



Tax & Accounting

The Client-Centered Accounting Firm

An analysis of the 2022
Wolters Kluwer Annual
Accounting Industry
Survey

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Executive Summary

As the profession continues to undergo transformation across a wide range of areas, changes are being implemented firmwide to overcome and succeed amidst new and existing challenges.

While trends, pressures, and priorities already in place continued to gain new ground in the past year, the findings of this year's Accounting Industry Survey showed new challenges and worries for firms, continued client demand for advisory services, and a focus on data security.

The industry continues to adapt to change brought on by the pandemic and compounded by a talent shortage. However, the profession was already being disrupted. Prior to the pandemic, there was still less focus on manual data entry tasks and more emphasis on the accountants' role in strategic decision making and long-term planning.

These advancements, and the continued effects of legislative complexity and pandemic-related relief programs and initiatives, combined to accelerate firm changes. Meanwhile, accountants and auditors are overall becoming increasingly comfortable with new technology being the foundation of firm success.

The industry famously faces growing pressure on another front — talent. While the impact of the “great resignation” seems to differ depending on firm size, an increased interest in tools that improve efficiency and effectiveness, as well as outsourcing, reveals an underlying concern in the industry about the future of the pipeline.

The modern accounting firm, faced with challenges ranging from late and unprepared clients to a need to more accurately and effectively service their clients, demands their technology solutions support improvements in how they run their business.

As client demands for tax and business advisory services continue to increase, firms need to reconsider the value that they offer to clients and adapt to a more advisory role. With a shift — or pivot — towards advisory services, firms will be better equipped to expand client offerings, and likely their revenues, in an otherwise difficult time.

81%

of the cloud-based firms reported revenue growth in 2022.

40%

of all respondents self-identified as either innovators or early adopters of technology, up 4% from last year.

75%

of respondents state that the solutions used by their firm are integrated to some degree, and survey responses show that high revenue growth is closely tied to the firm's degree of integration.

72%

of large firms felt that the advancements in technology were making it easier to fully utilize those solutions.

90%

of innovators are extremely confident or confident in their ability to handle technology advancements and information challenges due to current market conditions.

70%

of respondents state their firm is actively communicating with clients regarding all the information stemming from recent regulations.

Key Findings

Overall Trends

- **Most firms believe that the speed of technological change is just right**, with 52% reporting that technological change is right on pace.
- **Firms are increasingly identifying their firm culture as technology-forward**, despite the increasing pace of innovation in the profession. 40% of firms self-identify as innovators or early adopters of technology.
- **The top services added in 2022**, regardless of firm size, are tax planning, tax advisory services, and business consulting.
- **66% of firms said that their tech is moderately or significantly improving how they can compete** in a wide variety of areas.
 - 71% reported technology helps them reduce the hours worked per client and per return.
 - 73% reported technology helps them improve average client response time.
 - 63% reported technology helps in the areas of staff engagement and morale.
- **2022 was a better busy season for nearly 55% of firms**, with not as much uncertainty and fewer challenges in a shorter, more familiar season.
 - Overall, 47% of firms report this past busy season was somewhat or much better than last year, a nine-point increase from 2021.

Firm Performance and Growth

- **40% of firms self-identified as “high-growth” in 2022**, a slightly smaller percentage of firms than last year.
- **Overall, 54% of firms reported an increase in profitability.**
- **Across all firm sizes, 48% of firms noted an increase in service engagements.**
- **81% of cloud-based reported higher revenue growth and profitability** compared to traditional firms not using cloud solutions.
- **Firms using a cloud-based tax compliance solution had the highest growth.**
 - Traditional firms reporting revenue growth was up 4%.
 - Cloud practices reporting revenue growth increased by 7%.
- **Innovative and early-adopter firms were more likely to have greater growth across all measured metrics**
 - Innovative/early adopter firms were 13% more likely to add services.
 - High-growth firms were 5% more likely to add services.
- **Nearly all firms believe clients want advisory services.** 85% report they agree or strongly agree that clients want tax planning and advisory/strategic business advisory services.
- **Outsourcing/co-sourcing auditors is seen as an opportunity for growth for midsize and large firms.**
 - The number of midsize and large firms who plan to leverage some version of outsourcing/co-sourcing saw 27-point and 34-point increases from 2021.
 - Training existing staff on emerging areas is still the top way to gain more auditors, trailed by hiring more skilled auditors.

Technology and Transformation

- **New technologies and improved workflows are helping firms compete.** 66% of firms reported their technology moderately or significantly improves how their firm can compete in a wide variety of areas.
 - 73% of firms reported technology delivered moderate or significant improvement in client response times.
 - Most firms felt technology was moderately or significantly helping to add new clients (73%) and retain existing clients (72%).
 - A strong majority of firms said technology delivered moderate or significant improvements in their firm's ability to add new services (62%) and offer more services per client (68%).
- **Solution providers seem to be meeting market needs** in the important areas of security of data, helping firms grow, and staying on top of regulatory complexity.
 - 57% of small, 48% of midsize, and 58% of large firms believe that their needs are being met by their technology solution.
 - The areas where firms feel providers are falling a bit short include keeping pace with digital mobility demands (12%), helping expand services firms offer to clients (11%), and analyzing tax data for actionable insights (7%).
 - Innovative/early adopter firms are slightly more likely to say their needs are being met.
 - Data security is the largest category where technology is meeting firms' needs across all segments.
- **The technology firms are implementing or intend to implement in the next 1–3 years vary depending on firm size.**
 - **Small firms are most likely to be implementing a client portal** — 23% report they intend to implement one in the next 1–3 years.

- **Midsize firms are most likely to be implementing a client data ingestion tool** — 23% report they intend to implement one in the next 1–3 years. There was a 37% year-over-year decrease in midsize firms that don't intend to implement a solution in the next year.
- **Large firms are most likely to be implementing an audit methodology solution and/or stand-alone audit solution**, with 26% and 24% (respectively) of firms reporting their intent to implement a solution.

Client Service

- **In spite of challenges, firms remain confident they can fulfill client needs.**
 - Overall, 83% of respondents were either 'extremely confident' (38%) or 'somewhat confident' (45%) in their firm's ability to meet market needs.
 - Small firms expressed higher levels of extreme confidence than midsize and large firms.
- **38% of all firms and 43% of large firms developed 'no touch' remote tax preparation services for clients** in response to the pandemic.
- **Small, midsize and large firms identified the same five types of services as their top current offerings.** Overall, firms most commonly offer this service mix:
 - 65% of firms deliver tax calculation and compliance.
 - 62% offer client accounting services, including bookkeeping, payroll, bill payment, and account reconciliation.
 - 56% of firms provide advisory and consulting services, including tax and advisory planning, forecasting, and business consulting.
 - 43% of firms offer income tax provisioning.
 - 36% of firms perform financial state preparation, compilation, and review.

47%

of firms report this past busy season was somewhat or much better than last year.

48%

of tax professionals filed more extensions in 2022 than in 2021, possibly due to the top challenge in 2022 — late and unprepared clients.

66%

of firms said that their tech is moderately or significantly improving how they can compete in a wide variety of areas.

86%

of large firms feel technology helped them add new services and offer more services per client.

79%

of firms felt that advances in technology have led to a reduction in the hours spent working on a return and help in adding new clients.

85%

of the firms felt that the advancements in technology were helping improve average client response time.

38%

of respondents state they're extremely confident their firms are well-positioned to handle technology advancements and information challenges due to current market conditions.



Introduction

Tax and accounting professionals are no strangers to change. Over the last two decades, the tax and accounting profession witnessed significant shifts in the compliance landscape.

Substantial changes in auditing standards continually drive toward greater accountability and higher quality, from Clarified Audit Standards to the current implementation of SAS 145 New Risk Assessment Standard.

In tax compliance, firms adapted to changes contained in the Tax Cuts and Jobs Act, the CARES Act, and the Inflation Reduction Act.

In addition to compliance changes, firms struggled with busier tax seasons, inconsistent tax deadlines, and an increasing number of late and unprepared clients. Despite these challenges, professional judgment, advanced learning, and purpose-built technology helped firms navigate these changes on behalf of their clients.

The most profound changes arrive at unexpected times, in unexpected ways. The COVID-19 pandemic brought one of these pivotal moments to the accounting profession. No firm could have predicted it. Every firm was forced to adapt.

While the pandemic was disruptive, it also offered opportunities to firms that leaned in and discovered innovative ways to work with clients. Firms created touch-free tax preparation processes, met with clients remotely, and created new business advisory services to help clients adapt quickly and leverage pandemic-related assistance programs.

After nearly three years, the pandemic has become less of a business disruption. Firms are laser-focused on innovation, growth, and client experience. New challenges confronting firms and clients include stubborn inflation, rising interest rates, and a tight labor market.

The 2022 Wolters Kluwer Tax and Accounting North America Annual Industry Survey (Survey) results show that despite ongoing challenges, the future is wide open. Opportunities abound for firms to find creative uses for new technology, optimize internal processes for greater realization, and carve out new areas of specialization and advisory.

To leverage future opportunities, firms must develop strategic technology plans that:

- Empower people to make informed decisions and add value for clients.
- Find new approaches to process optimization to meet current and future demands.
- Unlock data across the business for deeper insights and improved productivity.

Streamlined digital workflows and advanced technologies have resulted in stronger client relationships and growing advisory opportunities for firms.

Leading Trends in the Industry

This year's Survey highlighted challenges to growth — many lingering from the COVID-19 pandemic — and new opportunities and trends.

Regardless of the challenges faced, innovative firms continue to lead the way to growth and opportunities by using a variety of step-up approaches. There are many paths to success, and most start with more or improved technology use, which frees up time and resources to develop strategic advisory services as the next part of the equation.

Challenges to Growth

As in any year, firms continue to face challenges to growth, as demonstrated by what respondents identified as their top challenges in 2022 (see figure 1). Two years ago, firms were mired in navigating the daily challenges of a global pandemic. Last year, firms pivoted to grappling with rapid legislative changes — and how it affected their clients — and how to work with the IRS effectively. This year, while the pandemic still had an impact on firms, respondents started to report differing priorities when examining their answers according to firm size.

Half of this year’s Survey respondents reported that late or unprepared clients create one of the most significant issues they face. While not a new issue, late or unprepared clients were not ranked among the top five challenges prior to 2022. Interestingly, only two challenges — economic uncertainty and keeping track of new or changing regulations and standards — were expressed as respondents top five issues across all firm sizes.

Meanwhile, when breaking down the top challenges issues based on firm size, two new challenges jumped to the top of the list for 2022. Midsize firms were most concerned about economic uncertainty, large firms were most concerned about retaining/attracting new talent, and small firms were most concerned about the overall top challenge, late or unprepared clients.

There were, however, some similarities between size segments:

- Small and midsize firms still struggle to keep track of changing legislation.
- Midsize and large firms are trying to keep current with technology and learn to use their technology more effectively.
- Large firms are facing challenges with onboarding and training new staff.

Figure 1. Top firm issues in 2022

In 2022, economic uncertainty is a top issue regardless of firm size. 52% of large firms and 33% of midsize firms are concerned about attracting and retaining top talent, while 50% of small firms are concerned about unprepared clients.

Overall	Small firms 1–19	Midsize firms 20–49	Large firms 50+
Late or unprepared clients	Late or unprepared clients	Economic uncertainty	Attracting and retaining top talent
Keeping track of new or changing regulations and standards	Keeping track of new or changing regulations and standards	Keeping track of new or changing regulations and standards	Late or unprepared clients
Servicing clients effectively	Servicing clients effectively	Attracting and retaining top talent	Onboarding and training new staff
Working with the IRS	Working with the IRS	Onboarding and training new staff	Keeping current with or learning to use new technology
Economic uncertainty	Economic uncertainty	Keeping current with or learning to use new technology	Economic uncertainty

Innovative Firms Continue to Lead the Way

Gaining and retaining a forward footing with technology will be critical to competitiveness for future-focused firms. Being an innovative firm that adopts technology early and finds ways to leverage the most from it contributes to firms' growth objectives (See figure 2).

In a world embracing digital transformation, just trying to keep up with the pack will not be enough to stand out. A greater percentage of firms self-identified as 'innovators' this year than in 2021 (see figure 3).

Figure 2. Revenue, profitability and services

Innovators and early adopter firms increased revenue more than mainstream/late adopter firms. In 2022, innovators and early adopters continued to outperform mainstream/late adopters firms by a wide margin.

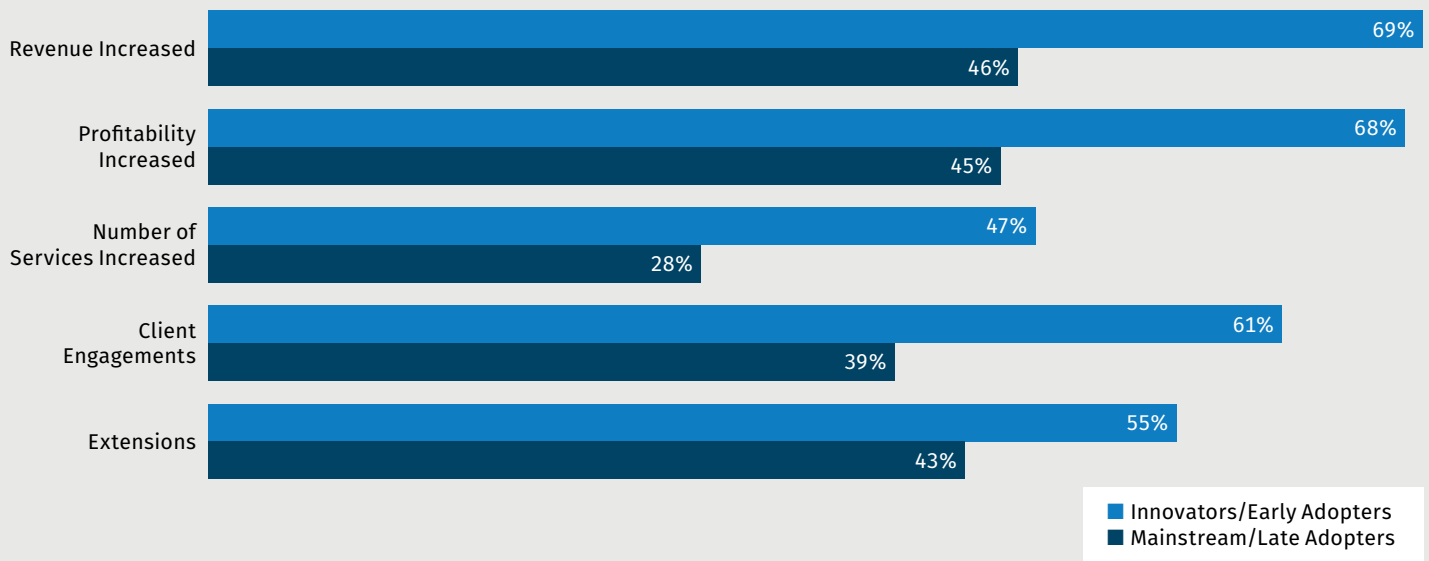
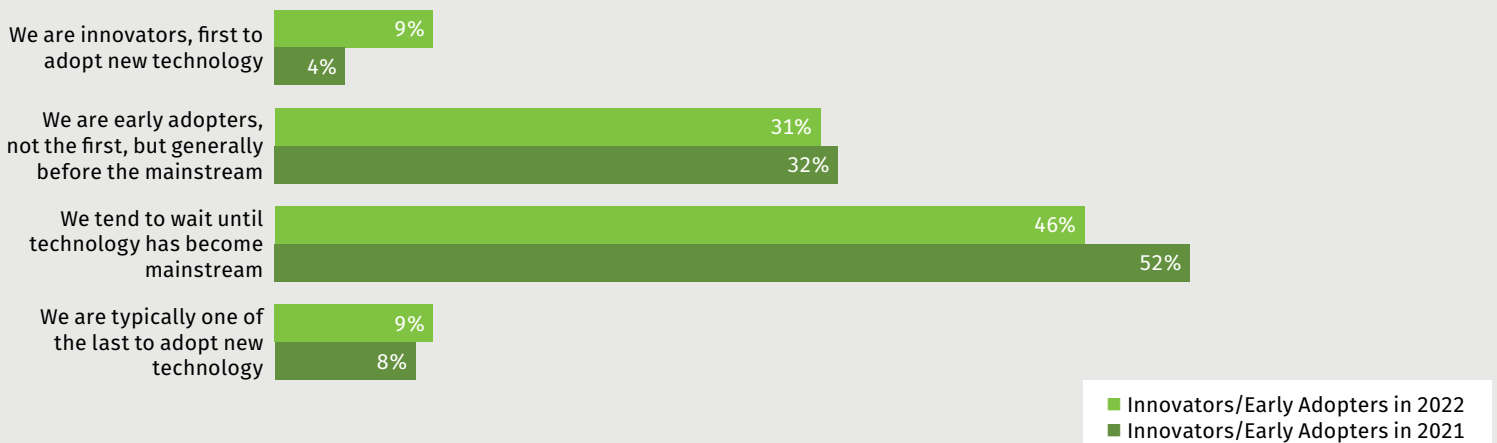


Figure 3. Innovators and Early Adopters

A greater percentage of firms self-identified as innovators in 2022 than in 2021.



And while earlier adoption of transformative technology is gaining pace among firms of all sizes, the increase in firms self-identifying as innovators or early adopters was especially pronounced among midsize and large firms.

Today, firms must use technology in new ways that impart real and sustained value to clients. For example, firms that adopted cloud solutions during the pandemic to enable remote work can now use that

capability to recruit talented professionals from more geographic locations.

- They can surge during busy season with part-time professionals working from home offices.
- They can prospect for new clients anywhere, based on the strength of their technology, staff experience, and service offerings.



The Rush to Strategic Advisory Service

The nature of tax and accounting work has been changing over time, made possible by advancements in technology, which have enabled new ways of tax preparation and auditing. Meanwhile, technological disruption by automation and AI has empowered firms to focus much less on manual data entry tasks and dedicate greater time and emphasis to helping clients with strategic decision-making and long-term planning.

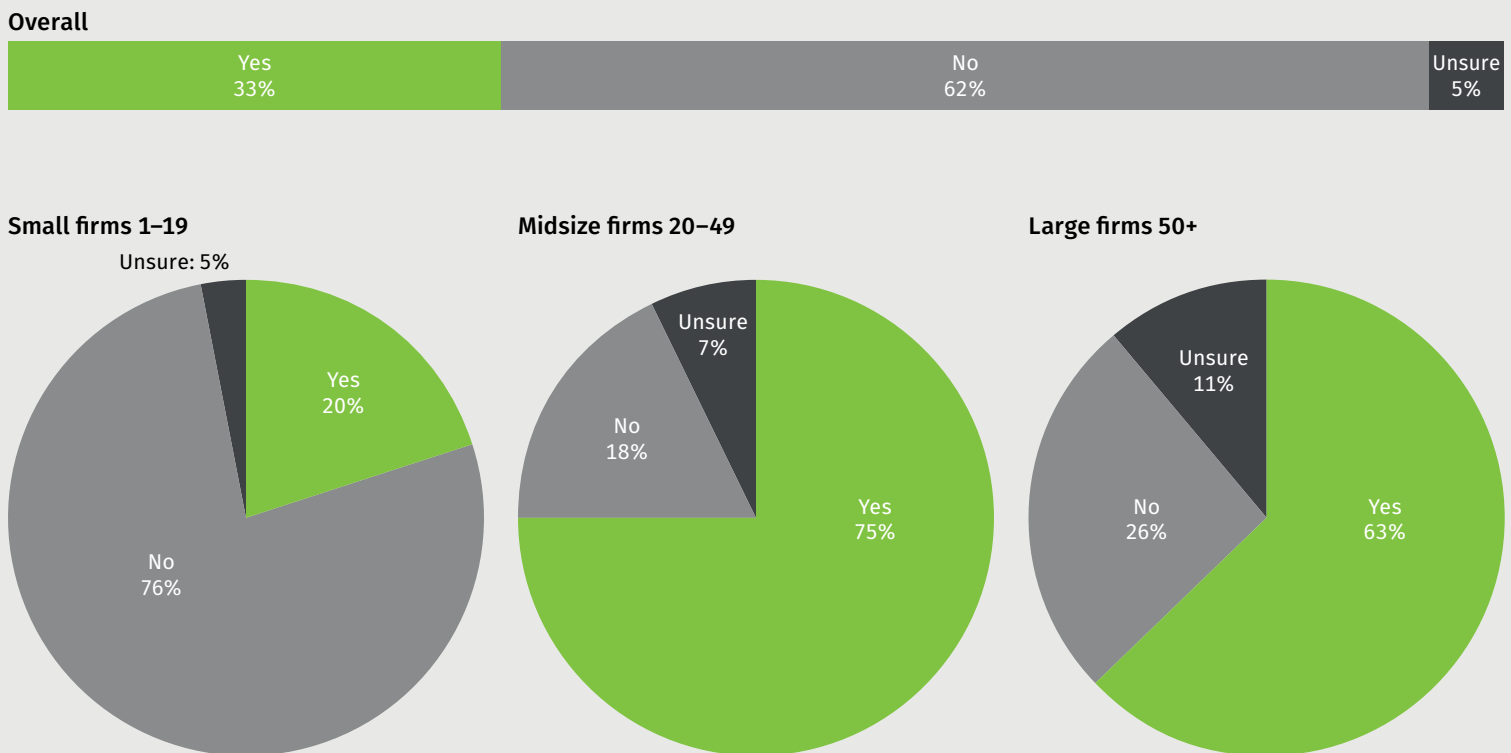
The need to guide clients through complex pandemic-related relief programs and initiatives accelerated firms' launch of strategic advisory services. Expanding

client offerings enabled firms to add value for clients during a period of significant business stress. It also helped firms grow revenue opportunities in an otherwise difficult time (see figure 4).

Firms have been working hard to add new services that meet the growing demands of clients. Overall, one-third of all firms report adding services within the last one to three years (figure 4), though this trend was much stronger in larger firms. While only 20% of small firms added services, 75% of midsize firms and 63% of large firms developed new services.

Figure 4. Percentage of firms who have added services in the last 1-3 years, by firm size

The percentage of firms who added services from 2019-2022 vary widely, depending on the firm size.



Advanced technology may be part of the story for firms that successfully develop new services. More firms that described themselves as ‘innovators’ or ‘early adopters’ of technology (46%) had added services than firms overall (33%).

Varied types of advisory services will be central to client satisfaction and firm growth; today’s clients demand greater value from their accounting partners. The vast majority of firms — 85% — agree or strongly agree that today’s clients want

strategic business advice and/or tax advice; agreement about client demand for services increased by 5% over last year’s results. And while a few firms remain neutral on this question, almost none disagree (see figure 5).

It is noteworthy that even more innovators and early adopters of technology recognize the need for services. Fully 89% of them agree or strongly agree, with 8% more strongly agreeing in this segment than amongst firms overall.

Figure 5. How strongly firms believe that clients want strategic business and/or planning advice from their tax, audit, and accounting professionals

Firms continue to overwhelmingly agree — their clients want strategic advisory and consulting.

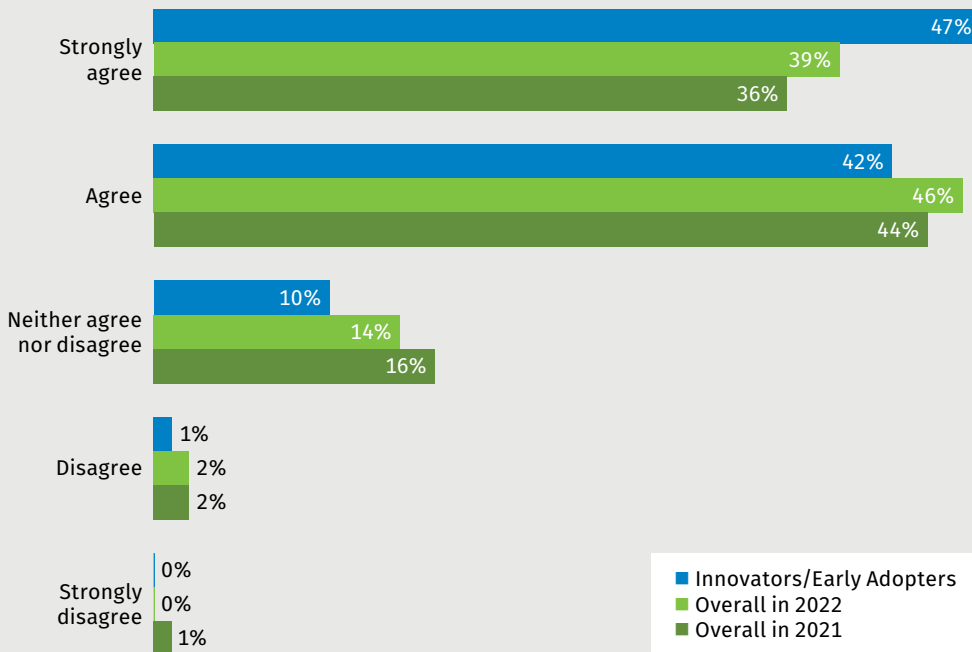


Figure 6. Top three areas of increased demand for advisory services

2022 results, which not displaying as large a jump as 2021, still show significant demand in all three areas, which remain the same year-over-year.

2022	
Tax planning	76%
Revenue growth and business modeling	27%
Provisions related to COVID-19 related relief	26%
2021	
Tax planning	90%
Provisions related to COVID-19 related relief	44%
Revenue growth and business modeling	29%

Where High Growth Firms Found Opportunity

While nearly six in ten firms reported revenue growth this year, only 40% of firms fell into the high-growth category. Finding differences between high-growth firms and other firms can uncover growth opportunities. So, where are high-growth firms finding opportunity?

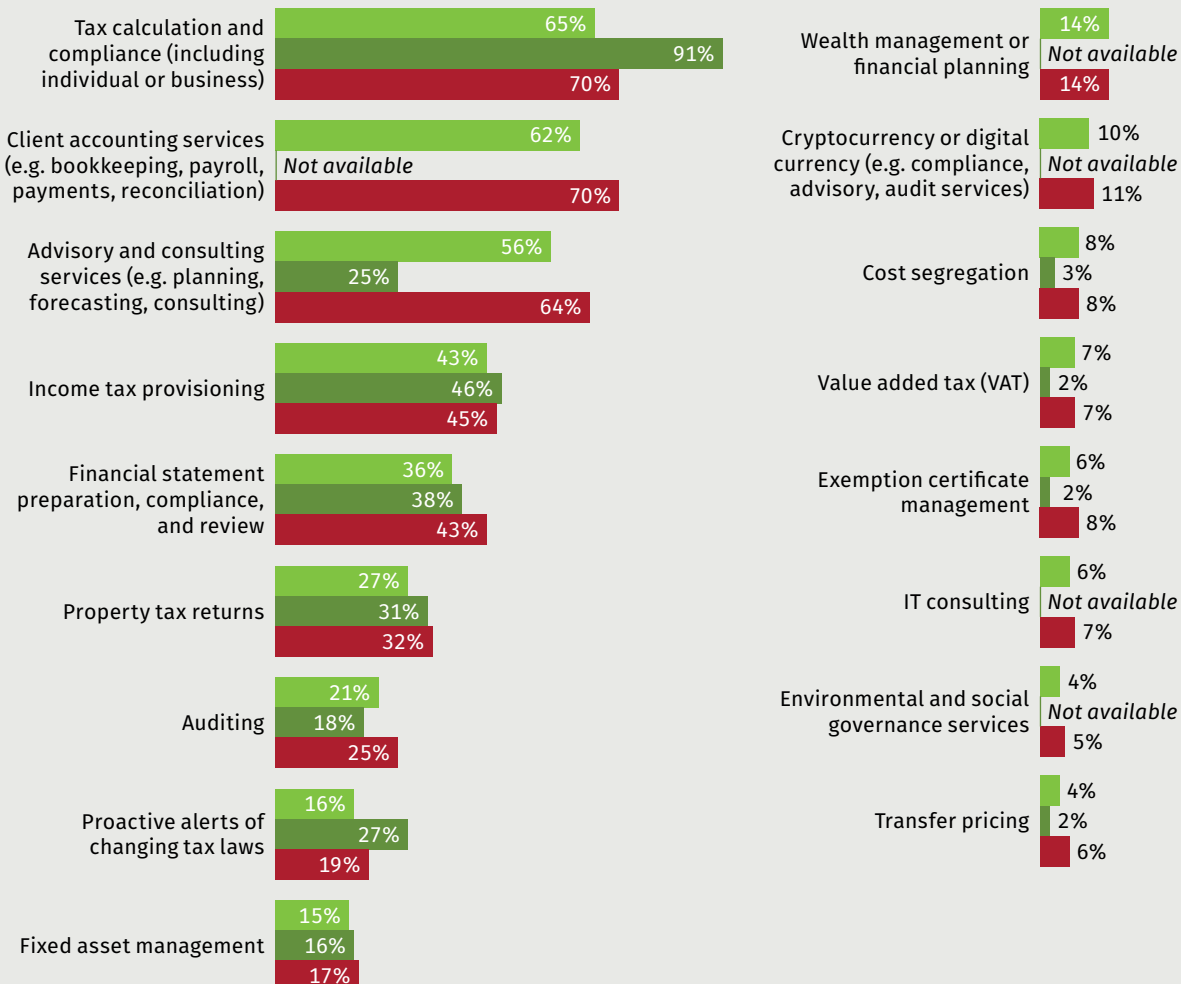
High-growth firms are more likely than other firms to add services. While 38% of high-growth firms added services within the last one to three years, that was only true of 33% of firms overall.

High-growth firms have adopted a wide variety of services at a faster pace in comparison to other firms. You can see this in traditional service areas such as tax planning, client accounting services, and compliance (see see figure 7).

High-growth firms are more likely to be moving into newer specializations, such as cryptocurrency, ESG, and proactive tax alerts.

Figure 7. Services firms currently offer: 2022 overall vs. 2021 overall vs. 2022 high-growth firms

High-growth firms are more 8% likely to provide advisory and consulting services, as well as client accounting services.



■ Overall in 2022
■ Overall in 2021
■ High-growth firms

A 2022 Motley Fool survey revealed almost 60% of Millennial and Gen Z investors (under the age of 42) already own cryptocurrency, up from 40% in 2021.¹ This year the U.S. government announced its intention to study and regulate cryptocurrency more intensely.

Over the last couple of years, the heightened focus on cryptocurrency is creating new opportunities and risks in compliance, advisory, and audit. In fact, cryptocurrency/digital currency advisory was the third most-commonly added service in the last one to three years (see figure 8).

¹ The Motley Fool, “Study: What Are Gen Z and Millennial Investors Buying in 2022,” Dann Albright, October 31, 2022.

Figure 8. Services added in the past 1–3 years: overall vs. high-growth firms

While overall there are year-over-year differences, high-growth firms are about as equally likely to have added any particular service as firms overall



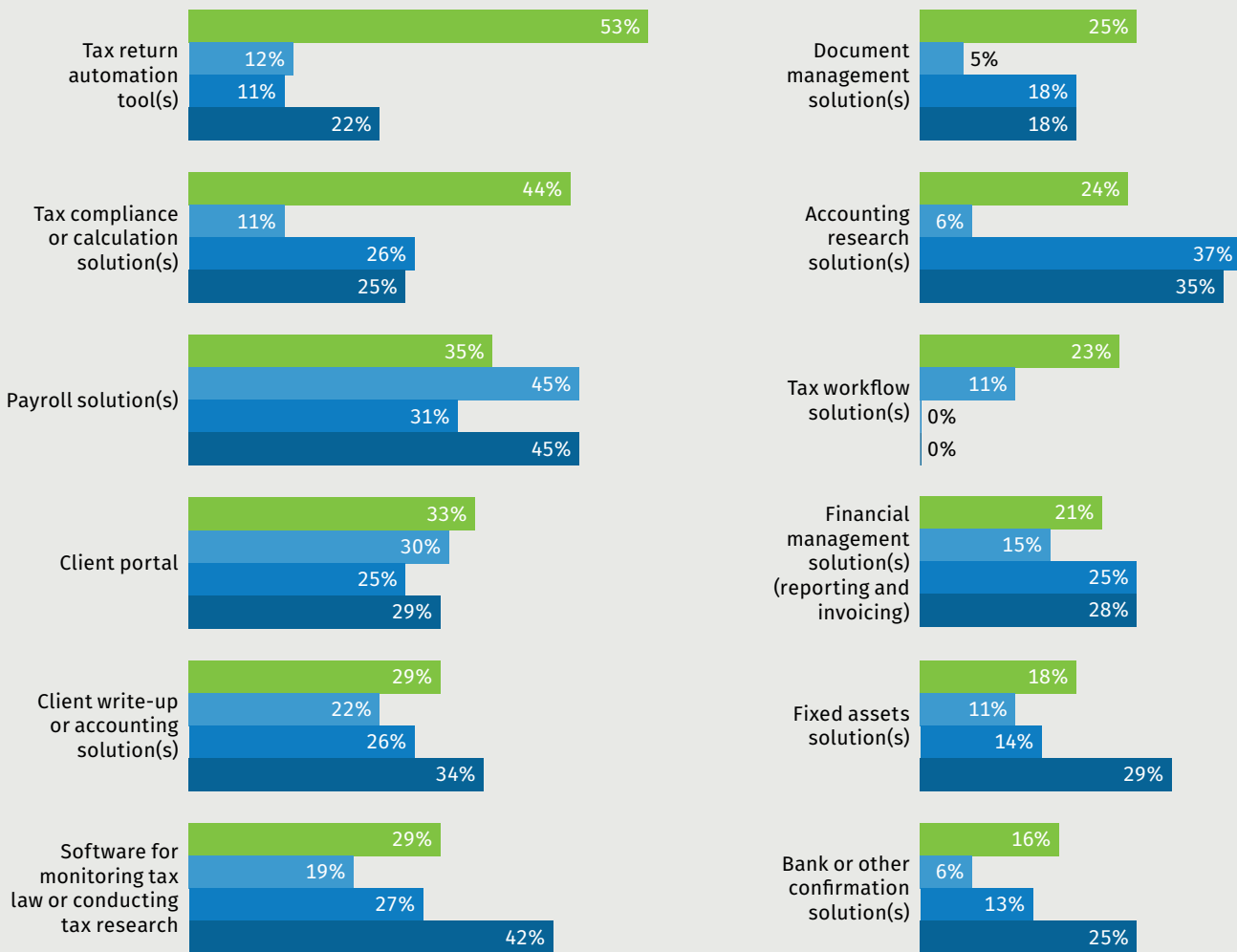
■ Overall in 2022
■ Overall in 2021
■ High-growth firms

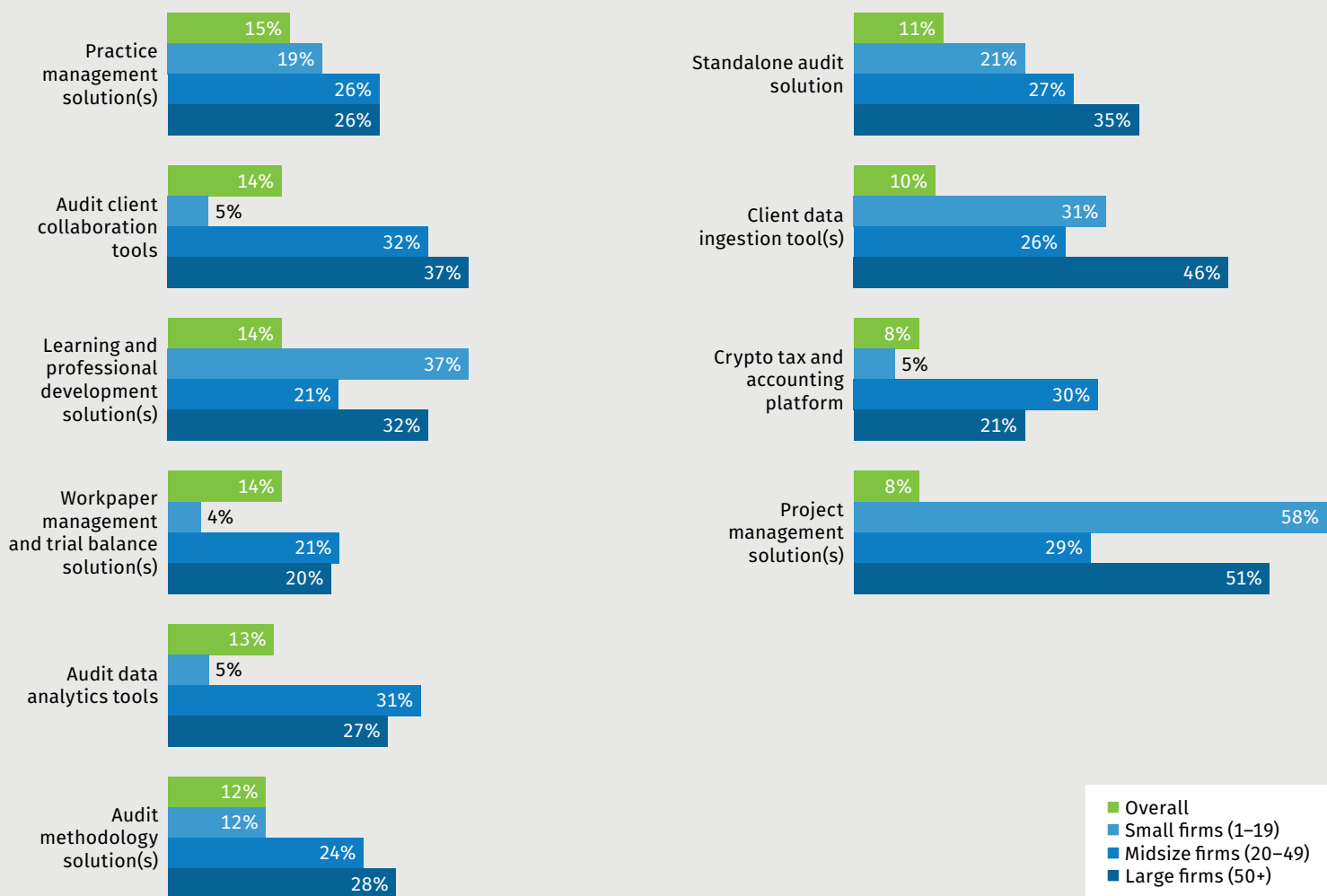
If your firm lacks specific expertise when clients call, they will quickly shop for a new partner. Fortunately, there is still time to skill up and find technology to accommodate the growing demand for crypto-related services.

Notably, about 14% of midsize and large firms ranked the development of a cryptocurrency niche as one of their top two goals for the coming year. One in five midsize and large firms has already implemented cryptocurrency-related tax and accounting technology (see figure 9).

Figure 9. Technologies currently implemented, by firm size

Where there are some areas of commonality amongst all firm sizes, in general there is a split between small firms and midsize to large firms.





Many Paths to Success

While looking at high-growth firms can help identify opportunities for growth that not all firms are taking advantage of, there isn't just one way for firms to be successful. The road to future success is wide, with many different paths firms can take to get there. This is especially clear when looking at firms' top goals for 2023.

The variation between firms' intentions and objectives is reflected by their stated goals for the future. Firms' top goals for 2023 are changing, especially among mid-sized and larger firms.

Overall, revenue and profitability growth was the most selected goal (see figure 10). While one in four large firms selected

'improving operational workflows' as a top goal in 2022, this was down from more than half in 2021.

Meanwhile, midsize and large firms are still targeting to improve employee effectiveness, but fewer firms have this as a goal than last year. Midsize firms seem to have shifted their focus to enhancing audit quality. Midsize and large firms were also more likely than small firms to select 'developing new services' as a goal this year.

Whatever path to success a firm follows, strategic plans must include an expansion of value-added service offerings.

Figure 10. Top five goals for the coming year

Revenue growth remains the top goal for all firms. With large and midsize firms focusing more on improving employee effectiveness.

Overall	Small firms 1–19	Midsize firms 20–49	Large firms 50+
Grow revenue/profit	Grow revenue/profit	Grow revenue/profit	Grow revenue/profit
Improve customer engagement	Improve customer engagement	Improve employee effectiveness	Improve employee effectiveness
Improve operational workflows	Improve operational workflows	Improve operational workflows	Improve customer engagement
Improve employee effectiveness	Improve employee effectiveness	Invest in new technologies to support remote work	Invest in new technologies to support remote work
Invest in new technologies to support remote work	Invest in new technologies to support remote work	Improve customer engagement	Improve operational workflows

Firms that consider themselves innovators or early adopters of technology were more likely than other firms to have created new services and focused on improving the client experience since the onset of the COVID-19 pandemic (see figure 11).

Innovative/early adopter firms were also more likely to have implemented new technology, including online meetings to interact remotely with clients, secure file exchange portals, and remote signature technology to complete engagements.

Further demonstrating the many paths to optimizing client experience, firms added a wide variety of new services over the past one to three years (see figure 8).

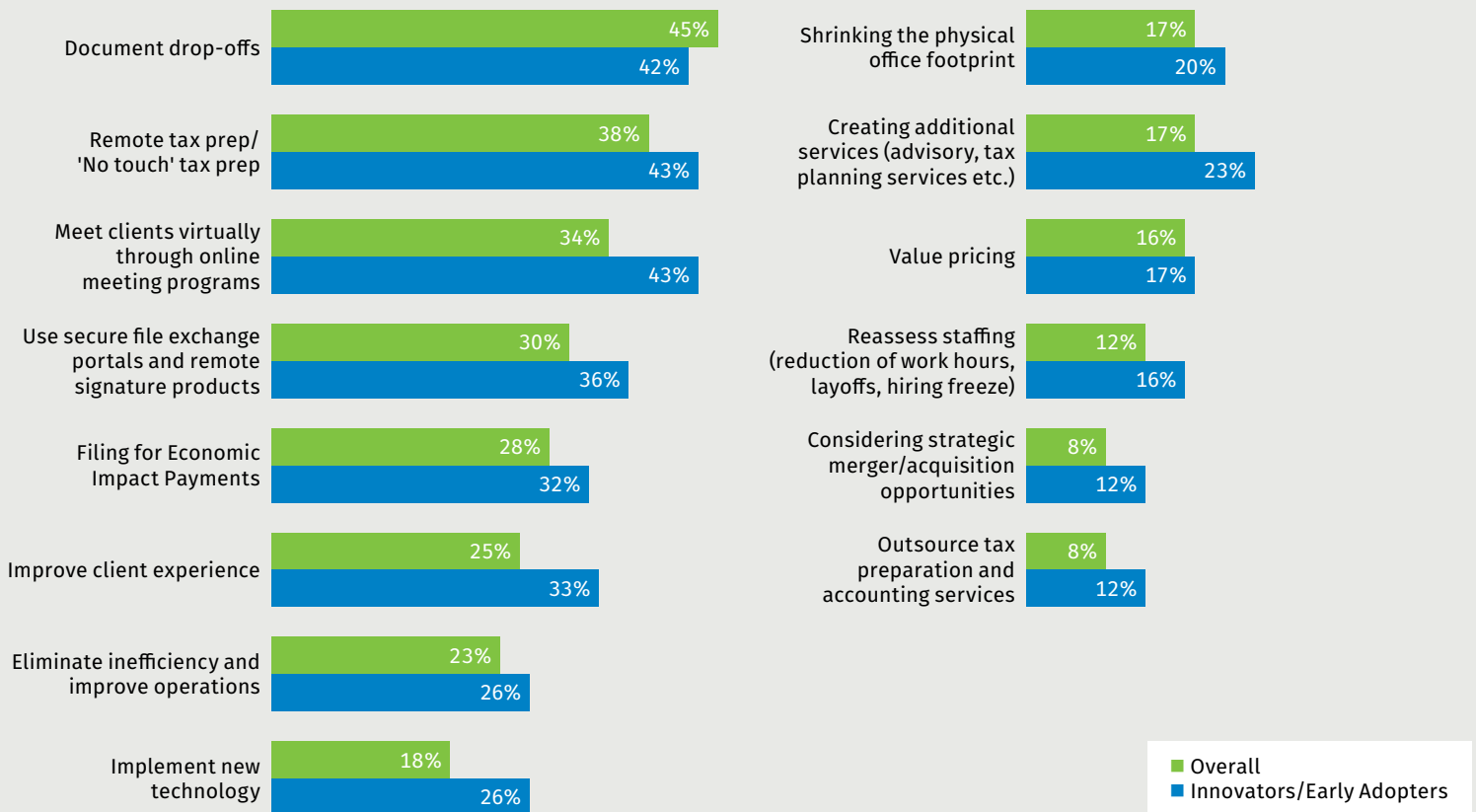
Small firms were most likely to add advisory and consulting services (tax advisory, forecasting, and business consulting), client accounting services (bookkeeping, bill payment, payroll), and tax calculation and compliance.

Midsized firms also stepped up advisory and consulting as well as accounting services. But they also were most likely of all firms to add cryptocurrency services (advisory, compliance, or auditing), fixed asset management, and financial statement preparation, compilation, and review (PCR).

Large firms took a more varied approach to their services mix; however, like all firms, they were most likely to add advisory, consulting, and client accounting.

Figure 11. Business changes made since the onset of COVID-19: overall vs. innovators/early adopters

Overall, firms who consider themselves innovators/early adopters were more likely to have created additional services and implemented cloud-based tools.





The Future of Technology

While there are many paths to success, it's clear that technology — and an emphasis on client service — will be crucial now and in the future. Digital transformation plans — and efforts to increase the focus on client engagements — already in place were shifted into overdrive by the pandemic.

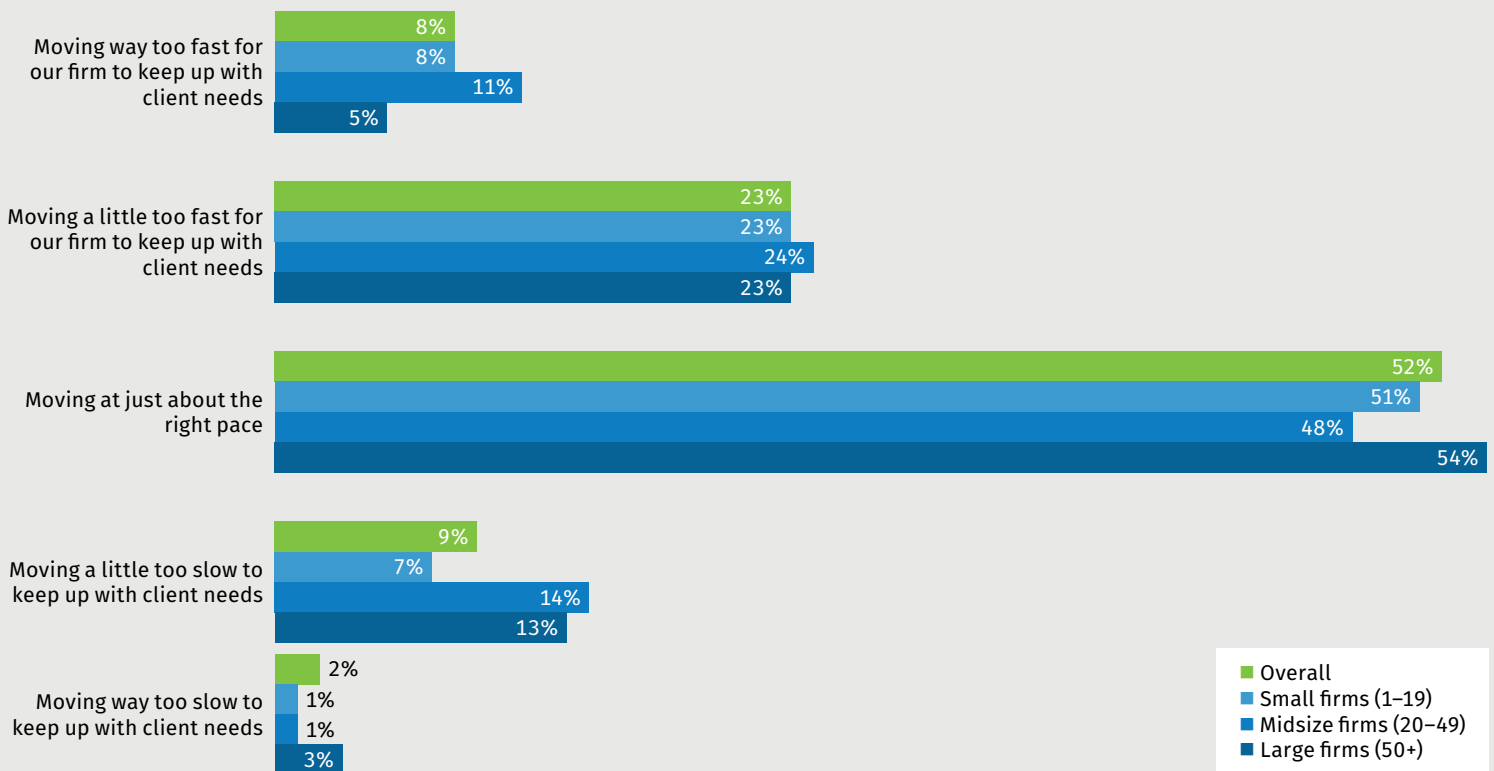
Rather than slowing down post-pandemic, the pace of technological innovation has continued to accelerate and will not slow down in the near future. Meanwhile, most firms have adapted to the new cadence of advancement — when we asked firms how they felt about the pace of technology change, the overwhelming response was that the pace was just right (figure 12).

Cloud technology represents a shift in the way we work and a new paradigm of strategic opportunity. Meanwhile, advanced technologies will expand opportunities and significantly change the profession.



Figure 12. How firms feel about the pace of technological advancements in the industry

Despite an increase in innovation, most firms continue to agree that the pace is just right.



Artificial Intelligence (AI) and blockchain technologies are already making their way into industry-leading solutions. Virtual and augmented reality promise to improve the remote client meeting experience and create more engaging training and continuing education experiences for staff. And virtual real estate — commonly known as the metaverse — can provide opportunities for remote colleagues to network and engage in mentorship.

The meaning of “metaverse” is expanding as more brands and businesses begin to incorporate it into their long-term plans. For now, think about the metaverse as a spectrum of digitally enhanced worlds,

realities, and business models. It provides the means of bringing people together from multiple locations for connection, collaboration, and training.

According to McKinsey, more than \$120 billion was invested in building out metaverse technology and infrastructure in the first five months of 2022.² Several of the nation’s largest accounting firms, including KPMG and PwC, are already working to establish their virtual presence in the metaverse.^{3,4} This year, Wolters Kluwer Tax & Accounting also purchased its first virtual real estate on the blockchain-based platforms Decentraland and Somnium Space.

² McKinsey blog, “Meet the metaverse: Creating real value in a virtual world,” June 15, 2022.

³ The Wall Street Journal, “Accounting Firms Scoop Up Virtual Land in the Metaverse,” Mark Maurer, January 7, 2022.

⁴ KPMG, “KPMG in the U.S. and in Canada launch Metaverse collaboration hub,” June 22, 2022.



The metaverse has the potential to revolutionize nearly all aspects of life and business in the coming decade, allowing for collaboration in virtual spaces, augmented physical places, and a blend of both. Firms that explore the potential of the metaverse early will be able to innovate new lines of business and transform their interactions with clients.

The shift to remote work helps firms compete for the best talent and meet staffing challenges. Remote or hybrid work will continue to be a long-term strategy employed by a majority of businesses with remote-capable employees. Augmented reality tools will help firms keep employees engaged and interested, which is critical to helping train and mentor younger professionals.





Empowering Staff and Adding Client Value

Successful firms will be those that become essential business partners to their clients. Standard compliance work is becoming more and more commoditized. Now, clients choose firms based on the additional value they can provide. Elevating the client-firm relationship will require firms to level up their client experience through a greater array of services while empowering their professionals to find and deliver deeper actionable insights for clients.

Level Up the Client Experience

Firms must find new and different ways to deliver greater value to clients beyond tax compliance. Client experience in the future will be primarily driven by advisory and other services (figure 7).

Currently, firms offer an array of services, with some notable differences between the different segments of small, midsize, and large firms.

- Small firms are most likely to offer tax advisory and planning, client accounting, and tax calculation and compliance.
- Midsize and large firms are most likely to perform audit engagements — about 40% - while only 15% of small firms offer audit engagement services.
- Small firms are increasingly taking on financial statement preparation, compilation, and review (PCR) engagements — this year, over one-third reported offering PCR services.

In general, midsize and large firms seem to adopt a wider variety of services than small firms. More midsize and large firms offer cost segregation, cryptocurrency, ESG, and exemption certificate

management than small firms. They are also more likely to have services around transfer pricing, Value Added Tax (VAT), IT consulting, and wealth management.

Now and in the future, the challenge for firms will be delivering additional services and providing a better client experience while maintaining or improving realization. With the hiring, retention, and pipeline issues facing the profession, adding staff isn't the answer, and making existing staff more efficient by improving existing processes can only create so much additional capacity.

To accomplish client service goals without sacrificing profits, firms must automate more parts of the workflow to eliminate routine, manual tasks and free up the time accountants need to focus on client advisory.

To expand service lines — or add on new ones — with existing staff, firms must consider how technology can help reduce the initial time outlay, especially for service lines that require a significant amount of research and other non-billable time.



Expanded Adoption of the Cloud

With clients often physically out of reach and employees working remotely, cloud technology is an absolute necessity for the modern accounting firm. The cloud provided a solid foundation for all the changes firms have implemented and continue to implement, including remote work, increased data security, a digital client experience, and the ability to eliminate geographical boundaries to hiring and client acquisition.

Interviewing firms that had already adopted cloud workflows before the pandemic, it was clear that they could adapt faster and more effectively, some even going as far as to say that they “didn’t skip a beat.”

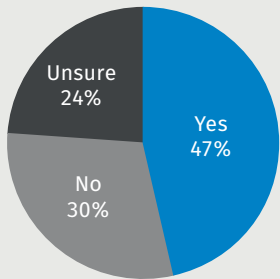
In 2021, cloud-based firms (firms using a cloud-based tax compliance solution) reported higher revenue growth and profitability than firms relying on traditional, on-premise solutions. Nearly 80% of the cloud-based firms reported revenue growth in 2021. With the technology in place to keep productivity up, cloud firms were able to turn more quickly to launching new tax and business advisory services around pandemic-related programs like PPP and ERTC.

This year, firms continue to move away from on-premise solutions toward a combination of online/hosted/cloud/hybrid solutions, with large firms leading the trend away from on-premise solutions.

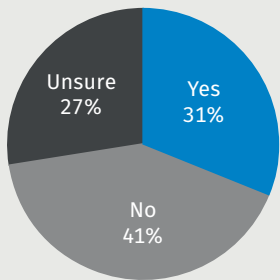
Figure 13. Whether firms plan to increase remote assurance, attestation, and audit engagements in the next 1-3 years

While about three-quarters of large and midsize firms plan to increase remote services, smaller firms are about evenly split.

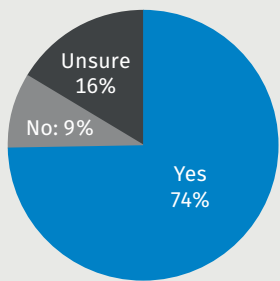
Overall



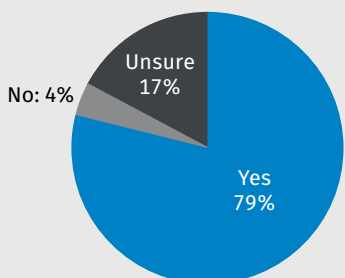
Small firms 1-19



Midsize firms 20-49



Large firms 50+



Empower Professionals to Meet Client Needs

As firms seek to deliver more value to clients, they must provide staff with the right tools and processes to create higher-quality end products and discover more insights within client data.

A prime example can be found in auditing. Data and automation can be incorporated into the audit workflow, enabling firms to complete audits more quickly while reducing risk and adding value for the client.

Clients often pay significant fees for their audits and want auditors to use the best technology possible to deliver high-quality audits while controlling costs. They also want auditors to offer advice and insights which help management improve the business. When Forbes and KPMG conducted a survey of CEOs, CFOs, and other finance executives on their views about the future of audit⁵, they found:

- 78% believe auditors should use more sophisticated technologies for data gathering and analysis.
- 56% want auditors to leverage analytics for actionable insights.
- 62% want auditors to have a clear point of view on critical issues.
- 80% want their auditor to use larger samples.
- 67% are looking for auditors with increased technology skills.

Firms are starting to use cloud-based technologies to perform more remote audits. While the pandemic lockdowns introduced remote auditing by necessity, it remained an open question whether firms would prefer to go back to auditing onsite as pandemic restrictions eased.

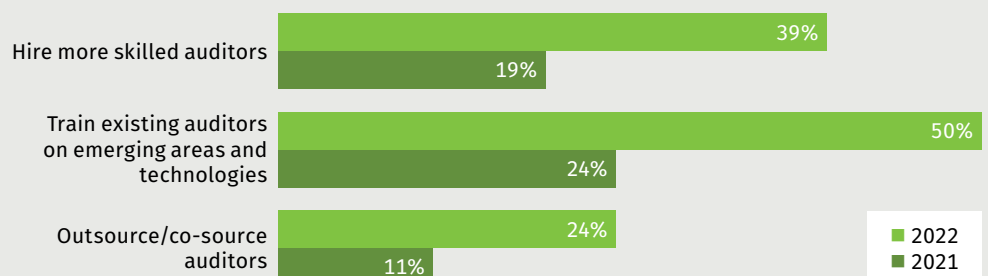
The Survey revealed that many firms intend to perform more assurance, attestation, and audit engagements remotely, especially among midsize and large firms. About three-quarters of large and midsize firms plan to increase remote services. Smaller firms are much less decided about the future of remote auditing (see figures 12 and 13).

Innovators and early adopter firms were more likely to perform audits remotely. They are also 15% more likely to be planning to increase those engagements in the next year. Being able to conduct audits remotely enables firms to develop deep expertise in auditing particular industries or business units. Removing geographic boundaries allows firms to focus on their areas of expertise, even amongst clients distributed over a wide geographic area.

⁵ Forbes Insights, "Audit 2025: The Future Is Now," 2017.

Figure 14. How firms plan to handle audit staff shortages

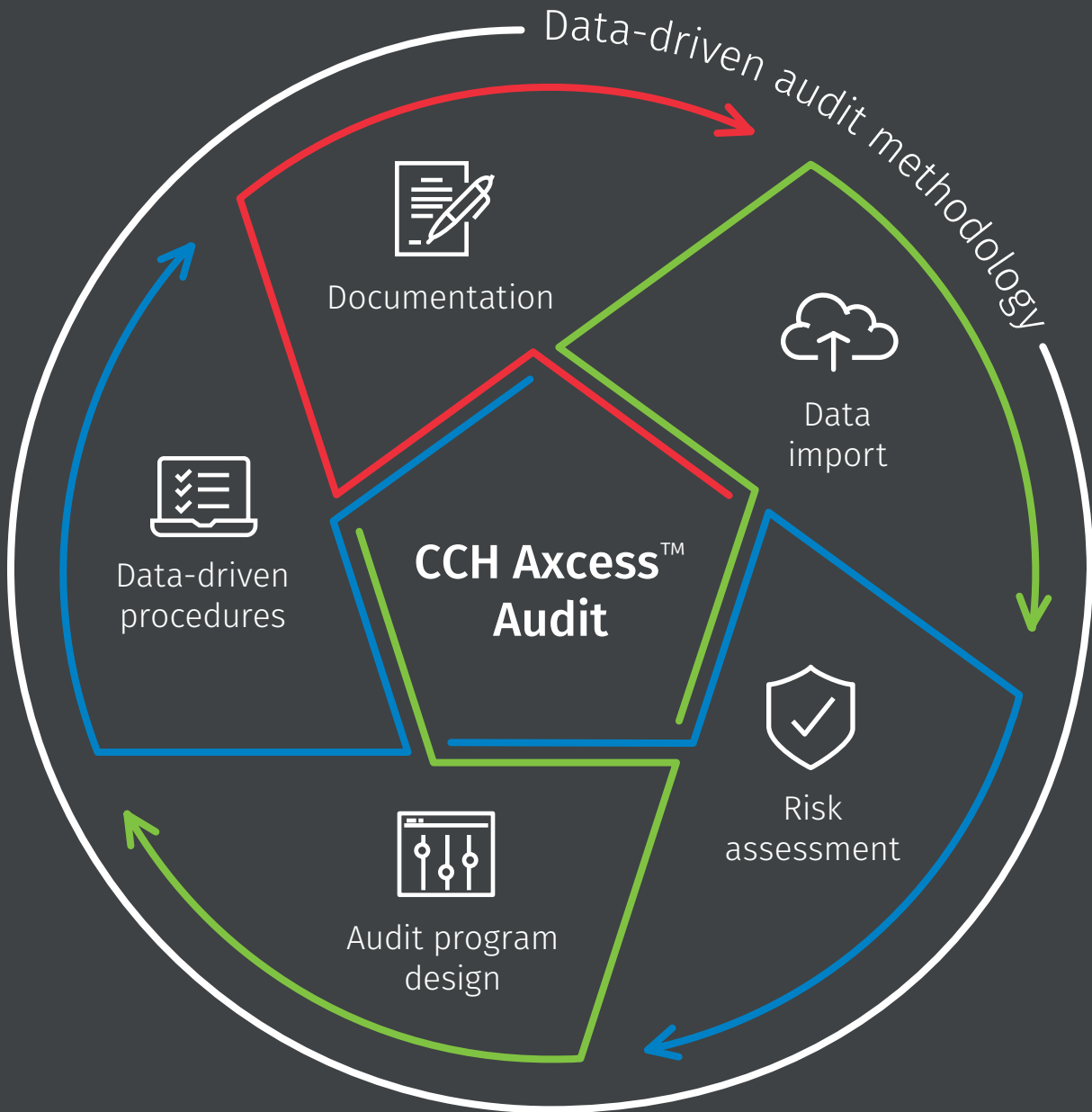
Perhaps in response to the industry staffing shortage, training existing auditors on emerging areas and technologies continues to be the most popular answer, one selected by half of firms.



The Data-Driven Audit

Adopting a data-driven audit approach is the most effective way of empowering staff to deliver an audit that fulfills client needs and requirements. Delivering a high-quality, data-driven audit requires innovative, deeply integrated audit solutions capable of infusing data and incorporating best practices throughout an efficient workflow.

A data-driven audit delivers tremendous value to clients and significant benefits to firms throughout every step of the engagement.



Creating Capacity to Meet Current and Future Demand

Future-ready accounting firms can only achieve consistent growth if they can attract and retain the talent to deliver high-quality work and attract and retain good clients. Being competitive in the labor market requires optimized and scalable processes that meet client demands while making professionals' work more interesting and efficient.

Today's client demands can require significant time and mental labor. Firms must find ways to make time for staff to perform all the work while aiding retention by keeping professionals engaged and interested. Automation and advanced technologies serve both of these purposes, and about one in three firms list 'improving operational workflows' as one of their top two goals for 2023.

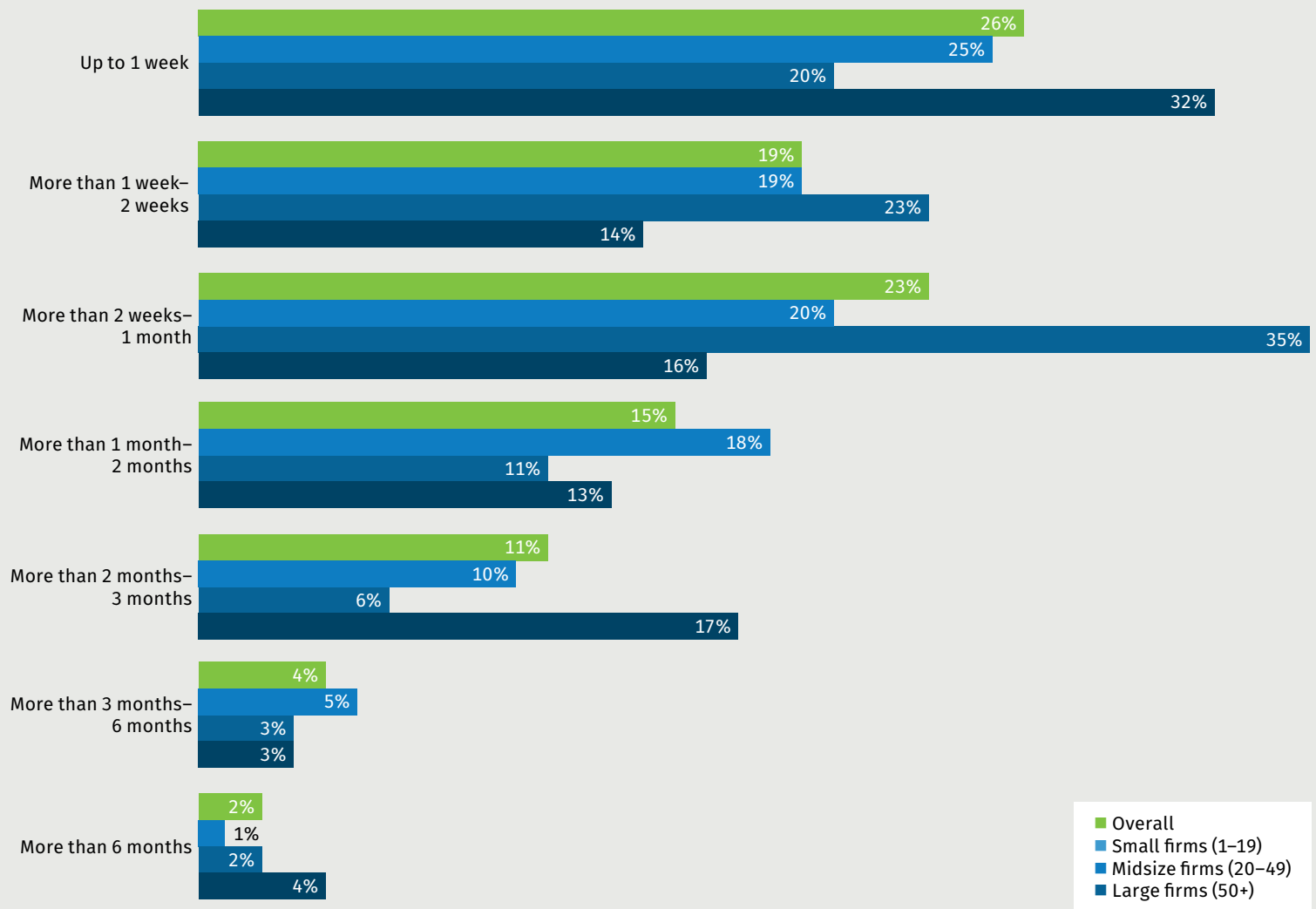
According to the Survey, firms are completing tax compliance and auditing work faster and more efficiently. The gains

can create the capacity to take on new clients or expand into new practice areas. Working more efficiently also enables firm professionals to gain the time needed to take client relationships beyond basic compliance and provide more consultative advice.

Accounting firms are working to improve the efficiency of auditing workflows. The majority of firms (68%) complete the entire audit engagement in less than one month, from initial client interaction through invoicing (see figure 15).

Figure 15. Average amount of time to complete an audit

Accounting firms are working to improve the efficiency of auditing workflows, with the majority of firms completing the entire engagement — from initial client engagement through invoicing — in less than one month.

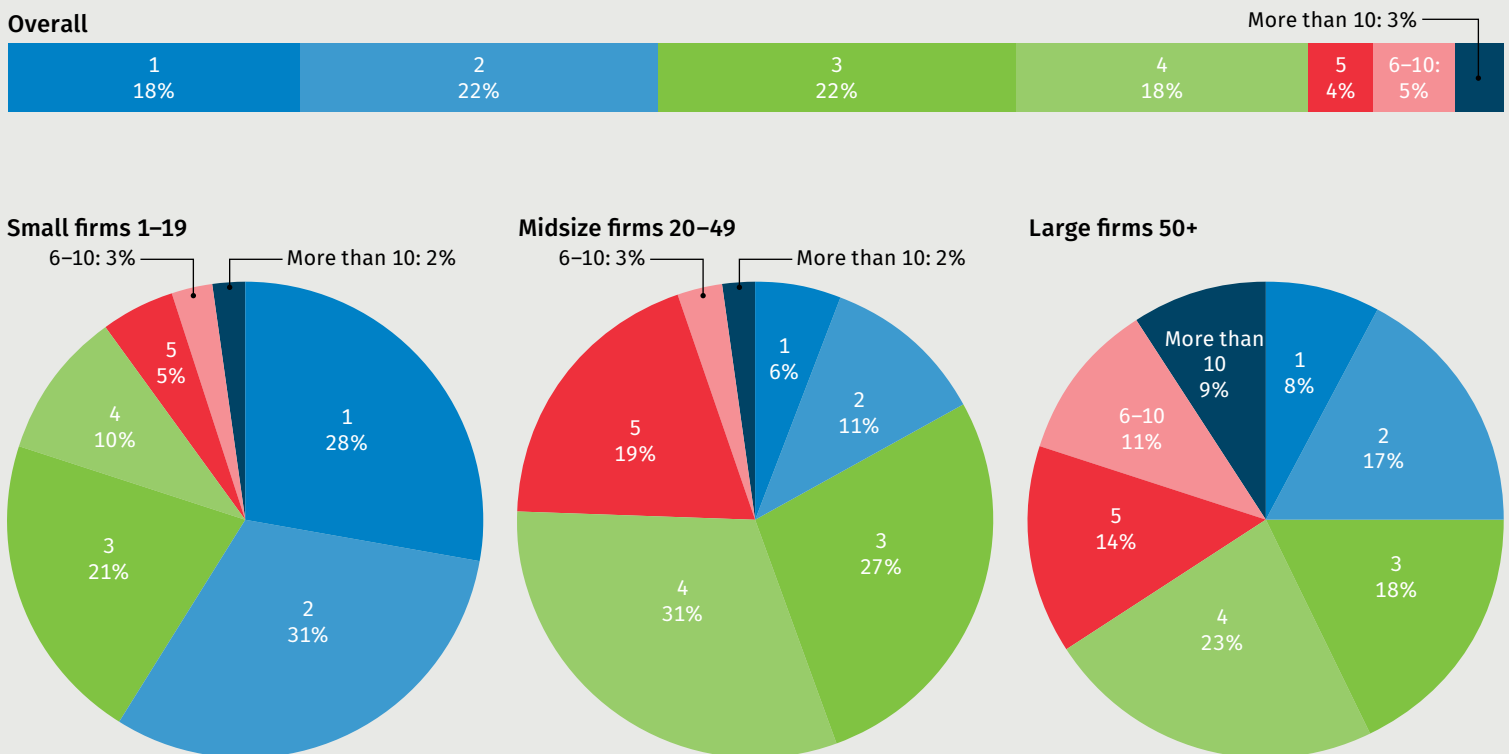


Increasing the automation and intelligence embedded in audit workflows helps firms improve audit quality and generate better insights for clients. Firms must use multiple solutions — engagement/workpaper management, practice aids, bank confirmations, and audit data analytics — to ensure an effective, quality audit. All audit solutions need to be highly integrated to offer auditors efficiency with automatic updating across workpapers.

While 28% of small firms complete audits using a single business solution, only 6% of midsize firms and 8% of large firms employ a single solution (see figure 16). The sweet spot for audit engagements is most commonly between two and four integrated solutions, including start-to-finish engagement management and a risk-based audit methodology.

Figure 16. Number of business solutions used to process an audit engagement

Small firms are most likely to use a single business solution to complete their audits. The “sweet spot” for audit engagements is most commonly between two and four integrated solutions.



When discussing tax engagements, 58% of small firms use a single business solution to complete a tax return engagement (1040, schedule A plus one state), while only 11% of midsize firms and 30% of large firms do the same. Meanwhile, 47% of midsize and 35% of large firms must use four or more business solutions to process a tax return (see figure 17).

While there is no commonly accepted “sweet spot” for the number of solutions needed to process a tax return effectively, it’s important to remember that the more solutions used, the more complex the workflow becomes. Firms that leverage multiple solutions should keep in mind the importance of integration and automation between systems to ensure an efficient and effective workflow.

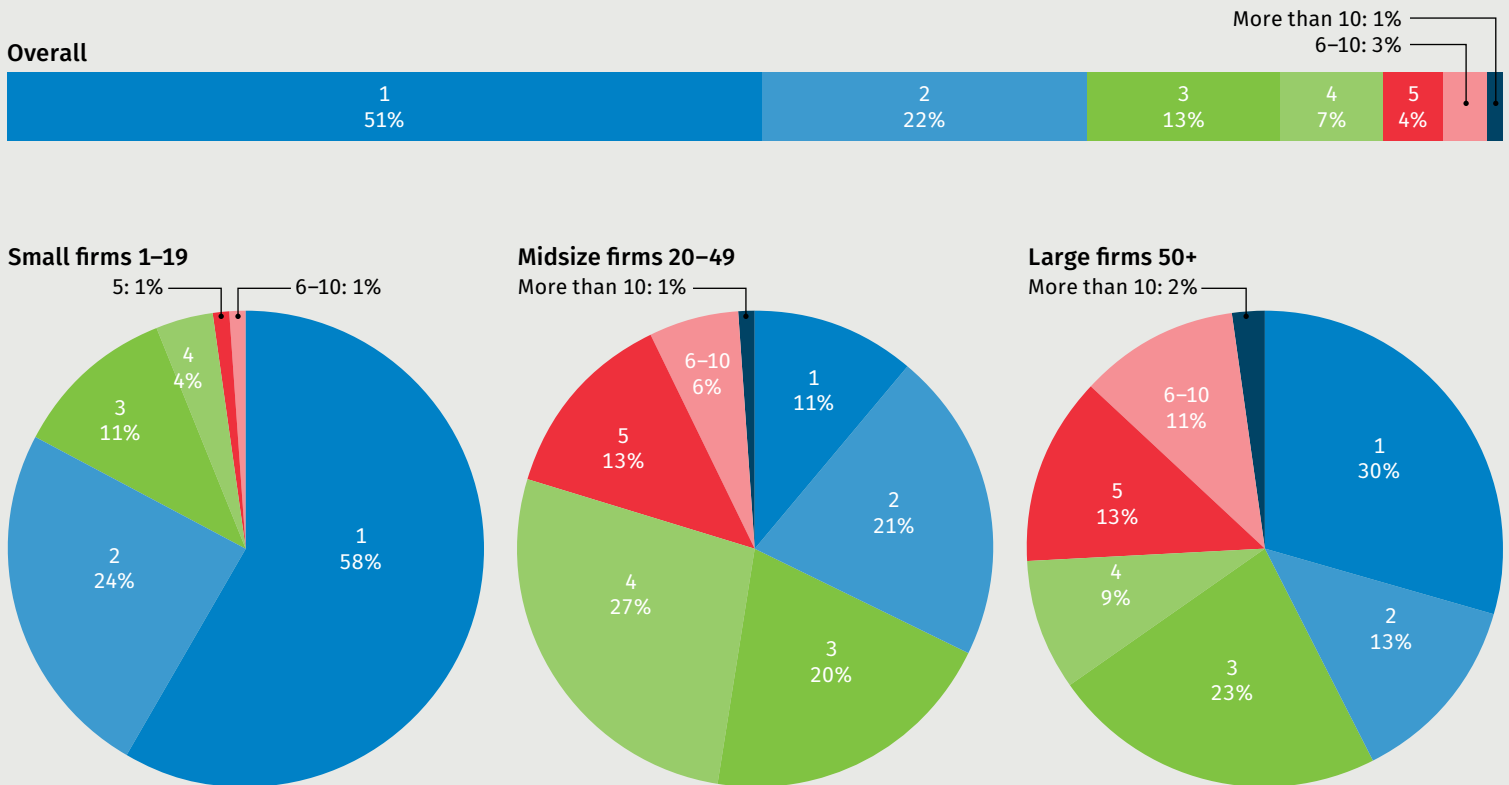
One area where large firms continue to shine — and show significant year-over-year improvement — is reducing the hours taken to complete a tax return. There was a 26% jump in large firms who report it takes only one employee to complete a return, compared to 2021, with a corresponding 30% year-over-year decrease in those who required two employees. In addition, there was a 29% year-over-year increase in large firms reporting it takes just one day to complete a tax return.

Regardless of engagement type, firms of all sizes continue to focus on creating capacity. But how can firms create capacity now and in the future?

Firms need to develop technology plans across six key areas: workflow processes, client experience, client communications and data ingestion, staff development, firm management, and innovation.

Figure 17. Number of solutions to process tax return

Large firms are most likely to be using less than three solutions to process a tax return (from the beginning of the interaction with the client through invoicing).



Reimagine and Rebuild Workflow Processes from the Ground Up

With firms facing staffing shortages, recruiting challenges, and rapidly increasing labor costs, there has never been a more important time to find ways to help your team accomplish more work without adding headcount.

Automation and AI continue to be important drivers of better staff utilization. Firms can use cloud solutions to source part-time staff or contractors to surge during busy times. Meanwhile, outsourcing and co-sourcing have rapidly become crucial to firm strategies to deal with staffing challenges.

Specifically for tax return preparation, about one in five midsize and large firms have outsourced tax preparation and accounting services when asked about changes made to the business model since the onset of the COVID-19 pandemic. However, only 3% of small firms stated the same.

Auditor outsourcing/co-sourcing has seen significant year-over-year growth for midsize and large firms. Midsize firms reported a 27% year-over-year increase in the number of firms planning to leverage some version of outsourcing or co-sourcing, while large firms showed a 34% year-over-year increase.



Deliver an Experience That Will Lock in Client Loyalty

Now that clients and accounting professionals meet less often face to face, firms need to rethink how to deliver a winning client experience, something one-quarter of firms already report they are doing.

Firms cannot exclusively rely on common acquaintances, shared community ties, or personal relationships to lock in client loyalty. Clients want much more from their accounting partnership, and technology can help firms deliver the advisory relationship modern clients desire.

To create an outstanding client experience, start with Excel[®] client communication skills and tools. Meet clients where they are online by giving them secure, digital collaboration tools they can use to deliver their information. Firms should take steps to become more responsive and have the data clients want readily available when the phone rings. Firms can use predictive intelligence and analytics tools to deliver data-driven expert insights.

Tech Stack Spotlight

Creating an advisory-focused experience

The right technology can help firms unlock greater potential with data for advisory. It can also enhance the relationships between firms and clients by making information about the status of audits and tax returns more readily available.

CCH Access[™] iQ - Expand your firm's tax advisory opportunities with existing clients with predictive intelligence that identifies which clients will be impacted by federal and/or state tax law changes, allowing staff to communicate proactively and offer guidance.

TeamMate[®] Analytics — Use deeper analysis to uncover important business insights. Data analytics help auditors inform planning, test against full data sets, spot hidden risks, and add credibility to reports.

The new CCH Access[™] Return Dashboard — part of the intelligent **CCH Access Tax** preparation, compliance, and workflow solution — surfaces key insights about tax return status and complexity that allows firms to provide more responsive client service.

CCH Access[™] Workflow — Ensure tax and audit engagements get completed on time, accurately, and within budget. Workflow also gives staff access to real-time information when a client calls for a status update.

CCH Access[™] Document — Turn every client interaction into an opportunity for advisory. With documents organized and stored in the cloud, your staff always has instant access to tax returns and audit reports when clients call in.

Improve Client Communication and Data Ingestion Processes

Getting data from clients is one of the least efficient areas of both tax and audit workflows. It is labor intensive. Clients are often late and lack organization. Following up repeatedly with clients to chase down information is a poor use of staff and clients' time.

Data collection and ingestion at the front end of the tax and audit workflows can significantly boost firm efficiency. When advanced technologies like AI are incorporated into automated workflows, firms can enjoy high-quality results with improved efficiency — without hiring additional staff.



Tech Stack Spotlight

Building a client-focused powerhouse

Anytime you can save your staff time while simultaneously saving work and hassle for your clients, it is a win-win. When you use technology to automate routine and mundane tasks, you create more time to focus on important client needs.

CCH Access™ Validate — Give auditors quick bank confirmations with this cloud confirmation and validation solution. Validate leverages a blockchain-enabled workflow to complete confirmations in minutes instead of hours.

CCH Access™ Portal — Conveniently exchange information, documents, and deliverables with clients in a secure manner with an online portal.

CCH Access™ Client Collaboration — Provide clients and staff with a straightforward step-by-step process to manage all tax workflows in this personalized collaboration hub. The frictionless client experience includes electronic engagement letters, digital tax organizers, automated data connectors, and integrated eSignatures.

CCH® ProSystem fx® Scan with AutoFlow — Scan takes unsorted 1040 client information, groups it, and outputs the documents to a single, organized file. Then AutoFlow uses Optical Character Recognition (OCR) to recognize and extract data from client source documents and import it into the tax return.

CCH Access™ Engagement — Increase efficiency and lower costs by eliminating low-value tasks to save more time for advisory work. Leverage integration with your clients' Xero® and QuickBooks® Online to eliminate the need to request data from them, offering clients greater convenience.

CCH Access™ Financial Prep gathers the client data, then intelligently groups trial balance accounts, assigns tax codes, and fast-tracks auditors to creating journal entries to get to an adjusted trial balance faster than ever. Roll forward engagements for next year, so you don't have to enter the same data twice. Integration with CCH Access Tax sends tax account balances directly to the business tax return.

CCH Access™ Knowledge Coach infuses audits with a risk-based approach and audit program tailoring to unique client characteristics for higher quality and more efficient audits.

Upskill and Expand Staff Expertise

Developing and training your firm's professionals is integral to enhancing capacity for the long run. It is the only way to ensure your firm builds expertise and retains top talent.

There are three ways firms can improve their ability to train and advance their professionals. First, by ensuring your staff uses technology infused with the latest best practices in accounting, auditing, and tax, you will give them opportunities to continually learn and develop as professionals.

Second, firms must choose a technology partner with proven domain expertise and multiple training and professional development modalities. For example, professionals can earn CPE through Wolters Kluwer training delivered via in-person conferences, live webinars, and self-study courses.

Finally, firms need to provide contextual practice tools and research their professionals can access on-the-fly, from within tax and auditing solutions, for fast answers.

Tech Stack Spotlight

Make answers easier

When your staff needs complete, authoritative answers fast, rely on Wolters Kluwer's research tools. Evergreen research from our industry-leading editorial team will ensure your professionals can simplify their research while benefiting from an expert perspective.

CCH® Accounting Research Manager® — Make accounting and audit decisions confidently using interpretive guidance and authoritative content kept up to date with changing rules and regulations.

CCH® AnswerConnect — Count on the industry's most powerful web-based research technology, combined with comprehensive and authoritative tax content. Professionals can see the actual text, complete explanations of the law, and examples of how to apply it in the real world.

Adopt Best Practices for Firm Management

Firms must improve their processes and workflows to manage their people, clients, and profits. By becoming more efficient practice managers, firm leaders have more time to focus on bringing in clients and solidifying relationships.

Solid practice management tools will ensure that success today is scalable for continued growth tomorrow. Firm managers need visibility to make better, more timely decisions and manage firm priorities. Firms also need tools that help keep work moving, improve processes, and aid staff efficiency.

Tech Stack Spotlight

Firm management: The foundation of your practice

CCH Access firm management solutions support clear visibility into the firm's business. Rather than simply replacing manual processes with digital ones, firms can build a future-ready technology backbone supporting increased productivity and firm growth in every department.

CCH Access™ Practice — Manage your firm more effectively with easy-to-use time tracking, flexible billing options, simplified invoicing and payment processing, and centralized data with firmwide dashboards and reports.

CCH Access™ Data Access Solutions — Turn unstructured client, process, and billing information into actionable business intelligence to improve business processes and increase profitability.

CCH Access™ Workflow - Gain 360° real-time visibility into information about tasks and projects while standardizing and optimizing processes firmwide.

CCH Access™ Workstream — Efficiently manage all deliverables with full-featured project management tracking and electronic route sheets.

CCH Access™ Document — Utilize cloud document management to help staff collaborate better, enable managers to balance workloads without geographic limitations, and reduce risk and compliance issues with audit trails and version retention.

Unlocking Data to Drive Insights and Improve Productivity

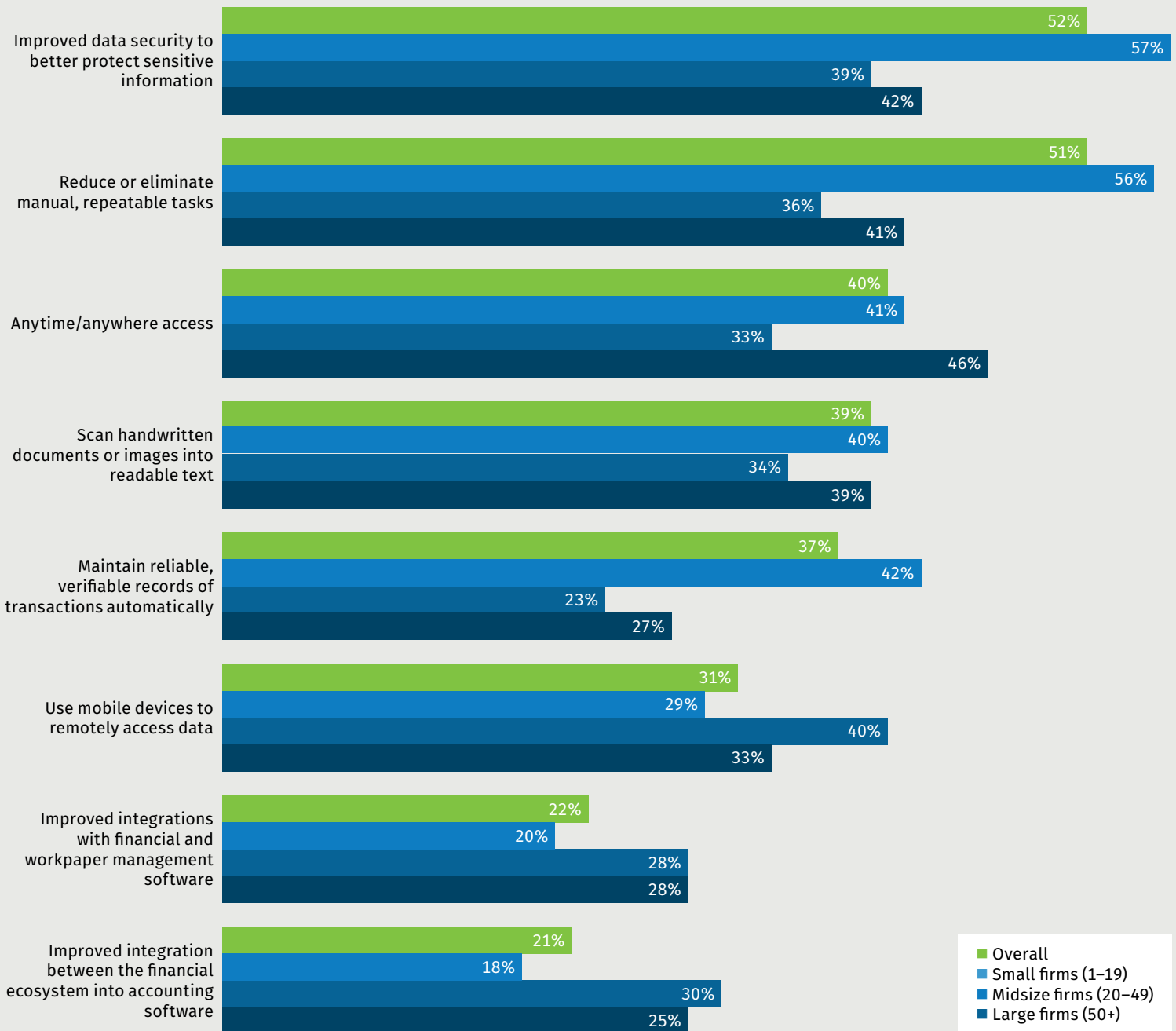
Firms need to use the technology at their disposal to unlock new insights, drive business decisions, and improve staff productivity by reducing duplicate work. Firms can achieve all these important objectives if they can access and analyze firmwide data in a secure, streamlined way.

When asked about the top benefits sought from software, data security and the reduction of time-consuming manual tasks are the most critical priorities for firms,

followed by the anytime, anywhere access inherent to cloud solutions and the ability to scan images or handwritten notes into readable text (see figure 18).

Figure 18. Top benefits sought from software

Data security and time savings through automation are the top priorities for firm solutions. Quite a few firms were also focused on enabling anytime, anywhere access to work solutions through mobile and cloud computing and faster internet connection.



Ensure Better Data Security

Accounting firms work hard to ensure the highest data security possible for sensitive client financial information. Firms using cloud solutions get to leverage their solution vendors' high data security standards. Typically, only the largest firms and corporations can match the security protocols invested in by proven, reliable solution vendors.

Ultimately, firms are responsible for their own data security, so it is important to take measure of internal data policies and

instill best practices. Most data security incidents begin with employees falling victim to phishing or practicing poor password management.

One of the most common vulnerabilities for data security is lax handling of client data during the handoff between clients and the firm. To shore up security in this area, firms are increasing the usage of cloud client portals. One-third of all firms and 46% of large firms currently use client portals.

Tech Stack Spotlight

Fortifying firm data defense

Firms should evaluate and validate the security posture of any vendor with access to their client data. When choosing a cloud service provider, firms can look for providers that have earned SOC2 data security certification as an independent evaluation of security protocols.

Wolters Kluwer is dedicated to maintaining multiple levels of data security and exacting security standards. The entire CCH Access suite has earned a SOC2 certificate, and CCH Access Validate is currently undergoing SOC2 review.

Advanced technologies like blockchain will also enhance data security, transparency, and accountability in the tax and accounting industry, and is already being built into some solutions.

For example, [CCH Access™ Validate](#) helps firms eliminate traditional risks and keep client data safe from fraudulent actors when you quickly validate bank confirmations using the power of blockchain. It also provides a minimum of 20% time savings compared to traditional approaches for validation. What used to take a day to complete can now be done in less than five minutes.

Reduce and Remove Duplicative Data Entry Processes

The more times your staff enters the same client information into different software solutions, the more chances for errors. Repeated data entry also slows productivity while frustrating and boring your professionals.

Integration is key to unlocking firm data and leveraging the full potential of your technology. The more firms integrate the different tax and audit workflows, the higher their efficiency. High productivity easily translates to greater revenue and profitability.

Using integrated solutions that share a common client database ensures a change made in one area flows automatically to other related areas. Shared access to documents and workpapers keeps the staff on the same page and prevents duplicated work.

Many accountants are most comfortable working in spreadsheet software like Excel®. Both accounting professionals and clients are usually familiar with Excel®, so firms can send a spreadsheet for clients to fill in required data, then later import the client answers without needing to re-enter any data manually. This saves time and reduces the potential for errors.

Firms often use client data for other engagements, so Excel® allows them to avoid duplication. In tax engagements, professionals often prefer to work in Excel® for State Apportionment, Depletion data, and K-1 data. Auditors often prefer to run analytical tests in an Excel® environment. By adopting tax, accounting, and audit solutions that support professionals working in Excel® within the solutions while using shared client data, firms can leverage automated workflows along with the time savings and productivity of spreadsheets.

Tech Stack Spotlight

Expanding your technology ecosystem through integration

CCH Axxess™ Marketplace enables firms to expand and enhance the potential of their CCH Axxess platform with advanced integrations from third-party technology vendors.

These integrations enable firms to automate many of the most time-consuming tasks in their tax, audit, and firm management workflows. Leading cryptocurrency tax reporting solutions, CoinTracker and LedgibleSM, are among the integration partners on Marketplace.

Leveraging Technology in Unconventional Ways

Firms invest a lot in technology and should work to uncover how existing and new solutions can benefit the business and clients. Firms should try to eliminate mental limitations about how other firms' typically use' a technology. Instead, actively look for opportunities to take your technology further.

Here are a few ideas and examples:

- In the tax area, firms could potentially use return diagnostics and complexity information as coaching tools for younger staff.
- Engagement management software could potentially expand from tax or auditing to advisory work.
- Firms that maintain a tax or audit research platform can use it to train and upskill junior staff.
- An audit data analytics tool can also work with a client's tax provisions or general accounting information, for example, aggregating expenses, highlighting changes, analyzing invoices, etc.
- Firms can use "internal" dashboards as client-facing visualizations in conversations to help build value and improve client experience.

Conclusion

As the profession continues to transform across a wide range of areas, changes are being implemented to overcome and succeed amidst new and existing challenges. Adoption of remote work and cloud computing continues to expand. Firms are focused on improving the client experience and offering more advisory services. Firm leaders are examining how to enhance productivity through digital workflows and attempting to unlock the power of data-driven insights both for clients and within the firm.

The future appears to hold great opportunities for tax and accounting firms of all sizes and specializations. Firms revealed various plans for developing new services and implementing new technologies. There are many ways forward, and firms can follow many paths to achieve future growth. Success will be driven partly by how well firms take advantage of advanced technologies, including AI and blockchain. These technologies are already being incorporated into Wolters Kluwer solutions and will benefit all firms in the coming years. Those firms who choose to adopt advanced solutions earlier and find unique ways to innovate with them will ultimately create the best value for clients.

Wherever your firm is in its digital transformation journey, Wolters Kluwer is here to support you and help you achieve your objectives — now and in the future. Innovation is in our DNA, and we are ready to help your firm solve today's challenges and explore tomorrow's opportunities.

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About the Survey

The 2022 Accounting Industry Survey (Survey) from Wolters Kluwer Annual Tax and Accounting North America included quantitative interviews of 1,983 tax and accounting firms of all sizes from the United States, with 1,445 completed responses to examine how client expectations, technology, and other factors are affecting the future of accounting across core areas and how accounting firms are prepared to address these issues and more. The Survey was conducted online.

69% of respondents were owners, managing partners, partners, or principals of their firms. 1,061 (73%) of respondents self-identified as small firms, defined as 1-19 total employees, 168 (12%) of respondents self-identified as midsize firms, defined as 20-49 total employees, and 216 (15%) respondents self-identified as large firms, defined as 50+ total employees.

Wolters Kluwer Tax & Accounting

Wolters Kluwer Tax and Accounting North America is a division of Wolters Kluwer, a global leading provider of legal and compliance solutions that enable professionals to improve productivity and performance, mitigate risk and achieve better outcomes. Wolters Kluwer (WKL) is a global leader in professional information, software solutions, and services for the healthcare; tax and accounting; governance, risk and compliance; and legal and regulatory sectors. We help our customers make critical decisions every day by providing expert solutions that combine deep domain knowledge with technology and services. Wolters Kluwer reported 2021 annual revenues of €4.8 billion. The group serves customers in over 180 countries, maintains operations in over 40 countries, and employs approximately 19,800 people worldwide. The company is headquartered in Alphen aan den Rijn, the Netherlands. For more information, visit www.wolterskluwer.com, follow us on [Twitter](#), [Facebook](#), [LinkedIn](#), [Instagram](#), and [YouTube](#).

Visit EngageTax.WoltersKluwer.com/Survey2022 for more information.