The control population is denoted as population 1, and the treated population is denoted population 2. In population i at a particular position, we have $k_i$ errors out of a coverage of $N_i$, with an underlying “true” error rate of $p_i$.

There is actually no need to use the Poisson approximation: we can do all the calculations with the full binomial distribution, given by

$$P(k_i|N_i, p_i) = \binom{N_i}{k_i} p_i^{k_i} (1 - p_i)^{N_i - k_i}$$

(the $|$ symbol means “given”)

Under the null hypothesis, $p_1 = p_2 = p$. To calculate the distribution over $p$ implied by the control population, we need to use Bayes’ rule:

$$P(p|k_1, N_1) \propto P(k_1|p, N_1)P(p)$$

Here $P(p|k_1, N_1)$ is known as the posterior, $P(k_1|p, N_1)$ as a function of $p$ is the likelihood function, and $P(p)$ is the prior on $p$. The conjugate prior for a Binomial likelihood function is the Beta distribution:

$$P(p) = \text{Beta}(p; a, b) = \frac{1}{B(a, b)} p^{a-1} (1 - p)^{b-1}$$

If you are unhappy with the idea of using prior knowledge (which many biologists seems to be!) you can use the uninformative settings $a = b = 0$. My recommendation however would be to fit $a, b$ using Type II maximum likelihood over your whole dataset. This isn’t entirely straightforward - I used a Newton-Raphson gradient descent algorithm which I could provide the code for. A proper prior does help you: for example, it deals with the situation when $k_1 = 0$ which would otherwise force $p = 0$. As a quick solution, try setting $a = 1, b = \frac{1}{\bar{p}}$ where $\bar{p}$ is the overall substitution rate you see. To give you a bit more intuition about this, you can view $a, b$ as pseudocounts of how many erroneous vs. non-erroneous base calls you have seen.

Because of the conjugacy between the binomial and beta distributions, the posterior on $p$ also becomes a beta distribution (I won’t go through the working here, but it’s not difficult):

$$P(p|k_1, N_1) = \text{Beta}(p; k_1 + a, N_1 - k_1 + b)$$
The p-value you are trying to calculate is
\[ P(k \geq k_2|k_1, N_1, N_2) = 1 - \sum_{k=0}^{k_2-1} P(k|k_1, N_1, N_2) \]

To calculate the sum we need the individual terms:
\[ P(k_2|k_1, N_1, N_2) = \int P(k_2|N_2, p)P(p|k_1, N_1)dp \quad (1) \]
\[ = \int \text{Binomial}(k_2; N_2, p) \text{Beta}(p; k_1 + a, N_1 - k_1 + b)dp \quad (2) \]
\[ = \binom{N_2}{k_2} \frac{\text{Beta}(k_1 + k_2 + a, N_1 - k_1 + N_2 - k_2 + b)}{\text{Beta}(k_1 + a, N_1 - k_1 + b)} \quad (3) \]

Note that the integral here is straightforward again due to the conjugacy of the binomial and beta distributions. The integrand has the functional form of a Beta distribution, which means that the whole integral is simply equal to the normalising constant of the corresponding distribution.