

DO FEMALE AUDIT PARTNERS MATTER FOR AUDIT QUALITY? EVIDENCE FROM IRAN

AUTHORS

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EXECUTIVE SUMMARY

We examine the link between female audit partners and audit quality in Iran, a patriarchal country with significant gender disparity, especially in upper organizational ranks. We analyze data from firms listed on the Tehran Stock Exchange from 2011 to 2020, where audit reports are signed by two partners: the engagement partner and the review partner. We find that the presence of a female engagement partner is associated with higher audit quality, measured by modified audit opinions (MAOs), audit failures, and audit fees. We also find that female review partners are associated with a higher likelihood of issuing an MAO and fewer audit failures; however, their impact on audit fees is not significant. In addition, the combination of two male audit partners (without a female audit partner) is associated with lower-quality audits, suggesting that gender diversity at the top level of audit teams contributes to audit quality in the Iranian setting. Further analysis shows that the impact of female engagement partners on MAOs and audit failure (audit fees) is more pronounced if they are appointed by private (state) audit firms.



KEYWORDS

- Gender diversity
- Female audit partners
- Audit quality
- Iran

RESEARCH RELEVANCE

- Demonstrates that female audit engagement partners are associated with higher audit quality in a strongly patriarchal setting, evidenced by more frequent modified audit opinions, fewer audit failures, and higher audit fees.
- Shows that gender diversity at the very top of audit teams matters: audits signed only by male partners are linked to systematically lower audit quality, while the presence of at least one female partner improves outcomes.
- Highlights the importance of context by providing non-Western settings, where cultural, institutional, and regulatory conditions differ markedly from Western settings, helping explain why gender effects in auditing are not universal but context-dependent.
- Reveals differentiated roles within audit teams: female engagement partners have the strongest and most consistent impact on audit quality, while female review partners mainly influence reporting conservatism and error detection rather than pricing.
- Provides policy-relevant insights by suggesting that promoting gender diversity among audit partners can serve as an internal governance mechanism to enhance audit quality, especially in environments with weak litigation risk and limited external monitoring.

BIBLIOGRAPHIC INFORMATION

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“Even in a highly patriarchal context, the presence of female audit partners is linked to more conservative, diligent, and ultimately higher-quality audits”

