

Chapter V
Violation of Quality norms

Chapter V: Violation of Quality Norms

Quality assurance of liquor is of utmost importance and this responsibility squarely lies with the Excise Department. Various issues were observed, associated with the quality of liquor supplied in Delhi and the role of Excise Department in ensuring that the enabling provisions contained, in this regard, in the Delhi Excise Rules, 2010 and “Terms and Conditions for grant of wholesale licensee” are adhered to by wholesale licensees of LI (IMFL) and LIF (FL). Various irregularities were observed which point towards deficient cross checks of the test reports. Cases of unreliable test certificates being submitted and accepted by the Department were observed. Test reports for quality compliance were from unaccredited laboratories. Licences were issued to applicants of wholesale licensees (LI & LIF) despite failure to submit test reports, fully compliant with the parameters laid down as per Bureau of Indian Standard (BIS) norms.

5.1 Introduction

Liquor is inherently prone to quality issues as the manufacturing process involves several steps of distillation, purification etc., and the manufacturer has an added incentive to cut costs to increase profitability. Liquor quality control is a continuous process and involves much rigorous examination of possible contaminants, their control, and acceptable levels thereof.

Ensuring the quality of liquor supplied in Delhi is consonant with the primary objective of Excise Department i.e., to regulate, control and monitor the sale and consumption of liquor.

Delhi Excise Rules, 2010 and Terms and Conditions of the wholesale License contains provisions to ensure the quality of liquor. For various categories of Liquor (Whisky, Rum, Vodka, Beer etc.), a licensee is required to submit various test reports.

Audit test checked the process followed by Excise Department in ensuring the quality of liquor. Various observations relating to this process are elucidated in the subsequent paragraphs of this Chapter.

5.2 Ambiguity in license conditions/Quality control not compliant with FSSAI Act/BIS Standards

Food Safety and Standards Authority of India (FSSAI) Act recognizes Alcohol as food item. FSSAI regularly publishes a list of National Accreditation Board for Testing and Calibration Laboratories (NABL) accredited laboratories. The parameters for testing alcoholic beverages is mentioned in Food Safety and Standards (Alcoholic Beverages) Regulations, 2018. There are also separate BIS standards for testing various liquor types.

Audit analysed various extant provisions relating to the quality of liquor provided in the Rules, guidelines, etc., framed under the Delhi Excise Act, 2009 and Terms and Conditions for grant of wholesale license during the period 2017-21.

- Rule 7 of the Delhi Excise Rules, 2010 states that “Liquor may be imported from any place in or outside India, provided it conforms to the specifications required in an order made by the Excise Commissioner with the prior approval of the Government or if no such order has been made, which conforms to the specifications laid down by the Bureau of Indian Standards regarding alcoholic strength”.

Audit observed that no specifications have been separately issued by the Excise Department pursuant to Rule 7 as above, hence, the extant BIS standards guide the quality of liquor.

It was further noticed that this left an ambiguity in case of Tequila imported from outside India, as there were no BIS specifications for Tequila. For other categories of liquor imported from outside India, the Department failed to issue orders relating to specifications to be accepted from foreign manufactures who might be adhering to some other specifications (other than BIS).

- Clause 7.3(d) of the Terms and Conditions for Grant of L1 license states that “The licensee has to give a certificate from a Government authorised laboratory or other reputed private institution regarding quality of a particular brand and certifying that it fulfils the specifications laid down by the Bureau of Indian Standards and is fit for human consumption”.

However, this provision did not even mention whether the Government lab or private lab needs NABL accreditation.

- Similarly, Clause 2.3(b) of the Terms and Conditions for Grant of L1 license states that “It (Alcoholic drink) shall be made from neutral alcohol (double distilled), extra neutral alcohol, etc. Each and every consignment of Indian Liquor imported into Delhi is accompanied by a Certificate of Quality Report duly certified by both the technical head of the unit and the Excise authority attached to the unit, confirming that the products are as per BIS standard and produced out of Extra Neutral Alcohol (ENA).”

Audit noticed that in compliance of the above requirements, in 16 out of 38 selected cases relating to 12 licensees, certificates were issued by the local Excise Inspectors attached to the units stating that the product was made from ENA, without any additional details about quality parameters as mentioned above. In eight cases, no certificate/chemical report was found in the file, and in one case a chemical report was given (in 13 cases ENA certificate was not required). However, no objection was raised by the Excise Department regarding the 24 reports/certificates which were either not submitted or had no additional details about the quality parameters mentioned.

Government in its reply stated that the applicant at the time of registration of brands was required to furnish some sort of undertaking/guarantee by the L-1 applicant that his product will conform to BIS Standards. Further, it was mentioned that the certificate given by the technical head of the unit and the Excise Authority was sufficient to comply with the terms and conditions.

The reply is not acceptable because submission of an undertaking was no guarantee of adherence to BIS specifications by the licensee. As per para 7.3(d), the Licensee had to give a certificate as required. Further, as per FSSAI Act, an unaccredited laboratory cannot furnish a BIS compliance certificate so In-house laboratory was not qualified to do so. However, the compliance of FSSAI Act was the responsibility of Excise Department, and not including the same in the Terms and Conditions of the Excise Policy was a shortcoming of the Excise Department/Government. Further, Excise Authority attached with the manufacturing unit was not qualified to issue ENA Certificate.

The Department failed to issue any specific orders regarding specifications to be followed by the Licensee in accordance with Rule 7 mentioned above.

Recommendation 5.1: Verification against FSSAI norms should be mentioned in the Terms and Conditions specifically so that there is no ambiguity regarding norms to be followed.

5.3 Acceptance of invalid Quality Test Certificates by Excise Department

As per Rule 7 of Delhi Excise Rules 2010, as stated in previous paragraph, since no quality specifications has been notified by Excise Commissioner, they have to conform to the specifications laid down by the Bureau of Indian Standards regarding alcoholic strength.

Audit test-checked records related to 12 L1 licensees, who were issued licenses during the period 2017-20. These 12 licensees furnished 173 certificates in respect of quality tests done from 15 laboratories. Following issues were observed regarding the Quality Test Certificates submitted by the licensee and accepted by the Excise Department.

- Out of these 15 laboratories, three laboratories were not NABL accredited, two laboratories were not accredited for testing of alcoholic beverages, two laboratories were not authorised to conduct biological tests and one laboratory was not authorised to conduct chemical analysis (**Annexure VII**). The Department should verify the status of these Laboratories from NABL and thereafter appropriate action may be taken.
- Form of Test Report as per Annexure 3(b) of the FSSAI guideline for food testing laboratory, includes an “opinion” on the sample (e.g. Fit for Human Consumption).

Audit observed that only nine out of 173 test certificates included the opinion required as per the above guidelines, without which the report would be considered incomplete.

The Department in its reply stated that NABL accreditation was not a requirement as per the term and conditions. The reply is not acceptable as every food business should be regulated by the guidelines of the FSSAI and the FSSAI Act clearly required NABL accreditation for the labs. Moreover, the Department stated that most of the labs highlighted in the Audit Report were actually linked to the manufacturers themselves. This also clearly indicates that Department had no third party inspection of quality check. Excise Department accepted these invalid quality test certificates which indicates lack of due diligence.

Recommendation 5.2: For an authentic and unbiased test report, it must be ensured that the laboratories that issue test reports must be NABL accredited for testing the relevant parameters of liquor.

5.4 Licenses issued despite mandatory quality norms not being adhered to

Scrutiny of files relating to 12 L1 Licensees (IMFL) and 3 L1F (FL) Licensees for the period 2017-21 revealed several shortcomings in the process being followed by Excise Department to ensure quality of liquor. The details are elucidated in the subsequent paragraphs.

5.4.1 L1 Licenses (IMFL) issued despite BIS norms not adhered to

As per the License Conditions, every L1 licensee had to furnish a Quality Test Report, adhering to the BIS standards. The details of the BIS Specifications are given in **Table 5.1**.

Table 5.1: Number of tests as per BIS specifications

Sl. No.	Type of liquor	Specification	Number of tests
1	Beer	IS 3865:2001, IS 7585(Sulphur Dioxide), Drinking Water- Specification IS 10500:2012	11
2	Rum	IS 3811 : 2005, Drinking Water- Specification IS 10500:2012	14
3	Gin	IS 4100 : 2005, Drinking Water- Specification IS 10500:2012	14
4	Whisky	IS 4449 : 2005, Drinking Water- Specification IS 10500:2012	12
5	Vodka	IS 5286 : 2005, Drinking Water- Specification IS 10500:2012	13
6	Wine	IS 7058 : 2005, Drinking Water- Specification IS 10500:2012	20
7	Low Alcoholic Beverages	IS 15588:2005, Drinking Water- Specification IS 10500:2012	15

Audit examined 173 brands of liquor (Whisky, Rum, Vodka, Gin, Beer, Mixed Alcoholic Beverages, Wine etc.) supplied by 12 different L1 licensees and checked the Certificates of quality compliance furnished by the Licensees, which were accepted by the Excise Department and licenses were issued.

During the year 2020-21, Quality Certificates were not submitted by any of the test-checked 12 L1 licensees along with their application. However, licenses were issued without any comments/objection by the Excise Department.

On scrutiny of test reports submitted by 12 licensees during the period 2017-18 to 2019-20 (**Annexure VIII**), the following issues were observed:

- In respect of the test-checked 12 L1 licensees, 2,323 parameters were to be tested as per BIS specifications. Audit, however, observed that 37 *per cent* of the tests were not conducted at all and two *per cent* of the parameters were not tested as per BIS specifications/partially done. Out of the remaining, test values were not properly reported for nine *per cent* of the parameters. Thus, only 52 *per cent* of the tests were done as per BIS specifications.
- In respect of Beer, microbiological tests were mandatory. Out of the test checked 12 L1 licensees, three licensees had registered 31 brands of Beer during the period 2017-18 to 2019-20. However, microbiological tests were submitted for only six out of 31 brands of Beer.
- Water quality tests were mandatory for all categories of liquor. Out of the 173 test reports to be furnished, no report was submitted in 96 *per cent* of the cases and partial reports were provided in the remaining cases.
- Freedom from harmful ingredients is also an essential parameter to be declared in the report for all categories of liquor. E.g. “Beer shall be free from Chloral Hydrate, Ammonium Chloride, Pyridine Diazepam and Paraldehyde”. In the test checked cases, 173 reports were to be submitted but compliance was shown in only 13 cases.
- Presence of Methyl Alcohol in inappropriately distilled liquor is the major cause of alcohol poisoning and hence, needs meticulous testing. During the period 2017-20, 173 tests were required to be done for 173 brands approved by the Excise Department. However, it was found that no tests for Methyl Alcohol was done in four instances. In 56 instances, the report vaguely mentions “Methyl Alcohol not found/ Negative” without specifying the detection limit/ criterion. Thus, the liquor supplied in Delhi was not appropriately tested for presence of Methyl Alcohol, which entails serious risk.

Government in its reply stated that there are two methods of Methanol testing, in one method giving detection limit in ppm is possible and in respect of other method it is not possible to give presence in ppm. The reply is not acceptable because as per IS 3753:2005, it is possible by both the methods to find the exact concentration (v/v) of Methanol.

The Government in its reply further stated that the details of parameters are not mentioned anywhere on which testing has to be done. The reply is not acceptable as the parameters are clearly given in the BIS specifications for various categories of alcohol and water etc.

Excise Department did not conduct a thorough scrutiny of the reports furnished. Notably, not even a single brand submitted all the test reports complying with BIS standards.

Recommendation 5.3: Delhi Excise Department should proactively monitor the quality of alcohol and may frame stringent quality standards over and above the norms prescribed by BIS standards. Delhi Excise Rule 7 is an enabling provision to formulate such specifications.

5.4.2 Granting of L1F Licenses and supply of Foreign Liquor without quality assurance

The license Terms and Conditions for L1F, Clause 7.9 states that the liquor quality should comply with any specifications prescribed by the Excise Commissioner and if no such specifications are prescribed, then, it must comply with BIS standards or any other international specification. For the period 2017-21, Audit examined the reports/tests done for brands of liquor (Whisky, Rum, Vodka, Gin, Beer, Mixed Alcoholic Beverages, Wine etc.) supplied by three different L1F licensees and checked the certificates of quality compliance furnished by the licensees. The following issues were observed:

1. Out of three L1F selected for test check, the number of quality tests as per BIS specifications to be done for various categories was 5280 (total). However, scrutiny of the test reports revealed that only 35.64 *per cent* of the tests were done as per BIS specification, 64.17 *per cent* of the tests were not conducted as per reports submitted by the licensees. Category-wise details of the tests conducted are as under:

Table 5.2: Number of test required and done

Category	No. of companies	Relevant test reports ³⁵	No. of tests to be done as per BIS	No. of tests actually done as per BIS	No. of tests not done at all	Not done as per BIS/ Partial compliance
Whisky	2	130	1560	650	904	6
Rum	1	4	56	16	40	0
Beer	3	51	576	162	414	0
Gin	2	15	210	86	124	0
Vodka	2	26	338	106	231	1
Wine	2	127	2540	862	1675	3
	Total	353	5280	1882	3388	10
	Percentage			35.64%	64.17%	

2. In 226 cases of Brand Registration (58.70 *per cent*), Quality Compliance Reports were provided from In-House laboratories or related companies or reports were not provided at all. Such reports did not represent an independent assessment of quality of the liquor and were thus not dependable.
3. In 35 cases, no reports were furnished at all or reports already submitted during previous years were furnished to obtain license for the current year. The Department raised no objection on such practice.
4. In 254 cases (65.97 *per cent*), the reports did not mention the international standard followed for testing compliance, or international standards were not applied, or reports were not provided at all. In the absence of such independent standard, it was difficult to establish the quality of liquor.
5. Requirement for microbiological tests is mandatory for Beer and Wine. Microbiological tests were not done for 40 brand registrations of Beer (78.43 *per cent*). For Wine, 125 brand registrations (98.43 *per cent*) had not provided test report against parameters for mold, bacterial growth etc. In 32 cases, compliance could not be verified as the reports were in languages other than English.
6. Water quality tests were mandatory for all categories of liquor. None of the 353 brands had provided compliance for water quality.
7. Freedom from harmful ingredients is also an essential parameter to be declared in the report for all categories of liquor. In the test checked cases, only three out of 353 brands had submitted compliance with the condition.
8. Methyl Alcohol levels is critical for liquor because of its severe toxicity. In case of 207 brand registrations (58.64 *per cent*), levels of Methyl Alcohol was not mentioned in the report, or the report had not been provided at all. Thus, no compliance could be established for these.

³⁵ 32 Test reports which were not in English have not been included in the summary.

9. Similar to L1, no sampling of batches/ consignment was done before distribution for retail.
10. Out of a total of 385 test reports required to be submitted, 196 (50.91 *per cent*) test reports furnished were older than one year/or no test report was provided/date not mentioned. In one of the cases, a Test Report more than nine years old was accepted by the Excise Department for issue of license. Thus, no quality claim can be made about the liquor actually supplied, as the reports were from entirely different, older batches.

Details of quality tests for FL are mentioned in **Annexure IX**.

Similar to the case with domestic brands of IMFL (L1), there was non-compliance to a significant degree in case of quality reports furnished by Foreign Liquor suppliers. Moreover, the Department has not suggested specific standards to be followed, which leaves ambiguity. In some cases of foreign liquor (e.g. Tequila), BIS norms do not specify acceptable levels of Methyl Alcohol. The Methyl Alcohol level for Tequila is significantly higher than acceptable level for whisky. The Department has not clarified its stand on this issue. Further, acceptance of test reports (by the Department) older than one year from the date of application was irregular. Such negligence in acceptance of old, invalid and ambiguous test reports for grant of license can be detrimental to Public Health.

Recommendation 5.4: Checklist/Standard Operating Procedure (SOP) relating to the verification of test reports on the basis of BIS/FSSAI norms should be prepared. Verification on the basis of Checklist/SOP should be made mandatory to ensure compliance with applicable quality norms.

5.5 Unreliable test certificates submitted by licensees were accepted by Excise Department

(A) On scrutiny of the Quality Test Certificates submitted by test checked L1 licensees, (five certificates of 2018-19 and five of 2019-20) of Mohan Gold Water in respect of Carlsberg Elephant Premium Beer, Tuborg Gold Beer, Tuborg Classic Strong Beer (**Figure 5.1**), Tuborg Black Super Premium Strong Beer and Carlsberg Smooth Chill All Malt Premium Beer, it was observed that reports are same and altered to change the report sequence number and sample batch number, for submission with license application of each year.

(B) In another case of two brands of Alcopop (Limon Fizz and Orange Fizz for the year 2019-20), all the values of test parameters were same, which is statistically highly unlikely.

The Government in its reply stated that previous year's Chemical Reports are not considered while granting the license and explanation has been sought in respect of suspected forged Chemical Report from the licensee.

The reply is not acceptable as in stead of seeking explanation from licensee, it should have been sent for forensic examination for verification of the case.

Recommendation 5.5: The test certificates be evaluated by the Forensic Laboratory and matter should be investigated. Necessary action should be taken against the officials responsible for such a serious lapse.

5.6 Irregular registration of brand in wrong category

During analysis of Quality Test-Certificates submitted by the test-checked licensees, it was observed that a brand, 'Bro Code Crafted Brut 5' of Indo Spirit Beverages (L1), was approved by the Excise Department under the category of 'Wine' for 2018-19.

Audit observed that the Quality Test Certificate submitted by the licensee was for 'Low alcoholic Beverages' category, instead of 'wine' category. However, these certificates were accepted by the Excise Department and the licensee sold 61,488 (59,064 for the year 2018-19 and 2,424 for the year 2019-20) bottles.

In April 2019, the Excise Department initiated action against the licensee regarding not complying with FSSAI norms, which mandates a minimum of seven *per cent* alcohol content for wine. On 5 April 2019, the IMFL section proposed to stop the sale/Purchase of above mentioned brand as the Company registered the brand under wine category on incorrect documents, as the alcohol content in the brand was 5 *per cent* v/v only, which was misleading the consumers as well as the Department. Excise Commissioner approved the proposal on 10 April 2019. However, six Transport Permits for 1128 bottles were issued (between 10 April 2019 and 30 April 2019) even after initiating action on 10 April 2019.

Government in its reply stated that the matter is under consideration and the same will be disposed of at the earliest as per the Excise Act/Rules.

Recommendation 5.6: Departmental action should be taken against the officials responsible for issuing license to the licensee without due diligence and verification of Quality Test Certificates and granting Transport Permit even after the initiation of action against the Licensee.

5.7 Irregular issue of License on the basis of old certificate

On scrutiny of Quality Test Certificates submitted by Indo Spirit Beverages (L1 licensee) for the year 2018-19, it was observed that the Licensee had submitted copy of certificate which was also submitted for the year 2017-18, in respect of three brands of wine (Bro Code 5, Bro Code 10 and Bro Code 15). However, Excise Department failed to detect this and did not insist on obtaining the latest certificates.

Government in its reply stated that matter is under consideration and the same will be disposed of at the earliest as per the Excise Act/Rules.

5.8 Conclusion

Quality Test Reports were furnished by the licensees at the time of brand registration for issue of license. While issuing the license, the Department failed to check compliance of the furnished test reports with BIS norms. Absence of proper verification of test reports by the Excise Department raises concerns regarding the quality of liquor being supplied in Delhi. Important reports relating to water quality used, harmful ingredients, microbes, exact Methyl Alcohol content etc., were not obtained while issuing the License. Moreover, some of the testing laboratories that have furnished quality certificates for the licensees were not accredited by NABL which is mandatory as per FSSAI norms.

No checklist/SOP was prepared by the Department for checking of test reports to be attached with the application for license, and also with regular consignments of liquor.

