

Bank statement reconciliation (AP): payment security and liquidity control in procurement

Bank statement reconciliation in Accounts Payable (AP) is the systematic reconciliation of payments posted on the bank account with open and settled liabilities from accounts payable. It ensures that every amount paid out can be assigned to an authorised, verified invoice. For technical buyers and supply chain managers, it is a central control instrument for fully tracing payment flows, discount utilisation and duplicate payments.

Key facts

- Bank statement reconciliation (AP) reconciles bank movements with supplier invoices and payments.
- It protects against duplicate payments, mispostings and unauthorised payment outflows.
- In practice it is frequently carried out daily or weekly using automatic matching logic.
- Match rates of over 95 to 98 per cent are typically achieved automatically.
- It provides important data for cash management, dynamic discounting and liquidity planning.
- Legal and tax details must be examined on a case-by-case basis by auditors or tax advisers.

Definition: bank statement reconciliation (AP)

Bank statement reconciliation (AP) refers to the target-actual comparison between the payment outflows posted on the company's bank account and the invoices, credit notes and payment runs recorded in the accounts payable ledger (Accounts Payable). The aim is the complete, timely assignment of every bank item to a document. It thus forms the interface between financial accounting, treasury and procurement processes.

Distinction from classic bank reconciliation

The classic bank reconciliation compares the bank balance and the general ledger, whereas bank statement reconciliation with an AP focus addresses the individual invoice level. Here, not only the balance is reconciled, but every open item position is checked for payment receipt or need for clarification. Only this level of detail makes duplicate payments, part payments and incorrectly posted amounts visible.

Role in the P2P process

Bank statement reconciliation is the final link in the purchase-to-pay process: after ordering, goods receipt and invoice verification, it confirms that the payment run was actually executed as planned. It complements data control at invoice receipt and GR/IR clearing with the payment side. Only when all three levels are consistent is a procurement transaction regarded as fully settled.

Procedure and methods of reconciliation

The procedure follows a recurring pattern: export of the bank statement data, assignment of bank items

to open supplier items, clarification of residual items and posting of the results. Depending on the system landscape, this is done manually in the cash book or largely automatically in the ERP or treasury system.

Automatic matching

Modern systems match bank items using amount, date, supplier number, SEPA reference and remittance information. In practice, 95 to 98 per cent of items are frequently assigned automatically; the remainder are converted by the system into exception cases. Rules such as tolerance bands for amount differences or charge postings additionally increase the automation rate.

Exception cases and residual item handling

Items that cannot be assigned are collected in a suspense account. Typical causes are part payments, early payment discount deviations, bank charges, returned direct debits or payments with incomplete remittance information. Each exception case is given a processor, a deadline and a documented cause so that the open item list remains clean.

Integration with payment runs and the discount process

The reconciliation documents whether planned payment dates, discount deadlines and priorities were actually adhered to. From the results, the early payment discount rate can be derived and the discount process continuously improved. Anyone offering dynamic discounting also needs up-to-date reconciliation data in order to reliably manage short-term early payment offers.

Key KPIs in bank statement reconciliation

The reconciliation can be steered using a few concise key figures. They show how quickly and completely payments can be assigned and where process gaps lie.

Automation and clearing rate

The automation rate indicates the proportion of items assigned without manual intervention; values above 95 per cent are common in practice. The clearing rate measures the proportion of items completed within the target time. If either of these figures falls, this indicates data quality problems in the underlying P2P process.

Reconciliation lead time and age of open exception cases

The lead time measures the time between payment posting and complete reconciliation; one to three working days is frequently the target. The average remaining age of open exception cases shows whether clearing points are actually being processed or whether micro-risks are accumulating.

Detected anomalies

The number and volume of duplicate payments, mispayments and mispostings per period are measured. These key figures are also an indicator of the quality of the delegation of authority and the payment approval levels within the company.

Risks, controls and Internal Audit

Bank statement reconciliation is a classic detective control measure for uncovering fraud, error and process weaknesses. Its value depends significantly on the independence of the reviewing party and on

documentation.

Typical risk areas

The main risks are unauthorised payments, manipulation of beneficiary accounts, duplicate payments following PO flip scenarios and unposted supplier credit notes. Charges and exchange rate differences on international payments can also remain undetected if the reconciliation is carried out only by amount and not by document.

Control architecture and segregation of duties

Effective protection requires segregation of duties: whoever creates payments must neither approve them nor complete the reconciliation. Four-eyes principles, regular sampling and a documented approval matrix tool based on the delegation of authority are standard practice. Internal Audit frequently examines the reconciliation annually or on an event-driven basis.

Evidence for external audit and customs

The reconciliation produces evidence for the annual audit, for example on the completeness of liabilities. For international transactions with special Incoterms arrangements such as Incoterms EXW, deviating payment amounts may also arise due to freight, insurance or demurrage costs, which must be visible and explainable in the reconciliation. Tax details must be examined on a case-by-case basis.

Reconciliation as a data basis for procurement and liquidity

Bank statement reconciliation provides reliable payment impact data that is used far beyond accounting. For procurement, it creates a realistic picture of actual payment practice per supplier.

Supplier evaluation and spend transparency

Reconciled payment values feed into spend analyses and the spend cube, complementing the price target-actual comparison with the dimension of payments actually made. In supplier landscape analysis, this makes it possible to check whether agreed payment terms were consistently adhered to — a basis for negotiations and supplier evaluations.

Cash management and payment prioritisation

Treasury and procurement use the reconciliation data to realistically prioritise open liabilities and to reliably calculate dynamic discounting offers. Those who reconcile daily know their liquidity outflow almost in real time and can steer payment runs in a targeted manner.

Digitalisation and data basis

Electronic bank statements in formats such as CAMT or MT940 enable fully automatic further processing. In combination with digital supplier advance shipping notification — for example via advanced shipping notice (ASN) processing on the logistics side — a continuous data chain is created from purchase order to payment. Uniform references such as the manufacturer part number (MPN) and purchase order number in the remittance information significantly increase the match rate.

Current developments and outlook

Bank statement reconciliation is shifting from a manual accounting task towards an automated, data-analytical control and steering instrument. Drivers are standardisation of payment transactions,

real-time data and integrated P2P platforms.

Real-time reconciliation and open banking data

Through faster bank communication and increasingly up-to-date account information, reconciliation is moving closer to real time. Companies can thereby swiftly correct payment runs before downstream processes such as dunning or supplier communication are triggered.

Analytics and anomaly detection

Analytical procedures examine payment patterns for irregularities, for example unusual beneficiaries, round amounts or recurring small amounts to new accounts. Such signals complement classic document review and noticeably reduce the fraud risk.

Importance for supplier relationships

Clean reconciliation also strengthens collaboration with suppliers: exception cases are resolved more quickly, self-billing procedures such as evaluated receipt settlement (ERS) can be operated more reliably, and the payment promise becomes credible. This contributes directly to supplier trust and security of supply.

Typical metrics

Automated match rate: > 95 %

Proportion of bank items automatically assigned; in practice commonly 95–98 %

Reconciliation lead time: ≤ 3 working days

Time from payment posting to complete reconciliation

Exception case age: < 10 working days

Average age of open exception cases at the reporting date

Duplicate payment rate: < 0.1 %

Proportion of detected duplicate payments in payment volume, typical benchmark

Practical example

A medium-sized mechanical engineering company with around 6,000 supplier invoices per month carried out bank statement reconciliation largely manually on a weekly basis. Duplicate payments and early payment discount deviations were often only discovered during the annual audit. After introducing automatic matching with uniform references in the remittance information and a weekly clearing hour, the number of open exception cases noticeably fell, and detected duplicate payments declined significantly in the following years.

- Introduced a binding payment reference (purchase order and invoice number) for all payment runs
- Introduced automatic matching with defined tolerance rules for charges and discount differences
- Established a weekly clearing meeting between accounts payable and procurement
- Reported monthly KPI evaluations on automation rate and exception case age to management

Conclusion

Bank statement reconciliation (AP) is more than an accounting routine: it is the last and therefore decisive control stage in the purchase-to-pay process and provides traceable assurance that every

payment corresponds to a verified document. For procurement, it provides reliable payment data that underpins supplier evaluation, negotiations and liquidity planning. With a high degree of automation, clear segregation of duties and disciplined exception management, effort can be kept low and benefit high. Those who use reconciliation data systematically detect process weaknesses earlier and, as a result, neither pay twice nor pay too late.

Frequently asked questions

What is a bank statement reconciliation in Accounts Payable?

It is the systematic reconciliation of payment outflows posted on the bank account with the open and settled supplier invoices. The aim is that every payment amount can be clearly assigned to an authorised document. Items that cannot be assigned are collected and processed as exception cases.

How often should the bank statement reconciliation be carried out?

In practice, daily or weekly cycles have become established, depending on payment volume. Where transaction density is high and early payment discounts are used, daily reconciliation is common. The faster the reconciliation is carried out, the lower the risk of undiscovered mispayments.

What are the benefits of automated bank statement reconciliation?

Automation typically raises the matching rate to over 95 per cent and significantly reduces manual effort. Duplicate payments and anomalies are also detected earlier. The data additionally serves as a basis for liquidity planning and dynamic discounting.

What role does bank statement reconciliation play in audits and internal audit?

It provides key evidence of the completeness and propriety of payments and liabilities. Internal Audit and the annual audit regularly draw upon it. Documented approvals, segregation of duties and traceable exception case handling are essential.

How does bank statement reconciliation relate to early payment discounts?

The reconciliation shows whether early payment discounts were correctly posted and within the deadline. From this, the early payment discount rate per supplier can be derived and the discount process specifically improved. For dynamic discounting, up-to-date reconciliation data is a prerequisite for reliable early payment offers.

Which data sources are needed for the reconciliation?

Required are electronic bank statements, open item data from accounts payable, as well as payment run and approval information. Uniform references such as purchase order and invoice numbers in the remittance information significantly increase the automatic match rate. Supplier master data with verified bank details is also helpful.