



Tiruchirappalli City Municipal Corporation

Bharathidasan Road, Cantonment,

Tiruchirappalli – 620 001

Website: www.trichycorporation.gov.in

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Analytical Review of Consolidated Financial Statements

Tiruchirappalli City Municipal Corporation

For the period FY 2022-23 to FY 2024-25

1. Overview

I have reviewed the Consolidated Financial Statements of Tiruchirappalli City Municipal Corporation (“the Corporation”) for the three years ended 31st March 2023, 2024 and 2025. The statements comprise the Balance Sheet, Income & Expenditure Account, Cash Flow Statement and detailed schedules.

The review is focused on identifying **financial trends, anomalies, and risks** that may impact the true and fair presentation of the financials and the fiscal sustainability of the Corporation.

2. Balance Sheet Analysis

2.1 Reserves & Surplus

- ✓ Municipal General Fund has **declined** steadily:
 - ₹26,565.80 Lakh (31.03.2023) → ₹23,201.42 Lakh (31.03.2024) → ₹18,808.42 Lakh (31.03.2025).
- ✓ Continuous operating deficits are eroding reserves.

2.2 Loans & Grants

- ✓ Borrowings and grants rose from **₹2,39,955.90 Lakh in 2022-23 to ₹3,36,731.07 Lakh in 2024-25**, a jump of nearly 40%.
- ✓ Indicates rising dependency on external funding.

2.3 Current Liabilities

- ✓ Grew from **₹14,034.77 Lakh in 2023 to ₹20,898.42 Lakh in 2025**.
- ✓ Large outstanding deposits (₹14,612.16 Lakh in 2025) and government dues payable (₹2,725.03 Lakh).

2.4 Fixed Assets & Capital Work-in-Progress (CWIP)

- ✓ **Gross Fixed Assets:** ₹2,04,827.00 Lakh (2025) with net block ₹94,687.62 Lakh.
- ✓ **CWIP:** Ballooned from ₹1,32,029.83 Lakh (2023) → ₹2,58,625.24 Lakh (2025).



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- ✓ Lack of project-wise reconciliation raises concerns over delayed capitalisation and possible misstatement of depreciation.

2.5 Investments

- ✓ General Fund investments dropped drastically from **₹19,155.09 Lakh (2024) to ₹4,822.25 Lakh (2025)**.
- ✓ Investments of “Other Funds” show **negative balances** (-₹802.00 Lakh as on 31.03.2025) – an accounting anomaly.

2.6 Cash & Bank

- ✓ Declined steeply from **₹60,204.93 Lakh (2023) to ₹25,222.83 Lakh (2025)**.
- ✓ Indicates significant strain on liquidity despite increase in grants.

3. Income & Expenditure Account

3.1 Income Trends

- ✓ Total income grew from ₹35,941.08 Lakh (2022-23) to ₹48,079.06 Lakh (2023-24) but fell to ₹46,269.72 Lakh (2024-25).
- ✓ Key streams:
 - Tax Revenue: ₹15,224.54 Lakh in 2025 (up from 2023).
 - Fees & User Charges: ₹9,938.83 Lakh in 2025.
 - Revenue Grants: Stable at ~₹13,700 Lakh annually.
 - Other Income fluctuated sharply: ₹2,099.82 Lakh (2023) → ₹7,387.91 Lakh (2024) → ₹2,813.06 Lakh (2025).

3.2 Expenditure Trends

- ✓ Total expenditure: ₹40,177.54 Lakh (2023) → ₹51,527.52 Lakh (2024) → ₹49,854.93 Lakh (2025).
- ✓ Establishment costs dominate (₹25,059.49 Lakh in 2025, ~50% of expenditure).
- ✓ Depreciation: ₹9,394.94 Lakh in 2025.
- ✓ Interest & finance costs: steady at ~₹2,483 Lakh.

3.3 Deficit Position

- ✓ Net deficit persisted across years:
 - 2022-23: -₹4,204.68 Lakh



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- 2023-24: -₹3,364.38 Lakh
- 2024-25: -₹4,393.00 Lakh

- Continuous deficit trend is weakening General Fund and overall fiscal health.

4. Cash Flow Analysis

4.1 Operating Activities

- ✓ Positive inflows: ₹1,983.58 Lakh (2023) → ₹11,981.82 Lakh (2024) → ₹6,994.23 Lakh (2025).
- ✓ Improvement from better revenue collections but still inadequate to cover capital commitments.

4.2 Investing Activities

- ✓ Heavy outflows: (-₹51,626.69 Lakh in 2023) → (-₹88,517.25 Lakh in 2024) → (-₹65,974.46 Lakh in 2025).
- ✓ Largely due to capital expenditure and CWIP.

4.3 Financing Activities

- ✓ Net inflows from borrowings and grants: ₹81,843.88 Lakh (2023), ₹59,140.28 Lakh (2024), ₹41,393.29 Lakh (2025).
- ✓ Corporation is dependent on external funding for sustenance of development works.

4.4 Cash Position

- ✓ Closing balances fell consistently:
 - 2023: ₹60,204.93 Lakh
 - 2024: ₹42,809.78 Lakh
 - 2025: ₹25,222.83 Lakh

5. Key Red Flags & Audit Implications

1. **Persistent Deficits** – Continuous shortfall of income over expenditure, eroding reserves.
2. **CWIP Accumulation** – Huge balances without project-wise break-up risk understatement of depreciation and asset misstatement.
3. **Negative Investments** – Accounting anomaly; requires immediate rectification.



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4. **Receivables without Provision** – Sundry Debtors of ₹15,969.14 Lakh in 2025 with no provision violates NMAM/TN MAM norms.
5. **Other Assets Negative Balance** – (-₹5,835.94 Lakh) shown as asset is irregular and distorts financial position.
6. **Liquidity Risk** – Cash reserves have shrunk by nearly 60% in two years, indicating severe pressure on working capital.
7. **Prior Period Adjustments** – Large adjustments (-₹807.79 Lakh in 2025) reflect weak accrual and reconciliation controls.

6. Our Team Follow - ups

- The Corporation's financials reveal a **stress position**, with persistent revenue deficits, rising borrowings, and declining liquidity.
- Critical issues such as **CWIP backlogs, negative investments, lack of provisions for receivables, and incorrect classification of assets** must be addressed urgently.
- To restore fiscal discipline:
 1. **Strengthen revenue base** through widening of tax assessments (property/professional tax) and realistic user charges.
 2. **Project-wise reconciliation of CWIP** and timely capitalisation of assets.
 3. **Create mandatory provisions** for doubtful receivables as per NMAM/TN MAM.
 4. **Rectify anomalies** in Investments and Other Assets ledgers.
 5. **Implement system controls** in UTIS to prevent back-dated postings and ensure trial balance integrity.
 6. **Improve cash management** by timely transfer of earmarked funds (Library/Education cess) and enforcing expenditure prioritisation.

FOR TIRUCHIRAPPALLI CITY MUNICIPAL CORPORATION

Madhubalan Lingam, IAS

Commissioner

Tiruchirappalli City Municipal Corporation