

— TONE — at the — TOP

Providing senior management, boards of directors, and audit committees with concise information on governance-related topics.

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The Board's Lens on Chief Audit Executive Performance

Given a steady stream of emerging risks and a fast-changing business environment, boards depend on internal audit to provide independent, objective assurance and advice. As the internal audit leaders, CAEs are responsible for managing and maintaining this critical area and seeing that boards receive valuable insights that they can use in their governance role.

Board oversight is essential to ensure the overall effectiveness of the internal audit function, including the quality of the CAE's performance. What steps can boards take to determine whether their CAE is meeting

the demands of the job? This Tone at the Top considers the issues in evaluating CAE performance and the related resources available to boards.

Fulfilling the CAE Role

The CAE's duties encompass a wide range of areas that include internal audit strategic planning, attaining and making the best use of resources, building relationships within and outside the function, communicating with internal audit's stakeholders, and ensuring the function's optimum performance.

Independence is “the freedom from conditions that impair the internal audit function’s ability to carry out its responsibilities in an unbiased manner.”

– Global Internal Audit Standards

The Institute of Internal Auditors’ [Global Internal Audit Standards](#) offer specific details on how CAEs are expected to fulfill this role (see Standard 7.2 Chief Audit Executive Qualifications). The Standards are designed to improve internal audit functions across industries by providing a cohesive framework for understanding and executing internal audit principles and requirements.

The Standards provide a framework for a quality assurance and improvement program (QAIP) that ensures the internal audit function complies with the Standards, reaches performance objectives, and promotes continuous improvement. They also call for the board to receive assurance about the quality of the performance of the CAE and the internal audit function.

The Standards discuss expectations for CAEs, delineating the CAE’s leadership role in managing all elements of the internal audit function and ensuring quality audit services in compliance with the Standards. “Understanding the new Standards and their implications will help audit committees ensure their company leverages the internal audit function effectively, achieving greater value from their internal audit activities,” according to [2025 Audit Committee Practices Report](#), a collaboration between the Center for Audit Quality and Deloitte’s Center for Board Effectiveness.

In addition to addressing the purpose of internal auditing, the Standards establish principles, requirements, considerations, and examples for internal audit in areas that include:

- Ethics and professionalism.
- Governing the internal audit function.
- Managing the internal audit function.
- Performing internal audit services.

For each principle discussed, the Standards include examples of evidence of conformance – indications that the requirements have been met – that boards can adapt when determining how to assess CAE performance.

For example, Domain IV of the Standards addresses managing the internal audit function, including Principle 9 Plan Strategically. To establish that the CAE is taking

steps to understand the organization’s governance, risk management, and control processes under this Principle, the Standard’s examples of evidence of conformance include:

- Documentation of the CAE’s review and consideration of related governance, risk management, and control frameworks and processes used by the organization, such as board and committee charters that address governance expectations, and laws, regulations, and other requirements.
- Reviews of board agendas or meeting minutes discussing strategic concerns or notes from the CAE’s discussions on these topics with those with roles in governance and risk management.
- A review of the organization’s risk appetite statement or documented communication with the board and senior management on the risk appetite and risk tolerance.
- Documentation of orientation or training for internal audit staff on governance, risk appetite, and control processes.
- Review of business strategies and plans.
- Review of communications from regulators.
- An established understanding of the organization’s risk and control matrix.

According to company directors, the top three priorities for audit committees in 2025 are:

- 1. Cybersecurity*
- 2. Enterprise Risk Management*
- 3. Finance and Internal Audit Talent*

[Source: 2025 Audit Committee Practices Report](#)

About The IIA

The Institute of Internal Auditors (IIA) is a nonprofit international professional association that serves more than 265,000 global members and has awarded more than 200,000 Certified Internal Auditor (CIA) certifications worldwide. Established in 1941, The IIA is recognized throughout the world as the internal audit profession's leader in standards, certifications, education, research, and technical guidance. For more information, visit theiia.org.

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Standard 12.1 Internal Quality Assessment

The chief audit executive must establish a methodology for internal assessments, as described in Standard 8.3 Quality, that includes:

- Ongoing monitoring of the internal audit function's conformance with the Standards and progress toward performance objectives.
- Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices to evaluate conformance with the Standards.
- Communication with the board and senior management about the results of internal assessments.

Boards also should be aware of the CAE's responsibility to maintain and enhance the competencies within the internal audit function. The guidance on governing the internal audit function, Domain II Ethics and Professionalism, requires the CAE to inform the board about the qualifications and competencies needed to manage the function and fulfill the board's expectations, and to identify areas for improvement.

Standard 3.1 Competency calls for the CAE to:

- Consider internal auditors' capabilities in work assignments and recruiting and in addressing training and competency needs.
- Participate in performance reviews.
- Nurture intellectual curiosity, invest in training, and take other steps to improve internal audit performance.
- Be aware of opportunities to use other providers of assurance and advisory services to enhance the abilities of the internal audit function.

A Competency Framework

In assessing the quality of CAE performance, boards also can turn to the IIA's [Internal Auditing Competency Framework](#) as a guideline. The framework contains examples of progressive levels of proficiency in specified knowledge and skills subcategories.

Under the framework, Role Profile 9 – CAE, CAEs are expected to demonstrate at least advanced proficiency in all established internal audit and professional competencies, with expert-level proficiency expected in most of them. They should also generally have expert-level proficiency in some governance and risk management competencies.

As part of their assessment, directors can consider how well the CAE:

- Manages the governance and strategy of the internal audit function.
- Leads and oversees the internal auditors.
- Engages in effective communications and negotiation throughout the organization.

- Provides the board and senior management with advice on improving the organization's risk management processes.
- Applies advanced analytics and continuous risk monitoring.
- Offers thought leadership on emerging risks, regulatory considerations, and current practices in enterprise risk management.
- Addresses quality improvement issues. Both the framework and the Standards address the need for an effective QAIP that ensures the internal audit function complies with the Standards, reaches performance objectives, and promotes continuous improvement. Boards are directed to gain assurance about the quality of the performance of the CAE and the internal audit function through the QAIP.

The Value of High-Quality Talent

CAE insights can provide unique perspective across all areas of the organization and can be particularly valuable as organizations race to take advantage of new technologies. "Boards and internal audit play a critical role in steering companies through this evolving AI risk landscape," notes the [NACD's "AI Crisis Preparedness: Key Roles for Boards and Internal Audit."](#)

Internal audit's overall contributions appear to be well understood. Eighty-nine percent of directors say internal audit has a high level of understanding of business operations, and 82% see an opportunity to extract more value from internal audit, according to the [2025 Audit Committee Practices Report](#).

Audit committees should continue to cultivate strong relationships with internal audit leaders, in addition to focusing on succession planning for key internal audit team members, according to the report. It is also important to

consider the appropriateness of resource allocation to finance internal audit functions so that investments can be made in long-term system and process improvements to support the company.

Necessary Skills and Competencies

An effective internal audit function can create, protect, and maintain organizational value, offering critical information and advice. The board's role in ensuring that internal audit can fulfill that role includes understanding the skills and competencies that are necessary in a CAE. The resources discussed herein can help boards assess the CAE and take steps to enhance the contributions that these executives and their teams can make to the organization.

According to CAEs who participated in the [IIA 2025 North American Pulse of Internal Audit](#) survey:

- More than 80% report directly to their board, generally through the board's audit committee.
- Eighty-seven percent attended all audit committee meetings in the past year.
- Eighty-nine percent were responsible for one or more areas outside of internal audit. Some of the most common areas of responsibility include fraud investigation, the Sarbanes-Oxley program, and ERM programs.
- More than 90% said adoption of data analytics was essential for the future of the profession.

QUESTIONS FOR BOARD MEMBERS

- Does the board have a direct reporting relationship with the CAE?
- What guidelines or metrics do the organization and the board use to evaluate CAE performance?
- If the board has access to these metrics, do they provide directors with sufficient information to assess CAE performance?
- If not, what additional information and insights are needed?