

Glasgow City Council Internal Audit Section

Committee Summary

Corporate Review – Fair Work First Compliance

Item 5(a)

21st October 2026

1 Introduction

- 1.1 As part of the agreed Internal Audit plan we have carried out a review of compliance with the Scottish Government's Fair Work First policy.
- 1.2 Fair Work First (FWF) is a Scottish Government (SG) policy for promoting fair work, and workforce diversity by applying fair work criteria to grants, other funding and public contracts being awarded by and across the public sector. The conditions came into effect for public sector grants awarded after 1st July 2023.
- 1.3 Glasgow City Council is accredited as a Living Wage employer with an approved exception for Modern Apprentices. The Council also meets the FWF conditions, derived from the Fair Work Convention's framework definition of Fair Work as "work that offers effective voice, fulfilment, opportunity, respect and security".
- 1.4 FWF accreditation applies to the Council as an employer, but in situations where the Council has responsibility for the disbursement of SG grants to third parties, the Council has responsibility for ensuring that grant recipients are also compliant with the FWF policy. Per SG guidance, this requirement does not apply to the Council where grant funds have been used to conduct a public procurement exercise to deliver grant funded activity. Public procurement rules apply instead.
- 1.5 The purpose of the audit was to ensure there are sufficient and appropriate controls in place covering Fair Work First compliance. The scope of the audit included:
 - Awareness of the Fair Work First requirements.
 - Roles and Responsibilities.
 - Documented procedures, including arrangements and approval processes for all payments associated with the grants.
 - A review of payments to grant recipients and external delivery partners commissioned to deliver grant funded activity, to confirm Fair Work First requirements have been considered before payment is made.
 - Reporting arrangements regarding compliance with the Fair Work First requirements.
 - Record keeping arrangements to maintain an audit trail and ensure compliance with Scottish Government requirements.

2 Audit Opinion

- 2.1 Based on the audit work carried out a reasonable level of assurance can be placed upon the control environment. The audit has identified some scope for improvement in the existing arrangements and two recommendations which management should address.

3 Main Findings

- 3.1 We are pleased to report that the key controls are in place and generally operating effectively. The majority of grant funding received by Glasgow City Council (GCC) from the SG is used for internal provision, or where funds are used for external agencies to provide services, which are mostly subject to public procurement rules.
- 3.2 Corporate HR prepare and submit annual evidence to the SG to support the Council's assurance to grant providers that it complies with FWF requirements as an employer.
- 3.3 Individual Services were able to explain the purpose of the grant income, and the associated expenditure incurred, confirming whether the funding had been used for internal service provision, procured services, or disbursed as grants to third-party organisations.
- 3.4 Officers over all Service areas were able to confirm that they were aware of FWF policy and could demonstrate knowledge of SG guidance that is available on the SG website.
- 3.5 However, we noted some areas for improvement. A review of the financial ledger identified that SG grant funding could not be readily identified. Through discussion with services however we identified that three services (Chief Executive's Department, Education Services and Neighbourhoods, Regeneration and Sustainability Services) had received SG grant funding for disbursement to third parties.
- 3.6 There was no evidence of centrally maintained records, controls, or monitoring arrangements to support the identification, tracking, and reconciliation of SG grant income. As a result, establishing a clear audit trail from grant receipt through to reporting was not straightforward, and there was limited assurance that all SG grant funding could be accurately monitored and reconciled on a consistent basis.
- 3.7 We also found that there are no formal procedures in place to ensure that a consistent approach is taken where the Council are responsible for the administration of SG funds awarded to third party organisations.

3.8 Whilst officers within the Chief Executive's Department have implemented FWF changes across their Service, including areas that are not funded directly by SG, an application for funding from one grant source had not been updated to include a required provision for FWF compliance from applicants. This has now been corrected, and retrospective evidence has been collected.

3.9 An action plan is provided at section four outlining our observations, risks and recommendations. We have made two recommendations for improvement. The priority of the recommendations are:

Priority	Definition	Total
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	0
Medium	Less critically important controls absent, not being operated as designed or could be improved.	2
Low	Lower level controls absent, not being operated as designed or could be improved.	0
Service Improvement	Opportunities for business improvement and/or efficiencies have been identified.	0

3.10 The audit has been undertaken in accordance with the Global Internal Audit Standards in the UK public sector.

3.11 We would like to thank officers involved in this audit for their cooperation and assistance.

3.12 It is recommended that the Head of Audit and Inspection submits a further report to Committee on the implementation of the actions contained in the attached Action Plan.

4 Action Plan

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Adequate record keeping arrangements are in place to ensure an audit trail is maintained and ensure compliance with internal and SG requirements.				
1	Identifying SG grant funding within the financial ledger was not straightforward. There was no central finance code solely used for SG grant funding and no evidence of centrally maintained controls or monitoring arrangements that would facilitate an effective audit trail, enable reconciliation of grant income, or support the accurate identification and tracking of grant funding across Services. When we requested SG Grant income information, we were provided with a report from the unaudited Grant Schedule. This contained information regarding funding that we were advised was not direct from SG but was instead allocated from GCC budget. The absence of central controls and a clear audit trail may reduce the effectiveness of monitoring and limit the Council's ability to reconcile SG grant funding. As a result, there is an increased risk that the Council is unable to readily	Corporate Finance should establish and maintain central records and monitoring arrangements for SG grant funding, including clear coding and reconciliation processes within the financial ledger, to ensure that grant income can be readily identified, tracked, and reported, and that a complete audit trail is available.	Medium	Response: Additional coding will be set up for use in conjunction with the existing Grant income account codes in the financial ledger to enable Scottish Government grants to be more easily identified centrally. This will be reviewed periodically and reconciled against the information in the Scottish Government grant letters, which accompany the funding, which will be saved in a central location. Officer Responsible for Implementation: Head of Corporate Finance Timescales for Implementation: 31st January 2027

No.	Observation and Risk	Recommendation	Priority	Management Response
	demonstrate the completeness and accuracy of grant records and reporting.			

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Formal documented procedures are established and operated to ensure that evidence of third-party compliance with the Fair Work First Policy is obtained, retained, and maintained appropriately.				
2	Whilst Glasgow City Council (GCC) are accredited Living Wage Employers and Fair Work First compliant, this applies to the Council as an employer only. As part of this compliance the Council also has an obligation to ensure that, where SG grant funding is disbursed by GCC, the grant recipients are also compliant with FWF policy. We found that three services had received SG grant funding (CED, NRS and EDS), for disbursement to third parties although in the case of the latter, all such funds have been disbursed via procurement activities. Where funds are used by internal services, the Council accreditation can be used to evidence compliance to grant providers. Where funds are disbursed to third parties through arrangements that comply with public procurement rules, SG guidance indicates that grant issuers are not required to seek additional evidence of FWF compliance. In situations where funds are disbursed to third parties, the Service responsible for approving and making grant payments is required to obtain, retain and maintain	Managers within CED, NRS and EDS should ensure that where the Service is responsible for the disbursement of SG monies to third parties, a procedure is put in place to support the appropriate gathering and maintenance of evidence, in line with the requirements of the FWF guidance. Any funding application forms in use should be updated to require that grant applicants submit evidence of compliance with the necessary FWF criteria, or that they have an authorised exemption in place. Services should maintain an appropriate audit trail to enable effective annual reporting to SG. Arrangements must be put in place to ensure annual returns are submitted to SG as required.	Medium	Response: CED: Within Economic Development, we will review our funding application and add questions relative to Fair Work First to ensure this is captured and evidenced at initial funding request phase. Grant award letters will also include reference to Fair Work First, where funding allocation is direct from Scottish Government and made as a direct award, rather than through a procurement route. NRS: Existing monitoring practices are being reviewed to ensure compliance with the audit report. All staff involved in the grant issuing process are to be reminded of the importance of obtaining relevant FWF evidence as part of due diligence when considering the eligibility of grant request applications. All “grant pro forma” is being reviewed to ensure that the requirement to provide satisfactory

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	records of FWF compliance from the grant recipient. Under SG Guidelines this information should be reported annually to SG in the required format and timescale advised by the Fair Work Policy team, but we were unable to identify any pro-active reporting by any service. We found that only a very limited number of grant awards are made to third party organisations, whose services had not been procured via recognised procurement frameworks, but we were unable to obtain any formal procedure which outlined the information management requirements, such as the collection and retention of evidence of compliance, in order to support the reporting required by SG. Without appropriate verification checks and the retention of sufficient supporting evidence, there is an increased risk that funding may be awarded to organisations that do not comply with the requirements of the FWF Policy, resulting in non-compliance with SG funding conditions and reputational damage to the Council.			evidence as part of the grant application process is clearly stated. We are liaising with Legal Services to check existing FWF obligations for third party grantees in offer letters / grant agreements. FWF evidence gathering and the management of any associated correspondence and records is also being reviewed to ensure that a robust audit trail with annual reporting to SG is achieved EDS: While Education has not so far had any grants where FWF arrangements apply, if there were any grants of this nature in the future, a procedure will be put in place to support the evidence in line with the FWF guidance, including evidence of compliance with any criteria. An audit trail will be maintained to enable reporting to the SG and any annual returns are submitted. Officer Responsible for Implementation: CED: Group Manager NRS: Group Manager of Housing Investment EDS: Head of Resources

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				Timescales for Implementation: CED: 30 November 2026 NRS: 31 December 2026 EDS: 30 September 2026