



BOARD EFFECT OF BUDGETING AND BUDGETARY CONTROL ON BUDGET PERFORMANCE IN NIGERIA: A CASE OF ONDO STATE

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Abstract

This study examined board effect of budgeting and budgetary control on budget performance in Nigeria: A case of Ondo State from 2020 to 2024. The objective was to assess how revenue forecasting accuracy, fiscal balance and expenditure control influence budget performance, measured using revenue realisation rate. The study adopts a quantitative ex-post facto research design, relying on secondary data obtained from southwestern states budget documents and financial reports. Descriptive statistics and multiple regression analysis were employed to analyse the relationships among the variables. The findings reveal that revenue forecast accuracy has a negative and marginally significant effect on revenue realisation rate thereby indicating that higher forecast values are associated with lower actual revenue performance. Expenditure deviation ratio exhibits a negative but statistically insignificant relationship with budget performance. Fiscal balance also shows a negative and statistically insignificant effect. The study concludes that weaknesses in forecasting frameworks undermine budget performance more than expenditure control or fiscal balance. It is recommended that Ondo State Government should strengthen its revenue forecasting framework by adopting data driven forecasting models, incorporating macroeconomic indicators and improving coordination between revenue generating agencies.

Keywords: budgeting, budgetary control, budget performance, board, Ondo state

1. Introduction

Budget performance is a measure of the extent to which fiscal objectives have been realized during a given period. Budget performance is normally measured using various indicators, including revenue realized ratio, expenditure performance ratio, budget balance, and variance. From empirical studies, it was established that differences between budget estimates and actual performance undermine fiscal credibility and undermine public trust in government fiscal management (Schick, 1998; Shah, 2007).

BOARD EFFECT OF BUDGETING AND BUDGETARY CONTROL ON BUDGET PERFORMANCE IN NIGERIA: A CASE OF ONDO STATE.

In the Nigerian fiscal environment, the state governments function in a federal fiscal environment with high dependence on statutory allocations from the Federation Account and unpredictable internally generated revenues. The budgetary process in Nigeria, therefore, not only requires attention to the preparation of the budget but also its efficient implementation and control. Budgeting in this sense is not merely the process of preparing the budget but also includes issues of forecasting accuracy, prioritization of expenditure, and strategic allocation of resources (Premchand, 1983).

Budgeting is one of the major tools of financial management in the public sector and fiscal governance. It is the formal expression of the government's estimates of receipts and expenditure for a given financial year and can be regarded as the government's financial plan and policy statement. Budgeting in the public sector is used for allocative, distributive, and stabilizing purposes, ensuring that the available resources in the public domain are used for socio-economic development (Musgrave & Musgrave, 1989; Ogujiuba & Ehigiamusoe, 2014).

Budgetary control is the mechanism through which actual performance is measured and compared against budget estimates. Budgetary control essentially compares actual revenues and expenditure with budgeted revenues and expenditure. Effective budgetary control increases transparency, which in turn increases accountability and minimizes fiscal indiscipline (Hornngren et al., 2014). Conversely, an ineffective budgetary control mechanism can lead to revenue, expenditure, and fiscal deficit problems.

Between 2020 and 2024, Ondo State, Nigeria was characterized by a macroeconomic environment of economic recovery from the impact of the COVID nineteen pandemic, high and rising inflation, and revenue volatility. The above fiscal environment necessitates an examination of whether budgeting structures and budgetary control mechanisms have effectively translated fiscal plans into performance. An empirical investigation of the relationship between budgeting, budgetary control, and budget performance during this period is imperative.

Fiscal discipline and development effectiveness are still threatened by persistent differences between budgeted and actual fiscal outcomes, even after formal budgeting procedures have been institutionalized in Ondo State, Nigeria. Overestimated revenue predictions and notable variances in spending implementation are commonplace for state governments in the region, which leads to poor budget credibility and ineffective resource allocation. Particularly in the post-COVID-19 budgetary context, these discrepancies are made worse by macroeconomic instability, varying government allocations, and restrictions on internally generated money.

Evidence from Ondo State, Nigeria indicates that budgeting and budgetary control systems may not be operating at their best, despite the fact that they are intended to improve fiscal efficiency. However, there is little evidence at the state level that combines budgetary control and budgeting quality into a single analytical framework; instead, the majority of Nigeria's empirical research has focused on federal level analysis or has examined budgeting variables separately. As a result, there is a lack of empirical support for how these factors work together to affect quantifiable budget performance metrics like the subnational revenue realization rate.

Additionally, there is a lack of information about the statistical significance and direction of the relationships between important fiscal variables in the state, such as fiscal balance, spending deviation, and revenue forecast accuracy. The policy significance of

**KOLAWOLE, TAJUDEEN OLASOJI¹, ADEMOLA, EMMANUEL AKINYELE²,
ADEYEMO, MALIK OLAWALE³**

many earlier studies is limited since they offer descriptive insights without doing thorough econometric testing. Therefore, by offering empirical data on the impact of budgeting and budgetary control variables on budget performance in Ondo State, Nigeria between 2020 and 2024, this study aims to close these gaps.

The wide-ranging objective of this study is to examine the board effect of budgeting and budgetary control on budget performance in Ondo State, Nigeria from 2020 to 2024. The specific objectives are to:

- (i) Examine the effect of revenue forecast accuracy on budget performance.
- (ii) Determine the influence of expenditure deviation ratio on budget performance.
- (iii) Assess the relationship between fiscal balance and budget performance.

The study seeks to answer the following questions:

- (i) To what extent does revenue forecast accuracy influence budget performance in Ondo State, Nigeria?
- (ii) How does expenditure deviation ratio affect budget performance?
- (iii) What relationship exists between fiscal balance and budget performance?

The following null hypotheses will be tested:

H₀₁: Revenue forecast accuracy has no significant effect on budget performance in Southwestern Nigeria.

H₀₂: Expenditure deviation ratio has no significant effect on budget performance.

H₀₃: Fiscal balance has no significant relationship with budget performance.

2. Literature Review

Conceptual Review

Budgeting

Budgeting in the public sector is a systematic planning process that translates government policies and priorities into quantifiable financial terms. It involves estimating revenues and allocating expenditures over a defined fiscal period to achieve economic and social objectives (Allen, Hemming, & Potter, 2013). Public budgeting serves several functions, including resource allocation, performance evaluation, and fiscal accountability (Wildavsky, 2018). In Nigerian states, budgeting reflects political commitments and resource constraints, thereby guiding the implementation of development programmes and services (Ajakaiye & Fakiyesi, 2018).

Budgetary Control

Budgetary control refers to the mechanisms and procedures that ensure actual financial activities conform to approved budget estimates. It includes variance analysis, expenditure monitoring, reporting systems, and corrective action measures (Drury, 2018). Effective budgetary control ensures alignment between planned objectives and actual outcomes, helping to prevent cost overruns and revenue shortfalls. It also enhances accountability and reduces fiscal indiscipline (Khan, 2020). In public finance, control systems integrate internal audit functions, expenditure reviews, and performance reporting to maintain fiscal discipline (Juma, 2017).

Budget Performance

Budget performance represents the extent to which fiscal objectives are achieved within a fiscal period. It is commonly assessed through indicators such as revenue realisation rate, expenditure performance ratio, fiscal balance, and variance measures

BOARD EFFECT OF BUDGETING AND BUDGETARY CONTROL ON BUDGET PERFORMANCE IN NIGERIA: A CASE OF ONDO STATE.

(Shah, 2007). A high-performance score indicates that budgeted revenue was realised and planned expenditures were executed efficiently. Conversely, a low performance score suggests constraints in implementation, forecasting errors, or weak control systems (Premchand, 2016).

Theoretical Review

A strong theoretical foundation is essential for understanding the relationship among budgeting, budgetary control, and budget performance. Three theories are particularly relevant:

Public Choice Theory

Public Choice Theory argues that public officials make fiscal decisions based on self-interest, incentives, and political pressures rather than purely societal welfare (Mueller, 2012). This perspective suggests that budget outcomes may deviate from optimal performance due to rent-seeking behaviour, lobbying, or political bargaining. In the context of state budgeting, this theory implies that budget allocations and control mechanisms may reflect political priorities that do not always maximise fiscal efficiency.

Budgetary Control Theory

Budgetary Control Theory posits that organisations establish budgetary systems to coordinate activities, set performance standards, and monitor results (Horngren, Datar, & Rajan, 2018). The theory emphasises the use of feedback loops and performance measurement to ensure discipline and accountability. In the public sector, control theory highlights the importance of variance analysis and monitoring mechanisms for improving financial management outcomes.

Fiscal Federalism Theory

Fiscal Federalism Theory explains how responsibilities for public spending and revenue collection are shared across different levels of government (Oates, 2015). It emphasises the autonomy of subnational governments in budget preparation and implementation while recognising intergovernmental fiscal transfers. For Nigerian states such as Ondo, this theory illuminates how federal allocations and internally generated revenue influence budgeting and performance.

Empirical Review

Empirical studies have examined various dimensions of public sector budgeting and performance, although few focus specifically on Nigerian states. Several recent studies are reviewed below:

Budgeting and Budget Performance

A study by Nwankwo (2021) found that revenue forecast accuracy significantly influences actual revenue realisation among Nigerian states. The study revealed that states with stronger forecasting systems experienced higher rates of revenue realisation, suggesting that accurate revenue estimates reduce fiscal uncertainty. Similarly, Oke and Adekunle (2022) reported that precise revenue forecasting and realistic budget assumptions significantly improved budget credibility in several sub-Saharan African states.

Budgetary Control and Expenditure Outcomes

Research by Mensah and Adu (2020) in Ghana demonstrated that effective budgetary control mechanisms, such as variance analysis and internal audits, reduced expenditure deviations and improved budget implementation performance. The authors argued that strong control systems enhance accountability and reduce fiscal

**KOLAWOLE, TAJUDEEN OLASOJI¹, ADEMOLA, EMMANUEL AKINYELE²,
ADEYEMO, MALIK OLAWALE³**

mismanagement. In Nigeria, Ahmed and Okoye (2023) showed that frequent budget reviews and robust expenditure monitoring were associated with reduced deviations between budgeted and actual expenditure in selected states.

Empirical evidence on the combined effects of budgeting and budgetary control on overall budget performance remains limited at the subnational level. However, studies at the national level such as that by Eze and Uche (2021) demonstrated that the interaction of budgeting quality and control mechanisms significantly improved macro-fiscal outcomes. A recent panel study by Ogunleye et al. (2024) found that states with integrated budgeting and control frameworks exhibited stronger fiscal performance, measured through expenditure adherence and revenue realisation. Their findings highlight the importance of institutional coordination in enhancing budget outcomes.

Research Gap

The literature review reveals substantial research on the budgeting, budgetary control and budget performance, but limited integration of these concepts within unified theoretical and empirical frameworks. Most studies have examined these phenomena separately rather than investigating their interrelationships and potential performance.

There is limited research examining how theoretical frameworks and empirical findings translate into practical policies and procedures budgeting, budgetary control and budget performance. This study addresses these gaps by examining the board effect of budgeting and budgetary control on performance in Ondo State, Nigeria.

3. Methodology

This study adopts a quantitative ex post facto research design. The design is appropriate because the variables of interest, budgeting practices, budgetary control mechanisms and budget performance indicators, have already occurred and cannot be manipulated by the researcher. The study relies on secondary data obtained from official budget documents and financial reports of Ondo State Government covering the period 2020 to 2024. The design enables empirical examination of relationships between budgeting variables and measures of budget performance using statistical techniques.

The population of the study is all the states in South West Nigeria region. Provide the sampling technique in the selection of Ondo state over other Southwestern states. The sample size for the study comprises all annual budgets and financial statements of Ondo State Government between 2020 and 2024. The state operates a structured public financial management system involving budget formulation, legislative approval, implementation and monitoring. These include approved budget documents, budget performance reports and audited financial statements. The study employs descriptive statistics to examine trends and patterns in budgeting and budget performance. Inferential analysis is conducted using Ordinary Least Squares regression to determine the effect of budgeting and budgetary control variables on budget performance. Diagnostic tests such as normality and multicollinearity were carried out.

Model Specification

The functional model is expressed as Budget Performance equals function of Revenue Forecast Accuracy, Expenditure Deviation Ratio and Fiscal Balance

The econometric form is: $BPR_t = \beta_0 + \beta_1RFA_t + \beta_2EDR_t + \beta_3FB_t + \mu_t$; where: BPR represents Revenue Realisation Rate; RFA represents Revenue Forecast Accuracy; EDR represents

**BOARD EFFECT OF BUDGETING AND BUDGETARY CONTROL ON
BUDGET PERFORMANCE IN NIGERIA: A CASE OF ONDO STATE.**

Expenditure Deviation Ratio; FB represents Fiscal Balance; β_0 is the intercept; β_1 to β_3 are slope coefficients; μ is the error term; t represents time period.

4. Data Analyses and Results Discussion

Descriptive Analysis

Table 1

Descriptive Result

	RRR	FB	EDR	RFA
Mean	77.07046	-1.18E+08	1.98E+09	6.22E+08
Median	79.17883	-1.32E+08	2.04E+09	5.29E+08
Maximum	93.87289	-70646335	2.20E+09	1.13E+09
Minimum	61.97155	-1.50E+08	1.64E+09	98767204
Std. Dev.	12.07384	35224752	2.16E+08	4.01E+08
Skewness	0.150489	0.431197	-0.713106	0.018008
Kurtosis	1.984068	1.480584	2.248398	1.787349
Jarque-Bera	0.233897	0.635906	0.541456	0.306629
Probability	0.889631	0.727637	0.762824	0.857860
Sum	385.3523	-5.91E+08	9.91E+09	3.11E+09
Sum Sq. Dev.	583.1104	4.96E+15	1.87E+17	6.45E+17
Observations	5	5	5	5

Source: Analysis Output using E-views 10 (2026)

The descriptive statistics provide preliminary insight into the behaviour of Revenue Realisation Rate, Fiscal Balance, Expenditure Deviation Ratio and Revenue Forecast Accuracy over the period 2020 to 2024. The mean Revenue Realisation Rate of 77.07 percent indicates that, on average, Ondo State realised approximately three quarters of its projected revenue during the study period. The minimum value of 61.97 percent and maximum of 93.87 percent suggest noticeable fluctuations in revenue performance across fiscal years. The standard deviation of 12.07 shows moderate dispersion, implying some instability in revenue mobilisation. The positive skewness value of 0.15 indicates slight right skewness, while the kurtosis of 1.98 suggests a relatively flat distribution compared to a normal distribution.

Fiscal Balance records a mean of negative 1.18E+08, indicating that the state operated a fiscal deficit on average during the period. The deficit ranged between negative 1.50E+08 and negative 7.06E+07. The relatively small standard deviation compared to the mean suggests some consistency in deficit patterns. The positive skewness of 0.43 implies mild asymmetry, while kurtosis of 1.48 indicates a platykurtic distribution.

Expenditure Deviation Ratio has a mean of 1.98E+09, with values ranging from 1.64E+09 to 2.20E+09. The negative skewness of negative 0.71 suggests that higher deviations were less frequent, while the kurtosis of 2.25 indicates a slightly flatter than normal distribution. This reflects persistent variations between budgeted and actual expenditure, which may signal weaknesses in budgetary control mechanisms.

Revenue Forecast Accuracy records a mean of 6.22E+08, with a wide dispersion as shown by a standard deviation of 4.01E+08. The maximum value of 1.13E+09 suggests that certain years experienced relatively accurate revenue projections. The skewness value

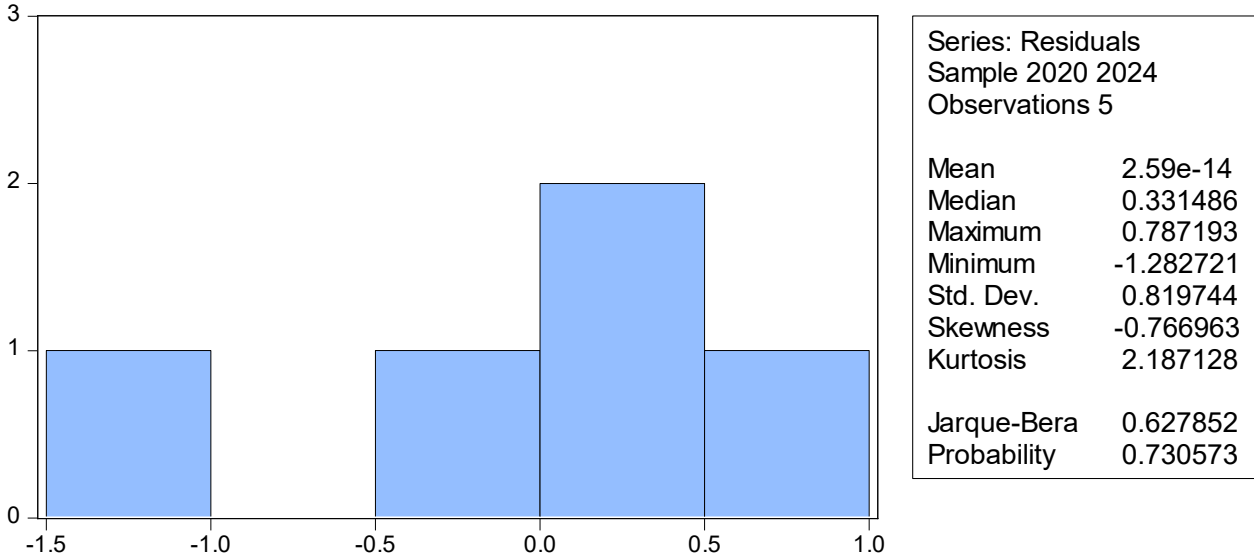
**KOLAWOLE, TAJUDEEN OLASOJI¹, ADEMOLA, EMMANUEL AKINYELE²,
ADEYEMO, MALIK OLAWALE³**

of 0.02 indicates near symmetry, while kurtosis of 1.79 confirms a relatively flat distribution. The Jarque Bera statistics for all variables show probability values greater than 0.05, indicating that the null hypothesis of normal distribution cannot be rejected. Thus, the variables are approximately normally distributed.

Normality Test

Figure 1

Test of Normality of Residuals



Sources: Analysis Output using E-views 10 (2026)

The Jarque Bera probabilities for Revenue Realisation Rate, Fiscal Balance, Expenditure Deviation Ratio and Revenue Forecast Accuracy are 0.8896, 0.7276, 0.7628 and 0.8579 respectively. Since all probability values exceed the 0.05 level of significance, the residuals are normally distributed. This confirms that the assumption of normality required for Ordinary Least Squares regression is satisfied.

Multi-Collinearity Test

Table 2

Multi-Collinearity Test

Variance Inflation Factors

Sample: 2020-2024

Included observations: 5

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	66.90960	124.4635	NA
FB	8.77E-16	24.37645	1.618765
EDR	2.58E-17	190.5546	1.792179
RFA	9.09E-18	8.717768	2.180808

Sources: Analysis Output using E-views 10 (2026)

The Variance Inflation Factor results show centered VIF values of 1.62 for Fiscal Balance, 1.79 for Expenditure Deviation Ratio and 2.18 for Revenue Forecast Accuracy.

**BOARD EFFECT OF BUDGETING AND BUDGETARY CONTROL ON
BUDGET PERFORMANCE IN NIGERIA: A CASE OF ONDO STATE.**

Since all centered VIF values are below the conventional threshold of 10, there is no evidence of serious multicollinearity among the explanatory variables. This indicates that the independent variables are not highly correlated and can independently explain variations in Revenue Realisation Rate.

Heteroskedasticity Test: Breusch-Pagan-Godfrey

Table 3

Breusch-Pagan-Godfrey Test

F-statistic	0.339376	Prob. F(3,1)	0.8154
Obs*R-squared	2.522458	Prob. Chi-Square(3)	0.4712
Scaled explained SS	0.059890	Prob. Chi-Square(3)	0.9962

Sources: Analysis Output using E-views 10 (2026)

The Breusch Pagan Godfrey test reports a probability value of 0.8154 for the F statistic and 0.4712 for the Chi square statistic. Because these probabilities are greater than 0.05, the null hypothesis of homoskedasticity cannot be rejected. This implies that the variance of the residuals is constant and the model does not suffer from heteroskedasticity. The regression estimates are therefore reliable.

Hypotheses Testing and Regression Results

Linear regression test was used to test the hypotheses of the study

Table 4

Regression Result

Dependent Variable: RRR

Method: Least Squares

Sample: 2020 2024

Included observations: 5

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	100.9712	8.179829	12.34393	0.0515
FB	-1.34E-08	2.96E-08	-0.451478	0.7300
EDR	-3.97E-09	5.08E-09	-0.780924	0.5779
RFA	-2.83E-08	3.02E-09	-9.395683	0.0675
R-squared	0.995390	Mean dependent var		77.07046
Adjusted R-squared	0.981562	S.D. dependent var		12.07384
S.E. of regression	1.639488	Akaike info criterion		3.817207
Sum squared resid	2.687919	Schwarz criterion		3.504757
Log likelihood	-5.543017	Hannan-Quinn criter.		2.978623
F-statistic	71.97915	Durbin-Watson stat		1.457875
Prob(F-statistic)	0.086379			

Sources: E-views Output 10 (2026)

The regression model examines the effect of Fiscal Balance, Expenditure Deviation Ratio and Revenue Forecast Accuracy on Revenue Realisation Rate. The R squared value of 0.9954 indicates that approximately 99.54 percent of the variation in Revenue Realisation Rate is explained by the independent variables. The adjusted R squared of

**KOLAWOLE, TAJUDEEN OLASOJI¹, ADEMOLA, EMMANUEL AKINYELE²,
ADEYEMO, MALIK OLAWALE³**

0.9816 further confirms strong explanatory power. However, caution is necessary given the small sample size of five observations.

The F-statistical probability of 0.0864 is greater than 0.05 but less than 0.10. This suggests that the model is statistically significant at the 10 percent level but not at the 5 percent level. The limited number of observations reduces statistical power. Individually, Fiscal Balance has a negative coefficient of negative 1.34E minus 08 and a probability value of 0.7300, indicating that it does not significantly affect Revenue Realisation Rate.

Expenditure Deviation Ratio also has a negative coefficient of negative 3.97E minus 09 with a probability of 0.5779, suggesting no statistically significant effect. Revenue Forecast Accuracy has a negative coefficient of negative 2.83E minus 08 and a probability value of 0.0675. Although not significant at the 5 percent level, it is marginally significant at the 10 percent level. The negative sign suggests that increases in the measured revenue forecast variable are associated with a reduction in Revenue Realisation Rate. This may indicate issues in measurement scaling or structural fiscal distortions. The Durbin Watson statistic of 1.46 suggests mild positive autocorrelation, although strong conclusions cannot be drawn due to the small sample size.

Discussion of Findings

The findings of this study are interpreted in line with recent empirical and institutional literature on public financial management and subnational fiscal performance from 2020 onward. The average Revenue Realisation Rate of 77 percent indicates that Ondo State was unable to fully achieve its projected revenue targets during the period 2020 to 2024. This outcome is consistent with recent evidence that Nigerian subnational governments frequently overestimate revenue projections, particularly during periods of macroeconomic instability and oil revenue volatility (International Monetary Fund, 2021; World Bank, 2022). Studies conducted after the COVID 19 fiscal shock emphasize that revenue shortfalls became more pronounced due to weakened internally generated revenue bases and external revenue uncertainty (African Development Bank, 2021). The present finding reinforces the argument that revenue forecasting credibility remains central to budget performance.

The persistent negative Fiscal Balance observed in the descriptive analysis reflects structural deficits. Post 2020 fiscal sustainability assessments show that many Nigerian states experienced rising expenditure pressures alongside constrained revenue growth (International Monetary Fund, 2023). However, the regression result indicates that Fiscal Balance does not significantly influence Revenue Realisation Rate. This suggests that while fiscal deficits reflect broader macro fiscal conditions, they may not directly determine the efficiency of revenue realisation within a short time frame. Recent public finance studies argue that fiscal balance is more strongly linked to debt sustainability than to immediate revenue performance outcomes (World Bank, 2023).

The Expenditure Deviation Ratio reveals substantial variation between budgeted and actual expenditure. Although statistically insignificant, its negative relationship with Revenue Realisation Rate is theoretically consistent with contemporary public financial management reforms. The Organisation for Economic Cooperation and Development (2021) emphasizes that expenditure credibility and adherence to approved budgets are key indicators of sound budgetary control. Similarly, empirical analyses of developing economies since 2020 show that high expenditure deviations undermine fiscal discipline and reduce overall budget credibility (United Nations Development Programme, 2022).

BOARD EFFECT OF BUDGETING AND BUDGETARY CONTROL ON BUDGET PERFORMANCE IN NIGERIA: A CASE OF ONDO STATE.

The findings of this study therefore support the view that improved expenditure control mechanisms are necessary for enhanced fiscal performance.

Revenue Forecast Accuracy emerges as marginally significant at the 10 percent level. This is particularly important in light of recent reforms emphasizing realistic macro fiscal forecasting frameworks. The International Monetary Fund (2022) highlights that credible revenue projections are fundamental to strengthening budget transparency and implementation efficiency. Empirical studies conducted in sub-Saharan Africa after 2020 demonstrate that improved forecasting techniques significantly enhance budget execution rates (African Development Bank, 2022). The result of this study aligns with these findings by indicating that forecasting precision plays a more influential role in shaping revenue performance compared to fiscal balance or expenditure deviation.

The model's high explanatory power must be interpreted cautiously due to the small sample size. Recent econometric guidance stresses that short time series data may inflate goodness of fit indicators while limiting inferential robustness (Wooldridge, 2020). Nonetheless, the absence of multicollinearity and heteroskedasticity strengthens confidence in the internal consistency of the estimates.

Overall, the findings are consistent with contemporary public finance scholarship which underscores three critical pillars of budget performance: realistic revenue forecasting, disciplined expenditure management and strengthened fiscal oversight institutions. The evidence from Ondo State between 2020 and 2024 supports ongoing calls for improved forecasting frameworks, enhanced internal revenue mobilisation strategies and tighter expenditure controls to ensure sustainable budget performance.

5. Conclusion and Recommendations

The study concludes that budget performance in South West Nigeria is fundamentally influenced by the quality of revenue forecasting and the credibility of budget formulation processes. While fiscal deficits and expenditure deviations remain important indicators of fiscal health, strengthening forecasting accuracy and improving budget discipline are more critical to enhancing budget performance. The findings reinforce contemporary public financial management theory which emphasises realism, transparency and control as pillars of effective budgeting systems.

Based on the findings of this study, the following recommendations are proposed: First, South West Nigeria Governments should strengthen its revenue forecasting framework by adopting data driven forecasting models, incorporating macroeconomic indicators and improving coordination between revenue generating agencies. This will reduce overestimation and enhance budget credibility.

Second, there should be stricter enforcement of budgetary control mechanisms. Ministries, Departments and Agencies should adhere closely to approved expenditure ceilings to minimise deviations between budgeted and actual spending. Strengthening internal audit systems and monitoring frameworks will improve fiscal discipline.

Third, fiscal transparency and accountability mechanisms should be enhanced. Regular publication of budget implementation reports and independent performance reviews will improve public oversight and institutional credibility.

**KOLAWOLE, TAJUDEEN OLASOJI¹, ADEMOLA, EMMANUEL AKINYELE²,
ADEYEMO, MALIK OLAWALE³**

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**BOARD EFFECT OF BUDGETING AND BUDGETARY CONTROL ON
BUDGET PERFORMANCE IN NIGERIA: A CASE OF ONDO STATE.**

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