

Mark Isherwood MS

Chair, Public Accounts and Public Administration Committee
Senedd Cymru

Peredur Owen Griffiths MS

Chair, Finance Committee
Senedd Cymru

Date: 8 January 2026

Dear Chairs,

Re: Industry Wales – 2024–25 Audit Opinion and Reflections on the 2023–24 Disclaimer

On behalf of the Board of Industry Wales, we are writing to update both Committees on the publication of Audit Wales' **unqualified** opinion on our 2024–25 accounts, and to reflect on the events following the **disclaimed opinion** issued early in 2025.

We consider this correspondence important to support the Senedd's scrutiny role, to highlight learning for the audit and oversight of small arm's-length public bodies, and to raise concerns regarding transparency and process that we believe merit Committee consideration.

1. From Disclaimed Opinion to Unqualified Opinion: What Has Been Resolved

Audit Wales has confirmed that all matters identified in the 2023–24 audit, principally relating to procurement documentation and asset valuation evidence, have now been fully addressed. No uncorrected misstatements or recommendations have been issued for 2024–25, and the opinion is entirely unqualified.

It is important to be clear that the issues giving rise to the disclaimer were **historic, technical and time-bound**, rather than indicative of organisational

performance, financial mismanagement or governance failure **of the current executive team.**

Audit Wales had discretion to extend the audit timetable where needed. Had that discretion been exercised, the remaining documentation would have been available, and the application of a disclaimed opinion **would not have been necessary.**

Given the **severity of a disclaimed audit opinion**, particularly for a small arm's-length body, we believe there should be a clear expectation that auditors explore all reasonable and proportionate options to avoid such outcomes wherever audit integrity is not compromised.

2. Financial and Operational Impact of the 2023–24 Disclaimer

The reassessment and re-audit of our accounts resulted in **additional audit costs in excess of £40,000**. For Industry Wales, the **smallest arm's-length body owned by Welsh Government**, this represented a material diversion of public funds away from direct support for manufacturers and supply-chain businesses across Wales.

At the same time, the organisation's limited internal capacity was necessarily redirected away from delivery and stakeholder engagement towards managing the audit process, significantly constraining our ability to fulfil our remit during a critical period for the sectors we support.

We also consider it reasonable to note that the reputational impact of the disclaimer, amplified by public commentary at the time, may have influenced the wider context in which the decision to dissolve Industry Wales was taken. While Welsh Government has consistently framed the decision as cost-driven, perceptions of organisational robustness and value inevitably shape such judgements.

3. Relationship with Audit Wales

We wish to place on record our appreciation for the professional and constructive engagement with our current Audit Wales team during the 2024–25 cycle. The guidance and clarity provided by them were instrumental in resolving the matters identified.

However, the Committees should also be aware that the reassessment process was **protracted**. This was due in part to internal bureaucratic processes beyond the control of Industry Wales, the **extended delays in audit timetabling and decision-making**, and periods of uncertainty regarding responsibilities between Audit Wales and Welsh Government.

At several points, the organisation was left without timely direction or practical support, despite assurances that it would be assisted through the process. For an organisation of our size, this significantly compounded both financial and operational pressure.

4. Transparency of the Dissolution Decision

The Board also wishes to draw the Committees' attention to concerns regarding the **opacity of the decision-making process** that led to the announcement that Industry Wales would be dissolved.

Despite repeated formal requests, **the Board has not been provided with the review report** that informed the Cabinet Secretary's decision. Nor has Welsh Government set out the evidence base underpinning the conclusion beyond general references to cost considerations.

This lack of transparency has:

- Prevented the Board from understanding the rationale for the decision
- Limited the organisation's ability to respond meaningfully to scrutiny
- Made it difficult to provide clear explanations to staff, partners and stakeholders
- Undermined confidence in the robustness of the review process

We raise this matter not to challenge ministerial authority, but because **effective scrutiny depends on access to evidence**, particularly where decisions result in the closure of a public body and the unfortunate loss of jobs.

5. Scrutiny and Committee Engagement

At its meeting in March 2025, the Public Accounts and Public Administration Committee indicated that it would follow up comments made by the Auditor

General for Wales regarding the accounts of Industry Wales. To date, **no Senedd committee has contacted the organisation** in relation to this matter.

Given the seriousness of a disclaimed audit opinion and the public commentary surrounding it, we would have welcomed the opportunity to provide evidence, clarify context, and assist the Committees in their scrutiny role. Industry Wales was ready and willing to engage openly had it been invited to do so.

6. Learning for Future Audits and Oversight

We offer our experience as a learning case for future audit and scrutiny arrangements, particularly in relation to:

- Proportionality in auditing very small arm's-length bodies
- The impact of audit timing decisions
- The vulnerability of organisations with limited internal capacity
- The importance of timely and coordinated communication between auditors, sponsoring departments and delivery bodies
- The need for early committee engagement when exceptional audit outcomes arise

Our intention is not to revisit past decisions, but to support more effective, proportionate and resilient public-sector audit and governance practice in the future.

7. Transition Planning and Ongoing Sector Support

Finally, we wish to draw the Committees' attention to a significant and ongoing concern regarding transition planning.

Despite assurances from Welsh Government that it would work closely with Industry Wales and its forum partners to develop a transition plan ensuring continued support for advanced manufacturing sectors, **no formal meetings with officials have yet taken place** to discuss handover arrangements.

As a result, Industry Wales is currently **unable to provide businesses with clarity** on future points of contact, alternative support mechanisms, or how existing engagement will be maintained once the organisation is dissolved. Businesses continue to approach us seeking guidance, yet we are unable to

direct them to appropriate officials or structures because these arrangements have not been established or communicated.

This lack of clarity presents a real risk to continuity of support for strategically important sectors and stands in contrast to the commitments made publicly regarding a managed and orderly transition.

8. Looking Ahead

Industry Wales will conclude its operations in March 2026. Until that point, our focus remains on supporting Welsh manufacturing and supply-chain businesses as effectively as our resources allow.

We hope the Committees will consider the issues raised in this letter and the learning they offer. We would welcome the opportunity to provide oral or written evidence should either Committee consider it helpful.

Yours sincerely,



Professor Keith Ridgway
Chair, Industry Wales



Dr Jenifer Baxter
Chief Executive, Industry Wales