DA seeks SIU investigation into Daybreak Foods collapse as new forensic evidence emerges

The financial collapse of Daybreak Foods last year was a tragic event:

- 1,900 workers lost their jobs and their livelihoods.
- More than 350,000 starving chickens had to be put down.
- And an investment of R2 billion that was made by the Public Investment Corporation on behalf of workers and government employees was put substantially at risk.

There have been very serious public allegations swirling around the Daybreak saga for a number of years, which if true, contributed to Daybreak's collapse.

On Friday last week, the Democratic Alliance wrote to President Cyril Ramaphosa to request that he mandate the Special Investigating Unit (SIU) to investigate these allegations.

Amongst other matters, the DA is asking the SIU to investigate the following:

1. The appointment of the Daybreak Board, including the appointment of Lerato Nage, in 2020. It is alleged that Nage is a known associate of PIC company secretary, Bongani Mathebula, and that the PIC failed to act against Mathebula, despite a forensic report recommending action against her.
2. The allegedly orchestrated and vexatious litigation against Daybreak Executives who raised concerns of maladministration by the board with the PIC. Black-White, the law firm appointed for this endeavour, was allegedly paid grossly inflated fees. Black-White is owned by Pule Malahlela, an alleged business associate of PIC company secretary Bongani Mathebula.
3. The contracting of Schaefer-Schmidt (registered with the CIPC as a hair salon in Mankweng) to conduct an alleged sham-investigation to be used to get rid of Daybreak Executives unwilling to stay silent on the reported maladministration.

4. Whether anyone benefited improperly, directly or indirectly, from expenditure incurred by Daybreak Foods, whether a director, employee, service provider, public official, politically exposed person or other third party.
5. Whether the PIC adequately discharged its fiduciary and oversight obligations in relation to its investment in Daybreak Foods.
6. The circumstances in which forensic investigations commissioned by Daybreak were started but then stopped before they had been completed, and whether any person improperly interfered with such investigations.
7. And lastly, the payment of allegedly severely inflated invoices to Blue Apple Tree Brand Consultancy and Design.

On the last allegation, the publicly available Daybreak Business Rescue Plan states that an investigation by Nexus found that Blue Apple Tree had received more than R36 million for services which were allegedly unjustified or not rendered. Invoices were allegedly approved using a forged electronic signature attributed to Mr Nage. According to the Business Rescue Plan, the Nexus report concluded that Kgabo Mapotse, the Company Secretary of Daybreak, and Cedric Mamabolo, the owner of Blue Apple Tree, had colluded to defraud Daybreak and recommended criminal charges should be laid under the Prevention and Combating of Corrupt Activities Act.

So to recap what I have said thus far – the Democratic Alliance has written to the President to request an SIU investigation into all the above allegations.

New forensic evidence

I would now like to move on to report on documents which have recently come into the possession of the Democratic Alliance.

These documents purport to be the invoices which were submitted to Daybreak by Blue Apple Tree and the final Fundudzi Forensic Services investigation into Daybreak Foods (“Fundudzi” or “the Report”). **Our source cannot be revealed and the Democratic Alliance cannot vouch for their veracity.**

According to Fundudzi, Daybreak paid R26.8 million for “Integrated Brand Marketing Communications”, even though there was no approved budget for this and there was no agreed contract amount, and most of this was billed in four invoices in May, June, July and August 2022.

The purported content of these four invoices raises questions arising from the nature of the expenses.

1. In May 2022, it appears that R7.3m was invoiced for Identity Manual Brand Strategy Development, Brand Refinement, Brand Guideline Booklet and three websites.

2. In June 2022, it appears that R5.4m was invoiced, for an “Acting CEO's luncheon”, a "School Hand Over", “Corporate Branded Promotional Items” for 80 people, and 3500 copies of a newsletter magazine,

3. In July 2022, it appears that R4.8m was invoiced: R1,500,000 for 3500 copies of a newsletter magazine for June; there was a line item without any cost for CEO Corporate Images including photography, interviewing, videography and story writing; R2,094,000 for “CEO Induction Events” at Head Office, Delmas Abbattors, Sundra Abbatoirs, Kinross Feedmill, Breeders & Hatchery Division Bela Bela, and Delmas Farmers/Vet, including photography, videography, drone videography and event video editing and creating at each venue; and R726,000 for branded corporate wear and promotional items for 50 people. (That translates to R14,520 per person.)

4. In August 2022, it appears that R4.9m was invoiced: R1,500,000 appears to have been invoiced for 3500 copies of a newsletter magazine for August; R890,000 for "Rugby Game Hospitality", including “Board and CEO Transport”, a “Branded Party Bus”, a corporate suite and catering, rugby T-shirts, branded rugby flags, party bus refreshments and photography; R1,800,000 for head office signage; and R349,000 for “Event Coverage – Mandela Day”, at both Bela-Bela and at Delmas, including photography, videography, drone videography and event video editing and creating for both venues.

According to the Report, the rate used in these invoices was not the approved rate. Blue Apple allegedly charged R1,800 per hour per resource, while the Report states that the approved R1,800 figure had been a combined rate across four resources, with the brand-specialist component being R800 per hour. The Report concluded that Blue Apple had inflated its invoices by R12.87 million including VAT, and recommended that this be recovered.

Furthermore, the Report raises serious questions about whether the work being invoiced was verified. The CFO allegedly told investigators that she had struggled to establish whether services reflected in Blue Apple's first invoice had actually been rendered and had requested proof of work. According to the Report, Blue Apple did not provide that proof and instead referred her to the company secretary, Kgabo Mapotse, and said the Board had approved and was comfortable with the services.

The Report also states that its investigation remained incomplete. It records that then CEO Matshela Seshibe instructed investigators in December 2022 to suspend aspects of their investigation. After Seshibe's suspension, investigators were initially permitted to continue but were then instructed by Daybreak director Richard Manzini to finalise their report without completing outstanding investigative work.

So where does all this leave us?

South Africans — and particularly those who lost their jobs at Daybreak and livelihoods, and the government employees, pensioners and workers whose money was invested — deserve to know what went wrong at Daybreak.

We want to know where the money went and who benefited.

If the veracity of the invoices is established, we want to know if the various events listed on the invoices took place, what they were, and who was invited to attend them? Who was invited to travel on the branded party bus?

Why was a forensic investigation halted before it had been completed?

Why were the warnings from management not acted upon swiftly by the PIC?

Why has there been scant accountability for those who were responsible?

An SIU investigation gives the President the opportunity to ensure that South Africans know the truth, to attempt to recover what has been lost to pensioners and workers' funds, and to help ensure that there is proper accountability.

The DA will not rest when the pensions savings of government employees are at risk, when approximately 1,900 workers have lost their jobs, and when public funds which have been set aside to protect workers have allegedly been abused.

That is also why we have initiated a private member's bill, the Pension Protection Bill, to ensure that the directors of the PIC are selected on merit and to free the PIC from political interference.