

# Building Capacity for Smaller Firms



The FRC is committed to ensuring that its regulatory approach to supervision remains fit for purpose and supports a resilient and well-functioning audit market. A strong and resilient audit market is essential to support well-functioning UK capital markets.

Through our Future of Audit Supervisory Strategy (FASS) project and our SME campaign, the FRC has engaged with audit firms of all sizes to develop our understanding of the constraints and opportunities impacting specific parts of the market.

Companies should be able to access a diverse range of audit providers that can deliver consistent, high-quality audit. The FRC wants to support smaller firms to develop their capabilities and presence in the PIE audit market. However, it recognises that smaller firms need space and time to implement audit quality improvements and build their capacity to grow.

## A new approach

The FRC will be launching a new initiative to develop the capacity and resilience of the audit market. This initiative will introduce a more proportionate supervisory approach, designed to enhance audit quality and reflect the unique needs of smaller firms.

Smaller UK PIE firms will be invited to participate in a new workstream of the FRC's Audit Firm Scalebox, the "Scalebox-SoQM". Those firms who accept this invitation and commit to investing and developing their Systems of Quality Management (SoQM) will be subject to reduced formal inspection, supervision and registration requirements during 2026 and 2027 to allow space and time to develop and grow. This is intended to complement the broader developments in our supervisory approach that are currently underway through FASS and support the FRC in assessing what is proportionate in the oversight of less complex PIE entities.

## A more resilient audit market

The FRC is committed to working with all market participants to support the long-term success of the UK audit market. As this initiative progresses, the FRC will provide targeted support and a tailored supervisory approach, to help smaller firms develop their capabilities and expand their presence in the PIE audit market.

The FRC will work collaboratively with audit firms, the Recognised Supervisory Bodies, investors and other users of audit to ensure this approach drives audit quality improvements in a proportionate way for the whole audit market.

To find out more about this initiative, contact [scalebox@frc.org.uk](mailto:scalebox@frc.org.uk)

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