National Audit Office

REPORT

Energy efficiency installations under the Energy Company Obligation

Department for Energy Security & Net Zero

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Key facts

External wall insulation installed under Energy Company Obligation (ECO) 4 and the Great British Insulation Scheme (GBIS)

98%

homes that the Department for Energy Security & Net Zero (DESNZ) and Ofgem believe have major issues requiring remediation

6%

homes that DESNZ and Ofgem believe present immediate health and safety risks (part of the 98%)

22,000 to 23,000	homes with external wall insulation installed before 16 January 2025 that DESNZ and Ofgem believe have major issues requiring remediation
4,737	homes already identified through audits as having major issues requiring remediation
1,901	homes with these issues that had been fully remediated by mid-September 2025

Internal wall insulation installed under ECO4 and GBIS

29%

homes that DESNZ and Ofgem believe have major issues requiring remediation

2%

homes that DESNZ and Ofgem believe present immediate health and safety risks (part of the 29%)

9,000 to 13,000	homes with internal wall insulation installed before 16 January 2025 that DESNZ and Ofgem believe have major issues requiring remediation
1,539	homes already identified through audits as having major issues requiring remediation
1,033	homes with these issues that had been fully remediated by mid-September 2025

What this investigation is about

1 This report is about recent failures with the quality of installations of external and internal wall insulation and suspected fraud on the Energy Company Obligation (ECO). ECO is a government scheme intended to tackle fuel poverty and reduce carbon emissions in Great Britain.[1] It obligates energy suppliers to fund the installation in homes of energy efficiency measures such as insulation. Many organisations are involved in delivering ECO, with responsibilities for quality shared between the private sector and government. In our role of supporting Parliament to hold the government to account, our focus is on the Department for Energy Security & Net Zero (DESNZ) – which is responsible for the design of ECO, and Ofgem (the energy regulator) – which is responsible for ECO's administration in line with government policy. Our report also covers what DESNZ knows about whether wider quality issues exist on these or other government domestic retrofit schemes, including those under different quality arrangements.

2 Under ECO, medium and large energy suppliers are obligated to achieve a minimum level of energy bill savings in homes through energy efficiency installations, based on their relative share of the gas and electricity market. ECO is funded from consumer bills and aimed at low-income households in homes with poor energy efficiency ratings. There are currently two ECO schemes: ECO4 runs from April 2022 to March 2026 (although DESNZ is consulting on extending ECO4 by six to nine months), and the Great British Insulation Scheme (GBIS), with broader eligibility, runs from March 2023 to March 2026.

3 The government expects that the schemes will together deliver £280 million in annual energy bill savings for households. Under ECO4, energy suppliers are obligated to achieve £224 million in annual energy bill savings, with each beneficiary household expected to save up to £450 from their annual energy bills, based on the July 2025 price cap.[2] Under GBIS, energy suppliers are obligated to achieve nearly £56 million in annual energy bill savings, with each household expected to save up to £230, based on the July 2025 price cap. Neither scheme specifies carbon emissions reductions targets; however, the government expects both to contribute to meeting its carbon budgets.

1 The findings from this report cover England, Scotland and Wales, but not Northern Ireland.
2 This expectation of annual energy bill savings is based on DESNZ's understanding of the future impact of typically installed measures in a typical home.

4 DESNZ sets ECO policy and legislation, including the total obligation across energy suppliers, and is responsible for overseeing the schemes' performance and ensuring they meet their strategic aims and objectives. Ofgem's responsibilities include approving the eligibility of installations reported by energy suppliers, reporting scheme progress to DESNZ, and progressing counter-fraud investigations where allegations of fraud have been made. This does not include assessing the quality of installations, but since January 2025, Ofgem has overseen additional audits of the quality of external and internal wall insulation projects and provided a helpline for affected households.

5 The private sector plays a key role in delivering ECO and assuring the quality of the work.

- Medium and large energy suppliers fund the installation of energy efficiency measures and are responsible for ensuring the installations they report to Ofgem meet eligibility requirements.
- Retrofit businesses contract 'assessors' (who provide information about a home's energy performance for the preparation of a retrofit design), 'coordinators' (who manage the projects) and 'installers' (who install the measures). They must be certified to perform these roles.
- TrustMark – a private not-for-profit company – acts as a government-endorsed quality scheme for energy efficiency retrofits. It collates information on all ECO projects and the audits that have been undertaken of those projects. TrustMark sub-licences 'scheme providers' that register retrofit businesses with it.
- United Kingdom Accreditation Service (UKAS) – a private not-for-profit company – is the UK national accreditation body. It accredits the 'certification bodies' that certify that installers meet the required installation quality standards.
- Certification bodies certify retrofit installers as able to install measures that comply with the relevant standard. Many certification bodies also offer a competent person scheme for retrofit installer staff.
- Scheme providers register retrofit businesses and assess them against the relevant standard. The scheme providers for the installers are also certification bodies.

6 Ofgem reports that 243,900 homes have been upgraded under ECO4 to the end of March 2025, and 60,600 homes under GBIS. Across both schemes combined there have been 28,000 installations of external wall insulation (3% of all measures installed) and 45,200 installations of internal wall insulation (5%). During 2024, TrustMark informed DESNZ of two separate issues on these schemes.

- In April 2024, TrustMark notified DESNZ of suspected fraud, whereby some retrofit businesses were overclaiming for work undertaken. Undetected fraud in the schemes means that fewer consumers may benefit overall.
- In October 2024, TrustMark notified DESNZ of high levels of external wall insulation installations that were non-compliant with the relevant quality standard. The following month, TrustMark similarly highlighted issues with internal wall insulation. Non-compliance covers a wide range of severity, from major issues that pose immediate risks to the health and safety of the household to minor issues such as missing paperwork.

Both the fraud and quality non-compliance issues could also reduce the effectiveness of ECO in achieving its objectives of achieving energy bill savings for consumers and reducing carbon emissions.

7 DESNZ acknowledges that there have been clear failings with ECO4 and GBIS. In November 2024, it established a workstream to better understand the extent of the problems with non-compliant installations of external and internal wall insulation and to identify remediation options.

8 Our report focuses on DESNZ's and Ofgem's responsibilities and sets out:

- **an overview of ECO:** how the current schemes are intended to work, how the government became aware of issues, and DESNZ's plans for reform (Part One);
- **poor-quality energy efficiency installations:** the scale and severity of the non-compliance issues, the government's immediate response, and progress with remediating problems caused by non-compliance (Part Two);
- **root causes of widespread quality issues:** the likely causes of quality non-compliance, and the system not identifying it sooner (Part Three); and
- **suspected fraud:** what is known about the scale and nature of suspected fraud, how the government has responded, and the system's weaknesses and exposure to fraud (Part Four).

9 We recommend some actions for DESNZ as it seeks to remediate affected homes, develop the forthcoming Warm Homes Plan and manage the future risks of quality non-compliance and fraud in its domestic retrofit schemes.

10 So that we could provide a timely report on what has happened, our investigation is based primarily on information held by DESNZ and Ofgem, which we audit, with support from TrustMark and UKAS, which – as private sector companies – we do not audit. We have not sought to undertake our own inspection of the homes affected, nor to gather evidence directly from the affected households or retrofit businesses. We do not evaluate the overall value for money of ECO or whether it is likely to achieve the expected reductions in consumer bills or carbon emissions. We also do not comment on ongoing investigations on suspected fraud.

Summary

Key findings

Poor-quality energy efficiency installations

Poor-quality fitting of external and internal wall insulation under ECO4 and GBIS

11 DESNZ and Ofgem believe that nearly all external wall insulation and around a third of internal wall insulation fitted under ECO4 and GBIS have major issues requiring remediation. They commissioned audits of 758 projects which, if extrapolated, found the following.

- **98% of homes with external wall insulation have major issues requiring remediation (between 22,000 and 23,000 homes).** 92% have major issues that will affect the insulation's performance, often creating the risk of water ingress and mould; 6% have health and safety risks that require immediate correction, such as inadequate ventilation, and may also have other major issues.
- **29% of homes with internal wall insulation have major issues requiring remediation (between 9,000 and 13,000 homes).** 27% have major issues that will affect the insulation's performance, often creating the risk of condensation and mould; 2% have health and safety risks that require immediate correction, such as inadequate ventilation and poor electrical safety, and may also have other major issues.

They have not audited homes retrofitted from 16 January 2025 onwards, and we have not included these homes in the estimates above (paragraphs 2.2 to 2.4 and Figure 6).

12 By September 2025, 2,934 of these homes have been remediated but DESNZ does not have a timetable for the completion of all remediation work. This represents 8% (1,901) and 10% (1,033) of the estimated homes with major issues requiring remediation to their external and internal wall insulation respectively. DESNZ is encouraging households contacted for an audit of external or internal wall insulation installed under ECO4 and GBIS to allow an inspection of their home so that remediation can be organised. So far, these audits of homes have identified 4,737 homes with external wall insulation that has major issues requiring remediation and 1,539 homes with internal wall insulation that has major issues requiring remediation. DESNZ has asked TrustMark to confirm that installers have removed immediate health and safety risks flagged by audits within 24 hours. DESNZ also tracks (through TrustMark) whether the issues identified have been remediated to the right standard. It does not track how long this has taken. DESNZ does not yet have a timetable or plan for when or how all other homes affected will be inspected and problems remediated (paragraphs 2.17, 2.18, 2.23 and Figure 10).

13 The cost of remediation should normally be between £250 and £18,000 per property if it is done before damage occurs. DESNZ does not have a full estimate of the total cost of remediating all affected homes. In the most extreme case TrustMark had seen, badly fitted insulation had led to damp, mould and rot costing over £250,000 (including VAT) to remediate. However, it believes that most remediation should cost from £250 to £6,000 per property for internal wall insulation and from £5,000 to £18,000 for external wall insulation, if it can be done before major damage occurs (paragraph 2.19).

14 There are no specific requirements on energy suppliers for the quality of the retrofitting they pay for. The government asked them to rely on TrustMark as the quality scheme provider and placed no ECO4 or GBIS specific requirements on energy suppliers with regards to the quality of the projects they paid for, beyond checking with TrustMark they were installed by TrustMark-registered retrofit businesses. However, DESNZ told us that it expects energy suppliers should take responsibility for the work that their contractors undertake. It also told us that since they were alerted to the issues with non-compliance in external and internal wall insulation, some energy suppliers have introduced additional quality checks into their processes (paragraph 2.22).

15 The original installer is liable for all the cost of remediating non-compliant installations and should have a guarantee in place to cover costs up to £20,000. DESNZ has stated that no household with a faulty installation should have to pay to fix the issues, but has not clarified how this can be achieved in exceptional cases when the installer or guarantee does not cover the full costs. It is currently relying on the issues being resolved through existing routes to remediation, including recourse to the ombudsman and legal processes. If the installer has ceased to trade, remediation costs up £20,000 should be covered by the 25-year guarantee that TrustMark requires installers to have with its approved third parties (paragraphs 2.20 and 2.21).

16 Not all installers are fully complying with the remediation process. TrustMark told us that of the 388 external and internal wall insulation installers registered with it at the end of August 2025 who had completed work under ECO4 and GBIS, 225 installers had between them over 1,500 projects with remediation work that had taken longer than 12 weeks. It also told us that 27 of the 194 registered retrofit businesses with outstanding work were no longer registered with it. It said there was a risk of some directors closing and restarting their businesses to avoid their liabilities, and asking for new registrations (paragraph 2.25).

The quality of installation on other domestic retrofit schemes

17 Other domestic retrofit measures and schemes can occasionally fail to meet quality standards, but DESNZ believes they do not have the same serious and systemic failures as ECO4 and GBIS external and internal wall insulation. For other measures covered by TrustMark's consumer protection and quality assurance, DESNZ's audits show the following (paragraph 2.9 and Figures 8 and 9).

- **Other ECO4 and GBIS measures (such as heat pumps, solar panels and cavity wall insulation):** DESNZ found 212 of the 910 additional measures installed alongside external and internal wall insulation had major issues that will affect the performance of the additional measure (23%), and six (1%) had severe issues, posing immediate health and safety risks. It is not possible to extrapolate these results to all installations under ECO.

- **Social Housing Decarbonisation Fund and Home Upgrade Grant:** These are government-funded domestic retrofit schemes aimed at low-income households and those in social housing. DESNZ commissioned comparable audits of these schemes to the external and internal wall insulation ECO projects. For the Social Housing Decarbonisation Fund (wave 2.1) and Home Upgrade Grant (phase 2), DESNZ's audits found 12% of external wall insulation, 10% of internal wall insulation and 10% of all measures had major issues. If extrapolated across all homes retrofitted under these schemes by March 2025, this implies that around 6,500 homes have major issues requiring remediation. DESNZ expects to have results on earlier waves of these schemes in November 2025. DESNZ has provided grant recipients (housing associations and local authorities) with guidance to identify, and where necessary remediate, properties.

For DESNZ's retrofit schemes covered by other assurance regimes, its information is not directly comparable but shows the following (Figure 9).

- **Previous ECO schemes:** In 2022, Ofgem reported that the ECO3 fail rate for measures was 11%, based on installation quality. These are not based on a representative sample, and it is not clear how serious these failings were.

- **Boiler Upgrade Scheme:** This is the government's other current main retrofit scheme, providing grants to households and small companies installing low-carbon heating measures such as heat pumps. Ofgem estimates that 2% of the measures installed under the scheme in 2024-25 did not fully meet the grant conditions, including failures that are not related to the quality of the installations.

How issues on ECO4 and GBIS emerged and how the government responded

18 In 2021, DESNZ introduced a new consumer protection and quality assurance system for ECO that failed to warn of significant issues with external and internal wall insulation until late 2024. In 2016, the government's *Each Home Counts* review recommended introducing a new framework and industry-wide compliance and enforcement regime.[3] This included a new focus on whether the measures would achieve energy efficiency for the 'whole home', as well as being installed correctly. In July 2021 (before ECO4 was launched), TrustMark became responsible for this new part of DESNZ's consumer protection and quality assurance system and took responsibility from Ofgem for monitoring quality. DESNZ recognised at the start of ECO4 that there continued to be risks of fraud and non-compliance with quality standards. The media reported cases of bad mould in retrofitted homes in 2024, but the government was unaware that these problems were widespread until TrustMark shared analysis of its audit data in October 2024 (paragraphs 1.6 to 1.9).

3 Department for Business, Energy & Industrial Strategy and Department for Communities & Local Government, *Each Home Counts*, December 2016.

19 After TrustMark raised concerns, DESNZ and Ofgem took immediate action, but needed to gather more information on who was affected. For example:

- **DESNZ and Ofgem sought to identify homes in need of remediation and better understand the extent of the issues.** DESNZ immediately asked TrustMark to inspect a further 1,000 properties that TrustMark believed more at risk. In January 2025, DESNZ asked Ofgem to oversee a wider programme of audits by TrustMark, certification bodies and external consultancy services to both better understand the extent of the issue and identify homes needing remediation. The results of the first representative samples were available in August 2025, suggesting the widespread issues set out in paragraph 11 above (paragraph 2.11).
- **DESNZ asked the certification bodies and scheme providers to suspend the worst-performing installers to limit further non-compliance.** DESNZ asked the certification bodies and scheme providers (via TrustMark) to suspend the certificates and TrustMark registration (respectively) of 38 installer businesses to limit further non-compliant installations of external and internal wall insulation. As of September 2025, certification bodies had reinstated 21 of the 38 suspended installers after they had remediated all the problems identified by the initial set of audits (paragraphs 2.13 and 2.26 and Figure 11).
- **DESNZ and Ofgem communicated the issues to the public and directly to potentially affected households.** In January 2025, the Minister for Energy Consumers made a statement in Parliament about ECO4 and GBIS issues, and Ofgem provided a helpline for potentially affected households. Ofgem reports that it had about 3,200 calls and 2,700 emails by August 2025. It also wrote to all 60,000 households with ECO4 and GBIS external and internal wall insulation by mid-February, to set out what would happen next (paragraph 2.14 and 2.15).
- **DESNZ and Ofgem brought in some immediate changes to the system of assurance.** In April 2025, DESNZ agreed a new Memorandum of Understanding with TrustMark, and that it would have an observer on TrustMark's board. It also agreed revisions to the quality standards to require retrofit coordinators to conduct site visits. Ofgem began hosting a weekly roundtable with certification bodies. It also improved the reporting processes for all the audits being undertaken by TrustMark and the certification bodies and those directly commissioned by DESNZ and Ofgem (paragraph 2.16).

Root causes of widespread quality issues

20 DESNZ, Ofgem, TrustMark and UKAS suggested potential reasons that retrofit businesses are failing to meet quality standards: poor workforce skills, including subcontracting work to others who are not competent or registered with TrustMark; uncertainty over how the different standards apply to different jobs; and shoddy work produced as retrofit businesses 'cut corners' in both the design and installation (paragraph 3.2).

21 DESNZ has undertaken root cause analysis to understand why the issues in ECO4 and GBIS were not identified sooner. DESNZ commissioned reviews on various aspects of ECO and the consumer protection and quality assurance system (paragraph 3.3). It found the following.

- **The government had limited oversight:** DESNZ designed the new ECO consumer protection and quality assurance system to operate at arm's length from the government. In doing so, it retained responsibility for the design and outcome of ECO but gave itself limited oversight and influence. Ofgem was responsible for the administration of the schemes, but was required to rely on TrustMark for the quality of installations. DESNZ also did not fully use the levers it did have. It had limited senior leader attention on ECO, gaps in its internal governance, poor risk management and insufficient in-house technical expertise. This all led its senior leaders to assume the system was working (paragraphs 3.4 to 3.7).

- **The government created an overly complex system that ultimately failed:** There are unclear and fragmented roles, responsibilities and accountabilities among DESNZ, Ofgem, TrustMark, UKAS, certification bodies and scheme providers. These were not properly understood by all stakeholders, with poor process mapping and scenario planning. There was also no meaningful cross-organisational governance, and information sharing between organisations was poor. This made identification and escalation of risks more difficult (paragraphs 3.8 and 3.9).

- **TrustMark's funding arrangements limited its ability to scale up its operations:** TrustMark's analytical systems were not all operational until the latter half of 2024. This meant it had neither the information nor the analysis needed to identify non-compliance trends in a timely manner. TrustMark told us that its funding model meant it did not have the free cashflow to develop its capabilities sooner or to recruit sufficient qualified staff to audit more projects. DESNZ's review found no evidence that it had modelled TrustMark's funding against the expected increase in installed measures under ECO and the assurance requirement (paragraphs 3.10 to 3.12).

- **TrustMark and the certification bodies collectively conducted insufficient audit and monitoring:** TrustMark's funding did not allow it to employ enough trained staff to carry out sufficient audit of the projects. While the certification bodies conducted the amount of audit they were asked to by the relevant standard and based on the information they had, they did not have visibility of the full level of projects completed, the level expected by the standard was not based on a clear understanding of the risk and risk appetite, and it was possible for installers to game the system to reduce the level of audit they experienced. It was also difficult to understand what the audits meant, because until March 2025 they did not have a consistent approach to categorising the nature and severity of audit outcomes in a way that explained the implications for the safety and quality of the installation (paragraphs 3.13 to 3.20).

Suspected fraud

22 While there are suspicions of fraud in ECO, the overall level is unknown. In November 2024, Ofgem used information provided by TrustMark to estimate that retrofit businesses had falsified claims for ECO installations in between 5,600 and 16,500 homes to potentially claim between £56 million and £165 million from the energy suppliers under the Obligation. We were also told that there are separate suspicions of fraudulent claims on installations in homes and for households that are not eligible, and that installations can be used as part of wider criminal activity. DESNZ and Ofgem do not have data of sufficient quality to accurately estimate the overall level of fraud in ECO (paragraphs 4.2 and 4.3).

23 We identified three weaknesses in DESNZ's approach to fraud in ECO. These are the following.

- **Inherent risks in the scheme design and its operation:** These include the commercial pressure on installers to reduce costs, maximise the stated efficiency savings and identify properties and people as eligible. Despite being originally intended as a control against the incentives on the installer, coordinators are often contracted or employed by the installer and there is therefore an incentive for retrofit coordinators to approve non-compliant installations to maintain business (paragraphs 4.8 and 4.9).
- **DESNZ did not carry out a fraud risk assessment during the design of ECO4 or assign responsibility for managing specific fraud risks:** Ofgem subsequently developed a fraud risk assessment on DESNZ's behalf, starting work in June 2023. As of September 2025, DESNZ was yet to agree ownership of some of the identified fraud risks with other organisations. DESNZ intends this ownership to be agreed in October 2025 (paragraphs 4.10 and 4.11).
- **Ofgem relies on others to detect and report fraud, but the other organisations have no requirement to look for it and poor information sharing hinders their ability to do so:** Ofgem told us that its responsibilities in relation to fraud are limited to progressing counter-fraud investigations where allegations have been made, and it relies on energy suppliers, TrustMark, certification bodies and scheme providers to alert it to any suspicions of fraud. However, these bodies do not have specific responsibilities for detecting and preventing fraud, and have limited incentive to actively seek fraud out. Some told us they nonetheless feel obliged to report potential fraud, but we found weaknesses in the capturing, sharing and reviewing of data and intelligence that hinders their ability to do so (paragraphs 4.12 and 4.13).

System reform

24 DESNZ is considering how to apply lessons to future policies and system reform. It intends to use its learning to inform the design of its future schemes and its forthcoming Warm Homes Plan (paragraphs 1.10 and 1.11).

Conclusion

25 Energy company obligations and other retrofit schemes are important to help reduce fuel poverty and meet the government's ambitions for energy efficiency. There have been clear failures in the design and set-up of ECO4 and GBIS and their consumer protection and quality assurance system, which have led to widespread issues with the quality of installations and suspected fraud. When DESNZ and Ofgem became aware of these issues, they responded quickly. DESNZ has also been very keen to identify what went wrong, to learn lessons and to understand how to improve the system. But the current system left it with few levers and limited information. The two challenges DESNZ now faces are to ensure that the relevant businesses meet their obligations to remediate all the affected homes as quickly as possible and to reform the system so that this cannot happen again.

Recommendations

26 Some of the issues with fraud and non-compliance set out in this report are not new and have been found in previous retrofit schemes (Appendix One). It is therefore important that DESNZ considers how it can improve the consumer protection and quality assurance system to give consumers confidence. We recommend that DESNZ:

a **takes clear responsibility for its consumer levy funded schemes.** It should publish an updated accounting officer system statement with its 2025-26 annual report and accounts to include how it gains assurance over the outcomes of departmental policy funded by consumers as well as the Exchequer;

b **clarifies its approach to remediation for ECO alongside its Warm Homes Plan**, by starting to monitor and report how long remediation of affected projects takes, setting out a timetable for identifying and remediating other properties affected by poor-quality installations of external and internal wall insulation under ECO, and setting out the process for how households can get the work remediated, including in cases where they are struggling to engage the original installer;

c **reforms the system of consumer protection and quality assurance** for retrofit schemes in response to the lessons arising from this report and summarised in **Figure 1**. It should set out an implementation plan for this reform alongside its upcoming Warm Homes Plan; and

d **reports annually on a statistically robust estimate of the level of fraud and non-compliance in each of its retrofit schemes**, starting in its 2025-26 annual report and accounts, and report how it is acting to reduce these levels.

Figure 1

Ten key lessons to take from the issues identified in this report for the system of consumer protection and quality assurance for retrofits

As the Department for Energy Security & Net Zero (DESNZ) seeks to reform the system of consumer protection and quality assurance for its retrofit schemes, it should take account of the lessons arising from this report, which we summarise below

Clarity for homeowners: the system needs to empower consumers who have retrofitting to their home to know that it is to the right standard and to get remedy if it is not. The means of remedy need to be easy to understand and to access. DESNZ needs to determine how to secure the remediation in exceptional cases where the original installer or their guarantee does not do so.

Ultimate government accountability and responsibility: DESNZ is ultimately responsible for the value for money of the schemes and whether they meet their objectives. DESNZ must give equal weight to its responsibilities for its government-funded and supplier obligation schemes, including in its oversight, monitoring, reporting and evaluation of the schemes.

DESNZ needs visibility of how the scheme is working: this means DESNZ defining key metrics that it wants to be updated on and arranging for its internal governance to periodically review these. DESNZ then needs the means to intervene (either directly or through others) when the scheme is not working as intended.

Roles and responsibilities must be clear: all parties need to understand how their role relates to others, with scenario testing of how the system is meant to work, and without unnecessary overlap. Both retrofit installers and consumers need to be able to understand who checks what, and who can take what action in the event of problems.

Cross-organisational governance and issue escalation: there should be forums where DESNZ and the different organisations come together to review the delivery of the schemes and to escalate issues in a timely manner. There should also be clear whistleblowing routes through to the government.

Incentives and sanctions: the system needs to give reasonable prospect that action will be taken against non-compliant assessors, coordinators and installers to deter fraud or shoddy work. There also needs to be a realistic prospect of fraudulent and non-compliant measures being rejected.

Funding for the consumer protection and quality assurance system: fees, charges and financing should be based on a model of the assurance needs of the system, given the expected number and flow of installations.

Fraud prevention: this requires clear overall responsibility for identifying and preventing fraud. Organisations then need to share a clear risk assessment, intelligence, information and data that can be used to identify fraud, and to use data analytics to identify and pursue fraud.

Risk appetite: DESNZ needs to set and justify its risk appetite on the level of fraud and number of retrofit installations that it expects to not meet quality standards for both its government-funded and supplier obligation schemes. This should then be used to set the expected level of audit and assurance.

Audit regime: this should be sufficient to deter gaming and provide regular assurance that the level of fraud and non-compliant installations are within DESNZ's risk appetite. The overall outcomes of these audits should be published at least annually.

Note

1 These are key issues identified through this National Audit Office investigation on energy efficiency installations under the Energy Company Obligation. It is not a comprehensive list of the issues a reformed system must address.

Source: National Audit Office analysis of issues identified in this report and following fieldwork discussions with the Department for Energy Security & Net Zero, Ofgem, TrustMark and the United Kingdom Accreditation Service