The three year audit cycle should be restricted to SMSF's that have their prior two audits that have been done by a completely unrelated audit firm to the accountancy firm that has done the SMSF books.
Too often I see shonky practices go unreported or not even picked up. A common theme is where the Audit business is in the same office as the accountancy firm with the same phone number. Whilst they put an auditors name on it, it's a box ticking exercise. Often the auditor is an employee of the accountants who are the business owners. How many auditors would report their own employers work as being non-compliant? They risk their own livelihood & the livelihood of their workmates.
An auditor shouldn't even lease office space off the accountancy firm they are auditing.

Auditors must be able to demonstrate their independence from the Accountancy firm. Ownership must be different people & I think a similar rule to the related party rule needs to be in place.
For a clear separation I think there should be a rule along the following lines. Auditors must be able to declare that

"they do not and never have worked for the business they are auditing, that they do not & haven't in the prior ten years worked for the accountant or firm whose works they are auditing."

Regards

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