

SCOPE OF SERVICES

**APPOINTMENT OF A SERVICE PROVIDER FOR THE
AUTOMATION OF THE TNPA ANNUAL FINANCIAL
STATEMENTS PREPARATION PROCESS INCLUDING
SUBSCRIPTION LICENCES FOR A PERIOD OF THREE (3)
YEARS**

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1. ACRONYMS AND ABBREVIATIONS

Acronyms or Abbreviations	Descriptions
TNPA	Transnet National Ports Authority
AFS	Annual Financial Statements
R4G	Re-invent for Growth
IFRS	International Financial Reporting Standards
ERP	Enterprise Resource Planning
CRM	Customer Relationship Management
GL	General Ledger
API	Application Programming Interface
EDI	Electronic Data Interchange
SFTP	Secure File Transfer Protocol
SAP FI	SAP Financials

2. PURPOSE

The purpose of the document is to define the scope of services for the Automation of the Transnet National Ports Authority (TNPA) Annual Financial Statements (AFS) Preparation Process.

3. BACKGROUND

As TNPA relies on a manual process for the preparation of the annual financial statements, this consequently presents TNPA with significant challenges with inefficiency, high risk of human error, data inconsistency, time constraints, and difficulty with ensuring continuous regulatory compliance. The process is also highly dependent on human intervention, presenting a continuity risk. Internal and external audits have identified errors in the AFS and recommended automation to mitigate compliance and operational risks.

TNPA is embarking on a project to automate the annual financial statement preparation process to address these issues by implementing a robust, integrated software solution that will streamline data aggregation, minimize manual intervention, enhance data accuracy and integrity, ensure adherence to regulatory requirements, and free up finance professionals to perform more strategic analysis. The automation of the AFS manual process will address the following business challenges:

- Delays in meeting audit and group reporting deadlines.
- Increased audit costs due to extended audit timelines.
- Risk of non-compliance with International Financial Reporting Standards (IFRS).
- Data security and integrity vulnerabilities.
- Lack of standardization and professional presentation of the AFS.
- Point of failure due to reliance on human intervention.

4. CURRENT STATUS

TNPA's AFS preparation process is currently manual, excel-based, and inefficient, leading to non-compliance risks, extended audit timelines and fees, and a high likelihood of human error. The manual processes, especially data entry into spreadsheets, are highly susceptible to human errors such as typos, transposition of numbers, or broken formulas.

Even minor errors can compound, leading to materially misstated financial reports and qualified (unfavourable) audit opinion. Significant time is spent on repetitive, low-value tasks like data gathering from disparate sources, data entry, cross-referencing figures, and manual reconciliation of discrepancies. This takes time away from more strategic activities like financial analysis, planning, and process improvement.

The annual financial statements are manually prepared on a yearly basis but informed by monthly reporting process. The paper-based or non-integrated systems can lead to security vulnerabilities, as documents can be misplaced, stolen, or accessed by unauthorized personnel. Furthermore, inadequate internal controls in manual systems can increase the risk of fraudulent activities or data manipulation. As TNPA grows in volume and complexity, manual systems become increasingly difficult and impractical to manage. The expanding workload often requires more staff and overtime, which is not a sustainable solution.

Keeping up with evolving accounting standards (e.g. IFRS) and regulatory requirements can be challenging with manual methods. Manual processes often lack a transparent, end-to-end audit trail, making the auditing process time-consuming and difficult. When financial data resides in siloed spreadsheets or paper files, it hinders effective collaboration among team members and limits visibility for non-finance stakeholders. This creates bottlenecks and prevent a holistic view of the company's performance. Manual systems often rely heavily on the specific knowledge and processes developed by individual employees. If that person is unavailable, it disrupts the entire financial reporting process and make it difficult for new staff to adapt.

5. EXECUTIVE OVERVIEW

As part of Transnet's Re-invent for Growth (R4G) strategy focusing on digital transformation strategic initiatives, the TNPA Finance Department needs the automation of the AFS preparation process, which is currently a manual-based process. The main objective of this initiative is the automation of the current manual excel-based process, to improve the AFS preparation process which is deemed to be a tedious exercise and is prone to human errors, while enhancing effective collaboration during the AFS preparation

process. The output of the AFS preparation process is the AFS that are shared with external stakeholders, namely, the Shareholder Minister, Customers and Suppliers, Lenders, National Treasury, and Ports Regulator of South Africa.

6. BUSINESS OBJECTIVES TO BE ACHIEVED

The main objectives of the AFS preparation process automation are as follows:

- 6.1. To ensure data integrity and minimize human error as manual data entry and calculations have a high potential for errors, which can lead to material financial misstatements and compliance issues.
- 6.2. To increase efficiency and speed by drastically reducing the time spent on routine tasks, shortening financial close cycles from weeks to days or even hours.
- 6.3. To enhance strategic focus by handling repetitive tasks which frees finance professionals to focus on higher-value activities such as data analysis, forecasting, and strategic planning.
- 6.4. To improve compliance and audit trails as automation enforces consistent rules, create clear, standardized audit trails, and help ensure adherence to regulatory requirements (e.g. IFRS), which simplifies the auditing process.
- 6.5. To enable real-time insights as automated systems provide real-time access to accurate financial data, allowing stakeholders to make informed, timely decisions and respond to potential audit issues quicker.
- 6.6. To introduce a real-time multi-user collaboration capability to aid adherence to strict year-end reporting deadlines.
- 6.7. To reduce audit delays and audit fees because of audit overrun.

7. SCOPE OF SERVICES

7.1. Organisational/Operating Division Scope

The intended scope of the project covers TNPA only.

7.2. Solution Scope

TNPA seeks to appoint a service provider who will implement a system to automate the AFS preparation process.

The system must have the following functionalities:

- 7.2.1. Allow the configuration of the standardized template (with checklist) of the annual financial statement that is compliant with the IFRS accounting standard.
- 7.2.2. Able to read the trial balance information from SAP FI.
- 7.2.3. Allow the update of trial balance with manual late journal entities.
- 7.2.4. Allow bulk extract and upload of data related to the Annual Financial Statement preparation by importing trial balances from SAP (including SAP Datasphere or Alteryx) in order to create the respective financial statements and reports.
- 7.2.5. Reading information from other sources, like .pdf, .xls etc.
- 7.2.6. Enable workflow for the approval of the Annual Financial Statement preparation.
- 7.2.7. Enable locking of the approved annual financial statements by designated individual(s) to ensure that no changes can be made further.
- 7.2.8. Permit distributed teams to work on the same engagement files simultaneously, tracking progress with audit trails and discussing tasks within the platform.
- 7.2.9. Identification of the integration requirements (incl. APIs) as per AFS process.
- 7.2.10. Integrate with current TNPA SAP system to retrieve the required data.
- 7.2.11. Able to integrate with TNPA internal systems using different forms of integration protocols such as the Application Programming Interface (APIs), Electronic Data Interchange (EDI) and Secure File Transfer Protocol (SFTP).
- 7.2.12. Able to create professionally formatted, IFRS compliant annual financial statements and other reports as required by the Finance Department.

- 7.2.13. Able to separately consolidate and group reporting for multiple-entity structures, e.g. Ports.
- 7.2.14. Allow user creation (role-based) for the respective technical and operational users.
- 7.2.15. Allow remote access by the end users.
- 7.2.16. Enable the creation and sending of notifications and alerts.
- 7.2.17. Have high availability and be accessed by users via a secure channel.
- 7.2.18. Able to be accessed by multiple concurrent users, even during peak hours.
- 7.2.19. Able to not limit the number of processed transactions.
- 7.2.20. Be accessed through the mobile device supporting various mobile platforms.
- 7.2.21. Enable the encryption of private or sensitive information, and it must allow the information to be transmitted using strong encryption and authentication (e.g. all users must have a unique ID and Password as a minimum).
- 7.2.22. Be scalable to cater for data growth in the next 3 to 5 years and beyond.
- 7.2.23. Have predefined data rules to validate the data entered, like compulsory fields, numeric values, date formats, etc.
- 7.2.24. Have the capability of data analysis and comparing information from multiple sources.
- 7.2.25. Have the capability to retain all stored data as per Transnet's 7-year data retention policy and be able to perform error and omission-free backups.

The service provider is also required to provide the following:

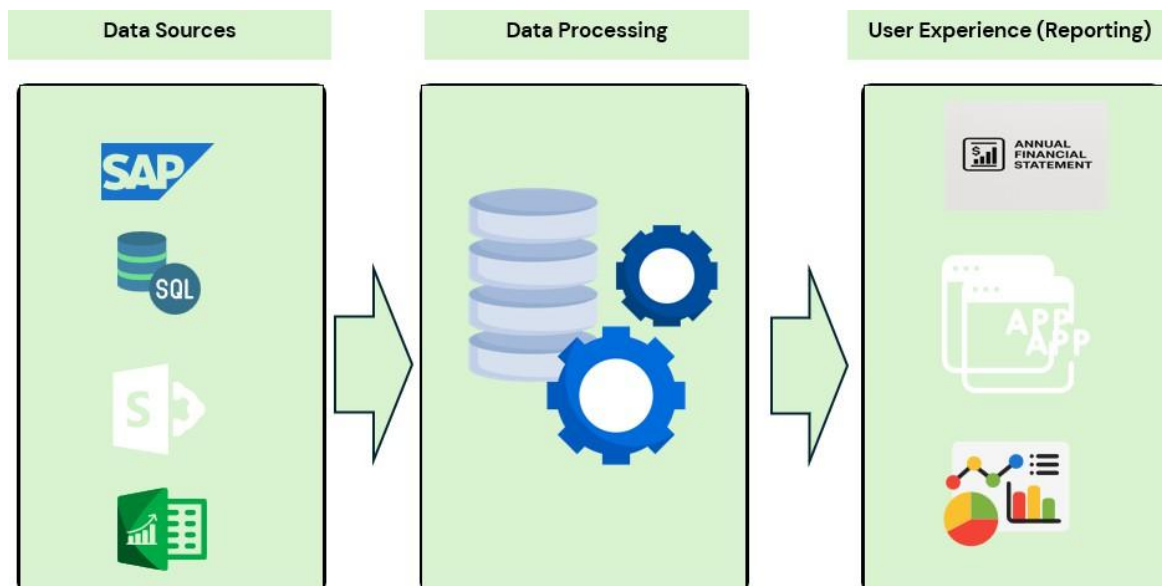
- 7.2.26. Annual licences for 15 users over a period of three (3) years.
- 7.2.27. Provide post-implementation support of the system for three months.

7.2.28. Implementation of the system which includes but not limited to project management, design, configuration, deployment, integration, testing and go-live support.

8. CONCEPTUAL SOLUTION ARCHITECTURE

Trial balance data is extracted from the systems of records namely; SAP data source, then data is processed by the tool and the models are built to be consumed by the reporting leg of the solution. The users consume the reports via the reporting/user experience tool. The diagram below depicts the high-level conceptual solution architecture for the automated AFS preparation process solution.

Figure 1: High-level Solution Architecture for the automated AFS preparation process solution



9. SKILLS TRANSFER

The Service Provider will be responsible for ensuring effective knowledge transfer to TNPA's internal team to support long-term sustainability and system self-sufficiency for one (1) week post the implementation of the solution.

Resource Group	Skills to be transferred	Number of resources
Financial Reporting Team	AFS template usage & editing, Mapping & data import (TB, schedules) Note editing & disclosures, Roll-forward & year-end procedures, Error resolution & diagnostics	4 Resources
Technical Support	Template administration & version control, User management & access control, Customising templates & mappings, Troubleshooting & resolving system issues, Maintaining master files, Roll-forward oversight & template updates	2 Resources
First Line Functional Support	Installation & updates-, Sync folder management, Solution support (if applicable), Backup & restore procedures, User profile technical support	2 Resources
Authorisations	For defining, implementing, and managing the access rights, permissions, and official approvals required for the project to proceed and operate safely.	2 Resources

The service provider will be required to provide the skills transfer, solution design and handover documents.

10. PROJECT LOCATION

10.1 The project team will be based at Transnet National Ports Authority satellite office in Ocean Terminal Building, Durban, for the duration of the project. Any travel related to the project will be accounted for under disbursement costs.

- 10.2 The service provider will be required to be on site for one (1) week during testing, two (2) days for go live and one (1) week for skills transfer and handover post the implementation of the solution.