



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Head of Audit and Inspection

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Item 3b

23rd June 2026

INTERNAL AUDIT – Direct Impact Portfolio

Purpose of Report:

To present the results of the Internal Audit review of the Direct Impact Portfolio.

Note:

In most cases one of four opinions is expressed:

1. The control environment is satisfactory i.e. audit testing found no concerns with the control environment.
2. A reasonable level of assurance can be placed upon the control environment i.e. audit testing found no major weaknesses in the control environment but some improvements could be made.
3. A limited level of assurance can be placed upon the control environment i.e. improvements are necessary to ensure the control environment is fit for purpose.
4. The control environment is unsatisfactory i.e. significant improvements are required before any reliance can be placed upon the control environment.

Recommendations:

The Committee is asked to note the contents of this report.

Ward No(s):

Citywide: ✓

Local member(s) advised: Yes No consulted: Yes No

Glasgow City Council Internal Audit Section

Committee Summary

Strathclyde Pension Fund Office – Direct Impact Portfolio

1 Introduction

- 1.1 As part of the agreed Internal Audit plan, we have carried out a review of the Direct Impact Portfolio to provide assurance that there are robust governance arrangements in place.
- 1.2 The Direct Impact Portfolio (DIP) became effective in 2021 as part of the ongoing review of investment arrangements, having previously been referred to as the New Opportunities Portfolio (2009) and the Direct Investment Portfolio (2015). The DIP provides a framework for the Strathclyde Pension Fund Office (SPFO) to invest on an opportunistic basis in assets which offer an attractive investment prospect and/or provide an opportunity for co-investment which were not accessible under the previous investment structure.
- 1.3 The DIP portfolio is managed internally by the SPFO with investment proposals assessed on their own merits within an agreed implementation framework based on SPFO's overall risk-return objectives and specific DIP parameters. The DIP specifically targets investments with a local, economic or ESG (environmental, social, governance) impact, although the main priority is investment returns. As at 30th September 2025, the DIP portfolio comprised of 69 separate investments (including 4 co-investments) with an SPFO investment value of £2.431m.
- 1.4 The objective of the audit was to gain assurance that there are robust governance arrangements in place for the management of the DIP. The audit included a review of the key controls in the following areas:
- Documented policies, procedures and guidelines
 - Roles and responsibilities.
 - Investment proposal, assessment and approval process.
 - Record management and audit trail.
 - Risk management (including due diligence arrangements).
 - Assessment of outcomes / performance against the agreed proposal.
 - Monitoring and reporting arrangements.

2 Audit Opinion

- 2.1 Based on the audit work carried out, a satisfactory level of assurance can be placed upon the control environment.
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3 Main Findings

- 3.1 We found that key controls are in place and operating effectively. There are documented procedures for DIP and, through discussion and sample testing, we found that these were being followed in practice. The procedures also include roles and responsibilities, and we found that these were understood by those involved in the process.
- 3.2 We confirmed that all DIP investment proposals are assessed by relevant officers, and there is an appropriate approval process, with stages of assessment including review by SPFO Director, Executive Director of Financial Services, Sounding Board (sub-committee of the SPF Committee), with final approval of successful proposals provided by the SPF Committee.
- 3.3 Through sample testing of 15 investment proposals, we assessed compliance with the approval process and found that there was an audit trail detailing why proposals were accepted or rejected at different stages of the process. The sample included three proposals which were approved by the SPF Committee, six proposals which were rejected by officers at the first stage of the process, five proposals which were rejected at pre-screening for not meeting the DIP criteria, and one project which had been set aside for future consideration.
- 3.4 For the three proposals sampled which had been approved at SPF Committee, we confirmed that all review stages had been undertaken through the available evidence, including due diligence checks.
- 3.5 We also found, for the three approved proposals, monitoring is conducted through ongoing engagement with the DIP team and detailed quarterly monitoring reports are sent to the DIP team by each project.
- 3.6 The audit has been undertaken in accordance with the Global Internal Audit Standards in the UK.
- 3.7 We would like to thank officers involved in this audit for their cooperation and assistance.

Policy and Resource Implications

Resource Implications:

<i>Financial:</i>	Internal Audit services are included within the Central Support Services cost.
<i>Legal:</i>	None
<i>Personnel:</i>	None
<i>Procurement:</i>	None

Equality and Socio-Economic Impacts:

<i>Does the proposal support the Council's Equality Outcomes 2025-29? Please specify.</i>	No specific proposals are included within this report.
<i>What are the potential equality impacts as a result of this report?</i>	No significant impact.
<i>Please highlight if the policy/proposal will help address socio-economic disadvantage.</i>	There are no equality impacts as a result of this report.

Climate Impacts:

<i>Does the proposal support any Climate Plan actions? Please specify:</i>	Not Applicable
<i>What are the potential climate impacts as a result of this proposal?</i>	Not Applicable
<i>Will the proposal contribute to Glasgow's net zero carbon target?</i>	Not Applicable
<i>Privacy and Data Protection Impacts:</i>	None

5 Recommendation

5.1 The Committee is asked to note the contents of this report.