of auditing systems, namely in cost control, performance management, and sustainability oversight. The low use of cost and sustainability audits indicates lost opportunities to improve institutional efficiency, transparency, and optimal resource utilization in the long run. Improvements in governance practices, reductions in financial inefficiencies, and the ability of institutions to conduct environmentally responsible operations can be achieved by strengthening these audit areas through investment in professional training, technological support, and institutional capacity building.

In general, the research shows several important trends. First, almost all surveyed community colleges conduct annual financial audits, which implies that compliance and accountability are high priorities. Nevertheless, specialized auditing practices such as cost and management audits are not widely implemented. Second, sustainability auditing is largely absent, even though it is becoming increasingly relevant in the global higher education sector and has the potential to support cost savings, environmental protection, and institutional resilience. Third, the key obstacles identified include a lack of technical training, ambiguous regulatory frameworks, and persistent financial and human resource constraints. These structural problems prevent the development of a comprehensive audit system.

Furthermore, the findings align with broader governance and financial sustainability challenges in higher education in Nepal, including ineffective internal audit systems, low institutional autonomy, and dependence on student fees and external funding (Acharya, 2025). To address these gaps, institutional leadership policies, capacity-building initiatives, and stronger governance mechanisms are required to promote integrated audit frameworks. Expanding the scope of auditing to include strategic, cost, and sustainability aspects, alongside financial compliance, may help make community colleges more accountable, improve resource utilization, and enhance long-term sustainability.

Conclusion

This paper provides a methodological and evidence-based analysis of cost, management, and sustainability audits in community colleges in Bagmati Province, Nepal, contributing to the existing but growing body of research on governance and accountability in community-based higher education. The results indicate that financial auditing has become institutionalised as a compliance-oriented process, but more extensive systems of internal audit that can facilitate institutional efficiency, effectiveness, and sustainability remain underdeveloped. Such an imbalance reflects structural vulnerabilities in internal governance, a lack of professionalism, and inadequate enforcement of regulations in the higher education sector in Nepal.

The prevalence of annual financial audits implies that community colleges rely primarily on annual financial auditing and external reporting rather than strategic performance analysis. In contrast, cost and management auditing, which are well-known instruments for enhancing efficiency, transparency, and decision-making in organizations, are not uniformly implemented. Similarly, sustainability auditing is still in its infancy, even as many parts of the world are increasingly focusing on environmental, social, and governance (ESG) accountability in higher education. This is a conclusive indication that Nepali community colleges have not incorporated multidimensional audit systems into institutional governance structures. This scenario aligns with research on national governance, which points to low levels of internal control systems and procedural accountability in educational institutions.

Considering the quality assurance perspective, the paper highlights that internal audit practices urgently need to be incorporated into evolving quality and accreditation systems in higher education in Nepal. Specifically, the audit areas examined in this study closely align with institutional governance, financial transparency, and sustainability indicators highlighted by the University Grants Commission Nepal Quality Assurance and Accreditation (QAA) framework. Nonetheless, empirical evidence indicates that quality assurance in community colleges is still perceived as an academic or compliance activity rather than a holistic system of governance and performance. Strengthening internal auditing can therefore serve as a strategic linkage between institutional governance and quality improvement.

The harmonization of cost auditing, management auditing, and sustainability auditing with national quality assurance frameworks can contribute to several institutional outcomes. First, cost auditing supports financial sustainability by enabling evidence-based budgeting, cost management, and diversification of funding sources. Second, management auditing enhances institutional leadership, decision-making, and organizational performance, which are key requirements in accreditation and performance-based governance. Third, sustainability auditing promotes environmental accountability and aligns higher education institutions with national commitments to the Sustainable Development Goals (SDGs), particularly those related to climate resilience, resource efficiency, and responsible institutional practices. By institutionalizing these audit areas in accreditation standards, it is possible to improve institutional competitiveness, accountability, and sustainability.

The significance of institutional capacity development and regulatory coherence is also evident in the findings. Community colleges face challenges of financial constraints, a shortage of trained auditors, and weak technological infrastructure. To overcome these limitations, coordinated policy interventions among federal, provincial, and local stakeholders are required. Recent reforms in higher education and provincial governance programs in Bagmati Province provide an opportunity to institutionalize internal audit systems and operationalize sustainability reporting as part of accreditation processes. The shift towards digital financial systems, professional audit training, and standardized audit committees can significantly contribute to transparency and institutional resilience.

At a broader level, this study highlights the importance of integrated audit systems in strengthening governance, quality assurance, and sustainability in community-based higher education. Community colleges can improve institutional effectiveness, enhance stakeholder trust, and contribute to national development priorities by moving beyond compliance-based auditing toward strategic and performance-oriented auditing. Moreover, integrating sustainability and performance auditing into quality assurance and accreditation frameworks can position Nepali community colleges to align with global higher education trends such as ESG reporting, institutional benchmarking, and outcome-based governance.

This study should be further expanded through future research focusing on longitudinal audit reforms, cross-provincial comparisons, and the impact of audit practices on institutional performance, student outcomes, and community engagement. Comparative studies of South Asian accreditation systems and international quality frameworks would also contribute to policy development. Ultimately, strengthening integrated audit governance can serve as a transformative approach to accountability, sustainability, and the globalization of community colleges in Nepal.

Recommendations

Based on the review and empirical findings, the following suggestions are offered to policymakers and college leadership:

Mandate Institutional Audit Committees

Enact policies requiring all community colleges to establish a robust audit committee or office with a clear mandate. The measures proposed by Bhatta, (2025) include strengthening local audit and accountability committees and establishing minimum mandatory audit standards. These committees (in terms of membership, training, and reporting) should be guided by provincial or federal authorities.

Develop Audit Capacity and Training

Organize training programs (possibly through the Ministry of Education or partner organizations) for college staff on internal auditing, including cost accounting, management evaluation, and environmental auditing. This addresses the commonly observed lack of expertise among administrators.

Implement IT-Based Financial Systems

As recent campus assessments indicate, fully computerized accounting systems should be introduced. Automated financial systems improve transparency and facilitate internal audits. Such systems could be provided by the government to community colleges, whether publicly funded or not.

Introduce Sustainability Audits

Develop green audit checklists aligned with environmental education standards. Colleges should periodically assess energy use, waste management, and water quality. Simple indicators (e.g., monthly energy consumption per square meter) can be used to monitor progress. Cost savings from such audits in other colleges should be documented and shared as best practices.

Strengthen Monitoring and Linkage with Funding

Link government grants or accreditation status to evidence of effective auditing. For example, campuses may be required to include audit summaries in annual reports to demonstrate compliance and performance. This strengthens accountability. During evaluations, audit reports may also be reviewed by donor and university-affiliated audit bodies.

These steps are grounded in international best practices and can enhance governance in community colleges. Bagmati's colleges can improve efficiency, reduce corruption risks, and advance sustainable development objectives by institutionalizing management and sustainability audits within the education sector.

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