

## ABSTRACT

Risk based internal auditing being a methodology that links internal auditing to an organization's overall risk management framework, provides risk management process, annual audit planning and internal audit capacity which improves the efficiency of the internal control system of an organization. Existing literature demonstrate that RBA has capacity of risk identification and reduction planning. Having been implemented by public institutions, including public universities in Kenya, it requires analysis of its contribution in maintaining efficiency and effectiveness. Whereas public universities apply risk based auditing as a tool of internal control system, available information reveal that a number of the universities still face critical challenges with internal control system. The purpose of this study was to analyse the effect of risk based internal auditing on Internal Control Systems in public universities in Kenya. Specifically the study sought to establish the effect of risk management on internal control systems, to determine the effect of annual risk based planning on internal control systems and to analyse the effect of internal audit capacity on internal control systems. This study adopted correlation research design which provides for description, correlation and regression as it's expected by the focused relations. The target population for the study constituted 35 correspondents, comprising finance officers, deputy finance officers and internal auditors in the selected public universities in Kenya. A pilot study was carried out on 5 respondents leaving 30 respondents for the main study. The study administered questionnaires to all the respondents since it was the most appropriate tool to gather information. One way ANOVA was used to test hypothesis and regression analysis model to establish the relationship between the effects of RBIA elements on ICS. The study established that there is significant effect of risk management, internal audit planning and internal audit capacity on ICS with  $R^2$  of 0.737, 0.308 and 0.504 respectively at  $P = 0.003$ , 0.036 and 0.017 all  $p < 0.05$ . This implies that risk management, Internal audit planning and internal audit capacity accounts for 73.7%, 30.8% and 50.4 % respectively on ICS. The multiple regression results on explanatory power reveal that risk management coefficient was 0.026, annual risk based was 0.011 while internal audit capacity was 0.056 to change in ICS. The study reveals that whereas planning puts audit resources into logical schedules, while capacity defines that ability to apply audit resources according to the established plan, the greatest outcome of RBA is accounted for by management process. The results suggest need to analyse the loading factor in the RBA sequencing the description. Explore possibly of institutional factors affecting RBA productivity for each organization.