



Guide to security when you're hiring & managing contractors

*Contractors can help to achieve your organisation's goals,
but they also present security risks that you need to manage.*

This guide outlines the main security risks you face when hiring and managing contractors. It also takes you through a process for identifying and reducing those risks.

Note: This guide doesn't cover legal, HR, or health and safety risks.

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Extra security risks with contractors

Giving a contractor access to your information and assets comes with the same security risks as for permanent employees, and some extra risks.

The main risk is that a current or former contractor will accidentally or maliciously misuse their trusted access to harm your organisation's people, customers, assets and information, or reputation. This risk is known as the 'insider threat'.

We'll help you address the insider threat, the following extra risks, and more in this guide.

Gaining commitment to your security measures

If you don't induct a contractor to your security culture or make them feel a part of the team, their commitment to your security measures may not be strong.

Knowing about competing interests

A contractor may work for a competitor before, during, and after their contract with you. If you don't ask about conflicts of interest, you can't assess the risks or manage them.

Renewing or extending contracts

If you renew or extend a contract without re-screening the contractor, you can't easily identify new risks arising from changes in the work environment or the contractor's life.

Moving contractors from one assignment to another

If you move a contractor from one assignment to another with a higher security profile without proper checks and a security handover, you raise the risk of problems occurring.

WHAT IS A CONTRACTOR?

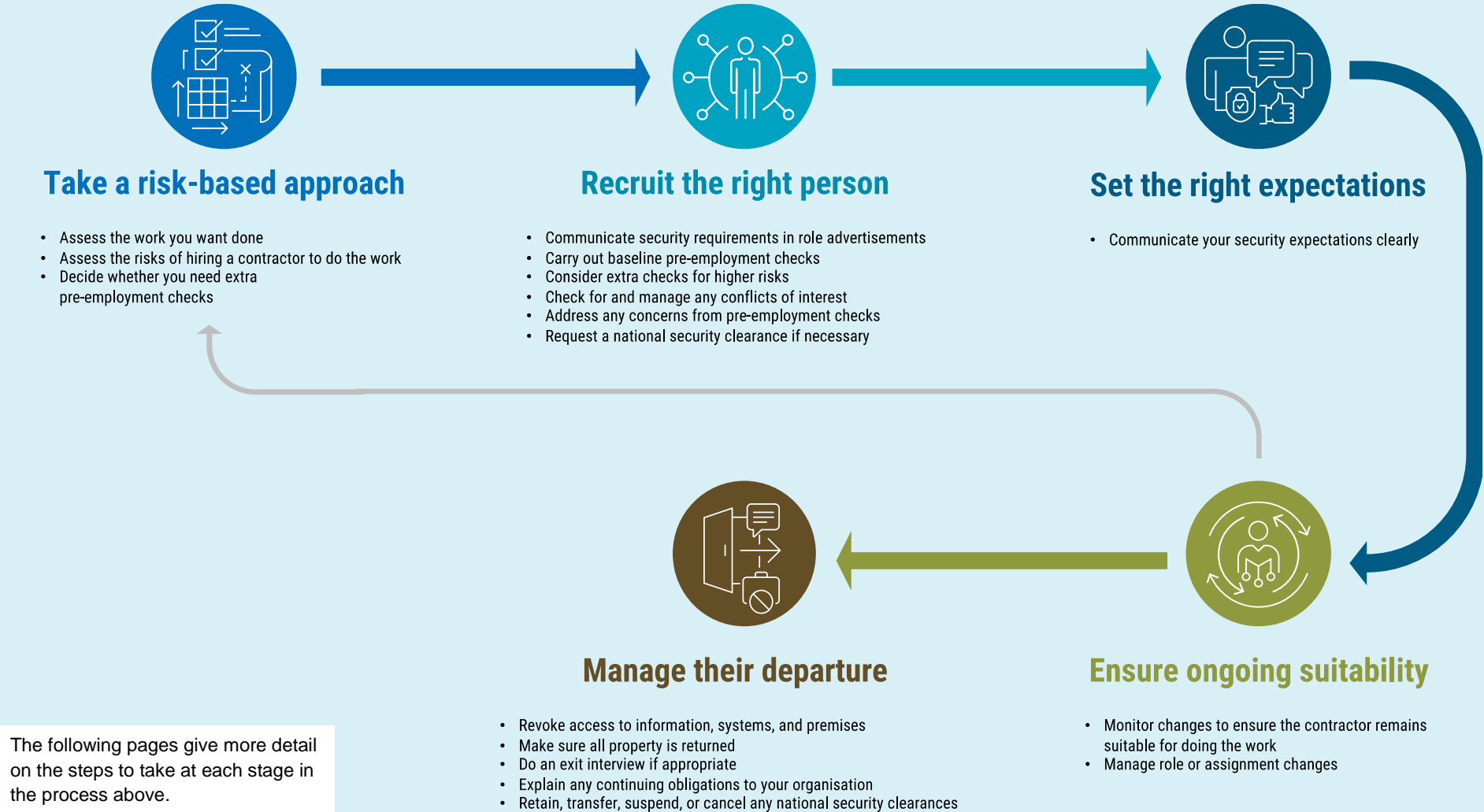
A contractor is anyone who has a direct or indirect contractual relationship to provide services to your organisation. This includes consultants and service or trade contractors.

A contractor is not an employee.

Your organisation might hire a contractor directly, or indirectly through a third-party, such as a recruitment or temping agency, or service provider.

Minimising your risks at every stage: an overview

Minimising the risks with hiring and managing contractors starts before you hire, flows into the recruiting process, and continues throughout the life of the contract.



Taking a risk-based approach

A risk-based approach helps you implement security measures that are right for the risks your organisation faces. You need to identify the risks first and then prioritise them by how likely they are to occur and what their impact would be.

Your first step is to assess the work you want done. Then you can:

- assess the security risks of hiring a contractor to do the work
- think about whether you'll need to do extra pre-employment checks.

Assessing the work you want done

Answer the following questions to help you identify areas of risk and how long you'll need to manage those risks for.

What work will the contractor do and why is it important?

List the kinds of work the contractor will do and what you expect the contractor to deliver. Say why the work matters to your organisation.

Where will the contractor work?

State all the places the contractor will work in so you know where the risks might arise. For example, will they work in New Zealand, overseas, at your premises, co-located with another organisation, remotely, or in several places?

What kinds of information, systems, and workplaces will the contractor need access to?

List the types of access the contractor will need to do the work. For example, will they need access to your systems, databases, areas with higher security requirements, or your financial, commercially sensitive, or classified information?

Do they need access to information, assets, systems, or premises classified CONFIDENTIAL or higher? If so, they'll need a national security clearance.

Do any extra security requirements apply to the contractor's access?

List any extra security requirements with access. For example, will you need to get a Police check?

What skills, qualifications, or experience are necessary to do the work?

Outline what capabilities the contractor needs to do the work. For example, do they need to have a registration, membership, qualification, accreditation, or a certain amount of experience?

How long will the contractor work for you?

State how long the contract is for and if you might extend it, so you know how long the risks are likely to exist and when you might need to re-check the contractor.

Assessing the risks of hiring a contractor

To assess the risks of hiring a contractor to do the work, think about what's important to your organisation and why.

What do you need to protect and why?

List the assets, information or people you need to protect and next to each one, say why the protection is necessary. Come back to your list after you've answered the next question so you can put it in priority order.

What could go wrong and what would happen if it did?

For each item in the list of things or people you need to protect, briefly describe the impact of a security breach. Think about the impact on your organisation's customers, reputation, systems, services, operations, people and so on.

Is a third party supplying the contractor?

If a third party will supply the contractor, remember they're part of your supply chain. That means you need to consider the security risks associated with your supply chain, as well as with the individual contractors you hire.

Assessing the risks from third-party suppliers is especially important when they have offshore interests or when the contractor will work for your organisation in an overseas location.

MORE INFORMATION

Go to protectivesecurity.govt.nz and search for 'Supply chain security'.

Deciding whether you need extra pre-employment checks

Based on your assessments of the risks, work out if your usual pre-employment checks will be rigorous enough to reduce the risks you've identified.

If the usual checks aren't enough, decide which extra ones you'll use. The next section will give you some ideas (see 'Considering extra checks for higher risks').



Recruiting the right person

You can do a lot to reduce risks in the recruitment stage.

Communicating security requirements in role advertisements

If you advertise a role, set the right expectations by outlining the security requirements you'll need the contractor to meet.

If the role requires a national security clearance, include the eligibility criteria in the advertisement to:

- set the right security expectations
- stop people who aren't eligible for security vetting from applying for the position.



Carrying out baseline pre-employment checks

Carry out the following baseline checks for all contractors before you hire them.

- Confirm their identity
- Confirm their nationality
- Confirm their right to work in New Zealand
- Check their references with former employers
- Conduct a criminal record check.

Comply with standards for information gathering and public trust

When you're gathering information for pre-employment checks, remember to comply with your organisation's policies on gathering and storing information. You need to meet the model standards set by the State Services Commission for information gathering and public trust.

When you're hiring through a recruitment agency or hiring an all-of-government provider

When you plan to hire via a recruitment agency or hire an all-of-government provider, you can ask them to do the baseline checks and send you the results.

Make sure you're clear about what checks they'll do and to what standard. It's good practice to ask for:

- confirmation they've done the checks you asked for
- copies of reference checks
- evidence of the quality of their checks.

Remember to check and comply with your organisation's policy for managing information gathered by third parties.

If you plan to hire an all-of-government provider, go to the procurement website for guidance (www.procurement.govt.nz).

When a potential contractor has spent lots of time living overseas

You might find it difficult to carry out robust pre-employment checks for a contractor who's spent lots of time living overseas.

Before you hire a contractor in this situation, answer these questions:

- is another contractor with the same skills and experience available — one you can carry out pre-employment checks for?
- are the security risks and threats to your organisation acceptable or manageable?
- do the benefits to your organisation of hiring the contractor outweigh the risks?

Another approach you could try is asking the contractor to supply their own background checks. For example, you could ask them to give you the results of an overseas police check.

If the contractor needs a security clearance to do the work, remember to consider whether they're likely to meet the eligibility criteria.

Considering extra checks for higher risks

When you identify an increased security risk with a role or the nature of the work, consider what extra checks you need to reduce the risk.

For example, for an IT administrator with broad access to your information, you might do extra checks to ensure they're trustworthy.

The extra checks you carry out will depend on various factors including your operating environment and your security context and culture.

Consider the following extra checks:

- a psychometric test
- a credit check
- a qualification, registration, or membership check
- a Police check
- a drug check
- an alcohol check.

MORE INFORMATION

Go to protectivesecurity.govt.nz and search for 'Recruit the right person'.

Managing conflicts of interest

Contractors may work with other people whose interests compete with yours before, during, or after working for your organisation. You must ask contractors if they'll be working with anyone else.

A conflict of interest doesn't mean you can't hire a contractor, but you should discuss the conflict with them and agree whether it can be managed and how.

MORE INFORMATION

The following websites are good sources of information on managing conflicts of interest:

- www.ssc.govt.nz — search for 'Model standards on Conflicts of Interest'
- www.oag.govt.nz — search for 'Managing conflicts of interest: Guidance for public entities'

Addressing concerns arising from pre-employment checks

If the results of pre-employment checks are concerning:

- assess how the risks are likely to affect the role the contractor may be employed for
- work out if you can reduce the risks to an acceptable and manageable level.

For example, if you can't verify a qualification that is essential to a role, you may decide the risk is too great and rule that contractor out.

On the other hand, if a role doesn't include managing finances and a credit check reveals a small debt from many years ago, you may decide you can safely hire the contractor (assuming your other checks come back clear).

Record what you discover

Remember to record all:

- concerns that come up during pre-employment checks
- risk assessments you carry out
- decisions you make to reduce or manage risks.

Create a risk management plan if necessary

If you employ a contractor with identified risks, work with them to create an individual risk management plan.

Use the plan to support the contractor in their work, treat risks, and maintain your organisation's security.

Requesting a national security clearance

If you identified the need for a national security clearance during the assessment stage, make sure you read our 'Guide to managing national security clearance holders' (available on protectivesecurity.govt.nz).

If a contractor needs access to information, ICT systems, or premises with information classified CONFIDENTIAL or above, they'll need a national security clearance at the same or higher level to do the role. There are no exceptions to this rule.

The following guidance is for different situations that might come up with clearances.

When a clearance is needed for a short-term role

If you need short-term or temporary cover for a role that requires a security clearance, consider reassigning an existing clearance holder from within your organisation.

If you need a new clearance for a contractor in a short-term role, talk to the security vetting team at the New Zealand Security Intelligence Service (NZSIS) about whether the person could be cleared in time to meet your needs.

When you want to transfer a contractor's clearance

You might be able to transfer a contractor's clearance from their sponsoring organisation to yours. To do this, the clearance needed for the role the contractor is moving to must be at the same or lower level than the clearance the contractor already holds.

Government organisations can't grant a clearance at a higher level without first receiving a vetting recommendation from the NZSIS.

When a contractor with a clearance shares their time with another organisation

If a contractor you're planning to hire already has a clearance sponsored by another organisation, you may be able to use that clearance instead of getting a new one.

This situation may arise if your contractor's time is shared with another organisation.

Both organisations need to consider whether the risks are acceptable before agreeing to a sharing arrangement.

If you agree to share a clearance, you must both:

- accept responsibility for sharing security concerns about the contractor
- agree on how you'll manage the clearance and what you'll each be responsible for
- remember to get the contractor's permission before you share their personal information.

Don't forget to ask the sponsoring organisation if there are any limitations on the clearance or risk management plans in place for the contractor..

When the contractor has a clearance from another country

If you want to hire a contractor with a security clearance from Australia, Canada, USA or the United Kingdom, get in touch with the NZSIS's security vetting team to discuss the situation.

Communicating your security expectations

When your checks are complete and you're at the hiring stage, make sure you clearly communicate your organisation's security expectations.

Induct contractors to your security culture as you would for a new employee. Make sure contractors:

- understand your security policies and processes and agree to follow them
- sign any relevant agreements, such as non-disclosure agreements or conflict of interest declarations
- understand they should only access information and systems needed to do their job.

Highlight any particular security measures that apply to:

- their role and workspace
- information they'll access and create
- systems and equipment they'll use
- your assets and property
- your people.

If the contractor holds a national security clearance, you may also need to brief them on security matters related to their clearance.



Ensuring their ongoing suitability

To make sure any contractor you hire remains suitable, you need processes for monitoring the contractor's compliance with your role and security expectations.

Monitoring changes to ensure contractors remain suitable

People and their circumstances change over time. Contractors who are suitable when you recruit them may become disillusioned, run into financial difficulties, develop risky behaviour, or become careless about your security procedures over time.

Develop systems and processes that alert you to new risks

Aim to have systems and processes that help you monitor behaviour or events that may affect security. For example, processes for reporting security incidents and significant changes in personal circumstances.

If a contractor accidentally breaches security, ensure they know how to report it and make sure you follow up on the report to prevent future breaches.

If any of your employees are concerned about a contractor's behaviour, make sure they know how to report it and ensure you follow up on the report in time to prevent any damage.

Remember you can limit a contractor's ability to breach your security by restricting their access to your information, systems, and areas with higher security requirements.

Make sure clearance holders report changes in circumstances

If a contractor has a national security clearance, ensure they understand the kinds of changes in circumstances they need to report, and remind them to do so.

If your contractor is sharing their clearance with another organisation, make sure they clearly understand who they need to report changes in circumstances to.

Maintain security awareness

Continue to raise the contractor's awareness of your security culture while they're working for you. Ensure they get the same security messages and instructions that your employees get. And if necessary for their role, provide security training.

Treat contractors like valued team members

Remember that if you treat contractors like they're valued team members, they're less likely to feel excluded or disgruntled. Consider giving contractors access to the same wellbeing programmes you provide for employees.

Managing contractors moving to new assignments

It's common for contractors to enter an organisation for one assignment and then move onto another assignment with greater responsibilities and a higher risk profile. If you become complacent about security checks because the person is 'known', you increase the risk of problems.

Don't skip pre-employment and suitability checks

Before you confirm a contractor for a new assignment, carry out pre-employment and ongoing suitability checks to the level required for the new role.

Brief any new line managers and share documentation

Brief new line managers on security measures that apply to the contractor and their work. Share documentation about how the contractor performed in their previous role and how well they complied with your security policies.

Ask about conflicts of interest

Remember to ask contractors about any other work they're doing or planning in case there are conflicts of interest.



Managing their departure

When a person is leaving, they have more opportunity to deliberately or accidentally harm your organisation with fewer consequences. For example, when a person is leaving a job, they may feel less bound by security processes.

Following an exit plan

To protect your organisation, manage a contractor's departure by:

- revoking their physical access to your premises
- removing their access to your information and ICT systems
- ensuring they return all property, such as ID cards, electronic devices, and documents
- offering them the option to take part in an exit interview*
- ensuring they understand any ongoing obligations to keep information confidential (get a signed non-disclosure agreement or deed of confidentiality if necessary).

If a contractor holds a national security clearance, make sure you retain, transfer, or cancel the clearance and debrief the contractor if necessary. Remind the contractor of their obligations.

*Do an exit interview if a contractor:

- seems unhappy with your organisation or anyone in it
- has raised concerns about behaviour or practices they've witnessed, such as bullying or sharing passwords.

Retaining national security clearances for contractors

Your organisation may want to keep a contractor's national security clearance for up to 12 months after their contract expires if you plan to hire them for another contract within this time.

Provide a business case for retaining the clearance

To get permission for retaining a clearance, provide a business case to your Chief Security Officer (CSO) before the contract ends. In your business case, outline the:

- reasons for retaining the clearance (your valid business needs)
- agreed responsibilities between your organisation and the contractor.

If your CSO approves the business case, put physical and ICT security measures in place so the contractor can't access your information and assets while they're not under contract.

Decide how often you'll check in with the contractor to assess their ongoing suitability based on the risk profile. Remember that circumstances can change quickly.

It's good practice to suspend or cancel the contractor's clearance while it isn't in use.

If you don't re-engage the contractor within 12 months, or your organisation can't ensure the contractor's ongoing suitability, cancel their clearance.

If your CSO declines the business case, cancel the clearance and advise the NZSIS and the contractor that you've done so.

MORE INFORMATION

Go to protectivesecurity.govt.nz and search for 'Recruiting and managing national security clearance holders'.



Checklist for managing contractors

Use this checklist to help you reduce risks at every stage of hiring and managing contractors.

Take a risk-based approach

- List the work you need the contractor to do
- List access requirements and how long each is needed
- Complete and document your risk assessment (include any supply chain risks)
- Decide if extra pre-employment checks are necessary
- Request a national security clearance (if needed)

Recruit the right person

- Outline your security requirements accurately in the role advertisement
- Carry out baseline pre-employment checks:
 - confirm their identity, nationality, and right to work in New Zealand
 - check their references with former employers
 - conduct a criminal record check
- Carry out extra pre-employment checks if necessary (cross out checks you won't do):
 - psychometric test
 - credit check
 - qualification check
 - Police check
 - drug and/or alcohol check
- Carry out a national security clearance check (if needed)
- Check for conflicts of interest

Work out whether you can reduce the risks identified during pre-employment checks

Create a risk management plan (if needed)

Clearly communicate your organisation's security expectations — ensure the contractor understands your security policies and processes and agrees to follow them

Ensure their ongoing suitability

- Make the contractor aware of their ongoing responsibilities for security
- Ensure a contractor with a national security clearance understands their responsibilities
- Monitor the contractor's compliance with your role and security expectations
- Complete all pre-employment checks and/or ongoing suitability checks before moving a contractor or extending their contract

Manage their departure

- Revoke the contractor's access to information, systems, and premises
- Ensure the contractor returns all property
- Do an exit interview (if appropriate)
- Ensure the contractor understands any continuing obligations to your organisation
- Retain, transfer, suspend, or cancel any national security clearance

For more information, go to:

www.protectivesecurity.govt.nz

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New Zealand Government