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<https://www.wsj.com/articles/women-rarely-run-audits-at-the-big-four-accounting-firms-1537106401>

MARKETS

Women Rarely Run the Biggest Audits at the Big Four Accounting Firms

Only 15% of “engagement partners” in charge of each S&P 500 company’s audit are women, study says



Lynne Doughtie, above, is U.S. chairman and CEO of KPMG. Three of the Big Four accounting firms are led by women, but that hasn’t translated into equality at the partnership level. PHOTO: SCOTT HALLERAN/GETTY IMAGES

By Michael Rapoport

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Three of the Big Four accounting firms in the U.S. now have women in the corner office, but auditing still has a large gender gap.

A forthcoming study suggests women are underrepresented among the accounting-firm partners who head the outside audits of America’s biggest public companies. Only 15% of the “engagement partners” in charge of each S&P 500 company’s audit are women, according to the study by the CFA Institute, which represents chartered financial analysts. The study is expected to be published this week.

In addition, according to the study, women are even less likely to head the audits of the largest companies—only 11% of the engagement partners for the audits of S&P 100 companies are women—as well as old-line companies that have been with their current audit firms for decades.

The big accounting firms often serve as “a natural pipeline” to train people who later become chief financial officers, controllers and audit-committee members at public companies, said Sandra Peters, the CFA Institute’s head of financial-reporting policy. If there aren’t enough women among engagement partners trained in complex financial matters, she said, not as many women could show up in senior financial positions in the corporate realm.

The Big Four firms say they are taking steps to improve opportunities for women and increase the number of female partners.

PricewaterhouseCoopers LLP said women accounted for 30% of the 2018 partner class and it is “laser-focused on enhancing female representation on all of our teams at every professional level.”

Women also made up 30% of newly promoted partners at Ernst & Young LLP in the Americas this year. The firm said it is “committed to even greater representation of women and diversity.”

Deloitte LLP said it continues “to invest significantly to develop, sponsor and mentor

women as our lead client engagement partners.” KPMG LLP declined to comment.

The CFA Institute study draws on newly available data about engagement partners, whom the firms have had to identify since a new regulation requiring it went into effect last year. The new rule from the Public Company Accounting Oversight Board is intended to improve audit partners’ accountability and give investors a sense of their track records.

The dearth of women among engagement partners “is something we wouldn’t have been able to see before without this data,” Ms. Peters said.

Women tend to enter the accounting field in numbers close to those of men, and Cathy Engelbert at Deloitte, Lynne Doughtie at KPMG and Kelly Grier at EY head their firms. But that hasn’t translated into equality at the partnership level: Women make up 51% of the full-time staff at U.S. accounting firms but only 24% of partners and principals, according to data from a separate study earlier this year from the Accounting MOVE Project, which promotes more women in accounting. Various possible reasons have been cited, from a lack of role models to a desire for more work-life balance as women ascend through the ranks.

The Big Four firms differ significantly in terms of the number of women who are engagement partners, according to the study. At Deloitte, 20.8% of S&P 500 engagement partners are women, compared with 16.3% at PwC, 12.9% at EY and 10.6% at KPMG.

In addition, there are no female engagement partners at the 36 S&P 500 companies that have been with their audit firm for 75 years or more, according to the study, and only six at the 107 companies that have been with their current auditor for at least 40 years.

Write to Michael Rapoport at Michael.Rapoport@wsj.com

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