

TERRA INSIGHT

The Reconciliation Process Design eBook

A Failure Mode Analysis Framework
for Indian Finance Teams

Version 1.0 · 16 August 2026

Terra Insight Editorial Team

www.terra-insight.com

Copyright and Disclaimer

© 2026 Terra Insight Private Limited. All rights reserved.

This eBook is published by Terra Insight and may not be reproduced, transmitted, or distributed in whole or in part in any form without the prior written permission of the publisher, except in the case of brief quotations embodied in critical articles or reviews with proper attribution to Terra Insight.

Nature of illustrative figures

Every rupee figure in this eBook is illustrative. The 60-client CA firm, the Rs 480 crore consumer-electronics distributor, the Rs 300 crore pharmaceutical distributor, and every other worked case describe engineered scenarios that stand in for the failure classes an Indian finance team routinely encounters. Rupee amounts, vendor counts, deductor counts, and transaction volumes are calibrated to represent realistic mid-market Indian enterprises but do not reflect any specific customer, engagement, or entity.

Not tax, legal, or audit advice

This eBook covers reconciliation process design methodology anchored to Indian statutory consequences. It is not tax advice, legal advice, or audit opinion. Every statute reference — Section 16(4) and Rule 36(4) of the Central Goods and Services Tax Act 2017, Section 200A and Section 201(1A) of the Income-tax Act 1961 (retained in Income-tax Act 2025), Section 143(3)(i) of the Companies Act 2013, CARO 2020, the ICAI Standards on Auditing, and the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 — reflects the framework as it operates for a mid-market Indian enterprise. The application to a specific enterprise requires an independent walk by the enterprise's tax head, controller, and statutory auditor.

Methodology attribution

The reconciliation process design method, the 12-class function-level failure mode taxonomy, the anchored SOD rating scale for Indian reconciliation, the Action Priority table, the 6P cause taxonomy, the seven manual detection techniques, the seven prevention controls, and the five volume thresholds are the branded methodology of Terra Insight. Terms and definitions in this eBook are calibrated for Indian finance teams and do not adapt from any general industrial or manufacturing risk framework.

Author

Terra Insight Editorial Team. Editorial review by the Terra Insight Reconciliation Methodology Group.

Table of Contents

Preface	7
PART I • The Methodology	10
1. What Failure Mode Analysis Is For in Indian Finance	11
2. The 12-Class Function-Level Failure Mode Taxonomy	13
3. The SOD Anchor Scale	15
4. Action Priority — The Severity-First Replacement for RPN and Materiality	18
5. The 6P Cause Taxonomy	21
PART II • The Four Stream-Specific Failure Mode Analyses	24
6. Invoice to Bank — 14 Failure Modes	25
7. TDS Form 26AS and Form 168 — 14 Failure Modes	31
8. GSTR-2B ITC — 14 Failure Modes	37
9. GSTR-1 vs GSTR-3B — 12 Failure Modes	43
PART III • Manual Detection and Prevention	48
10. The Seven Manual Detection Techniques	49
11. The Seven Prevention Controls	52
PART IV • When Manual Outgrows Itself	55
12. Manual vs Automated — A Failure Mode Comparison	56
13. The Five Quantified Thresholds	58
14. Portfolio-Scale Process Design for CA Firms	60
PART V • The Working Artefacts	62
15. The One-Page Reconciliation Control Plan Template	63
APPENDICES	66
A. SOD Anchor Reference Cards	67
B. 12-Class Function-Level Taxonomy Reference Card	69
C. Downloadable Companion: Reconciliation Process Design Worksheet	70
D. Terra Insight Product Bridge	71

Preface

Who this eBook is for

This eBook is written for the Indian controller who owns the monthly close, the CFO who signs off on the audit committee report, the CA firm partner running reconciliation engagements across a 50-plus client book, the statutory auditor whose Section 143(3)(i) opinion turns on the design and operating effectiveness of the enterprise's reconciliation controls, and the internal auditor whose walkthrough evidence base is the reconciliation register itself. The framework is engineered for four core Indian reconciliation streams — invoice-to-bank, TDS receivable against Form 26AS transitioning to Form 168 from 1 April 2026, GSTR-1 versus GSTR-3B outward liability, and GSTR-2B input tax credit matching — and calibrated to the statutory consequences that anchor each stream: Section 16(4) permanent ITC loss on the 30 November cutoff, Section 200A demand notice with Section 201(1A) interest, Rule 88C DRC-01B intimation with the seven-day reply clock, and CARO 2020 Clause 3(ii)(b) material weakness on bank reconciliation.

Why generic risk frameworks do not fit finance reconciliation

The general-purpose risk taxonomies most finance teams encounter — the Ishikawa 4M and 6M cause categories, the multiplicative Risk Priority Number, the per-invoice materiality threshold — were designed for a different problem. Ishikawa's Man, Machine, Material, Method categories were built for a physical production line where a defect can be traced to raw material, tooling, operator, or environmental condition. Applied to a reconciliation function, four of the six categories are either empty or ambiguous, and the residual Method bucket has to absorb SOP gaps, cutoff drift, cross-era code confusion, and counterparty behaviour indiscriminately. A multiplicative Risk Priority Number (Severity times Occurrence times Detection) dilutes a Section 16(4) permanent loss into a middle-of-the-pack score below a paise-level rounding difference. A per-invoice materiality threshold clears sub-materiality current-period variances that compound at the cumulative supplier or deductor level into lakhs of permanent statutory loss. This eBook publishes the finance-team-specific replacements: the 12-class function-level failure mode taxonomy, the 6P cause taxonomy, the Severity-first Action Priority table, and the anchored SOD rating scale.

How the four dimensions work

The framework rates every reconciliation failure mode on three anchored dimensions — Severity, Occurrence, and Detection — and applies a fourth axiomatic rule, Action Priority, that reads the three ratings and returns High, Medium, or Low. **Severity** is anchored to a specific Indian statutory consequence: Severity 10 is Section 16(4) permanent ITC loss on 30 November; Severity 9 is a Section 200A demand notice with Section 201(1A) interest; Severity 8 is a DRC-01B intimation with the seven-day reply window under Rule 88C, or a CARO 2020 material weakness. **Occurrence** is anchored to observed incidents per 1,000 transactions in the prior four quarters, rated on the process as it operates today. **Detection** is anchored to the empirical catch-rate of the current control layer — below 30 percent for no control, 60 to 75 percent for manual sample-based tick-and-tie, 95 percent-plus for a system-enforced constraint. **Action Priority** is a three-rule lookup: any Severity 9 or 10 row is High AP regardless of Occurrence or Detection, any Severity 7 or 8 row with Detection above 5 is High AP, and any Severity 5 or 6 row with Occurrence above 7 and

Detection above 5 is High AP. The Severity-first axiom is what prevents a Section 16(4) permanent loss from being scored below a permitted rounding difference.

What this eBook does not do

This eBook does not publish enterprise-specific pricing, does not describe algorithm internals of any reconciliation software, and does not attribute this methodology to any other framework outside Indian finance. The Ishikawa 4M and 6M lineage is discussed only to explain why it does not fit; the multiplicative Risk Priority Number is discussed only to explain why the framework rejects it. Every anchor is Indian statute. Every rating is a design choice. Every worked case is illustrative.

PART I

The Methodology

The seven-step reconciliation process design discipline, the 12-class function-level failure mode taxonomy, the anchored SOD rating scale, the Severity-first Action Priority table, and the 6P cause taxonomy — the design surface a Section 143(3)(i) ICFR opinion tests as a coherent risk-assessment methodology.

CHAPTER 1

What Failure Mode Analysis Is For in Indian Finance

Most reconciliation controls at Indian enterprises are checklists. A checklist confirms that a task was done. It does not confirm that the task caught the failure it was designed to catch. The distinction is what separates a reconciliation process that a statutory auditor signs off from one that carries a material weakness finding under Section 143(3)(i) of the Companies Act 2013. This chapter sets out what a failure mode analysis is, why it is not the same as a Standard Operating Procedure or a monthly checklist, and why the Indian reconciliation calendar — anchored to Section 16(4) 30 November permanent ITC loss, Section 200A short-deduction demand, DRC-01B seven-day reply window, and CARO 2020 reportable observation — carries a higher failure surface today than at any point since the CGST Act 2017 came into force.

The typical year-end conversation

A typical mid-market Indian enterprise runs its month-end reconciliation with a spreadsheet, a Form 26AS download, a GSTR-2B extract, a bank statement, and a cadence discipline: bank reconciliation by day 5, TDS reconciliation by day 10, GST reconciliation by day 15, exception queue closed by day 20. Every one of these steps is documented as a task. None of them is documented as a failure mode. The failure appears at year-end. The statutory auditor asks the controller to explain an illustrative Rs 47 lakh input tax credit that was claimed in GSTR-3B but never appeared in GSTR-2B. The controller cannot say when the discrepancy first appeared, why the monthly reconciliation missed it, whether it was a supplier-side GSTR-1 delay or a book-side classification error, or what the process would do differently next time. The board hears about a permanent loss under Section 16(4) — the November 30 ITC time bar — and asks the CFO how it was possible.

SEVERITY 10 ANCHOR — SECTION 16(4), CGST ACT 2017

A registered person shall not be entitled to take Input Tax Credit in respect of any invoice or debit note for supply of goods or services after the 30th day of November following the end of the financial year to which such invoice or debit note pertains, or furnishing of the relevant annual return, whichever is earlier. There is no rectification, no condonation of delay, and no revival mechanism.

Task lists versus failure analyses

The answer to the year-end question, almost always, is that the reconciliation process was defined as a task list rather than as an analysis of the ways each task can silently produce a wrong result. The task list would tell the auditor the GSTR-2B was reconciled. The analysis would tell the auditor the reconciliation function has fourteen distinct failure modes, that the missing-supplier-GSTR-1 mode has a Severity of 10 because Section 16(4) makes the loss permanent, and that the current detection control — an exception review that does not aggregate the at-risk invoices as they age toward 30 November — is inadequate for that severity. Reconciliation process design exists to force that second conversation. It is the discipline of writing down every way a function can fail, ranking the failures by their true impact on the audit opinion and the statutory cash outflow, and confirming that a specific control catches each one. Adapted to Indian reconciliation, it produces a process that a controller can defend, an ICFR reviewer can test, and a board can trust.

The framework in seven steps

The framework organises failure analysis into seven steps across three phases. **Phase 1 — System Analysis.** (1) Planning and Preparation — scope, team, deliverables, cadence. (2) Structure Analysis — decompose the reconciliation process into a hierarchy of functions and work elements. (3) Function Analysis — write what each element does and the requirement it must meet. **Phase 2 — Failure Analysis and Risk Mitigation.** (4) Failure Analysis — for every function, enumerate the ways it can fail (Failure Mode), the impact on the customer, tax authority, or auditor (Failure Effect), and the root cause (Failure Cause). (5) Risk Analysis — rate each failure mode on Severity, Occurrence, and Detection, and prioritise using the Action Priority table. (6) Optimisation — assign prevention actions to reduce Occurrence, detection actions to reduce Detection, and design actions to reduce Severity. **Phase 3 — Communication.** (7) Results Documentation — a living record revisited on every process change and after every incident.

Vocabulary — mapping framework terms to reconciliation language

Framework term	Reconciliation Process Design equivalent
Process step	A single reconciliation function — e.g., match Form 26AS entries to the TDS receivable ledger by deductor PAN, section, and quarter
Work element	The specific action the analyst performs (extract, filter, match, classify, escalate, sign off)
Function requirement	The output the function must produce (a matched ledger, an exception queue, a filing-ready register)
Failure mode	The way the function can produce a wrong or incomplete result
Failure effect	The consequence — Section 200A notice, DRC-01B trigger, permanent ITC loss, misstated books
Failure cause	Why the failure happens — analyst error, missing policy, portal timing, supplier default
Prevention control	A control that reduces the likelihood of the cause (templates, cutoffs, approval matrix, training)
Detection control	A control that catches the failure after it happens but before it reaches the counterparty, tax authority, or auditor
Control Plan	The written reconciliation SOP plus the detection control register plus the exception escalation matrix

The design axiom that shapes the failure analysis is that Severity dominates the prioritisation. A Severity 9 or 10 failure mode is always High Action Priority regardless of how rare it is or how well the current controls detect it, because the consequence — a Section 16(4) permanent loss, a Section 200A demand notice, or a Section 40(a)(ia) expenditure disallowance — cannot be undone once it lands. A multiplicative score that averages Severity with Occurrence and Detection consistently under-prioritises the failure modes that carry the largest downside. Severity-first prioritisation is the single most important idea to carry into finance.

CHAPTER 2

The 12-Class Function-Level Failure Mode Taxonomy

Walk every reconciliation function through this taxonomy. It is Terra Insight's branded twelve-class failure mode framework — the finance analogue of the production-quality question "how could this welding step fail?" but written for a reconciliation function. Every reconciliation function receives at least one failure mode from every class that could apply. Classes that do not apply are documented with a one-line rationale — the walkthrough itself becomes the evidence that the class was considered.

Class	Prototype failure modes
1. Data extraction	Wrong period; wrong entity or GSTIN; wrong reporting basis (accrual vs cash); portal report pulled before source system settles; PDF instead of structured export
2. Data classification	TDS section applied at the wrong rate; TDS calculated on GST-inclusive amount; GST rate applied wrong for room-tariff-linked hospitality; place of supply misdetermined; invoice classified as B2B when it should be B2C
3. Data completeness	Missing invoices from the register; missing challans; missing return leg for a reversal; missing forex remittance in the Form 27Q return; missing intercompany elimination
4. Matching logic	Match tolerance too wide (matches wrong invoice); tolerance too tight (misses legitimate match); rounding difference not accepted; PAN or GSTIN partial match accepted; date window off by one; tie-breaker between two candidate matches undefined
5. Timing and period	Cross-era mapping wrong (Section 194x to Section 393 code); accrual booked in wrong period; supplier files GSTR-1 in a period after the buyer's Section 16(4) cut-off; NACH file received on a bank holiday
6. Counterparty / partner	Supplier's GSTR-1 not filed; deductor's Form 168 not updated; TPA sends new file format without notice; bank changes MT940 narration structure; aggregator's GSTR-8 delayed
7. Precision and numeric	Rounding direction wrong (SGST and CGST paise split); currency conversion at wrong date; TDS on gross vs net base; retention money computed on the wrong invoice value; interest computation date off by one day
8. Policy and interpretation	Manpower supply invoice deducted under a technical services code instead of contractor code; foreign OTA commission treated without RCM; ITC on blocked expense under Section 17(5) claimed; TCS on scrap not tracked at PAN-cumulative basis
9. Aging and escalation	Exception raised but not aged; aging queue not reviewed; no escalation rule; escalation goes to a person who cannot resolve it; aged item written off without root cause analysis
10. Cutoff and sign-off	Bank cut-off crossed before extraction; month-end close signed before Q4 TDS challan confirmed on TRACES; GSTR-3B filed before GSTR-2B is stable; annual return filed before Section 16(4) audit trail is closed
11. Documentation and evidence	No source-file archive; screenshot instead of API-fetched evidence; evidence dated before the reconciliation was run; evidence not linked to the specific exception
12. Portal and system	TRACES down; GST portal maintenance window; ERP report timezone off; NACH gateway delay; IMS action not taken before auto-lock

Native detection technique per class

Each failure class has a native detection technique a manual finance team can run. A world-class reconciliation control plan closes every High Action Priority row with a specific technique, not with a vague "peer review". The pairing table below maps every class to its native technique.

Failure class	Native manual detection technique
Data extraction	Row count reconciliation between source system and extract; hash or checksum on the extract file; timestamp-and-user log
Data classification	Ratio analysis — TDS receivable as a percentage of invoiced revenue, month-on-month; section-wise split reasonableness test
Data completeness	Bank statement to book, book to bank two-way match; sequential invoice number gap analysis; register total reconciled to GL control account
Matching logic	Sample-based independent tick-and-tie by a peer; documented tolerance rule with sign-off; residual exception categorisation
Timing and period	Aging queue with mandatory review at day 30, 60, 90; cross-era mapping table maintained in a single document; portal cut-off calendar tracked separately
Counterparty / partner	Supplier follow-up queue keyed to GSTR-1 filing status; TPA file format version register; bank narration change log
Precision and numeric	Total reconciliation gate — variance total must equal zero to the paise; conservation checks on splits (SGST + CGST equals total GST for intra-state)
Policy and interpretation	Written policy document reviewed annually with signed acknowledgement from every analyst; new-transaction-type escalation to the tax head before booking
Aging and escalation	Aging queue with an owner, a review cadence, and a maximum-days-open rule that auto-escalates
Cutoff and sign-off	Sign-off matrix with named approver, cut-off calendar published to the team, no exceptions without written justification
Documentation and evidence	Evidence-attached-to-exception rule; API or portal-fetched screenshots with URL and timestamp; evidence retention aligned to statutory retention rule
Portal and system	Portal status log; ERP job monitoring; rerun protocol documented

RULE OF THUMB — LINKING ACTION PRIORITY TO DETECTION TECHNIQUE

High Action Priority — at least two independent detection layers, with at least one being an aging queue with escalation or a system-enforced rule. A peer review alone is not adequate for High. **Medium Action Priority** — peer review plus a ratio or reasonableness test. **Low Action Priority** — SOP step with sign-off.

CHAPTER 3

The SOD Anchor Scale

Generic 1-to-10 rating tables are the single largest source of noise in a reconciliation risk register. Severity 8 in one team's register is Severity 5 in another; both are defensible when the anchors are unwritten. Occurrence 3 to one analyst is Occurrence 6 to another because "sometimes" and "occasionally" are not the same word. Detection ratings drift toward the middle of the scale as analysts hedge on what they cannot measure. Anchor tables solve this by mapping every rating to a specific, named consequence any two analysts can agree on before they walk the register. This chapter publishes the three anchor tables — Severity, Occurrence, Detection — that the reconciliation process design method uses across every stream.

Severity — anchored to Indian statutory consequences

Rating	Anchor
10	Permanent statutory loss with no recovery mechanism. Section 16(4) ITC time-bar breach on the 30 November cutoff. Section 40(a)(ia) 30 percent expenditure disallowance. Section 74 fraudulent-ITC recovery with equivalent penalty. GST fraud exposure under Section 132.
9	Cash outflow with a slow, expensive, or uncertain recovery mechanism. Section 200A demand notice with interest under Section 201(1A) at 1 percent per month for short-deduction and 1.5 percent per month for short-payment, plus Section 234E fee at Rs 200 per day capped at the tax deductible. Section 195 non-resident mis-tag with cross-border withholding exposure. Section 234B/234C advance-tax interest.
8	Notice or audit finding with a hard deadline and a public reporting consequence. DRC-01B intimation under Rule 88C with seven-day reply window; DRC-01C intimation under Rule 88D on the GSTR-2B versus GSTR-3B stream; CARO 2020 material weakness on internal financial controls; GSTR-9C three-way mismatch requiring justification.
7	Taxable-income adjustment or misstatement that surfaces at year-end. Section 43B(h) year-end MSME disallowance for payments beyond 45 days (written agreement) or 15 days (no agreement) not settled by 31 March. Section 194Q buyer's TDS obligation missed. Expenditure recognised in the wrong period.
6	Auditor observation without formal qualification. CARO 2020 Clause 3(ii)(b) management-letter observation on bank / working-capital reconciliation; Section 39(9) time-barred GST amendment beyond the 30 November window; ledger-level exception that distorts monthly reporting.
5	Cash-flow cost or working-capital drag. Section 201(1A) TDS interest accrued but not disputed; Section 234B/234C advance-tax interest on under-credit; monthly close variance investigated after filing; late Rule 37A supplier follow-up.
4	Required accounting recognition. Ind AS 21 foreign-exchange restatement on a monetary item at period-end; permitted rounding difference under CBIC clarifications; presentation reclassification between line items.
3	Immaterial exception cleared inside the close cycle. Petty variance below the enterprise's own materiality floor; format-level error caught at reviewer stage; column mis-labelled on the working paper.
2	Cosmetic nuisance. File-naming convention deviation; missing hyperlink on the reconciliation memo; minor formatting on the exception list.
1	Preventable by design. A failure mode the process cannot produce because a system constraint or a policy rule forbids the underlying condition.

Occurrence — anchored to incidents per 1,000 transactions

Occurrence is measured on the process as it actually operates, not on a hypothetical better control. The rating is the observed incident count per 1,000 transactions of the same type in the prior four quarters — the same PAN, the same section or payment code, the same portal, the same bank narration structure.

Rating	Anchor	Frequency band
10	More than 100 per 1,000	Happens on the majority of transactions. No prevention control in place.
9	50 to 100 per 1,000	Known to the team as routine; escalated verbally but not systematically prevented.
8	25 to 50 per 1,000	Once a month or more frequently on a moderate-volume stream.
7	10 to 25 per 1,000	Reproducible under known conditions — specific counterparty, bank format, or portal state.
6	5 to 10 per 1,000	Once a quarter on a typical-volume stream.
5	5 to 25 per 1,000 conditional	Base rate for a stream where the analyst has personally seen the failure mode.
4	1 to 5 per 1,000	Once a year or less, but at least one documented instance.
3	Under 1 per 1,000	Prevented by a written policy or a documented cadence; not seen in the current cycle.
2	Under 1 per 10,000	Prevented by a system-enforced rule; the field is a computed formula.
1	Under 1 per 10,000 with hard constraint	Impossible under current process design.

Detection — anchored to catch-rate through the current control

Detection measures the probability that the current detection control catches the failure inside the reconciliation cycle, before it reaches the counterparty, the tax authority, or the statutory auditor. The rating is an empirical catch-rate observed on the sample the reconciliation actually walks.

Rating	Anchor	Catch-rate
10	No detection control	Below 30% — the failure only surfaces on notice or stakeholder complaint
9	Preparer self-review; no second pair of eyes	30 to 40%
8	Preparer plus rubber-stamp reviewer	40 to 55%
7	Independent peer review sample-based at 10-20%	55 to 65%
6	Independent peer review sample-based at 30-50% with checklist	65 to 75%
5	Manual sample-based tick-and-tie at year-end plus ratio test	60 to 75%
4	Sample-based peer review plus ratio test plus documented aging queue	75 to 85%
3	Multi-layer detection at full population plus automated portal-side match	85 to 95%
2	Continuous detection at ingestion with automated escalation	95 to 99%
1	System-enforced constraint; the failure cannot enter the system	99%+

ANCHOR DISCIPLINE — THE SOD SCALE IN PRACTICE

Severity is re-rated only when a statute or portal rule changes — for example, the shift from legacy Section 194x identifiers to the Section 393 four-digit payment codes 1001 to 1092 from 1 April 2026 altered the Severity anchor for cross-era TDS misclassification because the correction-window mechanics themselves changed. Occurrence and Detection are re-rated quarterly on the basis of actual incident data from the prior four quarters. Audit committee sign-off on the published scale is the design-side evidence Section 143(3)(i) ICFR testing verifies.

Why generic scales drift toward the middle

Severity ratings compress toward the middle of the scale because 10 feels reserved for something that has never happened and 1 feels reserved for something that cannot happen. Occurrence and Detection ratings compress similarly. When three compressed ratings are multiplied into a Risk Priority Number or averaged into a composite score, the resulting ranking is barely more informative than a random sort — every row lands somewhere between 60 and 200, and the threshold for intervention becomes a discussion of which rows the team has capacity to work on this quarter rather than which rows carry the highest exposure to a permanent statutory loss. The anchored scale eliminates that drift. Every rating on every axis is tied to a specific, named, verifiable state of the world.

CHAPTER 4

Action Priority — The Severity-First Replacement for RPN and Materiality

The default escalation logic on most Indian mid-market reconciliation registers is materiality. A variance below Rs 5,000, or Rs 10,000, or Rs 1 lakh per invoice is cleared. A variance above the threshold is investigated. The rule is simple, defensible in a walkthrough, and consistent with the way materiality is defined for statutory audit purposes. But materiality is a transaction-level concept and reconciliation failure modes are cumulative concepts. This chapter publishes the Action Priority table — a three-by-three-by-three Severity-first lookup — that replaces both the materiality-cutoff filter and the multiplicative Risk Priority Number.

Why materiality-first hides Section 16(4) permanent losses

A Rs 12,000 monthly ITC-eligible invoice from a supplier who has not filed GSTR-1 for four months sits below most enterprise materiality floors in the current period and clears the register. Sixty-eight months of the same supplier default across a five-year vendor engagement compounds to an illustrative Rs 8 lakh in permanently lost ITC at the 30 November cutoff. The materiality filter had never surfaced the exposure because materiality is defined at the invoice level and the failure mode is defined at the cumulative supplier level. Reconciliation failure modes have three properties the materiality lens cannot see: they aggregate across counterparties, they compound across periods, and they map to permanent statutory consequences.

Why the multiplicative Risk Priority Number also fails

The Risk Priority Number formula — $RPN = \text{Severity} \times \text{Occurrence} \times \text{Detection}$ — with an intervention threshold at 100 or 125 — is a general-purpose composite score. The arithmetic dilutes the Severity signal. Consider a Section 16(4) permanent-loss row on a defaulting-supplier watchlist. Severity anchors at 10 (permanent ITC loss on the 30 November cutoff). Occurrence anchors at 1 (fewer than one supplier default per ten thousand line items on a well-run purchase base). Detection anchors at 1 (the supplier-level ageing queue with escalation is running). $RPN = 10 \times 1 \times 1 = 10$. Below every reasonable intervention threshold. Not in the queue. Consider a paise-level rounding difference within the CBIC-permissible tolerance. Severity anchors at 3 (permitted rounding). Occurrence anchors at 10 (happens on the majority of transactions). Detection anchors at 3 (multi-layer detection is running). $RPN = 3 \times 10 \times 3 = 90$. Just below the intervention threshold on some registers; above it on others. The RPN arithmetic has scored a permanent statutory loss below a permitted rounding difference. This is the design flaw the Action Priority table closes.

The Action Priority table

The Action Priority table is a three-by-three-by-three lookup where the Severity axis is examined first. Each of the three axes — Severity, Occurrence, Detection — is grouped into three bands: High (S9-10; O7-10; D7-10), Medium (S5-8; O4-6; D4-6), and Low (S1-4; O1-3; D1-3). The lookup returns High, Medium, or Low Action Priority. Three simple rules govern the lookup, published, unchangeable, and independent of the reconciliation stream:

Rule	Condition	Return
Rule 1 — Severity dominance	Any Severity 9 or 10 row, regardless of Occurrence and Detection	High AP

Rule	Condition	Return
Rule 2 — Detection-weighted mid-Severity	Any Severity 7 or 8 row with Detection above 5	High AP
Rule 2 (fallback)	Any Severity 7 or 8 row with Detection at or below 5	Medium AP
Rule 3 — Compound mid-Severity	Any Severity 5 or 6 row with Occurrence above 7 and Detection above 5	High AP
Rule 3 (fallback)	Everything else in the Severity 5 or 6 band	Medium AP
Default	Severity 1-4 rows unless promoted by another rule	Low AP

Rule 1 is the design property that stops the RPN dilution. Rules 2 and 3 let Occurrence and Detection matter — but only when Severity is not already in the top band. A team using the AP table cannot arithmetically dilute a Section 16(4) row into the mid-pack; the lookup pins it at High AP by construction.

DETECTION DEPTH REQUIREMENTS PER ACTION PRIORITY CLASS

Every High AP row must have at least two independent detection layers, with at least one being either a system-enforced rule or an aging queue with an explicit escalation trigger. A peer review alone is not adequate for High. **Every Medium AP row** must have a documented peer review and a ratio or reasonableness test. **Every Low AP row** may be handled with a standard SOP step and sign-off.

Aggregation at the failure-mode level, not the transaction level

The Action Priority table applies to failure modes, not to individual transactions, and the same failure mode aggregates across every transaction it affects. An illustrative Rs 5,000 TDS mismatch on a single deductor's Form 26AS or Form 168 credit is below most enterprise materiality floors. The same Rs 5,000 mismatch across 240 deductors aggregates to Rs 12 lakh in Section 200A demand exposure plus Section 201(1A) interest at 1 percent per month for short-deduction and 1.5 percent per month for short-payment. The failure mode is one row on the register — "TDS payment code mis-tag at the deductor level" — with Severity 9. It is High AP by Rule 1 regardless of the per-deductor rupee value. The aggregation rule is: read the register at the failure-mode level, aggregate the current-period impact across every transaction sharing the failure mode, and let the aggregate drive both the Occurrence rating and the escalation queue.

CHAPTER 5

The 6P Cause Taxonomy — People, Policy, Process, Portal, Period, Partner

Every failure mode traces back to at least one cause category. Ishikawa's 4M — Man, Machine, Material, Method — and its 6M extension adding Measurement and Milieu were built for a physical production line. Applied to a finance reconciliation function, four of the six categories are either empty or ambiguous: there is no Machine (the ERP is an instrument the process uses), there is no Material (a reconciliation does not consume raw material), Measurement is circular (the reconciliation is the measurement), and Milieu forces portal downtime, cutoff drift, cross-era code confusion, and counterparty behaviour into a single environmental bucket. The residual Method category then has to absorb every SOP gap, every hand-off failure, every cutoff-calendar drift, and every period-boundary confusion. A 4M walkthrough on a Section 16(4) permanent-loss failure typically produces the useless conclusion "method error". The 6P is the finance-team replacement.

P	What it covers	Prevention control shape
1. People	Analyst error — skipped row, wrong period, transposed digit, cross-training gap, seasonal load, Section 393 payment code applied to a legacy Section 194x case	Training, checklists, independent peer review, preparer-versus-reviewer separation
2. Policy	SOP silent on the treatment question; materiality thresholds not defined; foreign OTA commission RCM policy undocumented; TDS on GST-inclusive amount not explicitly forbidden; blocked ITC under Section 17(5) not enumerated	Written treatment memos, annual policy review, signed analyst acknowledgement
3. Process	Bank statement pulled before cutoff; GSTR-2B pulled before supplier's late filings settle; exception queue reviewed by the same analyst who created it; hand-off between AR analyst and tax head with no documented protocol	Redesigned SOP, published cutoff calendar, hard preparer-reviewer separation
4. Portal	CBIC, CBDT, GSTN, TRACES, bank-side timing the finance team does not control — IMS 15-day action window closing regardless of reviewer availability, Rule 88C DRC-01B seven-day reply clock, TRACES lag between challan and Form 168 reflection, GST portal maintenance windows	Monitoring cadence pegged to portal windows, portal-status log, rerun-if-stale rule
5. Period	Reporting-era boundary — Section 393 payment codes from 1 April 2026, Section 16(4) 30 November permanent-loss cutoff, Section 39(9) 30 November amendment window, quarter-boundary drift at Q4-to-Q1 TDS receivable transitions, Section 43B(h) FY-end MSME cutoff	Aging queue keyed to the specific statutory cutoff date
6. Partner	Counterparty behaviour — supplier files GSTR-1 four months late triggering Rule 37A reversal, deductor files Form 168 late, aggregator changes reconciliation-file column layout without notice, non-resident vendor's Tax Residency Certificate under DTAA arrives late	Supplier watchlist keyed to filing history, PAN validation status, escalation protocol at counterparty-ageing threshold

Portal versus Process — the two most under-diagnosed categories

Process is what the finance team controls: the SOP step, the cutoff discipline, the hand-off between the AR analyst and the tax head, the sign-off matrix at each rupee threshold. If the process is redesigned tomorrow the failure mode goes away. Portal is what the finance team does not control: the CBIC or CBDT publishing cadence, the GSTN downtime window, the TRACES lag between challan deposit and Form 168 reflection,

the Invoice Management System 15-day action window that closes on the 30th of the following month regardless of whether the reviewer is on leave, the DRC-01B seven-day reply clock that starts the moment the intimation lands on the portal. A Portal-P failure cannot be prevented by redesigning the finance team's own process — it can only be detected earlier and reacted to faster. The prevention control for a Process failure is a written SOP change; the prevention control for a Portal failure is a monitoring cadence that catches the portal event within the portal's own reply window.

Partner as a distinct P from People

People is the finance team's own analyst error — a skipped row, a wrong period, a transposed digit, an unfamiliar Section 393 payment code applied to a legacy Section 194J case. Partner is the counterparty's behaviour — the supplier who files GSTR-1 four months late and triggers a Rule 37A cascading reversal on the recipient's ITC, the deductor who files Form 168 late and leaves the recipient's TDS receivable un-credited, the aggregator who changes the reconciliation-file column layout without notice, the non-resident vendor whose Tax Residency Certificate under the applicable DTAA arrives three weeks after the payment is due. A Partner-P failure has a distinct signature — the finance team is doing everything correctly and the failure still lands, because the counterparty's own filing or documentation is the input on which the reconciliation depends. The prevention control for Partner failures is a supplier watchlist keyed to filing history, a vendor onboarding discipline that requires a PAN validation status under Section 206AA, and an escalation protocol that starts the moment the counterparty's ageing crosses a threshold — not any change to the finance team's own SOP.

FAILURE-CLASS-TO-PRIMARY-P MAPPING

Data extraction → Portal; Classification → People/Policy; Completeness → Partner/Portal; Matching → People/Policy; Timing → Period/Portal; Counterparty → Partner; Precision → People/Policy; Interpretation → Policy/People; Aging → Process/Period; Cutoff → Process/Period; Documentation → Process/Policy; Portal → Portal/Process. A failure class that a 4M walkthrough would collapse into "Method" splits across four different P's (Portal, Process, Period, Policy), each requiring a different prevention control. That granularity is why the 6P surfaces failure modes an Ishikawa-driven walkthrough had systematically missed.

PART II

The Four Stream-Specific

Fifty-four failure modes across the four core Indian reconciliation streams — invoice-to-bank, TDS receivable against Form 26AS transitioning to Form 168, GSTR-2B input tax credit, and GSTR-1 versus GSTR-3B outward liability — each rated on the anchored SOD scale with the Action Priority ranking derived on a Severity-first basis. Every failure mode carries a class from the twelve-class taxonomy, a cause from the 6P taxonomy, and a specific Indian statutory anchor.

CHAPTER 6

Invoice to Bank — 14 Failure Modes

An illustrative Indian mid-market enterprise with Rs 500 crore of annual turnover typically runs its bank reconciliation on a monthly cadence, ties the closing cash-book balance to the closing bank statement balance to the last rupee, and files the working paper away as a completed task. Six months later, the statutory auditor asks the controller to explain an illustrative Rs 47,236 unreconciled credit sitting in the receivables suspense account, aged nine months, against no identifiable customer. The bank reconciliation ties. The invoice-to-bank reconciliation, in the sense that matters for a defensible receivables position, failed nine months earlier and no one noticed. This is the character of failure on the invoice-to-bank stream in Indian finance: the cash-book layer ties; the invoice-application layer, where the actual reconciliation work sits, does not.

SEVERITY 8 ANCHOR — CARO 2020 CLAUSE 3(II)(B), COMPANIES ACT 2013

The auditor is required to report on whether the quarterly returns or statements filed by the company with banks or financial institutions in respect of working capital limits exceeding five crore rupees are in agreement with the books of account. The invoice-to-bank reconciliation is the direct evidence base — an unreconciled bank position, a mis-aged debtors bucket driven by unapplied receipts, or a systemic bounce-reversal miss produces a reportable observation.

Function definition

The invoice-to-bank function takes two inputs: the sales register from the ERP accounts receivable module (with a parallel accounts payable side for refund receipts and vendor adjustment credits) and the bank statement from every operating and settlement bank account the enterprise runs — HDFC, ICICI, SBI, Axis, Yes, Kotak, IndusInd — pulled in MT940 or CSV format on a daily cadence. The output is a matched receipts register keyed at invoice-line level, an exception queue for every bank credit or book invoice that the daily match could not close, and an aged unreconciled queue that walks the exceptions across time bands with an escalation state per row. The stream operates at three cadences: daily (bank statement pull, transaction posting, unapplied receipts routing); weekly (aggregator settlement decomposition, aged unapplied review, forex variance walk); monthly (cash-book reconciliation, bounce audit, retention-money receivable roll, intercompany and treasury sweep).

CHAPTER 6

Invoice to Bank — The 14 Failure Modes

#	Failure mode	Class	6P	Effect	S	O	D	A P
1	Multi-invoice aggregation — one bank credit against multiple invoices, ERP applies to wrong invoices	Matching	Process	Debtor position misstated per customer; aged ageing wrong	7	8	6	H
2	Missing UPI credit — VPA-only reference, ERP AR does not carry the VPA field	Completeness	Portal/Policy	UPI credit sits in unapplied; customer chased despite paying	6	7	5	M
3	MDR under-deducted from POS settlement — aggregator retains MDR pre-settlement, ERP AR treats gross as receipt	Matching	Policy	Systematic under-collection; MDR misread as customer short-payment	8	8	5	H
4	Retention money split — contractor invoice with 5-10% retention, bank credit is gross-of-retention	Classification	Policy	Debtor position and receivable ageing wrong on infrastructure book	7	7	5	H
5	Forex variance on inward remittance — Ind AS 21 spot rate vs bank conversion rate	Precision	Policy/Period	Variance misread as customer short-payment; Ind AS 21 mis-recognition	7	7	5	H
6	Bank narration parsing miss — UTR/mandate reference truncated by narration column limit	Data extraction	Portal	Credit not applied to invoice; unapplied receipts grow	6	8	4	M
7	Cheque outstanding beyond window — cheque issued but never presented	Timing	Process/Partner	Aged outstanding cheque; treasury cash-flow misread	5	6	6	M
8	Bounce reversal missed — bank shows the return; books still show the receipt	Timing	Process	Debtor mis-stated; Ind AS 109 ECL rebucketing missed; collections stops chasing	9	5	6	H
9	Deposit-not-cleared — booked as credit but no bank credit arrived	Timing	Portal/Process	Overstated bank position; cash-book fails to tie at month-end	6	7	5	M
10	TDS-net split confusion — customer deducted TDS on GST-inclusive vs GST-exclusive amount	Classification	Policy/Partner	TDS-net receipt does not match expected; Form 168 credit expected wrong	7	6	5	H
11	Refund from vendor — bank credit not tied back to any original invoice	Completeness	Process	Vendor refund sits in unapplied; ITC-reversal on GST side missed	6	6	5	M
12	Intercompany transfer misdirected — Company A pays Company B on Company C invoice	Classification	People/Process	Wrong entity's receivable settled; intercompany elimination gap	8	4	5	H
13	Treasury sweep — bank credit from own treasury account moved to operating account misread as customer credit	Classification	Process	Aggregate cash-book overstates operating receipts	6	6	6	M
14	Aggregator batch line — Razorpay/PayU payout net of dozens of invoices, ERP AR carries individual invoices	Matching	Portal/Policy	Batch credit sits in unapplied; underlying invoices ageing incorrectly	8	8	5	H

Deep-dive on three anchor failure modes

Failure Mode 3 — MDR under-deducted from POS settlement

An illustrative retail merchant processes a POS transaction of Rs 1,00,000. The aggregator settles Rs 97,050 to the merchant's bank account (net of 2.5 percent MDR of Rs 2,500 plus 18 percent GST on MDR of Rs 450). The ERP AR receipts pipeline applies Rs 97,050 against the customer invoice of Rs 1,00,000, marks the invoice as short-paid by Rs 2,950, and routes the shortfall to a customer follow-up. The customer, having paid Rs 1,00,000 through the POS terminal, disputes the follow-up. The systemic version — a merchant processing thousands of POS settlements per month — creates a growing suspense of MDR-shaped "short payments" that never get resolved because the customer did not short-pay. **Severity 8** — systematic under-collection with a bank position that ties. **Prevention control.** A settlement reconciliation stack: (a) an aggregator settlement report at transaction level; (b) an ERP receipts sequence that applies gross value against the invoice and books MDR as a separately-classified expense with the GST as ITC; (c) a daily aggregator-to-bank tie-out. **Detection control.** A weekly aggregator settlement decomposition walk.

Failure Mode 8 — Bounce reversal missed (Family 5 anchor)

An illustrative customer cheque for Rs 8,50,000 lands as a provisional credit on 5 March. The customer's drawer bank returns the cheque under return code R01 (insufficient funds) on 8 March, and the debit lands on the enterprise's bank statement on 9 March. The ERP receipts pipeline booked the 5 March credit and did not roll back on the 9 March debit — the bounce is visible in the narration column but the ERP reversal was never posted. The customer's receivable now reads as paid, the collections team stops chasing, the age bucketing places the invoice in "current" instead of "past due", and the Ind AS 109 Expected Credit Loss provisioning under-counts the customer's exposure because a bounce is a significant increase in credit risk that should have rebucketed the ECL from twelve-month to lifetime. **Severity 9** — the failure produces a mis-stated debtor position, a mis-stated ECL, and a collections process that has stopped chasing an unrecovered receivable. **Prevention control.** An ERP receipts configuration that treats every cheque credit as provisional until settlement date plus one, with the automatic reversal firing on any subsequent debit against the same reference. **Detection control.** A daily bounce audit — every bank debit with a return-code narration matched to the corresponding earlier credit.

Failure Mode 5 — Forex variance on inward remittance

An illustrative IT services enterprise raises an invoice on a US customer for USD 100,000 on 5 January when the RBI reference rate is Rs 84.50 per USD. The customer wires USD 100,000 on 12 January. The remittance lands in the enterprise's INR account on 15 January net of intermediary bank charges, converted by the collecting bank at Rs 84.28 per USD — a differential of Rs 22,000 across the invoice-to-conversion window. Under Ind AS 21, the invoice is booked at the spot rate on the invoice date and the credit lands at the bank's conversion rate on the credit date; the differential is a foreign exchange variance recognised in the profit and loss account. If the ERP AR receipts pipeline treats the shortfall as a customer under-collection, the collections team chases a customer who has paid in full, and the Ind AS 21 variance is mis-recognised at the receivable line rather than at the forex-variance line. **Prevention control.** An ERP AR configuration that isolates the forex-variance line on every inward remittance and posts to a dedicated forex variance account. **Detection control.** A weekly forex conversion variance walk keyed to invoice date, wire date, and credit date.

The bank narration parser layer

Every one of the fourteen failure modes depends on the bank narration column being readable in a structured way. Indian bank statements come in more than 300 column-variant permutations across HDFC, ICICI, SBI, Axis, Yes, Kotak, IndusInd, and the second-tier scheduled commercial banks — different column widths,

different narration structures, different UTR embedding conventions, different reference-field truncation behaviours. Six dominant inter-bank rails populate the narration: NEFT, RTGS, IMPS, UPI, NACH, and cheque. A manual finance team can build a parser rule set for its own bank portfolio and maintain it monthly. Above roughly ten operating and settlement bank accounts, or roughly five aggregator settlement formats, the parser layer stops being maintainable manually.

When the invoice-to-bank stream outgrows manual reconciliation

The stream stops being viable as a spreadsheet walk at three inflection points: (a) an enterprise operating across more than five bank accounts across three or more Indian banks is walking bank statements in different narration column structures every day and the parser mapping alone consumes a working day per bank per month; (b) a merchant taking payments across Razorpay, PayU, Cashfree, and a POS network is dealing with four aggregator settlement report structures, four distinct MDR schedules, and four separate refund and chargeback lifecycles; (c) an enterprise with even ten inward remittances per month against USD, EUR, and GBP invoices carries three distinct Ind AS 21 spot-rate variances and three distinct bank conversion rate patterns.

CHAPTER 7

TDS Form 26AS and Form 168 — 14 Failure Modes

An illustrative Indian enterprise closes its FY 2026-27 books at the end of June with Rs 43 crore of TDS receivable spread across 480 deductor PANs, seventeen active Section 393 payment codes for FY 2026-27 payments, and an open residual bucket of Rs 2.4 crore under legacy Section 194x identifiers on FY 2025-26 payments still in the correction window until 31 March 2027. The quarterly TDS receivable reconciliation must match every line in the general ledger subledger against the deductor's credit in Form 26AS pulled from TRACES, and — from FY 2026-27 — against the consolidated Form 168 annual TDS statement. Any variance that survives that reconciliation surfaces later as either a Section 200A demand notice served on the deductor with cascading interest under Section 201(1A), or as a Section 143(1) intimation adjustment against the enterprise's own income-tax return with under-credit disallowed and interest under Sections 234B and 234C accruing on the shortfall.

SEVERITY 9 ANCHOR — SECTION 200A, INCOME-TAX ACT 1961 (RETAINED IN ACT 2025)

Processing of the deductor's TDS statement by the Central Processing Centre. Any short-deduction or short-payment identified in that processing becomes a demand notice, with interest under Section 201(1A) at 1 percent per month for short-deduction and 1.5 percent per month for short-payment from the date the tax was deductible until the date of deposit, and Section 234E late-filing fee at Rs 200 per day of delay capped at the tax deductible amount.

#	Failure mode	Class	6P	S	O	D	A P
1	Cross-era code confusion — booked under 194J in Q4 FY 2025-26 but deductor filed under Section 393 code 1027 in FY 2026-27	Timing	Period	9	8	6	H
2	PAN mismatch — deductee PAN inoperative under Rule 114AAA triggering Section 206AA at 20%	Data extraction	Partner	9	5	4	H
3	TDS deducted on GST-inclusive amount contra Circular 23/2017	Precision	Policy	8	7	5	H
4	Q4-to-Q1 cross-era boundary — invoice in Q4 FY 2025-26, payment received Q1 FY 2026-27 mis-mapped	Cutoff	Period	9	7	6	H
5	Deductor short-deducted — Section 194J code 1027 applied to manpower supply that qualifies for Section 194C code 1023	Classification	Partner	9	6	5	H
6	Form 26AS extract pulled before deductor's Rule 31A filing refreshed on TRACES	Portal	Portal	6	8	3	M
7	Analyst rolls forward "unresolved" bucket quarter over quarter without aging	Aging	Process	9	8	8	H
8	ERP extract date and TRACES pull date cutoff undocumented	Cutoff	Portal	8	7	7	H
9	Self-review by preparer — no independent detection layer	Evidence	People	8	8	9	H
10	Intercompany credit landing in wrong entity in a group	Matching	People	8	5	6	M
11	Form 168 annual statement delayed or amended by deductor — reconciliation window drift	Timing	Partner	8	6	5	M
12	Foreign remittance under Section 195 mis-tagged to a resident code 1027 or code 1057 mis-application	Classification	Policy	9	4	5	H

#	Failure mode	Class	6P	S	O	D	A P
13	Section 194Q 0.1% credit missed because aggregate purchase crossed Rs 50 lakh mid-year	Completeness	Process	9	5	7	H
14	Sub-contractor payment reclassified from code 1023 to code 1027 after the fact	Classification	Partner	8	6	5	M

Deep-dive on High Action Priority modes

Failure Mode 1 — Cross-era code confusion

A transaction booked in the deductee's Q4 FY 2025-26 receivable under legacy Section 194J is later reconciled against a Form 26AS credit reported by the deductor under Section 393 code 1027 in FY 2026-27, because the payment settled in early April 2026. The reconciliation appears to fail because the identifier is different, when in substance the tax has been correctly deducted and reported. **Prevention control.** A documented cross-era mapping table maintaining Section 194x-to-Section 393 code equivalents. **Detection control.** A cross-era residual schedule that carries every open FY 2025-26 line forward with a 31 March 2027 correction-window countdown.

Failure Mode 3 — TDS on GST-inclusive amount

The deductor's accounts-payable configuration keys the TDS base to the invoice-total column rather than the pre-GST value. TDS is deducted on the GST-inclusive amount contra CBDT Circular 23/2017. The deductor's remittance to TRACES is higher than the correct base times the code rate, and the deductee's Form 26AS reflects an over-credit. The failure is systematic across every invoice from that deductor. **Detection control.** A ratio test of TDS receivable to pre-GST invoiced revenue by vendor by quarter; a positive variance surfaces immediately.

Failure Mode 7 — Unaged unresolved bucket

Every quarterly reconciliation produces some unresolved variance — a Form 26AS entry the deductee cannot match to a receivable line, or a receivable line with no corresponding Form 26AS credit. If the analyst rolls the unresolved bucket forward without an aging discipline, the bucket compounds. The 180-day statutory audit trigger passes silently; the 31 March correction window closes on residuals that could have been fixed. **Detection control.** An aging queue on unresolved variances at 30/60/90/180 days with an escalation trigger fired to the group controller at 180 days.

Failure Mode 12 — Section 195 mis-tag

A foreign remittance under Section 195 (successor code 1057 in the Section 393 schedule for non-resident payments) is mis-tagged in the deductee's subledger to a resident code such as 1027. The reconciliation surface then defaults to Form 26AS (which sources from Form 26Q for residents) rather than Form 27Q for non-residents. The DTAA relief that would apply to the non-resident payment is claimed on the wrong surface and the deductee's Form 27Q reconciliation shows a missing line. **Detection control.** A resident-versus-non-resident scan at the vendor master.

Where manual TDS reconciliation tops out

A manual TDS receivable reconciliation team's scaling ceiling is the cross-product of three variables that the FY 2026-27 cross-era regime multiplies together: the number of open reconciliation surfaces (Form 26Q, Form 27Q, Form 27EQ, Form 168), the number of vendor and customer PANs generating TDS traffic, and the number of Section 393 four-digit codes in active use. When any two of these multiply — when the cross-era window opens and Form 168 layers on to the existing Form 26Q reconciliation, or when a large deductor rolls forward code changes across a vendor category without confirming — the individual entry throughput and the aging discipline both collapse in the same week. Once the firefighting-to-prevention ratio crosses half the analyst's day, unresolved variances start being accepted as unrecoverable. This is the point at which a continuously-refreshed detection layer, an automated aging queue with escalation triggers, and a cross-era residual schedule as a first-class output stop being nice-to-haves.

CHAPTER 8

GSTR-2B ITC — 14 Failure Modes

Section 16(4) of the CGST Act is the only provision in Indian indirect tax that permanently forfeits a legitimate credit with no rectification, no condonation, and no recovery mechanism. Every year on 30 November — the statutory deadline for claiming Input Tax Credit against an invoice from the preceding financial year — a slice of otherwise-valid ITC turns to ash on the balance sheet of enterprises that failed to reconcile GSTR-2B against their purchase register at invoice level. This is why GSTR-2B reconciliation carries the single highest severity of any reconciliation function on the Indian finance calendar, and why the ITC failure modes finance teams face on this stream deserve a first-principles process design.

SEVERITY 10 ANCHOR — SECTION 16(4), CGST ACT 2017

A registered person shall not be entitled to take ITC in respect of any invoice or debit note for supply of goods or services after the 30th day of November following the end of the financial year to which such invoice or debit note pertains, or furnishing of the relevant annual return, whichever is earlier. The Finance Act 2022 shifted the original 30 September deadline to 30 November and applied the extension retrospectively from 1 July 2017.

There is no rectification path, no condonation of delay, no revival mechanism.

The failure surface has widened over three regulatory cycles

January 2022 — Section 16(2)(aa) and Rule 36(4). The invoice must appear in GSTR-2B as a precondition for ITC and the ITC claimed in GSTR-3B cannot exceed the GSTR-2B amount. **January 2023** — Rule 37A introduced. A supplier's failure to file GSTR-3B by 30 September of the following FY forces the recipient to reverse the ITC by 30 November of that year. **August 2023** — Rule 88D and DRC-01C. Where the ITC availed in GSTR-3B for a period exceeds the ITC available in GSTR-2B by more than the prescribed threshold, an auto-generated intimation demands either payment (through DRC-03) or a reasoned reply. **October 2024** — Invoice Management System (IMS) live. Every inward document lands in the recipient's IMS dashboard as Pending until the recipient actions it as Accept, Reject, or Keep Pending. Only Accepted documents flow into GSTR-2B. The default at cycle-close is Accept.

#	Failure mode	Class	6P	S	O	D	A P
1	Supplier's GSTR-1 not filed for a March invoice by the 30 Nov cutoff	Partner	Partner	10	6	5	H
2	IMS action defaulted to Accept on a wrongly-issued invoice	Portal	Portal/Processes	9	5	6	H
3	IMS action taken as Reject on a legitimate invoice	Portal	People	10	4	6	H
4	Inbound invoice booked to a sibling entity in the group	Completeness	Policy/Processes	9	6	4	H
5	Rule 37 180-day non-payment reversal missed	Timing	Process	8	7	5	H
6	Rule 37A supplier-non-filing reversal missed	Partner	Partner/Processes	8	6	5	H
7	Section 17(5) blocked ITC claimed on motor vehicle repair	Policy	Policy/People	8	6	4	H
8	GSTR-2B pulled before supplier's late GSTR-1 filing lands	Timing	Period/Portal	7	8	4	H
9	Import IGST credit missed (Bill of Entry not reconciled into GSTR-2B)	Completeness	Portal/Processes	9	5	5	H
10	Credit note from supplier not tracked into ITC reversal	Aging	Process/Partner	7	6	5	M
11	Multi-GSTIN entity: ITC claimed in the wrong GSTIN	Classification	Policy/Processes	8	5	5	H
12	Rounding-difference reject on paise-level GSTR-2B match	Precision	Policy	4	8	3	L
13	B2C invoice reclassified as B2B by supplier — mismatch surfaces late	Classification	Partner/Period	6	5	6	M
14	Table 4 vs Table 6 GSTR-3B reconciliation not run	Matching	Process	6	7	5	M

Deep-dive on the Severity 10 rows

Failure Mode 1 — Supplier's GSTR-1 not filed by 30 November

The invoice never appears in the recipient's GSTR-2B, and the Section 16(2)(aa) precondition is not met. On 30 November of the following FY, the ITC is time-barred under Section 16(4) with no recovery mechanism. This is the anchor row on this stream. **Prevention control.** A vendor onboarding gate requiring GSTIN, filing frequency, and last-filed GSTR-1 date at PO issue time; a contractual clause tying payment to timely GSTR-1 filing; a quarterly supplier tax-compliance review. **Detection control.** A weekly supplier GSTR-1 filing watch keyed to every purchase register invoice, with an ageing band of 30/60/90/120 days-to-cutoff and a supplier follow-up cadence that escalates at 90 days — the at-risk ITC queue.

Failure Mode 3 — IMS wrong Reject on a legitimate invoice

A legitimate invoice from a recently-onboarded supplier is wrongly Rejected in IMS. The document is excluded from GSTR-2B and never enters the recipient's ITC surface. Because the Section 16(2)(aa) precondition is not met, and because the IMS Reject action is not automatically reversible after the cycle closes, the ITC is time-barred under Section 16(4) on 30 November of the following FY. **Prevention control.** A vendor whitelist gating IMS Reject actions — an IMS Reject on any document from a whitelisted supplier requires a second reviewer's approval and a supplier-side confirmation. **Detection control.** A monthly IMS Reject audit against the vendor master and the purchase register.

The at-risk ITC queue — the canonical High-AP detection control

The single detection control that catches the highest concentration of High Action Priority failure modes on the GSTR-2B stream — failure modes 1, 3, 5, 6, 8, 9, and 13 simultaneously — is the at-risk ITC queue. The queue is a rolling list of purchase register invoices where at least one applicable deadline is within the ageing window, sorted by earliest deadline and severity, with an escalation state per row. The applicable deadlines are the Section 16(4) 30 November cutoff, the Rule 37 180-day payment clock, the Rule 37A 30 September supplier-filing clock, the IMS action deadline, the Bill of Entry ICEGATE-to-GSTR-2B lag window, and the amendment-window ageing on any reclassified invoice. For an enterprise with fewer than 200 active suppliers and fewer than 3,000 purchase invoices per month, a manual detection layer — the queue rebuilt weekly in Excel or Google Sheets, walked by the assistant manager — is economically viable. Above roughly 200 active suppliers or 3,000 invoices per month, the manual detection layer stops being economically viable.

CHAPTER 9

GSTR-1 vs GSTR-3B — 12 Failure Modes

A DRC-01B intimation is not a compliance nuisance. It is the CBIC's automated reading of a reconciliation function that failed. Every DRC-01B ever served on a bona fide Indian enterprise reads exactly the same on the common portal — the tax payable in GSTR-1 for a tax period exceeds the tax paid through GSTR-3B for the same period, by more than the Rule 88C threshold, and the registered person has seven days to either pay the differential through DRC-03 with interest under Section 50, or reply in Part B of DRC-01B explaining the difference. The controller's team reads it as a portal alert. The controller reads it as a Severity 8 event on the reconciliation process design severity scale — the same tier as a CARO 2020 reportable observation, and a full statutory tier below the Section 39(9) amendment window lockout that would follow if the underlying difference is not repaired by 30 November of the following FY.

TWIN CLOCKS — SECTION 39(9) AND SECTION 34

Section 39(9): Rectification of a GSTR-3B return is permitted up to the earlier of 30 November following the end of the FY or furnishing of the annual return — a Severity 10 permanent lockout on the amendment right if missed. **Section 34:** A credit note issued by a supplier must be declared in the return for the month in which it is issued, but not later than the same 30 November deadline — a credit note reported after this window cannot be adjusted against outward tax liability.

#	Failure mode	Class	6P	S	O	D	A P
1	Invoice reported in GSTR-1 in tax period X, GSTR-3B liability booked in period Y	Timing	Period	8	8	5	H
2	Export invoice declared LUT-based in GSTR-1 but with-payment in GSTR-3B (or vice versa)	Classification	Policy	8	6	6	H
3	Credit note issued but not reported in GSTR-1 or GSTR-3B by the Section 34 deadline	Timing	Policy/Period	10	5	5	H
4	Amendment via Table 9A/9B/9C filed after the Section 39(9) 30 November window	Timing	Period	10	4	5	H
5	Section 51 TDS credit mis-treated in Table 6.2 (claimed twice or missed)	Classification	Policy/People	7	6	5	M
6	Place of supply misclassified — IGST charged where CGST+SGST applies (or reverse)	Classification	Policy/People	8	6	4	H
7	Advance received in one month with invoice raised in another	Timing	Cutoff	6	7	5	M
8	RCM inward supply reported in Table 3.1(d) but ITC never availed in Table 4(A)	Completeness	Process	7	6	6	M
9	E-invoice IRN generated on the IRP but invoice omitted from GSTR-1	Completeness	Process/Portal	9	5	5	H
10	B2B invoice mis-reported as B2C in GSTR-1 (recipient GSTIN blank or wrong)	Classification	People	9	6	5	H
11	Ineligible ITC under Section 17(5) not reversed in Table 4(B)	Policy	Policy	8	6	5	H
12	Reconciliation not run at all before GSTR-3B filing	Aging	Process	8	7	9	H

Deep-dive on Severity 10 rows

Failure Mode 3 — Section 34 credit note deadline missed

An illustrative commercial credit note is issued to a customer against an FY 2025-26 supply. The customer takes the credit against the receivable. The finance team, treating the credit note as a book adjustment, does not push it through GSTR-1 Table 9B in the same or a subsequent tax period, and does not reduce the outward liability in GSTR-3B Table 3.1(a). By 30 November 2026, the Section 34 window has closed. The credit note cannot be reported. The enterprise has borne the commercial cost of the credit but continues to owe the government the GST on the original invoice value. **Prevention control.** A credit note register that captures every commercial credit note the moment it is issued, with the mandatory GSTR-1 tax period tagged to it. **Detection control.** A monthly credit note register versus GSTR-1 Table 9B walk, with a days-to-30-November countdown per open row from May of the following FY onward.

Failure Mode 4 — Amendment filed after Section 39(9) window

An illustrative reconciliation exception surfaced in October 2026 on an FY 2025-26 invoice. The correct repair path is an amendment through GSTR-1 Table 9A/9B/9C together with a Section 39(9) rectification in the current-period GSTR-3B. If the amendment is filed on 5 December 2026 — after the 30 November deadline — the CBIC portal will accept the filing but the amendment carries no effect on the FY 2025-26 liability. The DRC-01B differential from the original period hardens into a Section 73 assessment order. **Prevention control.** A quarterly reconciliation exception review starting from July of the following FY. **Detection control.** An amendment queue with a hard cutoff at 15 November of the following FY.

PART III

Manual Detection and

The seven manual detection techniques an Indian finance team can run without software — ratio analysis, two-way and three-way tick-and-tie, exception aging with escalation, independent peer review, conservation checks, and reasonableness testing — paired with the seven prevention controls that reduce the failure rate at source: ERP field enforcement, cutoff calendars, sign-off matrices, approval hierarchies, training, vendor master discipline, and portal cadence.

CHAPTER 10

The Seven Manual Detection Techniques

Manual reconciliation is not one technique. It is a portfolio of seven — ratio analysis, two-way tick-and-tie, three-way tick-and-tie, exception aging with escalation, independent peer review with a written checklist, conservation checks, and reasonableness testing. Each covers a different class of failure modes, holds a different volume ceiling, and produces a different evidence artefact for a statutory auditor to test under Section 143(3)(i) of the Companies Act 2013. A finance team that runs only two of the seven has three or four failure classes that no detection control on its register catches — and the register itself, walked through the anchored SOD scale, names those uncovered rows as High Action Priority every quarter until the technique portfolio is completed.

#	Technique	Failure classes caught	Volume ceiling
1	Ratio analysis	Classification, completeness, portal drift	~10,000 transactions/month (aggregate) — investigation queue exceeds reviewer capacity above
2	Two-way tick-and-tie	Completeness, matching, partner-identifier	~2,000 transactions/month/stream — Detection drops from D5 to D7 above
3	Three-way tick-and-tie	ITC misclassification, IMS action, portal-side omission	~1,500 line items/month/GSTIN — a 4-GSTIN group at 1,000 each is already at 4,000 across the group
4	Exception aging with escalation	Aging, cutoff	~500 open items — daily and weekly review cadence exceeds single reviewer capacity above
5	Independent peer review with SA 315-style checklist	Policy consistency	~1 full close cycle/month/stream — the walk is compressed
6	Conservation checks (SGST+CGST=IGST; Debit=Credit; Rule 42/43 identity)	Structural — place-of-supply misclassification, entry errors, apportionment	Scale-free on arithmetic
7	Reasonableness testing anchored to materiality	Precision, evidence — outliers below the materiality floor	Scale-free but false-positive-prone at high volume without anchor

Worked case — the systemic Section 194J rate-band misapplication

An illustrative Rs 240 crore Indian IT services enterprise runs a Section 194J TDS ledger with roughly 480 professional-services vendor payments per month. The two-way tick-and-tie technique reconciles every challan to the ledger row and every ledger row to Form 168, and the reviewer signs off on the reconciliation at Detection 5 on the anchored SOD scale. In Q2 FY 2026-27, a batch of 120 technical-services vendor invoices totalling Rs 3.4 crore is booked at the ten percent professional-services rate under Section 194J payment code 1005 instead of the correct two percent technical-services rate under the same code. The two-way tick-and-tie confirms every challan matches its ledger row (same amount, same code, same vendor) and produces a clean tie-out. No exception surfaces. The TDS-payable-to-purchase ratio for the quarter walks from a prior-quarter value of 6.7 percent to a current-quarter value of 8.9 percent — a 2.2-percentage-point drift on a stream where the historical band is plus-or-minus one percentage point. The ratio-analysis technique surfaces the drift as a High-priority variance investigation. The Section 200A short-deduction exposure of roughly Rs 27 lakh plus Section 201(1A) interest at 1 percent per month is caught before quarterly filing under Rule 31A. Only the ratio-analysis overlay surfaces the aggregate drift;

the two-way match alone under-detects rate-band misapplication.

Worked case — the Section 16(4) exposure the aging queue catches

An illustrative pharmaceutical distributor with a Rs 300 crore annual GST-eligible purchase base runs a monthly GSTR-2B reconciliation using the three-way tick-and-tie against 220 suppliers and roughly 3,800 inbound invoices per month. Three suppliers — carrying an aggregate ITC of Rs 4.7 lakh per month — have filed no GSTR-1 for four consecutive months and their invoices sit in the purchase register with no GSTR-2B match. The exception aging queue with escalation puts the 12 exception rows into the 0-60 day bucket at first surfacing. In month three, they cross into the 61 to 120 day bucket and the controller opens a written follow-up log. In month five, they cross into the 121 to 180 day bucket and the CFO escalates personally. In October, the remaining 8 rows carrying Rs 3.1 lakh of ITC cross into the 180-plus day bucket. The October audit committee walks the rows to a Section 16(4) decision, decides to reverse Rs 2.4 lakh of the ITC in the November GSTR-3B ahead of the 30 November cutoff, and pursues the residual through a formal supplier demand. Without the aging queue's 180-plus day escalation, the rows would have sat on the open-items list until the 30 November cutoff and crossed into permanent Section 16(4) loss.

Worked case — the SGST+CGST=IGST conservation check

An illustrative Indian manufacturer with a Rs 180 crore annual outward-supply base runs a monthly GSTR-1 reconciliation. In August 2026 one batch of Rs 4.2 crore of supply to a project site in an adjacent state has been mis-classified as intra-state and the SGST-CGST split has been recorded at 9-percent-each even though the destination-state address on the invoice is a different state code. The aggregate conservation check passes because the arithmetic holds (Rs 37.8 lakh SGST plus Rs 37.8 lakh CGST equals Rs 75.6 lakh IGST at 18 percent). But a per-invoice conservation check keyed to the destination-state code flags the batch: the destination-state code does not match the source-state code, so the intra-state classification is invalid. Without the per-invoice conservation check, the misclassification would have flowed into GSTR-1 and a subsequent Rule 88C DRC-01B mismatch would have surfaced it only after the seven-day reply window was served.

CHAPTER 11

The Seven Prevention Controls

A detection control catches a reconciliation failure after it has happened; a prevention control stops the failure from happening in the first place. Indian finance teams typically invest heavily in detection: monthly tick-and-tie, quarterly peer review, year-end statutory audit. The prevention layer is usually informal, undocumented, or absent, and the failure pattern shows up on every quarterly walkthrough. A Section 206AA missing-PAN higher-rate deduction fires because vendor onboarding did not validate PAN. A Rule 36(4) ITC mismatch fires because a supplier's GSTIN status was not re-checked mid-year. A DRC-01B seven-day reply window slips because the notice landed in a general inbox and burned five of the seven days on internal routing. A Section 16(4) permanent ITC loss lands because the supplier follow-up cadence was informal. In every case the prevention layer was undesigned, so the detection layer had to carry the entire weight of the control — and the detection layer alone cannot carry a Severity 9 or 10 exposure.

#	Prevention control	Failure class addressed	Statutory anchor
1	ERP field-level enforcement — GSTIN, PAN, HSN, SAC, Section 393 payment code as mandatory fields with hard validation gates	Master-data errors — Rule 36(4) mismatches, Section 206AA higher-rate exposures, Section 194Q trigger misses, cross-era code confusion	Section 206AA, Rule 36(4), Section 194Q code 1031
2	Cut-off calendars on a 20-day cadence — days 1-5 bank recon; 6-10 TDS inputs; 11-15 GSTR-2B; 16-20 GSTR-1/3B	Period-drift errors that trigger DRC-01B intimations under Rule 88C	Section 39(9), Rule 88C
3	Sign-off matrix — three-tier illustrative bands at Rs 5 lakh (controller), Rs 25 lakh (CFO), Rs 1 crore (audit committee)	Unauthorised close where a material variance is accepted-and-cleared by preparer alone — an ICFR material weakness observation	Section 143(3)(i), Section 128(5) (seven-year retention)
4	Approval hierarchy for statutory filings and payments — three-tier bands aligned to sign-off matrix on GSTR-3B, Form 26Q/27Q, DRC-03	Filing and payment errors that fire because preparer submitted directly without a review layer	Section 143(3)(i)
5	Quarterly training with signed acknowledgement — keyed to the regulatory calendar (Section 393 payment codes, Form 168 quarterly cadence, IMS action window)	Knowledge-gap errors when analysts run against a stale mental model	Section 128(5) retention
6	Vendor master data discipline with quarterly re-validation — GSTN and TRACES lookups against the enterprise's vendor master	Supplier-state drift — Rule 37A cascading ITC reversals when a supplier's GSTIN moves from Active to Cancelled mid-year	Section 206AA, Rule 36(4), Rule 37A
7	Portal cadence discipline — TRACES on the 7th, Form 168 quarterly, IMS action within 15 days of GSTR-2B availability, DRC-01B 24-hour internal triage	Portal-timing errors that convert a reconciliation window into a panic reply	Rule 88C 7-day reply, Section 16(4), IMS default-accept

Worked case — the missing PAN that would not have been created

An illustrative mid-market Indian manufacturer onboards 47 new vendors in Q2 FY 2026-27. The onboarding workflow runs through the ERP with the field-level enforcement layer switched on — PAN mandatory, GSTIN mandatory, supply type mandatory, applicable Section indicator mandatory. Three vendors submit incomplete onboarding forms without PAN. The ERP validation gate blocks the vendor master creation, the onboarding owner escalates, and the three vendors are asked to submit PAN before their purchase orders can be raised. Under a hypothetical no-prevention baseline, the three vendors would have been onboarded with PAN blank, the first invoice from each would have been booked, and Section 206AA would have fired at the higher of the applicable Section rate or 20 percent on the TDS deduction. On aggregate Rs 18 lakh of first-quarter deductions, the higher-rate deduction produces an over-withholding of approximately Rs 3.6 lakh plus the compliance overhead of Form 26Q correction filings. The prevention control paid for itself on the first invoice that would have been booked without a PAN.

Worked case — the DRC-01B that had time to be worked

An illustrative pharmaceutical distributor's GSTR-1 for month M reports Rs 47.3 lakh liability; GSTR-3B pays Rs 44.9 lakh, a difference of Rs 2.4 lakh driven by a credit note that was issued in GSTR-1 in month M but should have been reflected in GSTR-3B in month M+1. The DRC-01B intimation lands on day 3 of month M+2 with a 7-day reply window under Rule 88C. Under the 24-hour triage SLA, the notice is acknowledged within 3 hours, the working paper is opened on day 3, the credit note driving the flagged difference is isolated on day 4, and the reply is routed through the sign-off matrix on day 5. The reply is filed on day 6, one clear working day inside the 7-day window. Under a no-triage baseline where the notice sits in a general inbox until day 5, the work is compressed into two panic days and the reply either goes in late or goes in incomplete.

PART IV

When Manual Outgrows Itself

A 14-row failure mode comparison between manual and continuous detection layers, the five quantified thresholds that mark where the manual layer stops being economically viable, and the portfolio-scale extension for a CA firm running reconciliation for 50-plus enterprise clients.

CHAPTER 12

Manual vs Automated — A Failure Mode Comparison

The wrong way to compare manual and automated reconciliation is to compare features. A feature comparison lists what each layer can do — export to Excel, connect to the bank, run a matching mode, produce an aging report — and the reviewer picks the checklist with the most ticks. This framing loses the point of a reconciliation function. The point is not to run a report. The point is to catch a specific class of failure before it reaches the tax authority, the counterparty, or the auditor. The right comparison is a failure mode comparison, published as a 14-row walk with the Severity anchor drawn from Indian statute and the manual detection technique paired with its volume ceiling.

Failure class	Sev.	Manual technique	Manual ceiling	Verdict
1. Rule 36(4) unsupported ITC availment	8	Three-way tick-and-tie	~1,500 lines/month/GSTIN	Manual adequate below; software above
2. Section 16(4) 30 November time-bar aging	10	Exception aging queue with escalation	~500 open items, ~200 vendors	Software above ceiling — AP forbids acceptance
3. TDS rate-band misapplication (code 1005)	9	Ratio analysis + section-wise split	~500 vendor payments/month	Software above — two-way match under-detects
4. TDS PAN mismatch under Section 206AA	9	Two-way tick-and-tie	~2,000 rows/month	Software above ceiling
5. Cross-era TDS payment-code mapping	9	Two-key match across FY windows	~3,000 line items/FY	Software above ceiling
6. NACH batch return-code cascade	8-9	Two-way tick against mandate register	~500 mandates/month	Software above ceiling
7. GSTR-1 vs GSTR-3B Table 3.1 tolerance	8	Conservation check + reasonableness	~4,000 outward invoices/month/GSTIN	Manual adequate below; software above
8. Intercompany credit in wrong entity	8	Peer review with SA 315 checklist	~8 subsidiary entities	Manual adequate below
9. Rule 42/43 common credit apportionment	7	Conservation check + monthly ratio	Context-dependent	Manual adequate for most
10. Section 43B(h) MSME payment cutoff	7	Aging queue with 45-day trigger	~800 MSME lines/month	Manual adequate below
11. Bank narration and MT940 completeness	6-7	Two-way tick-and-tie + ratio overlay	~2,000 bank txns/month/account	Manual adequate below
12. Invoice-to-bank aging (60-plus days)	6	Exception aging queue	~500 open items	Manual adequate below
13. Precision, rounding, SGST/CGST split	4-5	Conservation check (formula-based)	Scale-free	Manual permanently adequate
14. Petty variance below Rs 5,000 floor	3	Materiality auto-clear	Scale-free	Manual permanently adequate

Two classes stay manual permanently — the Rs 5,000-and-below petty variance where materiality auto-clears the row, and the conservation-check class where the SGST+CGST=IGST identity computes in constant time regardless of transaction volume. Three classes cross to software the moment the enterprise

crosses the ceiling and stay there: the Section 16(4) at-risk ITC queue past 200 vendors, the cross-era TDS payment-code mapping past 3,000 receivable line items, and the NACH batch return-code cascade past 500 mandate volumes per month. The nine classes in between are context-dependent — an SME with 40 vendors and 1,200 monthly invoices runs the whole register manually and passes ICAI SA 315 testing on the strength of the peer review technique alone, while a mid-market enterprise with 300 vendors and 8,000 monthly invoices carries the same nine classes on software because the manual ceiling is crossed on every one. The register is the arbiter, not the vendor pitch.

CHAPTER 13

The Five Quantified Thresholds

Manual reconciliation is not judged against a features list. It is judged against the failure mode analysis a finance team publishes for its own streams. A manual layer that runs every feature — extract, match, classify, escalate, sign off — but that cannot economically produce the specific detection control the analysis names on a High Action Priority row is not adequate; it is running as designed on a design that cannot close the exposure the register names. Five quantified thresholds mark the boundary.

#	Threshold	Statutory anchor	Detection control that becomes uneconomic
1	200 vendors on the GST-eligible purchase base	Section 16(4) 30 November permanent ITC loss	Per-vendor three-way match keyed to each vendor's GSTR-1 filing status, refreshed daily during October and November
2	10,000 transactions per month on invoice-to-bank	CARO 2020 Clause 3(ii)(b) bank reconciliation observation	Full-population two-way tick-and-tie; sampled walk misses systematic MDR pass-through and platform-settlement variance
3	3,000 receivable line items on cross-era TDS	Section 200A short-deduction demand with Section 201(1A) interest	Two-key mapping utility per row (legacy Section 194x identifier first, Section 393 code second) across three financial years
4	5-plus GSTINs on the GSTR-1 versus GSTR-3B stream	Rule 88C DRC-01B 7-day reply window	Per-GSTIN full-population three-way match sustaining a 20th-day-of-month GSTR-3B deadline consistently
5	500 NACH mandates per month on batch disaggregation	Section 197-analogue hearing window on contested returns	Per-return-code decode against the mandate register within the sponsor bank's hearing window

The board-justification frame

The frame is not a software procurement request. The frame is a control-design decision the audit committee must make when the enterprise crosses a threshold on one or more streams. The three sentences the finance team carries to the audit committee are: (a) our own reconciliation failure mode analysis names three Severity 9 or 10 failure modes on the current register; (b) the Action Priority table forbids us from accepting Severity 9 or 10 rows as residual risk, and the manual detection control the analysis names on each row cannot economically be run at our current transaction volume because we have crossed the 200-vendor Section 16(4) threshold, the 3,000-line-item cross-era TDS threshold, and the 5-plus-GSTIN Table 3.1 threshold in the same close cycle; (c) the audit committee must either approve the installation of a continuous detection layer that can run the control the analysis demands, or formally accept the residual exposure with a written rationale that will land in the Section 143(3)(i) ICFR design-evidence file at year-end.

Worked case — three thresholds crossed simultaneously

An illustrative Rs 480 crore Indian consumer electronics distributor operates across 6 GSTINs with a 240-vendor GST-eligible purchase base, roughly 3,400 quarterly TDS receivable line items straddling FY 2025-26 and FY 2026-27, and an invoice-to-bank stream carrying 11,800 monthly transactions. In FY 2026-27 Q2 the enterprise crosses three thresholds simultaneously. The threshold-crossing memo carries three failure modes at High Action Priority: the Section 16(4) at-risk ITC row on the 240-vendor watchlist carries a Q2 residual exposure of Rs 18.7 lakh; the Table 3.1 declared-liability reconciliation carries a compounded aggregate exposure of Rs 42 lakh across the 6 GSTINs; the invoice-to-bank pass-through

carries a systematic RTGS-fee variance of roughly Rs 4.7 lakh per month that the sampled walk did not surface. The audit committee installs a continuous detection layer keyed to the three threshold-crossings, to run in parallel with the manual layer through Q3, and formally re-scopes the manual layer's role to design authority and audit-committee escalation on the High Action Priority rows the continuous layer surfaces.

CHAPTER 14

Portfolio-Scale Process Design for CA Firms

An illustrative Indian CA firm running the monthly reconciliation cycle for 60 enterprise clients faces a scoping problem the enterprise-side reconciliation methodology, on its own, does not answer. The enterprise-side method — one failure mode analysis per stream, one control plan per stream, one anchored Severity, Occurrence, and Detection rating per row — assumes one entity, one CFO, one audit committee, one statutory auditor. The firm has 60. Each client's reconciliation working papers must survive the client's own statutory audit. And the firm's own working papers, taken together, must survive the peer review that the ICAI Peer Review Board Guidelines revised in 2019 mandate once every three years across every practice unit rendering assurance services.

ILLUSTRATIVE CA FIRM PROFILE

60-client mid-tier firm with 8 partners, 24 managers, 60 seniors, and 120 associates. Illustrative Rs 45,000 per client onboarding fee and Rs 12,000 per client monthly recurring retainer.

The portfolio-scale template — standard tab + per-client overlay

The standard tab of the portfolio-scale template carries the 12-class failure mode taxonomy plus two additional CA-firm-specific classes for engagement-scoping and cross-client-privilege. It also carries the anchored SOD scale, the Action Priority table, and the 6P cause taxonomy. The standard tab does not change from client to client. The per-client overlay tab carries the client's industry preset, GST registration footprint, TDS deductor and deductee mix, bank-account inventory, engagement scope, listed-entity or SME classification, and the specific reconciliation streams the engagement covers. A firm running 60 engagements maintains 1 standard tab and 60 overlay tabs.

Role allocation — ICAI four-tier structure mapped to Severity bands

Role	Severity band	Responsibility
Partner	S9 or S10	Sign off on Section 16(4) permanent ITC loss, Section 200A demand with Section 201(1A) interest, Section 40(a)(ia) expenditure disallowance, ICAI SA 240 fraud-risk on listed-entity clients
Manager	S6, S7 or S8	Review DRC-01B intimation under Rule 88C (seven-day reply), Section 43B(h) MSME year-end disallowance, CARO 2020 material weakness observation; run SA 315 risk assessment at engagement onboarding
Senior	S3, S4 or S5	Operate the reconciliation on ledger-level exceptions, timing differences, currency-restatement variances under Ind AS 21, precision-band variances
Associate	S1 or S2	Operate the reconciliation on presentation errors, cosmetic differences within CBIC-permissible rounding tolerance, formatting variances

The role-Severity mapping is not a suggestion. It is a design property of the control plan, enforced by the firm's practice management system's access control — an associate cannot sign off on a Severity 9 row because the system does not present the sign-off action at that role. The peer reviewer walks the mapping as part of the design-side evidence base under the ICAI Peer Review Board Guidelines 2019.

Listed-entity Severity+1 overlay

An SME client on the firm's book uses the standard Severity anchored to the Section 143(3)(i) ICFR baseline. A listed-entity client carries an additional Severity+1 overlay on the streams where the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, the Ind AS 24 related-party disclosures, and the ICAI SA 240 fraud-risk assessment raise the reputational or regulatory-consequence profile. A CARO 2020 Clause 3(ii)(b) material weakness observation on an SME client anchors at Severity 8. The same observation on a listed entity re-anchors at Severity 9 because the material weakness on a listed entity feeds the SEBI LODR corporate governance disclosure regime and the audit committee's independent director scrutiny. Related-party intercompany reconciliation on a listed entity carries a Severity anchor of 9 (Ind AS 24 disclosure gap under SEBI LODR Regulation 23) versus a Severity anchor of 7 on an SME.

When the white-label reconciliation platform enters the stack

The transition point is the point at which the firm's own control plan template surfaces a High Action Priority row on multiple client engagements simultaneously and the manual layer cannot economically produce the detection control the control plan demands across the book. The three canonical transition triggers are: the Section 16(4) at-risk supplier queue on more than 15 concurrent engagements each with more than 100 GST-eligible vendors; the Section 200A payment-code aggregation queue on more than 20 concurrent engagements each with more than 50 deductors; and the DRC-01B pre-check under Rule 88C on more than 25 concurrent engagements each with more than 3 GSTIN registrations. Beyond these bands, the firm's role-Severity mapping breaks under aggregate load — not because any individual engagement fails, but because the aggregate senior-team review cadence across the book exceeds what the illustrative 60-senior bench can sustain within the monthly close cycle.

PART V

The Working Artefacts

The one-page reconciliation control plan template — nine columns from function to evidence, with worked one-page examples for each of the four core Indian reconciliation streams.

CHAPTER 15

The One-Page Reconciliation Control Plan Template

A statutory auditor at year-end asks an illustrative mid-market Indian controller for the written control document that governs the company's GSTR-2B input tax credit reconciliation. The controller produces a fifteen-page Standard Operating Procedure and a monthly checklist. The auditor asks a second question: which specific control catches a supplier who files GSTR-1 in the fifth month after invoice date, past the Section 16(4) 30 November cut-off, and how is the exposure aged before the deadline? The SOP describes the reconciliation steps. The checklist confirms the steps ran. Neither document answers the question. This is the failure the reconciliation control plan template is designed to close — a one-page document per stream that names every failure mode, ranks each by its Indian tax and audit consequence, and pins a specific prevention and detection control to every High Action Priority row.

The nine working columns

#	Column	Content
1	Function	The exact reconciliation output the control plan governs. One control plan governs one function.
2	Failure mode	The specific way the function can produce a wrong or incomplete result. Every function has 10-14 failure modes drawn from the twelve-class taxonomy.
3	Cause (6P)	People, Policy, Process, Portal, Period, or Partner — the finance-team replacement for Ishikawa 4M/6M.
4-6	Severity / Occurrence / Detection	Three ratings on the 1-10 anchored scales. Severity is anchored to Indian consequences; Occurrence is rated against current prevention; Detection against current detection.
7	Action Priority	The Severity-first lookup — High, Medium, or Low. Any Severity 9 or 10 row is High regardless.
8	Prevention control	The written or system-enforced rule that reduces the likelihood of the cause.
9	Detection control	The technique that catches the failure after it happens but before it reaches the counterparty, tax authority, or auditor.
10-12	Owner / cadence / evidence	Named person, cadence (transactional/daily/monthly/quarterly), and evidence artefact retained for seven years under Section 128(5).

Filled example 1 — Invoice to Bank Statement

Failure mode	6P	S	O	D	AP	Class
Multi-invoice bank credit assigned to wrong customer	Process	8	6	7	H	Matching
Bank charges (RTGS/NEFT fee) not booked in period	Precision	6	8	6	M	Precision

Row 1 details

Prevention control	Bank narration parsing rule published; UTR-to-invoice mapping table maintained
Detection control	Two-way tick-and-tie by peer on any credit above materiality; residual variance queue reviewed weekly
Owner · Cadence	AR analyst; peer: senior AR · Transactional; peer weekly
Evidence	Signed working paper with UTR list, narration extract, matched invoice numbers

Row 2 details

Prevention control	ERP fee ledger auto-posted from bank statement upload; charge codes mapped
Detection control	Ratio test — bank charges as percentage of gross credits, trended monthly
Owner · Cadence	AR analyst · Monthly
Evidence	Bank charge summary reconciled to fee ledger with variance note

Filled example 2 — TDS against Form 26AS / Form 168

Failure mode	6P	S	O	D	AP	Class
Cross-era code confusion — deductor filed under legacy 194x but transaction is new-era Section 393	Period	9	7	7	H	Timing
TDS deducted on GST-inclusive amount contra CBDT Circular 23/2017	Policy	9	5	6	H	Precision

Row 1 details

Prevention control	Cross-era mapping table maintained in a single document, reviewed monthly; both section code and payment code carried in the ledger for FY 2026-27 and FY 2027-28
Detection control	Two-key match — try legacy code first, then new code; residuals reviewed by tax manager
Owner · Cadence	Tax manager · Quarterly
Evidence	Match report with both keys, residual note

Row 2 details

Prevention control	ERP field for TDS base is a computed formula (Invoice value minus GST); no manual override permitted
Detection control	Sample-based tick-and-tie by peer; ratio test on total TDS receivable to net invoiced revenue, trended quarter-on-quarter
Owner · Cadence	Tax analyst; peer: tax manager · Quarterly
Evidence	Signed reconciliation with rate applied per line

Filled example 3 — GSTR-1 versus GSTR-3B

Failure mode	6P	S	O	D	AP	Class
Invoice reported in GSTR-1 in one month and paid in GSTR-3B in a later month — DRC-01B trigger	Period	8	7	6	H	Timing
Credit note issued in GSTR-1 in the current month, but corresponding reduction in output tax not reflected in GSTR-3B liability	Precision	7	6	6	M	Precision

Row 1 details

Prevention control	Monthly output tax liability workbook that reconciles GSTR-1 declared to GSTR-3B paid before filing GSTR-3B; period-lock discipline on invoice booking
Detection control	Peer review before GSTR-3B filing; DRC-01B pre-check tool run at day 22 of the return month
Owner · Cadence	Indirect tax analyst; peer: indirect tax manager · Monthly
Evidence	Pre-file reconciliation with GSTIN-wise variance schedule

Row 2 details

Prevention control	Credit note register kept parallel to GSTR-1 preparation; credit note ID matched to original invoice ID
Detection control	Ratio test — credit note value as percentage of gross output tax, trended monthly
Owner · Cadence	Indirect tax analyst · Monthly
Evidence	Credit note schedule cross-referenced to GSTR-3B Table 3.1(a) working

Filled example 4 — GSTR-2B input tax credit

Failure mode	6P	S	O	D	AP	Class
Supplier's GSTR-1 not filed by 30 November — Section 16(4) permanent ITC loss	Partner	10	6	8	H	Partner
ITC on blocked expense under Section 17(5) claimed in GSTR-3B by mistake — DRC-01C trigger	Policy	8	5	6	H	Policy

Row 1 details

Prevention control	Vendor master flagged with GSTR-1 filing history and default rate; onboarding due-diligence rule for high-value vendors
Detection control	At-risk ITC aging queue keyed to each vendor's GSTR-1 filing status, refreshed daily, prioritised by days remaining to 30 November; escalation to vendor key account manager at 30, 60, and 90 days out
Owner · Cadence	Indirect tax analyst; escalation: controller · Daily during Oct-Nov; weekly otherwise
Evidence	Aging report with vendor name, GSTIN, invoice value, days remaining

Row 2 details

Prevention control	Chart of accounts flagged with Section 17(5) block indicator on the ledger; ERP posting rule prevents ITC claim on blocked GLs
Detection control	Peer review of Section 17(5) exception register; monthly reconciliation of blocked-ITC ledger to zero-claim assertion in GSTR-3B
Owner · Cadence	Indirect tax analyst; peer: indirect tax manager · Monthly
Evidence	Section 17(5) exception register with sign-off

How the control plan feeds the statutory audit checklist

The statutory audit checklist is the operating-effectiveness testing document the auditor works through during the year-end audit. Every High Action Priority row in the control plan translates to a testable control on the checklist. The auditor requests sample evidence — the specific artefacts the control plan's Evidence column names — and re-performs the detection control on a sample basis. Where the reconciliation control plan says the at-risk ITC aging queue is reviewed daily during October and November, the auditor samples the queue on two dates from October, one date from mid-November, and one date immediately before the 30 November cut-off, and traces each sampled item to the aging report, the vendor-side communication log, and the ultimate credit outcome. CARO 2020 Clause 3(ii)(b) on the quarterly bank statements filed with lenders reads directly against the invoice-to-bank control plan and its documented residual variance.

How the control plan feeds the ICFR test plan

The ICFR test plan under Section 143(3)(i) of the Companies Act 2013 walks the same rows on a walk-through-and-test-of-controls basis at interim, then re-tests at year-end. The ICFR reviewer does not re-perform every reconciliation — they test that the prevention control operates as designed and that the

detection control catches a seeded exception. A prevention control of type "ERP field for TDS base is a computed formula with no manual override" is tested by attempting to book a manual override and confirming the ERP rejects it. A detection control of type "aging queue with 30-60-90 day review and escalation" is tested by reading two months of the review log and confirming that any item that crossed 90 days was escalated to a named person, that the escalation was actioned, and that the outcome is recorded.

APPENDICES

Reference Cards and

The SOD anchor reference cards for pull-out use during a register walk, the 12-class taxonomy summary, the companion worksheet, and the Terra Insight product bridge.

CHAPTER A

SOD Anchor Reference Cards

Pull-out reference format — each of the three anchor tables on its own page for use during a live register walk. Every rating maps to a specific Indian statutory anchor, a specific frequency band, or a specific empirical catch-rate.

Severity anchor card

Rating	Anchor	Illustrative Rs consequence
10	Section 16(4) permanent ITC loss on 30 November	Rs 8 lakh compounded across 68-month supplier default cycle (illustrative)
10	Section 40(a)(ia) 30% expenditure disallowance	Rs 12 lakh on a Rs 40 lakh disallowed expense (illustrative)
10	Section 74 fraudulent-ITC recovery with equivalent penalty	Rs 2.8 lakh ITC + 18% interest + up to 100% penalty (illustrative)
9	Section 200A demand with Section 201(1A) interest (1% for short-deduction, 1.5% for short-payment)	Rs 27 lakh Section 200A short-deduction + Rs 4.7 lakh Section 201(1A) interest (illustrative)
9	Section 195 non-resident payment mis-tag	Rs 4.7 lakh demand plus DTAA relief mis-claim (illustrative)
9	Section 143(1) intimation adjustment on TDS under-credit	Cascading Section 234B / 234C interest on the deductee side
8	Rule 88C DRC-01B intimation on GSTR-1 vs GSTR-3B	Rs 2.4 lakh differential with 7-day reply window (illustrative)
8	Rule 88D DRC-01C intimation on GSTR-2B vs GSTR-3B	Excess ITC with 18% Section 50 interest
8	CARO 2020 material weakness on internal financial controls	Audit report qualification; audit committee escalation
7	Section 43B(h) MSME year-end disallowance (15/45-day cutoff)	Taxable income adjustment for FY-end unpaid MSME
7	Section 194Q buyer TDS obligation missed above Rs 50 lakh	Both-side exposure — deductor short-deduction and deductee under-credit
6	CARO 2020 Clause 3(ii)(b) management-letter observation	Auditor observation without qualification
6	Section 39(9) time-barred GST amendment beyond 30 November	Permanent lockout on amendment
5	Section 201(1A) TDS interest not disputed; working-capital drag	Ledger-level exception distorting monthly reporting
4	Ind AS 21 forex restatement on monetary items	Presentation adjustment — not a loss
3	Petty variance below enterprise materiality floor	Rs 4,900 auto-cleared (illustrative)

Occurrence anchor card

Rating	Frequency band	Practical interpretation
10	More than 100 incidents per 1,000 transactions	Happens on the majority of transactions; no prevention control in place
9	50 to 100 per 1,000	Known to the team as routine; escalated verbally but not systematically prevented
8	25 to 50 per 1,000	Once a month or more frequently on a moderate-volume stream
7	10 to 25 per 1,000	Reproducible under known conditions (specific counterparty, bank format, portal state)
6	5 to 10 per 1,000	Once a quarter on a typical-volume stream
5	5 to 25 per 1,000 conditional	Base rate for a stream where the analyst has personally seen the failure mode
4	1 to 5 per 1,000	Once a year or less; at least one documented instance
3	Under 1 per 1,000	Prevented by a written policy or documented cadence
2	Under 1 per 10,000	Prevented by a system-enforced rule (ERP validation gate)
1	Under 1 per 10,000 with hard constraint	Impossible under current process design

Detection anchor card

Rating	Control layer	Catch-rate
10	No detection control	Below 30% — failure only surfaces on notice/complaint
9	Preparer self-review; no second pair of eyes	30-40% — catches obvious errors, no framework for subtle ones
8	Preparer plus rubber-stamp reviewer with no checklist	40-55% — reviewer signs off on batches, not items
7	Independent peer review sampled 10-20%	55-65% — sampling catches routine failures, misses low-frequency patterns
6	Independent peer review sampled 30-50% with checklist	65-75% — the checklist catches structural failure modes
5	Manual sample-based tick-and-tie at year-end plus ratio test	60-75% — ratio test catches aggregate drift
4	Multi-layer: sampled peer + ratio test + aging queue	75-85% — aging queue closes cross-cycle gap
3	Multi-layer at full population + automated portal-side match + aging with escalation	85-95% — catches high-volume failure modes at population scale
2	Continuous detection at ingestion with automated escalation	95-99% — every incoming document reviewed against every dimension
1	System-enforced constraint (ERP validation gate)	99%+ — failure cannot enter the system

CHAPTER B

12-Class Function-Level Taxonomy Reference Card

#	Class	One-line description
1	Data extraction	Wrong period, wrong entity, wrong reporting basis, portal report pulled before source system settles, PDF instead of structured export
2	Data classification	TDS section applied at wrong rate, GST-inclusive base, place of supply misdetermined, B2B mis-reported as B2C
3	Data completeness	Missing invoices, missing challans, missing return leg for a reversal, missing forex remittance, missing intercompany elimination
4	Matching logic	Match tolerance too wide or too tight, rounding not accepted, PAN partial match, date window off by one, tie-breaker undefined
5	Timing and period	Cross-era mapping (Section 194x to Section 393), accrual in wrong period, supplier GSTR-1 past Section 16(4) cutoff, bank holiday
6	Counterparty / partner	Supplier GSTR-1 not filed, deductor Form 168 not updated, TPA new file format, bank MT940 narration change, aggregator GSTR-8 delayed
7	Precision and numeric	Rounding direction wrong, currency at wrong date, TDS on gross vs net, retention on wrong invoice value, interest date off by one
8	Policy and interpretation	Manpower under technical services code, foreign OTA without RCM, Section 17(5) blocked ITC claimed, TCS not tracked per PAN
9	Aging and escalation	Exception not aged, aging queue not reviewed, no escalation rule, escalation to wrong person, aged write-off without root cause
10	Cutoff and sign-off	Bank cutoff crossed, close signed before Q4 challan confirmed, GSTR-3B before GSTR-2B stable, annual return before Section 16(4) audit trail closed
11	Documentation and evidence	No source-file archive, screenshot instead of API evidence, evidence dated before reconciliation ran, evidence not linked to exception
12	Portal and system	TRACES down, GSTN maintenance, ERP timezone off, NACH gateway delay, IMS auto-lock fired before action taken

WALKTHROUGH DISCIPLINE

Every reconciliation function receives at least one failure mode from every class that could apply. Classes that do not apply are documented with a one-line rationale — the walkthrough itself becomes the evidence that the class was considered.

CHAPTER C

Downloadable Companion: Reconciliation Process Design Worksheet

The companion worksheet at www.terra-insight.com/tools/reconciliation-process-design-worksheet/ is the interactive version of the nine-column control plan template. The twelve-class failure mode taxonomy is pre-populated in a dropdown, the Action Priority lookup is a formula that reads Severity, Occurrence, and Detection and returns High, Medium, or Low with Severity dominance built in, and four blank stream tabs — invoice-to-bank, TDS, GSTR-1 vs GSTR-3B, and GSTR-2B — are ready to fill. The tool produces a printable one-page-per-stream output that goes straight into the reconciliation binder or the internal audit workpaper.

What the worksheet includes

Feature	Description
12-class dropdown	Pre-populated failure mode class for every row
6P cause dropdown	People, Policy, Process, Portal, Period, Partner
Severity anchor dropdown	Each rating 1-10 tied to its Indian statutory anchor from Appendix A
Occurrence dropdown	Each rating tied to its frequency band (per 1,000 transactions)
Detection dropdown	Each rating tied to its empirical catch-rate band
Action Priority formula	Reads Severity, Occurrence, Detection and returns High, Medium, Low with Severity dominance built in
Prevention control library	Pre-populated dropdown of the seven prevention controls from Chapter 11
Detection control library	Pre-populated dropdown of the seven manual detection techniques from Chapter 10
Four stream tabs	Invoice-to-bank, TDS against Form 26AS/Form 168, GSTR-1 vs GSTR-3B, GSTR-2B ITC
Printable one-page output	Landscape A4 per stream, ready for the reconciliation binder or the internal audit workpaper

Where to find it

The interactive web worksheet is live at terra-insight.com/tools/reconciliation-process-design-worksheet/. An Excel-format companion workbook (12-class failure mode taxonomy, 6P cause taxonomy, anchored SOD scale, Action Priority lookup formula, and four pre-formatted stream tabs) is part of the Terra Insight Downloadable Assets Catalog Tier 1. Both work together — the web tool is the fastest path to a first-draft register, and the Excel workbook is what the finance team keeps in the reconciliation binder for quarterly re-scoring and audit-committee walk.

CHAPTER D

Terra Insight Product Bridge

The reconciliation process design method is a design discipline that a finance team operates against its own reconciliation register. Where the manual detection layer the method demands crosses one of the five volume thresholds in Chapter 13, the enterprise faces a control-design decision: install a continuously-refreshed detection layer that can run the control the register names, or formally accept the residual exposure with a written rationale that will land in the Section 143(3)(i) ICFR design-evidence file at year-end. The Terra Insight product surface exists as the layer that carries the discipline continuously on the High Action Priority rows the register surfaces.

TransactlG — reconciliation infrastructure

What it is. The continuously-refreshed detection layer for the invoice-to-bank, TDS receivable, GSTR-2B ITC, and GSTR-1 versus GSTR-3B streams. Runs the three-way tick-and-tie at full population every day rather than once a month at reviewer capacity. Runs the per-vendor Section 16(4) at-risk ITC queue with days-remaining and Rs exposure attached, escalated at 30, 60, and 90 days out from 30 November. Runs the two-key cross-era TDS payment-code mapping continuously across FY 2025-26 and FY 2026-27 residuals. Runs the per-GSTIN Table 3.1 declared-liability reconciliation against the Rule 88C threshold with a pre-filing DRC-01B simulator.

Where it fits. The reconciliation control plan's manual detection column re-rates from D5 (manual sample-based tick-and-tie) to D3 (continuous multi-layer detection at full population) on every High Action Priority row on the register. The manual layer retains its design-authority role and its audit-committee escalation role.

Learn more. www.terra-insight.com/product/transactig/ and www.terra-insight.com/reconciliation-software-india/.

TransactlQ — bank statement intelligence

What it is. The bank statement intelligence layer that decodes 300-plus Indian bank column-variant permutations, six inter-bank rails (NEFT, RTGS, IMPS, UPI, NACH, cheque), and four dominant aggregator settlement report structures. Parses scanned-PDF and image bank statements into structured line-level data for downstream reconciliation, credit underwriting, and NBFC lending workflows.

Where it fits. The bank narration parser layer that every one of the fourteen invoice-to-bank failure modes in Chapter 6 depends on. Handles the UTR truncation, the mandate ID embedding, the VPA-first UPI narration, the aggregator batch line, and the six inter-bank rail structures at full population continuously.

Learn more. www.terra-insight.com/product/transactiq/.

The design authority stays with the finance team

Moving a failure class from manual to continuous detection does not retire the manual technique. The manual detection technique remains the design authority on the failure class even after the continuous layer carries the population walk. The peer review continues to run monthly as the enterprise's compressed SA 315 walk, ratio analysis continues to flag aggregate drift the reviewer investigates against the continuous output,

and conservation checks continue to compute the structural identities. The shift is that the row-level walk moves from reviewer capacity to continuous refresh. This is the posture that satisfies Section 143(3)(i) ICFR testing — the auditor tests the design of the manual technique, samples the continuous layer's operating effectiveness, and reads the reconciliation register as evidence that failure mode analysis remains the enterprise's own responsibility.

TERRA INSIGHT

Companion to the Playbook eBook

This eBook is the design-side surface of the reconciliation process design method. The operational-side companion is **The Reconciliation Manager's Field Guide**, the monthly close playbook that sequences the seven manual detection techniques and the seven prevention controls in this eBook against a 20-day close-cycle calendar for each of the four core Indian reconciliation streams. The two eBooks work together: this one publishes the failure mode analysis a controller can defend, and the Field Guide publishes the monthly runbook a controller can operate.

Read the Field Guide at:

www.terra-insight.com/resources/reconciliation-manager-field-guide/

Terra Insight Editorial Team

Version 1.0 · 16 August 2026

www.terra-insight.com