



Financial leakage

How AI has made the
recovery audit redundant

Financial leakage

The \$53bn opportunity for Accounts Payable teams

Introduction

Every year, enterprises lose billions to financial leakage in Accounts Payable. Duplicate payments, missed credit notes, invoice errors and fraud slip through existing controls undetected.

These problems only intensify during business mergers and acquisitions, ERP migrations and automation initiatives.

The problem isn't knowing losses exist. It's seeing the true scale, understanding why your current controls can't prevent them and learning what leading AP teams are doing to stop the bleeding while transforming their operations.

About You

Your team is processing tens or hundreds of thousands of invoices, and you're leading a transformation in Accounts Payable: driving automation, exploring AI and pursuing ambitious goals like touchless processing and major spend reduction.

But while you're focused on the future, your business is losing money today. Errors are draining cash and hitting your bottom line.

You're ready to stop these losses and position AP as a strategic function. The challenges: understanding the scale of the problem, updating clumsy legacy systems and overcoming resistance to change.

Meanwhile, the cost of inaction keeps mounting.

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EXECUTIVE SUMMARY

\$53 billion of financial leakage

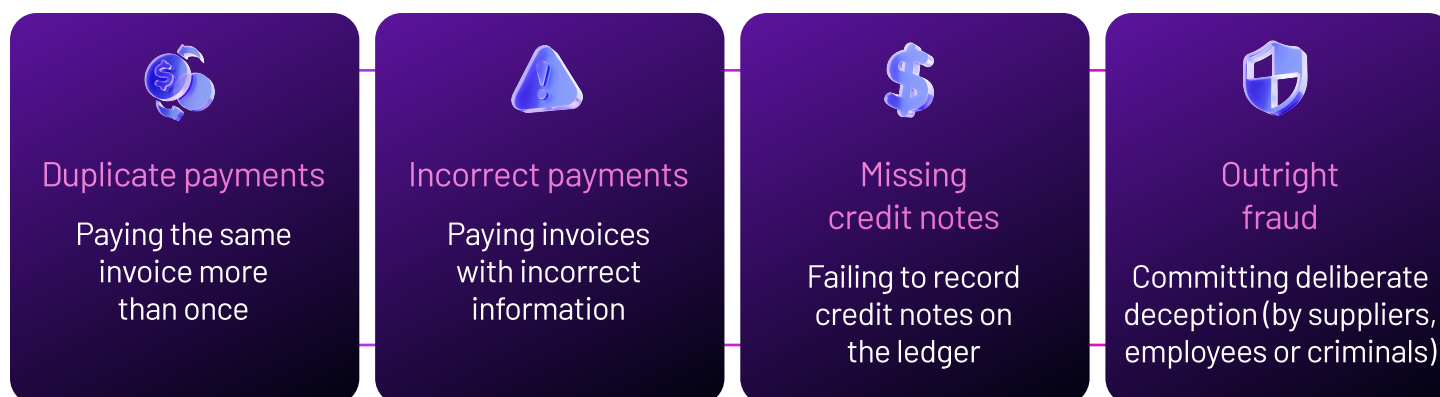
Every year, \$53 billion¹ can vanish from Accounts Payable departments through duplicate payments, invoice errors, missing credit notes and fraud.

Companies lose around 0.35% of total annual spend to these losses.

In some industries, like manufacturing and healthcare, it can be even higher.

Loss patterns vary by industry: manufacturers face more duplicate payments due to complex supply chains with frequent partial deliveries, while retailers lose more to missing credit notes from volume rebates and promotional allowances.

Leakage can look like:



Teams are struggling to prevent these errors because they're relying on outdated, legacy controls: ERPs and rule-based controls only catch exact matches and miss near-duplicates. Recovery audits are expensive reactive measures that charge fees of 15–25%. Manual reconciliation only covers 10–15% of suppliers, leaving 85–90% unchecked and an inaccurate ledger.

Beyond direct financial losses, leakage undermines team morale as staff spend days firefighting exceptions. Payment errors damage supplier relationships, while AP's credibility with leadership erodes as they see margin leakage they can't fully quantify.

Forward-looking AP organisations are embracing transformation by shifting from reactive recovery to proactive prevention. AI-powered automation prevents errors before payment, helps you audit 100% of transactions and saves \$3.5M per \$1B in spend – turning AP from a cost centre into a profit protector.

EXECUTIVE SUMMARY | SSON Research & Analytics

The significance of effective Accounts Payable

Accounts Payable (AP) represents one of the biggest opportunities for improving Procure-to-Pay performance by positively impacting cash flow, optimising working capital and enhancing supplier relationships.

A critical focus for Accounts Payable, therefore, is to ensure not only timely payments and better negotiation terms, but critically, a healthy cash position.

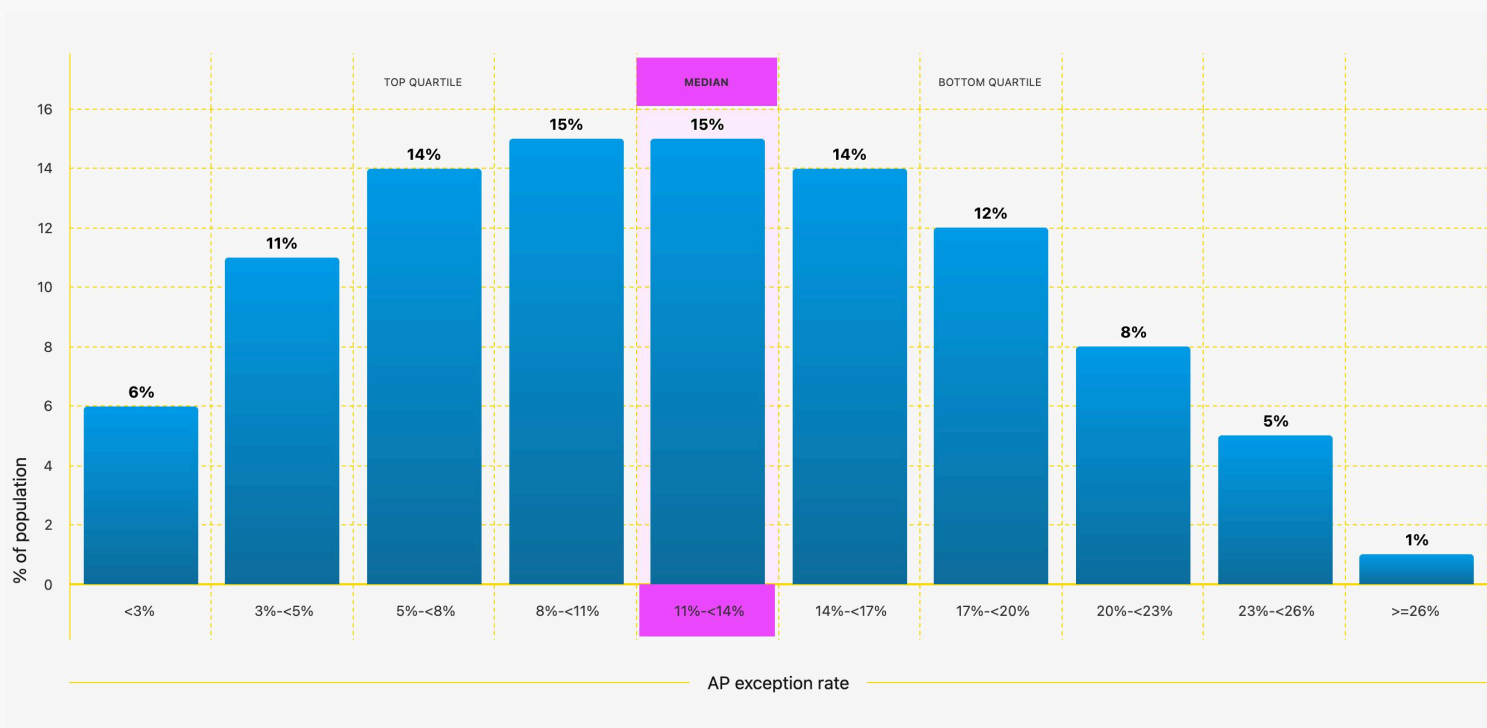
One hurdle that stands in the way of AP success is any interruption to automated processing - for example, exceptions management that requires manual intervention. The chart on the next page highlights the frequency of AP exceptions management according to SSON Research & Analytics - with the median exception rate between 11<14%, but 40% of the market experiencing much higher rates.

Definition: An AP Exception

An invoice that cannot proceed through the standard processing workflow without manual intervention because it violates predefined rules, mismatches expected data or lacks required information.

EXECUTIVE SUMMARY CONTINUED | SSON Research & Analytics

AP exception rate



AP exceptions don't just signal operational inefficiency but the risk that value is escaping the enterprise

When invoices fall outside automated validation, they move into manual handling environments where visibility is lower, cycle times are longer and the probability of hidden financial leakage increases. More specifically, duplicate detection becomes less reliable, discrepancies may be approved without proper validation, early payment discounts could be missed, late payment penalties can occur and there is an increased risk of fraud.

In short

The more invoices that fall into exception workflows the more opportunities exist for leakage. These high rates of exceptions in AP show that financial leakage is a problem that won't go away unless processes fundamentally change.

CHAPTER 1

Understanding financial leakage

Companies are losing 0.35% of annual spend

In short

Your company is bleeding money – and you might not realise how much. Businesses lose an estimated 0.35% of total annual spend to financial leakage through duplicate payments, invoicing errors, missing credit notes and fraud. **That's \$53 billion vanishing into thin air every year. This might look like paying the same invoice twice due to a "0" vs "O" typo, or overpaying £2,500 on a £50,000 purchase from incorrect tax rates.**

\$53 billion
annual leakage

Financial leakage compounds quickly. What starts as isolated errors (a duplicate payment here, a missed credit note there) multiplies across thousands of transactions into significant losses. The scale is staggering: businesses can lose \$53 billion annually to financial leakage in Accounts Payable.

On average, companies lose 0.35% of their total annual spend to duplicate invoices and missing credit notes alone. When you factor in invoice fraud, tax errors and supplier pricing mistakes, the losses are even larger – creating billions of dollars of leakage.

This \$53 billion estimate is derived by applying Xelix's internal customer benchmarks to the broader market of eligible businesses.

CHAPTER 1 | CONTINUED

The four drivers of financial leakage

#01

DUPLICATE INVOICES

Duplicate invoices can occur when suppliers send revised invoices, goods are delivered in multiple shipments or invoices are received through multiple channels.

Additional causes include multiple finance systems, low PO match rates, keying errors, OCR errors and unclear master vendor files. If not properly flagged before the payment run, businesses will end up paying the same invoice more than once.

These errors slip past standard ERP controls, costing companies up to 2% of their spend³

#02

INVOICING ERRORS

Common errors include invoices applied to the wrong vendor, data entry mistakes (such as confusing the letter O with the number 0) and premature or late payments caused by incorrect dates being entered.

Errors like these lead to processing delays or overpayments.

In one case, a simple clerical error led to an invoice for \$50,578.50 being paid as \$5,057,850 – an overpayment of roughly \$5.0m⁵

#03

MISSING CREDIT NOTES

Suppliers issue credit notes to reduce the amount owed by a customer in the case of returns or rejections, pricing corrections, overcharges, damaged goods and more.

Many times, these credits don't make their way onto a team's ledger, meaning they aren't used.

Missed credit notes can be worth \$2.5 million for every \$1 billion of spend⁴

#04

INVOICE FRAUD

Invoice fraud can take a number of forms, including Business Email Compromise (BEC), fake supplier schemes, payment diversion, overbilling schemes, internal fraud and more.

As AI tools grow more sophisticated, fraudsters, whether employees, suppliers or external actors, become harder to detect and can cost businesses millions.

A former employee for the US DOJ pleaded guilty to defrauding the government through a fake invoices scheme, with \$624,500 in restitution⁶



Liberty Global finds £18 million (\$24 million) worth of unclaimed credit notes

[Read more →](#)

CHAPTER 1 | CONTINUED

Levels of financial leakage across key industries

	Total losses from duplicates / credit notes (% of annual spend)	Duplicate payments (% of annual spend)	Missing credit notes (% of annual spend)	Invoicing errors (% of annual invoice volumes)
Manufacturing and packaging	0.72%	0.66%	0.06%	0.14%
Healthcare	0.52%	0.38%	0.14%	0.15%
Pharmaceuticals	0.45%	0.42%	0.03%	0.18%
Retail and consumer goods	0.44%	0.27%	0.17%	0.05%
Energy and utilities	0.30%	0.28%	0.02%	0.17%

How does leakage affect different industries?

Complex business models aren't weaknesses. They're essential to how these industries operate and deliver value. However, this necessary complexity does create unique vulnerabilities to financial leakage:

Manufacturing and packaging businesses operate complex, fast-moving supply chains with multiple suppliers, product variations and urgent delivery demands. These businesses often prioritise product fulfilment over process controls, creating an environment prone to errors. The combination of manual processes and rapid operations significantly increases the risk of duplicate payments and invoice entry errors.

Healthcare and hospital operators manage complex procurement needs, from high-value capital equipment (MRI machines, surgical robots) to thousands of low-value consumables (surgical supplies, pharmaceuticals, medical devices). This creates multiple touchpoints with the same suppliers and frequent partial deliveries, which increases the risk of receiving duplicate payments for different order components. Additionally, urgent or emergency purchases may bypass standard procurement workflows, leading to manual data entry errors and the same invoice being submitted through multiple channels (directly to AP, via procurement or through clinical departments), resulting in more duplicate invoices.

Pharmaceuticals companies often see invoice errors due to a global, specialised supplier network. With complex international regulations and frequent pricing changes, invoices can sometimes reflect incorrect tax rates (VAT, GST or customs duties) or outdated pricing agreements that don't align with current negotiated discounts or currency fluctuations.

Energy and utilities providers manage everything from regulated asset-heavy projects (power plants, pipelines) to emergency repairs, creating complex coding and approval workflows. Teams have to split invoices across multiple cost centres and regulatory categories, and urgent work orders often bypass standard procurement processes. This complexity drives invoice errors: invoices may reflect incorrect tax treatments, outdated pricing agreements or work categorised against the wrong project codes.

Retailers and consumer goods companies negotiate complex discounts and rebates with hundreds of suppliers, creating high volumes of missing credit notes. Volume-based rebates, promotional allowances and seasonal pricing agreements generate frequent credit notes that need to be tracked and claimed. When suppliers issue credits across multiple invoices or accounts, and AP teams lack automated reconciliation tools, these credits often go unnoticed.



Saint Luke's Health has prevented \$11.8 million (£8.8 million) in duplicate payments, creating processes that are 15x more cost effective than recovery audits

[Read more →](#)

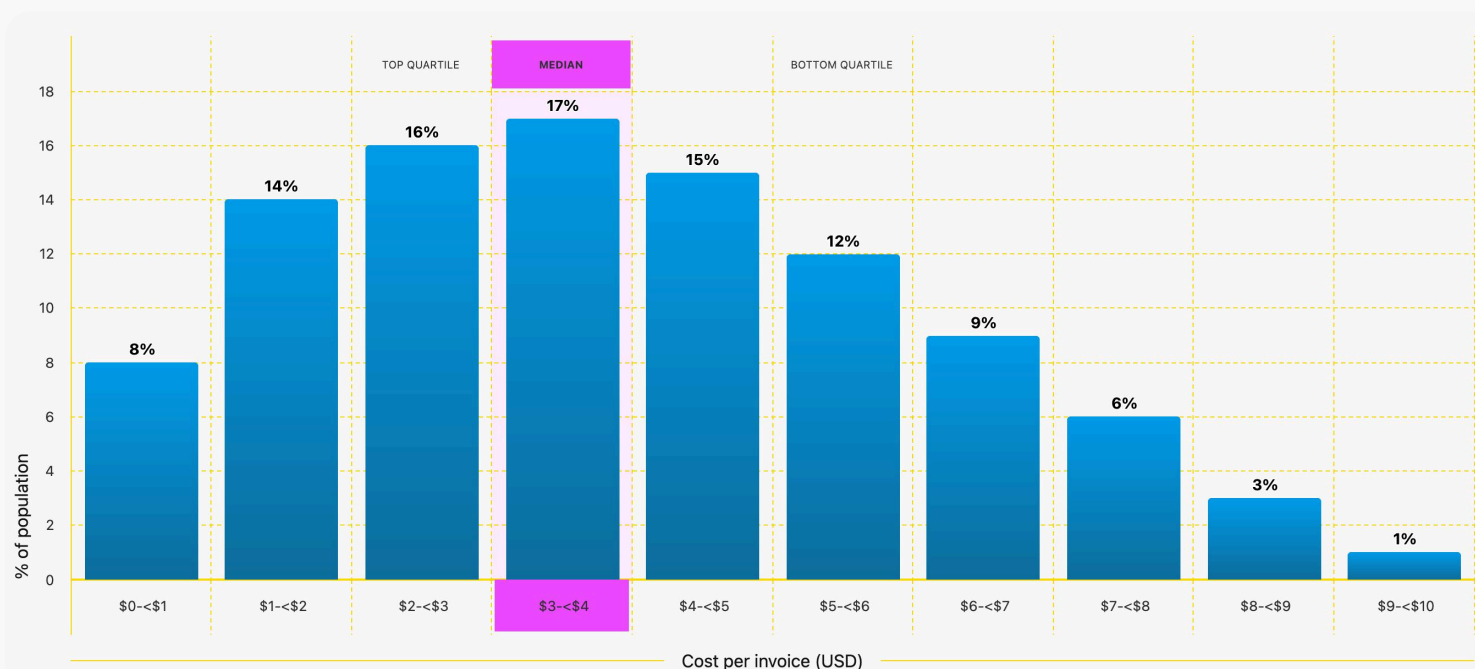
CHAPTER 1 | SSON Research & Analytics

Understanding invoicing inefficiencies

Invoicing inefficiencies are a significant element in AP financial leakage. While leakage is meaningful on its own, it's happening inside a function that already carries real processing costs at volume: SSON R&A data shows the cost per invoice processed at \$3-<\$4 (median), while nearly half of the market is paying significantly more.

Invoice inefficiencies already cost organizations. Thus, when invoice processing is inconsistent, or exception rates are high, AP teams spend additional time in corrective work that reflects these inefficiencies earlier in the procure-to-pay process.

Cost per invoice



CHAPTER 2

Why financial leakage happens

The limits of conventional controls

In short

Financial leakage happens because AP teams are armed with tools that simply can't keep up. Most ERP and workflow systems only detect duplicates when the same vendor and same invoice number occur. Recovery audits are expensive band-aids that only find problems months or years later and cost 15–25% in fees. Manual reconciliation is so time-consuming that 85–90% of supplier statements never get checked. And other rules-based systems flood teams with false alerts while real errors slip through undetected.

Most AP teams are fighting a losing battle.

They're working hard to catch errors before payments go out, but they're armed with outdated tools that can't keep pace with transaction volumes. Not to mention, the effort to make post payment corrections and recover overpayments is time-consuming and hard to track.

The result?

Billions in preventable losses slip through every year—not because teams aren't trying, but because their systems are fundamentally inadequate for the job.



Existing AP controls

ERP controls

Even the newest ERPs (such as SAP S/4 HANA) rely on rules-based controls to catch duplicate and incorrect payments. These systems can catch identical copies of invoices but routinely miss near-duplicates. For example, your ERP might not flag a keying error that replaces a "0" with an "O" or transposes digits (e.g., 1,234 to 1,324) if tolerance limits are too broad. Crucially, these controls can't learn and improve from your data. Not to mention, overly broad tolerance settings generate hundreds or thousands of false alerts for AP teams to manually review, wasting hours while real duplicates slip through.

Recovery audits

With fees ranging from 15–25%, recovery audits are an expensive way to fix past mistakes. They're reactive, often only recover the top 20% of transactions and can cost businesses millions annually. Additionally, recovery audits often don't provide the root cause analysis you need to prevent these mistakes from happening again, leaving you in the vicious cycle of expensive, reactive processes.

Manual supplier statement reconciliation

Manual reconciliations in the form of Excel spreadsheets are so time-consuming that most teams only reconcile their top 10–15% of suppliers or reserve reconciliations until the account is in trouble, leaving the remaining 85–90% in the dark and an inaccurate ledger. Without full visibility, you miss potential errors and unused credit notes, in addition to seeing an increase in vendor queries due to missing invoices.

Other rules-based controls

Much like the rules-based controls found in ERPs, any other rules-based systems like OCRs or spreadsheets can't support the volume and complexity of modern Accounts Payable departments. They miss discrepancies that aren't exact matches while generating thousands of false positives that need manual review and leave you even more vulnerable to human error.

Manual workflows

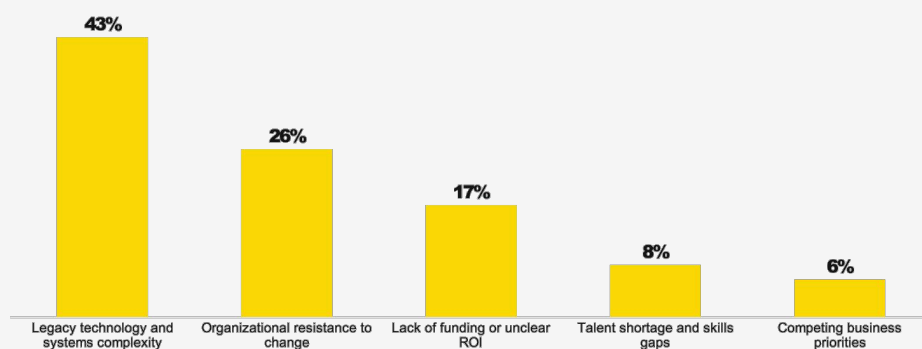
"Makeshift" processes like email and spreadsheets leave you open to human error and keep your AP team bogged down in tedium.

CHAPTER 2 | SSON Research & Analytics

Automation is the solution

Despite the best intentions, too many conventional controls are not keeping up. Our research confirms that the challenges of legacy technology / systems complexity present a significant barrier to overall finance transformation. What this means is that AP teams are fighting a modern leakage problem with tools that simply can't keep pace.

Biggest barrier to accelerating finance transformation



Source: Market research Q1 2026, SSON R&A

The solution for today's AP is technological efficiency and automation. Our research confirms the real gains achieved across typical finance processes as a result of automation – as measured in FTEs*, cost, and quality improvement (reduced error rates).

Finance transformation:
Average wins of top-performing finance and accounting automation projects



Source: Market research Q1 2026, SSON R&A

CHAPTER 3

The real cost

How financial leakage undermines your entire AP function

In short

Financial leakage is a morale killer that ripples through your entire AP operation. Frontline teams spend their days firefighting errors instead of doing meaningful work. Managers lose confidence in their numbers and credibility with stakeholders. Process owners can't prove the value of their initiatives. And executives watch margins erode while supplier relationships suffer.

Financial leakage doesn't just drain cash. It creates a cascade of problems that undermines confidence, team morale and credibility across your entire Accounts Payable operation.

AP team members

spend their days firefighting exceptions, chasing down duplicate payments and fielding frustrated vendor calls about payment errors. The tedious checking and rechecking takes a toll as teams feel overworked and undervalued. They're doing their best to catch errors with available tools, yet still facing criticism when mistakes slip through.

For AP Managers

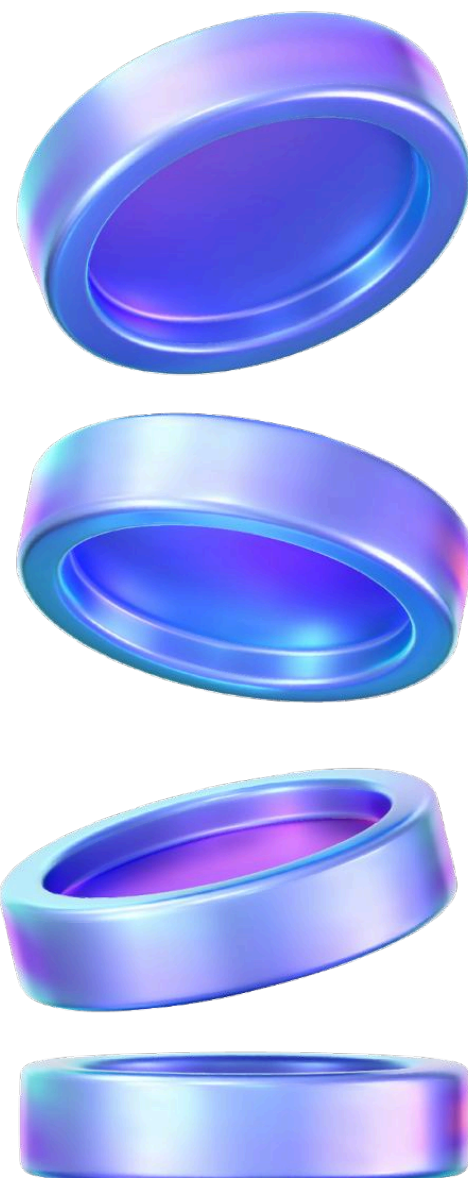
the impact compounds. Without confidence in the ledger, month-end becomes stressful. Vendor complaints escalate while the team's credibility with internal stakeholders plummets. They're stuck in reactive mode, managing an unmotivated team while struggling to demonstrate value to leadership. Recognition comes in the form of escalations instead of praise for the thousands of payments processed correctly.

Process owners and GBS leaders

face a different frustration. Lack of visibility makes it nearly impossible to prove the impact of improvement initiatives. They're managing transformation programmes across multiple ERPs and entities, yet still relying on recovery audits to find problems months after the fact. Blind spots persist across their payment operations. Cost-per-invoice and straight-through-processing rates stall, making it difficult to justify the value of Shared Services to executive stakeholders.

At the executive level

the ultimate impact is the loss of trust. There's margin leakage financial leaders can't see. Audit findings reveal control weaknesses. Late payments damage supplier relationships and credit ratings, undermining the ability to negotiate favourable terms. The lack of consolidated reporting makes it difficult to understand true AP risk exposure or to build a compelling business case for change.



Energy Transfer, a Fortune 500 energy company, found \$1.7 million (£1.3 million) in historical duplicate payments that earlier recovery audits had missed.

[Read more →](#)

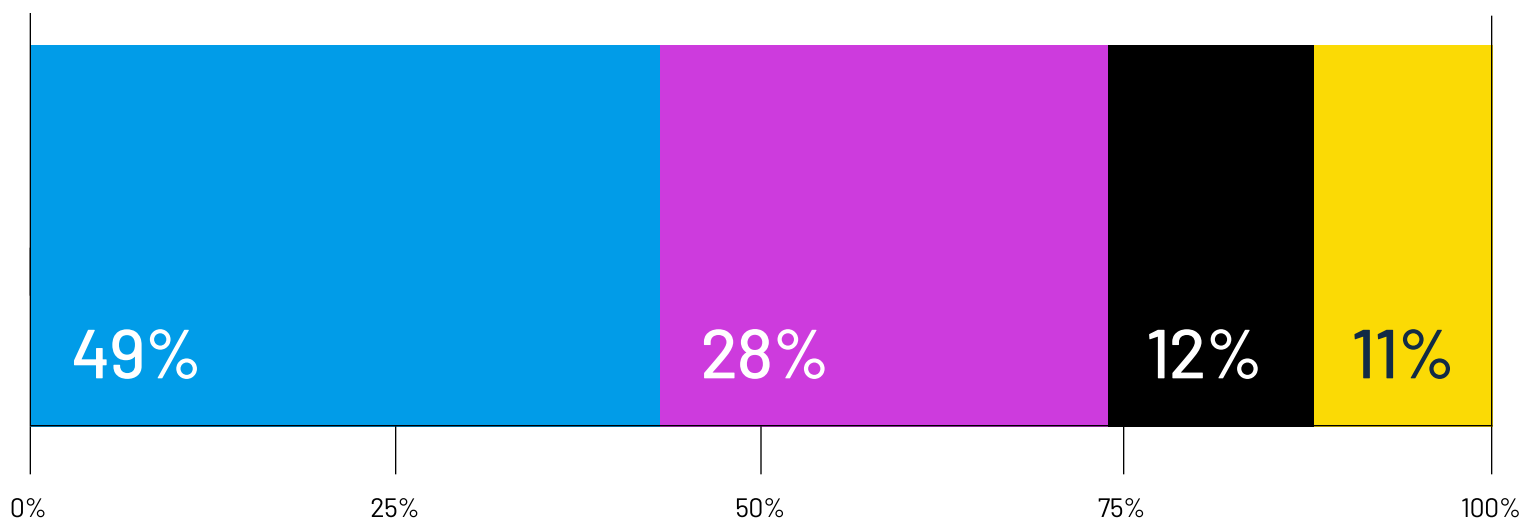
CHAPTER 3 | SSON Research & Analytics

Accountability is key to alignment

Inefficient invoicing has a knock-on effect that leads to a lack of confidence. This affects employees, stakeholders and eventually executive leadership.

As a counter measure, the introduction of Global Process Owners (GPOs) has proven successful in alleviating this problem. In a recent survey, 89% of GBS executives agreed that the existence of a GPO has a positive influence on performance by aligning workflows to objectives. SSON R&A research highlights that 77% of GBS already operate with a GPO for Procure-to-Pay and that GPOs are fast becoming a best practice. However, process ownership without the enabling automation will not in itself resolve leakage.

Process owner (GPO or similar) coverage in P2P



Legend

Yes it exists, and the GPO sits in SS0/GBS

Not yet planning to

Yes it exists, and the GPO sits in the business (outside SS0/GBS)

None

Source: Market research SSON R&A, Q1 2026

CHAPTER 4

A shift to prevention

Transforming AP with proactive controls

In short

Stop playing catch-up with yesterday's problems. AI automation prevents errors before payments go out, eliminates expensive recovery audits and helps transform AP from a back-office cost centre into a strategic profit protector.

Your AP team isn't the problem.

Their tools are.

ERP controls miss near-match duplicates. Recovery audits are expensive and retrospective. And manual processes leave your team drowning in tedious tasks instead of adding strategic value.

Good news: it doesn't have to be this way. Your team can replace stressful, after-the-fact recoveries with real-time prevention and stop errors before payments leave the business. You'll get full visibility across all transactions instead of finding problems months too late.

With the right automation, you can empower your team to transcend repetitive checking and firefighting. Move beyond reactive audits to proactive detection. Transform AP from a back-office function under constant scrutiny into a profit protector that leadership values.

This isn't aspirational thinking. It's what forward-thinking AP organisations are doing right now. AI automation transforms AP processes with low risk, low lift and immediate ROI. Your team takes control with tools that work alongside existing systems without disrupting them.

CHAPTER 4 | CONTINUED

The right approach helps teams set new benchmarks for AP excellence:

Automatically auditing all transactions before the pay run

Saving millions by preventing overpayments instead of recovering them later

Reducing duplicate payment risk across entities and ERPs

Gaining root cause analysis to fix processes, not just catch errors

Boosting team morale by eliminating tedious manual checking

Improving supplier relationships proactively, negotiating favourable terms

Proving AP's value with measurable cost savings and risk reduction



EG Group, one of the world's leading convenience store retailers, was able to recover £750,000 (\$1.1 million) in historic overpayments and prevented later overpayments of £20 million (\$27 million).

[Read more →](#)

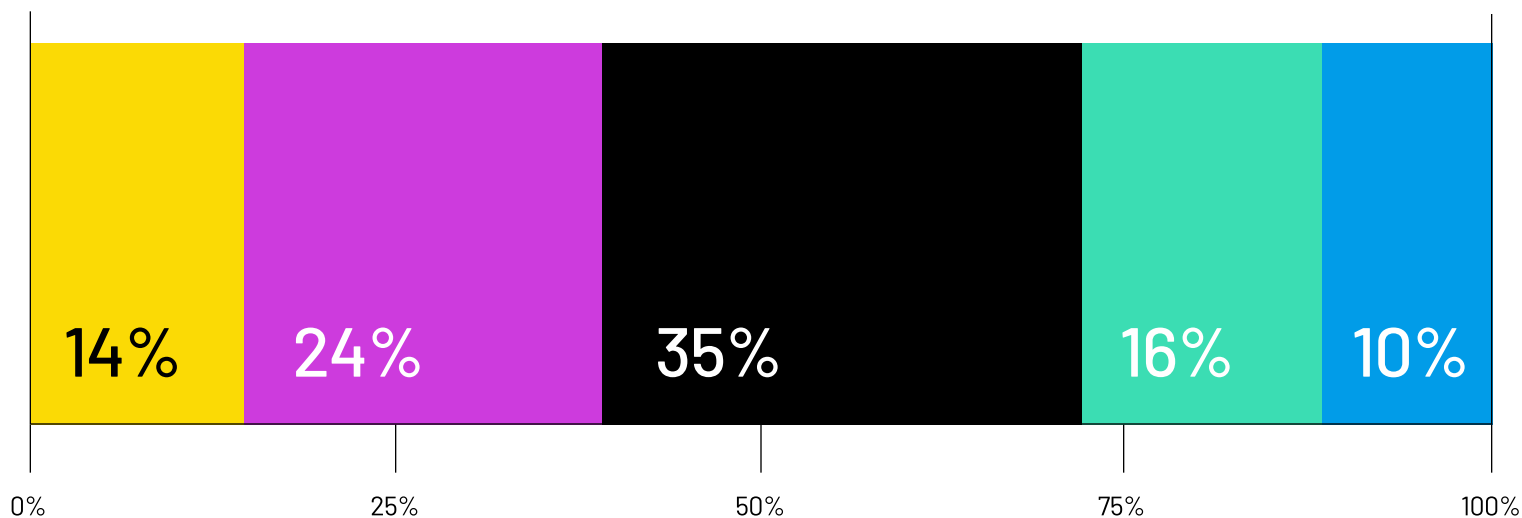
CHAPTER 4 | SSON Research & Analytics

Prevention through AI

So, what does “good” look like? It’s about prevention.

Today’s state-of-the-art solutions have embedded agentic AI to identify and fix root cause leakage. Finance leaders are fully aware of the opportunities to drive performance improvement through smarter AI deployments: Nearly 40% of finance executives recently surveyed say that they expect at least half of their current P2P activities to be automated via agentic AI in the near future.

Percentage of agentic automation in P2P (within the next 3 years)



Legend

- above 75% (agentic systems embedded across most E2E processes)
- 50<75% (broad adoption across process portfolio)
- 25<50% (scaling within multiple processes/E2E flows)
- 10<25% (limited adoption across select processes)
- <10% (little to no adoption/piloting)

Source: Market research SSON R&A, Q1 2026

CHAPTER 4 | CONTINUED | SSON Research & Analytics

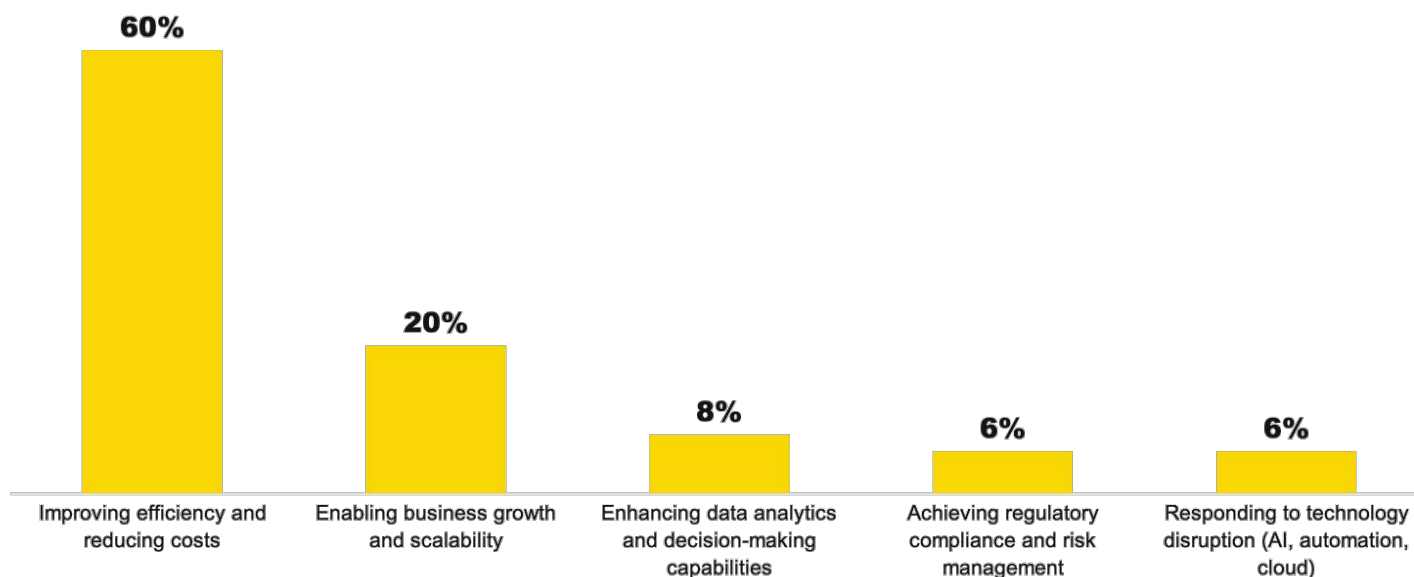
Leaving no stone unturned

Finance transformation is driven largely by the desire to improve efficiency and cut cost, which means no stone can remain unturned. This focus shines a spotlight on Accounts Payable and its role within the business, including the relationship with suppliers.

More specifically, there is a real opportunity to improve AP performance by clawing back the often **significant** and frequently **invisible** financial leakage resulting from ineffective invoice processing.

The truth is that new AI capabilities will transform work as we know it. Already, three-quarters of GBS executives expect agentic AI to have a **significant** if not **transformative** impact on their finance operations in the next few years – proof that automation-driven efficiencies are a priority for today's leaders.

Primary driver of finance transformation



Source: Market research SSON R&A, Q1 2026

This is your opportunity to elevate Accounts Payable.

Xelix automates tedious processes to help AP teams prevent financial leakage, improve supplier relationships and increase efficiency.

Our platform bolts on to ERPs and other business systems without disrupting them, implementing in weeks and showing ROI from day one.



Save
\$2 million

for every \$1 billion spent by preventing payment errors



Recover
\$2.5 million

per for every \$1 billion spend in missed credits



Boost
productivity

significantly, protecting profits and growth

[Learn more](#)

Do you have a financial leakage problem?

- | Spending too much on recovery audits?
- | Only auditing a small proportion of supplier statements?
- | Missing out on credit notes?
- | Unable to catch duplicate invoices without manual review?



xelix

Contact Xelix today

Let's talk about stopping the leaks, saving millions and empowering your AP team to drive business growth.

Get in touch



xelix.com

ABOUT US

Since 2018, Xelix has pioneered AP audit and controls. Our AI-powered platform easily bolts onto existing ERP and finance systems to detect payment errors and fraud, automate supplier statement reconciliations and streamline AP Helpdesk operations. We're trusted by global enterprises, to help finance teams reduce risk, unlock cost savings and drive greater efficiency across AP.



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SSON R&A leverages the extensive network of the Shared Services & Outsourcing Network (SSON) to deliver industry specific, reliable, and cost-effective access to critical insights when you need them most.

REFERENCES

1. This \$53 billion estimate is derived by applying Xelix's internal customer benchmarks to the broader market of eligible businesses. Our analysis is based on real-world data from 481 million invoices processed through the Xelix platform through the end of 2025, examining typical rates of duplicate invoices and missing credit notes as a percentage of spend, and invoice errors as a percentage of invoice volume—both historically and after implementing Xelix controls. We've applied these observed leakage rates across the estimated population of businesses turning over more than \$130 million (£100 million) and receiving more than 250,000 invoices annually. This represents a conservative assessment of preventable financial leakage in this market segment. While based on extensive real-world data from our customers, actual leakage rates may vary by industry, company size and AP maturity.
2. Institute of Finance and Management
3. <https://sao.wa.gov/the-audit-connection-blog/2022/paying-vendors-twice-problem-sao-offers-tips-prevent-duplicate-payments>
4. <https://xelix.com/xelix-supplier-statement-reconciliation>
5. <https://abcnews4.com/news/nation-world/florida-accidentally-pays-company-5-million-ceo-may-have-used-money-to-run-for-congress>
6. <https://www.justice.gov/archives/opa/pr/former-defense-department-employee-pleads-guilty-defrauding-government-fake-invoices-scheme>