Abstract:

Risk based internal auditing impacts a firm's usage of its own internal audit function to boost risk management and control as well as power which in turn influences accountability and enhances accuracy of financial statements thereby influencing financial performance in institutions of finance. Ã, Recent corporate collapses and financial scandals have triggered world-wide concern with corporate governance emphasized apparent failures of accountability. State corporations in Kenya have in the recent past experienced a number of corporate failures related to corporate power structures in place. The general objective of this study was to establish the effect of risk based audit on performance of state owned corporations in Kenya. The specific objectives was to establish effect of risk assessment on performance of state owned corporations in Kenya and to investigate the effect of internal audit standards on performance of state owned corporations in Kenya; Descriptive design was used in the study. 160 employees were used from the selected from corporation owned by the state as the population target. This comprised of directors, managers, and administrators of departments from, NITA, National Human Resource Planning and Development National Council for Children, Registrar of Trade Unions, and National Council for Persons with Disability, National Employment Bureau, NSSF and Productivity Centre for Kenya. The study engaged census approach since the population was minor. Primary data was collected by use of structured questionnaires and was studied quantitatively using statistical package for social sciences (SPSS). SPSS engendered both descriptive statistics such as frequencies, mean, percentages of the received responses. Inferential statistics included regression and bivariate correlation. The study established that risk assessment and internal audit standard were positively and ominously related to performance of state owned corporations. Built on the results above the study determined that risk based auditing through risk assessment and internal audit standard positively affected the financial performance of state owned corporations in Kenya. The study endorsed that management of parastatals should implement effective risk based audit practices such as risk assessment, internal audit standards, control environment and information system to enhance effective and efficient performance.

Keywords: *Risk assessment, Internal audit, Performance and State owned corporations in Kenya*